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LawDebenture

ANNUAL REPORT
2022

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. wins best UK Equity – Active category in the AJ Bell Fund and Investment Trust Awards 2022

> "We are proud to receive such great recognition from the industry. I am delighted that Law Debenture continues to offer investors resilience, long term outperformance and dividend growth against a background of turbulent global markets."

Denis Jackson, Chief Executive Officer, Law Debenture

COO and Head of Corporate Secretarial Services Trish Houston, CFO Hester Scotton and CEO Denis Jackson at the *Investment Week* award ceremony.

The Law Debenture Corporation p.l.c. wins Best Investment Trust for Income in Shares Awards 2022

> "This is Law Debenture's third award win this year, and one that we are delighted to receive as it represents direct recognition by retail investors of our investment managers' excellent track record and their continued efforts to offer resilience, long term outperformance and dividend growth to shareholders, successfully using the flexibility provided by the cash flows of our Independent Professional Services business."

Trish Houston, COO and Head of Corporate Secretarial Services, Law Debenture

The Law Debenture Corporation p.l.c.: AIC Investment Trust Awards, UK Equity Income Sector Winner 2022.

The Law Debenture Corporation p.l.c. named UK Equity Income Investment Trust of the Year, for the second year running, at Investment Week's Investment Company of the Year Awards 2022

> "This is Law Debenture's second award win of 2022, and we are extremely pleased to be recognised for the quality of our operations and performance by the investment trust industry and our peers. Our investment managers, James Henderson and Laura Foll, seek to deliver resilience, long term outperformance and dividend growth to shareholders, and this award is an acknowledgement of Law Debenture's ongoing commitment to these goals."

Hester Scotton, CFO, Law Debenture

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.79% 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 0.49%[2] compared to industry average of 1.04%[3]
- Contrarian investment style:
  - High quality companies with strong competitive advantage at attractive valuations
  - Out of favour equities standing at valuation discounts to their long-term historical average
- Selective, bottom-up approach
- Diversified portfolio by sector (predominant UK weighting)

Independent Professional Services (IPS) business

c.21% of NAV

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

PENSIONS

The longest established and one of the largest UK providers of pension trustee services

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

We believe that all divisions have potential for further growth in expanding markets. Our plan to achieve this is by increasing our market share through better leveraging of technology, our strong relationships and our brand

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

1 Please refer to page 152 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 2022.
3 Source: Association of Investment Companies (AIC) industry average as at 31 December 2022.

Financial summary

	31 December 2022 £000	31 December 2021 £000	Change
Net Asset Value – with debt and IPS at fair value[1]*	972,566	964,493	0.84%
Total Net Assets per the statement of financial position	799,067	878,837	(9.08%)
	Pence	Pence	
Net Asset Value (NAV) per share at fair value[1]*	761.69	787.83	(3.3%)
Revenue return per share			
Investment Portfolio	24.06	18.09	33.0%
Independent professional services	10.38	10.00	3.8%
Group revenue return per share	34.44	28.09	22.6%
Capital return/(loss) per share	(103.17)	94.60	(209.1%)
Dividends per share	30.50	29.00	5.2%
Share price[4]	771	799	(3.5%)

	%	%
Ongoing charges[3]*	0.49%	0.50%
Gearing[3]	12%	13%
Premium/(discount)*	1.22%	1.42%

For reconciliation of NAV at fair value per the above to published year end NAV please refer to page 36.

Performance

	1 year %	3 years %	5 years %	10 years %
NAV total return[2]* (with IPS at fair value and debt at par)	(6.8)	16.8	30.3	141.5
NAV total return[2]* (with IPS and debt at fair value)	0.6	26.0	39.9	154.6
FTSE Actuaries All-Share Index Total Return[4]	0.3	7.1	15.5	88.2
Share price total return[4]*	0.4	37.7	51.6	161.2
Change in Retail Price Index[5]	13.4	23.5	29.6	46.0

* Items marked "*" are considered to be alternative performance measures and are described in more detail on page 152.

1 Please refer to page 36 for calculation of net asset value. Please note change in NAV per share in the financial summary does account for the effect of dividends on total return.
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 and both total returns account for shareholder returns through dividends.
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 152.
4 Source: Refinitiv.
5 Source: Office for National Statistics.

Key statistics

for the year ended 31 December 2022

0.4%

Share price total return

(2021: 19.2%)

0.6%[1]

Growth in Net Asset Value
– including debt and IPS
at fair value total return

(2021: 25.1%)

Total Net Assets per statement of financial position percentage decrease (9.08%) (2021: increase of 20.9%)

1.04%

Average premium in share price versus NAV
(with debt and IPS at fair value)
in 2022

8.1%

Growth in IPS profit before tax

(2021: 9.1%)

0.49%

Ongoing charges ratio
– compared to industry average of 1.04% (2021: 1.05%)

(2021: 0.50%)

8.2%

5 year compounding annual growth rate
in IPS net profit before tax

5.2%

Proposed increase
in 2022 dividend per share

(2021: 5.5%)

113%

Increase in IPS valuation
from 2017 to 2022

A consistent long-term out-performer

1 Please refer to page 36 for calculation of net asset value.

2 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 152.

Law Debenture's investment proposition

A proud history

134 years of value creation for shareholders

Strength and diversity of income

Flexibility and valuation uplift from IPS + consistent portfolio outperformance

Consistent dividend growth

44 years of increasing or maintaining dividends to shareholders (114% increase in dividend over the last ten years)

7.91% CAGR of dividend over the last 10 years

5.2% increase in 2022 DPS

25% of total 2022 dividend funded by our Independent Professional Services business

IPS enables greater flexibility in portfolio holdings

IPS accounts for c.21% of the 2022 NAV but has funded 34% of dividends over the last 10 years

Investment Portfolio differentiators:

- 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. Air Products & Chemicals (purchased in January 2023))

Proven record delivering consistent long-term outperformance

Outperformance of our benchmark, the FTSE Actuaries All-Share Index, by 73% over ten years (36.1% over five years and 30.6% over three years)

Low ongoing charges ratio of 0.49% compared to industry average of 1.04%

IPS has a proven record of growth under the management team

CAGR of 10.7% in net revenue and 8.2% in profit before tax over last five years[1]

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

IPS valuation has increased by 113% between 2017 and 2022 to £201.7m[2]

UK weighting (83% portfolio) has potential to outperform

UK has lagged global stock markets in recent years

Around 80% earnings of the FTSE 100 come from outside the UK

Significant UK valuation discount has attracted M&A activity

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

1 Includes acquisition of the Company Secretarial Services business from Eversheds Sutherland (International) LLP in 2021.
2 Increase in total annual valuation of Independent Professional Services business. For a calculation of this please refer to page 36.

LawDebenture

Contents

AT A GLANCE

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

CORPORATE INFORMATION

Chairman's statement

Performance

I am pleased to report that Law Debenture has performed creditably in the midst of the ongoing global economic uncertainty. Rising interest rates and inflation, combined with tumultuous domestic politics and the ongoing war in Ukraine, have resulted in market volatility and low risk appetite. Despite these headwinds, the combination of our diversified Portfolio and another good IPS performance have ensured that Law Debenture continues to deliver on its commitment to produce capital growth over the longer term and steadily increasing income to benefit all our shareholders.

Our benchmark, the FTSE Actuaries All-Share Index, delivered a 0.3% total return, and we are satisfied that the Company's share price total return marginally outperformed this with a total return of 0.4% for 2022. The Net Assets Value ('NAV') with debt and the independent professional services ('IPS') at fair value delivered a return of 0.6%.

The highlight was receiving recognition for all the hard work of our great team of people from the investment community in the shape of three awards. At the 2022 Shares Awards, we were recognised as the Best Investment Trust for Income, and it was also a great honour to be the recipient of the UK Equity Income Investment Trust of the Year award for the second year running. We also came out on top in the UK Equity – Active category at the AJ Bell Fund and Investment Awards. The triple success demonstrates the excellent short- and longer-term record of our investment managers, and the continued resilience, long-term outperformance and dividend growth offered by our Trust.

Dividend

We retain a proud record of increasing or maintaining our dividend payments for the 44th year in a row. The current climate has naturally affected yields from our Investment Portfolio, and it is likely that the enduring impact of the past year's difficulties will continue to affect dividends across capital markets. However, the consistent and reliable cash flows from our diversified IPS business have helped ensure that we can continue our strong dividend record.

Subject to your approval, we propose paying a final dividend of 8.75 pence per ordinary share. The dividend will be paid on 13 April 2023 to holders on the register on the record date of 10 March 2023. This will provide shareholders with a total dividend of 30.50 pence per share for 2022, an increase of 5.2% compared with 2021.[1] This represents a dividend yield of 3.7% based on our closing share price of 827 pence on 24 February 2023. Over the last 10 years, we have increased the dividend by 114% in aggregate.

Capital structure

In 2022, the Group issued 5.2 million new ordinary shares at a premium to NAV, to existing and new investors, with net proceeds of £41.4m to support ongoing investment. Shares were issued at a premium to NAV to be accretive to existing shareholders.

Our Investment Portfolio

Despite recessionary pressures and high inflation, James Henderson and Laura Foll, our investment managers, continue to invest in a differentiated selection of high-quality businesses with competitive advantage and good long-term growth prospects. We are pleased to report dividend income of £34.4m from the Portfolio, representing growth of 31% compared to the prior year. Stocks globally were buffeted over the past year resulting in an understandable, but disappointing, total capital loss for the year of £129.6m. Of this, £126.2m is unrealised as it relates to movements in the value of the holdings within Portfolio and is offset by the movement of £75m in the fair value of debt and £12.5m in the fair value uplift of IPS. However, we are confident that their disciplined approach of buying at attractive entry point valuations will continue to deliver over the longer term for our shareholders. The high-margin and revenue flows that IPS generates give James and Laura the opportunity to explore a more flexible portfolio that includes both income and growth-focused stocks.

Pages 17 to 20 offer more detailed commentary on the Portfolio performance with a review from our investment managers.

1 Refer to financial summary on page 2.

Chairman’s statement continued

IPS

Our professional services business, a unique offering that lends an advantage compared to other UK income funds, has grown from strength to strength in recent years with a compound annual growth in profit before tax of 8.2%[2] over the last five years. The turmoil caused by the ‘mini budget’ brought the pensions industry into widespread focus, and, while it was undoubtedly a difficult period, I am proud of how our Trustee business delivered for clients.

In a year where global uncertainty badly affected capital markets, the value of IPS for shareholders became more evident. Some of our businesses benefit from a degree of counter-cyclicality, which is, in part, why IPS had another year of mid-high single digit revenue and profit growth. This is underpinned by our specialist knowledge and record of providing excellent client service. The Board is pleased to see employee engagement and satisfaction scores improving and this ongoing investment in talent and technology, leaves us confident IPS should have the potential to sustain mid to high single digit growth over the medium term.

> 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 a hedge to market volatility

Environmental, Social and Governance (ESG)

Those with whom we have worked over the past few years will likely be aware of the cultural changes at Law Debenture. I want to give credit to our Executive Leadership team who have been instrumental in creating a working culture that encompasses our four values: Make Change Happen; Better Together; Believe It’s Possible and Never Stop Learning.

Our IPS business is built upon the provision of independent governance services. A central tenet of this work is our commitment to diversity, and we are delighted that we have established a balanced gender pay gap position and have strong female representation both at Board and senior executive level, with women making up 47% of the senior leadership team. In 2022, we ranked 1st in the Financial Services category of the FTSE Women Leaders Review – an achievement that we are extremely proud of. Supporting our people is directly beneficial to our clients, with improved representation promoting broader perspectives, experiences, and skillsets.

As an organisation, we believe that long-term growth is underpinned by sustainability. This presents opportunities for investment within the Portfolio. The IPS business has a relatively small carbon-footprint and, over the years, we have taken steps to further reduce this. As part of our commitment to the ESG agenda, Law Debenture has voluntarily chosen to adopt the Task Force on Climate-Related Financial Disclosures (‘TCFD’). This can be found on page 51.

Our investment managers are committed to investing in businesses that have a sustainable business model and carefully take ESG into consideration when making investment decisions. For more details please see page 50.

The Board

During the course of 2022, Mark Bridgeman stepped down as Chair of the Audit and Risk Committee and from the Board, having served nine years. I would like to thank him for his significant contribution to the Board and the Company over the years.

Pars Purewal, who joined the Board in December 2021, was appointed as our new Chair of the Audit and Risk Committee. Pars brings extensive Audit and Risk experience, having been a Senior Partner and worked in the PwC Audit Practice for 35 years.

Following Mark’s departure, Clare Askem has taken over as Workforce Engagement Director and has already invested time in hosting listening groups with our staff to provide feedback to our Executive Leadership team and the Board.

Looking forward

The beginning of 2023 has brought some tentative optimism from investors that inflation and the cost-of-living crisis will perhaps subside sooner than first thought. While I welcome a more optimistic outlook on UK market valuations, particularly with the more stable environment that we are now seeing, there is still some way to go, and it is reasonable to expect much of this year to follow the current trends. The majority of the Portfolio is invested in UK equities, although many of the earnings are derived from outside the UK. James and Laura continue to believe that UK market valuations are too low and offer some attractive longer-term growth opportunities with a lot of bad news already priced in.

The Board and our investment managers remain confident in our future performance, due to the diversified and resilient nature of our Portfolio and the good growth potential for IPS. Its services are well sought after and the market share opportunities are considerable.

During these challenging times, our consistent delivery has only been possible due to the hard work of our talented people and, on behalf of the Board, I would like to thank them all.

Robert Hingley
Chairman of the Board
27 February 2023

2 Calculated using the published PBT of the IPS business over the past 5 years.

Chief Executive Officer's review

Introduction

2022 has been an encouraging year overall for Law Debenture, despite the continued macroeconomic uncertainty we have seen. Markets have been difficult across the world and the UK saw political volatility which exacerbated the turbulence in financial markets. Despite this, Law Debenture's performance reflected well on the Group's ability to adapt to a changeable economic climate and navigate short-term headwinds. Law Debenture delivered on its two main objectives; producing some, albeit modest, share price growth and continuing to steadily increase income for shareholders.

The sharp jump in inflation and interest rates and overall challenging economic environment for businesses has not been easy for our investment managers to navigate. The median share price for the UK was down 18% over the course of the year and so I am pleased with our total share price performance, which was very marginally up. Capital has been preserved in a year when many global stock markets fell sharply and we had our 44th year of maintaining or increasing dividends.

> 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.

James Henderson and Laura Foll have continued to perform creditably in difficult market conditions. The Group takes great pride in our long-term record over one, three, five and ten years, with consistent outperformance of the benchmark, the FTSE Actuaries All Share Index. James and Laura have a consistent and proven valuation-driven process which aims to identify market-leading, high-quality companies that are undervalued at the point of purchase. It is a testament to the continued outperformance and the investment team that Law Debenture has won three prestigious investment trust awards this year.

Our IPS business has shown its fifth consecutive year of middle to high single digit growth. For 134 years, we have stuck to our principles of independence, trust and excellence. Our investment for growth over the last five years has positioned us well for the future. The acquisition of Eversheds Sutherland (International) LLP's Corporate Secretarial Services ('CSS') business in 2021 has strengthened its client offering. I am very proud of our strong client relationships and approximately two-thirds of our business is repeated year on year. As we face a complex macro-economic environment in 2023, our aim is that IPS should continue to provide an element of counter cyclical revenue that will support our overall performance. High-quality governance should remain core to our clients, regardless of the economic cycle.

IPS business net revenues (gross revenue less direct costs incurred) for the full year 2022 were up 8.6% at £45.2m (2021: £41.6m) and profit before tax was up 8.1%. The diversification of our income streams again served us well, but we have had to compete with the challenging recruitment environment to retain our people who underpin the quality of service we deliver. However, we are active in the management of our cost base and are working hard to ensure our profit margins are sustainable.

We are proud to have delivered a 114% increase in dividend over the last ten years. This is supported by the diversified nature of IPS, which makes Law Debenture a unique investment trust. The flow of income from IPS has funded around 34% of dividends over that period and gives James and Laura the flexibility to invest in a broader and higher-growth portfolio than many sector peers, helping to position the equity portfolio for future longer-term growth.

Corporate trust

Law Debenture was incorporated to act as a bond trustee in 1889. The role of a bond trustee is to act as a bridge between the issuer of a bond and the individual bondholders. Our responsibilities as bond trustee can vary materially, whether servicing performing or defaulted bond issues.

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 2018 £000	Net revenue 2019 £000	Net revenue 2020 £000	Net revenue 2021 £000	Net revenue 2022 £000	Growth 2021/2022 %
Corporate trust	8,362	9,024	10,789	9,771	10,620	8.7%
Pensions	9,488	10,598	11,479	13,060	14,343	9.8%
Corporate services	11,734	12,167	12,226	18,755	20,206	7.7%
Total	29,584	31,789	34,494	41,586	45,169*	8.6%

*Total net revenue is calculated by reducing segment income of £53,452k by cost of sales of £8,283k.
Corporate services: 2021 includes additional revenue arising from the acquisition of the CSS business from Eversheds Sutherland (International) LLP.

Normal obligations for the bond trustee to support performing issues include communication to the bondholders of financial or security data, together with the distribution of covenant information. For this type of work, we are typically paid an annual fee throughout the lifetime of the bond. This fee is inflation linked for the majority of our existing book of business. 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 can materially change. A key duty of the bond trustee is to be the legal creditor of the issuer on behalf of the bondholders. We never wish our clients to suffer bad fortune, but our role in such default situations requires material incremental work that, given a favourable outcome, can lead to significant additional income for the firm. Defaults often take years to play out and the results are uncertain. Given this long-dated and fluctuating backdrop, our revenues for this work in any specific calendar year can fluctuate. However, such post issuance work has strong economic countercyclicality and has produced sound returns for our shareholders over time.

Highlights

Following a difficult 2021, when we reported a 9.4% decrease in revenues for the Corporate Trust business, we are pleased to report revenue growth of 8.7% in 2022, despite challenging market conditions.

As noted at the half year, the majority of the capital markets transactions that sit on our books have been built up over many decades and have contractual inflation-linked fee increases for our services. These fee increases are applied on each transaction anniversary. As 2022 progressed and inflation remained at elevated levels, the more such inflation-linked increases fed through to our book of business.

Despite the extremely tough primary market conditions, under the leadership of Eliot Solarz, we completed some notable new transactions, including an appointment Trustee for the Real Estate Investment Trust, SEGRO plc's €1.15 billion senior unsecured Green Bond issue. The proceeds of the issue will principally be used to finance and/or refinance Eligible Green Projects as outlined in the SEGRO Green Finance Framework, as well as providing funding for general corporate purposes. Later in the year we were also appointed as Trustee on the €750 million senior unsecured Green bond issue for the SEGRO European Logistics Partnership ('SELP') joint venture.

Our escrow business continues to build momentum and broaden its diversification of use. During 2022 we were appointed to a range of roles that included M & A, litigation, commercial real estate, sporting events, sales of ships, and to support global trade in commodities.

Our business is built on trust and independence, our domain expertise, and our ability to move fast.

Outlook for our corporate trust business

Levels of primary market activity are difficult to predict. Growth in European primary debt issuance revenues over the past four years illustrate this well at -14% for 2019, +21% for 2020, +1% for 2021 and -23% for 2022 respectively (source; Dealogic). Our post-issuance work is equally difficult to predict, but historically has had a strong economic countercyclicality.

We continue to increase our range of products and broaden and deepen our relationships with clients, law firms and financial institutions that underpin activity in this market. We have hired extra business development resource to help to grow this business and we are increasingly raising our profile within the marketplace for our services. Even if year-on-year revenue growth can be somewhat lumpy, we are confident that, over time, we can continue to grow this business.

Chief Executive Officer's review continued

Case study: National Lottery

We have worked with Camelot since the inception of the National Lottery in 1994. Our role as Security Trustee is designed to protect players from the insolvency of the operator and requires our daily engagement with Camelot, with whom we have built a tremendous relationship. In September 2022 the Gambling Commission announced that it had awarded the fourth National Lottery Licence to Allwyn. We are delighted that Allwyn, recognising our long-standing experience and expertise in this area, selected us to be the Trustee for their bid and that as such we will continue our work on the National Lottery for at least a further 10 years.

Pensions

We are one of the largest independent providers of Pension Trustees in the UK and, throughout 2022, continued to support our clients as the pensions landscape evolved.

Our Pegasus offering of outsourced pensions executive solutions is a leading provider in the UK in a fast-growing market.

Market dynamics

While many large pension schemes have a professional trustee appointed to their board, around 50% of schemes in the UK have not yet appointed a professional trustee – these are mainly small to medium-sized schemes.

In 2022, the DWP published its consultation on new funding and investment regulations, with a focus on having a longer-term strategy for all pension schemes. Together with the new code of practice on funding due to be in force in 2023, this will push schemes to consider investment strategies and their "end-game" planning in more detail. We expect that this will continue the trend of sponsors and schemes to look to strengthen the level of professional expertise on their pension scheme trustee boards.

In addition to these regulatory developments, the gilt market and associated LDI crises in late September and October 2022 further highlighted the need for professionalism, good governance and the need to react quickly to significant market events.

The UK regulator will also, in 2023, introduce a single combined code of practice, focusing on improving governance and requiring schemes to assess the risks being run in their schemes. These new requirements will encourage schemes to identify gaps in governance. Any resulting resourcing issues may encourage more to outsource.

Highlights

As I announced in the 2021 Annual Report, Vicky Paramour was appointed as Managing Director for our Pensions business, with Sankar Mahalingham heading up the fast-growing Pegasus side of the business. 2022 was another strong year for our Pensions and Pegasus business with growth in revenues of 9.8%. Over the past five years, compound revenue growth is a healthy 12%. In our core Trustee business, we were delighted to add incremental appointments that included names such as Riverstone, SEI Master Trust and Invesco.

We recognise that revenue growth is driven by investing in the best people and we remain committed to continuing to do so. During the year, we continued to invest in our trustee team both at the director level as well as professional trustees with a specific focus on broad pension industry and pensions' management skillsets, to service our increasing portfolio of smaller to medium sized schemes. We also continued to invest in regional and international talent. In Manchester, we hired our first pensions trustees alongside our Pegasus employees to service a large pool of potential clients based in this region and we will continue to add to this capability. We also expanded our capability in Ireland, to cover increasing opportunities in the Irish market from both local and international companies.

During the year, Pegasus continued to grow, with more full outsourced pension management wins, alongside interim resource and project support. Pegasus offers a range of services from simple pension scheme secretarial services through to fully outsourced pensions management and professional sole trustee solutions. After five years, this business now has revenues of approximately £4m 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 value to a growing number of schemes.

Outlook for our Pensions business

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

- The knock-on effects of the LDI crisis in 2022 are likely to give added impetus to the appointment of professional trustees
- New funding and investment regulations are likely to require greater support and challenge from trustee boards, including negotiations with sponsors
- Corporate sponsors will consider to what extent the efficient processes associated with professional corporate sole trustee models will ensure value for money while helping schemes manage their risks
- Schemes moving towards full de-risking solutions are likely to need to call on greater professional expertise and experience.

Chief Executive Officer's review continued

Many sponsors of pension schemes continue to face resourcing issues, for example where:

- In-house administration is outsourced for the first time
- Succession planning issues become relevant as pension managers and their teams retire
- Increased governance requirements put stress on already under-resourced teams

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

In addition, given the highlighted market dynamics, driving the increased professionalisation of pension governance and complex pensions laws that require expert navigation, we believe that the market for our expanding range of pension governance services will continue to increase steadily over time.

Corporate services

Corporate Services has four well-diversified constituents: Corporate Secretarial Services ('CSS'), our whistleblowing division, Safecall, Structured Finance Services and Service of Process. Pleasingly, all businesses grew or maintained their revenue during the year, although the total increase in revenues, up 7.7%, was affected by CSS. In the prior year, the CSS result was for an 11-month period, the acquisition having completed at the end of January 2021.

Corporate Secretarial Services

CSS – *Market dynamics*

We operate in three main product areas.

Managed services: We deliver Global Entity Management services to over 350 clients, acting as a single point of contact to ensure that overseas legal entities are kept in good standing for international compliance. 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 in this space and we are investing heavily here. Our team is based in our London and Manchester offices.

Corporate governance services: This work stream covers all aspects of board and committee support, from full outsourced company secretarial support to attending and minuting meetings. We also provide practical company secretarial, governance and listing rules support to companies preparing for an IPO, including support post listing. Our clients range from major Main Market and AIM listed companies, including investment trusts, to 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 in based in London.

Interim resourcing: Here we provide immediate access to qualified governance professionals, whether on-site or remote, and full time or part time, as required by the client. Typically, we are paid on a time spent basis, but also complete certain work on a fixed fee basis. This team is based in London.

Corporate governance standards are being elevated worldwide and our evidence is that outsourcing growth trends have been accelerated by the pandemic. Large in-house company secretarial departments are typically decreasing in number and are suffering from underinvestment. We have been offering solutions in this sector for over twenty years, have critical mass and are confident of our ability to increase our market share over time in a growing market.

We continue to strive to provide services to which support our clients' needs. In response to changes in legislation, we have become authorised to act as a verifier for the Register of Overseas Entities, providing an essential service for overseas clients and contacts acquiring property in the UK.

CSS – *Highlights*

Frustratingly, we were unable to expand our client base as much as we would have liked during the year because the demand for our products and services in 2022 exceeded our ability to offer appropriate resourcing, particularly in the interim and corporate governance services areas.

Increasing our capability with appropriately qualified people is something that we are continuing to address. We transferred across 46 people at the time of the acquisition in 2021 and, at 2022 year end, our headcount in this business was 64. We will continue to hire and develop the right people, skills, technology and infrastructure that we require in order to deliver a first-class service.

We have also invested in the leadership of this business. Upon her return from maternity leave in late summer 2022, our COO and Executive Director, Trish Houston, took on the responsibility for the day-to-day running of this growing business. Trish brings renewed rigour to ensure that this business can grow sustainably over time and take full advantage of the opportunities that exist in this growing market.

Despite the capacity constraints referred to above, we added to our client roster, winning work to support several Investment Trusts managed by Schroders, as well as the LXI REIT. It is pleasing too that there have been a number of new clients on the Managed Service side, including several FTSE 100 and Fortune 500 groups and FTSE 250 groups on the corporate governance services side.

Chief Executive Officer's review continued

Case Study: Schroder Investment Management Limited – interim company secretarial support

Global investment manager, Schroder Investment Management Limited, part of Schroders plc, which has a market capitalisation of over £7bn, listed on the London Stock Exchange and a constituent of the FTSE 100 Index, was seeking to use a professional services team to provide interim support to their specialist investment trusts secretariat team. They selected LawDeb.

LawDeb's Investment Trust Company Secretarial Services team, a specialised team within the Corporate Secretarial Services division, provided interim support to a number of Schroders' investment trusts for eight months during 2022. Our team was seconded to Schroders' company secretarial team, predominantly working remotely but also from their offices on occasion to provide a more integrated solution. Services included full Board and Committee support, governance advisory and corporate and regulatory reporting support.

Whistleblowing: Safecall – *Market dynamics*

The emerging regulatory frameworks and standards that we have highlighted for some time now continue to accelerate throughout the developed world. The whistleblowing concept is understood and widely discussed, and we are seeing a growing demand for our products and services. Several 2022 news headlines on a national level were driven by some sort of whistleblowing activity. Early adopters of independent whistleblowing services were often larger entities, but increasingly smaller and mid-sized employers are adopting this emerging best practice.

Unsurprisingly, competition is increasing in this growing market. As with all of our IPS business, what differentiates us is the quality of our people. All enquiries are dealt with by our highly trained staff that consists of former police officers. Time and again, the quality of the work that we do for our clients receives high praise.

Whistleblowing: Safecall – *Highlights*

Yet again we provided a record number of reports to our clients in 2022, up 20% on 2021. Increasingly, digital channels are being used to raise and manage issues, so we were delighted to have rolled out our new client portal during the year. In order to compete more effectively, we will invest in further digital capability throughout 2023.

Under new leadership of Joanna Lewis, who joined us at the end of August 2021, we have expanded our sales team and invested in an expanded account management set up. Results to date have been encouraging, with increasing demand from existing clients for our training and investigations offerings. During the course of 2023, we will look to expand these offerings.

Revenues from new clients were again a record and among the 134 new clients we took on in 2022 were EDF Renewables, WHSmith, The Entertainer Ltd and CFC Underwriting.

In order to build on our momentum, we will be investing further across all aspects of the business in 2023. As well as investment in our technology platform, we will add further capacity to our operations team, expertly managed by Tim Smith. Moreover, we will add further headcount to our sales, account management and marketing initiatives in order to accelerate our growth.

Structured finance services – *Market dynamics*

This business is based on providing accounting and corporate administrative services mainly to Special Purpose Vehicles ('SPV's') and other similar corporate structures. Typical buyers would include financial institutions that wish to gain risk exposure to a particular asset type- for example Aircraft Leases or Mortgages or companies being established as part of a corporate acquisition. These buyers regularly access third-party outsource providers to help them with the servicing of the assets. Boutique asset managers (Private Equity and Hedge Funds) and challenger banks are growing users of these services together with overseas businesses acquiring companies in the jurisdictions we serve.

The competitive landscape is dominated by the larger providers with long-established relationships. We are a small player in the sector but, thanks to Mark Filer and his team, receive strong praise from our clients.

Case study: Keller – a global whistleblowing partner

"The company has been working with Safecall for a number of years now for the provision of a speak-up hotline on a global basis. I only joined the company a couple of years ago but have been quickly reassured by the professionalism of the team, their common sense approach and timely advice. The training opportunities are also of high quality. We recently extended the speak-up hotline to our supply chain and the process has gone smoothly. Very happy overall with the services."

Silvana Glibota-Vigo, Group Head of Secretariat, Keller

Structured finance services – *Highlights*

Despite capital markets new issuance levels being particularly challenged during 2022, we were delighted to receive repeat appointments from a number of names operating in the sector. Quotes for new business and wins were both new records. Our challenge is to raise our profile with a broader universe of clients.

Our paying agency business also grew steadily during the year to record levels and we were pleased to see the number of professional firms referring business to us continuing to increase.

> We are proud to have delivered a 114% increase in dividends per share over the last ten years with 44 years of increasing or maintaining dividends.

A particular highlight was being asked to take over an appointment from a competitor on a new innovative protective cell company structure for the London insurance markets. These structures are in their infancy and have been created with the aim of keeping reinsurance in London rather than in offshore centres.

Another win, was the appointment to undertake operational accounting work for one of our CSS clients. We believe that this is a potential area of growth for our business.

Service of process – *Market dynamics*

Under the leadership of Anne Hills, this remains our highest volume business. We have well over 50,000 appointments on our books and typically enter into over 10,000 new appointments each year. Of all of the IPS business, its results are most correlated to levels of global economic activity.

Service of process – *Highlights*

Following an encouraging first half of the year, the surge in inflation and interest rates and the corresponding slowdowns reported in GDP growth around the world unsurprisingly made for a much tougher second half of the year. We ended the year essentially flat to 2021. Given the significant reduction in primary capital markets activity (a key source of appointments), we believe this is a result with which we can be satisfied.

Our upgraded technology, together with our increased headcount, has built capacity. We are more outward looking and better coordinated with our business development and sales activities and so well-positioned for future growth.

Outlook – *for our corporate services business*

We are pleased to have grown revenues in all four businesses in our Corporate Services reporting segment in 2022.

It is an important advantage in these sectors to be an integral part of a well-capitalised, 134 year old, listed organisation willing to invest for the long term. Many of our competitors are private equity owned and subject to different operating demands.

The markets in which we operate are growing and we believe we are well placed to exploit future opportunities.

Support functions

Over the last few years, we have made a significant investment in modernising our central support functions. With oversight from our CFO, Hester Scotton, we have now fully embedded our shared service centre in Manchester to support our Accounts Payable, Accounts Receivable and Debtor management operations. We have grown our HR team, with a new approach to appraisals and objectives, put in place career frameworks to provide visibility and support to our staff as they look to develop their roles and rolled out the first two of our "Future Leaders" training programmes.

We launched new healthcare and pensions arrangements across the firm at the start of 2022. We also made a one-off payment of £1,000 to support our lowest-paid employees navigate the cost-of-living crisis. We have added expertise in Finance, Risk, Legal and Compliance, and, under the leadership of Suzy Walls, boosted our Business Development resource. These investments are essential to be able to grow our businesses sustainably. While we will selectively add resource in these areas in 2023, at this point, from a headcount perspective, we consider much of the significant incremental investment to have been completed.

Information Technology

Our IT capability has radically changed over the past few years. Thanks to David Williams and his team, we now have a cloud-based infrastructure, our employees (circa 300 colleagues) can be fully remote or office based as required, and an IT team of 17, whose proactive role is to deliver new software solutions for our businesses and clients in a controlled, scalable manner.

In last year's Annual Report, we wrote that professional services firms' success will be increasingly defined by their commercial offerings' "ease of use". We made solid progress here in 2022. Among our accomplishments were delivery of a new client portal for Safecall, implementation of a new client and supplier onboarding portal and roll-out of an invoice payment portal for clients.

Nonetheless , we still have further work to do and will continue to accelerate our technology improvements. Our main deliverables in 2023 will include rolling out new modules for our Safecall clients and establishing an improved workflow management infrastructure for our CSS business.

Prospects

Law Debenture is resilient by design. The combination of IPS with the Investment Portfolio is a well proven model and I am cautiously optimistic about the Group's progress in 2023 and beyond. I think that IPS is well positioned for medium-term

Chief Executive Officer's review continued

growth in line with our mid to high single percentage target. We continue to look for opportunities to grow IPS through organic investment and disciplined acquisitions, where appropriate. We are encouraged by recent senior hires, good new business momentum and continue to invest to ensure we gain market share and maintain longer-term growth.

On behalf of the Board, I want to thank my colleagues for their outstanding dedication to developing Law Debenture's client service. I am also very grateful for the continued support of shareholders.

We are cognisant that 2023 will present challenges but I am confident that the people, investment and significant actions we have taken mean that we are well positioned to take advantage of longer-term growth opportunities and maintain our 44-year record of maintaining or raising the dividend.

Denis Jackson
Chief Executive Officer
27 February 2023

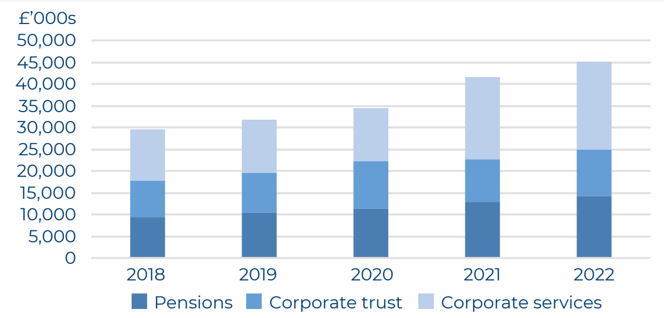
IPS 5 year performance at a glance

IPS net revenue and PBT – 5 year performance

Department	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	5yr Revenue Variance £000	5yr Revenue Variance %
Pensions	9,488	10,598	11,479	13,060	14,343	4,855	51%
Corporate trust	8,362	9,024	10,789	9,771	10,620	2,258	27%
Corporate services	11,734	12,167	12,226	18,755[1]	20,206	8,472	72%
IPS net revenue	29,584	31,789	34,494	41,586	45,169[2]	15,585	53%
% Revenue growth	9%	7%	9%	21%	9%		
Profit before tax	10,481	11,465	12,227	13,340	14,422	3,941	38%
% growth in PBT	8%	9%	7%	9%	8%		

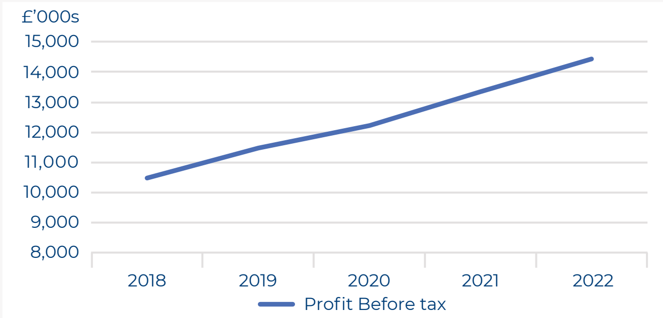
1 Includes revenue from the acquisition of the Company Secretarial Services business from Eversheds Sutherland (International) LLP.
2 This figure is included in the income statement by subtracting cost of sales of £8.2m from gross revenue of £53.4m.

5 YEAR IPS NET REVENUE



Source: Law Debenture as at 31 December 2022.

5 YEAR PROFIT BEFORE TAX



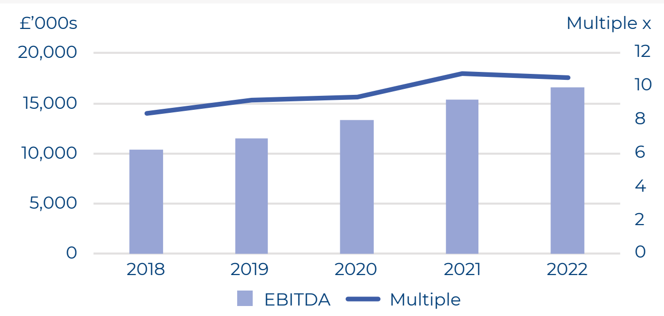
Source: Law Debenture as at 31 December 2022.

IPS Valuation

	31.12.2018 £000	31.12.2019 £000	31.12.2020 £000	31.12.2021 £000	31.12.2022 £000	5yr growth %
EBITDA	10,424	11,515	13,335	15,369	16,588	59%
Multiple	8.4	9.2	9.4	10.8	10.5	25%
IPS fair value (excluding net assets)	87,562	105,938	125,349	165,985	174,174	99%
NAV adjustment: total value less net assets already included	78,439	91,860	112,407	135,885	148,376	89%

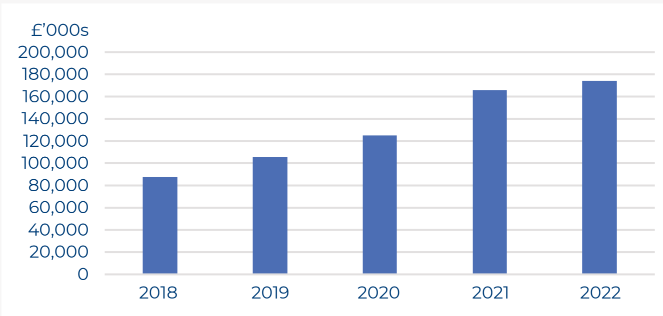
See page 35 for commentary on the IPS valuation.

IPS EBITDA & APPLIED MULTIPLE



Source: Law Debenture as at 31 December 2022.

TOTAL IPS FAIR VALUE (excluding net assets)



Source: Law Debenture as at 31 December 2022.

Photo credit: Jason Hawkes

Investment managers' review

Our investment strategy

Over the long term it is our view that the diversification in our underlying holdings aids consistency of performance and protects capital. That said, in 2022, as we explore in the Performance section below, this worked against us to some degree. There is no common theme to the stocks held other than they are good at what they do and, we believe, have forward-thinking, dynamic management teams. They cover a wide variety of activities. They are all sizes (in market capitalisation terms). We try and blend the different risk profiles they have within the Portfolio. For instance, we have conventional energy stocks as well as alternative energy suppliers.

This diversification does not stop us making strong views about an individual company count in the portfolio. It is an approach focused on stocks. We believe that, by paying attention to what is happening at companies, value can be added. It is better to do it this way rather than having a Portfolio built around large macro-economic views. There are too many variables and unknowns to have conviction at a macro level. However, if we are paying proper attention to companies, investments can be made in businesses that can produce results, almost regardless of what is happening in the wider economy. While there are fewer variables and unknowns at the micro level, they do still exist and this is the reason for long lists and diversification.

Unusually for a portfolio that is in the equity income sector, there are a number of zero dividend-paying shares. The contribution from the Independent Professional Services business to the revenue pool means the Portfolio can hold these shares without affecting the level of income generated overall. This is a significant advantage Law Debenture has over other investment trusts in our peer group and means we have a larger choice of investment opportunities than most other funds in the income sector. We take advantage of this freedom by buying some recovery shares before they become dividend payers and young, immature companies we believe will be significant businesses of the future. It is fundamentally important to grow the capital value of the Portfolio if long-

Investment managers' review

Alternative Performance Measures	1 year %	3 years %	5 years %	10 years %
NAV total return (with IPS at fair value and debt at par)[1]	(6.8)	16.8	30.3	141.5
NAV total return (with debt and IPS at fair value)[1]	0.6	26.0	39.9	154.6
FTSE Actuaries All-Share Index total return[2]	0.3	7.1	15.5	88.2

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 152).
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.

term income growth is to be achieved. The recovery and small company element of the Portfolio can help to provide long-term capital growth. When successful small company and recovery investments can be recycled into income-producing investments, underpinning longer-term dividend growth.

Investment process

Different valuation metrics are used in different sectors. The investment approach has a valuation filter because the entry price a stock is bought at matters, as even the best companies are likely, over time, to mature and decline. The life cycle for many businesses is getting shorter as the global economy is competitive, with new entrants always likely to challenge the established order. Therefore, high valuations are vulnerable because of the pace of this economic change.

We visit and meet potential investments, looking for companies that are in a strong competitive position with management teams that have the qualities needed to grow the business. There is no blueprint for this other than drive and a degree of flexibility. The Portfolio turnover is usually around 20% per annum, so a relatively long-term time horizon is fundamental to the process.

Performance

We always aim to outperform the benchmark over one, three, five and ten years. Whilst we continue to outperform in the medium and long term, this last year has been challenging with the Portfolio declining in value by ~10%. This has been offset by the fair valuation of debt and the increase in the fair value of the IPS business. The under-performance of the Portfolio was driven by holding a larger weighting in smaller size companies relative to the benchmark. In comparison, the benchmark is heavily weighted in the largest 20 stocks in the UK market. As illustrated by the table below, the FTSE 100 top 20 made positive returns during the year. It is within the FTSE 100 top 20 that the very large oil and resource companies reside. For instance BP, Shell and Glencore all made very good share price progress as a result of the Ukraine war leading to the appreciation of raw material prices. At the same time the rise in the price of oil and gas has hurt energy using companies and this led to a slowdown in UK economic activity. In the largest 20 companies in the UK FTSE 100 index more than 80% of their earnings are derived from overseas. The smaller quoted companies are more closely tied to the fortunes of the UK economy. During the year, funds with a broad list of companies large, medium and small were very likely to underperform when virtually only a select few very large international companies could prosper.

Index	Full Year 2022 %
FTSE All-Share	0.34
FTSE 100	4.70
– FTSE 100 top 20	15.70
– FTSE 100 bottom 80	-17.20
FTSE 250	-17.39
Numis Smaller Companies Index (excluding Its)	-17.87
FTSE AIM All-Share	-30.67

Stock attribution

Given the ramifications of the Russia Ukraine war, it is not surprising that the best performers were oil and resource stocks, such as BP and Glencore, as well as a manufacturer of defence

Top five gains

The five largest gains during the year were:

Stock	£ Appreciation	% Appreciation
BP	8,230,800	43.69%
BAE Systems	5,375,563	54.32%
Glencore	3,854,182	58.74%
Rio Tinto	3,397,500	18.52%
Standard Chartered	3,281,142	38.80%

Top five losses

The five largest losses during the year were:

Stock	£ Depreciation	% Depreciation
Accsys Technologies	(10,689,194)	(67.98%)
Ceres Power	(8,842,543)	(67.72%)
Marks & Spencer	(6,752,893)	(47.84%)
IP Group	(6,188,997)	(54.89%)
Watkin Jones	(5,973,819)	(61.74%)

equipment, BAE. The detractors are a mixed group. Accsys, a company that focuses on the sustainable transformation of wood, was a large positive contributor in the past. However, it has had problems building and commissioning a new plant. Therefore, although the demand for its products is growing, the growth of the company has been severely held back. It is hoped that the new plant will come on stream and the company will again progress. Ceres Power was the largest contributor to the fund in 2020 and considerable profits were taken but, unfortunately, we did not sell the entire holding. The share price had got ahead of what has actually been achieved and this has unwound. The company may play a real role in the move away from fossil fuels with its fuel cell technology. The company appears to be making progress even if this is happening at a slower pace than investors had hoped so, on the share price fall, we are buying back some of the stock we sold.

Portfolio income

The income that was generated by the portfolio rose from £26.3m in 2021 to £34.4m for 2022, an increase of 31%. There are several reasons behind this. Some companies returned to paying dividends having stopped paying during the pandemic. The level of special dividends was particularly high, the most notable being NatWest Bank of £1.2m, and a distribution of capital from Aviva of £3.4m. There was underlying good repeatable dividend growth across our holdings. The reduction of the US holdings and the increased exposure to the UK has also benefitted the income account. The dividend yield on the UK market is substantially higher than other major stock markets. We think it is likely the dividend growth from the underlying stocks will continue in 2023.

Portfolio activity

The relative low turnover of stocks and value bias approach has been behind the activity.

The valuation on US stocks, particularly early on in the year, looked stretched, so holdings in Applied Materials and Schlumberger were sold. They are both excellent companies; the issue was valuation. Applied Materials fell as economic slowdown concerns surfaced. The fall was substantial and has allowed us to buy the stock back towards the end of the year. High valuations among the select few companies in favour in the UK meant the holding in Relx was sold. It has been in the Portfolio for many years adding considerable value, but the valuation meant we believed we could recycle into other UK stocks. Among the new purchases within the Portfolio were Cranswick which produces and supplies meat products. It has been a consistently successful company and this is expected to continue. A holding in Castings was added. It is a UK foundry business that has weathered recessionary conditions many times. There is a lack of foundry capacity in the UK, which should mean it will keep performing well in operational terms and this is not reflected in the valuation.

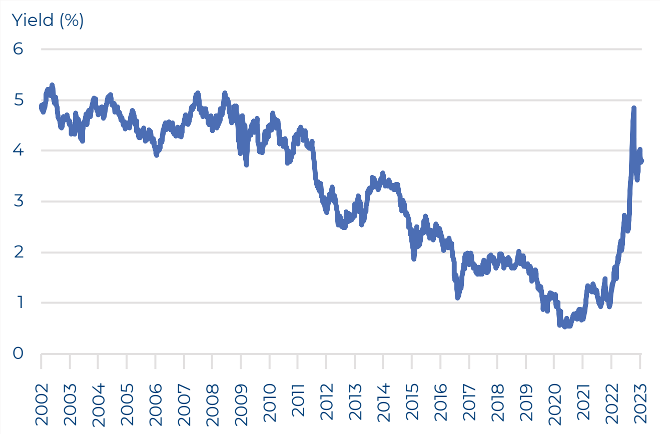
The Portfolio in recent years has benefited from an exposure to alternative energy stocks. During the year, we made a purchase in an unquoted company, Britishvolt, that intended to manufacture batteries for EV cars. Britishvolt had been seen as a landmark project to boost the country's production of EV components. The project was saved from administration in November 2022 after securing additional funding, only to re-enter administration in January 2023. We wrote the investment down to zero before the year end. It illustrates the problems facing the alternative energy sector and the lack of access to meaningful amounts of capital which will be needed if EV car manufacturing is to flourish in the UK. The only other unquoted investment of note in the Portfolio is Oxford Science Innovation. This is a company that helps early-stage businesses that come out of Oxford University. It has been a successful investment since we invested in it in 2015 with the NAV up over 60%. The unquoted exposure in the Portfolio will remain small. The low level of valuations has led to corporate activity, with companies taking the opportunity to take over quoted companies. The notable example during the year for the Portfolio was Euromoney that received a successful cash bid.

The number of stocks in the Portfolio has risen and the Board has given authority for the maximum number to be 175. This is because we often start by buying a small holding in developing companies and adding when they have good projects that need more capital. This feature of the overall Portfolio differentiates us from other funds in our sector and, we believe, has added value over time.

Economic background

The major event in the global economy during the period was the upward move in interest rates, as a result of inflation breaking out everywhere. The catalyst was the Russian attack on Ukraine, forcing up oil prices as well as agricultural products. Prices in other products and services responded by increasing at rates not seen for forty years. However, inflationary pressures had been building before the Russian attack. The effect of Covid-related restrictions led to supply issues in many product areas. The monetary expansion required to alleviate the worst effects the pandemic had in many areas was always likely to stimulate inflation.

20 YEAR UK GILT MID YIELD TO MATURITY



Source: Bloomberg, January 2022.

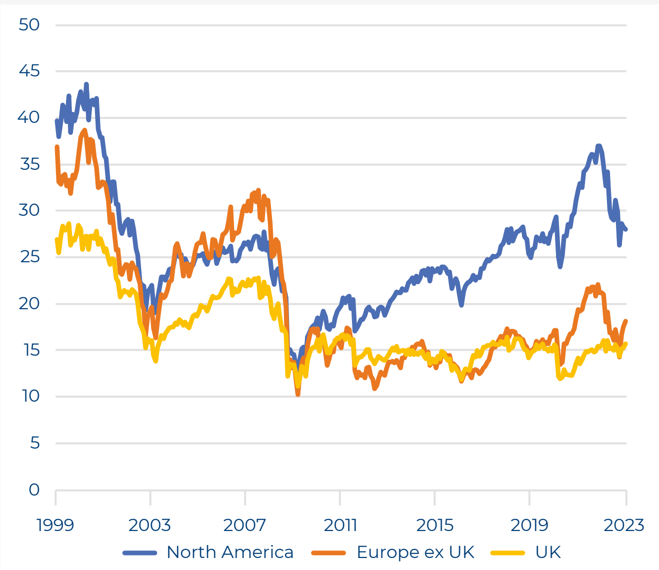
Investment managers' review continued

The upward move in interest rates, as illustrated by the chart above, after a prolonged period of unnaturally low rates led to a number of foreseeable consequences. Property prices fell, as did other alternative asset classes, as investors demanded higher yields. However, the fall in the economy generally has not so far been as marked as some predicted, the reason being that, although interest rates were very low, this had not resulted in high levels of bank borrowing overall in the economy. The regulations brought in after the banking crisis had made accessing the low rates difficult for many. Therefore, the rapid rise in interest rates has slowed the economy, but not brought about deep recessionary conditions. This can be evidenced in the UK by the continued low level of unemployment. Inflation, as well as meaning interest rates rise, has put an upward pressure on wages, leading to public sector strikes. The debate rages about how entrenched inflation has become.

We remain mindful of this difficult economic backdrop, but the Portfolio is invested in individual companies not in "UK plc". The businesses we regularly see are dealing with the cost pressures and achieving price increases for their products, which is resulting in a preservation of operating margin.

Portfolio update and gearing

REGIONAL EQUITY INDICES CYCLICAL ADJUSTED PE(X)



Source: Refinitiv DataStream, Janus Henderson Investors Analysis, as at 10 January 2023.
Notes: Cyclically adjusted PE based on 10 year average earnings. Indices shown are FTSE All-Share, FTSE World Europe ex UK and FTSE North American.

During the year we reduced the exposure to US stocks by around £16m and increased the holdings in the UK by about £40m. The UK market is not only relatively attractive but is on a cheap valuation, as can be seen in the chart above. The overall gearing on the portfolio fell from 13.3% to 11.8% by year end as a result of share issuances, which brought in £41.4m over the year. This gives us the ability to remain active net buyers of equity as opportunities present themselves. It will allow us to keep the Portfolio refreshed.

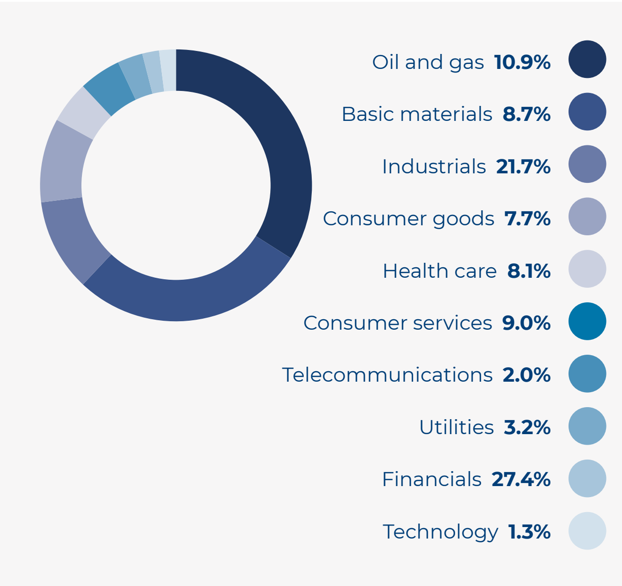
Outlook

The intention is to be a net buyer of equities. Investors' macro concerns have meant that valuation levels for companies are at historical lows. This is particularly the case with UK shares. There are opportunities to add positions for the Portfolio in companies that fulfil our investment criteria and we will continue to add to the Portfolio. The purchases will be in a diverse range of companies, as the testing economic conditions will mean some companies disappoint expectations. However, the dynamism and strengths to be found in some UK companies is not being recognised but, we are confident, it will become so, as some of the economic concerns are slowly resolved.

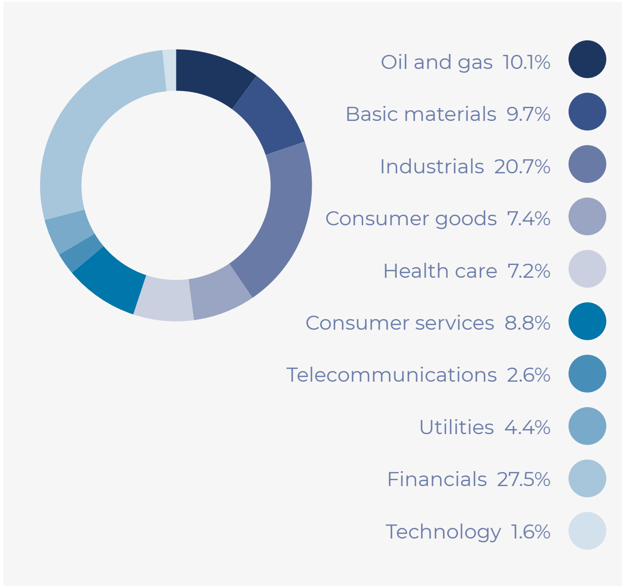
James Henderson and Laura Foll
Investment managers
27 February 2023

Portfolio by sector and value

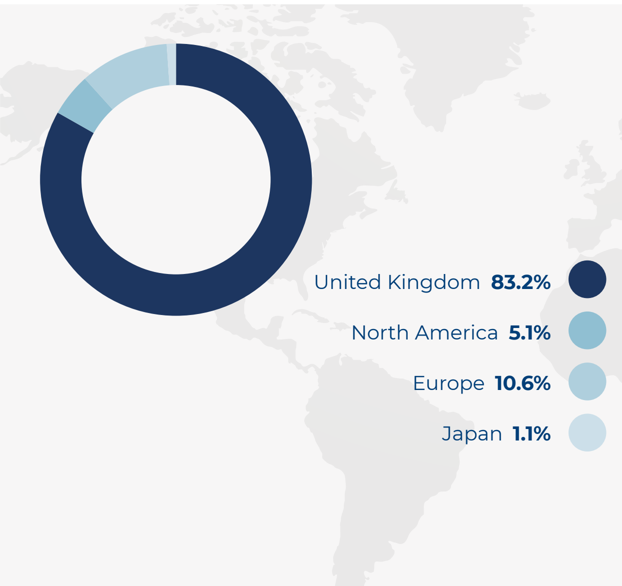
Portfolio by sector 2022



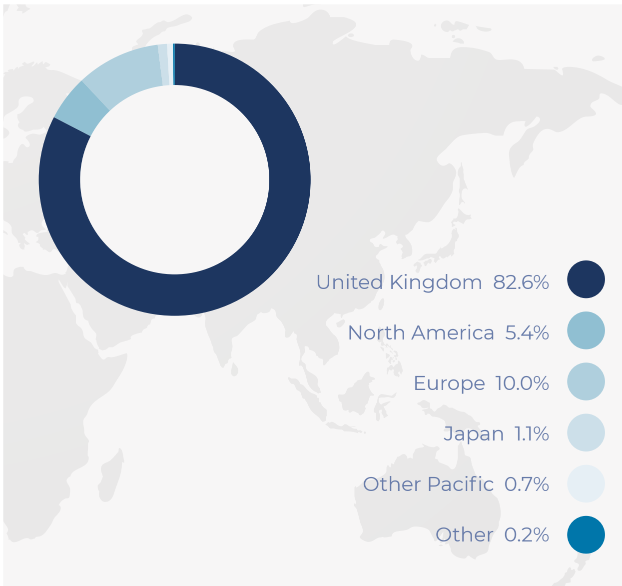
Portfolio by sector 2021



Geographical distribution of portfolio by value 2022



Geographical distribution of portfolio by value 2021



Fifteen largest holdings: investment rationale

as at 31 December 2022

<table>
<tr><th>Rank 2022</th><th>Company</th><th>Location</th><th>% of portfolio</th><th>Approx Market Cap.</th><th>Valuation 2021 £000</th><th>Purchases £000</th><th>(Sales) £000</th><th>Appreciation/ (Depreciation) £000</th><th>Valuation 2022 £000</th></tr>
<tr><td>1.</td><td>Shell</td><td>UK</td><td>3.27</td><td>£113.51bn</td><td>20,280</td><td>—</td><td>—</td><td>8,795</td><td>29,075</td></tr>
<tr><td colspan="10">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. The fossil fuel business has experienced strong cash generation due to high oil & gas prices, with this being used to fund the material investment required within the renewables area to facilitate the company's transition and provide for cash returns to shareholders via dividends and share buybacks.</td></tr>
<tr><td>2.</td><td>BP</td><td>UK</td><td>3.05</td><td>£90.05bn</td><td>18,838</td><td>—</td><td>—</td><td>8,231</td><td>27,069</td></tr>
<tr><td colspan="10">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.</td></tr>
<tr><td>3.</td><td>HSBC</td><td>UK</td><td>2.52</td><td>£129.16bn</td><td>19,454</td><td>—</td><td>—</td><td>2,906</td><td>22,360</td></tr>
<tr><td colspan="10">The company is one of the largest banking and financial services companies in the world serving more than 40m customers around the globe. It has brought a clearer focus to its business by exiting areas where it lacks clear advantages.</td></tr>
<tr><td>4.</td><td>Rio Tinto</td><td>UK</td><td>2.44</td><td>£46.61bn</td><td>18,345</td><td>—</td><td>—</td><td>3,398</td><td>21,743</td></tr>
<tr><td colspan="10">The company focuses on mining aluminum, copper, gold, iron ore, lead, silver, tin, uranium, zinc, diamonds and zircon. It is often the lowest cost producer which allows it to deal with the volatility of commodity prices.</td></tr>
<tr><td>5.</td><td>GlaxoSmithKline</td><td>UK</td><td>2.24</td><td>£69.56bn</td><td>26,911</td><td>718</td><td>—</td><td>(7,646)</td><td>19,983</td></tr>
<tr><td colspan="10">The company is a research based pharmaceutical company with a strong R & D pipeline. There is a clearer focus after disposals on the science of the immune system, human genetics and the use of advanced technologies.</td></tr>
<tr><td>6.</td><td>Barclays</td><td>UK</td><td>2.19</td><td>£16.39bn</td><td>20,196</td><td>2,355</td><td>—</td><td>(3,053)</td><td>19,498</td></tr>
<tr><td colspan="10">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.</td></tr>
<tr><td>7.</td><td>Flutter Entertainment</td><td>UK</td><td>1.96</td><td>£19.89bn</td><td>8,812</td><td>6,919</td><td>—</td><td>1,761</td><td>17,492</td></tr>
<tr><td colspan="10">The company offers betting on a wide range of sports as well as online games including bingo and poker. They are growing fast in the US as gambling opens up in more states. They have a responsible attitude towards their customers.</td></tr>
<tr><td>8.</td><td>NatWest</td><td>UK</td><td>1.93</td><td>£24.33bn</td><td>14,100</td><td>—</td><td>—</td><td>3,138</td><td>17,238</td></tr>
<tr><td colspan="10">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.</td></tr>
<tr><td>9.</td><td>Anglo American</td><td>UK</td><td>1.63</td><td>£28.00bn</td><td>13,572</td><td>—</td><td>—</td><td>977</td><td>14,549</td></tr>
<tr><td colspan="10">Anglo American is a diversified mining company with exposure to commodities including copper, iron ore, diamonds and platinum. It is well positioned to benefit from the need to decarbonise the global economy. For example, it is significantly exposed to copper where demand is likely to grow driven by its use in electric vehicles as well as renewable energy. Anglo American are also among the leaders within the mining sector on environmental targets, aiming to be carbon neutral in their own operations by 2040.</td></tr>
<tr><td>10.</td><td>Direct Line Insurance</td><td>UK</td><td>1.59</td><td>£4.18bn</td><td>13,950</td><td>3,211</td><td>—</td><td>(3,004)</td><td>14,157</td></tr>
<tr><td colspan="10">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. The company has recently warned on its profits as a result of poor underwriting. Management change is underway and we will be reviewing the position.</td></tr>
</table>

Fifteen largest holdings: investment rationale continued

as at 31 December 2022

Rank 2022	Company	Location	% of portfolio	Approx Market Cap.	Valuation 2021 £000	Purchases £000	(Sales) £000	Appreciation/ (Depreciation) £000	Valuation 2022 £000
11.	**Lloyds Banking Group**	UK	1.53	£34.31bn	14,340	—	—	(717)	13,623
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.									
12.	**Morgan Advanced Materials**	UK	1.5	£0.75bn	13,783	1,071	—	(1,488)	13,366
The company produces advanced materials that provide components used in aerospace, satellites, power generation, the medical sector and trains. Their strong positions in these sectors is expected to give rise to sustained long term growth.									
13.	**National Grid**	UK	1.47	£27.97bn	14,934	—	(1,218)	(658)	13,058
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.									
14.	**Sanofi**	France	1.44	£103.68bn	8,559	3,639	—	617	12,815
Sanofi manufactures and develops prescription pharmaceuticals in particular for the treatment of thrombosis and the central nervous system. They are a leader in oncology medicines, These are all areas of real growth.									
15.	**Tesco**	UK	1.33	£17.13bn	13,488	1,697	—	(3,297)	11,888
Tesco is the largest food retailer in the UK. Its leading market share means it is in a strong position to negotiate volume discounts with its suppliers, which can in turn be passed onto the end consumer allowing Tesco to maintain a competitive price point. The business produces substantial free cash flow which can be returned to shareholders via an attractive dividend yield and share buybacks.									

Classification of investments

based on market values as at 31 December 2022

	UK %	North America %	Europe %	Rest of the world %	Total 2022 %	Total 2022 £000	Total 2021 %	Total 2021 £000
Oil and gas								
Alternative energy	0.51	—	—	—	0.51	4,542	1.24	12,330
Oil & gas producers	8.16	0.75	0.01	—	8.92	79,384	5.67	56,137
Oil equipment services & distribution	1.38	—	—	—	1.38	12,313	3.13	31,063
	10.05	0.75	0.01	—	10.81	96,239	10.04	99,530
Basic materials								
Chemicals	0.88	0.33	0.44	—	1.65	14,623	2.84	28,074
Forestry & paper	0.83	—	—	—	0.83	7,400	0.87	8,674
Mining	4.87	—	1.24	—	6.11	54,417	5.93	58,793
	6.58	0.33	1.68	—	8.59	76,440	9.64	95,541
Industrials								
Aerospace & defence	4.02	—	0.38	—	4.4	39,209	3.92	38,876
Construction & materials	4.27	—	0.12	—	4.39	39,199	5.15	51,143
Electronic & electrical equipment	2.79	—	0.09	—	2.88	25,623	2.86	28,363
General industrials	1.14	—	0.11	—	1.25	11,169	1.26	12,478
Industrial engineering	2.39	2.17	—	—	4.56	40,597	3.98	39,518
Industrial transportation	0.62	—	—	—	0.62	5,536	0.86	8,577
Support services	2.76	—	0.56	—	3.32	29,533	2.45	24,370
	17.99	2.17	1.26	—	21.42	190,866	20.48	203,325
Consumer goods								
Automobiles & parts	0.35	0.59	—	1.06	2.00	17,807	2.49	24,727
Food & drug retailers	1.33	—	—	—	1.33	11,888	1.36	13,488
Food producers	0.79	—	0.48	—	1.27	11,375	0.55	5,512
Household goods & home construction	1.83	—	—	—	1.83	16,372	2.15	21,338
Leisure goods	—	—	0.25	—	0.25	2,259	0.81	8,012
Personal goods	0.70	—	0.19	—	0.89	7,988	—	—
	5.00	0.59	0.92	1.06	7.57	67,689	7.36	73,077
Health care								
Health care equipment & services	1.29	—	0.04	—	1.33	11,917	1.53	15,163
Pharmaceuticals & biotechnology	3.23	0.69	2.70	—	6.62	59,068	5.62	55,648
	4.52	0.69	2.74	—	7.95	70,985	7.15	70,811
Consumer services								
General retailers	2.99	—	—	—	2.99	26,631	3.92	38,889
Media	2.06	—	0.15	—	2.21	19,706	2.11	20,925
Travel & leisure	2.60	—	1.11	—	3.71	33,085	2.67	26,508
	7.65	—	1.26	—	8.91	79,422	8.70	86,322
Telecommunications								
Fixed line telecommunications	0.91	—	—	—	0.91	8,124	1.26	12,492
Mobile telecommunications	0.90	—	0.17	—	1.07	9,474	1.29	12,858
	1.81	—	0.17	—	1.98	17,598	2.55	25,350
Utilities								
Electricity	0.61	—	—	—	0.61	5,369	0.53	5,224
Gas, water & multiutilities	2.62	—	—	—	2.62	23,264	3.79	37,709
	3.23	—	—	—	3.23	28,633	4.32	42,933
Financials								
Banks	9.49	—	0.53	—	10.02	89,121	8.41	83,642
Equity investment instruments	2.85	—	—	—	2.85	25,404	3.24	32,294
Financial services	4.15	0.08	0.52	—	4.75	42,365	5.80	57,565
Life insurance/assurance	4.08	—	—	—	4.08	36,359	3.75	37,190
Nonlife insurance	2.70	—	0.29	—	2.99	26,633	2.50	24,780
Real estate investment trusts	1.93	—	0.51	—	2.44	21,691	3.36	33,372
	25.20	0.08	1.85	—	27.13	241,573	27.06	268,843
Technology								
Advanced medical equipment & technology	0.27	—	—	—	0.27	2,442	0.45	4,466
Software & computer services	—	—	0.20	—	0.20	1,778	0.76	7,519
Technology hardware & equipment	—	0.50	0.33	—	0.83	7,394	0.33	3,229
	0.27	0.50	0.53	—	1.30	11,614	1.54	15,214
Other								
Other	0.10	—	—	—	0.10	913	—	—
Sustainable energy	0.86	—	0.15	—	1.01	9,033	—	—
	0.96	—	0.15	—	1.11	9,948	—	—
TOTAL 2022	83.26	5.11	10.57	1.06	100.00	891,005		
TOTAL 2021	82.57	5.41	10.00	2.02	—	—	100.00	992,478

The above table excludes bank balances and short-term deposits.

Investment Portfolio valuation

based on market values as at 31 December 2022

Holding name	Country	Sector	Industry	£000	%
Shell	UK	Oil & Gas	Oil & gas producers	29,075	3.27
BP	UK	Oil & Gas	Oil & gas producers	27,069	3.05
HSBC	UK	Financials	Banks	22,360	2.52
Rio Tinto	UK	Basic Materials	Mining	21,743	2.44
GlaxoSmithKline	UK	Health Care	Pharmaceuticals & biotechnology	19,983	2.24
Barclays	UK	Financials	Banks	19,498	2.19
Flutter Entertainment	UK	Consumer Services	Travel & leisure	17,492	1.96
NatWest	UK	Financials	Banks	17,238	1.93
Anglo American	UK	Basic Materials	Mining	14,549	1.63
Direct Line Insurance	UK	Financials	Nonlife insurance	14,157	1.59
Lloyds Banking Group	UK	Financials	Banks	13,623	1.53
Morgan Advanced Materials	UK	Industrials	Electronic & electrical equipment	13,366	1.50
National Grid	UK	Utilities	Gas, water & multiutilities	13,058	1.47
Sanofi	France	Health Care	Pharmaceuticals & biotechnology	12,815	1.44
Tesco	UK	Consumer Goods	Food & Drug Retailers	11,888	1.33
Standard Chartered	UK	Financials	Banks	11,737	1.32
Aviva	UK	Financials	Life insurance/assurance	11,391	1.28
BAE Systems	UK	Industrials	Aerospace & defence	11,128	1.25
Glencore	Switzerland	Basic Materials	Mining	11,048	1.24
Land Securities	UK	Financials	Real estate investment trusts	11,021	1.24
Senior	UK	Industrials	Aerospace & defence	10,682	1.20
Herald Investment Trust	UK	Financials	Equity investment instruments	10,632	1.19
Prudential Corp	UK	Financials	Life insurance/assurance	10,531	1.18
M & G	UK	Financials	Financial services	10,332	1.16
Severn Trent	UK	Utilities	Gas, water & multiutilities	10,206	1.15
DS Smith	UK	Industrials	General industrials	10,147	1.14
Caterpillar	USA	Industrials	Industrial engineering	9,900	1.11
Irish Continental Group	Ireland	Consumer Services	Travel & leisure	9,882	1.11
Hiscox	UK	Financials	Nonlife insurance	9,855	1.11
Kingfisher	UK	Consumer Goods	Household goods & home construction	9,561	1.07
Toyota Motor Corporation	Japan	Consumer Goods	Automobiles & parts	9,426	1.06
Cummins	USA	Industrials	Industrial engineering	9,412	1.06
Balfour Beatty	UK	Industrials	Construction & materials	9,332	1.05
Boku	UK	Industrials	Support services	9,317	1.05
IMI	UK	Industrials	Industrial engineering	8,855	0.99
Haleon	UK	Health Care	Pharmaceuticals & biotechnology	8,837	0.99
Rolls Royce	UK	Industrials	Aerospace & defence	8,797	0.99
Marks & Spencer	UK	Consumer Services	General retailers	8,631	0.97
Phoenix Group Holdings	UK	Financials	Life insurance/assurance	8,520	0.96
Dunelm	UK	Consumer Services	General retailers	8,126	0.91
BT Group	UK	Telecommunications	Fixed Line Telecommunications	8,124	0.91
Vodafone	UK	Telecommunications	Mobile telecommunications	8,003	0.90
Ceres Power	UK	Oil & Gas	Oil equipment services & distribution	7,941	0.89

Investment Portfolio valuation continued

based on market values as at 31 December 2022

Holding name	Country	Sector	Industry	£000	%
Hill & Smith	UK	Industrials	Industrial engineering	7,801	0.88
i3 Energy	UK	Oil & Gas	Oil & gas producers	7,691	0.86
Elementis	UK	Basic Materials	Chemicals	7,650	0.86
Hipgnosis Songs Fund	UK	Financials	Equity investment instruments	7,444	0.84
Mondi	UK	Basic Materials	Forestry & paper	7,400	0.83
ITV	UK	Consumer Services	Media	7,328	0.82
Scottish Oriental Small Co	UK	Financials	Equity investment instruments	7,303	0.82
Cranswick	UK	Consumer Goods	Food producers	7,047	0.79
Gibson Energy	Canada	Oil & Gas	Oil & gas producers	6,700	0.75
Ibstock	UK	Industrials	Construction & materials	6,410	0.72
Johnson Service Group	UK	Industrials	Support services	6,385	0.72
Spectris	UK	Industrials	Electronic & electrical equipment	6,379	0.72
Reckitt Benckiser Group	UK	Health Care	Health care equipment & services	6,329	0.71
Unilever	UK	Consumer Goods	Personal goods	6,273	0.70
Halfords	UK	Consumer Services	General retailers	6,241	0.70
Hammerson	UK	Financials	Real estate investment trusts	6,109	0.69
Accsys Technologies	UK	Industrials	Construction & materials	6,084	0.68
Chesnara	UK	Financials	Life insurance/assurance	5,916	0.66
Standard Life Aberdeen	UK	Financials	Financial services	5,689	0.64
Jubilee Metals Group	UK	Basic Materials	Mining	5,668	0.64
Marshalls	UK	Industrials	Construction & materials	5,541	0.62
Oxford Sciences Innovation	UK	Financials	Financial services	5,533	0.62
Next Fifteen Communications Group	UK	Consumer Services	Media	5,445	0.61
Bayer AG	Germany	Health Care	Pharmaceuticals & biotechnology	5,367	0.60
Bristol-Myers Squibb	USA	Health Care	Pharmaceuticals & biotechnology	5,351	0.60
Reach	UK	Consumer Services	Media	5,326	0.60
General Motors	USA	Consumer Goods	Automobiles & parts	5,281	0.59
Babcock	UK	Industrials	Aerospace & defence	5,210	0.58
Smith & Nephew	UK	Health Care	Health care equipment & services	5,205	0.58
Provident Financial	UK	Financials	Financial services	5,178	0.58
SSE	UK	Utilities	Electricity	5,135	0.58
Kier	UK	Industrials	Construction & materials	5,106	0.57
IP Group	UK	Financials	Financial services	5,085	0.57
TT Electronics	UK	Industrials	Electronic & electrical equipment	5,074	0.57
VH Global Sustainable Energy Opportunities	UK	Other	Sustainable Energy	5,050	0.57
iEnergizer	Guernsey	Industrials	Support services	5,030	0.56
Redde Northgate	UK	Industrials	Support services	4,803	0.54
Grit Real Estate Income Group	Guernsey	Financials	Real estate investment trusts	4,560	0.51
International Distribution Services	UK	Industrials	Industrial transportation	4,473	0.50
Applied Materials	USA	Technology	Technology hardware & equipment	4,427	0.50
International Consolidated Airlines	UK	Consumer Services	Travel & leisure	4,257	0.48
Indus Gas	UK	Oil & Gas	Oil & gas producers	4,153	0.47
Ricardo	UK	Industrials	Support services	3,999	0.45

Investment Portfolio valuation continued

based on market values as at 31 December 2022

Holding name	Country	Sector	Industry	£000	%
Watkin Jones	UK	Consumer Goods	Household goods & home construction	3,950	0.44
AFC Energy	UK	Oil & Gas	Alternative Energy	3,946	0.44
International Personal Finance	UK	Financials	Financial services	3,765	0.42
Vertu Motors	UK	Consumer Services	General retailers	3,633	0.41
Weir Group	UK	Industrials	Industrial engineering	3,335	0.37
Nestle	Switzerland	Consumer Goods	Food producers	3,323	0.37
ITM Power	UK	Oil & Gas	Oil equipment services & distribution	3,230	0.36
Surface Transforms	UK	Consumer Goods	Automobiles & parts	3,101	0.35
SigmaRoc	UK	Industrials	Construction & materials	2,969	0.33
ASML	Netherlands	Technology	Technology hardware & equipment	2,968	0.33
Plant Health Care	USA	Basic Materials	Chemicals	2,907	0.33
Roche	Switzerland	Health Care	Pharmaceuticals & biotechnology	2,892	0.32
Bellway	UK	Consumer Goods	Household goods & home construction	2,861	0.32
Koninklijke DSM	Netherlands	Basic Materials	Chemicals	2,719	0.31
Castings	UK	Industrials	Construction & materials	2,710	0.30
Munchener Rueckver	Germany	Financials	Nonlife insurance	2,621	0.29
UniCredit	Italy	Financials	Banks	2,548	0.29
Amundi	France	Financials	Financial services	2,494	0.28
Oxford Nanopore Technologies	UK	Technology	Advanced Medical Equipment & Technology	2,442	0.27
Novo Nordisk	Denmark	Health Care	Pharmaceuticals & biotechnology	2,405	0.27
Bawag	Austria	Financials	Banks	2,111	0.24
Kistos	UK	Oil & Gas	Oil & gas producers	1,935	0.22
Airbus SE	Netherlands	Industrials	Aerospace & defence	1,789	0.20
SAP	Germany	Technology	Software & computer services	1,777	0.20
Moncler	Italy	Consumer Goods	Personal goods	1,715	0.19
LVMH	France	Consumer Goods	Leisure Goods	1,701	0.19
Deutsche Boerse	Germany	Financials	Financial services	1,636	0.18
Safran SA	France	Industrials	Aerospace & defence	1,603	0.18
Cellnex Telecom	Spain	Telecommunications	Mobile telecommunications	1,471	0.17
Libertine Holdings	UK	Other	Sustainable Energy	1,470	0.16
Marstons	UK	Consumer Services	Travel & leisure	1,455	0.16
First Tin	UK	Basic Materials	Mining	1,410	0.16
Universal Music Group	Netherlands	Consumer Services	Media	1,370	0.15
EDP Renovaveis SA	Spain	Other	Sustainable Energy	1,347	0.15
Renold	UK	Industrials	Industrial engineering	1,294	0.15
Allied Minds	UK	Financials	Financial services	1,277	0.14
Arkema SA	France	Basic Materials	Chemicals	1,190	0.13
Gelion	UK	Other	Sustainable Energy	1,166	0.13
Velocys	UK	Oil & Gas	Oil equipment services & distribution	1,142	0.13
Logistics Development Group	UK	Industrials	Industrial transportation	1,063	0.12
Kion Group AG	Germany	Industrials	Construction & materials	1,047	0.12
Sig Combibloc	Switzerland	Industrials	General industrials	1,022	0.11
Danone SA	France	Consumer Goods	Food producers	1,005	0.11

Investment Portfolio valuation continued

based on market values as at 31 December 2022

Holding name	Country	Sector	Industry	£000	%
Allfunds Group	UK	Other	Other	915	0.10
Ondine Biomedical Inc.	Canada	Health Care	Pharmaceuticals & biotechnology	833	0.09
ASM International NV	Netherlands	Industrials	Electronic & electrical equipment	804	0.09
Deltic Energy	UK	Oil & Gas	Oil & gas producers	793	0.09
Tullow Oil	UK	Oil & Gas	Oil & gas producers	738	0.08
Jackson Financial	USA	Financials	Financial services	671	0.08
Ilika	UK	Oil & Gas	Alternative Energy	596	0.07
Harbour Energy	UK	Oil & Gas	Oil & gas producers	571	0.06
Adidas	Germany	Consumer Goods	Leisure Goods	558	0.06
Longboat Energy	UK	Oil & Gas	Oil & gas producers	555	0.06
Brockhaus Capital Management	Germany	Financials	Financial services	537	0.06
Grifols	Spain	Health Care	Pharmaceuticals & biotechnology	510	0.06
Sartorius AG	Germany	Health Care	Health care equipment & services	382	0.04
Mirriad Advertising	UK	Consumer Services	Media	237	0.03
SIMEC Atlantis Energy	UK	Utilities	Electricity	235	0.03
Carclo	UK	Basic Materials	Chemicals	157	0.02
Barryroe Offshore Energy	Ireland	Oil & Gas	Oil & gas producers	103	0.01
LDIC Investments	UK	Financials	Financial services	100	0.01
EuroAPI Sasu	France	Health Care	Pharmaceuticals & biotechnology	75	0.01
Morses Club	UK	Financials	Financial services	67	0.01
Better Cap	UK	Financials	Equity investment instruments	25	—
Permanent TSB	Ireland	Financials	Banks	4	—
				891,005	100.00

In accordance with listing rule 15.6.8, The Law Debenture Corporation p.l.c. announces that it has no investments in other UK listed investment companies that require to be disclosed.

Changes in geographical distribution

Region**	Valuation 31 December 2021 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	Appreciation/ (Depreciation)* £000	Valuation 31 December 2022 £000	%
United Kingdom	828,365	135,201	(431)	(91,658)	(128,222)	743,255	83
Europe	99,297	30,815	(98)	(32,739)	(4,433)	92,842	11
North America	53,665	5,182	(16)	(21,495)	8,146	45,482	5
Japan	11,151	—	—	—	(1,725)	9,426	1
	992,478	171,198	(545)	(145,892)	(126,234)	891,005	100

* Please refer to note 2 on page 126.
**'Other' and 'Other Pacific' regions from 2021 have been reclassified according to their location of listing.

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.

To our IPS clients we are trusted, independent experts who have 134 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 culture

Our purpose and values are central to our objective. They are reinforced by our culture as a business, which is one of excellence, independence and trust for our shareholders, clients and our people.

The Board is responsible for ensuring that our culture is aligned with our purpose, values and strategy, by promoting, assessing and monitoring the same. The Board discharges this duty by reviewing the relevant policies, practices and behaviours throughout the business including its own conduct as a Board and individual directors. The Board endorses the stated purpose and values and ensures they are reflected in its discussions and decision-making.

Some of the ways in which the Board monitors the Group's culture, with the assistance of its committees, senior managers and external advisors, are as follows:

- reports on the results of our quarterly eNPS surveys which are internal and ask staff for feedback on their experience;
- reports on workforce engagement as described on page 62 and our Section 172(1) Statement on pages 46 to 48;
- reports on risk management, internal controls, internal audits, compliance, anti-bribery and whistleblowing arrangements;
- cyclical presentations from our Business and Department Heads at each Board meeting;
- feedback from our key external advisors such as our external auditors and investment manager on their relationship with the relevant teams within the business;
- review of diversity and inclusion of the Board and oversight of the statistics set out in the ESG section on page 54; and
- Board, Committee and individual directors' performance evaluations, the process and outcome of which is set out on page 93.

Following on from the project to articulate the culture and values of our business in 2021, we organised another culture week during 2022 to continue to embed, share and celebrate our values as a business.

We believe the culture of the Company and wider Group is strong and a contributing factor to us performing well in challenging market conditions.

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.

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 Investment Portfolio.

The IPS profits provide a reliable 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 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 Portfolio 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 2022 is described in more detail in the investment managers' review on pages 17 to 20.

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

Company overview continued

Our business model

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

Total Shareholder Return

INVESTMENT PORTFOLIO

(c. 79% of NAV – including IPS and long-term borrowings at fair value)

- Invests in a diverse equity portfolio
- Earns capital returns and dividends
- Low ongoing charges

INDEPENDENT PROFESSIONAL SERVICES

(c. 21% of NAV – including IPS and long-term borrowings at fair value)

- Trusted provider of independent governance services, generating recurring revenue.
- Profits provide the investment trust with a steadily increasing revenue stream.
- Tax efficient

INVESTMENT PORTFOLIO

- The Company's portfolio will typically contain over 70 and up to 175 stocks, the maximum permitted.
- 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 13 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 2022 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 affect individual equities.

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 we deliver on our objective.

Investments	Permitted types of investments are: • Equity Shares • Cash/Liquid Assets	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 more than 175 stocks • No investment may be made which raises the aggregate value of the largest 20 holdings, excluding holdings in collective investment vehicles that give exposure to Japan, Asia/Pacific or emerging market regions, to more than 40% of the Investment Portfolio, including gilts and cash • The value of a new acquisition in any one holding may not exceed 5% of the total Investment Portfolio value (including cash) at the time the investment is made • Further additions shall not cause a single holding to exceed 5%, and Executive approval must be sought (to be reported at the next Board meeting), to retain a holding should its value increase above the 5% limit • No investment in any investment vehicle managed or advised by Janus Henderson shall be made without prior Board approval • No investment other than in equity shares quoted on a major international Stock Exchange (including AIM for the avoidance of doubt) or instruments convertible into the same may be made without prior Executive approval • The Company may not make investments in unlimited liability companies
	The current regional parameters are:	

Region	Minimum %	Maximum %
United Kingdom	55	100
North America	0	20
Continental Europe	0	20
Japan	0	10
Asia/Pacific	0	10
Other (including South America)	0	10

Derivatives	May be used with prior authorisation of the Board
Hedging	Currency hedges may be put in place with Board approval to protect against foreign exchange movements on the capital and income accounts
Stock-lending	Up to 30% of the market value of the Investment Portfolio may be lent
Gearing	A ceiling on net gearing of 50% is applied. Typically net gearing, (i.e. gearing net of cash), is between 10% and 20% of the total Trust value. The Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate. Refer to page 152 for calculation of gearing
Daily dealing limit	Net purchases in any dealing day are to be limited to £30 million unless prior Executive approval is obtained
Underwriting	Permitted capital at risk up to 5% of the value of the Investment Portfolio
Corporate approval	Where indicated, the investment manager must obtain prior approval to exceed permitted limits either through Board or Executive approval. Executive approval shall be the approval of either the Board Chair or the Chief Executive Officer. The Board may make non-material adjustments or changes to the investment policy from time to time. Any changes to the investment policy, which the Board deem to be material, require prior shareholder approval

Agreement with the investment managers

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

On a fully discretionary basis, our investment managers are responsible for implementing the Company's investment strategy. The contract 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 61). 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.

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 total ongoing charges of 0.49%.

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 2022, our gearing was 12% (2021: 13%) (refer page 152).

The Company has four debentures (long dated sterling denominated financing) details of which are on page 145. The weighted average interest payable on the Company's debentures is 3.961% (2021: 3.966%).

The fair value of long-term borrowings held by the Group is disclosed in note 20 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 Portfolio 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 17 to 20, which contain performance and related data, form part of this strategic report.

Company overview continued

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
0.6%	26.0%	39.9%	154.6%

Premium/(discount)

	31 December 2022	31 December 2021
Year end	1.2%	1.4%
High for year	4.5%	5.4%
Low for year	(6.6%)	(4.6%)

Ongoing charges ratio

Year ended 31 December 2022	Year ended 31 December 2021
0.49%	0.50%

Alternative Performance Measures as defined under ESMA guidelines have been adopted and these are described in detail on page 152.

Share price and NAV

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

Law Debenture’s responsibilities as an institutional shareholder

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

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

The Board determines the Company’s investment strategy but does not issue express instructions to the investment manager on transactions in particular shares. Where Law Debenture believes that incumbent management is failing in its duties, Law Debenture (or on its behalf, the Company’s investment managers) may 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. Law Debenture’s investment managers have voting discretion but may notify Law Debenture on occasion and when appropriate, 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 45 shareholder meetings of investee companies.

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

The Company does not believe that conflicts arise between its duties as an institutional shareholder and the work undertaken by the IPS business. The investment managers have 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 112. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on page 113. A segmental analysis is provided in note 6 (pages 128 and 129) 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 maintainable earnings before interest, taxation, depreciation and amortisation (EBITDA) for 2022, with an appropriate multiple applied. The EBITDA for the IPS business for 2022 was £16.6m. This number is reached by taking the return, including profit attribution on ordinary activities before interest and taxation of £14.4m from note 6 on page 128 and adding back the depreciation charge for property plant and equipment of £2.2m, the amortisation of intangible assets of £1.0m, and interest on the lease liabilities shown in note 3 on page 126.

The calculation of the IPS valuation and methodology used are included at note 13 on pages 134 to 137. 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, 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. Given this, as a cross-check, we have validated the valuation using a discounted cash flow with an externally advised WACC and are satisfied it is in range.

The multiple of 10.5x has been applied to value the business. The uplift reflects that the IPS business now has five years of revenue and profit growth. The multiple selected has decreased since the prior year in line with wider market trends.

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

Company	Revenue LTM[1] (£m)	LTM EV/ EBITDA 31 December 2022	Net revenue CAGR 2018-2022	EBITDA margin LTM
Law Deb IPS	45	10.5x	11.0%	35.0%
SEI Investments Company	1,827	11.9x	9.4%	28.3%
SS&C Technologies Holding, Inc	4,702	10.1x	15.0%	33.9%
EQT Holdings Limited	63	13.2x	6.3%	37.8%
Perpetual Limited	425	6.2x	8.9%	23.7%

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

Of the comparator companies previously presented, the following were the subject of mergers and acquisitions activity: Sanne Group plc was subject to a valuation 30x of EBITDA and Intertrust a valuation at 12-13x 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 £2.06m (2021: £1.89m).

It is hoped that our continued initiatives to achieve 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 2023. The total valuation (including surplus net assets) of the business has increased by £111m/123% 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 37.

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 (£53.4m) and substituted with the calculation of the fair value and surplus net assets of the business £201m. An adjustment of £25.1m is then made to show the Group's debt at fair value, rather than the amortised 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 2022 of £972.6m or 761.69 pence per share.

	31 December 2022		31 December 2021	
	£000	Pence per share	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	799,067	625.81	878,837	717.86
Fair valuation of IPS: EBITDA at a multiple of 10.5x (2021: 10.8x)	174,174	136.41	165,985	135.58
IPS net assets attributable to IPS valuation	27,566	21.59	4,041	3.30
Fair value of IPS business	201,740	158.00	170,026	138.88
Removal of IPS net assets included in Group net assets	(53,364)	(41.79)	(34,141)	(27.89)
Fair value uplift for IPS business	148,376	116.20	135,885	111.00
Debt fair value adjustment	25,123	19.68	(50,229)	(41.03)
NAV at fair value	972,566	761.69	964,493	787.83
NAV attributable to IPS	201,740	21%	170,026	18%

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

The 'results' NAV at fair value calculated above differs to the 'published' NAV at fair value for 30 December 2022 (year end NAV released by RNS on 3 January 2023). As such, please see below for a reconciliation:

	31 December 2022	
Reconciliation of published NAV to results NAV:	Value £000	Pence per share
Published NAV cum income with debt at fair value	956,030	748.74
Reconciliation of shareholders' funds to net assets:		
Published NAV	(803,226)	(629.07)
Results NAV	799,067	625.81
Subtotal	(4,159)	
Revised IPS valuation uplift:		
Published NAV (valuation per 30 June 2022)	(133,964)	(104.92)
Results NAV	148,376	116.20
Subtotal	14,412	
Revised Fair Value of Debentures:		
Published NAV	(18,840)	(14.75)
Results NAV	25,123	19.68
Subtotal	6,283	
Total NAV at fair value per results	972,566	761.69

Long-term performance record

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net assets per the statement of financial positions (£m)[1]	569.1	574.2	557.3	662.3	748.3	669.4	775.3	727.0	878.8	799.1
Revenue return (pence)	16.27	16.95	18.10	15.96	21.66	21.26	30.68	21.56	28.09	34.44
Capital return (pence)	97.18	3.87	(17.47)	89.30	67.10	(71.85)	79.27	(19.06)	94.60	(103.17)
Total (pence)	113.45	20.82	0.63	105.26	88.76	(50.59)	109.95	2.50	122.69	(68.73)
Revenue return (pence)										
Investment Portfolio	9.31	10.08	11.01	10.88	11.61	13.23	22.18	12.12	18.09	24.06
Independent professional services	6.96	6.87	7.09	7.68	9.93*	7.87	8.54	9.35	10.00	10.38
	16.27	16.95	18.10	18.56	21.54	21.10	30.72	21.47	28.09	34.44
Group charges	—	—	—	(2.60)	0.12	0.16	(0.04)	0.09	—	—
Total (pence)	16.27	16.95	18.10	15.96	21.66	21.26	30.68	21.56	28.09	34.44
Dividends (pence)	15.00	15.70	16.20	16.70	17.30	18.90	26.00	27.50	29.00	30.50[2]
Share price (pence)[1]	529.0	530.0	498.0	530.0	629.0	540.0	650.0	690.0	799.0	771.0
(Discount)/premium (%)[1]	(2.4)	(2.3)	(5.1)	(11.4)	(6.0)	(12.1)	(7.4)	3.6	1.4	1.2
NAV at fair value (pence)[1]	541.8	542.3	524.5	598.5	669.5	614.1	702.2	666.2	787.8	761.7
Market capitalisation (£m)[1]	625.0	627.1	589.3	627.2	744.5	639.3	769.8	817.3	982.1	984.4

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 Proposed total dividend for 2022.
*This includes 2.72 pence per share of exceptional items including the sale of an unlisted investment, excluding which, normalised earnings per share were 7.21 pence per share.
Note: The 10 year record has been restated (2010-2014) to reflect the fair value of the IPS business and the long-term borrowings.

Risk management

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 to ensure that risks are effectively managed and monitored. 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 either individual business lines where they are specific to that business function, or centrally if relates to the Shared Services Centre or other central function. The risk identification and management is supported by the Group Risk Manager.

During the year, the Audit and Risk Committee carried out a robust assessment of principal risks to the Group and the adequacy of the controls in place to appropriately manage those risks to support the delivery of long-term priorities. 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.

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.

During 2022, we launched our incident risk management reporting system. We ran extensive training and awareness sessions as we continue to build an open risk-reporting and no-blame culture to better understand risks across our business.

RISK MANAGEMENT PROCESS AND GOVERNANCE OVERVIEW

Internal risk 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

Business and functional risk registers

- Continual review and assessment of business area risk registers and challenge on mitigating actions, including consideration of emerging risks, by the business and Group Risk Manager
- Review and challenge of risks at Executive Risk Committee meetings

Real-time issues and areas of change

- Monitoring of emerging areas of increasing significance to the Group and establishing sufficient mitigating actions

Parties involved

Top-down

- The LDC plc Board
- Group Audit and Risk Committee
- Executive Risk Committee
- Group Risk Manager

- Group Risk Manager
- Business Units

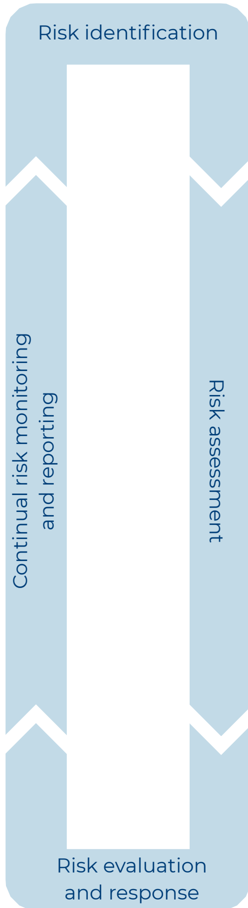
Bottom-up

External reporting

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

Risk management process



Risk management continued

The risk assessment process evaluates the probability of the risk materialising and the financial, strategic or reputational impact of the risk using a scoring system approved by the ARC. There may be uncertainty in measuring certain risks, but the aim is to inform and guide decisions and pinpoint areas which may require more urgent attention.

Those risks which have a higher probability and significant impact on strategy, reputation or a financials under the risk scoring system are identified as principal risks on page 42.

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 and then the Audit and Risk Committee for review and to the Board if appropriate.

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 and risk-acceptance of low 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 Chair of the Audit and Risk Committee.

Three Lines of Defence

The Group has organised risk management according to the three lines of defence model. Roles and responsibilities are described below to show accountability between management which owns the risks, oversight by the Risk function and independent assurance provided by Internal Audit.

First line:
Frontline staff

Primary responsibility for management for operational risks and taking adequate governance and control measures to manage the risks.

Second line:
Risk and Compliance

Responsible for the design, implementation and effectiveness of risk management and monitoring of the first line of defence.

Third line:
Internal Audit

To provide risk assurance about the effectiveness of first- and second-line controls, with a direct reporting line to the Audit and Risk Committee.

Governing bodies and senior management

The Audit and Risk Committee, the Board and Executive Leadership sit above the three lines

Risk management continued

Categorisation of Group risks

A principal risk is a risk or combination of risks that could seriously affect the performance, future prospects or reputation of Law Debenture, and represent the top risks of concern. The principal risks of the Group which could impact the achievement of strategic objectives are split into two categories: Principal Group risks and Emerging risks:

Group risks

The identified Group risks predominantly relate to the Investment Portfolio as that comprises 79% of net asset value and the concentration risk of the IPS business as whole which represents approximately 21% of our NAV.

Emerging risks

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.

Group risk summary and mitigating actions

Overall risk trend in 2022

We recognise the heightened global geopolitical and macroeconomic risks that impact our global community in the last year and are conscious of the risk and uncertainty they pose for the Investment Portfolio and IPS business. These macroeconomic risks are a key driver behind the in-year change in risk profile to many of our principal risks with continuing uncertainty extending into 2023 and are incorporated into our "changes to risk in 2022" section of the table below.

PRINCIPAL GROUP RISKS	CHANGES TO RISK IN 2022	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 to which the Group is exposed. However, this is an accepted risk and one which the Board actively adopts as it believes long-term equity investment is the fundamental reason our shareholders invest in our Company. Our investment risk includes market risk, gearing risk, credit risk and liquidity risk.	↑ **Increased risk** The risk level has increased due to the war in Ukraine, volatility of domestic politics and global economic pressures, all of which have had an unfavourable impact on global markets and therefore the Investment Portfolio. Rising global inflation runs undermines the value of investment returns.	• Market risk is an accepted risk given the nature of the Investment Portfolio. To manage this inherent risk the Board regularly reviews the investment managers' report including risk indicators and has open dialogue with the investment managers on their approach and performance. • The Investment Portfolio is closed ended so it does not have to sell investments to provide liquidity to shareholders who wish to sell. This enables our investment managers to invest for the long-term and take advantage of any opportunities created by external factors. • To mitigate leverage risk, all borrowings require the prior approval of the Board and gearing levels are kept under close review by the Board. • The negotiated covenants in our debt arrangements are such that the decline in markets would have to be extreme before any breach occurred.

Risk management continued

PRINCIPAL GROUP RISKS	CHANGES TO RISK IN 2022	MITIGATING ACTIVITIES
2. Cyber, Technology and Systems Risk		
We rely on a set of critical IT systems which are fundamental to the day-to-day running of the business. The threat of unauthorised or malicious attacks on our IT systems is an ongoing risk. Failures in these systems could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position. This includes the systems of Janus Henderson.	**Increased risk** Cyber-attack trends and high-profile cases in the media demonstrates the increasing frequency and scale of this risk including trends on increased "impersonation" scams from bogus email addresses and ransomware.	• The Group is Cyber Essentials Plus certified, the highest level of certification offered under the Government-backed, industry-supported Cyber Essentials scheme which helps organisations protect themselves against common online security threats. • During 2022, we further enhanced our internal monitoring system (SIEM) to track aspects of IT cyber security e.g. unusual log-in attempts and unwanted traffic on our Group website. Cyber insurance is also in place. • We conduct regular penetration testing and take steps to address identified weaknesses. • We place focus on training our staff about cyber security risks including phishing testing. • We adopt a continuous improvement approach to IT security and continue to invest in cloud-based technology across the Group. • Janus Henderson are subject to an independent annual controls review to ensure there are no material deficiencies. During the year we conducted an on- site assessment of Janus Henderson's information system and business continuity/disaster recovery plans and consider them to be acceptable for our purposes.
3. IPS Concentration Risk	**NEW**	
The unique setup of the Group as an Investment Portfolio with the unquoted IPS business, which represents 21% of NAV and accounted for 30% of revenue return per share in 2022, creates an illiquid concentration risk. Failure to deliver on IPS strategy could result in a significant reduction in valuation of the Group's largest asset thereby putting pressure on our ability to meet our stated objective of long-term capital growth, and to steadily increase income for our shareholders.	**Unchanged** The IPS business includes some counter-cyclical services providing opportunity for some business lines during market downturn which helps protect overall IPS performance; therefore, concentration risk is broadly the same year-on-year.	• The IPS business comprises a diversified range of services with very limited client concentration risk. • The CEO and COO are accountable for the day-to-day running and operation of the IPS business with independent oversight and challenge from the Non-Executive Directors. The performance of the IPS business is reviewed at all regular Board meetings. • The annual IPS budget is subject to review and approval by the Board which provides robust scrutiny and challenge on IPS strategic plans. • Any significant IPS investment requires Board approval. This reduces the risk of unplanned concentration risk. • Valuation of the IPS business takes into account the illiquid nature of the holding.

Risk management continued

Emerging risks and mitigating actions

EMERGING RISKS	CHANGES TO RISK IN 2022	MITIGATING ACTIVITIES
1. ESG Considerations		
As ESG becomes an area of increased focus, we must consider the impact of ESG factors adversely affecting the Group's reputation and performance. These can impact the Group both directly and indirectly through our shareholders and other 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.	**Unchanged** This risk continues to present challenges around consistency and reliability of ESG ratings.	• ESG is considered by our investment managers when selecting investments. ESG ratings and events in relation to our Portfolio holdings are regularly reviewed by the Board and challenged where necessary. • Considerable ESG progress has been made in 2022 – including voting data, voluntary TCFD, defining our ESG Strategy, and creating an ESG area on our Group website. • We continue to engage and monitor with stakeholders on ESG, in order to identify trends, patterns and areas of key concern.

PRINCIPAL RISKS REMOVED DURING 2022

During 2022, the ARC performed a robust review of principal risks under the approved principal risk scoring system. At full year 2022, following our risk assessment process, we present "IPS Concentration Risk" to include the 2021 "IPS risks" including "Strategic & Financial", "Change Management" and " Financial Crime" and emerging risk "Digital Disruptors and Change" . "IPS Concentration Risk" better represents the Group principal risk using the approved principal risk scale.

"Financial Reporting" risk was removed as the residual risk score fell below the threshold for principal risk reporting following the Audit and Risk Committee's robust assessment of principal risks during 2022.

OUR RISK AGENDA 2023

In 2023 we will continue to understand the impact of the UK corporate governance reform and BEIS consultation on the Law Debenture Group.

Viability statement

Viability statement

The Board has considered the Company's current financial position and the potential impact of its principal risks and uncertainties, and have 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 report.

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

Our business model and strategy

- The Board seeks to ensure that the Company delivers long-term performance. The closed ended nature of the investment trust creates a stable capital basis which enables our investment managers' to take a longer-term view in their construction and management of the Portfolio. This partially 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 predominantly UK-based equity portfolio with a diversified revenue stream arising from the IPS business. As demonstrated by our long-term performance, the combination of the Investment Portfolio and 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 37.7%. The NAV total return with debt at fair value is 26.0% compared to the FTSE Actuaries All-Index Total Return of 7.1%.
- One of the principal Group risks relates to investment strategy and market performance. Part of the risk to the Group is a breach of our debt covenants resulting in a requirement for the Group to repay the debentures at short notice, potentially requiring the sale of assets during a market downturn. 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 IPS business currently holds enough working capital to meet any short term requirements of the Group and our book of clients provides a steady, largely recurring, flow of income. There has been a concerted focus on debtor management which has enhanced the IPS business's cashflow over the past year and improved our working capital cycle.

  Furthermore, 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 liquidiate assets, should the need arise.
- The Company has an ongoing charge of 0.49%. This is the fourth lowest OCR in the UK Equity Income 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 our assets and further safeguard the interests of our Shareholders.
- The Company's cash is all held with banks approved by the Board. The Company's cash balance, including money market funds, at the 31 December 2022 amounted to £29.8m (30 December 2021: £25.5m), with IPS holding a further £18.7m. Cash is treated as fungible across the Group and it is deployed on a basis of need. During the course of 2022, there has been a concerted effort to clear down inter-company balances and a netting-off agreement has also been put in place.
- There is long term borrowing in place comprising of four debentures:

Maturity date	PAR Value	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 based on the debt at PAR values 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, net gearing was 12%, 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 Portfolio performance including revenue forecasts, along with other key metrics such as gearing at each Board Meeting and receives regular financial reporting to monitor and manage the principal risk relating to investment performance.

In addition to this, the Board carries out an assessment of our principal risks and uncertainties which could threaten the Company's business model. This assessment has been shared separately and will be presented as part of the Annual Report. As part of this exercise, the Board has assessed the emerging risks which may impact the operations of the Company and will continue to actively review the likely impact of these potential risks. This is set out at page 38.

The political and economic situation has placed a strain on the

*Source: The AIC – https://www.theaic.co.uk/aic/find-compare-investment-companies/advanced-compare?end=2563

Viability statement continued

global and UK economy, bringing with it uncertainty, supply-side inflation and rising interest rates. The IPS business has also felt the impact of the competition for talent in the UK market. This has resulted in rising salary expectations of both our people and any potential new hires. At present, the Board does not consider this will have an impact on the longer-term viability of the Company.

Balance sheet resilience

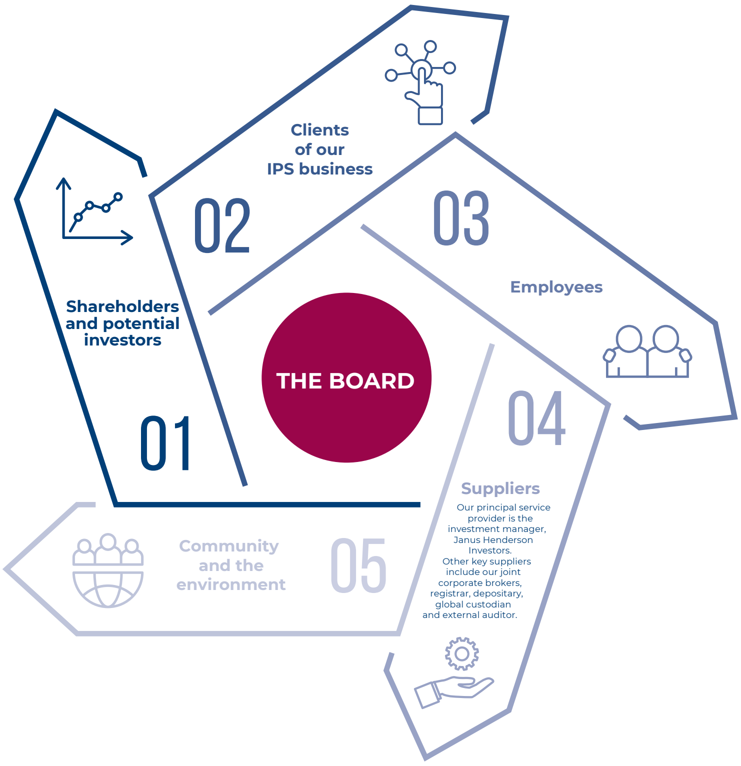
As at the 31 December 2022, Law Debenture Corporation held total investments, including cash and the IPS business, of £1.14bn (31 December 2021: £1.20bn). With the exception of the IPS business, the majority of these assets are liquid and could be sold down within a short period of time, i.e. less than 10 working days.

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 2022, the Group holds cash and cash equivalents of £49.6m (31 December 2021: £35.8m). In addition to this, the Company has an overdraft facility of £50m to protect against any significant fall of cash inflows.

Section 172(1) Statement

As reported on page 30, the Company's purpose is to deliver peace of mind for our shareholders, clients and staff through the combination of our Investment Portfolio and IPS business. Our purpose, values and strategy are inextricably linked and are reflected in our policies, practices and high standards of business conduct.

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. 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, including oversight of stakeholder engagement, feedback from the same as appropriate and ensuring that the Company fulfils its obligations to its key stakeholders. Those impacted by the Company's activities and considered key to its operations can be grouped into the following five main categories:



Case Study: Manchester listening group

In September 2022, the Workforce Engagement Director, Clare Askem, hosted a listening group in our Manchester office with some of our staff from a cross section of the teams based there. The objective was to provide insight into colleague eNPS scores and to provide the Executive and the Board with an independent view of potential issues and opportunities.

Feedback from the listening group was discussed with the Chief Operating Officer and was also reported to the Board, along with other activities undertaken by Clare in her capacity as Workforce Engagement Director, during the year. All feedback was presented on an anonymous basis.

The Executive Leadership team and Board gained greater insight into Manchester colleagues' views on the Company's remuneration structure and their experience of the team dynamic and style of leadership in that office, adding depth to knowledge already gleaned from the Group's previous eNPS surveys.

The Executive Leadership team, with the support of the Board, are taking steps to continue to improve our people's inclusion in the matters that affect them the most and to enhance their daily experience of the working environment. Some of the decisions resulting from workforce engagement, including the Manchester listening group, are set out on page 48.

We are pleased that our first listening group was a success and additional sessions are being planned for 2023.

Section 172(1) Statement continued

Key priorities and main methods of engagement with stakeholders in 2022

STAKEHOLDERS	KEY PRIORITIES	ENGAGEMENT ACTIVITIES IN 2022
Shareholders and potential investors		
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. To provide a fair, balanced and understandable representation of the Company and the Group's position, performance, business model and strategy.	• Consultation with major shareholders on Directors' Remuneration Policy* • Distribution of the Annual and Half Year Reports • AGM* • Institutional investor meetings (c.50 held in 2022)* • Analyst and shareholder meetings • Individual shareholder meetings • Quarterly dividends • 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.	Seek to provide peace of mind to our clients through delivery of an excellent service.	• Client care meetings • Hybrid approach to client events • Lens photography competition • Summer networking event • Annual Pensions Debate
Employees		
Our people are key to our IPS operations and we rely on their support and expertise to provide excellent 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.	• Listening groups with the Workforce Engagement Director* • Embedding of culture and values via our annual culture week* • Monthly culture carrier awards • Quarterly eNPS surveys • Diversity and inclusion strategy and initiatives set out on pages 54 to 55. • Monthly all-staff hybrid business updates • Bi-annual all-staff financial performance updates • Community groups to bring our people together • Learning and development training modules • Team and Company-wide events • Reports from Business and Department Heads at Board meetings* • Delivery of our Emerging Leaders programme
Principal service providers		
We rely on our service providers to manage our Investment 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.	• The investment managers attend all Board meetings* • Quarterly meetings with custodian and depository • Quarterly meetings with our corporate broker* • Annual meeting with our registrar • 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.	• Mentoring programme with widening participation • Charity group supporting two named charities • Paperless initiative • Deemed consent for shareholders to receive electronic communications • Energy efficient office buildings in London, Manchester and Sunderland • Increased recycling in all offices • Liaising with ESG rating agencies • Minimal carbon emissions

*Direct engagement with Directors or the Board. All other items are overseen by management and reported to the Board or its committees, where appropriate.

Section 172(1) Statement continued

Key strategic decisions impacting stakeholders in 2022

Where appropriate, information or feedback received from shareholders and other key stakeholders are routinely reported to the Board by the Executive Leadership team, the General Counsel, the Company Secretary, IPS Business Heads, the Group Risk, MLRO and ESG Manager and the investment managers.

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.

1) REVIEW OF OUR REMUNERATION POLICY

Following feedback received from major shareholders at the start of 2022 and during the triennial review of the Directors' Remuneration Policy, the Remuneration Committee has proposed changes to the Directors' Remuneration Policy for approval at the 2023 AGM. Further details may be found in the Directors' Remuneration Report on page 76.

2) WORKFORCE ENGAGEMENT OUTCOMES

Workforce engagement activities held during the year are listed on page 47, with details of our first listening group described in the case study on page 46. Feedback from these activities led or contributed to the following outcomes:

- Revision of our junior staff members' remuneration packages during the February 2023 pay review cycle
- The implementation and addition of various learning and development courses for our people including manager training, discovering leadership training and other courses on self-awareness, wellbeing and community. Feedback from staff has been reported to the Board by the Executive Leadership team.
- A CSS UK team day, which brought our colleagues from the London and Manchester offices together to further support our collaboration and unity as a business.

3) CONTINUED INVESTMENT IN DELIVERING LONG-TERM IPS REVENUE GROWTH

During the course of 2022, further investment has been made in our technology offering to support our Safecall business. The new Safecall portal has been well-received by our clients.

We have also appointed Trish Houston to manage our CSS business, in addition to her role as COO, to drive the future growth of this business.

4) REVIEW OF IMPACT OF COST OF LIVING AND INFLATIONARY PRESSURES ON STAKEHOLDERS

During the year, the Board held in depth discussions on the impact of the economic climate on the Investment Portfolio and how the investment managers proposed to manage performance in light of market volatility. The Board was satisfied from those discussions that the team at Janus Henderson continue to manage the Investment Portfolio appropriately and in the best interests of shareholders. Further details on the investment manager's approach can be found in their review on page 17.

The Board will continue to monitor the effects of the economic climate on the market.

5) ENGAGEMENT WITH ESG RATING AGENCIES

Following the ongoing focus on ESG by UK government and regulatory bodies, the Audit and Risk Committee commissioned engagement with ESG rating agencies to better understand its importance to investors. Those discussions have resulted in enhanced ESG reporting, which has led to improved ESG scores. This has not only educated the Board on matters which are important to investors but also adds to the attractiveness of our investment proposition in the long-term. Further details may be found in the ESG section on page 50.

Environmental, Social and Governance (ESG)

Group approach to ESG

ESG considerations underpin sustainable long-term returns for our shareholders, as well as promoting behaviours aligned to our corporate purpose and values, as set out on page 7.

ESG factors are integrated into our investment analysis and decision-making as it is our view that it delivers a resilient portfolio and better outcomes for our shareholders, clients, people, the wider community and the environment.

Our IPS colleagues are also 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. They 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 2022

2022 has been a significant year in Law Debenture's ESG development:

- Regular ESG Committee meetings; 11 held during the year.
- Launched an ESG-focussed section of our website: https://www.lawdebenture.com/about-us/esg
- Published our Environmental Policy, available on the above link.
- Published our summary gender pay gap summary: https://www.lawdebenture.com/news/lawdeb-publishes-gender-pay-gap-summary
- Published our first voluntary TCFD on pages 51 to 53.
- Agreed employee diversity targets and thresholds.
- Continued engagement with ESG rating providers.

Looking ahead to 2023

In 2023, 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:

- Continuing the development of our TCFD disclosures for 2023 year end.
- Increasing our Corporate Social Responsibility initiatives.
- Adding further content to the ESG section of our website.

ESG considerations when investing

Our investment managers consider ESG factors as part of their fundamental analysis. The managers focus on material ESG risks that are likely to have a significant impact on the financial condition or operating performance of a business, as well as evaluating a company's ability to manage these risks.

The managers' approach to ESG facilitates investment in companies that are actively improving their ESG profiles. Companies with weaker ESG risk profiles are not automatically excluded provided they are making progress in mitigating these risks. The team proactively engages with senior management on key ESG issues and risks, assessing their responses and subsequent actions. We continue to hold the view that active engagement with companies like Shell and BP achieves more than divestment, and our investment rationale on these stocks is detailed on page 22.

The Board regularly reviews quantitative ESG metric reporting for the portfolio. The inclusion of this data informs discussion and debate and allows us to ensure the portfolio continues to deliver against the commitments made to our shareholders. We will continue to evolve our approach as ESG data becomes more available and the asset management industry becomes more sophisticated and experienced in analysing the ESG impact of investing.

Environmental

As a business, we are conscious that our decisions impact the environment. The majority of our staff are employed to provide services under our IPS business, and so our greatest consideration in this area is our offices. With this in mind, we consciously selected offices that reflect these values within our recent office moves; our London, Manchester and Safecall offices are each built according to high sustainability standards.

Emissions data (unaudited)

A significant portion of the Group's carbon emissions arises from its consumption of energy in maintaining its offices.

	Tonnes of CO2e		
As at 31 December	2022*	2021	2020
Scope 1	—	—	—
Scope 2	47.21	138.50	179.65

	Tonnes of CO2e per £000 of IPS revenue		
As at 31 December	2022*	2021	2020
Scope 1	—	—	—
Scope 2	0.0009	0.0028	0.0059

* Reduction in CO2e due to renewable energy use at main offices during 2022.

Over 80% of scope 2 emissions are from UK operations. The Group does not yet calculate Scope 3 emissions. The following describes the methodology used to calculate our Scope 2 emissions. Where available, direct energy bills from office energy consumption are used. Energy bills are pro-rated where we share office space in the building. The CO2e of the energy provider is used with this data to calculate the net emissions impact. During data collection we faced challenges on obtaining accurate data on energy consumption at a small number of offices, where we lease a part of an office from a larger building and did not successfully receive pro-rated energy usage data. In such cases, an average of Group energy consumption per employee is used, and the CO2e of the energy provider or, if unavailable, DEFRA conversion factors are used.

Environmental, Social and Governance (ESG) continued

The ratio used "Tonnes of CO2e per £000 of IPS revenue" uses IPS revenue from notes to the accounts "6. Segment analysis". As we are calculating scope 2 emissions (office space), IPS revenue is used in the ratio, as the Portfolio has nil scope 1 and 2 CO2e emissions. The energy calculations have not been externally audited.

The Group does not have defined "net zero emissions" targets. None of the entities within the Group (subsidiaries or parent company) meets the streamlined energy and carbon reporting (SECR) regulations at an individual level.

Greenhouse gas reporting definitions

Carbon greenhouse gas (GHG) usage is calculated and presented in three categories using The Greenhouse Gas (GHG) Protocol:

Scope 1 - direct GHG emissions from combustion in owned or controlled boilers, vehicles (nil consumption for Group)

Scope 2 – energy emissions from own consumption of purchased electricity, heat, steam and cooling – e.g. offices where we are in control of our energy

Scope 3 - other indirect emissions of wider operational reach including investments, business travel, supply chain, and office energy not captured in scope 1 or 2.

LawDeb Lens 2022 – Annual Photography Competition

Law Debenture is pleased to continue to host its annual amateur photography competition, with entries received from investors, clients, industry contacts, referral partners as well as staff. Last year's competition categories were based upon our long lived but newly articulated LawDeb values. For 2022 we challenged entrants with a new set of categories which are equally important to us, Environmental, Social and Governance (ESG).

In our continuing journey and focus on the importance of ESG we were confident that these broad categories would yield an exciting variety of images and styles: this has certainly proven to be the case. The conversation and consideration of ESG principles this event has encouraged, internally and externally, has also been pleasing.

With our congratulations to LawDeb Lens 2022 winners announced in January 2023 and photos shown on pages 51 and 55.

Task Force on Climate-Related Financial Disclosures (TCFD)

Investment trusts are not required to publish TCFD disclosures until 30 June 2024. However, we are sharing voluntary TCFD disclosures across three of the 11 TCFD Recommendations available at https://www.fsb-tcfd.org/recommendations/

Fully compliant disclosures have been provided in respect of:

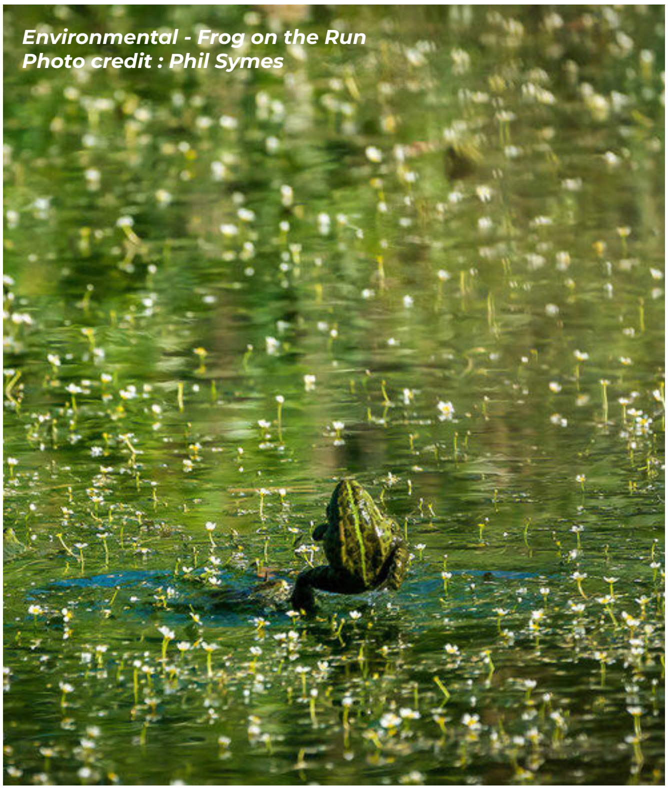
- Governance – disclosures a) and b); and
- Risk management – disclosure a).

In addition, we are partially compliant with metrics and targets disclosure b) (disclosures provided are partially compliant because Scope 3 emissions are not yet disclosed).

For all remaining TCFD recommendations, we have not provided fully compliant disclosures in the current period, due to the Group focusing on embedding the ESG Committee and related ESG activities including policies, website, ESG Strategy and Implementation Plan, engagement with ESG ratings providers and regular reporting to the ARC on ESG matters, given that investment trusts are not in scope for mandatory TCFD in the current period. Planned actions include a standalone climate risk register to identify risks and opportunities as well as a TCFD delivery plan, with progress updates shared with the ARC on a quarterly basis. The ARC will continue to review the Group's principal risks including climate change, at least twice a year. A key focus of the Board, Executive Leadership and the ESG Committee in the coming year will therefore be to provide fully compliant disclosures by required deadline for investment trusts.

The Investment Portfolio is not an ESG fund as there are no sector exclusions. The Portfolio does not focus solely on promoting environmental and/or social characteristics (which must also have good governance practices) and does not have sustainable investment as its principal objective. Our IPS business is a low carbon emitter as shown on page 50.

In the table of voluntary TCFD disclosures on pages 52 to 53, we have presented a view of TCFD across the Investment Portfolio and the IPS business for greater transparency, as opposed to a single set of disclosures for the entire Group.


Environmental - Frog on the Run
Photo credit : Phil Symes

Environmental, Social and Governance (ESG) continued

GOVERNANCE

Disclose the Company's governance around climate-related risks and opportunities.

Overview to Governance

The Audit and Risk Committee (ARC) reviewed the ESG Strategy and Implementation Plan (the Plan) for the Group and recommended that the Board approve the Plan in July 2022. The ARC is now monitoring progress against the Plan and updating the Board accordingly. The ESG Manager will continue to evolve the Plan based on feedback from the ARC and Board taking into consideration views of shareholders, and voting agencies.

Law Debenture does not currently have climate related goals and targets. However, this will be reviewed during 2023.

Investment Portfolio

Within the Investment Portfolio, climate-related risks and opportunities are assessed where they are considered to be material to the investment rationale. This assessment is alongside the fundamental research that is integral to the investment process.

There are no sector exclusions in the Portfolio. Instead, the focus is on engaging with companies in order to better understand how climate risks and opportunities are managed. Interactions and engagements with companies are reported to the Board on a quarterly basis. These discussions can take place either directly via the investment managers or via Janus Henderson's Governance and Stewardship team.

IPS Business

Climate related risks and opportunities are overseen by our ESG Committee which reports to the ARC. The ESG Committee is made up of a cross-function mix of Law Debenture employees to drive, create and review Law Debenture's ESG policies for approval by Executive Leadership and the ARC.

In line with this approach, climate-related risks are also considered as part of our ESG risk management procedures. In line with the Group's policy for identifying risks and opportunities, risks are identified through a "bottom up" approach by Business Units and central functions, including the Shared Services Centre, and are documented, assessed and monitored in Business Unit risk registers or via the ESG Committee which oversees the TCFD disclosures and impacts.

Reporting to the ARC and Executive Leadership Team on ESG matters takes place on at least a quarterly basis.

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.

Overview to Strategy

In undergoing our financial planning, no climate-related impact to our balance sheet or income statement is expected at present and therefore no financial adjustments are required. We are working on finalising our strategy including disclosures in relation to time-related definitions of short, medium and long term time horizons and associated risks and opportunities. The Board does not currently have any defined timeline agreed for this.

Investment Portfolio

The investment managers are tasked with growing capital and income by investing in a diversified portfolio of companies. There are no specific ESG or carbon-related targets. Within the Investment Portfolio, the investment managers will seek to identify material risks and opportunities relevant to each investment case over a variety of time horizons. For example, the need to de-carbonise the global economy over the long term presents investment opportunities in companies working to deliver this, such as Ceres Power, AFC Energy and ITM Power.

IPS Business

We are a minor scope 2 emitter; from the energy consumed in the organisation via our offices. Our head offices use green energy from 100% renewable energy sources.

Environmental, Social and Governance (ESG) continued

STRATEGY continued

Investment Portfolio	IPS Business
The investment managers will also seek to assess companies where there is a risk to earnings from, for example, the need to diversify away from fossil fuels. These considerations will form a role in assessing the fundamental value of companies and whether there is an attractive total return opportunity. The investment managers report to the Board on these discussions at least quarterly.	Legislative change in relation to carbon, including reporting requirements and taxation implications poses a small risk to our business and we must ensure we are able to meet such requirements.

RISK MANAGEMENT

Disclose how the company identifies, assesses, and manages climate-related risks.

Overview to Risk Management

Our approach to risk management includes a review of climate-related risks that has been reported to the ARC during 2022 and will be presented to the ARC on at least an annual basis going forward. We will evolve this further during 2023 including a review of the transition risks which may impact the Investment Portfolio and IPS business.

We consider climate risk for the Group to be low and is not considered a principal risk under the Group's scoring assessment of principal risks in risk management on page 39. However, ESG considerations, including climate regulatory reporting requirements such as TCFD, are an emerging risk.

Investment Portfolio	IPS Business
Climate-related risks within the Investment Portfolio are predominantly assessed through fundamental analysis. This includes scheduled company reporting, meetings with company management and access to third party research. Where appropriate we engage with company management in order to increase climate disclosures and to set clear and measurable greenhouse gas reduction targets. Janus Henderson also produces monthly reports available to the investment managers that include a screening for portfolio companies held with the highest contribution to portfolio carbon risk.	Climate considerations are reviewed at operational level where feasible. The majority of direct carbon and energy usage is via the office locations. There has been an active decision to move into sustainable premises at our two largest offices, the London head office and Manchester sites (c.80% employees), which are both sustainable BREEAM offices. There have been no assets impaired because of climate-related physical risks; the Group leases its office premises and does not consider the right-of-use asset (note 22 of the financial statements) to be impaired by climate risks. Fixed assets (note 11 of the financial statements) relate to leasehold improvements, office furniture and equipment, none of which are affected by climate-change.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Overview to Metrics and Targets

As the direct climate risk for Law Debenture is low we have decided not to accelerate the implementation of metrics. The Group is working on the data collection required for the calculation of Scope 3 analysis for mandatory TCFD reporting.

Investment Portfolio	IPS Business
There are currently no KPIs to assess climate-related risks that are applied to the Investment Portfolio in aggregate.	Our current reporting metric is Scope 1 and 2 carbon emissions, which we publish on page 50 using the Greenhouse Gas Protocol.

Environmental, Social and Governance (ESG) continued

Social

Diversity and inclusion

Following several senior appointments and promotions over the last five years the composition of our Board and Executive Leadership team 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 **(and 1st in the Financial Services sector)**, in the inaugural report by the FTSE Women Leaders Review, announced on 22 February 2022. We fully support all the recommendations in this report.

The Company satisfies all recommendations of the FTSE Women Leaders and Parker reviews. For more information on the progress of our diversity and inclusion objectives please refer to page 71.

We have worked hard to create a working culture that supports and celebrates diversity in the workplace. Our recently published Gender Pay Gap Summary (https://www.lawdebenture.com/news/lawdeb-publishes-gender-pay-gap-summary) highlights areas where we have made excellent progress.

We know that a diverse workforce and inclusive culture directly benefits our clients. For our Corporate Secretarial Services and

REPORTING ON GENDER IDENTITY OR SEX (unaudited)

As at 31 December	Number of Board members		Percentage of the Board		Number of senior positions on the Board (CEO, CFO, SID and Chair)[1]		*Number in executive management		*Percentage of executive management		**Number in senior management		**Percentage of senior management		Number in Group employees		Percentage of Group employees	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Men	4	5	57%	62%	3	3	1	1	33%	33%	3	4	38%	50%	118	81	45%	45%
Women	3	3	43%	38%	1	1	2	2	67%	67%	5	4	62%	50%	144	98	55%	55%
Total	7	8	100%	100%	4	4	3	3	100%	100%	8	8	100%	100%	262	179	100%	100%

REPORTING ON ETHNIC BACKGROUND

As at 31 December	Number of Board members 2022	2021	Percentage of the Board 2022	2021	Number of senior positions on the Board 2022	2021	*Number in executive management 2022	2021	*Percentage of executive management 2022	2021	**Number in senior management 2022	2021	**Percentage of senior management 2022	2021	Number in Group employees 2022	2021	Percentage of Group employees 2022	2021
White British or other White (including minority-white groups)	6	7	86%	88%	4	4	3	3	100%	100%	8	8	100%	100%	182	126	69%	71%
Mixed/ Multiple Ethnic Groups	—	—	0%	0%	—	—	—	—	0%	0%	—	—	0%	0%	12	7	5%	4%
Asian/Asian British	1	1	14%	12%	—	—	—	—	0%	0%	—	—	0%	0%	30	22	11%	12%
Black/African/ Caribbean/ Black British	—	—	0%	0%	—	—	—	—	0%	0%	—	—	0%	0%	15	10	6%	6%
Other ethnic group, including Arab	—	—	0%	0%	—	—	—	—	0%	0%	—	—	0%	0%	8	6	3%	3%
Not specified/ prefer not to say	—	—	0%	0%	—	—	—	—	0%	0%	—	—	0%	0%	15	8	6%	4%
Total	7	8	100%	100%	4	4	3	3	100%	100%	8	8	100%	100%	262	179	100%	100%

1 At Law Debenture, the role of COO has been defined as a Senior Board position. The CFO is not a Board position but is a member of the executive management.
* Executive management report to the Board.
** 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. Senior managers report to the executive management.

Environmental, Social and Governance (ESG) continued

Pensions businesses, for example, having our women sit on the boards of our clients supports the diversity and representation within our clients' businesses. For our other services the diversity of thought we bring ensures innovation and challenge that may otherwise be missing. There is always more to do but we are committed to continuing to improve diversity in our workplace.

Over the last 12 months we have held workshops with each of the IPS business units to understand diversity in their industry, inclusivity in their teams, as well as their progress and experiences. This insight fed into the wider diversity and inclusion strategy. We will articulate this in full in 2023 but a few of the actions undertaken include:

- Ongoing culture initiatives – such as Culture Week 2022 to bring together colleagues across the business to meet and share ideas.
- Training on unconscious bias.
- Roll-out of LawDeb Landmarks, our career progression framework.
- Actively encouraging women into the recruitment process.
- Offering mentoring via the University of Greenwich, and internships.
- Supporting our nominated charities of the year, the Samaritans and Marie Curie, via a wide variety of activities.

Social - All in the Round
Photo credit: Simon Lee

Data collection

Collection of data for the table on page 54 is based on HR system data and on a voluntary basis where employees are encouraged to complete at enrolment. Where gaps and missing fields are identified, targeted emails are sent out on an annual basis for them to complete.

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 with 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.

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

Governance

Good governance is central to Law Debenture.

As a FTSE 250 PLC, we comply with the requisite laws and regulations including the UK Corporate Governance Code and the Financial Conduct Authority's Listing Rules – for further details see our Corporate Governance report on pages 66 to 68.

As an investment trust, we also adhere to the UK Stewardship Code (the Code) through our investment manager. The Code sets out investment standards to be applied by institutional investors, asset managers and service providers.

Governance - He who commands the sea has command of everything, Themistocles
Photo credit: Charlotte Drake

Environmental, Social and Governance (ESG) continued

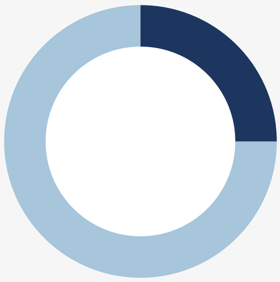
Voting

We delegate stewardship activities to our Investment Manager. As an active manager their preference is to engage with management and boards to resolve issues of concern rather than to vote against shareholder meeting proposals. In their experience, this approach is more likely to be effective in influencing company behaviour. However, where they believe proposals are not line with shareholder interests or where engagement proves unsuccessful, they will vote against.

Law Debenture Voting Summary

During 2022, our Investment Manager voted on behalf of Law Debenture at 174 company meetings, 45 with at least one vote against management.

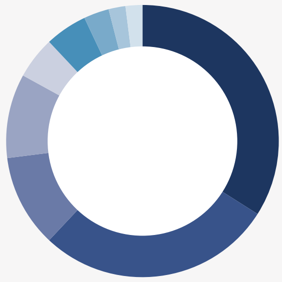
% of AGMs with at least one vote against management



25% of meetings with at least one vote against management

75% of meetings where we did not vote against management

Voting by category



34% Compensation

28% Director Election

11% Capitalisation

10% Routine Business

5% Corporate Governance

5% Strategic Transactions

3% Social

2% Company Articles

2% Environmental

Source: Janus Henderson using Institutional Shareholder Services ('ISS') categories, 31 December 2022, for the period 1 January 2022 to 31 December 2022.
Note: Some meetings had more than one vote against management.

Notable votes cast against management proposals:

SigmaRoc

SigmaRoc is a UK and European heavy building materials company. We voted against the Financial Statements and Statutory Reports as the (former) CFO was granted options which we deemed to be too large and therefore outside of best practice.

Irish Continental

Irish Continental is a ferry company that operates predominantly between Holyhead and Dublin. We voted against the Remuneration Report because the senior management team were awarded pay rises significantly above inflation without, in our view, a compelling rationale.

GlaxoSmithKline

GlaxoSmithKline (now GSK) is a global pharmaceutical business (which at the time of the shareholder vote also owned a consumer healthcare business, now separately listed called Haleon). We voted against the remuneration policy as it included a substantial increase in bonus opportunity which in our view was outside of best practice.

Notable votes cast in favour of management proposals:

Halfords

Halfords is a specialist auto parts and cycling retailer, as well as offering repair services. We voted against ISS recommendation and in favour of management with regards to their ability to issue shares, as well as their ability to issue shares without pre-emptive rights. We voted with management as in our view the ability of management to quickly undertake acquisitions should not be impaired (in this case they bought a business called Axle Group), and we felt that Halfords had acted within the spirit of the current pre-emption rules.

Convatec

Convatec is a global medical products company. We voted against ISS recommendation and in favour of the Remuneration Report. In our view the current senior leadership team are executing well in a challenging operating backdrop and are outperforming relevant peers. We therefore felt it was in the best interest of shareholders to vote in favour.

Environmental, Social and Governance (ESG) continued

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, further details can be found in the Chief Executive Officer's review found on pages 8 to 14.

Case Study: Supporting a leading accountancy firm through their carbon-reduction commitments

Last year we reported on the work our pension trustees are doing with large pension funds, such as the M&S pension scheme, to set net zero targets. After much work by the ESG committee chaired by LawDeb, the M&S pension scheme went on to announce a target of net zero by 2030 for its asset portfolio.

Law Debenture has continued to support the pension industry in driving forward the ESG Agenda. An example of a good partnership is between Law Debenture and a leading accountancy firm.

Together the client and Law Debenture looked at various industry initiatives on ESG that the pension scheme could align with, and considered the implications in terms of the investible universe, carbon reduction commitments and other exclusions. The scheme is now aiming to invest with ESG criteria in mind that include, among others, the following objectives:

- ensuring at least 70% of financial emissions in materials are aligned to a net zero pathway or subject to direct engagement
- reducing carbon emissions by 50% by 2030
- net zero by 2050
- investing less in companies with weak ESG credentials and more in companies that are ESG leaders.
- excluding from the investible universe companies that seriously breach the UN Global Compact.

Case Study: Supporting our clients through Whistleblowing

Safecall works in partnership with companies by giving their employees and key stakeholders a voice to speak out on key issues, especially where Social and Governance considerations are very high on the agenda.

Experienced call handlers take telephone calls and inbound emails concerning human rights & labour, health & safety, and modern slavery, alongside issues surrounding anti bribery & corruption, diversity, cyber security, corporate behaviour and gender pay gaps; all areas linked to ESG.

By putting mechanisms in place to help encourage and embrace a culture of speaking up, organisations can demonstrate how they promote compliance and best practice.

The strength of an organisations' ethics culture is measured through multiple indicators of employee behaviours. It includes reporting misconduct, at various levels within an organisation.

"We always want whistleblowers to speak out. When they speak for the planet, for people, for products, and for good governance, organisations can strive to do better and show their commitment for a better future. In turn, this demonstrates your organisation is an open and fully transparent business."

Jo Lewis, Safecall Managing Director

Law Debenture ESG Committee

The ESG Committee met 11 times during 2022 and is chaired by the Group ESG Manager.

The Group ESG Manager attends meetings of the Audit and Risk Committee to oversee ESG matters that have been delegated. ESG matters relating to strategy are escalated to the Board for approval.

For 2023, the ESG Committee and Audit and Risk Committee will continue to drive forward the Group's commitment to the environment, social responsibility, corporate governance and sustainability and take the necessary steps to enhance its disclosures to investors and the wider market.

This report was approved by the Board of Directors on 27 February 2023 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary

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, 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, a member of the Takeover Panel and a trustee at the Bishopsgate Institute.

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 twenty years of experience in leadership roles in the financial services industry. Previously, 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. Prior to that, 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 at PricewaterhouseCoopers LLP and worked in their offices in the UK, Australia and Switzerland.

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 Chair

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

Appointed to the Board on 14 April 2015 — Tim was previously a partner at Odey Asset Management LLP until March 2022, having joined in 2010 as its head of macroeconomic strategy, and then subsequently managed 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.

Ⓐ Ⓡ Ⓝ **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 was also chair of the Audit Committee of both Brewin Dolphin Holdings PLC and Federated Hermes International. He is a Fellow of the ICAEW, board chair of Beyond Food Foundation, a non-executive director of Finsbury Growth & Income Trust PLC and Royal London Mutual Insurance Limited.

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.

Ⓡ Ⓐ Ⓝ **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 chair of UBS Asset Management Life Limited and a non-executive director of Artemis Fund Managers Limited, Sparrows Capital Limited, 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.

Ⓐ Ⓡ Ⓝ **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 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.

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2022. 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 33.

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 19 to the Accounts.

Revenue, dividends and reserves

The Group revenue return attributable to shareholders for the year ended 31 December 2022 was 34.44p per share. The Directors recommend a final dividend of 8.75p per share, which, together with the three interim dividends of 7.25p paid in each of July and October 2022 and January 2023, will produce a total of 30.5p per share if approved by shareholders at the AGM (2021: 29.0p). The final dividend will be paid on 13 April 2023 to holders on the register on the record date as at 10 March 2023. After deduction of the interim and final dividends of £38.9m (2021: £35.7m), consolidated revenue reserves increased by £4.5m (2021: increased by £4.4m).

Directors

The Directors at the date of this report are listed on pages 58 and 59. All Directors held office throughout the year. Mark Bridgeman remained a Director of the Company until his retirement at the end of the 2022 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 58 and 59.

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.

Future developments

Details of future developments are disclosed in the Chairman's statement on page 7 and the Chief Executive Officer's review on page 13 in the strategic report.

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 127
9.8.4 (7)	Allotment of equity securities	Note 17, page 138
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 152), leverage being any method of borrowing that increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and must be calculated on a 'gross' and a 'commitment' method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash

Directors' report continued

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 2022, the leverage calculated under the gross method was 0.95, and under the net method was 1.00.

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 57.

Our energy and carbon emissions are reported in the ESG section on pages 50 to 51.

Repurchase and issue of shares

At the 2022 AGM, the Directors were given power to buy back up to 18,567,488 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 2023 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 2023 AGM.

The Directors were also given power to allot up to 12,386,583 ordinary shares at the 2022 AGM. From the 2022 AGM to the 27 February 2023 the Company issued a total of 3.7m ordinary shares under its share issuance programme, launched in February 2021 and our SAYE scheme. The authority will expire at the 2023 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 27 February 2023.

Donations

The Company made no political or charitable donations during the year (2021: £nil).

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 2022, there were 128,172,019 ordinary shares in issue with 128,172,019 voting rights. Note 17 includes details of share capital changes in the year.

As at 27 February 2023, there were no shareholders that had notified the Company of a beneficial interest of 3% or more of the issued share capital. Share information as required by section 992 of the Companies Act 2006 appears at pages 62 and 138.

Workforce engagement

Our people are key to our IPS business, and we rely on their expertise to provide excellent services to our clients. Employee wellbeing remained a priority during the year particularly as we continued to support our people in their gradual return to the office from remote working arrangements due to Covid-19.

During 2022, workforce engagement was conducted through various methods including:

- Quarterly eNPS surveys.
- Our annual culture week in which our Workforce Engagement Director participated.
- An employee listening group with our designated Workforce Engagement Director and other events as set out in the Section 172(1) Statement on page 46.

The Board also receives cyclical presentations from our Business and Department Heads at each Board meeting and holds one Board meeting per year in our Manchester office, designed to focus on their operations, the wellbeing of staff based in that region and to track progress on the continued integration of the CSS business following its acquisition from Eversheds Sutherland (International) LLP in 2021.

As set out in the Section 172(1) Statement, Clare Askem was appointed Workforce Engagement Director on 7 April 2022. Some of her responsibilities include:

- Being available to employees to discuss their views on working conditions and other relevant work-related matters or concerns.
- Understanding and interpreting the views of the workforce.
- Reporting the views of the workforce to the Executive Leadership team and the Board.
- Agreeing an annual calendar of engagement events with the Company Secretary.
- Providing feedback on existing workforce engagement mechanisms.

The Board continues to see significant value in having a Workforce Engagement Director. During the year, Clare Askem and the Company Secretary agreed a calendar of events with input from the Executive Leadership team and Human Resources, to facilitate further Board engagement with our people throughout the year. This included the hosting of informal listening groups between Clare Askem and members of staff without the presence of senior management, the Executive Leadership teams or other members of the Board,

Directors' report continued

to encourage candid feedback. The objective of these groups is to gain greater insight into the employee perspective and ways in which their experience of the working environment can be enhanced. Information gathered from any engagement is reported on an anonymous basis to the Executive Leadership team and/or the Board, as appropriate. The first of the listening groups was held in September 2022. The outcome of those discussions is disclosed in the Section 172(1) Statement on page 48. Given their recent implementation, the effectiveness of these engagement mechanisms were not reviewed in 2022. Clare works closely with the Company Secretary, Human Resources and the Chief Operating Officer to fulfil her role.

Disability statement

We have policies in place to ensure that we give full and fair consideration to applications for employment from disabled persons, where a disabled person can adequately fulfill the job's requirements.

Our views on an inclusive workplace are that we value all employees for their strengths and we offer employees with disabilities, whether visible or invisible, an equal opportunity to succeed, to learn, to be compensated fairly and to advance.

Training, career development and promotion also form part of our policy for employees that become disabled during their employment; reasonable adjustments are made to enable their progression, which will allow them to continue to advance in their career. 4.2% of our people have declared a disability.

Shareholder relations

The Board encourages communication with shareholders on matters of mutual interest throughout the year. The Executive Leadership team has primary responsibility for managing regular and effective communications with analysts and institutional investors on various matters such as operational, financial performance and strategy. The Board and Committee Chairs are also available upon request to meet with shareholders and they ensure that the Board/Committee as a whole have a clear understanding of investors' views, taking these into consideration when making decisions, as appropriate.

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 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 April 2022, the Board was pleased to have been able to engage with shareholders in person during and after its hybrid AGM. Shareholders were given the opportunity to join the meeting virtually and engage with the Board via that medium where unable to attend in person. Shareholders engaged with us on the share issuance programme, tax efficiencies afforded by the Company's group structure, progress on the integration of CSS within the group structure and on stocks selected for the Investment Portfolio. For the first time we also published a video recording of our AGM, in addition to the PowerPoint presentation, on our website for year-round access. Given there has been minimal engagement at the AGM via the virtual platform, the 2023 AGM will be an in person only meeting. Shareholders may submit any queries in advance of the AGM if preferred or if they are unable to attend.

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 2022 received votes against, above 20% of the votes cast.

Shareholders are sent a copy of the Annual Report, which includes our Notice of AGM, at least 21 clear days before the AGM. The Company also provides this service to shareholders in nominee companies where the nominee has made appropriate arrangements. Details of the 2023 AGM are set out at pages 156 to 158.

During the latter half of 2022, the Remuneration Committee, following its triennial review of the Directors' Remuneration Policy (the "Policy"), approached the Company's major institutional shareholders and proxy voting agencies on various changes being proposed. We are grateful for the supportive responses and constructive feedback received during the consultation and have amended our final proposals as a result. A resolution to approve the Policy will be put to shareholders at the 2023 AGM. Further details may be found in the Directors' Remuneration Report on page 76.

The Financial Conduct Authority has determined that the Company is subject to the Consumer Duty, which is designed to ensure in scope companies deliver good outcomes for retail customers. Whilst the Board already actively seeks to do this pursuant to its obligations under section 172(1) of the Companies Act 2006, it is early in the process of reviewing whether any additional actions are required under these new regulations and will report on its progress for the 2023 year-end.

The Company's website has a dedicated shareholder information section, which includes all Regulatory News Service announcements, our monthly factsheets about the Investment Portfolio performance, a financial calendar, previous copies of our annual and half-yearly reports and other important shareholder information available for download.

Other engagement activities undertaken during 2022 may be found on page 47 of the Section 172(1) Statement.

Directors’ report continued

Other stakeholder relations

Day-to-day relationships with the Company’s key stakeholders are managed by the Executive Leadership team, the General Counsel, the Company Secretary and IPS Business Heads and where appropriate, their activities are reported to the Board. The Board, directly or through its committees, engages or oversees engagement.

The Board is given the opportunity to interact with stakeholders at employee, client and investor focused events held throughout the year. Further details may be found in the Section 172(1) Statement found on page 47.

Investment managers – interests held

Laura Foll held 13,650 shares in the Company as at 31 December 2022 (2021: 13,650). James Henderson did not have a beneficial interest as at 31 December 2022 (2021: nil), although persons connected to him had an interest of 134,000 shares (2021: 134,000 shares). In addition, a charity with which James Henderson has non-beneficial connections owns 117,000 shares (2021: 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 263,288 shares in the Company as at 31 December 2022 (2021: 276,612 shares).

Employee participation/issue of shares

Employees are informed of the financial aspects of the Group’s performance through periodic management meetings. Mindful of the Company’s paperless initiative, copies of the Annual Report are available on the Company’s website with physical copies only being made available upon request. 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 2022 were:

Date of grant	Number of option holders	Shares under option	Exercise price
15 August 2017	2	3,530	594.75p
15 August 2018	13	31,788	606.00p
14 August 2019	11	17,375	592.00p
26 August 2020	17	47,022	539.00p
1 September 2021	30	47,498	778.00p
8 September 2022	22	26,705	781.00p

Employees are invited to participate in our SAYE scheme annually, where they are given the opportunity to save up to £500 each month for a period of five years. After five years, employees may either withdraw their savings and not buy any of the Company’s shares or exercise the right to purchase shares at a price that is fixed at the date they entered into the scheme.

Directors’ responsibility for financial reporting

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

Directors' responsibility statement pursuant to DTR4

The Directors confirm to the best of their knowledge that:

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

Auditors

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

- so far as each 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.

This report was approved by the Board of Directors on 27 February 2023 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary

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 57.

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

The Board – role and modus operandi

The names and biographies of the Directors at the date of this report are on pages 58 and 59 of the Annual Report.

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-reserved-for-the-board). 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, values 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 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 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 and vice versa.

Procedures are in place to enable independent professional advice to be taken by individual Directors at the Company's expense. The Company has made qualifying third party indemnity provisions for the benefit of its Directors and directors of its wholly owned subsidiaries, and these remain in force at the date of this report.

The process for the appointment of Directors is set out in the Nomination Committee report on page 69. The Company may amend its Articles of Association by special resolution at a general meeting of its shareholders, at which at least 75% of the votes cast must be in favour of the resolution.

The Board meets regularly throughout the year. The attendance records of the Directors at scheduled Board and Committee meetings during 2022 are set out in the table below.

	Board	Remuneration	Audit and Risk	Nomination
Meetings	6	4	6	2
Attended by:				
Denis Jackson	6	—	—	—
Trish Houston	5	—	—	—
Robert Hingley	6	4	—	2
Tim Bond	6	4	6	2
Mark Bridgeman	2	2	2	—
Pars Purewal	6	4	6	2
Claire Finn	6	4	6	2
Clare Askem	6	4	6	2

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.

Trish Houston was on maternity leave from 22 February 2022 and resumed attendance at Board meetings from 25 May 2022. Mark Bridgeman attended all meetings until his retirement from the Board on 7 April 2022.

Division of responsibilities

Board Chair	The Chair is responsible for the leadership and overall effectiveness of the Board and individual directors. He sets the agenda for each meeting with the support of the Company Secretary. The Chair manages the meeting timetable, promotes open and effective discussion and challenge at meetings and creates an environment in which all participants feel comfortable to share their views. He is also responsible for ensuring that shareholders' views are understood by the Board as a whole.
Senior Independent Director ('SID')	The SID provides a sounding board for the Chair and, if necessary, acts as an intermediary for the other Non-Executive Directors. The SID is also available for communication with shareholders where normal lines of communication via the Chair, CEO or COO are not successful or where it is considered more appropriate. The SID also leads the annual appraisal of the Chair and an orderly succession process for the Chair, working closely with the Nomination Committee in both cases.
Executive Directors	The Executive Directors are responsible for the leadership and management of the business within the scope of the authorities delegated by the Board. They must exercise those authorities to achieve the strategic objectives set by the Board, implement Board decisions and ensure that the Group complies with all of its regulatory and legal obligations. The Executive Directors are also responsible for communicating the views of the senior management team on business issues to the Non-Executive Directors of the Board.
Non-Executive Directors	The Non-Executive Directors help to set the strategy for the business, offer specialist advice, constructively challenge the Executive Directors and scrutinise the performance of the Executive Directors in relation to the delivery of that strategy and their personal objectives, the implementation of Board decisions and compliance with the Group's regulatory and legal obligations.

The Board – independence

At least half of the Board, excluding the Chairman, must be independent Non-Executive Directors (NEDs). The Board can confirm that, as at the date of this report, excluding the Chairman, four of the six other Directors are independent NEDs. In assessing Directors' independence, the Board takes into account their tenure on the Board, whether or not a Director is independent of management and any material business or other relationship that could affect or interfere with the exercise of objective judgement by the Director, or his/her ability to act in the best interests of the Group. 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 58 and 59 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 Tim Bond, Mark Bridgeman, Pars Purewal, Claire Finn and Clare Askem were independent at their respective dates of appointment and that the current directors of the Company 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.

Tim Bond is the Senior Independent Director and is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or COO.

Directors' remuneration

Details of the Directors' remuneration appear in the Directors' Remuneration Report on pages 76 to 98.

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. Reports with respect to each of the Committees may be found on pages 69, 72 and 76.

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

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

The statement of Directors' responsibilities in relation to the financial statements appears on pages 64 and 65. The independent auditors' report appears on pages 100 to 110. 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 and risk management systems

The framework of internal controls underpins the Company's risk 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.

Corporate governance report continued

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 Group Risk Manager, 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).

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 2022 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. 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. Further details on risk management may be found on pages 38 to 42.

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) on page 62 and Notice of AGM (total voting rights) on page 162.

This report was approved by the Board of Directors on 27 February 2023 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary

Nomination Committee report

Annual statement by the Chairman of the Nomination Committee

I am pleased to present the Company's Nomination Committee report for the year ending 31 December 2022.

Other than myself as Chair, the members of the Committee who served during the year were Tim Bond, Mark Bridgeman, Pars Purewal, Claire Finn and Clare Askem. Details of Committee meetings and attendance can be found on page 66.

Role and duties

The Committee's role is 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.
- Ensuring that the Board and its Committees are constituted to comply so far as practicable with legal and regulatory requirements and 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 2023 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. The Committee considers using open advertising or the services of external search firms to recruit new directors. Any external search firms used are expected to be a signatory to the standard voluntary code of conduct for executive search firms.

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 Committee is also responsible for reviewing and applying the Board's policy on tenure and succession planning for members and the Chairman of the Board. I was appointed to the Board in October 2017 and, in line with the policy and the recommendations of the Code, I 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 to assist in the development and execution of strategy, for the benefit of its shareholders and other key stakeholders. The Board's policies on diversity and inclusion and tenure and succession planning both embody this principle, which is considered and applied in the appointment and succession planning processes.

At the date of this report, the Company is compliant with the recommendations under the FTSE Women Leaders and Parker reviews.

Principal activities of the Committee

During the year, the Committee's principal activities included:

- Recommending the appointment of a new designated Non-Executive Director for Workforce Engagement to the Board for approval.
- Reviewing the Board's policies on Diversity and Inclusion and Tenure and Succession Planning.
- Reviewing the Board's short, medium and long-term succession plans.
- Facilitating the internal evaluation of the performance of the Board, its Committees and each of the directors.
- Reviewing each of the directors' independence and time commitments.

Nomination Committee report continued

- Reviewing the composition and constitution of the Board and its Committees.
- Considering and recommending the re-election of each of the Directors to the Board, who have subsequently recommended the same for shareholder approval at the forthcoming AGM.

Board evaluation

Progress on recommendations made following the 2021 internal evaluation of Board and Committee performance:

RECOMMENDATIONS	ACTIONS
Improve time management of meetings and further streamline meeting packs	Board and Committee Chairs were rated highly in the 2022 internal Board evaluation in relation to time management of meetings. It was also acknowledged that the structure and length of meeting papers had improved. However it was requested that some additional adjustments be considered. The Chair and Secretary have arranged to discuss this further in Q1 2023.
Continue to enhance engagement with investors and other key stakeholders	The Board and management have increased their engagement with key stakeholders during the year. Details are disclosed in the Section 172(1) Statement on page 46. Engagement activities undertaken by directors, management and corporate advisors including the investment manager and corporate brokers are reported to the Board, who have oversight. The Board will continue to review its approach and engage with stakeholders, as appropriate.
Continue to ensure an appropriate balance between discussions regarding the portfolio and the IPS business	The Board discusses the business of both the Investment Portfolio and IPS business at each scheduled meeting. In addition to the routine quarterly investment management reports, thematic discussions are now scheduled at least twice per year. With regard to the IPS business, in addition to receiving updates from Business Heads, the Board has also been focused on a review of the strategy for IPS, which is ongoing.
Agree a director training schedule	During the year, the Board received training on the FCA's Senior Managers and Certification Regime, the upcoming changes on audit and corporate governance reform and continue to receive routine updates on regulatory and governance developments through the external auditor, company secretary and other corporate advisors. The Board has access to Deloitte Academy, which provides a wide range of technical briefings and bespoke training. Areas where the Company and its advisors can continue to support the Board will be assessed each year.
Reassess the Company's principal and emerging risks	Throughout the year, the Audit and Risk Committee reviewed the Company's principal and emerging risks and will continue to reassess these each year as prescribed in its terms of reference. Further details can be found in the risk management section of the strategic report on pages 38 to 42.

2022 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 corporate secretary.

The evaluation focused on the Board and its Committees' composition, knowledge and behaviours, governance processes and support, work undertaken during 2022 and priorities for 2023. For the Board, the questionnaire also focused on: investment, strategic and governance matters, investor and stakeholder engagement and major decisions taken during the year. The anonymity of responses was guaranteed throughout the process, to promote candid feedback.

The results were discussed by the Nomination Committee in September 2022 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, with the Non-Executive Directors and Executive Directors as separate groups, in the absence of the other, and finally a full Board discussion.

Key actions arising from the 2022 internal evaluation were to:

- improve the presentation of forecasts on IPS' financial performance to the Board;
- appropriately balance increasing regulatory and governance requirements relative to the size of the IPS business;
- streamline the criteria for evaluating the Company's investment manager; and
- review the effectiveness of ESG oversight and workforce engagement.

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.

Nomination Committee report continued

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 of the Directors, as set out in the Notice of AGM on pages 156 to 158.

All Directors are submitted for annual re-election, subject to continued satisfactory performance, which is assessed as previously described.

Diversity and inclusion

The Board is committed to achieving the objectives set out in its Diversity and Inclusion Policy, which may be found on our website.

Progress against those objectives are set out below.

We are proud of the progress we've made in becoming a more diverse and inclusive Board and workforce, which has resulted in, among other benefits, more independent and diverse thoughts and solutions, greater debate and challenge on pertinent matters and an integrated approach towards continually achieving long-term capital growth in real terms and steadily increasing income for our shareholders.

Whilst we have achieved our diversity targets and those set by the FTSE Women Leaders and Parker Reviews, we will continue to regularly evaluate our culture and composition and make enhancements for the benefit of our shareholders, clients, people and other key stakeholders, as appropriate. We also review our succession plans at least annually to ensure we have the right persons in place to support the group in achieving its objective.

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 reviewed its Tenure and Succession Planning Policy, to ensure it remained fit for purpose. The policy sets out the procedures for the appointment of new Directors and short, medium and long-term succession plans in line with governance best practice. There were no new Board appointments during 2022.
To achieve and maintain, with respect to gender and ethnic diversity at Board and Committee levels, the recommendations of the FTSE Women Leaders and Parker Reviews, recognising that unexpected changes in Board composition may result in temporary periods when this balance is not achieved.	The Company satisfies all recommendations of the FTSE Women Leaders and Parker Reviews, namely: • 43% of the Directors on the Board are female and 57% male. • 40% of the members on the Remuneration and Nomination Committees are female and 60% male. • There is a 50:50 split between male and female representation on the Audit and Risk Committee. • 66.67% of the Executive Leadership team are female and 33.33% male. • One Director on the Board is from an ethnically diverse background. • The CFO and COO functions of the Company are held by women.
To be kept updated on the Executive Directors' progress in ensuring the proportion of direct reporting roles to the Board and the Executive Management team, held by women and persons from ethnically diverse backgrounds, are compliant with the FTSE Women Leaders and Parker Review recommendations.	The Executive Leadership team presented its annual report on gender and ethnic diversity across the IPS business including analyses of employee positions held by women and ethnic minorities and gender pay gaps across all levels of the Group. Further details can be found in the ESG section of the strategic report on page 54. Additionally, this year, the Executive Leadership team presented its Diversity, Equity and Inclusion Strategy for the IPS business to the Board, which included employee gender, ethnicity and age targets and thresholds.
To continue to facilitate a culture of inclusivity among Board and Committee members and to encourage active contributions from all Directors, recognising that a clear tone and example must be set at Board level.	Following the 2022 internal Board evaluation, it was found that the culture and dynamic of the Board, Directors' individual performances and discussions at meetings continued to be effective and in line with the Company's values as set out on page 30 of the strategic report. These and other related matters will be continually reviewed on an annual basis.

This report was approved by the Board of Directors on 27 February 2023 and signed on its behalf by

Robert Hingley
Chair, Nomination Committee

Audit and Risk Committee report

Annual statement by the Chairman of the Audit and Risk Committee

After the Annual General Meeting in April, Mark Bridgeman stepped down as Chair of the Audit and Risk Committee ('ARC'), having served nine years. On behalf of the ARC, I would like to thank Mark for his hard work and the support he provided to the Group. It was a pleasure to work with him during the handover period.

During my first year as Chair of the ARC for the Law Debenture Corporation Plc, I have focused on building on my understanding of the Group and supporting the organisation enhance our management of the key Group risks. During the year, we have refreshed our assessment of Risk, along with conducting a full risk review for each of the Business areas.

As part of this, I have reviewed the approach to Internal Audit and worked with our Head of Internal Audit to introduce an approach which applies a holistic view of how the Group mitigates the principal risks. This refreshed approach is more aligned to the way the business now operates.

I have also ensured that the Group has an appropriate audit and non-audit services policy to ensure that we have clearly articulated the oversight and governance we have in place. During the year, we have also continued to build our relationship with our auditors, Deloitte LLP, who are in their second year. We are pleased with how that relationship has developed.

In terms of significant areas of accounting judgment, the most significant continues to be the valuation of the IPS business. Considerable time and attention has been given over to considering the appropriate methodology and ensuring the macro-economic factors are considered to coming up with the recommendation for the Board.

Another key area of responsibility for the ARC is the recommendation of the dividend payments made to Shareholders. In line with previous years, we recommended that each of the first three interim dividends were set at a quarter of the total dividend for the previous year. The ARC has sought to balance the inflationary pressures faced by our shareholders with the potential risk of an extended period of recession within the UK. As a Group, we remain committed to providing our shareholders with steadily increasing income and, with these factors in mind, we are recommending the final dividend of 8.75 pence, resulting in a total dividend of 30.5 pence.

From an operational risk perspective, the ARC has spent time in Manchester understanding the operating model with the Shared Services Centre, along with the programme of continuous improvements which is underway. The ARC has also supported the Executive navigate the fall-out of the Russian invasion of Ukraine, ensuring that economic restrictions have been appropriately applied.

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 long term viability and risks thereto.

The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Corporate Governance Code. Under these requirements a tender for the external audit must be undertaken no later than 2031.

During the prior year, the Company completed the Audit Tender Process which was overseen by the Audit and Risk Committee, following which Deloitte LLP were appointed as auditors for the group. The 2021 year-end was the first audited by Deloitte.

Internal controls and risk management

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

External audit

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

Internal audit

- Monitoring the effectiveness of the Head of Internal Audit's work and overseeing the implementation of any corrective actions.
- Approving the internal audit programme in the context of the Company's overall risk management system and ensuring it is aligned to the key risks of the business. The Committee agreed a thematic risk-based internal audit plan for this year which is directly aligned to the Group principal risks and looks at the Company as a whole.
- 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 regularly 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, as a chartered accountant, I am appropriately qualified with relevant experience due to my extensive career as a senior partner at PwC. Similarly, Tim Bond satisfies the requirement having spent time as an active fund manager.

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 2021 financial statements and, in the fourth quarter, to plan the 2022 audit. These meetings included discussions on fees, auditor independence, key risks, non-audit services and developments in accounting standards.
- Oversight and recommendation to the Board of the re-appointment of our 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.

Audit and Risk Committee report continued

- Receiving a presentation on the proposed new BEIS rules regarding audit reform and the changes to assurance.

Shortly after the year end, the Committee met with the external auditors in order to inform considerations regarding their independence, effectiveness and discuss the 2022 financial statements to ensure that the presentation of the financial information within is materially correct.

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 38. 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 Group Risk Manager reports through the Executive Risk Committee. The Group Risk Manager also provides reporting on risk matters each meeting of 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 her reports including management's actions in response to the findings and recommendations. The internal auditor has the right, should she wish, to meet separately 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 £65,000 (2021: £29,000).

Significant financial issues relating to the 2022 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, oversight of the CSS impairment review, the existence and valuation of Investments, discussions around the control environment and the accounting for Pension Defined Benefit Scheme.

No new significant issues arose during the course of the audit. During 2022, there was a big focus on embedding the improved Finance operations, which we invested in heavily during 2021. We are pleased with the progress made and the improved control environment which has resulted.

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.

This report was approved by the Board of Directors on 27 February 2023 and signed on its behalf by

Pars Purewal
Chair, Audit and Risk Committee

Directors' remuneration report

PART 1: COMMITTEE CHAIR'S STATEMENT

Dear Shareholder

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Director's Remuneration Report for 2022 (the Report).

The Report is in four sections:

- Part 1: Committee Chair's Statement
- Part 2: Remuneration Committee Responsibilities
- Part 3: Directors Remuneration Policy for 2023 to 2025
- Part 4: Annual Report on Remuneration for 2022

The sections are set out in accordance with the UK Directors' Remuneration Report Regulations 2013, as amended in 2018 and 2019.

Shareholder support

The Policy that applied for the 2020-22 period was approved by shareholders at the AGM on 7 April 2020 with 97.65% of votes cast in favour. The Committee's implementation of that Policy has also received strong support at the AGMs in 2021 and 2022, with 97.21% and 99.23% votes in favour, respectively.

We closely monitor developments in shareholder and voting agency guidance on remuneration. During 2022, we conducted a thorough review of the Policy, and consulted major shareholders and voting agencies on some proposed amendments, in preparation for the normal triennial vote at the AGM in 2023. Shareholders who responded were generally supportive of the proposed changes, and made a number of helpful and constructive suggestions for the Committee to consider. This feedback was taken into account as the proposed Policy was finalised for inclusion in this Report. In particular, having listened to shareholders, the Committee has substantially reduced the salary increase for the CEO in 2023 from the level that was originally proposed, and further strengthened the performance requirements in the annual bonus.

Restraint in executive director remuneration

In light of the current financial pressures being felt by shareholders and colleagues, as a matter of principle, the Committee has continued to take a restrained approach to executive remuneration.

Based on LDC's ranking in the FTSE 250, the current base salaries and variable remuneration for the CEO and COO roles at LDC are substantially below market levels. However, while the CEO and COO roles include overseeing the management and performance of the investment portfolio, and fiduciary duties for LDC as Board Directors, they have more direct influence over the financial performance of the IPS business within LDC. Furthermore, the financial performance metrics for the incentives applying to the CEO and COO are based on the growth in IPS profits. The Committee has therefore selected the FTSE SmallCap as the relevant benchmark to reflect the size of the IPS business.

The current maximum variable pay levels for both the CEO and the COO, and the CEO's base salary (which has remained unchanged for the last three years) remain below the relevant benchmarks within the FTSE SmallCap. The Committee has considered these elements as part of the triennial Policy review, and seeks to align them closer to the benchmark over the next three years.

Annual performance and bonus outcomes for 2022

As reflected in both the Chairman's and the CEO's statement, 2022 presented a new set of challenges for the organisation to navigate but the Executive Directors have worked hard to protect the interests of our shareholders and support our objective as a business of producing long-term capital growth and steadily increasing income.

From an economic and operational perspective, 2022 saw rising inflationary pressures and strong competition for talent in the marketplace. Under the stewardship of our Executive Leadership team, there is ongoing progress in creating an environment which both promotes growth of the IPS business and a strong corporate culture. We were particularly pleased with the launch of the 'Emerging Leaders Programme', which supports the development of future leaders of the business, something we feel is critical to the long-term success of the business.

Further progress was made in enhancing the infrastructure of our business. Good progress has been made in further embedding the Corporate Secretarial Services business ('CSS'), which we believe will be accelerated under the leadership of Trish Houston, our COO, during 2023. The Executive Directors also responded to the need to invest technology resource in our whistle-blowing business, Safecall, to enhance our client facing platform. This project has been completed and well received by our clients. Having established a Finance shared service centre in Manchester in 2021, it is satisfying to see that this is now fully operational. The Committee would like the Executive Directors to make further progress on articulating the strategy for growth and investment within the IPS business, along with further development of the brand and marketing strategy and plans. This will be a continued area of focus in 2023.

2022 was another year of growth for our IPS business with revenue growth of 8.6%, an increase in profit before tax of 8.1% and an increase in earnings per share of 3.8%. 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 our staff and the success of our 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 2022.

The Committee evaluated the performance of the Executive Directors in relation to the financial and non-financial metrics set out on page 93 of this report. Before approving the performance outcome, the Committee considered whether there were any wider performance factors that might require a downward discretionary adjustment. These included:

- the need to maintain a fair balance between the interests of different stakeholders, including shareholders, employees and Executive Directors;
- the desire to encourage and reward the behaviours that reflect our purpose, values and culture;

After consideration, the Committee decided that these outcomes were appropriate and consistent for the year and no discretionary adjustment was required.

Based on this assessment of performance, the Committee determined that 76.8% of the maximum annual bonus should be awarded to Executive Directors for 2022. In accordance with the Policy, fifty percent of the portion of bonus above £100,000 is deferred into shares for three years.

The performance criteria and outcomes are fully explained in the Report. The Committee has continued to enhance the level of detail and clarity of information in the Report about the non-financial performance criteria, and the Committee's assessment of this part of the scorecard.

Long-term performance, and LTIP outcomes for 2020-22

It has been a successful period for the IPS business. Over the period, revenues in the business have grown from £31.8m at the end of 2019 to £45.2m at the end of 2022. There has been significant investment into IPS over the period to protect the long-term future of the business, but this has been done in a controlled manner, which has resulted in growth in profit before tax (PBT), in line with our stated objective of mid-high single digit growth. During the 3 years, IPS PBT has grown 25%, with a compound annual growth rate ('CAGR') of 7.9%.

Based on this, the total metric-driven outcome for the 2020-22 LTIP cycle was 74% of maximum. Before approving the vesting outcome the Committee considered whether there were any wider performance factors that might require a downward discretionary adjustment. These included:

- the need to maintain a fair balance between the interests of different stakeholders, including shareholders, employees and Executive Directors;
- the desire to encourage and reward the behaviours that reflect our purpose, values and culture;

The Committee also considered whether any adjustment should be made for 'windfall gains' (see below).

After consideration, the Committee decided that these outcomes were appropriate and consistent for the period and no discretionary adjustment was required.

The resulting vested shares are subject to a two-year, post-vesting holding period, in accordance with the Policy.

'Windfall gains'

The Committee carefully considered whether a downward adjustment should be made to the LTIP vesting outcome in 2023, which relates to the CEO as the only recipient of LTIP in 2020. This would take account of the Covid-related stock market 'shock' just prior to the grant in April 2020 – specifically the impact of this on the number of shares under the award. Due to the general stock market dip, the LDC share price at the time of grant was £4.63, compared to £5.98 a year earlier in April 2019. This resulted in the Chief Executive being granted 29% more shares at the 2020 grant than he would have received had the share price in April 2020 been the same as in April 2019.

The Committee considered a number of balancing factors in assessing whether an adjustment should be made at vesting for this apparent 'windfall gain':

- The dip in the share price just prior to grant was not a consequence of LDC performance or that of the management team. It was a global phenomenon resulting from the Covid 'shock'.
- The grant size for the CEO in April 2020 was set at 100% of base salary, which was relatively low for a business of IPS's size. Also, the CEO's base salary of £325,000 was substantially below market benchmarks. As a consequence, the overall maximum value of the CEO's 2020 grant was £325,000, compared to a CEO median in the FTSE Small Cap of over £600,000. Therefore, the LTIP grant for the LDC CEO was, in effect, already set at a substantial discount.

Directors' remuneration report

- LDC did not benefit from Government support under the Coronavirus Job Retention Scheme (furlough), nor make any Covid-related redundancies, and the Company did not cancel dividends for 2019 or 2020.
- The Executive Directors are granted shares in LDC rather than IPS and are therefore exposed to broad market risk in their discretionary awards.
- If there had, instead, been a share price 'spike' at the time of grant, the Committee would not have increased the size of grant to bring the number of shares awarded back to a 'normal' level.

Having considered all the relevant factors, the Committee concluded that it was not appropriate to make a downward adjustment to the performance-related LTIP vesting outcome in 2023.

Proposed Director's Remuneration Policy for 2023-25 period

The Committee has undertaken a thorough review of the Policy in preparation for the triennial AGM vote, including consulting with major shareholders as set out above, and taking account of remuneration for other LDC employees. The Committee concluded that the overall remuneration structure continues to be suitable for the Company. Where amendments have been proposed to the Policy, these are intended to: support the continued growth of the Company over the next three years; to assist retention and, when necessary, recruitment of talent; and, to ensure that the Policy includes the features of best practice in UK executive remuneration.

The key proposed changes to Policy are as follows:

- To increase the weight on financial metrics in the annual bonus to 60% (from 50% currently), with a corresponding reduction in the non-financial metrics weighting to 40% (from 50% currently). This is intended to give additional focus to driving growth in IPS profits;
- To increase the performance requirements for both annual bonus and LTIP, with accompanying increases in the maximum opportunity to bring these closer into line with market benchmarks:
- For 2023, the IPS profit growth range in the annual bonus will increase to 5% at threshold and 12% at maximum, from the previous range of 4% to 9%. In conjunction with this, the Policy maximum for annual bonus will increase from the current 100% of base salary to 125% of base salary.
- For the 2023 LTIP grant, the IPS profit growth range will be 4% to 14% (Compound Annual Growth), compared to 4% to 10% for the previous grant in 2022. Also, the percentage of the award vesting at threshold performance will be reduced to 20% of maximum, from 25% currently. In conjunction with these changes, the maximum LTIP grants size will increase from the current 100% of base salary to 150% of base salary.
- There will also be a reduction in the existing Executive Directors' pension allowance from 1 January 2023 to 9% of base salary (from 12% currently), which aligns it with the level applicable to new employees, and below the level applying to employees with the same length of service as the two Executive Directors. The majority of LDC employees have a 9% employer contribution.
- The Policy also re-positions the CEO's base salary in stages over three years, to a level that more fairly reflects market practice and appropriate internal relativity to other roles in the Company (see below).

Base salaries

Base salary increases in 2023 for employees in LDC averaged 6%, with the largest percentages going to individuals in lower paid roles, and where there is need for significant market re-alignment or to recognise a promotion or change in role.

The CEO's current base salary (£325k) falls well below CEO norms, not only in the FTSE 250 (lower quartile of £530k), but also the FTSE Small Cap (median £466k). The salary has remained unchanged for the last three years.

The Committee feels that the current CEO salary has fallen so far out of line with the market that it is not at a fair level, either relative to others in less senior roles in the company or relative to other CEOs in the market. This situation is not consistent with the Company's values, and does not support motivation, retention and, when necessary, recruitment of talent. The salary is also becoming increasingly out of line each year, as market pay levels rise. Whilst the current economic and cost of living environment is not an ideal context in which to re-align the CEO's base salary, the Committee has concluded that the current situation is not sustainable.

The Committee therefore plans to re-position the CEO's base salary in stages over the three-year policy period, subject to continued good performance in role:

Stage 1 (2023):	£354k (which comprises 5% general increase, below the average for LDC employees, and 3.9% towards repositioning the salary relative to the market)
Stage 2 (2024):	£400k
Stage 3 (2025):	£450k

A salary of £450k will still be below the current median for FTSE SmallCap CEOs and this benchmark may rise materially over the 3-year period.

Trish Houston's (COO) base salary has increased by 5.4% from £275,000 to £290,000 for 2023; this is below the average percentage increase for LDC employees.

In November 2022, Trish was appointed Head of the CSS business, in addition to her COO role. This has added direct responsibility for a client facing business to Trish's role as the Group COO for LDC. The Committee will consider the impact of this greater responsibility in the next base salary review in 2024, taking account of her performance in the role.

Board Chair fee and NED fees for 2023

The Committee reviewed the Board Chair fee of £92,000 and concluded that this current fee level does not adequately recognise the role's time commitment and responsibilities. The role includes not only overseeing the strategy, management and performance of the Investment Portfolio, but also exercising governance oversight of the IPS business within LDC. The Committee therefore increased the Board Chair fee to £110,000, to go some way towards recognising the breadth of responsibility and time requirements of the role.

The Board (excluding the NEDs) reviewed the NED fee rates, and increased these by £2,400 to £50,000, from £47,600 previously, taking account of market fee levels for NED roles with similar levels of time commitment and responsibility. The fees for the roles of Chair of the Audit Committee and Chair Remuneration Committee have also been increased to £10,000 from £5,950 taking account of market fee levels for these roles with similar levels of time commitment and responsibility. The fee for the Workforce Engagement Director role has been increased to £6,250 from £5,950.

Wider workforce considerations and consultation with colleagues

The responsibility for determining the reward practices on a firm-wide basis lies with the Committee.

The Committee receives regular updates on overall pay and conditions, including (but not limited to) changes in base pay and the incentive schemes in operation, pay ratio and diversity pay data. The Committee also has oversight of the all-employee share plan which Executive Directors and all other employees can participate in on the same terms and conditions.

As in previous years, the Committee has oversight of overall remuneration for employees across LDC. The average salary increase for our people in 2023 will be 6%. LDC is committed to paying all staff at or above the Real Living Wage, which is in excess of the National Living Wage.

People are key to the long-term success of our business, particularly in a competitive marketplace for attracting and retaining talent. This year, we have focused on ensuring that our all of our people are rewarded appropriately for their contribution and that our salaries are in line with those on offer within the market. Those on lower salaries have generally been granted larger percentage increases in salaries than more senior colleagues. During 2022, a one-off payment of £1,000 was also made to our lowest paid people to support them with the cost-of-living crisis.

One of our Committee members, Clare Askem, is also the Non-Executive Director with responsibility for leading Workforce Engagement. Clare conducts meetings with employee panels, which include a cross-section of colleagues. These provide an opportunity for colleagues to raise any issues directly with a non-Executive Board Director, including asking any questions about remuneration policy or practice.

In addition, the Remuneration Committee seeks feedback from the Senior Leadership team which is taken into consideration when determining remuneration outcomes for Executive Directors, objective setting and strategic planning.

UK Corporate Governance Code

The Committee regularly monitors how remuneration Policy and practice meets the requirements of the UK Corporate Governance Code.

In reviewing the Policy, the Committee has considered the six principles set out in Provision 40, of the UK Corporate Governance Code: clarity, simplicity, predictability, alignment to culture, proportionality, and management of risk. The Policy section of this report provides further information on how we have applied these principles.

Total Shareholder Return

The Company has sustained consistent levels of return to shareholders. £1,000 invested in LDC a decade ago was worth £2,612 at the end of the 2022, which is more than 1.8 times the rate of return for the FTSE All-Share Index.

Conclusion

The remuneration outcomes for 2022 reflect good performance during the year. The proposed Policy amendments are balanced, proportionate and aligned to shareholders' interests. I thank shareholders who assisted the Committee in the consultation process for their constructive feedback and support for the proposals.

I encourage you to vote both for the Directors' Remuneration Report for 2022, and for the Directors' Remuneration Policy for the 2023-25 period. I also welcome any feedback you may have during the year.

By order of the Board

Claire Finn
Chair, Remuneration Committee
On behalf of the Remuneration Committee
27 February 2023

Directors' remuneration report continued

PART 2: REMUNERATION COMMITTEE RESPONSIBILITIES

Remuneration Committee

REMUNERATION COMMITTEE MEMBERSHIP AND ACTIVITIES DURING 2022			
Members	The members of the Committee who served during the year were:	C. Finn (Chair) R. Hingley T. Bond P. Purewal C. Askem	Details of Committee meetings and attendance can be found on page 66.
Key activities of the Committee during the year included:	• Overseeing the tri-annual review of the Remuneration Policy with Shareholder Engagement; • Determining 2022 annual bonus outcomes and payments for the Executive Directors and Senior Managers; • Preparing the 2022 Annual Remuneration Report; • Determining salary adjustments for the Executive Directors and Senior Managers; • Setting performance objectives, annual bonus measures and targets for 2023; • Reviewing the operation of the annual bonus process; • Benchmarking pay for the Executive Directors and Senior Managers; • Determining the total executive pay for 2022, including performance conditions for the LTIP awards in 2023; • Review of Remuneration Committee Terms of Reference; and • Reviewing Gender Pay Gap reporting.		
Support provided to the Committee	Alvarez & Marsal was appointed by the Committee as independent adviser following a formal selection process. Alvarez and Marsal is a member of the Remuneration Consultants Group and voluntarily operates under its Code of Conduct in its dealings with the Committee. Alvarez & Marsal fees charged for the provision of independent advice to the Committee during the year were £44,643. Other than in relation to advice on remuneration, Alvarez and Marsal provides no other support to the Company or wider Group. The Committee is satisfied that Alvarez & Marsal 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 and COO, 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 and for the wider workforce. No Director participated in discussions that related directly to their own remuneration.		
Key responsibilities of the Committee	The Committee's terms of reference are published on the Company's website (https://www.lawdebenture. com/investment-trust/shareholder-information/corporate-governance). The key responsibilities of the Committee are to: • undertake a tri-annual review of the Remuneration arrangements for the Executive Directors; • 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 Board 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.		

PART 3: DIRECTORS REMUNERATION POLICY FOR 2023 TO 2025

Directors' Remuneration Policy

The Committee is required to put the new Directors' Remuneration Policy to a binding shareholder vote at the next Annual General Meeting on 30 March 2023, as the current Policy, that was approved at the 2020 AGM, is approaching the end of its three-year approval period. This new Policy, set out below, will take effect from the date of that meeting and is intended to apply to remuneration in respect of 2023-25.

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, of delivering capital growth and steadily increasing income to our shareholders.
Competitiveness	Total remuneration will be competitive but not extravagant for the role taking into account sector, complexity of responsibility and geography. When setting Executive Director 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.

Committee Process to determine the new Remuneration Policy

In determining the 2023-25 Directors' Remuneration Policy, the Committee:

- Considered the Company's strategy, how the current Policy related to and supported this, and assessed what amendments were required to the Policy to further align it with the strategy;
- Considered feedback from shareholders and investor bodies on the Directors' Remuneration Reports over recent years;
- Sought advice from independent remuneration consultants on the remuneration requirements of the 2018 UK Corporate Governance Code and current investor priorities and guidelines, and market best practice in formulating the new Policy;
- Reviewed wider workforce remuneration and incentives to ensure consistent principles;
- Consulted Executive Directors on the proposed changes to the Policy; and
- Conducted a full consultation exercise with major shareholders and investor bodies on the changes.

The Committee was mindful in its deliberations on the new Policy of any potential conflicts of interest and sought to minimise them: through an open and transparent consultation with the Executive Directors; by seeking independent advice from its external advisers; and, by undertaking a full shareholder consultation exercise.

Directors' remuneration report continued

UK Corporate Governance Code Principles

In determining the new Remuneration Policy, the Committee paid attention to Provision 40 of the 2018 UK Corporate Governance Code, as follows:

FACTOR	HOW OUR NEW REMUNERATION POLICY ALIGNS
Clarity *remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.*	• Bonus and LTIP performance conditions are based on clear financial and strategic metrics. There is a clear link between their delivery and reward provided to Executive Directors and senior managers. • The LTIP provides annual grants of shares which must be retained for the longer-term to ensure a focus on sustainable performance. This provides complete clarity of the alignment of the interests of Executive Directors, Senior Managers and shareholders.
Simplicity *remuneration structures should avoid complexity and their rationale and operation should be easy to understand.*	• The remuneration package is simple, with three main components: base salary, annual bonus with deferral, and LTIP. • The performance conditions for the annual bonus and LTIP are based on the Company's key strategic objectives. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity .
Risk *remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.*	The Remuneration Policy includes: • Compulsory deferral of a substantial proportion of bonus in shares for a material period; • Aligning the performance conditions with the strategy of the Company; • Ensuring a focus on long-term sustainable performance through the LTIP; and • Ensuring there is enough flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by: • Deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short term behaviours; • Aligning any reward to the agreed strategy of the Company; • The LTIP supports a focus on the sustainability of performance over the longer term; • Reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; and • Reducing the awards or cancelling them if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability *the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.*	• The Remuneration Policy sets out clearly the range of values and discretions in respect of the remuneration of management. • Annual bonus and LTIP award levels are capped, with a clear calibration to performance targets.
Proportionality *the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.*	• The annual bonus and LTIP provide a clear link between the reward provided to management and the delivery of the strategy through incentivising management to deliver the KPIs. • The LTIP provides a focus on long-term sustainable performance through the build-up of a long-term locked in shareholding. • Both incentive plans allow the Committee to exercise its discretion to override formulaic outcomes. • Executive Director bonuses are also subject to an aggregate cap based on a percentage of the general bonus pool to prevent excessive bonuses relative to the wider workforce.
Alignment to culture *incentive schemes should drive behaviours consistent with company purpose, values and strategy.*	• The annual bonus drives behaviours consistent with the strategy. • The LTIP drives behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business throughout the business cycle.

Summary of changes to the Directors' Remuneration Policy

ELEMENT	CURRENT POLICY	PROPOSED CHANGES	RATIONALE
Long-Term Incentive Plan (LTIP)	Annual award of performance shares. Maximum limit of 100% of base salary per annum, vesting after three years, with a 2-year post-vesting holding requirement. 25% of the award vests at threshold performance.	Maximum limit of 150% of salary. Vesting percentage at threshold performance reduced to 20% of maximum. More stretching performance requirements (see later section of the Remuneration Report)	Brings the LTIP maximum closer into line with market norms, but with an accompanying increase in performance requirements. Further drives long-term sustainable growth of the IPS business, in line with the strategy. Enhances the lock-in of critical talent and long-term alignment with shareholders Enables the Company to retain and, when necessary, recruit talented executives.
Annual bonus	Awards of up to 100% of base salary. Minimum of 50% of the award is based on financial performance conditions.	Awards of up to 125% of base salary. Minimum of 60% of the award is based on financial performance outcomes. More stretching performance requirements (see later section of the Remuneration Report) Further enhancement of disclosure of metrics, targets and the assessment of bonus outcomes.	Brings the annual bonus maximum closer into line with market norms, with an accompanying increase in performance requirements. Places greater emphasis on driving growth in profits. Improved clarity and transparency for all stakeholders. Enables the Company to retain and, when necessary, recruit talented executives.
CEO base salary positioning	CEO base salary currently £325,000, which is substantially below the market median.	Re-position the base salary in stages over three years, subject to continued good performance in role: £354,000 in 2023 £400,000 in 2024 £450,000 in 2025	Current base salary, which has been frozen since 2020, is not at a fair level, either relative to others in the Company or relative to FTSE Small Cap CEOs. The current situation is not consistent with the Company's values and does not support motivation, retention and, when necessary, recruitment of talent. Repositioning the salary in three stages is a balanced and restrained approach to this transition.
Pension	Currently 12% of base salary for existing Executive Directors which is in line with other employees who joined the Company at the same time as the current incumbents.	Reduce the pension allowance for both current Executive Directors, and any new appointees, to 9% from the 1 January 2023 .	Brings the pension allowance for existing Executive Directors in line with the majority of the workforce.

Directors' remuneration report continued

Remuneration Policy Table

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 increase percentages for Executive Directors and Senior Managers are determined at the discretion of Committee but will normally not be higher than 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 responsibilities of the role; • To ensure salaries are 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. Benefits may include (but are not limited to) private medical insurance, life insurance cover, disability income plan, season ticket loans and professional subscriptions. 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 Committee may award non- pensionable cash payments in lieu of one or more of these benefits. Benefits may vary by role and individual circumstance and are reviewed periodically.
Performance framework	None
Outcomes for 2022 under previous policy	Denis Jackson's annual salary was £325k. He also opted to participate in the Company's health care plan. Trish Houston's annual salary was £275k. She also opted to participate in the Company's health care plan.
Implementation in 2023	The current base salary for the CEO (£325k) is substantially out of line with market norms and does not permit appropriate internal relativities. The salary will be re-positioned in stages over three years, subject to continued good performance in role: £354,000 in 2023 / £400,000 in 2024 / £450,000 in 2025 His benefits are unchanged in 2023. Trish Houston's salary will be increased by 5.4% to £290,000. This increase is below that of the wider workforce. Her benefits are unchanged in 2023.
PENSION	
Purpose	To provide funding for retirement at market competitive levels.
Operation and opportunity	Executive Directors may receive pension contributions to a personal Pension scheme and/or cash allowances in lieu of contributions. Executive Directors (including current incumbents and new Directors) to receive a contribution of 9% of base salary in line with the contribution for the majority of the workforce.
Performance framework	None
Outcomes for 2022 under previous policy	Denis Jackson received the cash allowance in lieu of contributions equivalent of 12% of salary. Trish Houston received pension contributions equivalent of 12% of salary.
Implementation in 2023	Denis Jackson's pension contribution has been reduced to 9%, in line with the majority of the workforce. Trish Houston's pension contribution has been reduced to 9%, in line with the majority of the workforce.

Remuneration Policy Table 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	Financial and non-financial objectives, targets and metrics are set at the start of the year. Maximum individual annual bonus opportunity is 125% of base salary. 60% of maximum (equivalent to 75% of salary) is payable for financial performance. 40% of maximum (equivalent to 50% of salary) is payable for non-financial performance. 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). The total aggregate annual bonus payment for Executive Directors is capped at 25% of the general bonus pool for employees.
Performance framework	Performance versus financial and non-financial objectives is assessed at the end of each year to determine the award. The financial component of the bonus is calculated on a formulaic basis. Threshold and stretch financial performance levels of 5% to 12% annual growth in profits are applied, with a pay-out of 20% of maximum at minimum threshold performance rising to 100% of maximum at stretch performance, calculated on a straight-line basis. The Committee assesses performance against strategic objectives and associated targets and metrics to determine the non-financial component of the bonus to be awarded. The Committee has discretion to set suitable metrics and targets, and to adjust the formulaic bonus outcome to reflect underlying Company performance. Any adjustments or discretion applied by the Committee will be fully explained in the following year's Remuneration Report.
Outcomes for 2022 under previous policy	Denis Jackson is recommended to receive a 76.8% bonus. The basis for award is explained on pages 92 to 94. Trish Houston is recommended to receive a 76.8% bonus. The basis for award is explained on pages 92 to 94.
Implementation in 2023	The higher maximum bonus in this Policy (125% compared with 100% previously) is accompanied by more demanding performance requirements. For 2023, the threshold and stretch IPS annual profit growth percentages are raised to 5% and 12%, respectively, from 4% and 9% for 2022.
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.
Performance framework	The award is currently based on financial measures, normally profit-based measures linked to the IPS business. The Committee has the discretion to set suitable metrics and targets for each grant. The higher maximum award size in this Policy (150% compared with 100% previously) is accompanied by a reduction in the vesting percentage at threshold performance (20% compared to 25% previously), and by more demanding performance requirements.

Directors' remuneration report continued

Remuneration Policy Table continued

LTIP continued	
Performance framework continued	The Committee has discretion to adjust the formulaic vesting outcome to reflect underlying Company performance. Any adjustments or discretion applied by the Committee will be fully explained in the following year's Remuneration Report.
Outcomes for 2022 under previous policy	For LDC, the use of growth in IPS EPS as a performance metric is likely to cause distortions as the numerator (IPS profit) relates to only part of LDC's overall business, but the denominator is the Company's entire share capital. This is different from most companies, which measure growth in the EPS of the entire business. Accordingly, the Committee will use growth in IPS PBT for both existing and future LTIP awards as the metric for determining the level of vesting over the relevant performance period. In the event that an acquisition is made for IPS, an appropriate adjustment to starting PBT will be made so as to ensure a like-for-like comparison. The IPS Profit before Tax Annual Growth percentages at threshold and stretch for the 2022 grant are 4% and 10%, respectively. Denis Jackson was awarded an LTIP in 2020 which vests in April 2023. Based on the IPS PBT CAGR over the 3 year period of 7.9%, Denis Jackson will receive 74% of the maximum of award. Trish Houston has no vesting LTIP in relation to the 2020 award.
Implementation in 2023	The IPS Profit before Tax Annual Growth percentages at threshold and stretch for the 2023 grant are 4% and 14%, respectively, compared to 4% and 10% for 2022 grants. Denis Jackson will be awarded an LTIP of up to 150%, subject to meeting the performance conditions. Trish Houston will be awarded an LTIP of up to 150%, subject to meeting the performance conditions.
ALL EMPLOYEE PLANS	
Purpose	To encourage share ownership throughout the workforce.
Operation and opportunity	The Executive Directors are eligible to participate in an HMRC-approved Save As You Earn Share Save Plan (SAYE) and/or Share Incentive Plan (SIP) on the same basis as all other eligible UK employees. The Committee intends to maintain and operate these schemes in accordance with scheme rules and HMRC Regulations. The prevailing HMRC approved limits apply.
Performance framework	None
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. The Company has established a process for monitoring and enforcement of in-role and post-cessation shareholding requirements.
Performance framework	None.
Outcomes for 2022 under previous policy	Denis Jackson currently holds 43,914 shares through his own account, deferred bonus, SAYE and the SIP against a target of 84,306. Trish Houston currently holds 7,435 shares on her own account, SAYE and the SIP against a target of 71,336.
Implementation in 2023	No changes to the policy.

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 pages 46 to 48.

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, as we have done for the new proposed 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.

Differences in remuneration policy for Executive Directors compared with other employees

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

One of the Non-Executive Directors, Clare Askem, has responsibility for leading engagement with the workforce, including on remuneration matters. Various methods of communication (including presentations, email correspondence and availability for face-to-face meetings) may be utilised for this engagement.

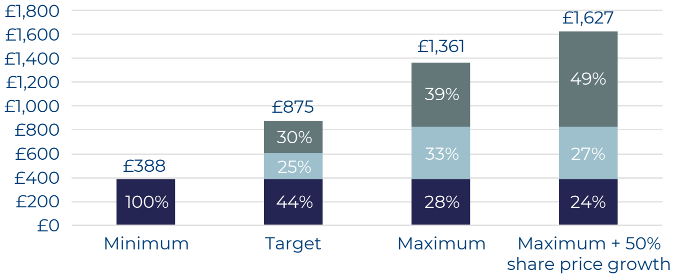
The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. Pension and principal benefits are also provided to all employees. All employees are eligible to participate in an annual bonus scheme with business area-specific metrics and individual performance taken into account where appropriate.

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 takes account of the Executive Directors' oversight of the Investment Portfolio, 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.

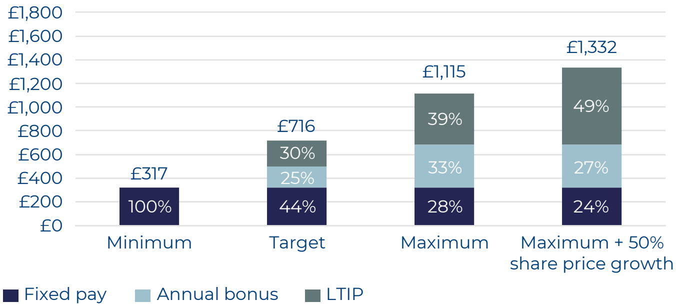
LDC's average UK employee headcount in 2022 was more than 250 employees. As average employee headcount in 2021 was below 250, the regulations do not require the CEO pay ratio to be disclosed for 2022. If the average UK headcount for 2023 is above 250, the ratio will be included in the Remuneration Report for 2023.

Illustration of total remuneration opportunity

Denis Jackson (CEO)
Remuneration (£000s)



Trish Houston (COO)
Remuneration (£000s)



ELEMENT	ASSUMPTIONS
Total fixed pay	**Base salary**: CEO £354,000, COO £290,000.
	Pension: 9% of salary or cash equivalent.
	Benefits: As disclosed in single figure table on page 95.
Annual bonus	Minimum: No payout. On-target: 50% of maximum. Maximum: 100% of maximum (125% of salary).
LTIP	Minimum: No vesting. On-target: 50% of maximum. Maximum: 100% of maximum (150% of salary).
Share price growth	Calculated based on the impact of 50% share price appreciation on LTIP.

Policy for Board Chair and Non-Executive Directors

The Non-Executive Directors, including the Board Chair, do not have service contracts and are appointed for an indefinite term. Non-Executive Directors are not 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 are not eligible to join the Company's pension scheme or participate in any bonus scheme or share incentive plans. 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 Board Chair is paid a single annual all-inclusive fee for all Board responsibilities. Non-Executive Directors receive a base annual Board fee. Additional fees may be payable for additional Board responsibilities such as Chairship of a sub-committee of the Board or the role of 'Employee Engagement Designated NED'. The Board Chair's fee is determined by the Committee (excluding the Board Chair), and fees for Non-Executive Directors are determined by the Board (excluding the Non-Executive Directors). 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 levels are disclosed in the Directors' Remuneration Report and reviewed periodically. Any fee increases may take into account, 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 Board may, in exceptional circumstances, award additional fees to recognise significant additional responsibilities or time commitment required of individuals. The maximum annual aggregate fee for all Non-Executive Directors will be within any limits set out in the Company's Articles of Association.

Directors' remuneration report continued

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 2022, there were no external appointments held by the Executive Directors.

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 (but not limited to): • 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; • adjustments to take account of windfall gains on LTIP awards; • adjustment of performance conditions in exceptional circumstances provided the new targets are fair and reasonable and neither materially more or less challenging, in the context of exceptional circumstances, 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 unforeseen circumstance. 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.

Directors' remuneration report continued

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;
- The Committee will appoint new Executive Directors with a package that is in line with the Remuneration Policy in place at the time, as indicated in the table below. In particular, the maximum level of variable remuneration will be in line with the limits set out in the Policy table.

Approach on recruitment

ELEMENT	ASSUMPTIONS
Salary	• The base salaries of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data and pay and conditions elsewhere in the Company. • Base salary may be higher or lower than the previous incumbent. Salaries may be set at a lower level initially with the intention of increasing salaries at a higher than usual rate as the executive gains experience in the role.
Pension	• New appointees will be eligible to receive pension contributions (or cash in lieu) in line with the Policy.
Benefits	• New appointees will be eligible to receive benefits in line with the Policy, including relocation benefits if the Committee deems it appropriate.
Annual bonus	• The structure described in the Policy table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year served. The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.
LTIP	• New appointees will be eligible for awards under the LTIP which will normally be on the same terms as other executives, as described in the Policy table.

'Buy-out' awards

To facilitate recruitment, it may be necessary to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. This will be considered on a case-by-case basis and may comprise cash or performance and non-performance related share awards and would be in such form as the Committee considers appropriate considering all relevant factors such as the form, performance conditions, expected value, anticipated vesting and timing of the forfeited remuneration. The Committee's intention is that the value awarded would be no more than the commercial value of the awards forfeited.

For internal promotions, the approach will be consistent with the policy for external appointees. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

Service contracts

Executive Director service contracts can 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 the contract. The Directors are subject to annual re-election at the AGM. Non-Executive Directors' contracts are available to view at the Company's registered office.

Termination Payments

Executive Directors may receive base salary, pension and benefits during the notice period, which may be paid during a period of 'garden leave' or 'payment in lieu of notice' (PILON) for all or part of any period of notice. Payments will normally be made 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. Individuals will be eligible for annual bonus only in respect of periods worked (ie. excluding any periods of garden leave or PILON) subject to the normal performance conditions. Further detail on the treatment of annual bonus and LTIP for leavers is provided in the table below.

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 worked, 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 extent of 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 normally 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 performance period served, unless the Committee determines otherwise. • Vested awards will remain subject to any post-vesting 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 Committee's assessment of the achievement of the performance conditions and pro-rated for the proportion of the performance period served to the date of change of control, unless the Committee determines otherwise. • The post-vesting 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.

Directors' remuneration report continued

Part 4: Annual Report on Remuneration for 2022

Performance measures selection for the annual bonus

Performance measures used under the annual bonus are selected annually to reflect the Company's main short and long-term objectives and reflect both financial and non-financial priorities. For Executive Directors, performance measures in incentives 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 their 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 as appropriate.

STRATEGIC OBJECTIVES	Description	Weighting
IPS financial performance	The Committee reviews financial metrics when assessing the Executive Directors' delivery against financial performance targets. The metric used for 2022 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 2022 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 and outcome achieved are set out below:

Measure	Weighting	Threshold (20% of max.)	Maximum (100% of max.)	Actual	Outcome (% of salary)
IPS financial performance - PBT	50%	4%	9%	8.1%	42.8%
IPS non-financial performance	50%	Further details set out below			34%
Total	100%				76.8%

Directors' remuneration report continued

Remuneration Outcomes for 2022

2022 PERFORMANCE AND PAY OUTCOMES
Performance against Financial Objectives for 2022
Total Annual Bonus for 2022: 76.8% of a potential maximum of 100% of base salary.
The IPS business delivered PBT growth of 8.1% resulting in an award of 42.8% of a 50% maximum

Performance against Non-Financial Objectives for 2022

Key Performance Area	Max bonus eligibility (% of base salary)	Score (out of 5)	Bonus awarded (% of base salary)	Commentary on objectives set and achievements
People	5%	4	4%	The Committee set several objectives in the People category, encompassing culture, succession planning and leadership training, which were generally achieved or exceeded. Executive Directors continued to build a performance-driven and inclusive culture investing in people and training and setting the business up to succeed for the years to come. The Committee received positive feedback from employees and senior leaders in respect of this category.
IPS Business	15%	4.5	13.5%	The Committee identified several strategic priorities that were important to facilitate continued growth in IPS. Our Safecall business required technology investment and a new platform, which was delivered on time and to budget in 2022. The leadership team has made good progress during the year to further integrate CSS into the wider Law Debenture business. Business Development resources and initiatives increased and delivered cross-selling successes. In IT, operating platform priorities were addressed successfully. The Finance Shared Service Centre also made good progress through the year.
ESG	5%	4	4%	We asked the Executive Directors to review developing best practice for ESG and to implement a strategy for our own operations. This included engagement with ESG ratings providers and shareholders to help inform priorities. An ESG Committee has been established with a cross-section of employees from across Law Debenture's operations. The Audit and Risk Committee approved the ESG strategy and implementation plan (further details of which are set out in the ESG section of this report on page 50). We are pleased with the progress that has been made in this important area.
Strategy, Brand & Marketing	25%	2.5	12.5%	The Remuneration Committee asked the Executive Directors to undertake a strategic review of the IPS business with a view to informing future investment, growth, brand and marketing plans. While some good progress has been made, there is further work to do, which will be carried forward in 2023.
Total (of a maximum 50% of base salary)			34%	

Directors' remuneration report continued

Long Term Incentive Plan

For LDC, the use of growth in IPS EPS as a performance metric is likely to cause distortions as the numerator (IPS profit) relates to only part of LDC's overall business, but the denominator is the Company's entire share capital. This is different from most companies, which measure growth in the EPS of the entire business. Accordingly, the Committee will use growth in IPS PBT for both existing and future LTIP awards as the metric for determining the level of vesting over the relevant performance period. In the event that an acquisition is made for IPS, an appropriate adjustment to starting PBT will be made so as to ensure a like-for-like comparison.

The LTIP award granted to the CEO in 2020 reached the end of its performance period on 31 December 2022. The table below shows the performance target. The outcome was actual CAGR of 7.9% resulting in a vesting of 74% of the maximum award.

In 2022, 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 PBT performance, and any vested shares (net of tax) will be subject to a further two-year holding period. The performance targets are as follows:

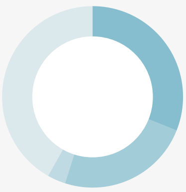
3-year PBT CAGR	% vesting	IPS 3-year PBT CAGR
Below threshold	0%	Less than 4%
Threshold	25%	4%
Stretch	100%	10%

2022 PERFORMANCE AND PAY OUTCOMES

Total remuneration 2022

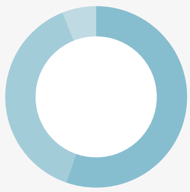
Denis Jackson
Chief Executive Officer

- Salary and benefits 31%
- Annual bonus 24%
- Retirement benefits 3%
- Performance Shares 42%



Trish Houston
Chief Operating Officer

- Salary and benefits 55%
- Annual bonus 39%
- Retirement benefits 6%
- Performance Shares 0%*



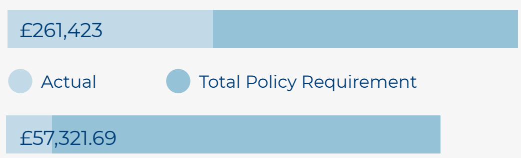
*No long-term incentives or scheme interests vested in 2022 for the COO.

Share ownership

Shareholding is a key means by which the interests of Executive Directors are aligned with those of shareholders.

Denis Jackson[1]
Chief Executive Officer

Trish Houston[2]
Chief Operating Officer



Denis Jackson:
Current holdings: 33,907 shares[3]
Two times salary, 84,306 shares[4]
Total target value[3] of £650,000

Trish Houston:
Current holdings: 7,435 shares[3]
Two times salary, 71,336 shares[4]
Total target value[3] of £550,000

1 Denis Jackson has 43,343 vesting in 1-4 years time subject to a service condition but not a performance condition. This holding has been adjusted to reflect tax and NI payable.
2 Trish Houston has 6,977 vesting in 1-4 years time subject to a service condition but not a performance condition. This holding has been adjusted to reflect tax and NI payable.
3 Includes shares held in own account
4 Calculated based on a close price of 771p as at 31 December 2022.

The value of the shareholdings disclosed have been calculated using the close price as at the 31 December 2022 the time of acquisition of the shares. For these purposes, shares held in the deferred bonus scheme (on a net of tax/NIC basis), the SIP and SAYE as at 31 December 2022 have been included as there are no performance conditions to be met. The LTIP awards have not been factored in.

Directors' remuneration report continued

Single total figure of remuneration (audited)

	Year ended	Salary £000	Benefits[3] £000	Bonus[4] £000	LTIP[1] £000	Pension[5] £000	Total £000	Total Fixed £000	Total Variable £000
Denis Jackson	2022	325	2	250	438	34	1,048	361	688
	2021	325	4	275	—	34	638	363	275
Trish Houston[2]	2022	219	1	211	—	33	464	253	211
	2021	245	1	208	—	25	479	271	208

1 ncludes dividend reinvestment and dividend equivilent. Total number of shares due to vest is 58,006. Value is based on average share price for the period of 1 October 2022 to 31 December 2022 of 746.86p plus the final dividend of £5,076.
2 Trish Houston's service for 2022 includes a period of maternity leave. The remuneration figures in the table are actual earnings for 2022. For 2022, Trish Houston received pension contributions rather than cash allowances paid in lieu of pension contributions.
3 Benefits shown relate to provision of health insurance.
4 In accordance with the Policy, half of the portion of the bonus above £100k is deferred into shares for three years.
5 The pension values relate to the cash allowances paid in lieu of pension contribution. The amount shown is the value of the allowance received, which reflects a reduction for the cost of employer's NIC.

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 2022. In the period between 31 December 2022 and 27 February 2023, Denis Jackson's shareholding 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[1]	Unvested options not subject to performance[2]	Unvested shares subject to performance[3]	Vested but unexercised share options	Total scheme interests[4]	Shareholding guideline (% of salary)	Current shareholding (% of salary)[5]	Guideline met
Denis Jackson	13,883	43,343	5,565	157,611	—	62,791	200%	193%	No
Trish Houston	2,935[6]	6,977	3,856	67,641	—	13,768	200%	39%	No

1 Includes deferred bonus awards granted under the Deferred Share Plan.
2 Includes options awarded under Save As You Earn Share Save Plan.
3 Includes options awarded under the LTIP.
4 Total scheme interests excludes the shares subject to performance conditions.
5 Based on a share price on 31 December 2022 of 771p. Shares owned outright have been included.
6 Includes person closely associated ('PCA') holdings of 734 shares.

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

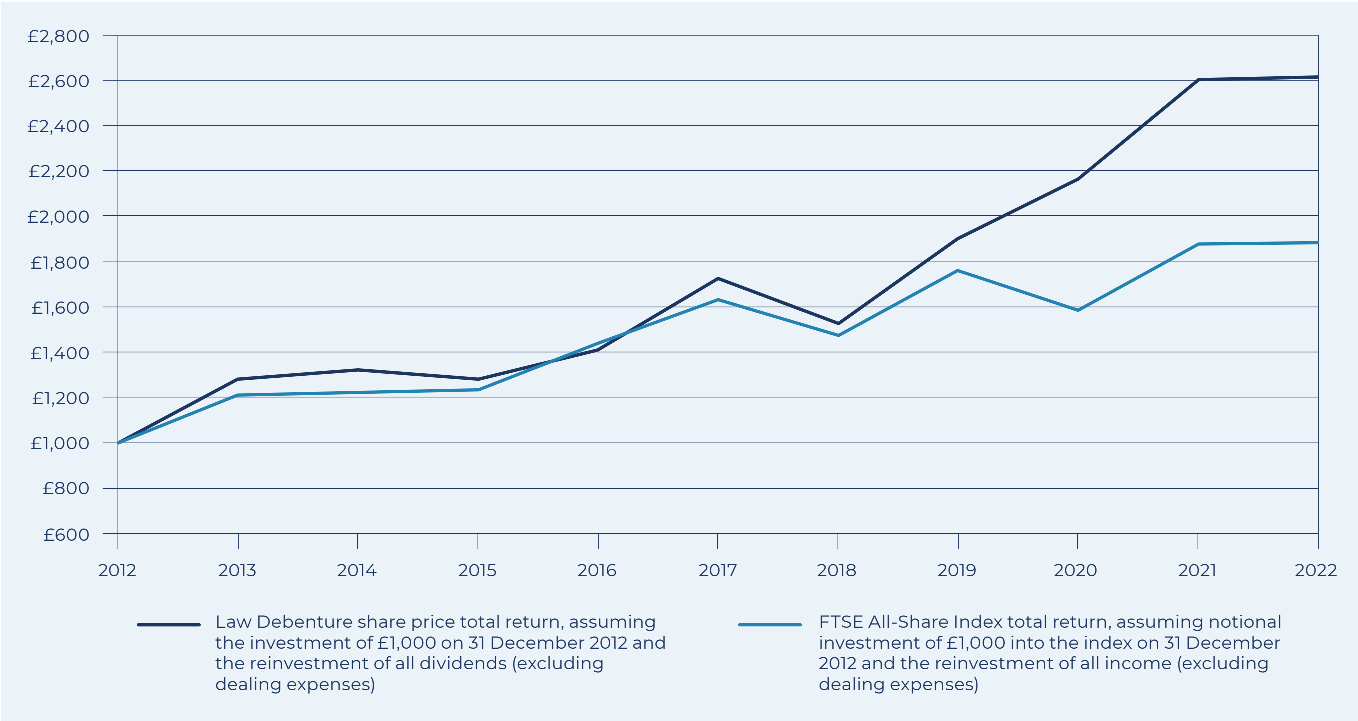
	Scheme	Interests held at 1 January 2022	Granted in the year	Date of grant	Market price at grant	Vested in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price*	Market price at date of exercise	Interests held at 31 December 2022	Vesting/ first exercise date
Denis Jackson	[1]DSP 2019	18,532	—	11.03.19	582	18,532	—	—	n/a	n/a	n/a	n/a
	[1]DSP 2020	18,166	546	13.03.20	587.19	—	—	—	n/a	n/a	18,712	13.03.23
	[1]DSP 2021	12,884	387	12.03.21	704.66	—	—	—	n/a	n/a	13,271	12.03.24
	[1]DSP 2022	—	11,360	14.03.22	7.991	—	—	—	n/a	n/a	11,360	12.03.25
	[2]LTIP 2020	70,210	—	07.04.20	462.9	—	—	—	n/a	n/a	70,210	07.04.23
	[2]LTIP 2021	45,595	—	01.03.21	712.8	—	—	—	n/a	n/a	45,595	01.03.24
	[2]LTIP 2022	—	41,806	28.02.22	7.991	—	—	—	n/a	n/a	41,806	28.02.25
	[3]SAYE 2020	5,565	—	26.08.20	539	—	—	—	539	n/a	5,565	26.08.25
Trish Houston	[1]DSP 2022	—	6,977	14.03.22	7.991	—	—	—	n/a	n/a	6,977	12.03.25
	[2]LTIP 2021	32,267	—	01.03.21	712.8	—	—	—	n/a	n/a	32,267	01.03.24
	[2]LTIP 2022	—	35,374	28.02.22	7.991	—	—	—	n/a	n/a	35,374	28.02.25
	[3]SAYE 2021	3,856	—	01.09.21	7.78	—	—	—	778	n/a	3,856	01.09.26

1 Deferred Share Plan (share grant price is based on the market close on the date of the grant). Includes dividend reinvestment. DSP 2019 is now owned outright.
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 93.
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.

Directors' 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 Portfolio.

Historical remuneration and TSR chart

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Incumbent	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]	D. Jackson[3]
CEO single figure of total remuneration (£000)	636.9	690.7	677.5	180.5 757.8	142.2 344.1	611.2	643.4	643.0	643.2	1,048[4]
Annual bonus and deferred bonus awarded (against maximum %)	72.1%	62.0%	100.0%	65.1% 0.0%	100.0% 0.0%	100.0%	90.9%	85.0%	85.0%	76.8%
LTIP award due to vest (against maximum %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	74%

1 C. Banszky stepped down as CEO on 31 August 2016 and was succeeded by M. Adams on the same date following his appointment to the Board on 4 August 2016.
2 T. Fullwood was appointed interim Chief Executive Officer from 22 October 2017 for a fixed term until retirement at 1 January 2018.
3 D. Jackson was appointed as CEO on 1 January 2018.
4 Includes dividend reinvestment and dividend equivilent. Total number of shares due to vest is 58,006. Value is based on average share price for the period of 1 October 2022 to 31 December 2022 of 746.86p plus the final dividend of £5,076.

Directors' 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/fees 2022	Taxable Benefits 2022	Annual Bonus 2022	Salary/fees 2021	Taxable Benefits 2021	Annual Bonus 2021	Salary/fees 2020	Taxable Benefits 2020	Annual Bonus 2020
Denis Jackson (CEO)	0%	0%	-10%	0%	0%	0%	3%	3%	-4%
Trish Houston (COO)	0%	0%	1%	17%	0%	0%	n/a	n/a	n/a
Katie Thorpe (CFO)[1]	n/a	n/a	n/a	n/a	n/a	n/a	6%	6%	n/a
Robert Hingley (NED)	5%	n/a	n/a	n/a	n/a	n/a	3%	n/a	n/a
Robert Laing (NED)[2]	n/a	n/a	n/a	n/a	n/a	n/a	3%	n/a	n/a
Mark Bridgeman (NED)[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tim Bond (NED)	5%	n/a	n/a	0%	n/a	n/a	3%	n/a	n/a
Claire Finn (NED)	5%	n/a	n/a	0%	n/a	n/a	3%	n/a	n/a
Clare Askem (NED)	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pars Purewal (NED)	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
All other Employees (excluding directors)[4]	6%	n/a	0%	5%	0%	30%	3%	3%	11%

1 Katie Thorpe resigned from the Board on 11 September 2020 and left Law Debenture in October 2020.
2 Robert Laing retired from the Board in April 2021.
3 Mark Bridgeman retired from the Board in April 2022.
4 For the purposes of this table, all other employees excluding Directors have been taken to mean employees of LDC Trust Management Limited and Safecall Limited.

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 2022. There have been no changes in Directors' interests in the period between 31 December 2022 and 27 February 2023.

	Shares owned outright
Robert Hingley	4,870
Mark Bridgeman[1]	4,513
Tim Bond	—
Claire Finn	2,576
Clare Askem	—
Pars Purewal[2]	13,373

1 Retired at the AGM in April 2022. Interests of connected persons in addition to Mark Bridgeman's beneficial holding – 25,620.
2 Pars Purewal's shares are held jointly with a connected person.

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 2022 and the prior period:

Non-Executive Directors	Salary/fees 2022	Total 2022	Salary/fees 2021	Total 2021
Robert Hingley	£90,888	£90,888	£87,550	£87,550
Mark Bridgeman*	£15,307	£15,307	£56,650	£56,650
Tim Bond	£47,030	£47,030	£45,320	£45,320
Claire Finn	£52,909	£52,909	£49,547	£49,547
Clare Askem[1]	£51,264	£51,264	£25,275	£25,275
Pars Purewal[1]	£51,264	£51,264	£2,092	£2,092

1 Clare Askem and Pars Purewal were appointed as Workforce Engagement Director and Chair of the Audit and Risk Committee, respectively, at the AGM in April 2022.
* Mark Bridgeman retired from the Board at the AGM in April 2022.

Directors' remuneration report continued

Non-Executive Director fees

For 2023, the fees for the Chairman and Non-Executive Directors have been increased as shown below, and explained in the Committee Chair's introductory statement.

Fee	Fees effective 1 April 2023	Fees effective 1 April 2022	% change
Chairman fee	£110,000	£92,000	20%
Non-Executive Director base fee	£50,000	£47,600	5%
Additional fee for Chairman of Audit Committee	£10,000	£5,950	68%
Additional fee for Chairman of Remuneration Committee	£10,000	£5,950	68%
Additional fee for oversight of workforce engagement	£6,250	£5,950	5%

Relative importance of spend on pay

The table 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 2020, 31 December 2021 and 31 December 2022.

	2020 £000	2021 £000	2022 £000	% change
Total employee pay expenditure[1]	16,156	21,417[3]	23,995	12%
Total distributed to shareholders[2]	32,572	35,662	38,865	9%

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 the acquisition of the Company Secretarial Services business on 1 February 2021.

The number of employees has increased from 239 in 2021 to 260 in 2022, 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.

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 2022. 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 30,239,120 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]
2021 Directors' Remuneration Report	99.23%	0.77%	28,493,980	220,771	67,557

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.

Implementation of the policy for 2023 has been included in the policy table on page 84.

This report was approved by the Board of Directors on 27 February 2023 and signed on its behalf by

Claire Finn
Chair, Remuneration Committee

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 2022 and of the Group's loss 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 and Company cash flow statements; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the Company financial statements, 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; and • occurrence, accuracy and cut-off of independent professional services fees. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £8.00m which was determined on the basis of 1% of net assets.
Scoping	We performed a full scope audit on the Company and specified audit procedures on prescribed balances performed to component materiality on four of the Company's subsidiaries which we consider to be significant components. In addition, we performed audits of specified account balances within a further two subsidiaries. Together, this accounts for 100% of the Group's Investment Portfolio, 96% of the Group's revenue and 99.2% of the Group's total assets. Audit work to respond to the risks of material misstatement identified was performed directly by the group audit engagement team.
Significant changes in our approach	Accounting for the acquisition of Konexo UK's company secretarial business ("CSS"), including valuation of goodwill and intangible assets, and the associated impairment assessment of those assets, ceased to be a key audit matter in the current year due to the acquisition accounting in 2021 being deemed appropriate. We continue to perform procedures over impairment of goodwill recognised in relation to CSS. However, following the goodwill impairment assessment in the prior period, we have not assessed this as one of the most significant risks in our current year audit and it is not separately identified in our report this year. There were no other significant changes in our approach apart from in relation to these key audit matters.

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 Directors' forecasts and considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the financing facilities including nature of facilities, repayment terms and covenants;
- 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 and viability papers 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.

Independent auditor's report continued

4. Conclusions relating to going concern continued

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.

5.1. Valuation and existence of investments

Key audit matter description	The investments of the Group of £891.0m (2021: £992.5m) are key to its performance and account for the majority of the total assets, 88.7% at 31 December 2022 (2021: 90.9%). 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 13 . 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 2022: • 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; • Evaluated the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk; and • Made enquiries of the manager and directors regarding their assessment of the portfolio pricing and liquidity.
Key observations	Based on the work performed we concluded that the valuation and existence of quoted investments is appropriate.

Independent auditor’s report continued

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

Key audit matter description	Independent professional services (“IPS”) revenue consists of fees receivable from the provision of services, and is recognised based on the delivery of performance obligations and an assessment of when control is transferred to the customer. The transaction price can be based on one or more principal pricing mechanisms: • Time at a contracted charge out rate and recoverable expenses • Annual fixed fees • Acceptance and appointment fees • Special fees/out of scope fee Fees are manually calculated and recorded. The basis of fees vary across the various dividions of IPS, increasing the relative risk of misstatement. The accounting policy for revenue recognition is detailed in Note 1 to the financial statements. Fees of £53.5m were recorded for the year-ended 31 December 2022 (2021: £49.5m). 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 fraud risk associated with the accuracy of revenue due to this balance’s importance to stakeholders and link to long-term incentives. Additionally, inaccurate revenue, recording revenue which did occur, or recording revenue in the incorrect period could have a significant impact on the Group’s earnings per share. Given the 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: • We obtained an understanding of the relevant controls over the occurrence, accuracy and cut-off of IPS fees. • We independently agreed a sample of fees to signed client agreements, sales invoices and bank receipts. Where amendments were made to client agreements, we assessed whether these had been recorded accurately and timely. • Finally, we 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 our work, independent professional service fees are appropriately recorded.

Independent auditor's report continued

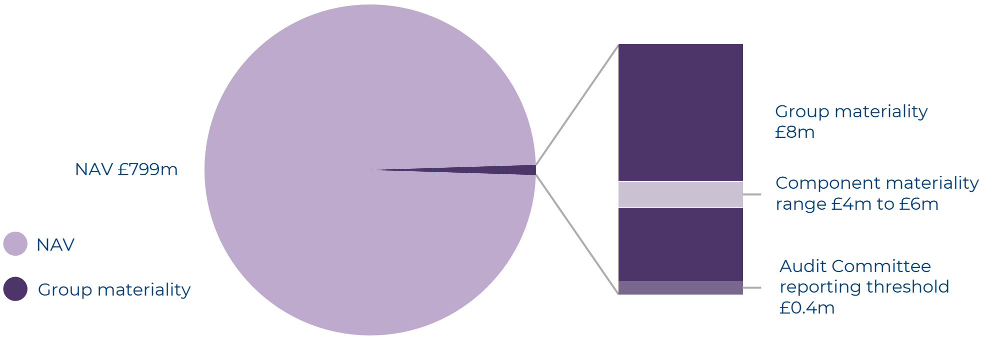
6. Our application of materiality

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	£8.0m (2021: £8.49m)	£7.2m (2021: £7.64m)
Basis for determining materiality	1% (2021: 1%) of net assets as at the year end.	Parent company materiality equates to 0.90% (2021: 0.9%) 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.	Company materiality has been capped at 90% Group materiality to ensure errors identified in the parent entity that may present an aggregate risk of material misstatement to the Group financial statements are detected.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	70% (2021: 70%) of Group materiality	70% (2021: 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; • the nature, volume and size of misstatements (corrected and/or uncorrected) in the previous audit; and management's willingness to correct misstatements identified.	

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 £0.4m, 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 total assets.and revenue, though we also considered the overall coverage obtained.

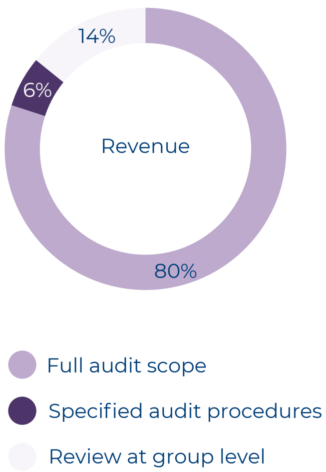
For qualitative assessment current year events and any significant risks or management interest including management's strategy for the Group.

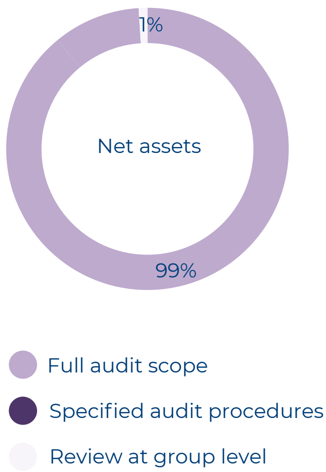
Based on that assessment, which is broadly consistent with the prior year, we focused our Group audit scope primarily on the audit work at the parent and four of the largest subsidiary companies in the group, which were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in each of those entities.

All other subsidiaries were subject to analytical review procedures.

These five entities represent the principal operating companies and account for 98.7% of the Group's total assets and 90.1% of the Group's revenue. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. 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 £4 million to £5.6 million. Parent company materiality is set out at section 6 above.

As all of the significant components identified are located in the UK, audit work to respond to the risks of material misstatement identified was performed directly by the group audit engagement team.





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;
- Investment NAV, an in-house tool which is used in recording the NAV of the Investment Portfolio.

We involved IT specialists to obtain and understand controls related to these IT systems.

Furthermore, as noted by the Audit and Risk Committee on page 74, the Group's finance operations (including its control environment) has been undergoing a programme of change and improvement during the current year. Therefore, considering the evolving 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 2022.

Independent auditor's report continued

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 50. As a part of our audit, we have obtained management's climate-related risk assessment documentation 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 also reviewed management's financial statement disclosures on the impact of climate-related risks on the financial statements (as disclosed on page 117) and evaluated whether the disclosure was appropriate.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions, including an assessment of how the potential impacts of climate change affect the financial statements, in particular judgements and estimates made in the recognition and measurement of assets and liabilities and related disclosures. These risk assessment procedures did not identify any additional risks of material misstatement.

In addition, we involved our TCFD specialists to assist us in assessing whether the voluntary TCFD disclosures provided were consistent with the 11 TCFD recommendations. We also considered whether the TCFD disclosures provided were consistent with knowledge of the Group obtained during the audit.

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.

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
- occurrence, 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 and matters regulated by the Financial Conduct Authority (the Group’s lead regulator).

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.

Independent auditor's report continued

11.2. Audit response to risks identified

As a result of performing the above, we identified (i) valuation and existence of investments and (ii) occurrence, 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;
- enquiring of management and the Audit and Risk Committee regarding their identification and assessment of risks of irregularities, including those that are specific to the entity's business sector;
- 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 67;
- 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 44;
- the directors' statement on fair, balanced and understandable set out on page 67;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 68;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 68; and
- the section describing the work of the Audit and Risk Committee set out on pages 72 to 74.

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.

Independent auditor's report continued

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, 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 2 years, covering the years ending 31 December 2021 to 31 December 2022.

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
27 February 2023

Group income statement

as at 31 December 2022

	Notes	2022 Revenue £000	2022 Capital £000	2022 Total £000	2021 Revenue £000	2021 Capital £000	2021 Total £000
UK dividends		29,837	—	29,837	21,426	—	21,426
UK special dividends		1,176	3,442	4,618	250	—	250
Overseas dividends		3,451	—	3,451	4,583	—	4,583
Total dividend income		34,464	3,442	37,906	26,259	—	26,259
Interest income	5	266	—	266	—	—	—
Independent professional services fees	6	53,452	—	53,452	49,513	—	49,513
Other income		847	—	847	551	—	551
Total income		89,029	3,442	92,471	76,323	—	76,323
Net (loss)/gain on investments held value through profit or loss	2	—	(126,234)	(126,234)	—	121,170	121,170
Total income and capital gains/(losses)		89,029	(122,792)	(33,763)	76,323	121,170	197,493
Cost of sales		(8,408)	—	(8,408)	(8,037)	—	(8,037)
Administrative expenses	3	(34,332)	(1,908)	(36,240)	(31,680)	(2,456)	(34,136)
Operating profit/(loss)		46,289	(124,700)	(78,411)	36,606	118,714	155,320
Finance costs							
Interest payable	5	(1,636)	(4,908)	(6,544)	(1,319)	(3,958)	(5,277)
Profit/(loss) before taxation	6	44,653	(129,608)	(84,955)	35,287	114,756	150,043
Taxation	7	(1,392)	—	(1,392)	(1,210)	—	(1,210)
Profit/(loss) for the year	6	43,261	(129,608)	(86,347)	34,077	114,756	148,833
Return per ordinary share (pence)		34.44	(103.17)	(68.73)	28.09	94.60	122.69
Diluted return per ordinary share (pence)		34.42	(103.14)	(68.72)	28.08	94.57	122.66

Group statement of comprehensive income

as at 31 December 2022

GROUP	2022 Revenue £000	2022 Capital £000	2022 Total £000	2021 Revenue £000	2021 Capital £000	2021 Total £000
Profit/(loss) for the period	43,261	(129,608)	(86,347)	34,077	114,756	148,833
Foreign exchange on translation of foreign operations	—	199	199	—	654	654
Pension actuarial (losses)/gains	(300)	—	(300)	8,500	—	8,500
Taxation on pension	57	—	57	(1,615)	—	(1,615)
Other comprehensive income/(loss) for year	(243)	199	44	6,885	654	7,539
Total comprehensive income/(loss) for the year	43,018	(129,409)	(86,391)	40,962	115,410	156,372

All items stated in the statement of comprehensive income will be subsequently classified when specific conditions are met.

Statement of financial position

as at 31 December 2022

Assets	Notes	GROUP 2022 £000	GROUP 2021 £000	COMPANY 2022 £000	COMPANY 2021 £000
Non-current assets					
Goodwill	10	19,036	18,973	—	—
Property, plant and equipment	11	1,796	1,974	—	—
Right-of-use assets	22	5,040	5,542	—	—
Other intangible assets	12	3,417	3,516	16	16
Investments held at fair value through profit or loss	13	891,005	992,478	890,905	992,378
Investments in subsidiary undertakings	13	—	—	61,368	61,283
Retirement benefit asset	23	7,400	6,577	—	—
Total non-current assets		927,694	1,029,060	952,289	1,053,677
Current assets					
Trade and other receivables	14	19,697	20,466	515	57,581
Contract assets	14	7,182	6,611	769	583
Cash and cash equivalents	15	49,559	35,880	29,825	25,507
Total current assets		76,438	62,957	31,109	83,671
Total assets		1,004,132	1,092,017	983,398	1,137,348
Current liabilities					
Amounts owed to subsidiary undertakings		—	—	19,603	87,631
Trade and other payables	16	19,815	29,329	10,046	13,447
Lease liability	22	991	287	—	—
Corporation tax payable		1,256	925	—	—
Other taxation including social security		2,892	1,543	1,860	850
Contract liabilities	16	5,223	5,620	7	34
Total current liabilities		30,177	37,704	31,516	101,962
Non-current liabilities					
Long-term borrowings	20	163,909	164,245	124,389	124,586
Contract liabilities	16	3,976	4,054	125	125
Deferred tax liability	7	1,344	1,060	—	—
Lease liability	22	5,659	6,117	—	—
Total non-current liabilities		174,888	175,476	124,514	124,711
Total net assets		799,067	878,837	827,368	910,675
Equity					
Called up share capital	17	6,407	6,145	6,407	6,145
Share premium		83,022	41,865	83,022	41,865
Own shares	17	(3,128)	(3,215)	—	—
Capital redemption		8	8	8	8
Translation reserve		2,855	2,656	—	—
Capital reserves	18	662,512	789,423	708,382	835,293
Retained earnings		47,391	41,955	29,549	27,364
Total equity		799,067	878,837	827,368	910,675
Total equity pence per share		625.81	717.86		

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement, however its loss for the year was £89,312,000 (2021: profit £151,510,000). Approved and authorised for issue by the Board on 27 February 2023 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 2022

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 2022	6,145	41,865	(3,215)	8	2,656	789,423	41,955	878,837
Profit/(loss) for the period	—	—	—	—	—	(129,608)	43,261	(86,347)
Foreign exchange	—	—	—	—	199	2,697	426	3,322
Actuarial gain on pension scheme (net of tax)	—	—	—	—	—	—	(243)	(243)
Total comprehensive loss for the period	—	—	—	—	199	(126,911)	43,444	(83,268)
Issue of shares	262	41,157	87	—	—	—	—	41,506
Dividend relating to 2021	—	—	—	—	—	—	(10,396)	(10,396)
Dividend relating to 2022	—	—	—	—	—	—	(27,612)	(27,612)
Total equity at 31 December 2022	6,407	83,022	(3,128)	8	2,855	662,512	47,391	799,067

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 loss 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

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss (see note 18).
Please refer to note 8 for details of dividends paid.

Statement of changes in equity

as at 31 December 2022

COMPANY	Share capital £000	Share premium £000	Capital redemption £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2022	6,145	41,865	8	835,293	27,364	910,675
Profit/(loss) for the period	—	—	—	(129,608)	40,296	(89,312)
Foreign exchange	—	—	—	2,697	(103)	2,594
Total comprehensive loss for the period	—	—	—	(126,911)	40,193	(86,718)
Issue of shares	262	41,157	—	—	—	41,419
Dividend relating to 2021	—	—	—	—	(10,396)	(10,396)
Dividend relating to 2022	—	—	—	—	(27,612)	(27,612)
Total equity at 31 December 2022	6,407	83,022	8	708,382	29,549	827,368

COMPANY	Share capital £000	Share premium £000	Capital redemption £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

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss (see note 18).
Please refer to note 8 for details of dividends paid.

Cash Flow Statement

for the year ended 31 December 2022

		GROUP		COMPANY	
	Notes	2022 £000	2021 £000	2022 £000	2021 £000
Cash flows from operating activities (before dividends received) and taxation paid	28	2,249	4,422	(6,157)	(1,534)
Cash dividends received		37,498	27,550	47,136	42,500
Taxation paid		(700)	(307)	—	—
Cash generated from operating activities		39,047	31,665	40,979	40,966
Investing activities					
Acquisition of property, plant and equipment	11	(151)	(1,075)	—	—
Acquisition of right of use assets	22	(428)	—	—	—
Expenditure on intangible assets		(639)	—	—	—
Cash consideration transferred in relation to acquisition		—	(18,214)	—	—
Purchase of investments (less cost of acquisition)	13	(170,653)	(200,096)	(170,653)	(200,096)
Sale of investments	13	145,892	140,440	145,892	140,327
Cash flow from investing activities		(25,979)	(78,945)	(24,761)	(59,769)
Financing activities					
Interest paid	5	(6,544)	(5,277)	(6,653)	(5,567)
Dividends paid		(37,167)	(34,923)	(37,167)	(34,923)
Payment of lease liability	22	(505)	(371)	—	—
Proceeds of increase in share capital		41,419	32,810	41,419	32,810
Proceeds of issuance of long-term borrowings		—	50,000	—	50,000
Purchase of own shares	17	87	(1,754)	—	—
Amounts receivable from intercompany		—	—	(23,207)	(55,935)
Intercompany funding		—	—	11,114	25,933
Net cash flow from financing activities		(2,710)	40,485	(14,494)	12,318
Net increase/(decrease) in cash and cash equivalents		10,358	(6,488)	1,724	(6,485)
Cash and cash equivalents at beginning of period		35,880	41,762	25,507	32,098
Foreign exchange gains/(losses) on cash and cash equivalents		3,321	606	2,594	(106)
Cash and cash equivalents at end of period		49,559	35,880	29,825	25,507

Notes to the accounts

for the year end 31 December 2022

1. Summary of significant accounting policies

General information

The Law Debenture Corporation p.l.c. is a public company limited by shares 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 154. 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 2022 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 2022:

	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

In addition to this, the Company has provided a Letter of Support to the Directors of certain Subsidiaries to confirm its continued commitment to the subsidiaries.

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.

Climate risks have been considered in the preparation of these financial statements. Following a review of the potential impact of climate risk on the Company's financial statements, the Directors are satisfied there is no adjustment required to the carrying value of assets and liabilities.

Where presentational guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued in July 2022) (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.

Going concern

The financial statements of The Law Debenture Corporation p.l.c. and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

The 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 Directors have considered the impact of the current economic uncertainty, 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. Whilst the debentures held are subject to covenants, the Directors are comfortable that the risk of breach is minimal, and the current economic environment does not create material uncertainty for the Company.

The assets of the Company consist largely of securities that are readily realisable, and it will be 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.

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.

Having assessed these factors and the principal risks, the Directors are not aware of any other material uncertainties that cast significant doubt on the Group's ability to continue as a going concern.

1. Summary of significant accounting policies continued

Adoption of new and revised IFRS Standards

The International Accounting Standards Board and IFRS Interpretations Committee (IFRS IC) have issued a number of new accounting standards, interpretations, and amendments to existing standards and interpretations. There are no IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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.

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% (2021: 25%)
- Capital 75% (2021: 75%)

Segment reporting

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Directors in deciding how to allocate resources and in assessing performance. The Group comprises two operating segments; the Investment Portfolio and independent professional services (IPS) business. This is consistent with internal reporting. We believe these are distinctive in nature due to their inherent characteristics. The IPS business derives its revenue from providing services to clients. On the contrary, the Investment Portfolio derives dividend income from investments held. Additionally, it aims to create value for investors through long-term capital growth. It is these characteristics that we believe distinguishes the group into two clear segments.

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.

Revenue recognition

The Group generates revenue from the Investment Trust and the IPS business. Revenues are largely generated in the form of dividend income from the Investment Portfolio of the Investment Trust, and also from delivering professional services to clients from the individual IPS business comprising, Company Secretarial Services, Corporate Trust, Pensions and Pegasus, Safecall and Service of Process.

Investment Trust
Dividend Income
Dividend income from investments is recognised when the Company's right to receive payment have been established, typically on the ex-dividend date in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued in April 2021) (SORP). Dividend income is recognised as revenue, except where, in the opinion of the Directors, its nature indicates it should be recognised as capital.

1. Summary of significant accounting policies continued

Dividend income is accounted for on the basis of income actually receivable, without adjustment for any tax credit attaching to the dividends, with the exception of overseas dividends which are shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income.

Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital.

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

Independent Professional Services

The Group recognises revenue in accordance with IFRS 15 Revenue from Contracts with Customers and is recognised in any period based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue excludes value added tax and includes recoverable expenses incurred which are recoverable from customers. Recoverable expenses include disbursements expected to be recovered from customers.

There are lots of different types of services offered within each business, however, performance obligations tend to be consistent for each type of fee charged.

The transaction price is the total amount of consideration to which the Group expects to be entitled to in exchange for transferring goods or services to a customer. The amount of consideration the Group receives can vary depending on the nature of the service and customer.

The transaction price can be based on one or more principal pricing mechanisms:

- Time at a contracted charge out rate and recoverable expenses
- Annual fixed fees
- Acceptance and appointment fees
- Special fees / out of scope fee

Revenue is recognised when the Group has satisfied performance obligations by transferring control of services to customers. Progress is measured in satisfying the performance obligations as follows:

- For time-based arrangements, the output method is used to measure progress and the practical expedient within IFRS 15 is utilised, allowing revenue to be recognised at the amount which the Group has the right to invoice its customers, since that amount corresponds directly with the value to the customer of the Group's performance completed to date.
- Annual fees – For certain contracts, the substance of these performance obligations is to "stand-ready" to serve the customer and is satisfied over time where value is transferred to the customer over time as the core services are delivered. The output method is used to measure progress here based on time-lapsed and is recognised on a straight-line basis. For other contracts, the performance obligations are satisfied throughout the period as the services are provided and revenue is recognised based on time – elapsed, on a straight-line basis.
- Acceptance and appointment fees – There are contracts where separate performance obligations relating to acceptance fees have been identified where these are capable of being distinct and the pattern of delivery differs to the remainder of the performance obligation(s) within the contract. Revenue is recognised at a point in time, for example, upon creation of the Trust or Structure, which accurately reflects the benefits received by the customer.
- Special fees / out of scope fees – typically relate to additional services provided outside of the scope of the annual contractual agreements. These services are capable of being distinct and are considered a separate performance obligation. Revenue is recognised at a point in time, i.e., once the service has been delivered to the client, reflecting the incremental benefits transferred to the customer.

The Group typically invoice on a monthly, quarterly, or annual basis and payment terms can vary depending on the nature of the services provided. Where revenue is invoiced in advance of fulfilling the performance obligation, it is deferred, and a contract liability is recognised. Only when the performance obligations have been satisfied is the revenue released and recognised in the Income Statement.

For certain contracts with customers, there is a provision for annual transaction price increases, generally in line with local inflation. These increases do not change the performance obligations, and the increased prices are applied prospectively when revenue is recognised.

The Group has no material exposure to returns or refunds, nor does it have warranties or other related obligations.

1. Summary of significant accounting policies continued

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.

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 on a straight-line basis 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 2022. It will be amortised on a straight-line basis 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 12.

1. Summary of significant accounting policies continued

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

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition
Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification and subsequent measurement

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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.

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.

Inter-company
During the period, the Company entered into a master netting agreement in relation to inter-company payables and receivables. The Company intends to settle the net inter-company amounts with counter-parties in the current period. The Company and each of its subsidiaries has a legally enforceable right to offset all assets and liabilities due to/from other group companies and intends to settle all amounts net.

Impairment of financial assets
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 ageing.

The expected loss rates are based on the Group'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 Group'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.

1. Summary of significant accounting policies continued

Financial instruments continued

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities
Long-term borrowings are recognised initially at fair value, which are generally the proceeds net of transaction costs incurred. The difference between the proceeds net of transaction costs and the redemption value will continue to be recognised in the income statement over the term of the borrowings using the effective interest rate method.
All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item (note 5).

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

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.

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

1. Summary of significant accounting policies continued

Financial instruments continued

Taxation

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

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

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

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

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

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

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

Investment in subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment.

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.

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.

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.

1. Summary of significant accounting policies continued

Reserves

A description of each of the reserves follows:

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

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

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

Capital reserves
The following are dealt with through this reserve:

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

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

Translation reserve
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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 22 of the accounts.

1. Summary of significant accounting policies continued

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.

Critical accounting judgments and 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.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have the most significant effect on the amounts recognised in the consolidated financial statements are discussed below.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of The Law Debenture Corporation p.l.c. and entities controlled by the Company (its subsidiaries 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 has been made by Management that the Company does not meet the criteria for the investment entity exemption, on the basis that the IPS business is viewed by management and the Board as a distinct trading group, rather than as a portfolio investment for the Company. This view is consistent with that held in previous reporting periods and there have been no material changes to the Group or its operations during the current reporting period.

The company controls an investment if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The assets, liabilities and contingent liabilities of 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.

Key sources of estimation uncertainty

Retirement benefit obligations
The Company's retirement benefit obligations are covered in note 23. The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, mortality rates, inflation rates and national average earnings inflation. The sensitivity to changes in assumptions and conditions which are significant to the calculation of the asset have been considered and an illustration of their potential impact is included within note 23.

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.

Impairment of goodwill

At each reporting period an assessment is performed in order to determine whether there are any goodwill impairment indicators. This assessment considers the performance of the IPS business and any significant changes to the markets in which we operate and involves an estimation of the expected value in use of the assets (or cash generating units (CGU) to which the asset relates).

1. Summary of significant accounting policies continued

Key sources of estimation uncertainty continued

***Impairment of goodwill** continued*

The value in use calculation involves an estimation of future cash flows and the selection of appropriate discount rates, both of which involve considerable judgement. The future cash flows are derived from latest approved forecasts, with the key assumptions being revenue growth and margins. No additional specific adjustments have been made to the cash flows used in assessing the value in use of assets. Discount rates are calculated with reference to the the Group's pre-tax weighted average cost of capital.

There continues to be headroom across all CGUs and as detailed in note 10, sufficient headroom remains even when reasonably changes to discount and growth rates are applied. However, a high degree of judgement remains in estimating future cash flows.

No impairment indicators were noted in the year ended 31 December 2022.

IPS Valuation

The valuation of the IPS business is an area which requires judgment and estimation. This is discussed in depth on pages 35 and 36. PwC are employed to provide external advice relating to the multiple used in the valuation of this (i.e. multiple applied to EBITDA), which is based on comparable companies. This is then cross-checked by management using a discounted cash flow model.

2. Net capital gain/(loss) on investments

	2022 £000	2021 £000
Realised gains based on historical cost	51,984	55,668
Amounts recognised as unreaslised in previous years	(36,288)	(35,638)
Realised gains based on carrying value at previous year end date	15,696	20,030
Unreaslised (loss)/gain on investments	(141,930)	101,140
Net capital gain/(loss) on investments	(126,234)	121,170

3. Administrative expenses

	2022 £000	2021 £000
Administrative expenses include:		
Salaries and Directors' fees	20,137	18,369
Social security costs	2,112	2,103
Other pension costs	1,746	1,262
	23,995	21,734
Investment management fee*	566	569
Depreciation – property, plant and equipment	328	220
Depreciation – right-of-use assets	931	858
Amortisation – intangible assets	675	490
Interest on lease liability	294	297
Foreign exchange	25	26
Auditors' remuneration	660	405
Other property costs	801	820
IT infrastructure	1,163	1,326
Business development	250	207
Professional fees	1,156	1,663
Other expenses	3,488	3,065
Administrative expenses	34,332	31,680

* 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 118.

3. Administrative expenses

During the year, the Group employed an average of 253 staff (2021: 222). 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 33 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:

	2022 £000	2021 £000
Audit services		
– fees payable to the Group's auditors for the audit of its financial statements	239	84
– fees payable for the audit of the accounts for subsidiaries of the Company	356	292
– audit related regulatory	65	29
	660	405

A description of the work of the Audit and Risk Committee is set out in the Audit and Risk Committee report on pages 72 to 74 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:

	2022 £000	2021 £000
Short-term benefits including fees in respect of Directors	1,300	1,257
Deferred share bonus scheme	110	18
	1,410	1,275

Details for each individual Director are shown in the remuneration report on pages 76 to 98.

5. Interest

	2022 £000	2021 £000
Interest Income		
Interest on bank deposits	111	—
Returns on money market funds	155	—
	266	—
Interest Payable		
Interest on long-term debt – revenue	(1,636)	(1,319)
Interest on long-term debt – capital	(4,908)	(3,958)
Total	(6,544)	(5,277)
Net interest payable	(6,278)	(5,277)

6. Segment analysis

	Investment Portfolio		Independent Professional Services		Total	
	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Revenue						
Dividend income	34,464	26,259	—	—	34,464	26,259
IPS revenue:						
Corporate trust	—	—	13,292	13,317	13,292	13,317
Corporate services	—	—	25,792	22,981	25,792	22,981
Pensions	—	—	14,368	13,215	14,368	13,215
Segment revenue	34,464	26,259	53,452	49,513	87,916	75,772
Other income	847	551	—	—	847	551
Cost of sales	(125)	(110)	(8,283)	(7,927)	(8,408)	(8,037)
Administration costs	(3,522)	(3,434)	(30,810)	(28,246)	(34,332)	(31,680)
Return before interest and tax	31,664	23,266	14,359	13,340	46,023	36,606
Interest payable (net) (note 5)	(1,432)	(1,319)	62	—	(1,370)	(1,319)
Return, including profit on ordinary activities before taxation	30,232	21,947	14,421	13,340	44,653	35,287
Taxation	—	—	(1,392)	(1,210)	(1,392)	(1,210)
Return, including profit attributable to shareholders	30,232	21,947	13,029	12,130	43,261	34,077
Revenue return per ordinary share (pence)	24.06	18.09	10.38	10.00	34.44	28.09
Assets	922,080	1,020,114	84,640	71,903	1,006,720	1,092,017
Liabilities	(176,377)	(175,418)	(31,276)	(37,762)	(207,653)	(213,180)
Total net assets	745,703	844,696	53,364	34,141	799,067	878,837

The table below illustrates a breakdown of net revenue per department:

	Gross Revenue		Cost of sales		Net Revenue	
	31 December 2022 £	31 December 2021 £	31 December 2022 £	31 December 2021 £	31 December 2022 £	31 December 2021 £
Pensions	14,368	13,215	(25)	(155)	14,343	13,060
Corporate Trust	13,292	13,317	(2,672)	(3,546)	10,620	9,771
Corporate Services	25,792	22,981	(5,586)	(4,226)	20,206	18,755
Total IPS Income	53,452	49,513	(8,283)	(7,927)	45,169	41,586

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 (2022: loss of £126,234,000; 2021: gain of £121,170,000), administrative expenses (2022: £1,908,000; 2021: £2,456,000), interest payable (2022: £4,908,000; 2021: £3,958,000) and a capital dividend received of £3,442,000 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 112.

Details regarding the segments are included on page 1 – Group summary and in note 1 – Segment reporting on page 118.

6. Segment analysis continued

	Investment Portfolio		Independent Professional Services		Total	
	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Other information						
Capital expenditure	—	—	745	4,493	745	4,493
Depreciation and amortisation	—	—	1,003	710	1,003	710
Depreciation – right-of-use assets	—	—	931	858	931	858

7. Taxation

	2022 £000	2021 £000
Taxation based on revenue for the year comprises:		
UK Corporation tax at 19.0% (2021: 19.0%)	620	676
Foreign tax charge	431	318
Total current tax charge	1,051	994
Deferred tax charge	341	216
Charge for the year	1,392	1,210

Taxation

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

	2022 £000	2021 £000
Profits before taxation	(84,955)	150,043
Tax on ordinary activities at standard rate 19.0% (2021: 19.0%)	(16,141)	28,508
Effects of:		
Permanent tax adjustments	(52)	(29)
Higher rates of tax on foreign income	200	118
Non-taxable capital (gains)/losses	23,371	(22,879)
Tax credit on dividend income	(6,548)	(5,032)
Limit on Group relief for UK interest expense	418	308
Prior year under/(over) provision in respect of current tax	(197)	—
Total current tax charge	1,051	994

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%.

7. Taxation continued

Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

GROUP Deferred tax assets/(liabilities)	Accelerated tax depreciation £000	Retirement benefit obligations £000	Total £000
At 31 December 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)
(Charge) to income	(132)	(209)	(341)
(Charge)/credit to other comprehensive income	—	57	57
At 31 December 2022	63	(1,407)	(1,344)

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 £1,803,555 (2021: £1,416,157) as their usability cannot be predicted with reasonable certainty. There is no expiry date for these amounts.

The effective tax rate will change from 19% to 25% effective in the 2023 tax year following the legislative changes to the Finance Act 2021.

8. Dividends on ordinary shares

	2022 £000	2021 £000
Dividends on ordinary shares comprise the following:		
2022 Interims† 21.75p (2021: 20.625p)	27,612	25,309
2021 Final 8.375p (2020: 8.00p)	10,396	9,614
Total	38,008	34,923

† 2022 interim dividends were paid in July 2022, October 2022 and January 2023.

Proposed final dividend for the year ended 31 December 2022

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.

	2022 £000	2021 £000
2022 Interims† 21.75p (2021: 20.625p)	27,612	25,309
2022 Final 8.75p (2021: 8.375p)	11,295	10,374
Total	38,907	35,683

† 2022 interim dividends were paid in July 2022, October 2022 and January 2023.

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 127,685,028 (2021: 122,424,129) shares, being the total number of shares on issue of 128,172,019 (2021: 122,915,835), less 486,991 (2021: 491,706) shares, acquired by the ESOT on the open market. The net asset value of £972,566,000 (2021: £964,493,000) comprises the NAV per the balance sheet of £799,067,000 (2021: £878,837,000) plus the fair value adjustment for the IPS business of £148,376,000 (2021: £135,885,000), less the fair value adjustment for the debt of £25,123,000 (2021: (£50,229,000)).

Revenue return per share is based on profits attributable of £43,261,000 (2021: £34,077,000).

Capital gain per share is based on capital losses for the year of £129,608,000 (2021: gains £114,756,000).

Total return per share is based on net loss for the year of £86,347,000 (2021: gain £148,833,000).

The calculations of returns per share are based on 125,628,620 (2021: 121,308,792) shares, being the weighted average number of shares in issue during the year after adjusting for shares owned by the ESOT. In 2022, total revenue and capital diluted returns per share were calculated using 125,659,676 shares (2021: 121,339,880 shares), being the diluted weighted average number of shares in issue assuming exercise of options at less than fair value. There were nil (2021: 50,736) antidilutive shares.

10. Goodwill

GROUP	2022 £000	2021 £000
Cost		
At 1 January	19,396	2,329
Additions	—	17,037
Foreign exchange	113	30
At 31 December	19,509	19,396
Provision for impairment		
At 1 January	423	415
Foreign exchange	50	8
At 31 December	473	423
Net book value at 31 December	19,036	18,973

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 2022 £000	Business Combinations £000	Movements in exchange rates £000	Impairment £000	Balance at 31 December 2022 £000
CGU Safecall	1,419	—	—	—	1,419
CGU Delaware Corporate Services (DCS)	517	—	63	—	580
CGU CSS	17,037	—	—	—	17,037
Total	18,973	—	63	—	19,036

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

10. Goodwill continued

At 31 December 2022 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's financial budgets for 2023, 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.

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

GROUP	Discount Rate 2022 %	Discount Rate 2021 %	Short-term growth rates 2022 %	Short-term growth rates 2021 %	Terminal growth rates 2022 %	Terminal growth rates 2021 %
CGU Safecall	10.5	8.0	8.0	5.0	2.0	2.0
CGU DCS	10.5	8.0	8.0	5.0	2.0	2.2
CGU CSS	10.5	8.0	8.0	5.0	2.0	2.0

Discount rate

The discount rate of 10.5% 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 on five-year cash flow forecasts using the Board approved 2023 budget and applying short-term growth rates. 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 a reduction in short-term growth rates to 5.0% since there is a degree of estimation uncertainty in the cash flows associated with each CGU. No impairment results from these changes.

11. Property, plant and equipment

GROUP	Office improvements £000	Furniture and equipment £000	Total £000	Office improvements £000	Furniture and equipment £000	Total £000
			2022			2021
Cost						
At 1 January	83	2,440	2,523	114	1,334	1,448
Additions at cost	92	59	151	—	1,106	1,106
Disposals at cost	(61)	—	(61)	(31)	—	(31)
At 31 December	114	2,499	2,612	83	2,440	2,523
Accumulated depreciation						
At 1 January	83	466	549	102	258	360
Charge	53	275	328	12	208	220
Disposals at cost	(61)	—	(61)	(31)	—	(31)
At 31 December	75	741	816	83	466	549
NET BOOK VALUE						
Net book value at 31 December	39	1,757	1,796	—	1,974	1,974

The Company holds no property, plant and equipment.

12. Other intangible assets

GROUP	Computer Software £000	IT project Costs £000	Customer Relationships £000	Intangible Total £000	Computer Software £000	IT project Costs £000	Customer Relationships £000	Intangible Total £000
				2022				2021
Cost								
At 1 January	1,183	968	2,963	5,114	1,160	567	—	1,727
Additions at cost	—	578	16	594	23	401	2,963	3,387
Disposals at cost	(17)	—	—	(17)	—	—	—	—
At 31 December	1,166	1,546	2,979	5,691	1,183	968	2,963	5,114
Accumulated depreciation								
At 1 January	1,138	121	340	1,599	1,108	—	—	1,108
Charge	13	292	370	675	30	121	340	490
At 31 December	1,151	413	710	2,274	1,138	121	340	1,598
NET BOOK VALUE								
Net book value at 31 December	15	1,133	2,269	3,417	45	847	2,623	3,516

13. Investments

Investments held at fair value through profit or loss

GROUP	Listed £000	Unlisted £000	Total £000	Listed £000	Unlisted £000	Total £000
			2022			2021
Opening cost at 1 January	811,314	3,431	814,745	698,413	3,547	701,960
Gains at 1 January	176,104	1,629	177,733	109,593	744	110,337
Opening fair value at 1 January	987,418	5,060	992,478	808,006	4,291	812,297
Investments delisted in the current year	(1,277)	1,277	—	—	—	—
Purchases at cost	166,198	5,000	171,198	200,096	—	200,096
Cost of acquisition	(545)	—	(545)	(645)	—	(645)
Sales – proceeds	(145,892)	—	(145,892)	(140,327)	(113)	(140,440)
– realised gains on sales	51,984	—	51,984	55,668	—	55,668
Gains/(losses) in the income statement	(173,792)	(4,426)	(178,218)	64,620	882	65,502
Closing fair value at 31 December	884,094	6,911	891,005	987,418	5,060	992,478
Closing cost at 31 December	880,982	9,711	890,693	811,314	3,431	814,745
Gains	3,112	(2,800)	312	176,104	1,629	177,733
Closing fair value at 31 December	884,094	6,911	891,005	987,418	5,060	992,478

Investments held at fair value through profit or loss

COMPANY	Listed £000	Unlisted £000	Total £000	Listed £000	Unlisted £000	Total £000
			2022			2021
Opening cost at 1 January	811,314	3,331	814,645	703,511	3,333	706,844
Gains at 1 January	176,104	1,629	177,733	104,495	744	105,239
Opening fair value at 1 January	987,418	4,960	992,378	808,006	4,077	812,083
Investments delisted in the current year	(1,277)	1,277	—	—	—	—
Purchases at cost	166,198	5,000	171,198	200,096	—	200,096
Cost of acquisition	(545)	—	(545)	(645)	—	(645)
Sales – proceeds	(145,892)	—	(145,892)	(140,327)	—	(140,327)
– realised gains on sales	51,984	—	51,984	55,668	—	55,668
Gains/(losses) in the income statement	(173,792)	(4,426)	(178,218)	64,620	883	65,503
Closing fair value at 31 December	884,094	6,811	890,905	987,418	4,960	992,378
Closing cost at 31 December	880,982	9,611	890,593	811,314	3,331	814,645
Gains	3,112	(2,800)	312	176,104	1,629	177,733
Closing fair value at 31 December	884,094	6,811	890,905	987,418	4,960	992,378

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. A purchase of £5m for an unlisted Level 3 investment was made during the period. Investments have been revalued over time and until they were sold, any unrealised gains/losses were included in the fair value of the investments.

The Group's direct interests in unconsolidated structured entities comprise investments in special purpose vehicles, including both Limited Companies and Public Limited Companies. The investments include both those entities managed by third parties and those managed by the Group on behalf of its' members where the Group acts as share Trustee under a Trust Deed Arrangement.

Given the nature of these investments, the Group's maximum exposure to loss is equal to the carrying value of the investment.

During the year the Group has not provided any non-contractual financial or other support to these entities and has no current intention of providing any financial or other support. There were no transfers from/to these unconsolidated collective investment vehicles and limited companies.

The Group earns fees from the provision of corporate services or corporate trust services, details of these are included and reported in note 6.

13. Investments continued

Investments in subsidiary undertakings – Company

	2022 £000	2021 £000
Cost		
At 1 January	61,283	61,283
Additions in year	—	—
At 31 December	61,283	61,283

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	2022 £000	2021 £000
EBITDA at a multiple of 10.50 (2021: 10.80)	174,174	165,985
Surplus net assets	27,566	4,041
Total	201,740	170,026

An increase or decrease of 1 in the multiple would give rise to a £16.5m change in the fair valuation of the IPS. The adjustment to NAV to reflect the IPS fair value is an increase of 116.20p per share (2021: 111.00p).

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. The addresses of overseas registered companies appear at page 155. 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

13. Investments continued

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

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

LDC (DANTC) Limited

Syngenta Pensions Trustee Limited

The Law Debenture Corporation (HK) Limited
(incorporated/registered office in Hong Kong)

Law Debenture Trust (Asia) 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)

Law Debenture Master Trust Trustees (Ireland) DAC
(incorporated/registered office in the Republic of Ireland)

13. 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 0.6% 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.

14. 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 90 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 19 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	2022 £000	2021 £000	2022 £000	2021 £000
Amounts included in contract assets that were recognised as revenue	7,182	6,611	769	583

Trade and other receivables: current	2022 £000	2021 £000	2022 £000	2021 £000
Trade receivables	18,186	18,654	515	552
Other receivables	592	233	—	—
Prepayments	919	1,579	—	1,094
Amounts receivable from intercompany	—	—	—	55,935
	19,697	20,466	515	57,581

15. Cash and cash equivalents

These comprise cash held at bank by the Group (£15.2m) and money market funds with immediate access (£34.3m). The carrying value of these assets approximates to their fair value. The current breakdown of cash and cash equivalents is: Cash of £15.2m (2021: £35.9m) and cash equivalents of £34.3m (2021: nil).

16. Contract liabilities, trade and other payables

Contract liabilities: Current	GROUP 2022 £000	GROUP 2021 £000	COMPANY 2022 £000	COMPANY 2021 £000
Deferred Income	5,223	5,620	7	34

Contract liabilities: Non-current	2022 £000	2021 £000	2022 £000	2021 £000
Deferred Income	3,976	4,054	125	125

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

During the year, £5.620m (2021: £4.367m) of the Group's prior year recorded deferred income was recognised as income.

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 2021 which did not unwind during the year.

Trade and other payables: Current	GROUP 2022 £000	GROUP 2021 £000	COMPANY 2022 £000	COMPANY 2021 £000
Trade payables	5,880	8,527	—	202
Dividend payable	9,292	8,450	9,292	8,450
Other payables and accruals	4,643	12,352	754	4,795
	19,815	29,329	10,046	13,447

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.

17. Called up share capital

Allotted, issued and fully paid share capital – GROUP AND COMPANY	2022 £000	2021 £000
Value		
As at 1 January	6,145	5,923
Issued in year	262	222
As at 31 December	6,407	6,145

Shares	Number	Number
As at 1 January	122,915,835	118,454,562
Issued in year	5,256,184	4,461,273
As at 31 December	128,172,019	122,915,835

During the year to 31 December 2022, 18,184 shares (2021: 16,068 shares) were allotted under the SAYE scheme for a total consideration of £108,481 (2021: £218,006) which includes a premium of £107,572 (2021: £217,203). Total issued shares as at 31 December 2022 is 128,172,019 (2021: 122,915,835).

During the year, 26,705 options were granted under the Company's SAYE scheme. At 31 December 2022, options under the SAYE scheme exercisable from 2021 to 2026 at prices ranging from 594.75p to 781.00p per share were outstanding in respect of 173,918 ordinary shares (2021: 176,747 ordinary shares). During 2022, 11,350 options lapsed or were cancelled (2021: 20,718) and 18,184 (2021: 16,068) were exercised.

Further details of options outstanding are given in the Directors' report on page 61 to 65.

17. Called up share capital continued

Own shares held – GROUP	2022 £000	2021 £000
Value		
Own shares held - cost	3,128	3,215

The own shares held represent the cost of 486,991 (2021: 491,706) 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 2022 was £3,754,701 (2021: £3,928,731).

18. Capital reserves

GROUP	2022 Unrealised appreciation £000	2022 Realised reserves £000	2022 Total £000	2021 Unrealised appreciation £000	2021 Realised reserves £000	2021 Total £000
At 1 January	166,777	622,646	789,423	101,949	572,642	674,591
Transfer on disposal of investments	(36,288)	36,288	—	(35,638)	35,638	—
Net gains on investments	(141,930)	15,696	(126,234)	101,140	20,030	121,170
Cost of acquisition	(545)	—	(545)	(645)	—	(645)
Foreign exchange	334	—	334	(29)	—	(29)
Transfers to revenue	—	(2,829)	(2,829)	—	(5,664)	(5,664)
Transfers to capital	—	2,363	2,363	—	—	—
At 31 December	(11,652)	674,164	662,512	166,777	622,646	789,423

COMPANY	2022 Unrealised appreciation £000	2022 Realised reserves £000	2022 Total £000	2021 Unrealised appreciation £000	2021 Realised reserves £000	2021 Total £000
At 1 January	160,058	675,235	835,293	95,230	637,959	733,189
Transfer on disposal of investments	(36,288)	36,288	—	(35,638)	35,638	—
Net gains on investments	(141,930)	15,696	(126,234)	101,140	20,030	121,170
Cost of acquisition	(545)	—	(545)	(645)	—	(645)
Foreign exchange	334	—	334	(29)	—	(29)
Transfers to revenue	—	(2,829)	(2,829)	—	(5,664)	(5,664)
Dividends paid from capital	—	—	—	—	(12,728)	(12,728)
Transfers to capital	—	2,363	2,363	—	—	—
At 31 December	(18,371)	726,753	708,382	160,058	675,235	835,293

19. 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 17 to 29. Additionally, there are no net investment hedges in place in 2021 or 2022.

19. 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 2022 gearing was 12% (2021: 13%). 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 2022:

GROUP	2022 £000	2021 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	891,005	992,478
Financial assets held at amortised cost		
Trade and other receivables	19,697	20,466
Cash and cash equivalents	49,559	35,880
	69,256	56,346
Total financial assets	960,261	1,048,824
Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	19,815	29,329
Long-term borrowings	163,909	164,245
Lease liability	6,650	6,404
Total financial liabilities	190,374	199,978

COMPANY	2022 £000	2021 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	890,905	992,378
Financial assets held at amortised cost		
Trade and other receivables	515	57,581
Cash and cash equivalents	29,825	25,507
	30,340	83,088
Total financial assets	921,245	1,075,466
Liabilities		
Financial liabilities measured at amortised cost		
Amounts owed to subsidiary undertakings	19,603	87,631
Trade and other payables	10,046	13,447
Long-term borrowings	124,389	124,586
Total financial liabilities	154,038	225,664

19. Financial instruments continued

The principal risks facing the Group in respect of its financial instruments remain unchanged from 2021 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 2022 fell or rose by 10%, the impact on the Group's total profit or loss for the year would have been £89.1m (2021: £99.2m). Corresponding 10% changes in the valuation of the Investment Portfolio on the Company's total profit or loss for the year would have been £89.1m (2021: £99.2m). 10% has been used based on historic trends, however we will continue to revisit this on a periodic basis.

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:

	2022			2021		
GROUP	Investments £000	Net monetary assets £000	Total currency exposure £000	Investments £000	Net monetary assets £000	Total currency exposure £000
US Dollar	35,552	7,681	43,233	44,700	3,600	48,300
Canadian Dollar	6,700	—	6,700	6,100	—	6,100
Euro	64,452	3,508	67,960	72,600	1,100	73,700
Danish Krone	2,405	—	2,405	2,300	—	2,300
Swedish Krona	—	—	—	1,200	—	1,200
Swiss Franc	7,237	—	7,237	9,600	—	9,600
Hong Kong Dollar	—	976	976	—	1,000	1,000
Japanese Yen	9,426	—	9,426	11,200	—	11,200
Total	125,772	12,165	137,937	147,700	5,700	153,400

The Group US dollar net monetary assets is that held by the US operations of £1.3m (2021: £2m) together with £6.4m (2021: £1.6m) held by non-US operations.

	2022			2021		
COMPANY	Investments £000	Net monetary assets £000	Total currency exposure £000	Investments £000	Net monetary (liabilities) £000	Total currency exposure £000
US Dollar	35,552	—	35,552	44,700	100	44,800
Canadian Dollar	6,700	—	6,700	6,100	—	6,100
Euro	64,452	—	64,452	72,600	—	72,600
Danish Krone	2,405	—	2,405	2,300	—	2,300
Swedish Krona	—	—	—	1,000	—	1,000
Swiss Franc	7,237	—	7,237	9,600	—	9,600
Japanese Yen	9,426	—	9,426	11,200	—	11,200
Total	125,772	—	125,772	147,500	100	147,600

19. Financial instruments continued

The holding in Scottish Oriental Smaller Companies Trust is denominated in sterling but has underlying assets in foreign currencies equivalent to £7.3m (2021: £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 2022 rose or fell by 10% against sterling, the impact on the Group's total profit or loss for the year would have been £14.0m and £11.4m respectively (2021: £17.3m and £14.1m). 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:

							2022
				GROUP			COMPANY
	Sterling £000	HK Dollars £000	US Dollars £000	Euro £000	Sterling £000	US Dollars £000	Euro £000
Floating rate assets	37,351	976	7,681	3,508	14,357	5,780	2,662

							2021
				GROUP			COMPANY
	Sterling £000	HK Dollars £000	US Dollars £000	Euro £000	Sterling £000	US Dollars £000	Euro £000
Floating rate assets	29,700	1,000	3,600	1,100	25,000	100	—

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	
	2022 Sterling £000	2021 Sterling £000	2022 Sterling £000	2021 Sterling £000
Fixed rate liabilities	163,909	164,200	124,400	124,200
Weighted average fixed rate for the year	3.961%	3.966%	3.276%	3.276%

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 £346,000 credit (2021: £314,000 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 £224,000 credit (2021: £233,000 credit). The calculations are based on the balances at the respective year end dates and are not representative of the year as a whole.

19. Financial instruments continued

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 20. 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.

The tables below illustrates the contractual commitments to pay this interest over the time periods outlined as follows:

	2022				2021			
GROUP **INSTRUMENT**	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000
6.125% guarenteed secured bonds 2034	2,450	9,800	12,250	4,900	2,450	9,800	12,250	7,350
3.77% secured senior notes 2045	2,828	11,310	14,138	36,758	2,828	11,310	14,138	39,585
3.77% secured senior notes 2041	508	2,032	2,540	4,572	508	2,032	2,540	5,080
3.77% secured senior notes 2050	759	3,036	3,795	13,662	759	3,036	3,795	14,421
Lease liabilities: undiscounted cash flows	1,259	3,966	2,518	—	506	4,353	3,385	—
Total Group	7,804	30,144	35,241	59,892	7,050	30,531	36,108	66,436

	2022				2021			
COMPANY **INSTRUMENT**	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000
3.77% secured senior notes 2045	2,828	11,310	14,138	36,758	2,828	11,310	14,138	39,585
2.54% secured senior notes 2041	508	2,032	2,540	4,572	508	2,032	2,540	5,080
2.53% secured senior notes 2050	759	3,036	3,795	13,662	759	3,036	3,795	14,421
Total Group	4,095	16,378	20,473	54,992	4,095	16,378	20,473	59,086

Credit risk

Is the risk arising from the failure of another party to perform according to the terms of their contract. Cash and cash equivalents are held with banks which are rated "A-" or higher by Standard & Poor's Rating Services.

The credit risk on liquid funds and borrowings is limited because the counter-parties are banks with high credit-ratings assigned by international credit rating agencies.

The Group's maximum exposure to credit risk arising from financial assets is £69.3m (2021: £56.3m). The Company's maximum exposure to credit risk arising from financial assets is £30.3m (2021: £83.1m).

Outstanding customer receivables are continuously monitored and followed up where required. Specific provisions are made when there is evidence that the Group will not be able to collect the debts from the customer. The ageing of trade receivables and the expected credit loss at the reporting date are disclosed on page 144.

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 27. In summary, the Group only transacts with counterparties that it considers to be credit worthy.

19. Financial instruments continued

Trade and other receivables

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

	GROUP		COMPANY	
	2022 £000	2021 £000	2022 £000	2021 £000
Between 31 and 60 days	2,162	3,342	—	—
Between 61 and 90 days	1,367	2,403	—	—
More than 91 days	11,640	10,941	15	—
Total	15,169	16,686	15	—

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 2022 is £3,953,000 (2021: £3,314,000).

	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 2022						
Expected loss rate	1.71%	5.64%	3.75%	4.68%	3.59%	3.79%
Gross carrying amount	2,634	3,562	2,162	1,367	11,640	21,365
Expected credit loss provision	(45)	(201)	(81)	(64)	(418)	(809)
Specific provision	—	—	—	—	(3,144)	(3,144)
Net carrying amount	2,589	3,361	2,081	1,303	8,078	17,412
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

Trade and other payables	GROUP 2022 £000	GROUP 2021 £000	COMPANY 2022 £000	COMPANY 2021 £000
Due in less than one month	17,566	27,988	10,046	10,860
Due in more than one month and less than three months	—	—	—	—
Total	17,566	27,988	10,046	10,860

19. Financial instruments continued

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 20). 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.

20. Long-term borrowings

In more than five years
Long-term borrowings are repayable as follows:

Secured	GROUP 2022 £000	GROUP 2021 £000	COMPANY 2022 £000	COMPANY 2021 £000
6.125% guaranteed secured bonds 2034	39,520	39,659	—	—
3.77% secured senior notes 2045	74,434	74,586	74,434	74,586
2.54% secured senior notes 2041	19,966	20,000	19,966	20,000
2.53% secured senior notes 2050	29,989	30,000	29,989	30,000
Total	163,909	164,245	124,389	124,586

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 amortised cost. Including them at a fair value of £138.7m at 31 December 2022 (2021: £214.4m) would have the effect of increasing the year end NAV by 19.68p (2021: decrease of 41.03p). 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 (2021: A).

21. 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.

21. Contingent liabilities continued

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 23). The Company has provided surety for the lease of the Group's main property which is held by a subsidiary undertaking. The annual rental is currently £871,000 and its full term ends in 2030. The Company guarantees the servicing of the debt payments required on the 6.125% guaranteed secured bonds 2034 issued by Law Debenture Finance p.l.c. This is accounted for via the inter-company account between the Company and its subsidiary.

The Company provides letters of support to its subsidiaries when necessary. The Company does not reasonably expect a liability to arise in relation to these.

22. 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 2022 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. There are no restrictions nor covenants imposed by any leases to which the Group has entered into. The Group does not have any leases where payments are variable.

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.

The total cash outflow for leases in the year was £778,000 (2021: £1,526,000). This is presented in the Consolidated Cash Flow Statement as £505,000 (2021: £1,162,000) relating to the principal element of the lease liability payments, with the remaining balance of £274,000 (2021: £364,000).

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 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Opening balance at 1 January	5,542	5,413	5,542	5,413
Adjustment to opening balance	199*	—	199*	—
Leases signed in year	195	938	195	938
Lease extension	40	38	40	38
Depreciation	(931)	(858)	(931)	(858)
Foreign exchange difference	(5)	11	(5)	11
Closing NBV at 31 December	5,040	5,542	5,040	5,542

* Adjustment to opening balance as a result of a change in calculation.

Lease liabilities

	GROUP	
	Minimum lease payments	
Amounts payable under leases	31 December 2022 £000	31 December 2021 £000
Within one year	1,259	439
Between one and five years	3,966	4,130
After five years	2,518	3,388
	7,743	7,957
Less: future finance charges	(1,093)	(1,553)
Present value of lease obligations	6,650	6,404
Less: amounts due for settlement within one year (shown within current liabilities)	(991)	(287)
Amounts due for settlement after one year (shown within non current liabilities)	5,659	6,117

22. Leases continued

Leases signed in the year

During the year the Group signed a three year lease for its new office at Loftus House, Colima Avenue, Sunderland to house our Safecall business.

On the lease commencement date the Group recognised a right-of-use asset of £91,145 and leasehold liability of £82,859. The right-of-use asset is recognised at leasehold liability (£82,859), there were nil direct costs plus dilapidation provision estimated costs of removal and restoring (£8,286).

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

On the lease commencement date the Group recognised a right-of-use asset of £104,405 and leasehold liability of £94,913. The right-of-use asset is recognised at leasehold liability (£104,405), there were nil direct costs plus dilapidation provision estimated costs of removal and restoring (£9,491).

23. 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 2022. 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 is due to be carried out as at 31 December 2023. The estimated amount of total employer contributions expected to be paid to the Plan during 2023 is £1.1m (2022 actual: £1.0m).

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

The major assumptions in the 31 December 2022 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.

	2022	2021
Significant actuarial assumptions:		
Retail Price Inflation	3.20%	3.30%
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	2.60%	2.70%
Discount rate	4.80%	2.00%
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.

	2022 years	2021 years
Life expectancy of male/female aged 65 in 2022	23.2/25.3	23.3/25.4
Life expectancy of male/female aged 65 in 2040	24.7/26.8	24.9/26.9
Weighted average duration	13.8	17.9

23. Pension commitments continued

	2022 £000	2021 £000
The amounts recognised in the income statement are as follows:		
Interest expense/(income)	100	100
Total expense/(income) recognised in the income statement	100	100

The amounts recognised outside the income statement are as follows:		
Remeasurements	300	(8,500)
(Gain)/loss recognised outside the income statement	300	(8,500)

	2022		2021	
	Allocation %	£000	Allocation %	£000
The current allocation of plan assets is as follows:				
Equities	30	13,500	43	29,500
Corporate bonds	10	4,500	8	5,600
LDI	21	9,700	20	13,900
Pensioner annuities	1	500	1	700
Diversified growth funds	8	3,600	13	8,600
Infrastructure	15	6,800	9	6,200
Cash/other	15	6,900	6	3,800
Total	100	45,500	100	68,300

- 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 2023.
- At the time of writing, the value of the JP Morgan infrastructure fund on 31 December 2022 is unavailable. Therefore, the value of £6.8m used is at an effective date of 1 October 2022.
- 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	2022 £000	2021 £000
Opening defined benefit obligation at 1 January	61,700	65,800
Interest on obligation	1,200	900
Benefits paid	(2,800)	(2,600)
Actuarial losses/(gains) due to:		
Experience (gain)/loss	2,400	2,300
Changes in financial assumptions (gain)/loss	(24,100)	(3,500)
Changes in demographic assumptions (gain)/loss	(300)	(1,200)
Closing defined benefit obligation at 31 December	38,100	61,700

Movement in fair value of plan assets	2022 £000	2021 £000
Opening fair value of plan assets at 1 January	68,300	63,000
Interest on assets	1,300	800
Contributions by the employer	1,000	1,000
Benefits paid	(2,800)	(2,600)
Actual returns net of interest	(22,300)	6,100
Closing fair value of plan assets at 31 December	45,500	68,300

23. 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	2022 £000	2021 £000
Opening net defined benefit liability/(asset) at 1 January	(6,600)	2,800
(Income)/expense charged to profit and loss	(100)	100
Employer contributions	(1,000)	(1,000)
Amount recognised outside of profit and loss	300	(8,500)
Closing net defined benefit (asset)/liability at 31 December	(7,400)	(6,600)

Amounts recognised in statement of financial position	2022 £000	2021 £000
Present value of defined benefit obligation	38,100	61,700
Fair value of plan assets	(45,500)	(68,300)
(Surplus)/deficit	(7,400)	(6,600)
Effect of asset ceiling	—	—
Net defined benefit (asset)/liability	(7,400)	(6,600)

Over the year to 31 December 2022, the balance sheet improved from a surplus of £6.6m to a surplus of £7.4m. 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 2022 £ million	at 31 December 2021 £ million
Discount rate +0.1%	0.5	(1.1)
RPI Inflation assumptions +0.1%	0.5	0.8
Life expectancy at 65 +1 year	1.0	2.8
RPI/CPI gap 0.1% increase in wedge between RPI and CPI at all durations	0.5	(0.3)

24. Related party transactions

GROUP

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

COMPANY

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

	2022 £000	2021 £000
Dividends from subsidiaries	9,638	14,950
Interest on intercompany balances charged by subsidiaries	2,559	2,559
Management charges from subsidiaries	850	700

The ultimate parent entity is The Law Debenture Corporation p.l.c.

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 76 to 98. Key management personnel costs inclusive of employers national insurance are £1,572,684 (2021: £1,438,456).

25. Movement in borrowings

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

GROUP	31 December 2022 £000	Non-cash items movement £000	31 December 2021 £000	Non-cash items movement £000	31 December 2020 £000
Long-term borrowings					
6.125% guaranteed secured bonds 2034	39,520	(139)	39,659	27	39,632
2.54% secured senior notes 2041	19,966	(34)	20,000	—	—
3.77% secured senior notes 2045	74,434	(152)	74,586	17	74,569
2.53% secured senior notes 2050	29,989	(11)	30,000	—	—
	163,909	(336)	164,245	44	114,201

COMPANY	31 December 2022 £000	Non-cash items movement £000	31 December 2021 £000	Non-cash items movement £000	31 December 2020 £000
Long-term borrowings					
3.77% secured senior notes 2045	74,434	(152)	74,586	17	74,569
2.54% secured senior notes 2041	19,966	(34)	20,000	—	—
2.53% secured senior notes 2050	29,989	(11)	30,000	—	—
	124,389	(197)	124,586	17	74,569

The Group had no short-term borrowings in 2022 (2021: nil).

26. 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 £726,754,000 (2021: £675,235,000) which would allow 18.7 (2021: 18.9) years of dividend payments at the current level. The Group has realised capital reserves of £674,165,000 (2021: £622,646,000) which would allow 17.3 (2021: 17.4) years of dividend payments at the current level.

27. Stock lending revenue

At 31 December 2022 the total value of securities on loan by the Company for stock lending purposes was £109,391,986 (2021: £42,858,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 December 2022 was £197,631,719 (2021: £74,924,000).

Revenue derived from stock lending in 2022 is £626,099 (2021: £551,000).

28. Note to the statement of Cash Flows

	GROUP		COMPANY	
	2022 £000	2021 £000	2022 £000	2021 £000
Total (loss)/return before taxation	(78,411)	155,320	(82,659)	157,077
Adjust for non-cash flow items:				
Adjust for loss/(gains) on investments	126,234	(121,170)	126,234	(121,170)
Movement in amortised cost of borrowings	(336)	—	(197)	—
Depreciation of property, plant and equipment	328	220	—	—
Depreciation of right-of-use assets	931	858	—	—
Amortisation of intangible assets	675	490	—	—
Decrease/(increase) in receivables	198	(4,419)	860	2,139
(Decrease)/increase in payables	(9,604)	1,920	(4,269)	2,920
(Decrease)/increase in deferred income	(475)	—	—	—
Normal pension contributions in excess of cost	(1,123)	(940)	—	—
(Decrease)/increase in other taxation payable	1,330	—	1,010	—
Dividends receivable	(37,498)	(27,550)	(47,136)	(42,500)
Cash flows from operating activities (before dividends received and taxation paid)	2,249	4,422	(6,157)	(1,534)

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 13)) and cash at bank (see Statement of Financial Position) less any liabilities (i.e. long-term borrowings (see note 20)) for which the Company is responsible, divided by the number of shares in issue (see note 8). 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 2022, 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 20 on page 145) is valued in the Statement of Financial Position (page 113) 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 145. 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 131). The NAV with debt at fair value at 31 December 2022 was £972,566,000 (761.69 pence per ordinary share) and the NAV with debt at par was £947,443,000 (742.02 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 with debt and IPS at fair value pence	NAV per share with debt at par value pence	Share price pence	Premium/ (discount) to fair value NAV	Premium/ (discount) to par value NAV
At 31 December 2022	761.69	742.02	771	1.2%	3.9%
At 31 December 2021	787.83	828.86	799	1.4%	(3.6%)

Gearing/(Net cash)

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

			2022 £000	2021 £000
Borrowings (at PAR)	Statement of financial position		163,909	164,245
Cash and cash equivalents	Statement of financial position		(49,559)	(35,880)
Borrowings less cash		(a)	114,350	128,365
Net assets per Balance Sheet			799,067	878,837
Fair value uplift for IPS business			148,376	135,885
Debt fair value adjustment			25,123	(50,229)
Adjusted shareholders' funds	Page 36	(b)	972,566	964,493
Net gearing		(a/b)	12%	13%

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.

	2022 £000	2021 £000
Management fee revenue expense	566	569
Other attributable administration costs	2,448	2,220
Administration costs	3,014	2,789
Management fee capital expense	1,697	1,706
Ongoing charge	4,711	4,495
Average net assets[1]	959,711	893,572
Ongoing charge ratio	0.49%	0.50%

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 131).

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 130.

	NAV per share with debt at fair value	Share price
NAV/Share price per share at 31 December 2021 (pence)	787.83	799
NAV/Share price per share at 31 December 2022 (pence)	761.69	771
Change in the year (%)	(3.3%)	(3.5%)
Impact of dividends reinvested[1] (%)	3.9%	3.9%
Total return for the year (%)	0.6%	0.4%

1 The impact of dividends reinvested is calculated by calculating the total NAV/share price return for the year without the impact of re-invested dividends and comparing this to the total return including the impact of re-invested dividends.

Yield

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

	2022 £000	2021 £000
Annual dividend (pence)	30.5	29.0
Share price[1] (pence)	771	799
Yield (%)	4.0%	3.6%

1 Based on the closing share price as at 31 December 2022.

Company advisers and information

Registered office

8th Floor, 100 Bishopsgate, London, EC2N 4AG

T: 020 7606 5451
F: 020 7606 0643
W: www.lawdebenture.com

(Registered in England – No. 00030397)

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

Joint brokers

J.P. Morgan Securities PLC
25 Bank Street, London E14 5JP

Peel Hunt LLP
100 Liverpool Street, London EC2M 2AT

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 March/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 on pages 135 and 136, are registered at the following addresses:

Companies registered in Hong Kong	Suite 1301, 13/F Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Companies registered in the Republic of Ireland	38/39 Fitzwilliam Square West, 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, IFC 5, Castle Street, St. Helier, Jersey JE2 3BY
Company registered in Cayman Islands	Governors Square, Suite 5-204, 23 Lime Tree Bay Avenue, Grand Cayman, Cayman Islands, KY1-1108

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 133rd 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 on 30 March 2023 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 2022.**
2. **To approve the Directors' remuneration policy.**
3. **To approve the Directors' remuneration report for the year ended 31 December 2022.**
4. **To declare a final dividend of 8.75p per share in respect of the year ended 31 December 2022.**
5. **To re-elect Denis Jackson as a Director.**
6. **To re-elect Trish Houston as a Director.**
7. **To re-elect Robert Hingley as a Director.**
8. **To re-elect Tim Bond as a Director.**
9. **To re-elect Pars Purewal as a Director.**
10. **To re-elect Claire Finn as a Director.**
11. **To re-elect Clare Askem as a Director.**
12. **To re-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.**
13. **To authorise the Audit and Risk Committee to determine the auditor's remuneration.**
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 ('AGM'), 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 £642,922.70 (representing 12,858,454 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.

15. **Amendment to the rules of The Law Debenture Corporation p.l.c. Long-Term Incentive Plan.**

    THAT current rule 3.2 of The Law Debenture Corporation p.l.c. Long Term Incentive Plan be deleted in its entirety and that the following new rule 3.2 be and is hereby approved:

    Rule 3.2:
    "An Award must not be granted to an Eligible Employee if the result of granting the Award would be that, at the proposed Award Date, the Market Value of the Plan Shares subject to that Award, when aggregated with the Market Value of the Plan Shares subject to any other Award granted to them in the same Financial Year, would exceed:

    1. in relation to a Financial Year up to and including the Financial Year ending on 31 December 2022, 100% of their Annual Remuneration; or
    2. in relation to a Financial Year commencing on or after 1 January 2023, the higher of 100% of their Annual Remuneration or the limit included in the Directors' Remuneration Policy.

The limit as set out in this Rule 3.2 shall not apply to Buy-Out Awards.

For the purpose of this Rule 3.2:

1. **Annual Remuneration** means the higher of:

   (a) basic salary paid by the Group expressed as an annual rate as at the Award Date; and

   (b) basic salary paid by the Group for the period of 12 months ending on the last day of the month immediately preceding the month in which the Award Date occurs.

2. **Financial Year** means the financial year of the Company.

3. The **Market Value** of Plan Shares subject to an Award shall be measured as an average over the five Dealing Days ending on the date on which the Award was granted or, if the Board so determines for the purpose of the grant of the Award, on the date on which that Award was granted.

Where a payment of salary is made in a currency other than sterling, the payment shall be treated as equal to the equivalent amount of sterling determined by using any rate of exchange which the Board may reasonably select."

Special resolutions

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

16. 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 £642,922.70 (representing 12,858,454 ordinary shares),

such authority to expire at the next AGM of the Company (or, if earlier, at the close of business on 28 June 2024) 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. 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 16 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 £642,922.70 (representing 12,858,454 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 28 June 2024) 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.

Notice of Annual General Meeting continued

18. 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 19,274,822;

(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 AGM 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.

19. Authority to convene a general meeting – notice.

THAT a general meeting of the Company, other than an AGM, may be called on not less than 14 clear days' notice.

This Notice was approved by the Board of Directors on 27 February 2023 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary
Registered No. 00030397

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

Explanatory notes to the Notice

The Notice of the Annual General Meeting (the 'Notice') to be held on 30 March 2023 (the 'Meeting') is set out on pages 156 to 158. 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 2022 (the '2022 Annual Report'), which was sent to shareholders on 6 March 2023.

Resolution 2
The Act requires quoted companies to present to their shareholders a Directors' remuneration policy (the 'Policy') for approval at least every three years. The Policy was last approved by shareholders at the AGM held on 7 April 2020. During the past year, the Board's Remuneration Committee reviewed and amended the Policy to ensure that it was appropriate, market competitive and aligned with the Group's strategic goals and financial key performance indicators as well as developments in UK corporate governance best practice. Following a robust and objective review, and taking account of the views of shareholders, the proposed Policy is set out on pages 81 to 91 of the 2022 Annual Report for approval. This should be read in conjunction with the Remuneration Committee Chair's introductory statement to the Directors' remuneration report on pages 76 to 79 of the 2022 Annual Report.

Resolution 3
In accordance with the provisions of the Act, the Company's Report on Directors' remuneration is being put to an annual shareholder vote by ordinary resolution. This resolution is an advisory vote, as provided by law, meaning that the Directors' entitlements to remuneration are not conditional upon the resolution being passed. The report is set out in full on pages 76 to 98 of the 2022 Annual Report.

Resolution 4
The Board proposes a final dividend of 8.75 pence per share in respect of the year ended 31 December 2022. If approved, the recommended final dividend will be paid on 13 April 2023 to all ordinary shareholders who are on the register of members on 10 March 2023. The shares will be marked ex-dividend on 9 March 2023.

Resolutions 5 – 11
Under the Company's Articles of Association (the 'Articles'), one third of the Directors must retire from office by rotation at each AGM and may offer themselves for re-election (this does not include Directors appointed to the Board since the last AGM). 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, Pars Purewal, Claire Finn and Clare Askem will retire from office and offer themselves for re-election.

The biographical details for each Director are set out on pages 58 and 59 of the 2022 Annual Report.

In proposing the re-election of the Directors, the Chairman confirms that, following the internal performance evaluation (described on pages 70 and 71 of the 2022 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 re-election.

Resolution 12
The Company's auditors must offer themselves for appointment at each AGM at which accounts are presented. Accordingly, the Board, on the recommendation of the Audit and Risk Committee, recommends the re-appointment of Deloitte LLP as the Company's auditors.

Resolution 13
This resolution, if passed, will authorise the Audit and Risk Committee to agree the remuneration of Deloitte LLP for their services as auditors.

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 AGM of the Company held on 7 April 2022, 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 £642,922.70 (representing 12,858,454 ordinary shares), representing approximately ten per cent of the nominal value of the issued ordinary shares on 27 February 2023 (being the last practicable date prior to the publication of this document). As at 27 February 2023, 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 AGM. However, the Company may make an offer or agreement prior to the expiry of this authority which would or might require shares to be allotted after the expiry of this authority – in this case, the Directors will be permitted to allot securities pursuant to such offer or agreement as if this authority had not expired.

Resolution 15
Resolution 15 seeks to approve the proposed amendment to rule 3.2 of The Law Debenture Corporation p.l.c. Long Term Incentive Plan ('the Plan') to amend the maximum value of awards an eligible employee can receive in any financial year commencing on and after 1 January 2023 to the higher

Explanatory notes to the Notice continued

of 100% of base salary or the limit included in the Directors' Remuneration Policy. This amendment is being proposed to ensure that the rules of the Plan are consistent with the Directors' Remuneration Policy. The exception to this limit for buy-out awards will remain unchanged.

Resolution 16
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 AGM held on 7 April 2022, will expire at the end of this year's AGM.

Resolution 16 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 £642,922.70 (representing 12,858,454 ordinary shares), being no more than ten per cent of the issued ordinary share capital in issue on the 27 February 2023, in each case without the equity securities first being offered to the existing shareholders in proportion to their existing holdings.

Resolution 17
Resolution 17 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 ten per cent of the total ordinary share capital, representing up to an aggregate nominal amount of £642,922.70 (representing 12,858,454 ordinary shares), as at 27 February 2023, 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.

Resolution 18
Resolution 18 is a special resolution that will grant the Company authority to make market purchases of up to 19,274,822 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 2024 when a resolution to renew the authority will be proposed.

Resolution 19
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 AGM) 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 AGM or a general meeting held since that AGM.

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 AGM to be held in 2024.

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, 28 March 2023 (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, 28 March 2023 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 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 161 and 162).

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

Shareholder notes continued

issuer's agent by 11:00 am on Tuesday, 28 March 2023. 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 27 February 2023 (being the latest practicable business day prior to the publication of this Notice), the Company had an issued share capital of 128,584,541 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 128,584,541.

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 available for inspection during normal business hours from Monday, 6 March 2023 until the conclusion of the AGM at the Company's registered office and may also be inspected at the AGM venue from 10.30 am on the day of the AGM until its conclusion:

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

    (b) a copy of the Articles of Association of the Company.

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

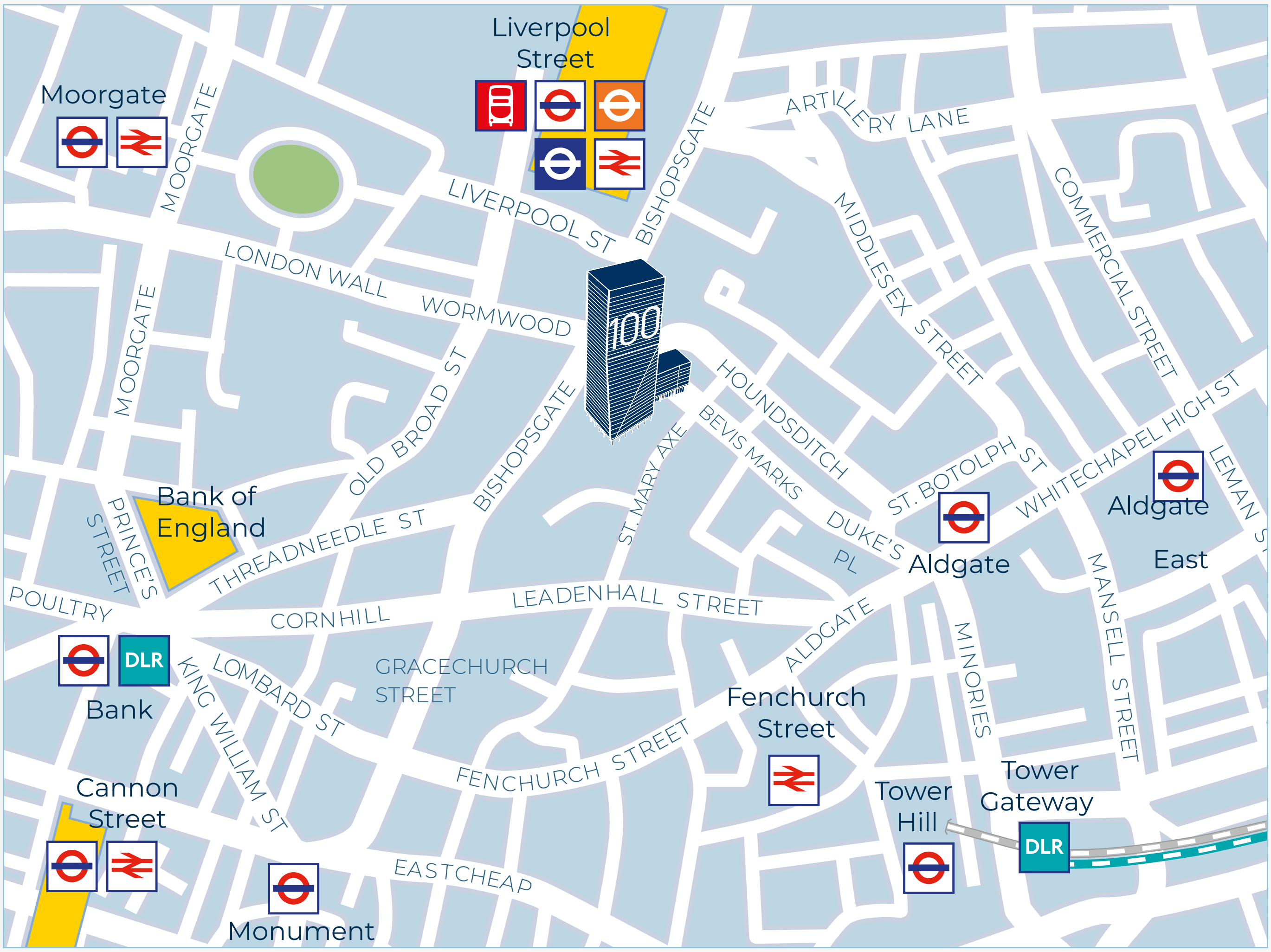
17. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

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.

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