The Law Debenture Corporation p.l.c.

28 February 2023

Multiple award wins and share price outperformance over 1, 3, 5 and 10 years

The Law Debenture Corporation p.l.c. ("Law Debenture" or the "Company") releases its results for the year ended 31 December 2022.

Highlights:

- Share price total return marginally outperformed the FTSE Actuaries All-Share Index with a total return of 0.4% for 2022.
- NAV total return with debt and Independent Professional Services ("IPS") business at fair value for FY 2022 of 0.6% (-6.8% with debt at par).
- Another period of consistent performance from IPS with net revenue increasing by 8.6%, profit before tax up by 8.1% and valuation up 18.7% to a record £201.7 million.
- The Company issued 5.2 million new Ordinary Shares at a premium to NAV during 2022, to existing and new investors, with net proceeds of £41.4 million to support ongoing investment.
- Continued low ongoing charges of 0.49%[1], compared to the industry average of 1.04%[2].

Winner of Investment Week's UK Equity Income Investment Trust of the Year for 2022 (second year running); winner in UK Equity – Active category at the AJ Bell Fund and Investment Awards 2022 and winner for Best Investment Trust for Income at the 2022 Shares Awards.

Dividend Highlights

- 2022 full year dividend increased by 5.2% to 30.5 pence per Ordinary Share (2021: 29.0 pence per Ordinary Share).
- Dividend yield of 3.7% (based on our closing share price of 827 pence on 24 February 2023), proposed Q4 dividend of 8.75 pence per Ordinary Share.
- 7.91% CAGR in dividends over last ten years reflecting strong IPS cashflow and good portfolio performance.

Investment Portfolio Highlights

- Consistent share price and NAV (with IPS and debt at fair value) outperformance of the benchmark over three, five and ten years (see table below).
- Strong long-term record with share price total return outperforming FTSE Actuaries All-Share over 1, 3, 5 and 10 years.
- Revenue from the portfolio of £34.4m (December 2022: £26.2m), representing growth of 31%.

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

Please note that past performance cannot be relied on as a guide to future performance. The value of investments and any income from them can go down as well as up. Your capital is at risk.

IPS Highlights

- The Company's leading wholly-owned independent provider of professional services is a key differentiator to other investment trusts.
- Accounts for c.21% of 2022 NAV but has funded approximately 34% of dividends paid by the Company in the last 10 years.
- IPS has now delivered five consecutive years of growth with a 5 year net PBT CAGR of 8.2% and a 2022 valuation of £201.7 million up 113% since 2017.

Longer Term Track Record

- 134 years of history with a long-term track record of valuation creation for shareholders.
- 114% aggregate increase in the dividend over the last 10 years (7.91% CAGR).
- 44 years of increasing or maintaining dividends to shareholders.

Robert Hingley, Chairman, said:

"Law Debenture aims to provide a steadily increasing income for our shareholders whilst achieving long-term capital growth in real terms. In 2022, we have continued to make progress, exemplified through an IPS valuation uplift and another good increase in our full-year dividend of 5.2%. I am pleased with the consistent long-term outperformance of the share price total return of our benchmark.

"We are confident that, in the long term, the combination of a robust and well-positioned equity portfolio and continued growth in our IPS business will deliver attractive returns for our shareholders."

Denis Jackson, Chief Executive Officer, commented:

"2022 has been a creditable overall year for Law Debenture despite the continued macroeconomic uncertainty. Capital has largely been preserved in a year when many global stock markets fell sharply, and we had our 44th year of maintaining or increasing dividends.

"Law Debenture is resilient by design. The combination of IPS with the Investment Portfolio offers strong flexibility in stock picking and is a well proven model. Though we are cognisant that 2023 will present challenges, I am cautiously optimistic about the Company's progress this year and beyond, and our ongoing investment in IPS leaves it well positioned for medium-term growth in-line with our mid to high single percentage target."

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.

The Law Debenture Corporation	+44 (0)20 7606 5451
Denis Jackson, Chief Executive Officer	
Hester Scotton, Chief Financial Officer	
Trish Houston, Chief Operating Officer	
Tulchan Communications (Financial PR)	+44 (0)20 7353 4200
David Allchurch	
Stephanie Mackrell	

[1] Calculated based on data held by Law Debenture for the year ended 31 December 2022.

[2] Source: Association of Investment Companies (AIC) industry average as at 31 December 2022.

[3] NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value and both total returns account for shareholder returns through dividends.

[4] Source: Refinitiv.

[5] Source: Office for National Statistics.

ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2022 (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 FCA Listing Rules.

The Directors recommend a final dividend of 8.75p per share making a total for the year of 30.5p. Subject to the approval of shareholders, the final dividend will be paid on 13 April 2023 to holders on the register of the record date of 10 March 2023. The Annual Financial Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK.

The financial information set out in this Annual Financial Report does not constitute the Company's statutory accounts for 2021 or 2022. Statutory accounts for the years ended 31 December 2021 and 31 December 2022 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2021 and 2022 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 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 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 UK (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 2022. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the year ended 31 December 2021.

Financial summary

	31 December 2022 £000	31 December 2021 £000	**Change**
Net Asset Value – with debt and IPS at fair value [1*]	**972,566**	964,493	**0.84%**
Total Net Assets per the statement of financial position	**799,067**	878,837	**(9.08%)**
	Pence	Pence	
Net Asset Value (NAV) per share at fair value [1*]	**761.69**	787.83	**(3.3%)**
Revenue return per share			
Investment Portfolio	**24.06**	18.09	**33.0%**
Independent professional services	**10.38**	10.00	**3.8%**
Group revenue return per share	**34.44**	28.09	**22.6%**
Capital return/(loss) per share	**(103.17)**	94.60	**(209.1%)**
Dividends per share	**30.50**	29.00	**5.2%**
Share price [4]	**771**	799	**(3.5%)**
	%	%	
Ongoing charges [3*]	**0.49%**	0.50%	

Gearing [3]	**12%**	13%	
Premium/(discount)*	**1.22%**	1.42%	

Performance

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

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

1 Please refer below for calculation of net asset value. Please note change in NAV per share in the financial summary does account for the effect of dividends on total return.
2 NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value and both total returns account for shareholder returns through dividends.
3 Ongoing charges are calculated based on AIC guidance, using the administrative costs of the investment trust and include the Janus Henderson Investors' management fee, charged at the annual rate of 0.30% of the NAV. There is no performance related element to the fee. Gearing is described in the strategic report below and in our alternative performance measures in the annual report.
4 Source: Refinitiv.
5 Source: Office for National Statistics.

Chairman's statement

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

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

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

Dividend
We retain a proud record of increasing or maintaining our dividend payments for the 44th year in a row. The current climate has naturally affected yields from our Investment

Portfolio, and it is likely that the enduring impact of the past year's difficulties will continue to affect dividends across capital markets. However, the consistent and reliable cash flows from our diversified IPS business have helped ensure that we can continue our strong dividend record.

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

Capital structure

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

Our Investment Portfolio

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

Further detail on the Portfolio performance with a review from our investment managers may be found below.

IPS

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

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

Environmental, Social and Governance (ESG)

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

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

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

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

The Board

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

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

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

Looking forward

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

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

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

Robert Hingley
Chairman of the Board
27 February 2023

(1) Refer to financial summary above.

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

Chief Executive Officer's review

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

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

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

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

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

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

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

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

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

Normal obligations for the bond trustee to support performing issues include communication to the bondholders of financial or security data, together with the distribution of covenant information. For this type of work, we are typically paid an annual fee throughout the lifetime of the bond. This fee is inflation linked for the majority of our existing book of business. When an amendment to bond documentation is required, we can also earn additional revenues to complete the necessary changes.

When bonds default, the workflow, risk and revenue profiles of our role can materially change. A key duty of the bond trustee is to be the legal creditor of the issuer on behalf of the bondholders. We never wish our clients to suffer bad fortune, but our role in such default situations requires material incremental work that, given a favourable outcome, can lead to significant additional income for the firm. Defaults often take years to play out and the results are uncertain. Given this long-dated and fluctuating backdrop, our revenues for this work in any specific calendar year can fluctuate. However, such post issuance work has strong economic countercyclicality and has produced sound returns for our shareholders over time.

Highlights

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

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

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

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

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

Outlook for our corporate trust business

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

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

Pensions

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

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

Market dynamics

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

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

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

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

Highlights

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

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

During the year, Pegasus continued to grow, with more full outsourced pension management wins, alongside interim resource and project support. Pegasus offers a range of services from simple pension scheme secretarial services through to fully outsourced pensions management and professional sole trustee solutions. After five years, this business now has revenues of approximately £4m per annum. We have a broad product range and client base and we see increasing demand for our expertise to independently support projects such as GMP equalisation and de-risking. We also continue to invest in hiring professionals with buy in, buy out and wind-down experience which is of value to a growing number of schemes.

Outlook for our Pensions business

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

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

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

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

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

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

Corporate services

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

Corporate Secretarial Services

CSS – Market dynamics

We operate in three main product areas.

Managed services: We deliver Global Entity Management services to over 350 clients, acting as a single point of contact to ensure that overseas legal entities are kept in good standing for international compliance. Client appointments vary in scale and coverage, ranging from a single legal entity in one country at its simplest to over 300 subsidiaries in 50 countries at its most complex. We are paid a fixed annual fee to deliver annual compliance and corporate records maintenance. We may also earn incremental revenues from additional projects such as incorporations and dissolutions, the co-ordination of global corporate change projects and performing entity validation work. Excellent workflow management and use of technology is critical to compete effectively in this space and we are investing heavily here. Our team is based in our London and Manchester offices.

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

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

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

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

CSS – Highlights

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

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

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

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

Whistleblowing: Safecall – Market dynamics

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

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

Whistleblowing: Safecall – Highlights

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

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

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

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

Structured finance services – Market dynamics

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

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

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

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

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

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

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

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

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

Outlook – for our corporate services business
We are pleased to have grown revenues in all four businesses in our Corporate Services reporting segment in 2022.

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

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

Support functions
Over the last few years, we have made a significant investment in modernising our central support functions. With oversight from our CFO, Hester Scotton, we have now fully embedded our shared service centre in Manchester to support our Accounts Payable, Accounts Receivable and Debtor management operations. We have grown our HR team, with a new approach to appraisals and objectives, put in place career frameworks to

provide visibility and support to our staff as they look to develop their roles and rolled out the first two of our "Future Leaders" training programmes.

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

Information Technology

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

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

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

Prospects

Law Debenture is resilient by design. The combination of IPS with the Investment Portfolio is a well proven model and I am cautiously optimistic about the Group's progress in 2023 and beyond. I think that IPS is well positioned for medium-term growth in line with our mid to high single percentage target. We continue to look for opportunities to grow IPS through organic investment and disciplined acquisitions, where appropriate. We are encouraged by recent senior hires, good new business momentum and continue to invest to ensure we gain market share and maintain longer-term growth.

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

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

Denis Jackson
Chief Executive Officer
27 February 2023

IPS net revenue and PBT – 5 year performance

Department	2018 £000	2019 £000	2020 £000	2021 £000	**2022 £000**	5yr Revenue Variance	5yr Revenue Variance

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

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

IPS Valuation

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

Investment managers' review

Our investment strategy

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

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

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

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

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

(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.

Investment process

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

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

Performance

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

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

Stock attribution

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

Top five gains
The five largest gains during the year were:

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

Top five losses
The five largest losses during the year were:

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

Portfolio income
The income that was generated by the portfolio rose from £26.3m in 2021 to £34.4m for 2022, an increase of 31%. There are several reasons behind this. Some companies returned

to paying dividends having stopped paying during the pandemic. The level of special dividends was particularly high, the most notable being NatWest Bank of £1.2m, and a distribution of capital from Aviva of £3.4m. There was underlying good repeatable dividend growth across our holdings. The reduction of the US holdings and the increased exposure to the UK has also benefitted the income account. The dividend yield on the UK market is substantially higher than other major stock markets. We think it is likely the dividend growth from the underlying stocks will continue in 2023.

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

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

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

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

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

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

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

Portfolio update and gearing

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

Outlook

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

James Henderson and Laura Foll
Investment managers
27 February 2023

Portfolio by sector and value

Portfolio by sector 2022	
Oil and gas	10.9%
Basic materials	8.7%
Industrials	21.7%
Consumer goods	7.7%
Health care	8.1%
Consumer services	9.0%
Telecommunications	2.0%
Utilities	3.2%
Financials	27.4%
Technology	1.3%

Portfolio by sector 2021	
Oil and gas	10.1%

Basic materials	9.7%
Industrials	20.7%
Consumer goods	7.4%
Health care	7.2%
Consumer services	8.8%
Telecommunications	2.6%
Utilities	4.4%
Financials	27.5%
Technology	1.6%

Geographical distribution of portfolio by value 2022	
United Kingdom	83.2%
North America	5.1%
Europe	10.6%
Japan	1.1%

Geographical distribution of portfolio by value 2021	
United Kingdom	82.6%
North America	5.4%
Europe	10.0%
Japan	1.1%
Other Pacific	0.7%
Other	0.2%

Fifteen largest holdings: investment rationale
as at 31 December 2022

Rank 2022	Company	% of portfolio	Approx Market Cap.	Valuation 2021 £000	Purchases £000	(Sales) £000	Appreciation/ (Depreciation) £000	Valuation 2022 £000
1.	Shell	3.27	£113.51bn	20,280	—	—	8,795	29,075
2.	BP	3.05	£90.05bn	18,838	—	—	8,231	27,069
3.	HSBC	2.52	£129.16bn	19,454	—	—	2,906	22,360
4.	Rio Tinto	2.44	£46.61bn	18,345	—	—	3,398	21,743
5.	GlaxoSmithKline	2.24	£69.56bn	26,911	718	—	(7,646)	19,983
6.	Barclays	2.19	£16.39bn	20,196	2,355	—	(3,053)	19,498
7.	Flutter Entertainment	1.96	£19.89bn	8,812	6,919	—	1,761	17,492
8.	NatWest	1.93	£24.33bn	14,100	—	—	3,138	17,238
9.	Anglo American	1.63	£28.00bn	13,572	—	—	977	14,549
10.	Direct Line Insurance	1.59	£4.18bn	13,950	3,211	—	(3,004)	14,157
11.	Lloyds Banking Group	1.53	£34.31bn	14,340	—	—	(717)	13,623
12.	Morgan Advanced Materials	1.5	£0.75bn	13,783	1,071	—	(1,488)	13,366
13.	National Grid	1.47	£27.97bn	14,934	—	(1,218)	(658)	13,058
14.	Sanofi	1.44	£103.68bn	8,559	3,639	—	617	12,815
15.	Tesco	1.33	£17.13bn	13,488	1,697	—	(3,297)	11,888

Changes in geographical distribution

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

	992,478	171,198	(545)	(145,892)	(126,234)	891,005	100

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

Extracts from the Strategic report

Who we are

From its origins in 1889, Law Debenture has diversified to become a Group which provides our shareholders, clients and people a unique combination of an Investment Portfolio and an Independent Professional Services business.

Our purpose and objective

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

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

To our IPS clients we are trusted, independent experts and have 134 years of experience to call on in delivering vital aspects of their business cycle.

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

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

Our strategy – implementation

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

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

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

The way in which we implemented the investment strategy during 2022 is described in more detail in the investment managers' review above.

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

Our business model

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

Total Shareholder Return

INVESTMENT PORTFOLIO	INDEPENDENT PROFESSIONAL SERVICES
(c. 79% of NAV – including IPS and long-term borrowings at fair value) • Invests in a diverse equity portfolio • Earns capital returns and dividends • Low ongoing charges	(c. 21% of NAV – including IPS and long-term borrowings at fair value) • Trusted provider of independent governance services, generating recurring revenue • Profits provide the investment trust with a steadily increasing revenue stream • Tax efficient

INVESTMENT PORTFOLIO
• The Company's portfolio will typically contain over 70 and up to 175 stocks, the maximum permitted. • The portfolio is diversified in order to spread investment risk with no obligation to hold shares in any particular type of company or industry. • The IPS business does not form part of the Investment Portfolio. Whilst performance is measured against the FTSE Actuaries All-Share Index, the composition of the index does not influence the construction of the portfolio. As a consequence, it is expected that the Company's Investment Portfolio and performance will deviate from the comparator index.

INDEPENDENT PROFESSIONAL SERVICES
Operating through a number of wholly owned subsidiary companies, (see note 13 to the accounts in the Annual Report), we provide pension trustee executives, outsourced pension services, corporate trust services and corporate services to companies, agencies, organisations and individuals throughout the world. The services are provided through offices in the UK, Dublin, New York, Delaware, Hong Kong, the Channel Islands and the Cayman Islands. Group employees are employed by L.D.C. Trust Management Limited and Safecall Limited (in the UK) or a locally incorporated entity (in the overseas jurisdictions). As part of their duties, a number of the employees provide services to the investment trust and their time is charged to the trust, forming a part of the ongoing charges. More details about the performance of the IPS business in 2022 are given in the Chief Executive Officer's review above. Law Debenture's shares are intended for private investors in the UK (retail investors), professionally advised private clients and institutional investors. When choosing an investment trust, shareholders typically accept the risk of exposure to equities but hope that the pooled nature of an investment trust portfolio will give some protection from the volatility in share price movements that can affect individual equities.

Our strategy – guidelines

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

Investments	Permitted types of investments are:	Restrictions:

	• Equity Shares • Cash/Liquid Assets	• Trading is not permitted in suspended shares or short positions • No more than 15% of gross assets will be invested in other UK listed investment trusts • No more than 175 stocks • No investment may be made which raises the aggregate value of the largest 20 holdings, excluding holdings in collective investment vehicles that give exposure to Japan, Asia/Pacific or emerging market regions, to more than 40% of the Investment Portfolio, including gilts and cash • The value of a new acquisition in any one holding may not exceed 5% of the total Investment Portfolio value (including cash) at the time the investment is made • Further additions shall not cause a single holding to exceed 5%, and Executive approval must be sought (to be reported at the next Board meeting), to retain a holding should its value increase above the 5% limit • No investment in any investment vehicle managed or advised by Janus Henderson shall be made without prior Board approval • No investment other than in equity shares quoted on a major international Stock Exchange (including AIM for the avoidance of doubt) or instruments convertible into the same may be made without prior Executive approval • The Company may not make investments in unlimited liability companies	
	The current regional parameters are:		
		Minimum %	Maximum %
	United Kingdom	55	100
	North America	0	20
	Continental Europe	0	20
	Japan	0	10
	Asia/Pacific	0	10
	Other (including South America)	0	10
Derivatives	May be used with prior authorisation of the Board		
Hedging	Currency hedges may be put in place with Board approval to protect against foreign exchange movements on the capital and income accounts		
Stock-lending	Up to 30% of the market value of the Investment Portfolio may be lent		

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

Agreement with the investment managers

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

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

The agreement with Janus Henderson does not cover custody, which is the responsibility of the depository (see section on regulatory compliance in the Directors' Report, page 61 of the Annual Report). It also does not cover the preparation of data associated with investment performance or record keeping, both of which remain the responsibility of the Company.

Fee structure and ongoing charges

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

The Company continues to have one of the more competitive fee structures in the UK Equity Income Sector with investment management fees of 0.30% p.a. of the value of net assets of the Group (excluding the net assets of IPS), calculated on the basis adopted in the audited financial statements, and total ongoing charges of 0.49%.

No performance fee is paid to the investment manager.

Reappointment of the investment managers

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

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

Gearing and long-term borrowing

Investment trusts have the benefit of being able to 'gear' their portfolios according to market conditions. This means that they can raise debt (either short or long-term) to generate funds for further investment. These funds can be used to increase the size of the Portfolio. Alternatively, assets from within the Portfolio can be sold to reduce debt and the Portfolio can even be 'negatively geared'.

This means selling assets to hold cash so that less than 100% of the Company's assets are invested in equities. At 31 December 2022, our gearing was 12% (2021: 13%).

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

The fair value of long-term borrowings held by the Group is disclosed in note 20 to the accounts in the Annual Report. The methodology of fair valuing all long-term borrowings is to benchmark the Group debt against A-rated UK corporate bond yields.

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 below. A segmental analysis is provided below, which shows a detailed breakdown of the split between the Investment Portfolio, IPS business and Group charges.

Consolidating the value of the IPS business in this way does not fully recognise the value created for the shareholder by the IPS business in the NAV. To address this, from December 2015, the NAV we have published for the Group has included a fair value for the standalone IPS business.

The current fair value of the IPS business is calculated based upon maintainable earnings before interest, taxation, depreciation and amortisation (EBITDA) for 2022, with an appropriate multiple applied. The EBITDA for the IPS business for 2022 was £16.6m. This number is reached by taking the return, including profit attribution on ordinary activities before interest and taxation of £14.4m from note 6 on page 128 of the Annual Report and adding back the depreciation charge for property plant and equipment of £2.2m, the amortisation of intangible assets of £1.0m, and interest on the lease liabilities shown in note 3 on page 126 of the Annual Report.

The calculation of the IPS valuation and methodology used are included at note 13 on pages 134 to 137 of the Annual Report. In determining a calculated basis for the fair valuation of the IPS business, the Board has taken appropriate external professional advice. The multiple applied in valuing the IPS business is based on comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS business in respect of size, liquidity, margin and growth. A range of multiples is then provided by the professional valuation firm, from which the Board selects an appropriate multiple to apply.

The challenge that we faced in this valuation cycle is that many of our core comparators, have been subject to mergers and acquisition activity in the past year. As a result of the premium this builds into the valuations, the companies most like our IPS business were excluded from the comparator group. Whilst the group of companies presented in the table have some likeness to IPS, further work has been required in producing a multiple reflective of the fair value to attribute to IPS. Given this, as a cross-check, we have validated the valuation using a discounted cash flow with an externally advised WACC and are satisfied it is in range.

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

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

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

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

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

Valuation guidelines require that the fair value of the IPS business be established on a stand-alone basis. Therefore, the valuation does not reflect the value of Group tax relief applied from the investment trust to the IPS business, which reduced the tax charge by £2.06m (2021: £1.89m).

It is hoped that our continued initiatives to achieve growth into the IPS business will result in a corresponding increase in valuation over time. As stated above, management is aiming to achieve mid to high single percentage growth in 2023. The total valuation (including surplus net assets) of the business has increased by £111m/123% since the first valuation of the business as at 31 December 2015.

In order to assist investors, the Company restated its historical NAV in 2015 to include the fair value of the IPS business for the last ten years. This information is provided in the Annual Report within the 10-year record on page 37 of the Annual Report.

Calculation of NAV per share

The table below shows how the NAV at fair value is calculated. The value of assets already included within the NAV per the Group statement of financial position that relate to the IPS business have been removed (£53.4m) and substituted with the calculation of the fair value and surplus net assets of the business £201m. An adjustment of £25.1m is then made to show the Group's debt at fair value, rather than the amortised cost that is included in the NAV per the Group statement of financial position. This calculation shows a NAV fair value for the Group as at 31 December 2022 of £972.6m or 761.69 pence per share.

	31 December 2022		31 December 2021	
	£000	**Pence per share**	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	**799,067**	**625.81**	878,837	717.86
Fair valuation of IPS: EBITDA at a multiple of 10.5x (2021: 10.8x)	**174,174**	**136.41**	165,985	135.58
IPS net assets attributable to IPS valuation	**27,566**	**21.59**	4,041	3.30

Fair value of IPS business	**201,740**	**158.00**	170,026	138.88
Removal of IPS net assets included in Group net assets	**(53,364)**	**(41.79)**	(34,141)	(27.89)
Fair value uplift for IPS business	**148,376**	**116.20**	135,885	111.00
Debt fair value adjustment	**25,123**	**19.68**	(50,229)	(41.03)
NAV at fair value	**972,566**	**761.69**	964,493	787.83
NAV attributable to IPS	**201,740**	**21%**	170,026	18%

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

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

Our approach to risk

The Group's risk management and internal control framework is embedded in everyday operations and subject to regular enhancements in a continuous risk management process as demonstrated in the diagram below to ensure that risks are effectively managed and monitored. Top-down Board-level oversight for the Investment Portfolio and IPS business is provided by the Audit and Risk Committee.

The Executive Risk Committee has responsibility for the oversight of operational risk within the IPS business. Detailed, bottom-up risk identification and management is owned by either individual business lines where they are specific to that business function, or centrally if relates to the Shared Services Centre or other central function. The risk identification and management is supported by the Group Risk Manager.

During the year, the Audit and Risk Committee carried out a robust assessment of principal risks to the Group and the adequacy of the controls in place to appropriately manage those risks to support the delivery of long-term priorities. Consideration is also given to emerging risks to ensure that the risk management framework is updated to protect the business. Where there is insufficient information on the potential risk, ongoing monitoring is put in place.

The Board recognises that there are certain risks which are inherent in the Group, such as market risk with respect to its Investment Portfolio, and the controls to mitigate against such risks are paramount to the delivery of our objectives.

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

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

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

Governance

The Group's risk management and internal control framework is managed through its governance structure shown in the diagram on page 38 of the Annual Report and overseen by the Audit and Risk Committee. IPS business risks are managed through regular business unit risk committees and management meetings. The outputs of these are fed through to the Executive Risk Committee and then the Audit and Risk Committee for review and to the Board if appropriate.

Group risk summary and mitigating actions

Overall risk trend in 2022

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

PRINCIPAL GROUP RISKS	CHANGES TO RISK IN 2022	MITIGATING ACTIVITIES
1. Investment Performance and Market Risk		

The risk of the Investment Portfolio failing to deliver and/ or failing to consider and react to market conditions to deliver the publicly stated strategic objectives to: • Achieve long-term capital growth. • Deliver steadily increasing income. • Achieve a rate of return greater than the FTSE Actuaries All-Share Index. Investment performance and market risk is the largest risk to which the Group is exposed. However, this is an accepted risk and one which the Board actively adopts as it believes long-term equity investment is the fundamental reason our shareholders invest in our Company. Our investment risk includes market risk, gearing risk, credit risk and liquidity risk.	+ Increased risk The risk level has increased due to the war in Ukraine, volatility of domestic politics and global economic pressures, all of which have had an unfavourable impact on global markets and therefore the Investment Portfolio. Rising global inflation runs undermines the value of investment returns.	• Market risk is an accepted risk given the nature of the Investment Portfolio. To manage this inherent risk the Board regularly reviews the investment managers' report including risk indicators and has open dialogue with the investment managers on their approach and performance. • The Investment Portfolio is closed ended so it does not have to sell investments to provide liquidity to shareholders who wish to sell. This enables our investment managers to invest for the long-term and take advantage of any opportunities created by external factors. • To mitigate leverage risk, all borrowings require the prior approval of the Board and gearing levels are kept under close review by the Board. • The negotiated covenants in our debt arrangements are such that the decline in markets would have to be extreme before any breach occurred.
2. Cyber, Technology and Systems Risk		

We rely on a set of critical IT systems which are fundamental to the day-to-day running of the business. The threat of unauthorised or malicious attacks on our IT systems is an ongoing risk. Failures in these systems could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position. This includes the systems of Janus Henderson.	+ Increased risk Cyber-attack trends and high-profile cases in the media demonstrates the increasing frequency and scale of this risk including trends on increased "impersonation" scams from bogus email addresses and ransomware.	• The Group is Cyber Essentials Plus certified, the highest level of certification offered under the Government-backed, industry-supported Cyber Essentials scheme which helps organisations protect themselves against common online security threats. • During 2022, we further enhanced our internal monitoring system (SIEM) to track aspects of IT cyber security e.g. unusual log-in attempts and unwanted traffic on our Group website. Cyber insurance is also in place. • We conduct regular penetration testing and take steps to address identified weaknesses. • We place focus on training our staff about cyber security risks including phishing testing. • We adopt a continuous improvement approach to IT security and continue to invest in cloud-based technology across the Group. • Janus Henderson are subject to an independent annual controls review to ensure there are no material deficiencies. During the year we conducted an on- site assessment of Janus Henderson's information system and business continuity/disaster recovery plans and consider them to be acceptable for our purposes.
3. IPS Concentration Risk *NEW*		

The unique setup of the Group as an Investment Portfolio with the unquoted IPS business, which represents 21% of NAV and accounted for 30% of revenue return per share in 2022, creates an illiquid concentration risk. Failure to deliver on IPS strategy could result in a significant reduction in valuation of the Group's largest asset thereby putting pressure on our ability to meet our stated objective of long-term capital growth, and to steadily increase income for our shareholders.	= Unchanged The IPS business includes some counter-cyclical services providing opportunity for some business lines during market downturn which helps protect overall IPS performance; therefore, concentration risk is broadly the same year-on-year.	• The IPS business comprises a diversified range of services with very limited client concentration risk. • The CEO and COO are accountable for the day-to- day running and operation of the IPS business with independent oversight and challenge from the Non-Executive Directors. The performance of the IPS business is reviewed at all regular Board meetings. • The annual IPS budget is subject to review and approval by the Board which provides robust scrutiny and challenge on IPS strategic plans. • Any significant IPS investment requires Board approval. This reduces the risk of unplanned concentration risk. • Valuation of the IPS business takes into account the illiquid nature of the holding.

Emerging risks and mitigating actions

EMERGING RISKS	CHANGES TO RISK IN 2022	MITIGATING ACTIVITIES
1. ESG Considerations		
As ESG becomes an area of increased focus, we must consider the impact of ESG factors adversely affecting the Group's reputation and performance. These can impact the Group both directly and indirectly through our shareholders and other stakeholders. There is also a significant uptick in the ESG regulatory landscape; we must ensure that we do not fall behind in	= Unchanged This risk continues to present challenges around consistency and reliability of ESG ratings.	ESG is considered by our investment managers when selecting investments. ESG ratings and events in relation to our Portfolio holdings are regularly reviewed by the Board and challenged where necessary. Considerable ESG progress has been made in 2022 – including voting data, voluntary TCFD, defining our ESG Strategy, and creating an ESG area on our Group website. We continue to engage and monitor with stakeholders on ESG, in order to identify trends, patterns and areas of key concern.

meeting these requirements including climate and ESG- related targets.		

PRINCIPAL RISKS REMOVED DURING 2022
During 2022, the ARC performed a robust review of principal risks under the approved principal risk scoring system. At full year 2022, following our risk assessment process, we present "IPS Concentration Risk" to include the 2021 "IPS risks" including "Strategic & Financial", "Change Management" and "Financial Crime" and emerging risk "Digital Disruptors and Change". "IPS Concentration Risk" better represents the Group principal risk using the approved principal risk scale. "Financial Reporting" risk was removed as the residual risk score fell below the threshold for principal risk reporting following the Audit and Risk Committee's robust assessment of principal risks during 2022.

Viability statement

The Board has considered the Company's current financial position and the potential impact of its principal risks and uncertainties, and have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this report.

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

Our business model and strategy

- The Board seeks to ensure that the Company delivers long-term performance. The closed ended nature of the investment trust creates a stable capital basis which enables our investment manager's to take a longer-term view in their construction and management of the Portfolio. This partially mitigates the risk to the Group of potential liquidity issues should shareholders wish to sell their shares, avoiding any untimely requirements to sell down the Portfolio.
- As an investment trust, we benefit from the unique structure of a predominantly UK-based equity portfolio with a diversified revenue stream arising from the IPS business. As demonstrated by our long-term performance, the combination of the Investment Portfolio and the IPS revenue streams provide protection to the long-term viability of the Company. Over a three year period, the share-price total return is 37.7%. The NAV total return with debt at fair value is 26.0% compared to the FTSE Actuaries All-Index Total Return of 7.1%.
- One of the principal Group risks relates to investment strategy and market performance. Part of the risk to the Group is a breach of our debt covenants resulting in a requirement for the Group to repay the debentures at short notice, potentially requiring the sale of assets during a market downturn. Whilst the Board acknowledges this risk, the uncertainty arising due to the Covid-19 pandemic demonstrates the Group's ability to navigate these challenges. At the height of market decline on 23 March 2020, the Group maintained significant headroom on all covenants.
- The IPS business currently holds enough working capital to meet any short term requirements of the Group and our book of clients provides a steady, largely recurring, flow of income. There has been a concerted focus on debtor management which has enhanced the IPS business's cashflow over the past year and improved our working capital cycle.

Furthermore, the majority of the Portfolio is invested in UK listed securities which are traded on major stock exchanges, providing the Group with the ability to quickly liquidate assets, should the need arise.

- The Company has an ongoing charge of 0.49%. This is the third lowest OCR in the UK Equity Income sector.*

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

Our business operations

- The Company retains ownership of all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary. This supports our ability to meet our Legal and Regulatory requirements and acts as a control to both verify the existence our assets and further safeguard the interests of our Shareholders.
- The Company's cash is all held with banks approved by the Board. The Company's cash balance, including money market funds, at the 31 December 2022 amounted to £29.8m (30 December 2021: £25.5m), with IPS holding a further £18.7m. Cash is treated as fungible across the Group and it is deployed on a basis of need. During the course of 2022, there has been a concerted effort to clear down inter-company balances and a netting-off agreement has also been put in place.
- There is long term borrowing in place comprising of four debentures:

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

The weighted average cost of borrowing based on the debt at PAR values is 3.966%. Each debenture is subject to a formal agreement, including financial covenants which the Company has complied with in full during the year. As at the end of December, net gearing was 12%, which is well within the typical operating range of 10%-20%.

- During January 2021, the Company also made arrangements to put in place a £50m unsecured overdraft facility with HSBC. Whilst available, this facility is currently not in use but provides further mitigation of any liquidity risk.

- The Board reviews the Portfolio performance including revenue forecasts, along with other key metrics such as gearing at each Board Meeting and receives regular financial reporting to monitor and manage the principal risk relating to investment performance.

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

The political and economic situation has placed a strain on the global and UK economy, bringing with it uncertainty, supply- side inflation and rising interest rates. The IPS business has also felt the impact of the competition for talent in the UK market. This has resulted in rising salary expectations of both our people and any potential new hires. At present, the

Board does not consider this will have an impact on the longer-term viability of the Company.

Balance sheet resilience

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

The Board and the Executive Leadership team have actively monitored the cash position across the Group throughout the year, mindful of our commitment to pay quarterly dividends to shareholders. As of 31 December 2022, the Group holds cash and cash equivalents of £49.6m (31 December 2021: £35.8m). In addition to this, the Company has an overdraft facility of £50m to protect against any significant fall of cash inflows.

Repurchase and issue of shares

At the 2022 AGM, the Directors were given power to buy back up to 18,567,488 ordinary shares or, if less, the number of shares equal to 14.99% of the Company's issued share capital at that date. During the year, the Company did not repurchase any of its shares for cancellation. This authority will expire at the 2023 AGM. The Company intends to seek shareholder approval to renew its powers to repurchase shares for cancellation up to 14.99% of the Company's issued share capital if circumstances are appropriate, at the 2023 AGM.

The Directors were also given power to allot up to 12,386,583 ordinary shares at the 2022 AGM. From the 2022 AGM to the 27 February 2023 the Company issued a total of 3.7m ordinary shares under its share issuance programme, launched in February 2021 and our SAYE scheme. The authority will expire at the 2023 AGM at which the Company intends to seek shareholder approval to renew its powers to issue shares up to 10% of the Company's share capital in issue at 27 February 2023.

Share capital and significant shareholdings

The Company's share capital is made up of ordinary shares with a nominal value of 5p each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights and no shares which carry specific rights with regard to the control of the Company. There are no other classes of share capital and none of the Company's issued shares are held in treasury. As at 31 December 2022, there were 128,172,019 ordinary shares in issue with 128,172,019 voting rights. Details of share capital changes in the year may be found in note 17 to the Accounts in the Annual Report.

Significant financial issues relating to the 2022 accounts

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

The significant issues considered by the Audit and Risk Committee include the valuation of IPS, oversight of the CSS impairment review, the existence and valuation of Investments, discussions around the control environment and the accounting for Pension Defined Benefit Scheme.

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

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts. Taken in its entirety, the Committee was able to conclude that the financial statements themselves and the Annual

Report as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company and Group's position and performance, business model and strategy. That conclusion was reported to the Board.

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.

This report was approved by the Board of Directors on 27 February 2023.

Group income statement

as at 31 December 2022

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

Profit/(loss) for the year	**43,261**	**(129,608)**	**(86,347)**	**34,077**	**114,756**	**148,833**
Return per ordinary share (pence)	**34.44**	**(103.17)**	**(68.73)**	**28.09**	**94.60**	**122.69**
Diluted return per ordinary share (pence)	34.42	(103.14)	(68.72)	28.08	94.57	122.66

Group statement of comprehensive income
as at 31 December 2022

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

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

Statement of financial position
as at 31 December 2022

		GROUP		COMPANY
Assets	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Non-current assets				
Goodwill	**19,036**	18,973	**—**	—
Property, plant and equipment	**1,796**	1,974	**—**	—
Right-of-use assets	**5,040**	5,542	**—**	—
Other intangible assets	**3,417**	3,516	**16**	16
Investments held at fair value through profit or loss	**891,005**	992,478	**890,905**	992,378
Investments in subsidiary undertakings	**—**	—	**61,368**	61,283
Retirement benefit asset	**7,400**	6,577	**—**	—
Total non-current assets	**927,694**	1,029,060	**952,289**	1,053,677
Current assets				
Trade and other receivables	**19,697**	20,466	**515**	57,581
Contract assets	**7,182**	6,611	**769**	583

Cash and cash equivalents	**49,559**	35,880	**29,825**	25,507
Total current assets	**76,438**	62,957	**31,109**	83,671
Total assets	**1,004,132**	1,092,017	**983,398**	1,137,348
Current liabilities				
Amounts owed to subsidiary undertakings	**—**	—	**19,603**	87,631
Trade and other payables	**19,815**	29,329	**10,046**	13,447
Lease liability	**991**	287	**—**	—
Corporation tax payable	**1,256**	925	**—**	—
Other taxation including social security	**2,892**	1,543	**1,860**	850
Contract liabilities	**5,223**	5,620	**7**	34
Total current liabilities	**30,177**	37,704	**31,516**	101,962
Non-current liabilities				
Long-term borrowings	**163,909**	164,245	**124,389**	124,586
Contract liabilities	**3,976**	4,054	**125**	125
Deferred tax liability	**1,344**	1,060	**—**	—
Lease liability	**5,659**	6,117	**—**	—
Total non-current liabilities	**174,888**	175,476	**124,514**	124,711
Total net assets	**799,067**	878,837	**827,368**	910,675
Equity				
Called up share capital	**6,407**	6,145	**6,407**	6,145
Share premium	**83,022**	41,865	**83,022**	41,865
Own shares	**(3,128)**	(3,215)	**—**	—
Capital redemption	**8**	8	**8**	8
Translation reserve	**2,855**	2,656	**—**	—
Capital reserves	**662,512**	789,423	**708,382**	835,293
Retained earnings	**47,391**	41,955	**29,549**	27,364
Total equity	**799,067**	878,837	**827,368**	910,675
Total equity pence per share	**625.81**	717.86		

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

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

Group statement of changes in equity
as at 31 December 2022

GROUP	Called up share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2022	6,145	41,865	(3,215)	8	2,656	789,423	41,955	878,837
Profit/(loss) for the period	—	—	—	—	—	(129,608)	43,261	(86,347)
Foreign exchange	—	—	—	—	199	2,697	426	3,322
Actuarial gain on pension scheme (net of tax)	—	—	—	—	—	—	(243)	(243)
Total comprehensive loss for the period	—	—	—	—	199	(126,911)	43,444	(83,268)
Issue of shares	262	41,157	87	—	—	—	—	41,506
Dividend relating to 2021	—	—	—	—	—	—	(10,396)	(10,396)
Dividend relating to 2022	—	—	—	—	—	—	(27,612)	(27,612)
Total equity at 31 December 2022	**6,407**	**83,022**	**(3,128)**	**8**	**2,855**	**662,512**	**47,391**	**799,067**

GROUP	Called up share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2021	5,923	9,277	(1,461)	8	2,002	674,591	36,654	726,994
Profit/(loss) for the period	—	—	—	—	—	114,756	34,077	148,833
Foreign exchange	—	—	—	—	654	76	(738)	(8)
Actuarial gain on pension scheme (net of tax)	—	—	—	—	—	—	6,885	6,885
Total comprehensive loss for the period	—	—	—	—	654	114,832	40,224	155,710
Issue of shares	222	32,588	—	—	—	—	—	32,810
Movement in own shares	—	—	(1,754)	—	—	—	—	(1,754)
Dividend relating to 2020	—	—	—	—	—	—	(9,614)	(9,614)

Dividend relating to 2021	—	—	—	—	—	—	(25,309)	(25,309)
Total equity at 31 December 2021	**6,145**	**41,865**	**(3,215)**	**8**	**2,656**	**789,423**	**41,955**	**878,837**

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss. Please refer to note 18 in the notes to the Accounts in the Annual Report, for details of dividends paid.

Statement of changes in equity
as at 31 December 2022

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

COMPANY	Share capital £000	Share premium £000	Capital redemption £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2021	5,923	9,277	8	733,189	12,881	761,278
Profit/(loss) for the period	—	—	—	114,756	36,754	151,510
Total comprehensive profit for the period	—	—	—	114,756	36,754	151,510
Issue of shares	222	32,588	—	—	—	32,810
Dividend relating to 2020	—	—	—	—	(9,614)	(9,614)
Dividend relating to 2021	—	—	—	(12,652)	(12,657)	(25,309)
Total equity at 31 December 2021	**6,145**	**41,865**	**8**	**835,293**	**27,364**	**910,675**

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss. Please refer to note 18 in the notes to the Accounts in the Annual Report, for details of dividends paid.

Cash Flow Statement
for the year ended 31 December 2022

	GROUP		COMPANY	
	2022 £000	2021 £000	**2022 £000**	2021 £000

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

Extracts from the Notes to the Accounts

Going concern

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

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

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

The Directors have considered the impact of the current economic uncertainty, across the Group, including cash flow forecasting, balance sheet review at entity level, a review of covenant compliance including the headroom above the covenants and an assessment of the liquidity of the portfolio. Whilst the debentures held are subject to covenants, the Directors are comfortable that the risk of breach is minimal, and the current economic environment does not create material uncertainty for the Company.

The assets of the Company consist largely of securities that are readily realisable, and it will be able to meet its financial obligations, including the repayment of the debenture interest, as they fall due for a period of at least twelve months from the date of approval of the financial statements.

Accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

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

Segment analysis

	Investment Portfolio		Independent Professional Services		Total	
	31 December 2022 £000	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 £000
Revenue						
Dividend income	**34,464**	26,259	**—**	—	**34,464**	26,259
IPS revenue:						
Corporate trust	**—**	—	**13,292**	13,317	**13,292**	13,317
Corporate services	**—**	—	**25,792**	22,981	**25,792**	22,981
Pensions	**—**	—	**14,368**	13,215	**14,368**	13,215
Segment revenue	**34,464**	26,259	**53,452**	49,513	**87,916**	75,772
Other income	**847**	551	**—**	—	**847**	551
Cost of sales	**(125)**	(110)	**(8,283)**	(7,927)	**(8,408)**	(8,037)
Administration costs	**(3,522)**	(3,434)	**(30,810)**	(28,246)	**(34,332)**	(31,680)
Return before interest and tax	**31,664**	23,266	**14,359**	13,340	**46,023**	36,606
Interest payable (net)	**(1,432)**	(1,319)	**62**	—	**(1,370)**	(1,319)
Return, including profit on ordinary	**30,232**	21,947	**14,421**	13,340	**44,653**	35,287

activities before taxation						
Taxation	**—**	—	**(1,392)**	(1,210)	**(1,392)**	(1,210)
Return, including profit attributable to shareholders	**30,232**	21,947	**13,029**	12,130	**43,261**	34,077
Revenue return per ordinary share (pence)	**24.06**	18.09	**10.38**	10.00	**34.44**	28.09
Assets	**922,080**	1,020,114	**84,640**	71,903	**1,006,720**	1,092,017
Liabilities	**(176,377)**	(175,418)	**(31,276)**	(37,762)	**(207,653)**	(213,180)
Total net assets	**745,703**	844,696	**53,364**	34,141	**799,067**	878,837

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

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

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

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

Major customers: Due to the diverse nature of the IPS revenue streams, there is no single customer or concentration of customers that represents more than 3% of gross revenue streams.

Capital element: The capital element of the income statement is wholly gains and losses relating to investments held at fair value through profit and loss (2022: loss of £126,234,000; 2021: gain of £121,170,000), administrative expenses (2022: £1,908,000; 2021: £2,456,000), interest payable (2022: £4,908,000; 2021: £3,958,000) and a capital dividend received of £3,442,000 which corresponds to amounts classified as capital in nature in accordance with the SORP are shown in the capital column of the income statement above.

Financial instruments

The principal risks facing the Group in respect of its financial instruments remain unchanged from 2021 and are:

Market risk

Price risk, arising from uncertainty in the future value of financial instruments. The Board maintains strategy guidelines whereby risk is spread over a range of investments, the number of holdings normally being between 70 and 175. In addition, the stock selections and transactions are actively monitored throughout the year by the investment manager, who reports to the Board on a regular basis to review past performance and develop future strategy. The Investment Portfolio is exposed to market price fluctuation: if the valuation at 31 December 2022 fell or rose by 10%, the impact on the Group's total profit or loss for the year would have been £89.1m (2021: £99.2m). Corresponding 10% changes in the valuation of the Investment Portfolio on the Company's total profit or loss for the year would have been £89.1m (2021: £99.2m). 10% has been used based on historic trends, however we will continue to revisit this on a periodic basis.

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

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

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

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

Japanese Yen	**9,426**	**—**	**9,426**	11,200	—	11,200
Total	**125,772**	**—**	**125,772**	147,500	100	147,600

The holding in Scottish Oriental Smaller Companies Trust is denominated in sterling but has underlying assets in foreign currencies equivalent to £7.3m (2021: £7.1m). Investments made in the UK and overseas have underlying assets and income streams in foreign currencies which cannot easily be determined and have not been included in the sensitivity analysis. If the value of all other currencies at 31 December 2022 rose or fell by 10% against sterling, the impact on the Group's total profit or loss for the year would have been £14.0m and £11.4m respectively (2021: £17.3m and £14.1m). Corresponding 10% changes in currency values on the Company's total profit or loss for the year would have been the same. The calculations are based on the Investment Portfolio at the respective year end dates and are not representative of the year as a whole.

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

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

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

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

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

If interest rates during the year were 1.0% higher the impact on the Group's total profit or loss for the year would have been £346,000 credit (2021: £314,000 credit). It is assumed that interest rates are unlikely to fall below the current level.

The Company holds cash and cash equivalents on short-term bank deposits and money market funds, it also has short-term borrowings. Amounts owed to subsidiary undertakings include £40m at a fixed rate. Interest rates on cash and cash equivalents and amounts due to subsidiary undertakings at floating rates tend to vary with bank base rates. A 1.0%

increase in interest rates would have affected the Company's profit or loss for the year by £224,000 credit (2021: £233,000 credit). The calculations are based on the balances at the respective year end dates and are not representative of the year as a whole.

Liquidity risk

Is the risk arising from any difficulty in realising assets or raising funds to meet commitments associated with any of the above financial instruments. To minimise this risk, the Board's strategy largely limits investments to equities and fixed interest securities quoted in major financial markets. In addition, cash balances are maintained commensurate with likely future settlements. The maturity of the Group's existing borrowings is set out in note 20 in the notes to the accounts in the Annual Report. The interest on borrowings is paid bi-annually on March and September for the 2045 secured senior notes, April and October for the 2034 secured bonds and May and November for the 2041 and 2050 senior secured notes.

Credit risk

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

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

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

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

Stock lending

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

Stock lending transactions are carried out with a number of approved counterparties. Details of the value of securities on loan at the year end can be found in note 27 in the notes to the accounts in the Annual Report. In summary, the Group only transacts with counterparties that it considers to be credit worthy.

Trade and other receivables

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

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

IFRS 9 credit loss rates

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

The expected loss rates are based on the Company's historical credit losses experienced over a three-year period prior to the year end. The historical loss rates are adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Group has identified gross domestic product (GDP) and unemployment trends act as key economic indicators which may impact our customers' future ability to pay debt.

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

The total specific and credit loss provision at 31 December 2022 is £3,953,000 (2021: £3,314,000).

	Current £000	1-30 days overdue £000	31-60 days overdue £000	61-90 days overdue £000	91+ days overdue £000	Total £000
31 December 2022						
Expected loss rate	1.71%	5.64%	3.75%	4.68%	3.59%	3.79%
Gross carrying amount	2,634	3,562	2,162	1,367	11,640	21,365
Expected credit loss provision	(45)	(201)	(81)	(64)	(418)	(809)
Specific provision	—	—	—	—	(3,144)	(3,144)
Net carrying amount	2,589	3,361	2,081	1,303	8,078	17,412
31 December 2021						
Expected loss rate	2.98%	2.94%	2.42%	4.45%	4.12%	3.62%
Gross carrying amount	1,343	3,939	3,342	2,403	10,941	21,968
Expected credit loss provision	(40)	(116)	(81)	(107)	(451)	(795)
Specific provision	—	—	—	—	(2,519)	(2,519)
Net carrying amount	1,303	3,823	3,261	2,296	7,971	18,654

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

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:

	2022 £000	2021 £000
Dividends from subsidiaries	**9,638**	14,950
Interest on intercompany balances charged by subsidiaries	**2,559**	2,559
Management charges from subsidiaries	**850**	700

The ultimate parent entity is The Law Debenture Corporation p.l.c.

The key management personnel are the Directors of the Company. Details of their compensation are included in note 4 to the accounts and in Part 2 of the Remuneration Report on pages 76 to 98 of the Annual Report. Key management personnel costs inclusive of employers national insurance are £1,572,684 (2021: £1,438,456).

Annual General Meeting (AGM)
The 133rd AGM will be held in-person at the offices of The Law Debenture Corporation p.l.c., 8th Floor, 100 Bishopsgate, London, EC2N 4AG. Further details are included in the Notice of AGM included in the full annual report and accounts.

Access to the Annual Report
On 6 March 2023, the annual report and accounts will be available for download from the National Storage Mechanism at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

CORPORATE INFORMATION
Company advisers and information

Directors
Robert Hingley*+
Tim Bond
Pars Purewal#
Claire Finn~
Clare Askem
Denis Jackson
Trish Houston

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

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

Website
https://www.lawdebenture.com

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

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

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

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

Peel Hunt LLP
100 Liverpool Street, London, EC2M 2AT

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

trust portfolio manager since 1990. He first became involved in the management of Law Debenture's portfolio in 1994 and took over lead responsibility for management of the portfolio in June 2003.

Laura joined Janus Henderson Investors in 2009 and has held the position of portfolio manager on the Global Equity Income team since 2014. She first became involved with Law Debenture's portfolio in September 2011 and became joint portfolio manager in 2019.

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