The Law Debenture Corporation p.l.c.
26 February 2021

Strong overall performance with 5.8% increase in full year dividend

The Law Debenture Corporation p.l.c. ("Law Debenture") today published its results for the year ended 31 December 2020.

Group Highlights:

- Share price total return[1] for 2020 of 12.9%, outperforming the FTSE Actuaries All-Share Index by 22.7%
- Continued strong performance from the Independent Professional Services business (IPS) supports dividend growth
- £20m acquisition of UK company secretarial business from Eversheds Sutherland (International) LLP ("CSS"), which completed at the end of January 2021 and has not been factored into the financial statements as at 31 December 2020
- Continued low ongoing charges (0.55%), compared to the industry average of 1.02%[2]
- £10,000 invested in Law Debenture ten years ago would be worth £27,746 as at 31 December 2020[3]

Dividend Highlights:

- 2020 FY dividends increased by 5.8% to 27.5 pence per ordinary share (2019: 26.0p)
- Dividend yield of 3.8%4, Q4 dividend of 8.00 pence per ordinary share
- Transitioned to quarterly dividends, creating greater regularity and predictability around dividend payments

Investment Highlights:

- Net Asset Value (NAV) per share (with debt at par) grew 3.6%5
- Moved to daily NAV publication from the start of August to increase transparency
- Law Debenture has consistently outperformed its benchmark on short- and longer-term performance measures

	1 year	3 years	5 years	10 years
NAV total return debt at par[5]	3.6%	15.6%	59.1%	147.8%
NAV total return debt at fair value[5]	2.0%	13.2%	53.0%	134.7%
Share price total return	12.9%	24.3%	67.3%	174.8%
FTSE Actuaries All-Share Index[3]	(9.8)%	(2.7)%	28.5%	71.9%

IPS Highlights:

- Leading wholly-owned independent provider of professional services which helps support dividend growth, a key differentiator to other investment trusts
- Revenue increase of 8.5% and earnings per share are up 9.5% on prior period, reflecting consistent growth under new management team, funding over a third of the increased 2020 full year dividend
- Fair value of the IPS business increased by 18.3% in 2020 to £136.0m (2019 increase was 21%)6

Longer-Term Record:

- 132 years of value creation for shareholders
- 42 years of increasing or maintaining dividends to shareholders
- 116.5%[7] increase in dividend over ten years

Commenting, Robert Hingley, Chairman, said:
"Law Debenture seeks to combine long-term capital growth and steadily increasing income. In light of the Covid-19 pandemic, Law Debenture has delivered a good performance in 2020, demonstrating the advantages of its unique structure, which allows increased flexibility in portfolio construction. Following the step change in dividend in 2019, we are pleased again to propose to increase our full year dividend at a time of widespread dividend cuts across the market. This illustrates our continued resilience and strong revenue reserves.

Our investment portfolio's long-term performance remains well ahead of its benchmark and our IPS business has now delivered three years of strong, high single-digit growth, despite some significant macroeconomic headwinds. Long-term income sustainability is a key priority and the Group's aim is to continue to deliver gradually increasing dividend payments in excess of inflation over time."

Commenting, Denis Jackson, Chief Executive Officer, said:
"2020 was another successful year for Law Debenture with a share price total return of 12.9%, outperforming its benchmark by 22.7%. On behalf of the management team, I would like to express my deepest gratitude to everyone for their incredible work through the pandemic. Both the long and short-term performance of our investment portfolio remains strong. We have an excellent investment management team, who the Board is confident is well placed to continue to position the equity portfolio for future longer-term growth.

We are encouraged that IPS has delivered on its ambitions, with a third year of high single digit earnings per share growth, despite a challenging macroeconomic backdrop. Reflecting these improved earnings and growth prospects, the valuation of our IPS business increased by 18.3% in 2020.

We still see opportunities to grow revenue and earnings significantly over time. IPS has attractive financial characteristics and we continue to invest in talent and technology to take advantage of material market share opportunities. We are proud to welcome the CSS team and view the acquisition as both strategically and financially compelling with attractive longer-term revenue synergy opportunities. Ultimately, the strengthening of IPS will facilitate our aim of producing long-term capital growth and steadily increasing income for our shareholders."

Investment Portfolio:
Our portfolio of investments is managed by James Henderson and Laura Foll of Janus Henderson Investors.

Our objective 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 Total Return through investing in a diversified portfolio of stocks.

Independent Professional Services:
We are a leading provider of independent professional services, built on three excellent foundations: our Pensions, Corporate Trust and Corporate Services businesses. We operate internationally, with offices in the UK, New York, Ireland, Hong Kong, Delaware and the Channel Islands.

Companies, agencies, organisations and individuals throughout the world rely upon Law Debenture to carry out our duties with the independence and professionalism upon which our reputation is built.

Law Debenture	+44 (0)20 7606 5451
Denis Jackson, Chief Executive Officer	denis.jackson@lawdeb.com
Hester Scotton, Chief Financial Officer	hester.scotton@lawdeb.com
Trish Houston, Chief Operating Officer	trish.houston@lawdeb.com
Tulchan Communications (Financial PR)	
David Allchurch	+44 (0)20 7353 4200
Deborah Roney	lawdebenture@tulchangroup.com
Laura Marshall	

[1] Source: Bloomberg.

[2] Ongoing charges are for the year ended 31 December 2020. Law Debenture ongoing charges have been calculated based on data held by Law Debenture. Industry average data was sourced from The Association of Investment Companies (AIC) industry as at 31 December 2020. No performance related element to the fee.

[3] Calculated on a total return basis assuming dividend re-investment between 31 December 2010 and 31 December 2020.

[4] Based on a closing share price of 723p as at 24 February 2021.

[5] 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.

[6] Increase in annual valuation of IPS business, excluding change in surplus net assets.

[7] Calculated on total dividend payments in respect of accounting periods ended 31 December 2010 to 31 December 2020.

ANNUAL FINANCIAL REPORT
YEAR ENDED 31 DECEMBER 2020 (AUDITED)

This is an announcement of the Annual Financial Report of The Law Debenture Corporation p.l.c. as required to be published under DTR 4 of the UKLA Listing Rules.

The Directors recommend a final dividend of 8.00p per share making a total for the year of 27.50p. Subject to the approval of shareholders, the final dividend will be paid on 15 April 2021 to holders on the register of the record date of 12 March 2021. The annual financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial information set out in this Annual Financial Report does not constitute the Company's statutory accounts for 2019 or 2020. Statutory accounts for the years ended 31 December 2019 and 31 December 2020 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2019 and 2020 were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2019 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar in due course.

The financial information in this Annual Financial Report has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in this Annual Financial Report have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the year ended 31 December 2020. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the year ended 31 December 2019.

Financial summary

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

Performance

	1 year %	3 years %	5 years %	10 years %
NAV total return[2*] (with debt at par)	3.6	15.6	59.1	147.8
NAV total return[2*] (with debt at fair value)	2.0	13.2	53.0	134.7
FTSE Actuaries All-Share Index Total Return[4]	(9.8)	(2.7)	28.5	71.9
Share price total return[4*]	12.9	24.3	67.3	174.8
Change in Retail Price Index[4]	0.9	6.4	13.0	29.4

* Items marked "*" are considered to be alternative performance measures and are described in more detail in the full annual report and accounts.
†The 2019 gearing has been restated to reflect the revised approach to the calculation. The calculation is aligned with AIC guidance and presents Net Debtors as a percentages of Shareholders' Funds.
[1] Please refer below for calculation of net asset value.
[2] NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value.
[3] Source: AIC. Ongoing charges are based on the costs of the investment trust and include the Janus Henderson Investors' management fee of 0.30% of NAV of the investment trust. There is no performance related element to the fee. Gearing is described in the strategic report below and in our alternative performance measures in the full annual report. and accounts and includes a restatement of 2019.
[4] Source: Refinitiv Datastream

Robert Laing's retirement

Robert Laing has informed the Board of his intention to retire as a Non-Executive Director of the Company at the conclusion of its Annual General Meeting, scheduled to take place on 7 April 2021. The Board would like to thank Robert for his significant contribution over the years and wish him every continued success for the future.

Claire Finn will succeed Robert Laing as Chair of the Remuneration Committee, with effect from 7 April 2021.

Chairman's statement

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

Performance

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

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

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

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

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

Dividend

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

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

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

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

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

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

Our investment portfolio

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

Through these difficult times, your Board continues to support the investment managers' strategy of investing in high-quality companies at attractive valuations, which offer good total return opportunities.

With markets in their current state, the advantages of Law Debenture's structure have been evident. The cash that we generate from our IPS business has allowed James and Laura to avoid potential value traps, as other income funds may be forced into a narrower selection of stocks to maintain their own dividend yield.

IPS business

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

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

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

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

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

Environmental, Social and Governance (ESG) considerations

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

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

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

The Board

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

Katie Thorpe stood down as CFO in October and was succeeded by Hester Scotton, who joined Law Debenture in 2019 as Head of Internal Controls and Group Money Laundering and Reporting Officer.

The management transition has gone well, with both Hester and Trish playing integral roles in our acquisition of CSS from Konexo UK. I look forward to working with them both as we look to continue our growth trajectory.

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

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

Report and accounts

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

Looking forward

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

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

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

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

Robert Hingley
Chairman
25 February 2021

[1] NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value.
[2] Investec Securities analysis from 30 March 2020, based on Group Revenue Return, including professional services fees. Calculated on an annualised basis on dividend payments in respect of accounting years between 1 January 2011 and 31 December 2020. Group retained earnings were £62.5m as at 1 January 2020.

Chief Executive Officer's review

Introduction

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

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

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

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

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

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

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

Taking each business in turn:

Corporate trust

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

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

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

Market dynamics

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

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

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

Highlights

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

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

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

The demand for rapid responses to Covid-19 exposed many procurement processes as being cumbersome and overly engineered. Happily, our escrow offering, was able to move fast and respond to rapidly evolving demand. Particularly pleasing was the role that we played on several PPE related escrows as various NHS trusts looked to urgently source supply from around the world. In addition, we upped our profile on escrows related to M&A, pensions, litigation and commercial real estate transactions. Our escrow balances ended the year over five times higher than at the start of 2020.

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

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

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

Outlook for our corporate trust business

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

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

Pensions

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

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

Market dynamics

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

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

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

Highlights

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

On the trustee side we did much to enhance our reputation for innovation. We also executed well and added to our expertise in longevity swaps, buy-ins and buy-outs, such as the work we did for Baker Hughes (UK) and the British Bankers' Association. Increasingly too, we have much to offer clients as they navigate the tricky pensions waters that lap against M&A activity, such as the work we have been appointed to undertake for Cobham. Finally, and without wishing ill on any firm, our experience of dealing with distressed and restructuring type situations, in both the public and private markets, continues to grow significantly.

Outlook for our pensions business

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

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

Corporate services

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

Market dynamics

Company secretarial and accounting

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

Highlights

Company secretarial and accounting

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

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

We believe that we can increase our market share in this growing market, and we are confident that there are significant avenues for us to explore across our c.450 new clients with respect to other Law

Debenture offerings. The acquired business is headed by Andy Casey. We have very much enjoyed welcoming our new colleagues to Law Debenture and look forward to working closely with them in the future.

Market dynamics

Whistleblowing

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

Highlights

Whistleblowing

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

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

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

Service of process

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

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

Outlook for our corporate services business

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

Technology

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

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

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

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

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

Property

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

The new building has excellent transport links as it is situated across the street from Liverpool Street station. Importantly, the building has been designed to limit its impact on the environment, as shown on the diagram in the full annual report and accounts.

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

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

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

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

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

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

Prospects

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

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

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

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

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

Denis Jackson
Chief Executive Officer
25 February 2021

Investment manager's review

The equity portfolio

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

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

Our investment strategy

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

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

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

ESG considerations in our investment strategy

Responsible investing, incorporating ESG, has always been an integral feature of our process as we are long-term investors. Therefore any material ESG issues are also material to the investment case. These issues are of growing prominence to both investors and companies and whilst they have always been an implicit part of the investment process, we are now explicitly both monitoring internally and discussing with company management teams any particular issues of concern. We have decided not to explicitly exclude any sectors, partly because the data quality on the more difficult to measure environmental and social area is not robust, and partly because, in our view, it is better to engage with companies to encourage better practices rather than to sell the shares. In addition to monitoring the risks associated with ESG issues, we also aim to invest in companies that are seeking positively to address these challenges, such as the need to decarbonise the economy. One such area is hydrogen fuel cells, and portfolio performance this year has benefitted from exposure to this area.

	1 year %	3 years %	5 years %	10 years %
NAV total return (with debt at par)[1]	3.6	15.6	59.1	147.8
NAV total return (with debt at fair value)[1]	2.0	13.2	53.0	134.7

FTSE Actuaries All-Share Index total return[2]	(9.8)	(2.7)	28.5	71.9

[1] NAV is calculated in accordance with AIC methodology, based on performance data held by Law Debenture including fair value of IPS business. NAV total return with debt at par excludes the fair value of long-term borrowings, where NAV total return with debt at fair value includes the fair value adjustment.

[2] Source: Refinitiv Datastream, all references to 'FTSE All-Share' and 'benchmark' in this review refer to the FTSE Actuaries All-Share Index total return.

Overview of 2020

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

Economic backdrop

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

UK market backdrop

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

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

Income backdrop

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

From a shareholder perspective, the share of Group income generated by the IPS business this year grew to 43.4%[1]. Therefore the fall in investment income was partially offset by growing income from the

IPS business. This, combined with the large historical revenue reserve, allowed the Board to confidently grow the dividend 5.8% year on year.

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

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

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

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

Top five contributors

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

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

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

Portfolio attribution

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

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

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

Top five detractors

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

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

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

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

Portfolio activity

What we have been buying

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

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

What we have been selling

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

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

Five largest purchases

The largest five purchases during the year are detailed below:

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

Five largest sales

The largest five sales during the year are detailed below:

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

Outlook

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

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

James Henderson & Laura Foll
Investment manager
25 February 2021

Portfolio by Sector and Value

Portfolio by sector

	2020	2019
Oil and gas	11.6%	9.7%
Basic materials	9.3%	6.4%
Industrials	22.0%	23.2%
Consumer goods	6.2%	5.2%
Health care	5.2%	8.9%
Consumer services	8.9%	10.2%
Telecommunications	1.9%	1.1%
Utilities	4.8%	4.0%
Financials	28.5%	28.9%
Technology	1.6%	2.4%

Geographical distribution of portfolio by value

	2020	2019
United Kingdom	82.1%	80.7%
North America	5.4%	8.3%
Europe	10.1%	7.8%
Japan	1.1%	1.1%
Other Pacific	0.9%	0.9%
Other	0.4%	1.2%

Fifteen largest holdings
as at 31 December 2020

Rank 2020	Company	% of portfolio	Approx. Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
1	Ceres Power	2.99	£2.7bn	12,052	—	(21,368)	33,513	24,197
2	GlaxoSmithKline	2.77	£70.2bn	29,792	—	—	(7,314)	22,478
3	Rio Tinto	2.53	£77.2bn	16,884	—	—	3,628	20,512
4	Herald Investment Trust	2.16	£1.4bn	12,580	—	(1,073)	5,998	17,505
5	Royal Dutch Shell	1.94	£52.2bn	27,994	—	—	(12,251)	15,743
6	BP	1.79	£60.8bn	15,091	6,285	—	(6,852)	14,524
7	Prudential Corp	1.55	£37.1bn	13,506	—	—	(925)	12,581
8	National Grid	1.5	£30.1bn	13,307	—	—	(1,118)	12,189
9	Morgan Advanced Materials	1.47	£0.9bn	11,095	974	—	(95)	11,974
10	HSBC	1.46	£83.1bn	15,606	1,955	—	(5,680)	11,881
11	ITM Power	1.41	£3.0bn	2,295	1,160	(5,285)	13,318	11,488
12	Severn Trent	1.41	£5.6bn	12,575	—	—	(1,135)	11,440
13	Accsys Technologies	1.37	£0.3bn	8,218	—	—	2,913	11,131
14	Aviva	1.36	£13.6bn	5,380	6,665	—	(1,037)	11,008
15	Anglo American*	1.34	£37.6bn	—	6,838	—	4,072	10,910

*Anglo American was first purchased on 12 March 2020.

Changes in geographical distribution

	Valuation 31 December 2019 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	Appreciation/ (depreciation)* £000	Valuation 31 December 2020 £000	%
United Kingdom	664,021	129,219	(534)	(98,200)	(28,706)	665,800	82.1
North America	68,182	3,513	(2)	(33,771)	6,234	44,156	5.4

Europe	64,409	39,921	(52)	(33,574)	11,639	82,343	10.1
Japan	8,693	—	—	—	604	9,297	1.1
Other Pacific	7,237	—	—	—	(160)	7,077	0.9
Other	9,774	1,178	—	(1,363)	(5,965)	3,624	0.4
	822,316	173,831	(588)	(166,908)	(16,354)	812,297	100.0

Extracts from the Strategic report

The full Strategic report will be included in the Annual Report and Financial Statements.

Who we are

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

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

Our objective

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

Our business model

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

Investment Portfolio (c.83% of NAV)

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

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

Independent Professional Services (c.17% of NAV)

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

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

More details about the performance of the IPS business in 2020 are given in the Chief Executive Officer's review above.

Total Shareholder Return	
Investment Portfolio • Invests in a diverse equity portfolio • Earns capital returns and dividends • Low ongoing charges	Independent Professional Services • Trusted, professional, independent, third party • Generates re-occuring fees • Cost base kept under control • Profits give a dividend stream which increases the ability for the Group to pay dividends to shareholders • Tax efficient

Our strategy – implementation

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

The way in which we implemented the investment strategy during 2020 is described in more detail in the CEO's review above and the investment managers' review above.

Performance against KPIs is set out in the full annual report and accounts, which contain comprehensive tables, charts and data to explain performance both over the year under review and over the long-term.

Our strategy – guidelines

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

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

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

- No investment may be made which raises the aggregate value of the largest 20 holdings, excluding investments in collective investment vehicles that give exposure to the Japan, Asia/Pacific or emerging market regions, to more than 40% of the Company's portfolio, including gilts and cash.

- The value of a new acquisition in any one company may not exceed 5% of total portfolio value (including cash) at the time the investment is made. Further additions shall not cause a single holding to exceed 5%, and Board approval must be sought to retain a holding, should its value increase above the 5% limit (that approval to be sought at the next Board meeting).

- The Company applies a ceiling on effective gearing of 50%. While effective gearing will be employed in a typical range of 10% net cash to 20% gearing, the Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate.

- The Company may not make investments in respect of which there is unlimited liability.

Gearing

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

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

†Please refer to gearing/(net cash) note in the full annual report and accounts.

Borrowings

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

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 below. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on below. A segmental analysis is provided in the annual report and accounts which shows a detailed breakdown of the split between the investment portfolio, IPS business and Group charges.

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

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

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

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

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

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

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

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

Long-term borrowing

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

Calculation of NAV per share

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

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

Principal risks and internal controls – overview

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

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

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

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

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

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

Part of Law Debenture's risk management framework is the ongoing management and strengthening of its internal control framework. This also includes some of our planned enhancements.

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

Group risk summary and internal controls

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

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

Investment portfolio risk summary and internal controls

INVESTMENT PORTFOLIO RISKS	MITIGATING ACTIVITIES
1.Investment Performance and Market Risk	
The risk of the investment portfolio failing to deliver and/or failing to consider and react to market conditions to deliver the publicly stated strategic objectives to: • Achieve long-term capital growth. • Deliver a steadily increasing income. • Achieve a rate of return greater than the FTSE Actuaries All-Share Index. Investment performance and market risk is the largest risk which the investment portfolio is exposed to, however, this is an accepted risk and one which the Board actively takes as it believes long-term equity investment is an attractive proposition.	Even though this is an accepted risk given the nature of the investment portfolio, the Board is responsible for ensuring that there are adequate controls to help manage the inherent risk. As such, the Board has put in place various controls, details of which can be found above in the strategic report on Our Strategy – implementation. Furthermore, the NAV is published daily and subject to review by the CFO, which enables ongoing monitoring of the investment portfolio's performance. The Board further notes that the IPS business also provides an additional layer of diversification for the portfolio, meaning that the investment portfolio and the Group as a whole are less exposed to any potential dividend cuts from the equity holdings.
2.Gearing	
This risk could arise where the Company has borrowed money for investment purposes. If the value of portfolio investments falls, any borrowings will magnify the extent of this loss.	To mitigate this risk, all borrowings require the prior approval of the Board and gearing levels are kept under close review by the Board. The Board applies a ceiling on effective gearing of 50%. While effective gearing will be employed in a typical range of 10% net cash to 20% gearing, the Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate. Gearing is reviewed and reported on to the AIC monthly by the Finance team.
3.Credit Risk (Securities Lending)	
Securities lending within the investment portfolio could lead to the risk of loss if any of our borrowers' default on their obligations to the business.	To mitigate this risk, the Board has limited the amount of stock lending within the investment portfolio to up to 30% of NAV only. In addition, the Board is indemnified by HSBC as the sub-custodian under the securities lending arrangements. HSBC are obliged to indemnify the arrangements such that the security collateral value shall always be greater than the value of securities on loan and a minimum margin is applied onto the security collateral: 102.5% for government bonds and 105% for equities.
4.Legal and Regulatory	
This could arise from a failure to comply with legal and regulatory requirements and filings resulting in fines, suspension of listing or a loss of investment trust status. Changes to legislation could have a negative impact on Law Debenture's ability to meet its objectives. e.g. Government intervention on publicly listed firms' dividend policy.	All legal, regulatory, compliance and reporting obligations across the Group, including that of the investment portfolio, are tracked and complied with. Horizon scanning for any changes in legislation and regulations is also being progressed. An annual "Key Information Document" (KID) is compiled and published by the business as are European PRIIP and MIFID templates (EPT/EMT). There is also oversight and monitoring from the Depositary.
5.Technology, Systems and Internal Controls	
The risk of loss resulting from inadequate or failed technology, information and manual processes	To mitigate these risks, Janus Henderson are subject to an annual ISAE3402 audit and AAF review to ensure there are no material deficiencies. The Executive Risk Committee also

and systems of Janus Henderson, including business continuity/disaster recovery incidents and wider control issues such as fraud or conflicts of interest.	receive a monthly operational report with respect to Janus Henderson's risks and controls.

IPS business risk summary and internal controls

IPS BUSINESS RISKS	MITIGATING ACTIVITIES
1.Financial	
This is the risk that the IPS business is not able to scale up and deliver on its growth plans to generate anticipated revenue growth, profitability, cost savings and react to any changes in market conditions.	To mitigate these risks, monthly management information is provided to the CEO and Business Heads to monitor and assess business performance. Through 2020 there has been significant investment in people and technology to support the long-term growth of the business and these needs continue to be regularly assessed.
2.People	
This is key as the IPS business is based on successfully attracting and retaining talented employees representing diverse backgrounds, experiences and skill sets. The loss of key colleagues, no succession planning or failure to ensure effective transfer of knowledge and smooth transition could damage or result in the loss of client relationships and could result in such colleagues competing against the business.	To mitigate our key people risks, a new COO and Human Resources Manager have been recruited and are developing plans for continued and better employee engagement and wellbeing. With this, the Board recognises that there is an opportunity to further develop and enhance its strategic plans to support employees in a collaborative culture. Maintaining the brand and reputation, as well as a diverse and inclusive work environment that enables all our employees to thrive, is important to our ability to recruit and retain employees.
3.Technology and Systems	
The risk of cyberattacks and security vulnerabilities is ever present, and failures here could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position.	To mitigate such risks, the office move is allowing for enhanced technology resources and capability through investment and increased use of cloud services allowing sustainable, scalable technology growth in 2021 and beyond. Incident reporting procedures are in place.
4.Legal and Regulatory	
The IPS business will be negatively affected if it is not able to anticipate and keep pace with rapid changes in laws or regulations, or if laws or regulations decrease the need for the services provided or increase costs.	The General Counsel helps safeguard the IPS business and ensures that it complies with changes in law or regulations.
5.Credit	
This is the risk of loss to our receivables should any of IPS' clients or other counterparties default on their payment obligations either through no payment or late payment for services we have delivered or the risk of exposure or centration to one client or business sector.	Credit risk is actively monitored by the Finance team; the mitigations in place ensure that debtors across the business are monitored and moreover, the credit status of clients is considered as part of the client onboarding process.
6.Strategic	
This is the risk that the current business model becomes obsolete due to a lack of technical or commercial innovation, market disruption, product obsolesce or regulatory or legislative change.	To mitigate this risk, there has been significant investment in people and technology to support the IPS business strategy and this will continue to be monitored along with the introduction of the Group's 3-year strategic plan which forms part of the Group's longer term viability statement. There are also regular IPS board meetings where the strategy of the business is discussed with the Business Heads and the Executive Leadership team.

Viability statement

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

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

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

Our business model and strategy

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

Our business operations

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

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

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

Repurchase of shares

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

Share capital and significant shareholdings

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

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

Significant financial issues relating to the 2020 accounts

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

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

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

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

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

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.

By order of the Board

Law Debenture Corporate Services Limited
Company Secretary
25 February 2021

Group income statement
as at 31 December 2020

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

Statement of comprehensive income
as at 31 December 2020

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

Statement of financial position
as at 31 December 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
Assets	£000	£000	£000	£000
Non-current assets				
Goodwill	1,914	1,930	—	—
Property, plant and equipment	1,088	64	—	—
Right-of-use asset	5,413	1,057	—	—
Other intangible assets	619	104	16	16
Investments held at fair value through profit or loss	812,297	822,316	812,083	822,102
Investments in subsidiary undertakings	—	—	61,283	61,283
Retirement benefit asset	—	2,700	—	—
Deferred tax asset	771	—	—	—
Total non-current assets	822,102	828,171	873,382	883,401
Current assets				
Trade and other receivables	16,129	7,213	4,084	542
Other accrued income and prepaid expenses	6,529	6,438	1,900	2,155
Cash and cash equivalents	41,762	71,236	32,098	46,128
Total current assets	64,420	84,887	38,172	48,825
Total assets	886,522	913,058	911,554	932,226
Current liabilities				
Amounts owed to subsidiary undertakings	—	—	61,698	53,990
Trade and other payables	27,405	13,010	13,075	1,420
Lease liability	—	730	—	—
Corporation tax payable	238	710	—	20
Deferred tax liability	—	83	—	—
Other taxation including social security	860	540	793	534
Deferred income	4,367	5,625	16	16
Total current liabilities	32,870	20,698	75,582	55,980
Non-current liabilities and deferred income				
Long-term borrowings	114,201	114,157	74,569	74,551
Deferred income	4,011	2,463	125	135
Lease liability	5,606	350	—	—
Retirement benefit liability	2,840	—	—	—
Provision for onerous contracts	—	118	—	—
Total non-current liabilities	126,658	117,088	74,694	74,686
Total net assets	726,994	775,272	761,278	801,560
Equity				
Called up share capital	5,923	5,921	5,923	5,921
Share premium	9,277	9,147	9,277	9,147
Own shares	(1,461)	(1,332)	—	—
Capital redemption	8	8	8	8
Translation reserve	2,002	1,897	—	—
Capital reserves	674,591	697,119	733,189	755,717
Retained earnings	36,654	62,512	12,881	30,767
Total equity	726,994	775,272	761,278	801,560
Total equity pence per share	615.19	655.76		

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

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

Statement of changes in equity
as at 31 December 2020

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

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

2019

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss.

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

COMPANY	share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2019	5,919	8,904	—	8	—	662,031	24,686	701,548
Total comprehensive gain for the period	—	—	—	—	—	93,686	29,131	122,817
Issue of shares	2	243	—	—	—	—	—	245
Dividend relating to 2018	—	—	—	—	—	—	(15,272)	(15,272)
Dividend relating to 2029	—	—	—	—	—	—	(7,813)	(7,813)
Statute barred dividends	—	—	—	—	—	—	35	35
Total equity at 31 December 2019	5,921	9,147	—	8	—	755,717	30,767	801,560

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss.

Statement of cash flows
for the year ended 31 December 2020

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

Extracts from the Notes to the Accounts

Going concern

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

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

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

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

Provision for onerous contracts

GROUP	**2020 £000**	2019 £000
At 1 January	118	236
(Release) made in the year	(118)	(113)
Utilisation of provision in the year	—	—
Foreign exchange	—	(5)
At 31 December	—	118

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

Segment analysis

	Investment portfolio		Independent professional services		Group charges		Total	
	31 December 2020 £000	31 December 2019 £000	**31 December 2020 £000**	31 December 2019 £000	**31 December 2020 £000**	31 December 2019 £000	**31 December 2020 £000**	31 December 2019 £000
Revenue								
Segment income	**17,937**	29,201	**38,898**	36,815	**—**	—	**56,835**	66,016
Other income	**213**	17	**6**	3	**—**	—	**219**	20
Cost of sales	**—**	—	**(4,405)**	(5,026)	**—**	—	**(4,405)**	(5,026)
Administration costs	**(2,570)**	(2,186)	**(22,301)**	(20,536)	**(8)**	(113)	**(24,879)**	(22,835)
Release of onerous contracts	**—**	—	**—**	—	**118**	113	**118**	113
	15,580	27,032	**12,198**	11,256	**110**	—	**27,888**	38,288
Interest payable (net)	**(1,260)**	(822)	**29**	209	**—**	—	**(1,231)**	(613)

Return, including profit on ordinary activities before taxation	**14,320**	26,210	**12,227**	11,465	**110**	—	**26,657**	37,675
Taxation	**—**	—	**(1,178)**	(1,370)	**—**	(50)	**(1,178)**	(1,420)
Return, including profit attributable to shareholders	**14,320**	26,210	**11,049**	10,095	**110**	(50)	**25,479**	36,255
Revenue return per ordinary share (pence)	**12.12**	22.18	**9.35**	8.54	**0.09**	(0.04)	**21.56**	30.68
Assets	**850,255**	870,944	**36,246**	42,021	**21**	50	**886,522**	913,015
Liabilities	**(146,992)**	(126,399)	**(12,536)**	(11,226)	**—**	(118)	**(159,528)**	(137,743)
Total net assets	**703,263**	744,545	**23,710**	30,795	**21**	(68)	**726,994**	775,272

For the purposes of reporting segmental performance, the table above presents a split of the revenue column between the investment portfolio, the IPS business and Group charges. Group dividends are paid from the investment portfolio segment of revenue reserves.

Geographic location of revenue: 90% of revenue is based in the UK. Geographic location is based on the jurisdiction in which the contracting legal entity is based.

Major customers: Due to the diverse nature of the IPS revenue streams, there is no single customer or concentration of customers that represents more than 2% of gross revenue streams.

Capital element: The capital element of the income statement is wholly gains and losses relating to investments held at fair value through profit and loss (2020 loss of £16,354,000; 2019 gain of £100,023,000), administrative expenses (2020: £2,216,000; 2019: £2,379,000) and interest payable (2020: £3,958,000; 2019: £3,958,000) which corresponds to amounts classified as capital in nature in accordance with the SORP are shown in the capital column of the income statement above.

Details regarding the segments are included in the Group summary and notes to the accounts in the full annual report and accounts.

The total of the capital element and the table above is loss of £8,208,000 (2019: gain of £119,896,000).

Financial instruments

The principal risks facing the Group in respect of its financial instruments remain unchanged from 2019 and are:

Market risk

Price risk, arising from uncertainty in the future value of financial instruments. The Board maintains strategy guidelines whereby risk is spread over a range of investments, the number of holdings normally being between 70 and 150. In addition, the stock selections and transactions are actively monitored throughout the year by the investment manager, who reports to the Board on a regular basis to review past performance and develop future strategy. The investment portfolio is exposed to market price fluctuation: if the valuation at 31 December 2020 fell or rose by 10%, the impact on the Group's total profit or loss for the year would have been £81.2m (2019: £82.2m). Corresponding 10% changes in the valuation of the investment portfolio on the Company's total profit or loss for the year would have been £81.2m (2019: £82.2m).

Foreign currency risk, arising from movements in currency rates applicable to the Group's investment in equities and fixed interest securities and the net assets of the Group's overseas subsidiaries denominated in currencies other than sterling. The Group's financial assets denominated in currencies other than sterling were:

			2020			2019
GROUP	**Investments £m**	**Net monetary assets £m**	**Total currency exposure £m**	Investments £m	Net monetary assets £m	Total currency exposure £m
US Dollar	**40.1**	**11.7**	**51.8**	70.7	5.0	75.7

Canadian Dollar	5.5	—	5.5	7.2	—	7.2
Euro	65.2	0.4	65.6	49.6	0.7	50.3
Danish Krone	2.3	—	2.3	2.9	—	2.9
Swedish Krona	—	—	—	1.0	—	1.0
Swiss Franc	9.5	—	9.5	11.0	—	11.0
Hong Kong Dollar	—	1.0	1.0	—	0.4	0.4
Japanese Yen	9.3	—	9.3	8.7	—	8.7
	131.9	13.1	145.0	151.1	6.1	157.2

The Group US dollar net monetary assets is that held by the US operations of £1.4m (2019: £3.1m) together with £10.3m (2019: £1.2m) held by non-US operations.

			2020			2019
COMPANY	Investments £m	Net monetary assets £m	Total currency exposure £m	Investments £m	Net monetary (liabilities) £m	Total currency exposure £m
US Dollar	40.1	9.9	50.0	70.7	0.1	70.8
Canadian Dollar	5.5	—	5.5	7.2	—	7.2
Euro	65.2	—	65.2	49.6	—	49.6
Danish Krone	2.3	—	2.3	2.9	—	2.9
Swedish Krona	—	—	—	1.0	—	1.0
Swiss Franc	9.5	—	9.5	11.0	—	11.0
Japanese Yen	9.3	—	9.3	8.7	—	8.7
	131.9	9.9	141.8	151.1	0.1	151.2

The holding in Scottish Oriental Smaller Companies Trust is denominated in sterling but has underlying assets in foreign currencies equivalent to £7.1m (2019: £7.2m which included £23.0m in Baillie Gifford Pacific and Stewart Investors Asia Pacific OEICs which were sold in 2019). Investments made in the UK and overseas have underlying assets and income streams in foreign currencies which cannot easily be determined and have not been included in the sensitivity analysis. If the value of all other currencies at 31 December 2020 rose or fell by 10% against sterling, the impact on the Group's total profit or loss for the year would have been £15.5m and £12.5m respectively (2019: £17.6m and £14.2m). Corresponding 10% changes in currency values on the Company's total profit or loss for the year would have been the same. The calculations are based on the investment portfolio at the respective year end dates and are not representative of the year as a whole.

Interest rate risk, arising from movements in interest rates on borrowing, deposits and short-term investments. The Board reviews the mix of fixed and floating rate exposures and ensures that gearing levels are appropriate to the current and anticipated market environment. The Group's interest rate profile was:

						2020
				GROUP		COMPANY
	Sterling £m	HK Dollars £m	US Dollars £m	Euro £m	Sterling £m	US Dollars £m
Floating rate assets	28.2	1.0	11.7	0.4	22.0	9.9

						2019
				GROUP		COMPANY
	Sterling £m	HK Dollars £m	US Dollars £m	Euro £m	Sterling £m	US Dollars £m
Floating rate assets	65.1	0.4	5.0	0.7	46.0	0.1

The Group holds cash and cash equivalents on short-term bank deposits and money market funds. Interest rates tend to vary with bank base rates. The investment portfolio is not directly exposed to interest rate risk.

	GROUP		COMPANY	
	2020 Sterling £m	2019 Sterling £m	**2020 Sterling £m**	2019 Sterling £m
Fixed rate liabilities	**114.2**	114.2	**74.5**	74.6
Weighted average fixed rate for the year	**4.589%**	4.589%	**3.770%**	3.770%

If interest rates during the year were 1.0% higher the impact on the Group's total profit or loss for the year would have been £458,000 credit (2019: £791,000 credit). It is assumed that interest rates are unlikely to fall below the current level.

The Company holds cash and cash equivalents on short-term bank deposits and money market funds, it also has short-term borrowings. Amounts owed to subsidiary undertakings include £40m at a fixed rate. Interest rates on cash and cash equivalents and amounts due to subsidiary undertakings at floating rates tend to vary with bank base rates. A 1.0% increase in interest rates would have affected the Company's profit or loss for the year by £317,000 credit (2019: £593,000 credit). The calculations are based on the balances at the respective year end dates and are not representative of the year as a whole.

Liquidity risk

Is the risk arising from any difficulty in realising assets or raising funds to meet commitments associated with any of the above financial instruments. To minimise this risk, the Board's strategy largely limits investments to equities and fixed interest securities quoted in major financial markets. In addition, cash balances are maintained commensurate with likely future settlements. The maturity of the Group's existing borrowings is set out in the full annual report and accounts. The interest on borrowings is paid bi-annually on March and September for the 2045 secured senior notes and April and October for the 2034 secured bonds.

Credit risk

Is the risk arising from the failure of another party to perform according to the terms of their contract. The Group minimises credit risk through policies which restrict deposits to highly rated financial institutions and restrict the maximum exposure to any individual financial institution. The Group's maximum exposure to credit risk arising from financial assets is £57.9m (2019: £78.4m). The Company's maximum exposure to credit risk arising from financial assets is £36.2m (2019: 46.7m).

Stock lending

Stock lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Stock lending transactions are carried out with a number of approved counterparties. Details of the value of securities on loan at the year end can be found in the full annual report and accounts. In summary, the Group only transacts with counterparties that it considers to be credit worthy.

Trade and other receivables

Trade and other receivables not impaired but past due by the following:

	GROUP		COMPANY	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Between 31 and 60 days	**1,550**	1,225	**—**	—
Between 61 and 90 days	**1,044**	219	**—**	—
More than 91 days	**4,804**	2,330	**—**	—
Total	**7,398**	3,774	**—**	—

IFRS 9 credit loss rates

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses trade receivables are grouped based on similar risk characteristics including business area and business geography and ageing.

The expected loss rates are based on the Company's historical credit losses experienced over a three-year period prior to the year end. The historical loss rates are adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Group has identified gross domestic product (GDP) and unemployment trends act as key economic indicators which may impact our customers' future ability to pay debt. At 31 December 2020 the provision in relation to IFRS 9 resulting from credit loss rates is £790,000.

The below table display the gross carrying amount against the expected credit loss provision on Group trade receivables. Excluded from the table below are specific provisions of £2,416,000 which relate to balances 91+ days overdue.

The total specific and credit loss provision at 31 December 2020 is £3,206,000 (2019: £2,907,000).

	Current £000	1-30 days overdue £000	31-60 days overdue £000	61-90 days overdue £000	91+ days overdue £000	Total £000
31 December 2020						
Expected loss rate	4.04%	6.23%	4.43%	8.01%	6.66%	6.25%
Gross carrying amount (£000)	1,781	1,638	1,557	724	6,938	12,638
Loss provision (£000)	(72)	(102)	(96)	(58)	(462)	(790)
31 December 2019						
Expected loss rate	2.54%	4.16%	5.85%	0%	3.27%	3.49%
Gross carrying amount (£000)	1,733	1,129	991	181	3,637	7,670
Loss provision (£000)	(44)	(47)	(58)	—	(119)	(268)

Trade and other payables

Trade and other payables				
	GROUP		COMPANY	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Due in less than one month	**27,139**	12,686	**13,075**	1,420
Due in more than one month and less than three months	**266**	324	**—**	—
	27,405	13,010	**13,075**	1,420

Fair value

The Directors are of the opinion that the fair value of financial assets and liabilities of the Group are not materially different to their carrying values, with the exception of the long-term borrowings. 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).

Related party transactions

Group

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

Company

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

	2020 £000	2019 £000
Dividends from subsidiaries	13,709	3,000
Interest on intercompany balances charged by subsidiaries	2,378	2,562
Management charges from subsidiaries	700	600

The key management personnel are the Directors of the Company. Details of their compensation are included in the notes to the accounts and in Part 3 of the annual remuneration report in the full annual report and accounts. Key management personnel costs inclusive of employers national insurance are £1,352,977 (2019: £1,529,583).

Annual General Meeting ("AGM")

The 131st Annual General Meeting will be held electronically on 7 April 2021 at 11.00am.

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

Further details are included in the Notice of Annual General Meeting included in the full Annual Report and Accounts.

National Storage Mechanism

A copy of the annual report and accounts will be submitted to the National Storage Mechanism ("NSM") on 3 March 2021 and will be available for inspection at the NSM, which is situated at https://data.fca.org.uk/#/nsm/nationalstoragemechanism

Copies of the Annual Report

Copies of the annual report and accounts will be available from the Company's registered office or on its website once published on 3 March 2021. This will be found at https://www.lawdebenture.com/investment-trust/shareholder-information/financial-statements

Corporate Information

Directors
Robert Hingley*+
Denis Jackson
Trish Houston
Robert Laing~
Mark Bridgeman#
Tim Bond
Claire Finn

*Chairman of the Board
+Chairman of Nomination Committee
~Chairman of Remuneration Committee
#Chairman of Audit and Risk Committee

Website
https://www.lawdebenture.com/

Registrar
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
T: 0370 707 1129

Auditors
BDO LLP, 55 Baker Street, London W1U 7EU

Investment portfolio manager
Janus Henderson Global Investors
201 Bishopsgate, London EC2M 3AE

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

Alternative Investment Fund Manager
The Law Debenture Corporation p.l.c.

Global custodian
HSBC Bank plc (under delegation by the depositary)
8 Canada Square, London E14 5HQ

September 2011 and became joint portfolio manager in 2019

Broker
J.P. Morgan Cazenove Limited
25 Bank Street, London E14 5JP

Depositary
NatWest Trustee and Depositary Services Limited
250 Bishopsgate, London EC2M 4AA

The Law Debenture Corporation p.l.c. is registered in England, company registration number 30397. LEI number - 2138006E39QX7XV6PP21