Law Debenture

Annual Report 2015

The Law Debenture Corporation p.l.c.

Contents

From its origins in 1889, Law Debenture has diversified to become a group with a unique range of activities in the financial and professional services sectors. The group divides into two distinct areas of business.

Investment trust

We are a global investment trust, listed on the London Stock Exchange.

Our portfolio of investments is managed by Henderson Global Investors Limited under a contract terminable by either side on six months' notice.

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 through investing in a portfolio diversified both geographically and by industry.

Independent fiduciary services ("IFS")

We are a leading provider of independent fiduciary services. Our activities are corporate trusts, pension trusts, corporate services (including agent for service of process), whistle blowing services and governance services. We have offices in London, Sunderland, New York, Delaware, Hong Kong, the Channel Islands and the Cayman Islands.

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

2 Financial summary and performance

Financial summary

	31 December 2015 pence	31 December 2014 pence
Share price	**498.00**	530.00
NAV per share after proposed final dividend	**461.14**	475.82
NAV per share after proposed final dividend at fair value[1]	**513.54**	531.35
Revenue return per share		
– Investment trust	**11.01**	10.08
– Independent fiduciary services	**7.09**	6.87
Group revenue return per share	**18.10**	16.95
Capital (loss)/return per share	**(17.47)**	3.87
Dividends per share	**16.20**	15.70

	%	%
Ongoing charges[2]	**0.46**	0.47
Gearing[2]	**12**	5

Ongoing charges are based on the costs of the investment trust and include the Henderson management fee of 0.30% of NAV of the investment trust. There is no performance related element to the fee.

[1] Calculated in accordance with AIC methodology based on NAV including fair value of IFS businesses and long term borrowings.
[2] Source AIC.

Performance

	2015 %	2014 %	2013 %	2012 %	2011 %
Share price total return[3]	**(3.0)**	3.1	28.3	32.0	(2.9)
NAV total return[4]	**(0.3)**	2.8	29.4	15.6	(0.1)
FTSE Actuaries All-Share Index total return	**1.0**	1.2	20.8	12.3	(3.5)

[3] Source AIC.
[4] Calculated in accordance with AIC methodology based on NAV including fair value of IFS businesses and long term borrowings.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Net assets[1] (£m)	339.6	392.6	407.1	266.4	342.4	412.6	390.9	451.9	569.1	574.2	**557.3**
Revenue return (pence)	10.05	12.19	14.23	15.58	13.02	13.26	15.52	15.14	16.27	16.95	**18.10**
Capital return (pence)	54.67	40.94	9.37	(120.59)	62.77	58.22	(19.07)	50.24	97.18	3.87	**(17.47)**
Total (pence)	64.72	53.13	23.60	(105.01)	75.79	71.48	(3.55)	65.38	113.45	20.82	**0.63**
Revenue return (pence)											
Investment trust	5.73	7.07	8.60	10.23	7.33	7.07	8.27	8.47	9.31	10.08	**11.01**
Independent fiduciary services	4.32	5.12	5.63	5.35	5.69	6.19	7.25	6.67	6.96	6.87	**7.09**
	10.05	12.19	14.23	15.58	13.02	13.26	15.52	15.14	16.27	16.95	**18.10**
Dividends (pence)	9.05	10.50	12.00	12.20	12.20	12.70	13.50	14.25	15.00	15.70	**16.20**
NAV[1] (pence) (after proposed final dividend)	284.0	328.2	339.6	219.2	284.0	342.9	323.8	374.6	472.9	475.8	**461.1**
Share price[1] (pence)	288.75	349.0	354.5	223.5	284.5	356.6	333.5	425.0	529.0	530.0	**498.0**
(Discount)/premium[1] (%)	(10.3)	(6.8)	(13.0)	(18.4)	(13.7)	(8.6)	(11.3)	2.4	(0.4)	(0.2)	**(3.0)**
NAV[1,2] at fair value (pence) (after proposed final dividend)	321.8	374.5	407.6	274.0	329.5	390.0	376.1	415.0	531.3	531.3	**513.5**
Market capitalisation[1] (£m)	339.7	410.8	417.4	263.8	335.9	418.6	393.8	501.9	625.0	627.1	**589.3**

[1] At 31 December.

[2] Calculated in accordance with AIC methodology based on NAV including fair value of IFS businesses and long term borrowings.

Note:
In accordance with the disclosure on page 4, the 10 year record has been restated to reflect the fair value of the IFS businesses and the long term borrowings.

4 Fair value of independent fiduciary services businesses and long term borrowings

Background

Our consolidated financial statements are presented, in order to comply with International Financial Reporting Standards ('IFRS'), with the value of the investment portfolio expressed at fair value which is broadly a rational and unbiased estimate of the potential market value, taking into account acquisition/replacement/disposal costs. However, because our IFS businesses are not part of the investment trust portfolio, they cannot be included in the consolidated financial statements at fair value so from an accounting perspective, have been included at 'book value' – in broad terms this is the aggregate share capital and retained reserves of each of the IFS businesses.

This accounting treatment, over which we have had no control or influence, has meant that to date, the market has had to determine what it believes is the discrete fair value of the IFS businesses from the financial information that we have disclosed. This explains why Law Debenture's share price has usually traded at a premium whereas most investment trusts are valued at a discount to NAV. The difference is that the market has priced in its own value for the IFS businesses which, for the reasons described above, cannot be reported in the published financial statements.

Fair value of the IFS businesses

This difference between the published NAV and the market's assessment of the value of the IFS businesses has meant that some investors, particularly individual investors, find it difficult to appraise Law Debenture's shares compared with other investment trusts. The board has therefore concluded that, in order to present a better understanding of the group's valuation, it should publish a fair value NAV, including the fair value of the IFS businesses and long term borrowings.

This will be shown in our annual report as a separate figure – for the reasons given above, the fair valuation cannot be included in the published financial statements.

In determining a basis for the fair valuation of the IFS businesses the directors have taken external professional advice. Details of the methodology are included in note 13 to the accounts. However, it should be noted that fair valuation guidelines require that the IFS businesses are fair valued on a stand-alone basis and this does not reflect the full value to the group and its shareholders. In particular, the value of group relief from the investment trust to the IFS businesses, which significantly reduces the tax charge, is excluded from the fair value of IFS businesses. In 2015 this reduced the tax charge by £1,169,000.

In order to assist investors, the Corporation has restated its historic NAV, which already includes long term borrowings at fair value, to include the fair value of the IFS businesses for the last ten years. This restatement is being made in conjunction with the AIC and Morningstar so that the long term performance of NAV fair value can be provided. This information is provided in the annual report within the financial summary and performance (page 2), the 10 year record (page 3), long term performance (page 13) and 10 year performance (page 13).

Long term borrowings

The fair value of long term borrowings held by the group is disclosed in note 20 to the accounts. Following the issuance of the new £75 million debt maturing in 2045 with interest at 3.77% per annum, the directors reviewed the methodology of fair valuing all long term borrowings and determined that from 31 December 2015, it was more appropriate to benchmark the group debt against A rated UK corporate bond yields, rather than BBB rated, which was used previously. Historic fair value information in respect of long term borrowings has not been restated.

Performance

Our net asset value total return for the year to 31 December 2015 was down 0.3%, compared to a total return of 1.0% for the FTSE Actuaries All-Share Index. Net revenue return per share was 18.1p, an increase of 6.8% over the previous year, as a result of a 9.2% increase in the investment trust and a 3.2% increase in independent fiduciary services.

Dividend

The board is recommending a final dividend of 11.0p per ordinary share (2014: 11.0p), which together with the interim dividend of 5.2p (2014: 4.7p) gives a total dividend of 16.2p (2014: 15.7p).

The final dividend will be paid, subject to shareholder approval, on 21 April 2016 to holders on the register on the record date of 18 March 2016.

The Corporation's policy continues to be to seek growth in both capital and income. We attach considerable importance to the dividend, which we aim to increase over a period, if not every year, at a rate which is covered by earnings and which does not inhibit the flexibility of our investment strategy. Our basis for reporting earnings is more conservative than that of many investment trusts, in that all of our expenses, including interest costs, are charged fully to the revenue account.

Investment trust

After a strong start to the year, events in China, problems in some emerging market countries and weak commodity and oil prices adversely affected markets, leading to a sharp sell-off last autumn. These difficult market conditions have continued into early 2016.

Investment performance in 2015, in terms of Net Asset Value total return, was slightly behind that of the FTSE All-Share Index for the first time since 2008. Over periods of 5 and 10 years, performance remains satisfactory, with NAV total returns (including fair value of IFS businesses and long term borrowings) of 53.2% and 124.0% respectively, compared with returns on the FTSE All-Share Index over these periods of 33.8% and 71.8%.

As the investment manager comments in his report, the focus continues to be in holding stocks that are long term growing businesses, whose shares trade at levels that do not reflect their long term prospects. The portfolio is actively managed and, from time to time, performance will diverge from that of the main market indices. The investment manager continues to hold a relatively long list of stocks, well diversified by geographical and industry sectors.

Current market volatility will probably continue for some while, with events in China and the outlook for US economic growth likely to dominate market sentiment. Other than in the mining and oil sectors, the outlook for company earnings appears, however, to be stable. And the background of low inflation and modest global growth is not necessarily bad for equities.

Independent fiduciary services

As set out in more detail in the managing director's review on page 23, revenues and profits of the IFS businesses were flat in 2015. We have again seen the benefits of the diversity of our IFS businesses as one or more of the activities has a good year, where other areas have been less profitable, usually because the markets in which they operate have been subdued.

Fair valuation of the IFS businesses

We have decided to take the important step this year of publishing a 'fair value' of the IFS businesses as well as our long-term debt. The background for this is set out at page 4. In short, we believe it is vital that our shareholders and the markets generally should have the clearest possible understanding of Law Debenture, its unique business model and the relative values of the investment portfolio and the IFS businesses. The published NAV should now more accurately reflect the value of the group's assets, since the market will, we believe, be guided by the board's assessment of the value of the IFS businesses.

Debenture

In September 2015, we issued a new £75 million fixed rate 30-year secured private placement debenture at an annualised coupon of 3.77% because bond and interest rates made it desirable to obtain fixed rate, long dated financing at attractive pricing levels. The board is fully committed to the long-term attractiveness of equity investment as a means to deliver our corporate objectives. Around £45 million of the debenture proceeds have been invested thus far. The remaining £30 million has been used to repay short term borrowings.

The managing director

Caroline Banszky will retire as the group's managing director during 2016, once her successor has been recruited. Caroline joined the board in January 2002 and took over as managing director at that year's AGM. During her tenure, our IFS businesses have diversified and grown profitably, delivering significant income for the investment trust, which played a major part in the board being able to maintain or increase dividends every year, even when markets were suffering major downturns. Caroline has worked tirelessly on behalf of shareholders to ensure that Law Debenture has maintained its reputation for innovation, independence and reliability. On behalf of the board, I should like to place on record our appreciation for Caroline's long and distinguished service. We wish her well for the future.

The annual general meeting will be held at the Brewers Hall, Aldermanbury Square, London, EC2V 7HR on 12 April 2016 and I look forward to seeing as many as possible of you there.

Christopher Smith

Who we are

From its origins in 1889, Law Debenture has diversified to become a group with a unique range of activities in the financial and professional services sectors. The group divides into two distinct areas of business: we are a global investment trust listed on the London Stock Exchange; and we provide independent fiduciary services businesses ("IFS" or "IFS businesses").

Investment trust – objectives, investment strategy, business model

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

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

Our **investment strategy** is as follows:

The Corporation carries on its business as a global investment trust.

The Corporation's portfolio will typically contain between 70 and 150 listed investments. The portfolio is diversified both by industrial sector and geographic location of investments in order to spread investment risk.

There is no obligation to hold shares in any particular type of company, industry or geographical location. The IFS businesses do not form part of the investment portfolio and are outwith this strategy.

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

The Corporation's assets are invested internationally and without regard to the composition of indices. There are some guidelines, set by the board, on maximum or minimum stakes in particular regions and all stakes are monitored in detail by the board at each board meeting in order to ensure that sufficient diversification is maintained.

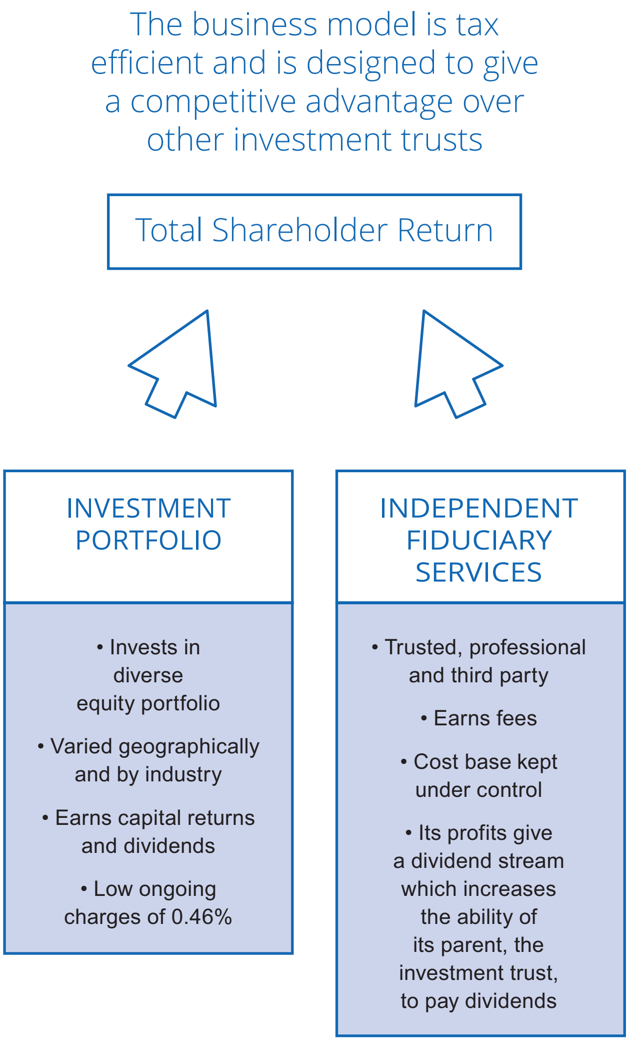
	Minimum %	Maximum %
UK	55	80
North America	0	20
Japan	0	10
Asia/Pacific	0	10
Other (including South America)	0	10

Liquidity and long-term borrowings are managed with the aim of improving returns to shareholders. The policy on gearing is to adopt a level of gearing that balances risk with the objective of increasing the return to shareholders, in pursuit of its investment objective. Investments may be held in, inter alia, equity shares, collective investment products including open ended investment companies ("OEICs"), fixed interest securities, interests in limited liability partnerships, cash and liquid assets. Derivatives may be used but only with the prior authorisation of the board. Investment in such instruments for trading purposes is proscribed. It is permissible to hedge against currency movements on both capital and income account, subject again to prior authorisation of the board. Stock lending, trading in suspended shares and short positions are not permitted. No more than 15% of gross assets will be invested in other UK listed investment trusts. The Corporation's investment activities are subject to the following limitations and restrictions:

- No investment may be made which raises the aggregate value of the largest 20 holdings, excluding investments in collective investment vehicles that give exposure to the Japan, Asia/Pacific or emerging market regions, to more than 40% of the Corporation's portfolio, including gilts and cash. The value of a new acquisition in any one company may not exceed 5% of total portfolio value (including cash) at the time the investment is made. Further additions shall not cause a single holding to exceed 5%, and board approval must be sought to retain a holding, should its value increase above the 5% limit.
- The Corporation applies a ceiling on effective gearing of 50%. While effective gearing will be employed in a typical range of 10% net cash to 20% gearing, the board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate.
- The Corporation may not make investments in respect of which there is unlimited liability.

Our **business model** is designed to position the Corporation to best advantage in the investment trust sector. We aim to deliver the investment trust's objective by skilled implementation of the investment strategy, complemented by maintaining and operating our IFS businesses profitably and safely, while keeping them distinct from the portfolio. The operational independence of the IFS means that they can act flexibly and commercially. They provide a regular flow of dividend income to the Corporation. This helps the board to smooth out equity dividend peaks and troughs and is an important element in delivering the objective of steadily increasing income for shareholders, fully covered by current revenues. In turn, tax relief at the investment trust level arising from our debenture interest and excess costs, which would otherwise be unutilised, can be transferred to the IFS.

The Law Debenture Investment Trust Business Model



Fee structure and ongoing charges

Our portfolio of investments is managed under delegation by James Henderson of Henderson Global Investors Limited ("Henderson") under a contract terminable by either side on six months' notice. On a fully discretionary basis, Henderson is responsible for implementing the Corporation's investment strategy and fees are charged at 0.30% of the value of the net assets of the group (excluding the net assets of the IFS), calculated on the basis adopted in the audited financial statements. Underlying management fees of 0.75% on the Corporation's holdings in Henderson Japanese and Pacific OEICs are fully rebated. This means that the Corporation continues to maintain one of the most competitive fee structures in the investment trust sector and this, combined with the good performance of Henderson as our investment manager, has led the board to conclude that the continuing appointment of Henderson as the Corporation's investment manager is in the best interests of shareholders.

The agreement with Henderson does not cover custody which is the responsibility of the depositary (see section on regulatory compliance in the directors' report, page 25). Nor does it cover the preparation of data associated with investment performance, or record keeping, both of which are maintained by the Corporation.

Investment trusts are required to publish their ongoing charges. This is the cost of operating the trust and includes the investment management fee, depositary and custody fees, investment performance data, accounting, company secretary and back office administration. Law Debenture's latest published level of ongoing charges is one of the lowest in the marketplace at 0.46%. No performance fees are paid to the investment manager.

Capital structure – simple and mainstream

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

The Corporation conducts its affairs so that its ordinary shares are capable of being recommended by independent financial advisors to ordinary retail investors in accordance with relevant FCA rules. Our ordinary shares are, we consider, mainstream investment products because they are shares in an investment trust. The Corporation intends to continue conducting its affairs for the foreseeable future so that the ordinary shares can continue to be categorised as mainstream.

Transparency

It is important for our shareholders to understand the nature of the underlying investments they are buying into when investing in Law Debenture shares. We publish our entire portfolio twice a year – in the annual report (see page 16) and half yearly report – with regular monthly updates on the composition of the top ten holdings in the portfolio.

Gearing

Investment trusts have the benefit of being able to 'gear' their portfolios according to market conditions. This means that they can raise debt (either short or long term) to generate funds for further investment – i.e. to increase the size of the portfolio – or they can sell assets from within the portfolio to reduce debt and even be 'negatively geared' – i.e. selling assets to hold cash so that less than 100% of the trust's assets are invested in equities.

During the year, the Corporation increased its gearing to 12% (AIC net basis) following the issue of £75 million fixed rate 30-year secured private placement notes at an annualised coupon of 3.77%. The board believed that, in the current bond and interest rate environment, it was desirable to obtain fixed rate, long dated sterling denominated financing at an attractive pricing level. Over the longer term, this should help to enhance shareholder value as equity returns are delivered that should exceed the carrying cost of the notes. The proceeds have been used to repay short term borrowings (an uncommitted, drawn down facility of c. £30 million), for equity investment and for general corporate purposes.

The weighted average interest payable on the Corporation's structural borrowings (the new debenture plus the pre-existing debenture) decreased from 6.125% to 4.589% as at the date of launch of the new funding.

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

Share price and net asset value ("NAV")

Investment trusts can trade at a discount (where the share price is lower than the combined value (NAV) of the underlying assets), or at a premium (where the share price trades at a higher level than the underlying NAV). Investment trust investors need to understand these concepts as well as examine the underlying portfolio and the way in which it is managed, to decide whether or not an investment trust share represents 'good value'. Law Debenture has often traded at a premium to its published NAV (and did so throughout 2015) because it has trading subsidiaries – its IFS, described in more detail below. The basis on which the published NAV is calculated will change in future (see page 4 and note 13 to the accounts), and this will affect the premium/discount.

Principal risks and uncertainties – investment trust

The principal risks to the business model and to the Corporation's ability to continue operations as an investment trust relate to investment activities generally and include market price risk, foreign currency risk, liquidity risk, interest rate risk, credit risk, country/region risk and regulatory risk. The directors have carried out a robust assessment of these risks, which are explained in more detail below and in note 19 to the accounts.

Market risk could arise from sudden fluctuations in world stock markets. The portfolio deliberately contains a 'long list' of stocks and is diversified on a geographical and sector basis to spread risk. In extreme circumstances, as the Corporation's investments comprise almost entirely of ready realisable, quoted equities, these could be sold to meet funding requirements. The Corporation conducts stress tests each month, as part of its compliance programme, which gives the board a degree of comfort about the Corporation's ability to withstand any significant market shock.

Regulatory risk could arise from failure to comply with legal and regulatory obligations. This could result in suspension of the Corporation's stock exchange listing and/or regulatory sanction (including financial penalties). Breach of the Corporation Tax Act 2010 could lead to the Corporation being subject to tax on capital gains. The executive team provides regular reports to the board and the audit committee on the monitoring programmes in place to mitigate these risks. As its own AIFM, the Corporation is able to monitor investment positions along with levels of forecast income and expenditure and the depositary carries out regular checks on the Corporation's investment activity and accounting as a separate check.

Operational risk could arise from failure of the Corporation's accounting systems, the systems of the investment manager, or those of the custodian, which might result in an inability to provide accurate reporting and monitoring or a misappropriation of assets. All relevant providers of these services have comprehensive business continuity plans which include robust plans for continued operation of the business in the event of a service disruption or major disruption. The audit committee considers detailed reports on the Corporation's risk profile and the internal controls in place to mitigate such risk, as well as receiving reports by other key third party providers.

Gearing risk could arise where the Corporation has borrowed money for investment purposes. If the value of portfolio investments falls, any borrowings will magnify the extent of this loss. All borrowings require the prior approval of the board and gearing levels are discussed by the board at every meeting. As stated in the investment strategy, there is a ceiling on effective gearing of 50%.

The Corporation takes risk management very seriously and the corporate governance report sets out in some detail the control framework in place to manage or mitigate the risks that the group faces.

Viability statement

The Corporation is required to publish a longer-term statement about its viability as part of its compliance with the Code and the UKLA listing rules.

The directors believe that a forward looking period of three years is appropriate. The directors assess the Corporation's future prospects by keeping under close review its current and projected financial position, threats/risks to the delivery over the longer term of the investment strategy objectives and the group business model and a macroeconomic overview based on a reasonable time horizon. A three year time period also takes into account the nature of the markets in which the IFS businesses operate, where fluctuations in revenue can occur year-on-year for reasons beyond Law Debenture's control.

The directors confirm that they have a reasonable expectation that the Corporation will continue to implement its investment strategy and business model and to operate and be able to meet its liabilities as they fall due for the next three financial years. There are no current plans to amend the investment policy, which has delivered good capital and dividend returns for shareholders over many years. The overarching strategy for the IFS businesses remains to continue to grow them profitably and safely.

The directors' strategic report explains in detail their assessment and understanding of the principal risks facing the Corporation and the group and there is a detailed description of the controls in place to manage those risks in the corporate governance report. The main qualification to this viability statement is that the investment manager is appointed on a fully discretionary basis, so while stocks are picked by the manager within the guidelines in the investment strategy, the board does not have the right to dictate what individual stocks are bought or sold. Portfolio over or under performance is only properly measurable over the medium and longer term. Short term fluctuations will not necessarily result in a change of strategy, but might in extreme circumstances pose a risk to viability.

This risk is accepted within the board's risk appetite.

This statement is in addition to, rather than any replacement of, the going concern basis of preparation statement on page 31.

Key performance indicators ("KPI")

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

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

Since the objective of the investment trust is measurable solely in financial terms, the directors do not consider that it is appropriate to adopt non-financial KPIs.

Investment strategy – implementation

The way in which we implemented the investment strategy during 2015 is described in the investment manager's review at page 20.

Performance against KPIs is set out at pages 2, 3 and 13 to 19, which contain comprehensive tables, charts and data to explain performance both over the year under review and over the long term.

Law Debenture's responsibilities as an institutional shareholder

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

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

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

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

Henderson, on Law Debenture's behalf, monitors companies in which Law Debenture is invested, and from time to time may discuss matters of corporate responsibility with such companies. The Henderson corporate governance unit will notify Law Debenture's investment manager, who in turn will notify Law Debenture, should matters arise that might lead the Corporation to consider intervening, abstaining or voting against a particular proposal. During the year, the Corporation abstained or voted against one or more resolutions at the annual general meetings of 12 investee companies.

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

A conflict of interest could potentially arise from the Corporation's investments in products operated by its investment manager, Henderson. The board is mindful of this and manages the potential conflict by careful monitoring of the performance of any such funds.

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

The IFS businesses – part of our business model

Operating through wholly owned subsidiary companies, all of which are listed at note 13 to the accounts, we provide the following services: corporate trusts, pension trusts, corporate services (including agent for service of process), treasury services, whistleblowing services and governance services to client boards. The services are provided through offices in London, Sunderland, New York, Delaware, Hong Kong and the Channel 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 small 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 IFS in 2015 are given in the management review at page 23.

The **principal risks** to the business model from the IFS arise where transactions to which we provide a service come under stress – say by going into default, or where re-financings or other transaction amendments are required. Such risks may arise from the wider economic pressures on some sectors, borrowers and regions. To mitigate these risks, we work closely with our legal advisers and where appropriate, financial advisers, both in the set up phase to ensure that we have as many protections as practicable and on a continuing basis. The directors, via detailed audit committee review, monitor these risks closely to ensure that the risks of the IFS businesses cannot impact the investment portfolio.

The single **KPI** of the IFS is revenue return per share, which is reported within the financial summary and performance table and the ten year record at pages 2 and 3.

Environmental, employee related, community and social issues

Law Debenture considers that none of its trading activities has a negative environmental impact. We disclose our carbon emissions consumption as part of the directors' report.

Those emissions relate solely to the maintenance of our various offices around the world.

The group's employees are provided with modern, comfortable working environments that comply with all relevant safety regulations. Employee wellbeing is ensured through delivery of a range of benefits designed to promote good health including health insurance, medicals, etc. Independent confidential helpline facilities are provided to enable employees to deal with issues of concern to them, whether work related or domestic. As a result of these measures, and senior management's open style, staff turnover is extremely low.

The group supports certain charities from time to time, particularly where employees have personally organised events, or take part in sponsored activities, that benefit charities related to them or their families.

Law Debenture has supported local social and community initiatives in London by participating in the Social Mobility Foundation (helping high achieving young people from low income families to gain work experience through an internship with us). The group is unaware of any human rights issues that might arise from its activities, mindful though of the need to act responsibly as an institutional shareholder (as described above).

Breakdown of employees by sex

We report that:

- one director of the group parent is female, representing 20% of the board (2014: 25%);
- 15% of the senior managers of the group are female (2014: 23%) (senior manager being any individual with responsibility for planning, directing or controlling an activity of one of the subsidiary companies, excluding the managing director); and
- 45% (2014: 46%) of the group employees are female.

Future trends and factors

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

The chairman's statement, the investment manager's review and the IFS management review respectively set out some views on future developments.

Performance and related data

Pages 2, 3 and 13 to 19, which contain performance and related data, form a part of this strategic report.

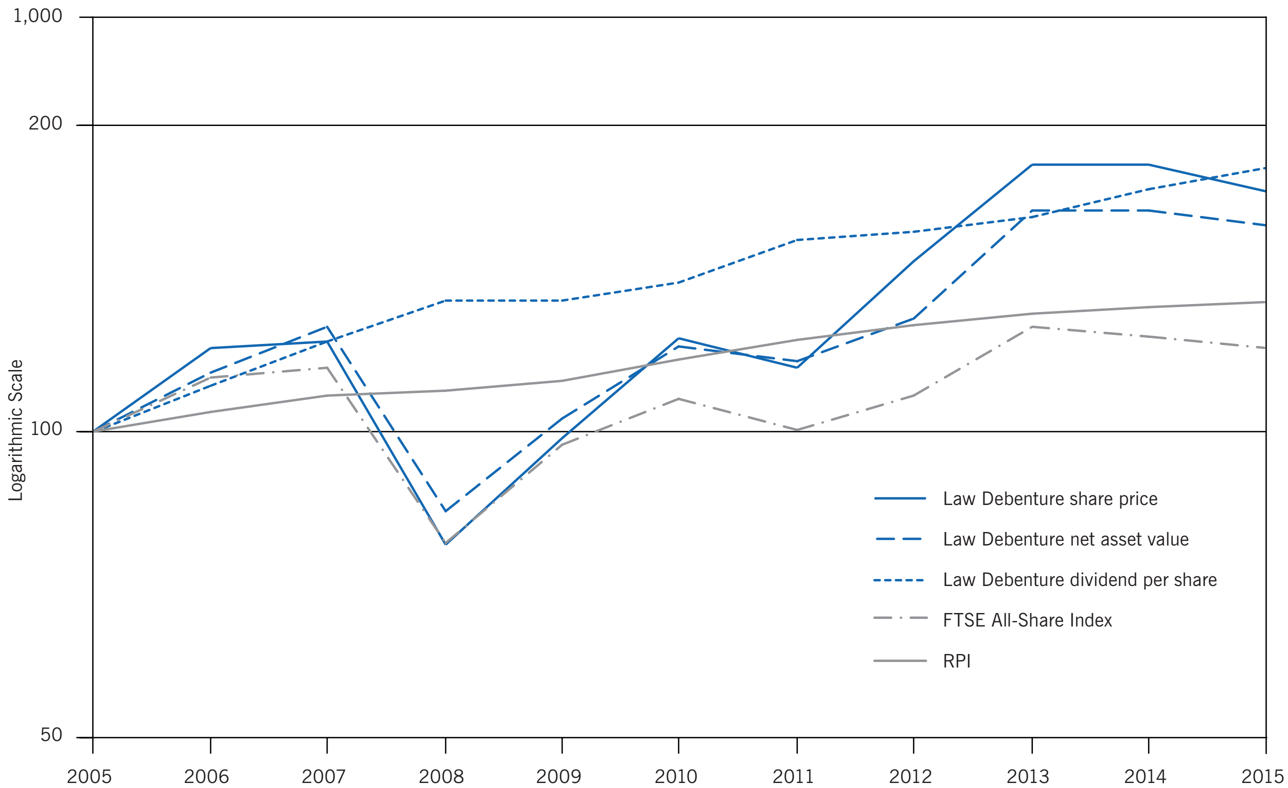
Law Debenture Corporate Services Limited
Company Secretary

25 February 2016

	5 years %	10 years %
NAV total return[1]	**53.2**	**124.0**
FTSE Actuaries All-Share Index total return[2]	**33.8**	**71.8**
Share price total return[2]	**64.4**	**146.1**
Change in Retail Price Index[2]	**13.7**	**33.7**
Investment trusts (Global)[3]	**57.7**	**129.7**
Unit trusts/OEICs (Global)[3]	**32.8**	**69.3**
Investment trusts (UK all companies)[3]	**54.6**	**93.3**
Unit trusts/OEICs (UK all companies)[3]	**42.7**	**77.9**

[1] Calculated in accordance with AIC methodology based on NAV including fair value of IFS businesses and long term borrowings.
[2] Source: AIC.
[3] Source: IMA/Morningstar – produced by Canaccord Genuity.

10 year performance



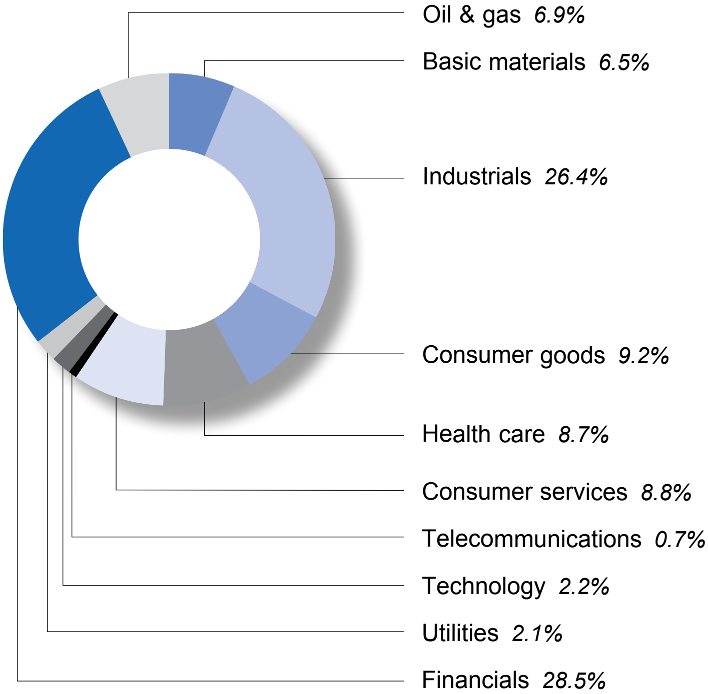
14 Classification of investments based on market values at 31 December 2015

	United Kingdom %	North America %	Europe %	Japan %	Other Pacific %	Other %
Oil & gas						
Oil & gas producers	4.57	–	0.20	–	–	–
Oil equipment & services	0.95	1.14	–	–	–	–
	5.52	1.14	0.20	–	–	–
Basic materials						
Chemicals	1.85	–	0.16	–	–	–
Forestry & paper	0.86	–	–	–	–	–
Mining	3.64	–	–	–	–	–
	6.35	–	0.16	–	–	–
Industrials						
Construction & materials	3.97	–	–	–	–	–
Aerospace & defence	5.47	1.06	–	–	–	0.54
General industrials	1.76	–	–	–	–	–
Electronic & electrical equipment	2.56	1.01	0.35	–	–	–
Industrial engineering	3.25	1.79	–	–	–	
Industrial transportation	0.15	–	0.16	–	–	–
Support services	3.24	–	1.08	–	–	–
	20.40	3.86	1.59	–	–	0.54
Consumer goods						
Automobiles & parts	2.24	–	–	1.11	–	–
Beverages	–	–	0.23	–	–	–
Food producers	1.10	–	0.85	–	–	–
Household goods & home construction	2.04	–	0.24	–	–	–
Tobacco	1.15	–	0.23	–	–	–
	6.53	–	1.55	1.11	–	–
Health care						
Health care equipment & services	1.72	1.25	1.18	–	–	–
Pharmaceuticals & biotechnology	2.40	1.19	1.02	–	–	–
	4.12	2.44	2.20	–	–	–
Consumer services						
Food & drug retailers	0.42	–	–	–	–	–
General retailers	1.73	–	0.17	–	–	–
Media	3.63	–	–	–	–	–
Travel & leisure	2.84	–	–	–	–	–
	8.62	–	0.17	–	–	–
Telecommunications						
Mobile telecommunications	0.66	–	–	–	–	–
	0.66	–	–	–	–	–
Utilities						
Electricity	0.74	–	–	–	–	–
Gas water & multiutilities	1.39	–	–	–	–	–
	2.13	–	–	–	–	–
Financials						
Banks	2.38	–	–	–	–	–
Nonlife insurance	4.44	–	–	–	–	–
Life insurance / assurance	2.67	–	–	–	–	–
Real estate investment & services	0.90	–	–	–	–	–
Real estate investment trusts	1.29	–	–	–	–	–
Financial services	4.43	–	0.37			
Equity investment instruments	1.81	–	–	2.84	6.39	1.00
	17.92	–	0.37	2.84	6.39	1.00
Technology						
Software & computer services	–	1.20	0.24	–	–	–
Technology hardware & equipment	–	0.75	–	–	–	–
	–	1.95	0.24	–	–	–
Total 2015	**72.25**	**9.39**	**6.48**	**3.95**	**6.39**	**1.54**
Total 2014	72.85	9.35	6.41	2.90	6.44	2.05

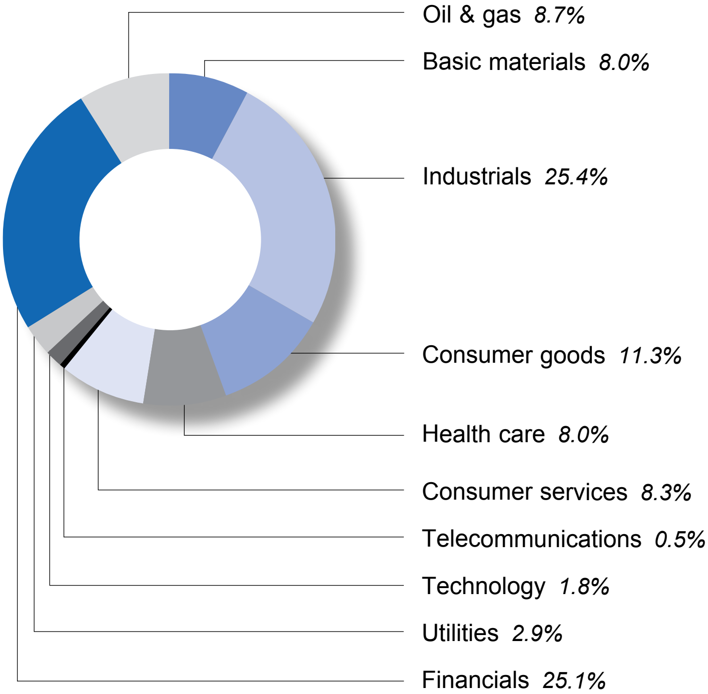
The above table excludes bank balances and short term deposits.

Total 2015 £000	2015 %	Total 2014 £000	2014 %
29,736	**4.77**	34,976	5.83
13,020	**2.09**	17,441	2.90
42,756	**6.86**	52,417	8.73
12,568	**2.01**	17,766	2.95
5,332	**0.86**	4,200	0.70
22,641	**3.64**	25,768	4.29
40,541	**6.51**	47,734	7.94
24,660	**3.97**	13,721	2.28
43,906	**7.07**	44,971	7.47
10,917	**1.76**	8,862	1.47
24,322	**3.92**	24,805	4.12
31,267	**5.04**	33,329	5.56
1,913	**0.31**	2,538	0.43
26,811	**4.32**	24,485	4.08
163,796	**26.39**	152,711	25.41
20,851	**3.35**	18,393	3.06
1,452	**0.23**	8,366	1.39
12,152	**1.95**	15,441	2.57
14,190	**2.28**	16,945	2.82
8,620	**1.38**	8,638	1.43
57,265	**9.19**	67,783	11.27
25,714	**4.15**	18,265	3.04
28,647	**4.61**	29,609	4.93
54,361	**8.76**	47,874	7.97
2,616	**0.42**	4,246	0.71
11,806	**1.90**	11,527	1.92
22,555	**3.63**	18,628	3.09
17,702	**2.84**	15,554	2.60
54,679	**8.79**	49,955	8.32
4,125	**0.66**	2,897	0.48
4,125	**0.66**	2,897	0.48
4,578	**0.74**	9,155	1.52
8,653	**1.39**	8,580	1.42
13,231	**2.13**	17,735	2.94
14,772	**2.38**	11,259	1.87
27,594	**4.44**	19,331	3.22
16,565	**2.67**	11,642	1.93
5,596	**0.90**	5,208	0.87
7,998	**1.29**	7,509	1.25
29,830	**4.80**	21,905	3.65
74,860	**12.04**	73,996	12.33
177,215	**28.52**	150,850	25.12
8,947	**1.44**	9,872	1.64
4,697	**0.75**	1,066	0.18
13,644	**2.19**	10,938	1.82
621,613	**100.00**		
		600,894	100.00

Portfolio by sector 2015



Portfolio by sector 2014



The number of investments was 136 at 31 December 2015 (2014: 132).

	£000	%
Oil & gas		
Oil & gas producers		
BP	12,390	1.99
Royal Dutch Shell	11,573	1.86
Tullow Oil	2,317	0.37
Total (Fra)	1,259	0.20
Indus Gas	825	0.13
Premier Oil	606	0.10
Providence Resources	466	0.07
Xcite Energy	300	0.05
	29,736	4.77
Oil equipment & services		
Cape	5,875	0.95
Schlumberger (USA)	3,760	0.60
Gibson Energy (Can)	2,123	0.34
National Oilwell Varco (USA)	1,129	0.18
Now (USA)	133	0.02
	13,020	2.09
Basic materials		
Chemicals		
Croda	5,315	0.85
Elementis	3,941	0.63
Velocys	2,327	0.37
Linde (Ger)	985	0.16
	12,568	2.01
Forestry & paper		
Mondi	5,332	0.86
	5,332	0.86
Mining		
Rio Tinto	10,390	1.67
Glencore	5,072	0.82
BHP Billiton	4,934	0.79
Anglo American	*2,245*	*0.36*
	22,641	3.64
Industrials		
Construction & materials		
Marshalls	10,110	1.63
Balfour Beatty	5,443	0.88
Ibstock	*5,100*	*0.82*
Accsys Technologies	4,007	0.64
	24,660	3.97
Aerospace & defence		
Senior	13,191	2.12
BAE Systems	8,993	1.45
Rolls Royce	8,050	1.30
Lockheed Martin (USA)	6,587	1.06
Meggitt	3,731	0.60
Embraer (Bra)	3,354	0.54
	43,906	7.07
General industrials		
Smith (DS)	10,917	1.76
	10,917	1.76

	£000	%
Electronic & electrical equipment		
Spectris	6,307	1.01
Applied Materials (USA)	6,293	1.01
Morgan Advanced Materials	5,566	0.90
TT Electronics	2,269	0.37
XP Power	1,711	0.28
Legrand (Fra)	1,099	0.18
Philips Electronics (Net)	1,077	0.17
	24,322	3.92
Industrial engineering		
Hill & Smith	9,838	1.58
Deere (USA)	5,092	0.82
Cummins (USA)	4,153	0.68
IMI	3,769	0.61
Weir Group	3,500	0.56
Renold	2,541	0.41
Caterpillar (USA)	1,832	0.29
Severfield	542	0.09
	31,267	5.04
Industrial transportation		
AP Moller-Maersk (Den)	973	0.16
Wincanton	917	0.15
Goldenport	23	–
	1,913	0.31
Support services		
Johnson Service	7,519	1.21
Interserve	5,252	0.84
Babcock	3,517	0.57
Carillion	3,323	0.53
Deutsche Post (Ger)	2,402	0.39
SGS (Swi)	1,691	0.27
Adecco (Swi)	1,423	0.23
Sodexo (Fra)	1,155	0.19
Augean	529	0.09
	26,811	4.32
Consumer goods		
Automobiles & parts		
GKN	13,943	2.24
Toyota Motor (Jap)	6,908	1.11
	20,851	3.35
Beverages		
Pernod-Ricard (Fra)	1,452	0.23
	1,452	0.23
Food producers		
Unilever	5,121	0.82
Nestlé (Swi)	4,045	0.65
Greencore	*1,771*	*0.28*
Origin Enterprises (Ire)	*1,215*	*0.20*
	12,152	1.95
Household goods & home construction		
Redrow	7,604	1.22
Bellway	5,105	0.82
L'Oreal (Fra)	1,481	0.24
	14,190	2.28

Those shown in italics are new holdings in the six months since 30 June 2015.

	£000	%
Tobacco		
Imperial Brands	7,164	1.15
Swedish Match (Swe)	1,456	0.23
	8,620	1.38
Health care		
Health care equipment & services		
Becton Dickinson (USA)	7,791	1.25
Smith & Nephew	5,673	0.91
Fresenius (Ger)	5,014	0.82
Spire Healthcare	5,006	0.81
Fresenius Medical Care (Ger)	2,230	0.36
	25,714	4.15
Pharmaceuticals & biotechnology		
GlaxoSmithKline	10,298	1.66
AstraZeneca	4,616	0.74
Johnson & Johnson (USA)	*4,154*	*0.67*
Pfizer (USA)	3,263	0.52
Novartis (Swi)	2,807	0.45
Roche (Swi)	2,168	0.35
Novo-Nordisk (Den)	1,341	0.22
	28,647	4.61
Consumer services		
Food & drug retailers		
Tesco	2,616	0.42
	2,616	0.42
General retailers		
Dunelm	7,969	1.28
Findel	1,616	0.26
Topps Tiles	1,185	0.19
Inditex (Spa)	1,036	0.17
	11,806	1.90
Media		
Relx	8,978	1.44
Sky	6,116	0.98
Pearson	3,861	0.63
Daily Mail & General Trust	3,600	0.58
	22,555	3.63
Travel & leisure		
Carnival	7,732	1.24
International Consolidated Airlines	6,557	1.05
Marstons	3,413	0.55
	17,702	2.84
Telecommunications		
Mobile telecommunications		
Inmarsat	4,125	0.66
	4,125	0.66
Utilities		
Electricity		
SSE	4,578	0.74
	4,578	0.74
Gas water & multiutilities		
National Grid	5,716	0.92
Severn Trent	2,175	0.35
Centrica	762	0.12
	8,653	1.39

	£000	%
Financials		
Banks		
HSBC	12,598	2.03
Standard Chartered	*2,174*	*0.35*
	14,772	2.38
Nonlife insurance		
Amlin	11,280	1.81
Hiscox	9,918	1.60
RSA Insurance	*6,396*	*1.03*
	27,594	4.44
Life insurance/assurance		
Prudential	8,176	1.32
Aviva	4,051	0.65
Chesnara	3,350	0.54
Standard Life	*974*	*0.16*
Permanent TSB (Ire)	14	–
	16,565	2.67
Real estate investments & services		
St Modwen Properties	5,596	0.90
	5,596	0.90
Real estate investment trusts		
Mucklow (A&J) Group	4,210	0.68
Land Securities	3,788	0.61
	7,998	1.29
Financial services		
IP Group	11,203	1.80
Provident Financial	9,257	1.49
International Personal Finance	3,468	0.56
Oxford Sciences Innovation (unlisted)	3,333	0.54
Deutsche Börse (Ger)	1,573	0.25
Amundi (Fra)	*677*	*0.11*
	29,511	4.75
Equity investment instruments		
Henderson Japan Capital Growth	17,661	2.84
Henderson Asia Pacific Capital Growth	13,105	2.11
Baillie Gifford Pacific	12,241	1.97
Stewart Investors Asia Pacific	11,739	1.89
Herald Investment Trust	6,294	1.01
Templeton Emerging Markets Investment Trust	6,237	1.00
Foresight Solar	3,000	0.48
Scottish Oriental Smaller Company Trust	2,583	0.42
Better Capital (2012)	2,000	0.32
	74,860	12.04
Technology		
Software & computer services		
Microsoft (USA)	7,477	1.20
Amadeus IT (Spa)	1,470	0.24
	8,947	1.44
Technology hardware & equipment		
Apple (USA)	*3,547*	*0.57*
Atmel (USA)	1,150	0.18
	4,697	0.75

Top 20 equity holdings by value

		2015		2014	
Rank	Company	Value £000	% of portfolio	% of portfolio	Rank
1	GKN	13,943	2.24	2.59	2
2	Senior	13,191	2.12	2.90	1
3	HSBC	12,598	2.03	1.87	7
4	BP	12,390	1.99	2.39	3
5	Royal Dutch Shell	11,573	1.86	2.23	4
6	Amlin	11,280	1.81	1.94	6
7	IP Group	11,203	1.80	1.37	15
8	Smith (DS)	10,917	1.76	1.47	9
9	Rio Tinto	10,390	1.67	2.12	5
10	GlaxoSmithKline	10,298	1.66	1.72	8
11	Marshalls	10,110	1.63	1.20	20
12	Hiscox	9,918	1.60	1.28	18
13	Hill & Smith	9,838	1.58	1.45	11
14	Provident Financial	9,257	1.49	1.12	23
15	BAE Systems	8,993	1.45	1.41	12
16	Relx	8,978	1.44	1.37	14
17	Prudential	8,176	1.32	0.74	50
18	Rolls Royce	8,050	1.30	0.72	52
19	Dunelm	7,969	1.28	1.31	17
20	Becton Dickinson (USA)	7,791	1.25	1.11	24
			33.28		

The top 20 equity holdings by value at 31 December 2014 accounted for 34% of the investment portfolio.

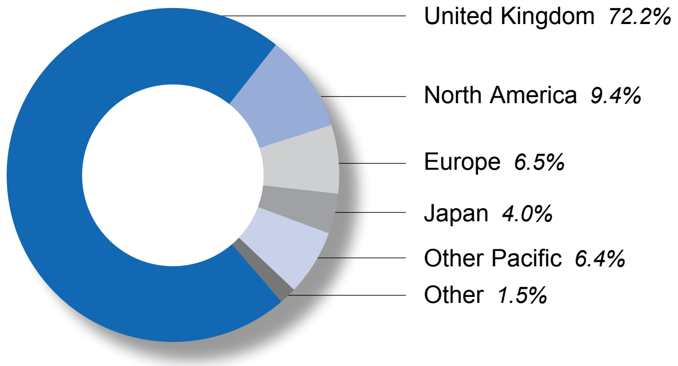
Other significant holdings by value

	2015		2014
Company	Value £000	% of portfolio	% of portfolio
Henderson Asia Pacific Capital Growth*	17,661	2.84	2.43
Henderson Japan Capital Growth*	13,105	2.11	2.25
Baillie Gifford Pacific*	12,241	1.97	2.13
Stewart Investors Asia Pacific*	11,739	1.89	1.92
Herald Investment Trust	6,294	1.01	0.93
Templeton Emerging Markets Investment Trust	6,237	1.00	1.39
Foresight Solar	3,000	0.48	0.52
Scottish Oriental Smaller Company Trust	2,583	0.42	0.14
Better Capital (2012)	2,000	0.32	0.62
		12.04	

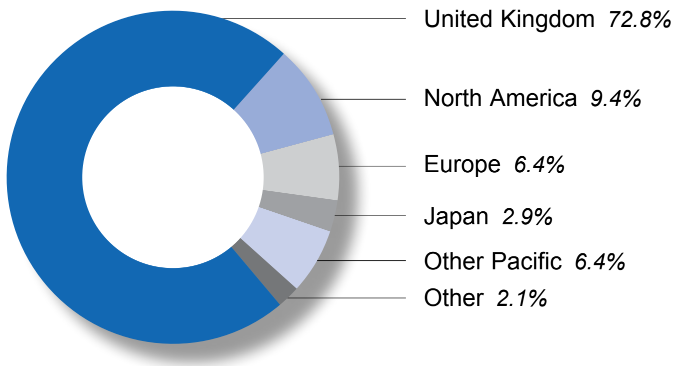
*Open ended investment companies.

	Valuation 31 December 2014 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	Appreciation/ (depreciation) £000	**Valuation 31 December 2015 £000**
United Kingdom	437,740	80,718	(368)	(51,423)	(17,452)	**449,215**
North America	56,129	7,375	(9)	–	(5,011)	**58,484**
Europe	38,604	1,720	(12)	(3,817)	3,591	**40,086**
Japan	17,462	4,269	(3)	–	2,841	**24,569**
Other Pacific	38,621	2,459	(10)	(355)	(1,047)	**39,668**
Other	12,338	–	–	–	(2,747)	**9,591**
	600,894	96,541	(402)	(55,595)	(19,825)	**621,613**

Geographical distribution of portfolio 2015



Geographical distribution of portfolio 2014



Review

Returns from equities were virtually unchanged over the year. However, within this there were large swings in individual company share prices. Industrial stocks across the globe came under pressure as economic growth expectations weakened, driven by developing problems within China and other emerging markets, as well as the large capital expenditure cuts put through by resource based companies, which reverberated through their suppliers. The share price weakness reduced valuations across the industrial sector. This sector is a significant part of the portfolio and although it has added considerable value over the longer term, it was the major area to detract value during 2015. However, the stocks we hold are strong competitive companies, often with unique technology based products. They are also usually cash generative, have low levels of debt by historic standards, and have attractive growing dividend yields as demonstrated in the chart below.

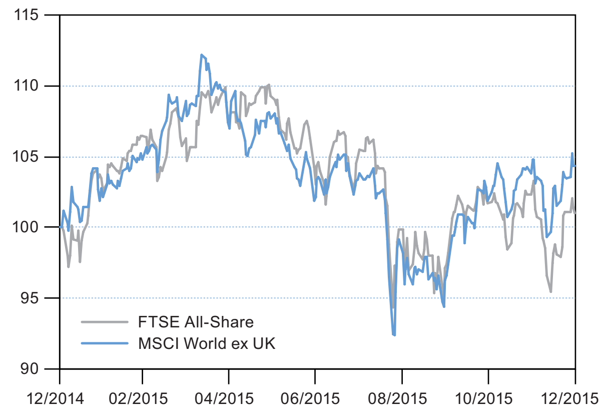
FTSE All-Share Industrial Engineers Dividend Yield (%)

Source: Datastream as at 31/12/15

The problems of the global economy have been excessively concentrated on by commentators and investors. For instance, the negative effects of the fall in the oil price have been the focus, but for non-oil producing countries, the fall in the oil price will in time prove beneficial. It will reduce costs for high energy using companies and it is a benefit for consumers. Overall the global economy is growing at a reasonable rate, while inflation in aggregate remains subdued.

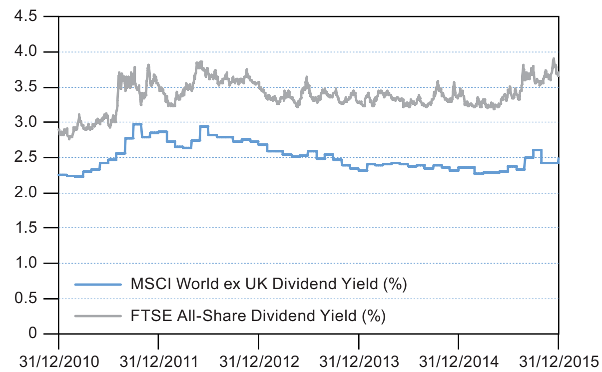
The UK market underperformed other major global stock markets during 2015. Sterling also weakened against the dollar. However, the UK market offers strong global companies with attractive dividend yields as demonstrated in the charts below.

Performance of the UK relative to the rest of the world



Source: Datastream as at 31/12/15. Total Return, GBP, Rebased to 100

Dividend yield in the UK relative to the rest of the world



Source: Datastream as at 31/12/15

The substantially higher dividend yield from the UK market is fundamental to the belief that UK quoted companies have relative and absolute valuation attractions. It is part of the reason we do not make major changes in the geographical allocation of the portfolio. Dividends are a cash payment and they focus the investor on cash generative businesses. It is this valuation tool that points us towards strong business franchises, especially at times when short term valuations of equities are moving on momentum and fashion.

Biggest rises by value

	Value appreciation £'000
Amlin	4,525
Redrow	3,748
Bellway	2,912
Marshalls	2,911
Provident Financial	2,497

Amlin received an agreed cash offer from Mitsui Sumitomo at a substantial premium, while Redrow and Bellway benefitted from the strength of the UK housing market.

Biggest falls by value

	Value depreciation £'000
Glencore	(6,265)
Velocys	(5,992)
Rio Tinto	(4,753)
Royal Dutch Shell	(4,506)
Senior	(4,228)

The four largest detractors were all hurt by the fall in commodity prices.

Investment approach

The focus is on holding stocks that are long term growing businesses, trading at levels that do not reflect their long term prospects. Individual stocks in the portfolio need to be blended so that overall, the portfolio has genuine diversity of underlying activities. The exposure to Far East stock markets is done through collective investment funds so as to achieve a broader selection of holdings. These funds are closely monitored by the board and the underlying managers are regularly questioned on their management of each fund.

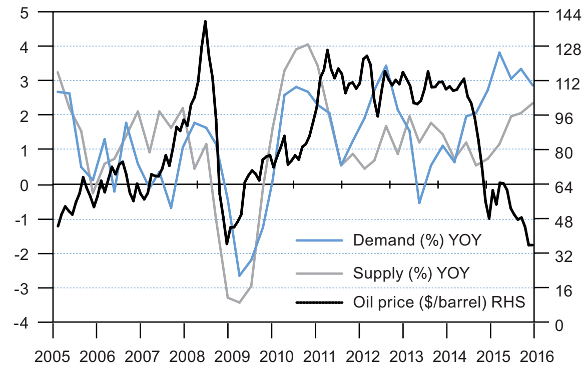
Investment activity

During the year, some of the companies whose share prices have been strong in recent years have been reduced or sold outright. Bellway would be an example of the former and AB Foods of the latter. The reason for this is that valuations had become demanding, which can leave the share price vulnerable to any disappointment in underlying trading. The proceeds were recycled into a variety of companies. These included Elementis, the international specialist chemical company, which is experiencing subdued trading conditions in some of its end markets, but given its overall strengths, this could be more than discounted for in the share price. We added to our holding in IP Group, a holding company for some very successful early stage university linked businesses. We also purchased a holding in Oxford Sciences Innovation, an unquoted company which will have a shareholding in all science based businesses that come out of Oxford University. Alongside these purchases, exposure was increased to oil and mining companies. An example would be Anglo American where the share price fall has been extreme and the valuation may not reflect the quality of its assets, such as their stake in the diamond company De Beers.

Outlook

The current oil price is likely to prove unsustainably low. Oil production will fall as a result of the substantial cutbacks on exploration and project deferrals, at a time when demand for oil should continue to grow.

Global oil demand/supply and the oil price



Source: Datastream as at 1 January 2016

Further purchases have been made in oil companies since the period end as we believe that the depressed share prices are not reflecting the medium term outlook. The same is true for parts of the mining sector, where certain commodity prices are likely to recover as demand and supply return to balance. Again, long term investors can take advantage by making selective purchases. These additions have detracted value in the short term, but place the portfolio for a recovery in investor confidence. This should return when it becomes clearer that there will be a reasonable level of economic growth. The long term drivers of growth are in place. New technologies will lead to further rapid changes and as these are implemented economic growth will advance. For instance, looking ahead at the automotive sector, the next generation of technology sophisticated cars will supplant the current stock and these cars are likely to be driven more. This in turn will not only boost industrial production, but will also require better infrastructure with increased spending on roads and bridges. The opportunities abound across various sectors for companies that can produce competitive goods and services.

This year will see the BREXIT vote. This may lead to further investor uncertainty. However, over 75% of the underlying earnings of the companies held in the portfolio come from outside the UK. It must be remembered that we are not invested in an economy but rather in dynamic companies that will be managed so as to deal with the problems that they encounter.

The portfolio will continue to comprise of a diverse range of companies, which are driving further improvements out of their businesses so as to maintain their advantage. In a period of considerable investor uncertainty, the dividend yield and the potential growth of dividend are a sound valuation yardstick. The dividend yield on the portfolio was at the period end 2.8%, which compares with a yield on the 10 year gilt of 1.7%. This suggests equity valuations are undemanding and companies that come through with good operating results will benefit.

James Henderson
Henderson Global Investors Limited

Results

Independent fiduciary services profit before tax decreased marginally from £9.3 million to £9.2 million. Revenue return per share increased by 3.2% from 6.87p to 7.09p, assisted by a reduction in the tax charge.

Independent fiduciary services businesses ("IFS")

Law Debenture is a leading provider of independent third party fiduciary services, including corporate trusts (including trustee and escrow banking), pension trusts, corporate services, agent for service of process, whistleblowing services and governance services to client boards and pension funds. The businesses are monitored and overseen by a board comprising the heads of the relevant business areas and two non-executive, independent directors.

Review of 2015

As the profit before tax number demonstrates, IFS performance was generally flat. The markets in which we operate were quite active in the first half of the year, less so in the second. Wider economic uncertainties began to filter through to the capital and debt markets, meaning that transaction volumes tailed off somewhat. As previously reported, we are in a prolonged period of downward pressure on fees. Competition for new appointments remains fierce, exacerbated in 2015 by competitor consolidations in some of our markets. Some sectors, such as pensions, did well and Safecall, our whistleblowing service, again had a very good year. Market share remained generally satisfactory.

Corporate trusts, including trustee and escrow banking

Corporate trusts had a reasonable year, with some interesting and prestigious appointments.

We act as trustee for the majority of the UK's clearing banks. In addition to the banks' traditional bond issuance under Medium Term Note ("MTN") programmes, we were appointed trustee of a new MTN programme by Lloyds and to a new programme by Permanent TSB (the third largest Irish bank). Santander UK Group Holdings appointed us trustee of a new Tier one capital issue.

Ireland updated its Euro 20bn EMTN Programme, with Law Debenture again acting as trustee. This highlights the successful turnaround of the Irish economy. It is rare for a sovereign to appoint a trustee, so we were pleased to be selected again.

We were involved as trustee on two equity linked bond issues for National Grid and Vodafone. In these transactions, the converting bondholders receive the cash equivalent of the underlying National Grid plc or Vodafone shares rather than the shares themselves.

On project finance initiatives, we have worked with International Finance Corporation (part of the World Bank) for many years and this year, we were selected as security trustee on a hydro-electric power station project with IFC as the lead lender - one of a series of hydro-electric power projects where we work with IFC. These projects represent good long term income for us.

We act as security trustee on aircraft financings involving a variety of aircraft, financing structures, carriers and security jurisdictions, holding security under either English or NY law mortgages and sometimes local law. In 2015 we were appointed on new aircraft financings for Emirates, Hainan (China's 4th largest airline), Iberia and Qatar Airways.

Our recognised independence as an impartial third party continues to enable us to secure many escrow agent appointments. If an escrow arrangement involves Law Debenture holding cash as escrow agent, then it is serviced by our trust and escrow banking team. This escrow work helps us to diversify our income base away from the competitive bond market.

It has been another active and busy year for us on post-issuance work, ranging from transaction amendments to restructurings and defaults. This work is carefully managed by our experienced trust management team and continues to be a source of material additional income for the business.

Pension trusts and governance services

Our pension trusteeship service had another good year in a market environment that continues to change. An increased focus on defined contribution schemes and the continued refinement of the needs of final salary schemes provided an increasing demand for our services, especially as chair of trustees.

The performance of our sole trusteeship services, where we act as the sole trustee of final salary schemes and deliver one-stop governance cost effectively, continues to show progress. This positive development, alongside the establishment of independent governance committees for providers of workplace personal pensions, has generated new opportunities for us and we have secured several appointments.

Our governance and board effectiveness business is still in demand in what has become a highly competitive market. We continued to win assignments in the FTSE 250 sector as well as conducting several significant reviews for pension trustee boards. Our corporate governance board evaluation tools are being used widely, especially by our clients on pension fund trustee boards.

Corporate services

Our long established and highly regarded service of process business had another solid year.

The corporate services business (provision of corporate directors, company secretary, accounting and administration of special purpose vehicles) saw some gains, and despite sluggish securitisation markets, a number of new appointments were secured for clients including Virgin Money and Blackrock. In non-structured finance markets, we continued to win new customers with company secretarial, M&A and corporate governance appointments.

Safecall

Our external whistleblowing service had another successful year with a considerable number of new appointments. As pressure increases from regulators, both in the UK and around the world, more and more organisations are looking to enhance their compliance programmes. This has been particularly evident in the financial sector, with the FCA looking to promote a culture where individuals feel able to raise concerns and challenge poor practice and behaviour. Notable appointments during the year included Clydesdale Bank, SSE, Paddy Power, UBM & Aer Lingus.

Overseas

United States

2015 financial performance was driven by the 'separate trustee' and the 'successor trustee/bankruptcy' businesses. During the year the separate trustee portfolio continued its strong growth, adding an additional 100 appointments, but the successor trustee/bankruptcy business again underperformed expectations, despite gaining appointment to the creditors' committee on a high profile casino bankruptcy. We maintained our top ten ranking in the U.S. league tables for new trustee business in 2015.

The corporate services business, including Delaware Corporate Services, continued to generate good returns.

Hong Kong

Levels of new business in 2015 were generally low, partially as a result of developments in the Chinese stock market. Accordingly, volumes of new issuance in the Asian loan and bond markets, as well as M&A activity and business activity generally, were significantly lower in 2015 compared with the previous year. More positively however, a move to new offices was concluded successfully thereby reducing overheads. We are cautiously optimistic that levels of general activity in Hong Kong will begin to improve in 2016.

Channel Islands

There was much activity on existing transactions, which contributed to good returns in 2015, along with an increase in the number of business enquires in the year, which should lead to more new appointments. There was also an increase in the number and value of service of process appointments.

Outlook

We expect that 2016 will be another flat year. Wider uncertainties surrounding commodities and the emerging markets are not good news for some of our businesses. Nor is the threat of a Brexit. Uncertainty forces market participants to postpone or cancel transactions where we would expect to have roles. Nevertheless, our modus operandi is unchanged – that is, we will continue to keep under review the range of services that we offer and remain open to any prospect that might allow us safely to grow the IFS businesses, either by expansion into areas where there is a need for an established, trusted, independent third party, or through acquisition.

This is my last annual report as The Managing Director. I have thoroughly enjoyed my time with Law Debenture and in particular, leading the successful independent fiduciary services businesses, which are in my opinion a real gem. I would also like to sincerely thank our staff, present and past, whose important work by its nature often goes unheralded, for their professionalism and dedication and without whom, Law Debenture would not be the organisation it is today.

I remain committed to delivering the best outcome possible for Law Debenture between now and my retirement and I look forward to following its continuing, successful journey in the years to come.

Caroline Banszky

The directors present their annual report and the audited financial statements for the year ended 31 December 2015. The Corporation retains its status as an investment trust and has been treated by HM Revenue & Customs and approved as such for the year ended 31 December 2014, the latest year for which financial statements have been submitted. Such approval for the year ended 2014 is subject to there being no subsequent enquiry under Corporation Tax Self Assessment. In the opinion of the directors, the Corporation has subsequently conducted its affairs so as to enable it to obtain approval under Sections 1158-1159 of the Corporation Tax Act 2010. The Corporation, which (as far as the directors are aware) is not a close company, is registered as an investment company as defined in Section 833 of the Companies Act 2006 and operates as such. The directors consider that the group operates as a going concern.

The corporate governance report at pages 29 to 33 forms a part of the directors' report.

Essential contracts

In the view of the board, the only contract that is essential to the business of the group is the investment management agreement with Henderson Global Investors, details of which are set out in the strategic report.

Revenue, dividends and reserves

The revenue return attributable to shareholders for the year ended 31 December 2015 was 18.1p. The directors recommend a final dividend of 11.0p per share, which together with the interim dividend of 5.2p paid in September 2015, will produce a total of 16.2p (2014: 15.7p). The final dividend will be paid on 21 April 2016 to holders on the register on the record date of 18 March 2016. After deduction of the interim and final dividends of £19,123,000 (2014: £18,518,000), consolidated revenue reserves increased by £3,196,000 (2014: decrease of £822,000).

Directors

The directors are listed on page 49 and held office throughout the year other than Tim Bond, who was appointed on 14 April.

All directors are required to stand for re-election every year. The list of candidates, which the board supports, is set out in the notice of annual general meeting, along with a statement in each case of why the candidate is supported.

Directors' conflicts of interests

The directors are under statutory duty to avoid conflicts of interest. The board has in place appropriate procedures to deal with conflicts and potential conflicts, including an annual review, and those procedures are operating effectively. Each director has declared all matters that might give rise to a potential conflict of interest and these have been considered and (where necessary) approved by the board.

Regulatory compliance

The Corporation is subject to continuing obligations applicable to premium listed companies, overseen by the UK Listing Authority and all relevant disclosures have been made. Disclosure required by Listing Rule 9.8.4 is at note 17 on page 73.

The Alternative Investment Fund Managers Directive ("AIFMD"), came into effect in 2014 and the Corporation was required to appoint an 'Alternative Investment Fund Manager' ("AIFM"), which must be appropriately regulated by the FCA. The Corporation elected to be its own AIFM and received the necessary FCA regulatory permission during the year.

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

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

The AIFMD requires us to report on 'leverage'. This is slightly different from gearing, leverage being any method of borrowing that increases the Corporation's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Corporation's exposure and its NAV and must be calculated on a 'gross' and a 'commitment' method. Under the gross method, exposure represents the sum of the Corporation's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other. At 31 December 2015 the maximum amount of leverage under the gross and commitment methods was 1.50 and actual amounts were 1.17 and 1.22 respectively.

Foreign Account Tax Compliance Act ('FATCA')

FATCA is US tax legislation that requires non-US financial institutions to register with the United States Internal Revenue Service and make periodic reports about US taxpayers that hold substantial positions in the Corporation. The Corporation has registered as a Reporting Foreign Financial Institution and obtained a Global Intermediary Identification Number (GIIN = 8FM3UX.99999.SL.826).

Greenhouse gas emissions

The group's carbon emissions arise solely from its consumption of energy in maintaining its offices. Using Defra/DECC conversion factors published in June 2014 via the Carbon Trust website, emissions for the year to 31 December 2015 were 506.05 tonnes of CO_2e (2014: 411.48 tonnes of CO_2e). This equates to 0.0166 tonnes of CO_2e per £000 of IFS revenue (2014: 0.0128 tonnes of CO_2e).

Repurchase of shares

During the year, the Corporation did not repurchase any of its shares for cancellation. It intends to seek shareholder approval to renew its powers to repurchase shares for cancellation up to 14.99% of the Corporation's issued share capital, if circumstances are appropriate.

Substantial shareholdings and share information

As at 25 February 2016, there were no shareholders that had notified the Corporation of a beneficial interest in 3% or more of the issued share capital. Share information as required by section 992 of the Companies Act 2006 appears at page 87.

Shareholder relations

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

Employee participation

Employees are informed of the financial aspects of the group's performance through periodic management meetings. Copies of the annual and half yearly reports are made available to all employees. The Corporation operates a SAYE scheme in which all UK full-time employees are eligible to participate after completing a minimum service requirement.

Options outstanding under the SAYE scheme at 31 December 2015 were:

Date of grant	Number of option holders	Shares under option	Exercise price
4 August 2011	12	18,974	357.51p
3 September 2012	6	6,771	398.50p
14 August 2013	11	15,010	499.50p
27 August 2014	41	105,565	518.00p
19 August 2015	21	41,843	512.50p

The Corporation also operates a Share Incentive Plan, details of which are provided in the remuneration report.

Investment manager – interests held

James Henderson did not have a beneficial interest at 31 December 2015 (2014: nil) although parties connected to him had an interest of 100,000 shares (2014: 100,000 shares).

The Corporation holds no shares in members of the HHG Group, the parent company of Henderson. It has been notified that funds managed by members of the HHG Group held 104,515 shares in the Corporation at 31 December 2015.

Bribery Act

The Corporation maintains a 'zero tolerance' anti-bribery policy, which applies to the Corporation and all its subsidiaries. The policy is published on the Corporation's website.

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a strategic report, a directors' report and directors' remuneration report which complies with the requirements of the Companies Acts.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The directors have chosen to prepare financial statements for the Corporation in accordance with IFRSs. During 2015, the Corporation's principal subsidiaries elected to adopt FRS 101 enabling them to use the recognition and measurement bases of IFRSs in their respective financial statements, while being exempt from a number of disclosures required by full IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Corporation's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare a strategic report, a directors' report and directors' remuneration report that complies with the Companies Act 2006, as amended.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors and is subject to annual review by the board. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of information given to auditors

The directors have confirmed that so far as they are aware, there is no relevant audit information of which the Corporation's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Corporation's auditors are aware of that information.

Directors' responsibility statement pursuant to DTR4

The directors confirm to the best of their knowledge:

- the group financial statements have been prepared in accordance with IFRSs and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- the annual report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that they face.

Auditors

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

By order of the board

Law Debenture Corporate Services Limited
Secretary
Registered in England – No. 30397

The directors are required to report on how the Corporation has applied the main and supporting principles in the UK Corporate Governance Code (the ‘Code’), and to confirm that it has complied with the Code’s provisions or, where this has not been the case, to provide an explanation. This report relates to the Code as published in September 2014, a copy of which may be obtained by visiting www.frc.org.uk. The Corporation was a constituent of the FTSE 250 until June 2015, so all of the provisions of the Code apply to it. However, the Code recognises that investment companies such as Law Debenture may have board structures which might affect the relevance of particular provisions of the Code. Where Law Debenture has departed from any provisions of the Code, this is explained below. This corporate governance statement forms a part of the directors’ report.

The board – role, modus operandi and appraisal

The board includes a majority of non-executive directors. The names and biographies of the directors, all of whom served throughout the year, apart from Tim Bond who was appointed on 14 April, are on page 49 of the annual report.

The board is responsible for the overall strategy and management of the group, setting investment strategy and ensuring that the Corporation is operating in compliance with statutory and legal obligations. There is a formal schedule of matters specifically reserved for board decision, published on the Corporation’s website (www.lawdeb.com under investment-trust/corporate-governance). Matters connected with strategy and management, structure and capital, financial reporting and control, investment trust portfolio, contracts, shareholder communication, board membership and other appointments, remuneration and corporate governance are reserved for the board. There is a separate schedule setting out the division of responsibility between the chairman and managing director.

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

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

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

The board meets regularly throughout the year. The attendance records of the directors (both at meetings of the board and, where relevant, meetings of board committees) are set out in the table below. There was also a strategy day during the year attended by the directors.

	Board	Remuneration	Audit	Nominations
Number of meetings in the year	8	4	4	3
Meetings attended by:				
C. Banszky	8	–	–	–
M. Bridgeman	8	4	4	3
R. Laing	8	4	4	3
C. Smith	8	4	–	3
T. Bond*	6	1	2	2

* Appointed 14 April 2015.

The board keeps under review the performance of the executive director and the chairman formally appraises all the directors each year and implements any training or education needs that might be identified. The non-executive directors meet once each year (without the presence of the chairman) to review the chairman’s performance, the results of the review being discussed with the chairman by the senior independent director (‘SID’). The board evaluates its own performance and that of its committees during the annual strategic away day and considers these matters again after each AGM in the light of comments received from shareholders and other interested parties. The last external review was conducted in 2013.

Robert Laing is the SID. The SID is available to shareholders who have concerns that cannot be addressed through the chairman, managing director or chief financial officer.

The board – independence

At least half of the board, excluding the chairman, must be independent non-executive directors ('NEDs'). The board has concluded that as at the date of this report, excluding the chairman, three of the four other directors are independent NEDs. In judging independence, the board takes into account whether or not a director is independent of management and any material business or other relationship that could affect or interfere with the exercise of objective judgement by the director, or his/her ability to act in the best interests of the Corporation and its subsidiaries.

The chairman, Christopher Smith, was independent at appointment and continued to be independent throughout the period in the view of the board.

The board is satisfied that Christopher Smith's other commitments do not interfere with the discharge of his responsibilities to Law Debenture, and that he makes sufficient time available to discharge his duties as chairman.

Robert Laing was independent at appointment in April 2012 and the board is satisfied that he remains so, having no current or previous connections with the Corporation or any of its subsidiaries.

Mark Bridgeman was independent at appointment in March 2014 and the board is satisfied that he remains so, having no current or previous connections with the Corporation or any of its subsidiaries.

Tim Bond was independent at appointment in April 2015 and the board is satisfied that he remains so, having no current or previous connections with the Corporation or any of its subsidiaries.

The board – re-election and renewal

The nominations committee ensures that the board has in place arrangements for orderly and transparent appointments to the board. There are job descriptions in place for NEDs' roles, and the board has written terms and conditions of appointment for NEDs, which are available for inspection at the AGM. Particular care is taken to ensure that NEDs have sufficient time to commit to the duties expected of them and as necessary, diversity issues are considered. No new NED is appointed without first being interviewed by each existing NED.

All new directors undergo an induction process, involving presentations by the managing director and each business head and meetings with the investment manager.

All directors are submitted for annual re-election, subject to continued satisfactory performance, which is assessed as described above. There is no maximum number of terms that a director may serve. The Corporation has established a diversity policy, described in the nominations committee report.

Directors' remuneration

Details of the directors' remuneration appear in the remuneration report on page 46.

Board committees

The board has established a nominations committee, an audit committee and a remuneration committee, to which it has delegated certain responsibilities. Each committee has terms of reference, which are published on the Corporation's website (www.lawdeb.com/investment-trust/corporate-governance). Membership of the committees is kept under review, taking account of the Code's acknowledgement of the position of investment trusts. The board is deliberately kept small and the board believes this in the best interests of shareholders. The board is satisfied that its composition and size is sufficient to ensure that the requirements of the business can be met.

A majority of members of board committees are independent NEDs as assessed by the board and the committee memberships are fully compliant with Code stipulations.

A summary of each committee is set out below.

Nominations committee

Role

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

Key duties

- identification and nomination for board approval of suitable candidates to fill vacancies;
- succession planning (in particular of the chairman and managing director);
- making recommendations about the re-appointment of non-executive directors; and
- ensuring that the board and its committees are constituted to comply so far as practicable with the Code.

The committee reports as follows:

The committee engaged Stephenson & Co (which has no other connections with the Corporation) to assist with the search leading to the appointment of Tim Bond and has engaged Odgers Berndtson (which has no other connection with the Corporation) to conduct the search for a new chief executive. Our diversity policy states that while the board remains small, it will endeavour to have at least one director who is female. That objective is currently being met.

Members
C. Smith (Chairman)
T. Bond *(from 14 April)*
M. Bridgeman
R. Laing

Audit committee

Following best practice guidelines published by the Financial Reporting Council ('FRC'), the audit committee's report is published as a separate section of the annual report and can be found at pages 34 to 36.

Remuneration committee

Role
To develop the Corporation's remuneration policy and oversee its implementation, monitoring the effectiveness of the policy as it relates to the group's executives.

Key duties

- reviewing and agreeing the remuneration and benefits of the executive director and senior executives in the light, as relevant, of corporate performance against a range of measures;
- development of total remuneration packages, taking account of factors set out in the Code, based in part on performance and subject to suitable performance measurements as set by the committee; and
- making recommendations to the board for any changes to long term incentive arrangements.

Members
R. Laing (Chairman)
T. Bond *(from 14 April)*
M. Bridgeman
C. Smith

The committee reports as follows. It met four times during the period. It made decisions on the remuneration and benefits of the executive director and senior staff and considered remuneration policy matters. The remuneration report at pages 37 to 48, provides more detail on the Corporation's policies. No new long term incentive arrangements were introduced in the period. The committee considered in particular:

- the amount of the total pool available for the profit sharing schemes;
- the level of awards to be made to senior executive staff and the terms to be applied to the awards;
- routine administrative matters connected with the Corporation's benefits structure; and
- the format and content of the Remuneration Report.

The board does not operate a management engagement committee, the duties of such a committee being undertaken directly by the board.

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

The statement of directors' responsibilities in relation to the financial statements appears on page 27. The independent auditors' report appears on pages 51 to 53. The directors confirm that the Corporation is a going concern as evidenced by the financial statements, which demonstrate a healthy position, taking into account all known and future anticipated liabilities, and the group's ability to meet those liabilities. There are no material uncertainties that call into question the Corporation's ability to continue to be a going concern for at least 12 months from the date of approval of the financial statements.

The audit committee has concluded and the board concurs, that the financial statements present a fair, balanced and understandable assessment of the financial position and prospects of the Corporation and the group. The financial statements are reviewed by the audit committee, then approved by the board and signed by the chairman and managing director. In the opinion of the board, the annual report, taken as a whole, is fair, balanced and understandable and provides the necessary information to assess the Corporation and group's position and performance, business model and strategy.

Internal controls

The following paragraphs describe the framework of internal controls in place to ensure that the Corporation complies with the FRC risk guidance which forms a part of the Code, and with the obligations of the UKLA's Disclosure and Transparency Rules which require a description of the main features of the internal control and risk management systems in relation to the financial reporting process. This section should be read in conjunction with the strategic report section about the principal risks to the Corporation and group business model as it sets out how the directors manage or mitigate those risks.

The board monitors the effectiveness of internal controls on a continuous basis and in a number of ways, both directly through main board general reviews and also by the more specific work carried out by the audit committee. The various mechanisms include:

- board review of the group's matrix of key risks and controls managed by the chief risk officer, reporting to an executive risk committee;
- an internal audit function, which involves not only each business department (including overseas offices) being subject to audit on a regular basis, but also regular reviews of other business wide processes;
- testing by the compliance officer of the Financial Conduct Authority ('FCA') regulated business systems and controls;
- testing by the compliance officer of the Corporation's AIFMD obligations;
- review of reports by the depositary and the sub-custodian;
- periodic reports to the board by the compliance officer about legal and regulatory changes, and the steps that the board must take to comply; and
- review of reports by the external auditors on their annual audit work.

The internal audit programme and system of compliance checks have both been developed using a risk-based methodology and an evaluation of process controls.

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

An important element of the overall controls remains a continuous review of the quality and effectiveness of internal financial controls of the group. During the year, the board has continued to require that the group maintains proper accounting records, so that it can rely on the financial information it receives to make appropriate business decisions and also that the group's assets are safeguarded. In the current economic climate, this includes having data that allows the board to consider country and currency exposure and potential impairment of assets (both financial and non-financial). Key elements of the systems of internal control continue to be:

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

- receipt of frequent and detailed reports about the independent fiduciary services businesses, including the overseas subsidiaries.

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

By means of the procedures set out above, the directors have established a robust process for identifying, evaluating and monitoring the effectiveness of the internal control systems for the period. This process has been in place throughout 2015 and will be reviewed by the board on a regular basis.

Arrangements are in place by which staff of the group may, in confidence, raise concerns under the Public Interest Disclosure Act 1998 about possible improprieties in matters of financial reporting or other matters. If necessary, any member of staff with an honest and reasonable suspicion about possible impropriety may raise the matter directly with the chairman of the audit committee. In addition, the executive staff have access to an external whistle blowing service. Arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

Relations with shareholders and institutional shareholder responsibilities

The Corporation's compliance with these aspects of the Code is described separately within the directors' report.

Information about share capital

The information that the Corporation is required to disclose about its share capital can be found in the directors' report (significant holders) and AGM notice (total voting rights). There are no other disclosures that need to be made about share capital.

Annual general meeting ('AGM')

Details of the AGM for 2016 are set out at pages 84 to 87.

The board recognises the value of the AGM as an opportunity to communicate with shareholders and encourage their participation. Separate resolutions are put to the AGM on each substantially separate issue. Except where a poll has been called, the number of proxies lodged for each resolution, the balance for and against the resolution and the number of votes withheld is disclosed to the meeting. This information is published immediately after the AGM to the London Stock Exchange and on the Corporation's website. The notice of the AGM and related papers are sent to shareholders at least 21 working days before the meeting. Where requested by nominee holders, annual reports and related documentation are circulated to beneficial owners and the Corporation is happy for beneficial owners to attend the AGM and (where appropriate arrangements have been made with the nominee) to vote their shares in person.

Summary statement of compliance

The board has concluded that, as demonstrated by the disclosures made in the foregoing, the Corporation has complied with all of the requirements of the UK Corporate Governance Code. Compliance is reported in respect of the entire Code.

Annual statement by the chairman of the audit committee

I am pleased to present the Corporation's audit committee report for the year ending 31 December 2015.

The committee was comprised at the year end of me and two other independent non-executive directors, Robert Laing and Tim Bond.

This year, as the corporation was a constituent of the FTSE 350 for at least part of the year, we have taken account of the requirements of the Competition and Markets Authority Audit Order.

Role and duties

The main function of the audit committee is to assist the board in the management of the group's finances, financial reporting structure and internal controls. Our key duties are as follows:

- monitoring the independence and objectivity of the auditors, their performance and agreeing their remuneration;
- the appointment, reappointment and removal of external auditors including negotiation of the engagement letter and supervision of the audit tender process;
- monitoring the integrity of the financial statements and the statutory audit process and in particular focussing on significant issues highlighted in the process;
- developing and implementing policy on the engagement (or not) of the external auditor for non-audit services;
- reviewing the annual and half yearly accounts before submission to the board, including particular focus on changes in accounting policy and providing an opinion to the board on whether the report and accounts are fair, balanced and understandable; and
- reviewing the effectiveness of systems of internal control and risk management, including monitoring the executive risk management function, the internal audit function and consideration of country and currency risks.

As part of my duties as committee chairman, I met with the audit partner and I met a number of times with the chief financial officer and company secretary to discuss matters of significance.

Principal activities of the committee

During the year, the committee's business included:

- consideration of the annual report and financial statements and of the half yearly report and statements including consideration of the final and interim dividends;
- consideration of the Corporation's matrix of risks and controls and general oversight of the group's internal control systems and procedures including in the context of reports by the depositary and the Corporation's obligations as an AIFM;
- meetings with the external auditor to discuss the 2014 financial statements and, in the fourth quarter, to plan the 2015 audit. These meetings included discussions on fees, auditor independence, key risks and developments in accounting standards;
- review and approval of internal audit programme;
- consideration of all internal audit reports;
- receipt of assurances about reconciliations, procedures in place to prevent fraud and anti-bribery and corruption; and
- review of new accounting standards and the possible impact on Law Debenture.

Shortly after the year end, the committee met with the external auditors to discuss the 2015 financial statements and the outcome of that discussion is set out below.

Risk management, internal control and internal audit

The internal controls adopted by the group are set out in the corporate governance report. The board as a whole is responsible for the effectiveness of internal control mechanisms but it is informed by more specific work carried out by the audit committee.

In particular, the committee continually reviews the adequacy and effectiveness of the group's risk management systems and processes. The chief risk officer reports through an executive risk committee, but in line with good practice in this area, his terms of reference give him the right to report directly to me on any specific matter of concern.

The internal auditor, who reports to me as chairman of the audit committee, presents his annual audit programme to the committee for approval each year and attends committee meetings, presenting all of his reports including management's actions in response to his findings and recommendations. The internal auditor has the right, should he wish, to meet separately with the audit committee to raise any matters of concern that may arise (although he did not need to do so during the year under report). I undertake an annual review of the internal auditor's effectiveness.

External auditors – assessing effectiveness

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

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

During 2015, the committee obtained an independent report on the auditor's own quality control procedures and was satisfied that the auditors continue to have the resource and technical backup necessary to continue delivering an effective audit of the Corporation and its subsidiaries.

Non-audit services

Non-audit services provided by the auditor are reviewed by the committee to ensure that independence is maintained. Non-audit fees are shown at note 3 to the accounts. The committee's policy is that non-audit work should be limited to those matters where the external auditor is most appropriately placed to carry out the work, unless there is a conflict of interest. Consequently, non-audit services have historically been low. In the year under review, total non-audit fees were £10,000. This related to the new long term borrowings and the tax compliance of overseas subsidiaries.

Audit tendering

BDO LLP were first appointed as the Corporation's auditors on 31 October 2008. In accordance with audit requirements, the senior statutory auditor was rotated during 2014. After due consideration, the committee continues to be satisfied about the quality, performance and effectiveness of the audit by BDO LLP and accordingly, has recommended that they be reappointed at the forthcoming AGM.

The committee has no current plans to put the audit to tender, but is mindful of regulations that require companies to tender their audit contract at least every ten years. We have complied with the Competition and Markets Authority Audit Order. We do not believe it is in shareholders' interests to conduct frequent (at least every five years) tenders as this is an expensive and time consuming process. The exception to this would be if there were concerns about the auditor, which is not the case at the present.

Significant financial issues relating to the 2015 accounts

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

Two new significant issues arose during the course of the audit. The first was about accounting for the new long term borrowings. Necessary assurances were provided to justify the chosen treatment under IAS 39. The second concerns the fair valuation of the IFS businesses which is disclosed in note 13 to the accounts. As reported in previous years, an area of consideration continues to be consideration of bad debt provisions.

Management makes an estimate of a number of bad debt provisions for non-collection of fees and costs as part of the risk management and control framework. The committee has received reports from management describing the basis for assumptions used.

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

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

Mark Bridgeman
Chairman, Audit committee

Part 1 – Remuneration committee Chairman's annual statement

Dear Shareholder

I am pleased to present the Corporation's remuneration report for the year ending 31 December 2015.

At the AGM in April 2014, shareholders approved our formal remuneration policy, which will remain in force for three years unless events mean that amendments need to be made, in which case shareholder advance approval will be sought.

We have again considered whether or not to reproduce the policy in full this year in the annual report. There is no obligation to do so. However, for full transparency and to enable shareholders properly to review our report on the implementation of the policy, we have concluded that it is sensible to reproduce the policy in full and it is set out on pages 38 to 45.

Our policy balances the interests of shareholders with those of the independent fiduciary services businesses staff. We continue to believe that:

- remuneration packages should be competitive but not extravagant and should broadly be in line with average packages in the markets in which Law Debenture operates;
- there should be a clear link between total remuneration (including a profit related element) and performance; and
- there should be no reward for failure, but the executives should be rewarded for the performance of the independent fiduciary services businesses, which are central to Law Debenture's business model and unique identity.

Our annual remuneration report shows how we implemented the policy during 2015. There has been one adjustment this year. Following the most recent triennial review of the pension scheme, employee contributions were increased from 1 January 2016 to 7.8% of salary, up from 6.2%.

Our remuneration report is audited (as indicated) to the extent required by the relevant Regulations. The key points in our policy are that: the Managing Director and executive staff will be remunerated on a transparent basis; performance related elements will be measured against the independent fiduciary services businesses, not against the investment trust; and there will only be a small number of incentive schemes, none of which will be Long Term Incentive Plans in the conventional sense.

We are aware that for accounting periods beginning on or after 1 October 2015, the UK Corporate Governance Code requires that performance measures and targets be transparent, stretching and rigorously applied, and aligned with long term company success. We have been, and remain, resistant to publication of targets as this is matter we regard as commercially sensitive.

As might be expected given the shareholder support for our policy, there has been no engagement from them on remuneration matters during the year.

The committee will play a full part in finalising the terms of appointment of a new chief executive in 2016, in accordance with our policy. The committee has made an award to Caroline Banszky that recognises her contribution to the group in 2015 and the success of the IFS businesses across her 14 years as managing director. The terms of the award are that she will receive a bonus of 100% of salary, 75% in March 2016, but with 25% deferred until her actual retirement date, subject to normal malus, clawback and good leaver provisions. The award in March will be made up of one third shares and two thirds cash in the normal way, with the shares vesting at retirement in accordance with the rules of the Deferred Share Plan.

Our remuneration report for the year ended 31 December 2015 is being presented to shareholders for approval at the forthcoming annual general meeting and the remuneration committee invites all shareholders to approve the report.

Robert Laing
Chairman, Remuneration committee

Part 2 – Remuneration policy

The policy that shareholders approved at the 2014 AGM is as set out below. It became effective on 9 April 2014 and will be in place for three years unless amendments are required, in which case shareholder advance approval will be sought. The policy is predicated on the assumption that there will be only one executive director of the Corporation (the 'Executive Director') in post at any given time. At the moment this is the Managing Director, Caroline Banszky. Should the board decide to increase the number of Executive Directors, other than for short periods to enable smooth succession, then the policy will be re-examined and if necessary, re-submitted to shareholders for approval. The policy applies to UK directors of the Corporation and senior staff employed in its subsidiaries and will be applied also to directors and senior staff of non-UK subsidiaries subject to local legal obligations.

A. Executive Directors and senior staff

The major components of Law Debenture's remuneration package for the Executive Directors and senior staff will be as set out in the table below (Table 2A).

Component	Commentary
Basic salary	Set at levels consistent with individual performance and market rates applicable to positions of similar complexity and responsibility as measured annually by an independent remuneration consultant, but ordinarily subject to a cap for the Executive Director of increasing by no more than inflation or by that amount awarded to the rest of the workforce.
Benefits package	Consists of private medical insurance, life insurance cover, disability income plan, season ticket loan and professional subscriptions. The remuneration committee may award non-pensionable cash payments in lieu of one or more of these benefits. Such payments will be capped at the equivalent gross amount that it would have cost to provide the benefit being foregone. **Private medical insurance** – All staff including the Executive Director are entitled to receive private health scheme membership for themselves (family cover and any other extensions require contribution by the executive). **Life insurance cover** – Life insurance cover is provided to all members of the pension scheme and to those staff, including the Executive Director, who are not members of the pension scheme. The cover provides for a payment of up to 6 times salary in the event of death in service. **Disability Income Plan** – A standard benefit for all staff, including the Executive Director, whereby subject to the length of service conditions, 75% of salary continues to be paid after 26 weeks' absence through illness. **Season ticket loan** – Season ticket loans are available to all staff including the Executive Director. The loans are interest free, repayable from monthly salary.

Component	Commentary
Benefits package (continued)	**Professional subscriptions** – One professional subscription will be paid for an Executive Director (and all other members of UK staff) if it can be demonstrated that the professional membership is relevant to the Executive Director's role.
Pension arrangements	A funded contributory, HMRC approved, final salary occupational pension scheme. Benefits accrue at 1/80ths with a salary cap linked to increases in RPI which is set from 1 January each year for accrual purposes (the figure from 1 January 2016 will be £47,967 (2015: £47,586). Employees contribute 7.8% of salary. Any employee earning more than the cap benefits from a cash sum paid to a separate money purchase scheme. A non-pensionable cash payment may be payable in the form of a pension allowance (for value up to 15% of basic salary) if an individual is not (or does not become) a member of the pension scheme. The pension allowance is adjusted to reflect the cost of employer's NI to the group. The remuneration committee reserves the right to close the scheme completely, or close it to new entrants, and/or to negotiate amendments to the scheme if it is deemed in the best interests of shareholders to do so.
Bonus arrangements	Employees are eligible for the following annual bonuses which are discretionary, not contractual, and subject to performance. **a) A general discretionary bonus** payable to all UK IFS employees other than the Executive Director. This general bonus, which will be between 5-15% of salary, is dependent on the IFS profits in a given year being at least 80% of the IFS profits measured against a rolling average of the three prior year's performance. **b) Individual performance related discretionary bonus** payable to middle and senior management (including the Executive Director) as a part of their overall remuneration package, a portion of which will be deferred. No discretionary bonuses are payable unless IFS profits in a given year are at least 80% of the IFS profits measured against a rolling average of the three prior year's performance. **c) One off performance related bonuses** may be paid to any employee not entitled to a discretionary performance related bonus to reflect outstanding performance. Again, the 80% trigger applies.

Component	Commentary

Bonus arrangements (continued)

Calculation of amount available for distribution

The Executive Director and staff eligible for the discretionary performance related bonus will receive awards based on the profits of the IFS in the year under review, with the total pool distributable being calculated by reference to performance against the rolling average of IFS profits for the last three reported years. All relevant figures will be subject to audit and disclosed in the annual report and financial statements. This calculation basis enables smoothing out of any exceptional items, as can happen with the nature of the IFS businesses. The formula for establishing how much profit will be distributable as bonuses is as follows:

Performance achieved (as percentage of three year rolling average)	Pool amount (percentage of IFS profit made in the year under review)
79.99 or lower	0
80 - 99.99	15 - 18.99
100 - 119.9	19 - 21.99
120 and above	22 - 25

Once the committee has established the total bonus pool for distribution, it will determine an award payable to the Executive Director taking into account the performance measures set out below. The first 11% of the total bonus pool will be available for this purpose. Other than for outstanding performance when an award up to 100% of basic salary may be made, it is expected that the Executive Director's bonus will normally be between 0 and 75% of basic salary. Should the 11% set aside prove to be insufficient to make an award up to 75% of basic salary, or should the committee decide that the Executive Director's performance has been outstanding and warrants a payment higher than 75% of salary, then the committee may resolve to draw such further amounts as necessary from the IFS profits to make that higher award. On the other hand, should the committee decide not to utilise the full amount set aside in this manner, then any surplus from the 11% set aside after the committee has finalised the sum payable to the Executive Director will be released back to the shareholders.

The remaining 89% of the bonus pool will be distributed firstly, to fund the general bonus and secondly, to those individuals entitled to receive a discretionary performance related bonus award.

For the purpose of this policy, 'profit' is deemed to be the reported amount of IFS profit before tax and bonus.

Component	Commentary
Bonus arrangements (continued)	The total bonus pool will be used to pay any employers' NI due on awards made.

Basis of distribution of individual discretionary awards – performance measures
Individual awards will be made to the Executive Director dependent on whether performance has been assessed as satisfactory, good, excellent, or outstanding.

Awards will be made in the following ranges:

Performance	Bonus (as % of basic salary)
Not adequate	0
Satisfactory	0-25
Good	25-50
Excellent	50-75
Outstanding	75-100

Where performance is deemed to be 'not adequate', no discretionary bonus is payable even if the IFS profits have been sufficient to generate a bonus pool.

Performance awards for senior staff will also be assessed on similar parameters; more junior staff who are entitled to a discretionary award will receive graduated percentages between 0 and 50% of basic salary.

Awards above 75% of basic salary will only be made in exceptional circumstances. 75% is thus the effective cap, but recognising that outstanding performance may warrant a higher award in some circumstances.

Performance is measured against certain KPIs:

- an individual's personal performance including performance against targets set annually (both financial and non-financial);
- revenue performance of an individual's department against budget and/or prior year (or for the Executive Director or employees in non-fee earning departments, the performance of the IFS as a whole);
- percentage change in profit of an individual's department over the year's and/or prior year budget (or for the Executive Director or employees in a non-fee earning department, the performance of the IFS profits as a whole); and
- delivery of costs against budget.

Component	Commentary
Bonus arrangements (continued)	In addition, for the Executive Director, the committee will take into account performance that is non-financial and not specific to a particular year or a particular strategic target (such as acquisition and disposal policy, exceptional events, etc) and will assess any factors relating to the performance of the investment trust portfolio that may be deemed relevant. It is not the intention to state publicly what the financial targets will be. Given that performance is in respect of the IFS businesses, financial targets are commercially sensitive and could, if published, compromise our competitiveness. This will be kept under review. **Deferred element** All UK recipients of a discretionary bonus will have between one third and one half of the bonus withheld for three years under the Deferred Share Bonus Plan. The remuneration committee will decide the percentage to be withheld on a case by case basis. Shares will be purchased in the open market up to the amount of an individual's bonus to be withheld. The shares will be held on trust for the withholding period, to be released to the individual on the third anniversary of grant or earlier if good leaver provisions apply. The individual must pay PAYE and NI before the shares are released, otherwise they are forfeited. Entitlement to deferred shares will be lost if the individual gives notice to resign, or is put on notice of termination for cause, before the award release date. Dividend rights and voting rights on shares held pending release will be waived. **Clawback and malus** The following rules apply: i) clawback – there is a requirement on the Executive Director to pay back an amount already received under the bonus arrangements if: a) the IFS profits turn out to have been overstated at the time a payment or share award was made; or b) it is later discovered that the Executive Director was in breach of contract at the time a payment or share award was made. ii) malus is the forfeit of all or part of a bonus/share award before it has vested and been paid. Any cash award determined but not yet paid, or any deferred shares awarded but not yet vested, may be reduced or taken away altogether if the circumstances described under 'clawback' above are discovered to be the case before vesting or payment.

Component	Commentary
Long term incentive plans	No long term incentive plans exist and the committee has no intention of introducing such a plan whilst this policy remains in place.
Schemes available	Eligible staff are able to join a Save As You Earn Share Save Plan (SAYE) and/or a Share Incentive Plan (SIP). Both plans are HMRC approved. The committee intends to maintain these schemes and operate them in accordance with scheme rules and HMRC Regulations. Both schemes require employees to contribute their own money and participation is open to all UK employees. While offering employees some tax advantages, the Schemes have a negligible operating cost and are deemed to be a key part of the Corporation's ability to recruit and retain staff. Under the SAYE, the Executive Director and all UK members of staff may make monthly savings in aggregate up to HMRC limits (currently £500 per month) direct from post-tax pay with a guaranteed tax free return after five years. On joining the scheme, savers are given an option to acquire shares in the Corporation at the end of the five year saving period, at a price fixed at the beginning of the saving period. This will be the market price of the shares on the invitation date or the latest published NAV, whichever is higher. At the end of the five year saving period, participants may choose to apply the amount saved to exercise the options over the shares notified at the outset of the saving period, or they may choose to relinquish their options in favour of receiving a cash repayment of all of their contribution plus a bonus as specified by HMRC (current HMRC rules do not permit a bonus). The SIP enables participants (all the UK employees) to sacrifice up to the HMRC limit (currently £5,400) of their pre-tax cash bonus to buy the Corporation's shares at current market price. These are held by a trustee and released tax free after five years. Any earlier release is subject to PAYE and NI. Participants receive dividend and voting rights on shares held in the SIP during the five year trust period.

B. Non-executive directors

The components of Law Debenture's remuneration package for non-executive directors of the Corporation are set out in the table below (Table 2B).

Component	Commentary
Basic salary	The non-executive directors receive fees for their services as follows: NED fee £40,000 Chairman fee* £85,000 Non-executive director of other group company £5,000 Committee chair £5,000 Pension scheme chair** £15,000 * Chairman is paid a single fee which includes any other group directorships and committee roles. Actual fee paid may be lower if other roles decrease. ** If undertaken by a non-executive director. The fees are reviewed by the board on advice from the Executive Director, who from time to time undertakes comparative studies using an independent remuneration consultant to ensure that the non-executive fee levels are consistent with the marketplace. Fees will only be increased in line with inflation unless the recommendation from the external consultant justifies consideration of a higher award. The Chairman is a non-executive director.
Benefits package	None.
Pension arrangements	None.
Bonus and other incentive arrangements	None.

Non-executive directors are appointed for an indefinite term, subject to annual re-election by the shareholders. Non-executive directors do not qualify for compensation payable on early termination of their roles.

C. Recruitment of new directors

Any new Executive Director recruited while this policy is in force will be remunerated in accordance with the policies set out in Table 2A. In addition, the following rules will apply:

- no new Executive Director will receive a starting salary that exceeds the existing Executive Director's basic salary by more than 20%;
- no additional bonus or long term incentive arrangements will be established without prior shareholder approval;
- no 'golden hello' payments will be made;
- relocation packages will only be paid at the discretion of the remuneration committee; and
- the remuneration committee may agree to a payment of up to one third of the basic starting salary of a new Executive Director in lieu of any deferred bonus payments awarded and due to the executive from a former employer, but which are being sacrificed in order to join Law Debenture. As far as practicable, any such payments will be subject to the same deferment and withholding provisions that applied to the entitlement being sacrificed.

Any new non-executive directors will receive fees in accordance with Table 2B.

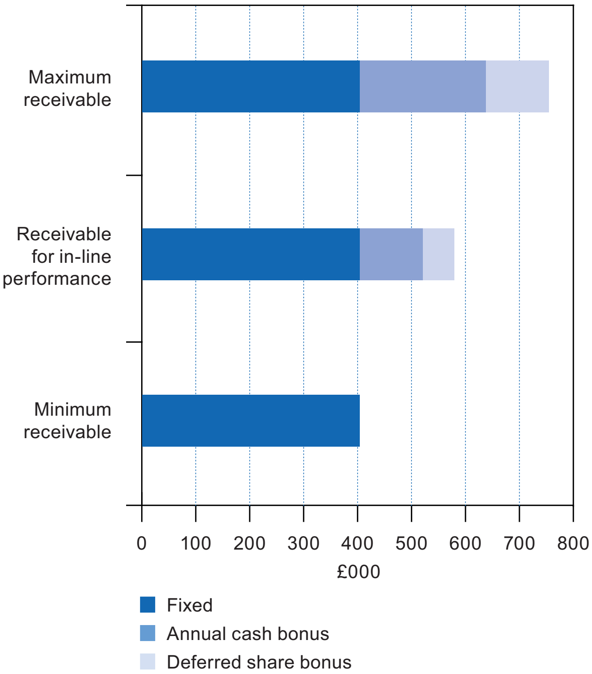
D. Compensation for loss of office

Executive Directors are appointed with a notice period of six months, with no contractual provisions for compensation payable on early termination (with notice) of the contract. Otherwise, there will be an entitlement to receive salary and benefits during the notice period, which may be paid 'in lieu' of all or part of any period of notice. There are no entitlements to payments of any sort in the event that for cause an Executive Director's employment is summarily terminated. In the event that an Executive Director is given notice of termination of employment within twelve months of any change in control of the Corporation, he/she will be given not less than twelve month's written notice and the same arrangements for receiving salary and benefits during this period will apply as described above.

Non-executive directors will not be entitled to compensation on termination of their directorship, no matter what the reason for termination.

E. Diagrammatic summary of fixed versus variable remuneration receivable – the Executive Director

The following chart demonstrates minimum, in-line and maximum amounts potentially receivable by the Executive Director.



F. Closing statements

In deriving the policy set out above, the remuneration committee has considered employment conditions generally as they apply to staff across the IFS businesses. The aim of the policy is to ensure that the Executive Director receives broadly the same elements of salary, bonus and benefits as the generality of staff, with awards as to quantum based on similar performance conditions and measurements. The exceptions for the Executive Director are: the remuneration committee may take account of the Executive Director's contribution to the investment trust strategy and performance, as well as the performance of the IFS businesses; the Executive Director (along with senior staff) may receive higher percentage bonus payments than more junior staff; and the Executive Director is not eligible for the general bonus.

Part 3 – Annual remuneration report

The following paragraphs are set out in the form prescribed by the Regulations. Certain elements of the report have been audited, as clearly indicated.

A. Total remuneration (audited)

	Total salary/fees £	Annual cash bonus £	Deferred share bonus received £	Benefits £	Pension related benefits £	**Total receivable for 2015 £**	Total receivable for 2014 £
C. Banszky	350,500	175,250	97,914	7,543	46,266	**677,473**	690,725
C. Smith	73,000	–	–	–	–	**73,000**	79,000
M. Bridgeman	45,000	–	–	–	–	**45,000**	45,000
R. Laing	50,000	–	–	–	–	**50,000**	50,000
T. Bond*	28,667	–	–	–	–	**28,667**	–
J. Kay**	–	–	–	–	–	**–**	15,231

* Director from 14 April 2015.
** Director until 9 April 2014.

Notes
1. Mrs Banszky received a cash allowance in lieu of pension benefits, which is included in pension related benefits. Mrs Banszky has a preserved defined pension benefit, which at the time she left the pension plan on 31 March 2006 was £7,333 per annum. This increases with inflation in line with the rules of the pension scheme. Mrs Banszky's normal retirement date under the plan was 24 July 2015.
2. Annual cash bonus is in respect of the year ended 31 December 2015. Deferred share bonus received is in respect of the shares received under the scheme on 13 March 2015 (see C. Deferred Share Plan).
3. Benefits in respect of Mrs Banszky were the cost of life insurance cover and the disability income plan together with a payment in lieu of private medical insurance.
4. There are no long term incentive plans.

B. Save As You Earn Share Save Plan 2012 (audited)

	Interest as at 31 December 2014	**Interest acquired in 2015**	Exercise price	Market price at invitation date	**Interest as at 31 December 2015**	Earliest exercise	Latest exercise
C. Banszky	5,849	**–**	518.00p	512.00p	**5,849**	01.10.19	01.04.20

C. Deferred Share Plan (audited)

		Interest at 31 December 2014	**Interest (vested)/ acquired in 2015**	Purchase price	**Interest at 31 December 2015**	Date shares to be released*
C. Banszky	2012	18,884	**(18,884)**	395.17p	**–**	–
	2013	14,851	**–**	478.43p	**14,851**	14.03.16
	2014	13,813	**–**	540.36p	**13,813**	10.03.17
	2015	–	**12,948**	541.85p	**12,948**	02.03.18

*The shares were purchased in the open market and are held under trust by a Law Debenture subsidiary until the release date. Under the rules of the plan, deferred shares issued prior to retirement actually vest on the date of retirement.

Mrs Banszky received her allocation of 18,884 deferred shares issued in 2012 on 13 March 2015 and in advance of vesting, sold 11,000 shares at a price of 520.031p to meet the tax liability payable on receipt of the shares. The price at vesting was 518.50p. The value of the shares at vesting is included in directors' remuneration (Table 3A above) and PAYE and NI was paid on that basis. The price of the shares at 31 December 2015 was 498.00p per share. Mrs Banszky received a deferred share bonus of £87,625, in respect of 2015, which will vest on her retirement. In addition Mrs Banszky received a deferred cash bonus of £87,625, which will vest on her retirement in an equivalent manner to the Deferred Share Plan.

D. Miscellaneous disclosures

No payments were made to former directors during the year.

No payments were made to any director for loss of office.

Directors are strongly encouraged to hold shares throughout the term of their appointment, to align their own interests with those of the shareholders as a whole. Directors' shareholdings at 31 December 2015 were as follows:

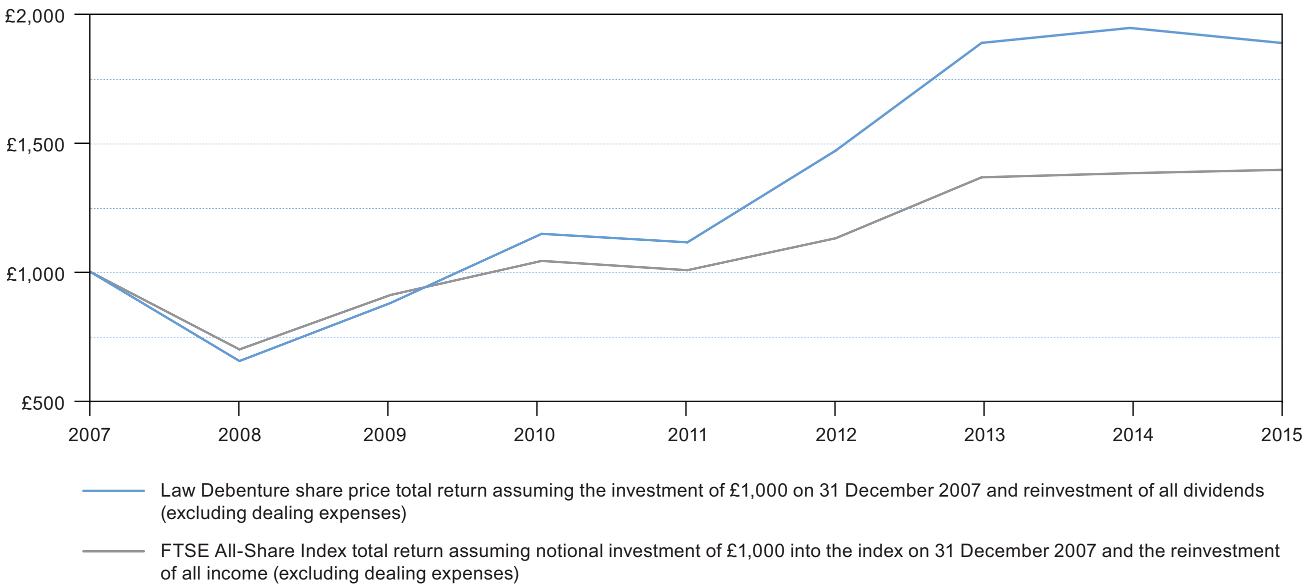
	Beneficial interests as at 31 December 2015	Beneficial interests as at 31 December 2014	**Shares receivable but not vested at 31 December 2015**
C. Banszky	**274,027**	265,121	**47,461†**
T. Bond*	**–**	–	**–**
M. Bridgeman	**4,513**	4,513	**–**
R. Laing	**12,300**	12,300	**–**
C. Smith	**55,000**	55,000	**–**

* Director from 14 April 2015.
† Comprises shares due under the Deferred Share Plan and Save As You Earn Share Save Plan.

E. Aggregate directors' remuneration (audited)

	2015 £	2014 £
Emoluments	**874,140**	879,956

F. Performance graph



Notes
1. The graph shows the total shareholder return of a nominal holding of £1,000 of Law Debenture's shares measured against the total shareholder return of a nominal holding of £1,000 invested in the FTSE All-Share Index over an eight year period.
2. Dividends have been reinvested.
3. This chart will be extended in the years ahead until it shows a ten year range.
4. FTSE All-Share Index is chosen as the comparator in this table because that is the index against which, historically, the Corporation has reported the performance of the investment trust portfolio.

G. Executive Directors – diagrammatic summaries

The Regulations require us to publish the following tables relating to Executive Directors. For Law Debenture, the Managing Director is the only Executive Director.

i) Historical remuneration

The table below sets out the Executive Director's total remuneration over the same period as the performance graph above. The annual bonus pay-out percentage maximum has always effectively been 75% but with discretion to pay up to 100% in exceptional circumstances.

Year	Single figure of total remuneration	Annual bonus and deferred bonus payout (against maximum %)
2015	**677,473**	**100.0%**
2014	690,725	62.0%
2013	636,921	72.1%
2012	636,923	70%
2011	602,676	75%
2010	588,482	90%
2009	528,443	67.5%
2008	510,780	70%

The maximum bonus payment was 100% each year. The bonus payment includes the deferred element (see Table 2A).

ii) Percentage change in remuneration

The following table shows the percentage change in remuneration of the Executive Director compared to UK employees as a whole during the year.

	2015 Salary %	2015 Benefits %	2015 Bonus %	2014 Salary %	2014 Benefits %	2014 Bonus %
Executive Director	**3.3**	**(14.8)**	**66.5**	3.0	8.2	(6.0)
UK employees as a whole	**3.7**	**10.2**	**(3.7)**	3.5	8.2	(6.0)

1. The figure used to calculate the Executive Director's salary is 'total salary/fees' figure at Table 3A.
2. The benefits and bonus are as set out in Table 3A, which exclude pension benefits.

iii) Relative spend on salaries

The following table shows the total amount spent on remuneration (to all group employees, including the Executive Director) with a comparator to last year, along with total distributions to shareholders by way of dividend or (where applicable) share buy-back or other distributions.

Year	2015 £000	2014 £000
Total remuneration spend	**12,426**	12,587
Total distributed to shareholders	**19,123**	18,518

1. Total remuneration includes bonuses, employers' NI and pension costs and is the figure reported at note 3 of the accounts.
2. Amounts distributed to shareholders are the totals of the final and interim dividends in respect of that year. There were no other distributions. The 2015 figure assumes that shareholders approve the proposed dividend at the AGM on 12 April 2016.

iv) Statement of policy implementation in the current year

The remuneration committee is committed to implementing the remuneration policy set out at Part 2 above during the current financial year. Performance measures and weightings applicable to bonus calculations will be calculated in accordance with the policy at Table 2A. The IFS profit before tax and bonus, used to calculate the 2015 bonus pool, was £11,405,000.

H. Consideration of matters relating to directors' remuneration

The board delegates all remuneration matters to the remuneration committee save for NED fees, which are considered by the board on advice from the managing director.

The members of the committee who served during the year are:

R. Laing – Chairman
T. Bond *(from 14 April)*
M. Bridgeman
C. Smith

During the year, the committee took advice from the following: the Executive Director (although not in respect of her own remuneration), the Chief Financial Officer and the Company Secretary; Lesley Pearson, an independent remuneration consultant who has no other connection to the Corporation and its subsidiaries; Stephenson & Co, which has no other connection with the Corporation or its subsidiaries, in respect of NED recruitment; and Odgers Berndtson, which has no other connection with the Corporation or its subsidiaries, in respect of recruitment of a new chief executive.

I. Voting at general meetings

At the AGM on 14 April 2015, the directors' remuneration report for the year ended 31 December 2014 received the following votes: for 98.28%; against 1.72%; votes withheld represented 0.31% of the total votes cast. There were no other resolutions concerning remuneration.

Christopher Smith
Chairman, non-executive director

Appointed to the board in March 2009. Former Partner, Cazenove & Co. and Managing Director-Corporate Finance of JP Morgan Cazenove. Over 30 years' experience in corporate finance and equity capital markets. He is chairman of CG Asset Management and deputy chairman of Allchurches Trust Limited and a non-executive director of DockOn AG. He is chairman of the nominations committee, a member of the remuneration committee and chairman of Law Debenture Trust Company of New York Inc.

Caroline Banszky
Managing director

Appointed to the board in January 2002. Former chief operating officer of SVB Holdings PLC (now called Novae plc), a Lloyd's listed integrated vehicle, and former finance director of N.M. Rothschild & Sons Limited. A non-executive director of 3i Group plc.

Tim Bond
Non-executive director

Appointed to the board in April 2015. Partner of Odey Asset Management LLP, which he joined in 2010, he currently manages Odey's Odyssey Fund. He previously spent 12 years at Barclays Capital as Managing Director and head of global asset allocation and was editor and principal author of Barclays Capital's Equity Gilt Study and chief advisor to the bank's RADAR fund. Before Barclays, he worked as a strategist at Moore Capital and at Tokai Bank Europe. He is a member of the audit, remuneration and nominations committees.

Robert Laing
Non-executive director

Appointed to the board in April 2012. Admitted as a solicitor in England in 1977 and in Scotland in 1985. He worked for Slaughter and May from 1975 until 1983 when he joined Maclay Murray & Spens. He has been a partner in that firm (now Maclay Murray & Spens LLP) since 1985 and chairman since 1 June 2010. He is a non-executive director of The Independent Investment Trust plc. Senior independent director, chairman of the remuneration committee and a member of the audit and nominations committees and a non-executive director of L.D.C. Reporting Services Limited.

Mark Bridgeman
Non-executive director

Appointed to the board in March 2014. He spent 19 years with Schroders plc as an analyst and then fund manager, rising to become Global Head of Research. He now manages a large rural estate and farming business in Northumberland. He is a non-executive director of JP Morgan Brazil Investment Trust plc, Blackrock Emerging Europe plc and North East Finance (Holdco) Limited. He is also on the boards of three charities. Chairman of the audit committee and a member of the remuneration and nominations committees.

Investment manager

James Henderson

Joined Henderson Global Investors in 1983 and has been an investment trust portfolio manager since 1990. He first became involved in the management of Law Debenture's portfolio in 1994 and took over lead responsibility for management of the portfolio in June 2003. He also manages Lowland Investment Company plc, Henderson Opportunities Trust plc and Henderson UK Equity Income & Growth Fund.

James is assisted by Laura Foll, who first became involved with Law Debenture's portfolio in September 2011.

Corporation advisers and information

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Facsimile: 020 7606 0643

Website: www.lawdeb.com

(Registered in England – No. 30397)

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

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

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Depositary
National Westminster Bank plc

Global custodian
HSBC Group (under delegation by the depositary)

Registrar and transfer office
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: 0370 707 1129

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

A member of

aic
The Association of
Investment Companies

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What our opinion covers

We have audited the financial statements of The Law Debenture Corporation p.l.c. for the year ended 31 December 2015 which comprise the group income statement, the group statement of comprehensive income, the group and corporation statement of financial position, the group and corporation statement of changes in equity, the group and corporation statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our assessment of risks of material misstatements and our approach

Underpinning our audit approach is our assessment of those aspects of the group's transactions and balances which are most likely to give rise to a material misstatement. The group audit team have responsibility for the audit of all components included in the consolidated financial statements. We identified the following risks that have had the greatest impact on our audit strategy and scope:

- Investments comprise 89% of the assets of the group. There is a risk that the group does not have beneficial ownership of the holdings and that the investments are not correctly valued at fair value as at the reporting date.

  We have confirmed the existence of title to third party custodian confirmation, reviewed the latest available assurance report addressing the relevant controls in place at the custodian and have confirmed the valuation of the listed investments to a third party pricing provider.

- Revenue comprises dividends and interest receivable on the portfolio of investments held by the investment trust and fees receivable from the provision of fiduciary services. Revenue recognition is considered to be a risk as it is a key element of dividend returns to investors. In particular, the timing of invoicing of fees results in amounts being accrued or deferred at the year end based on management's judgement and estimates.

  We completed a review of the group's revenue recognition procedures to ensure that they are consistent with prior periods, with the accounting policies and IAS18. We reviewed and checked the calculation and validity of the accrued and deferred income recognised for dividends and interest receivable and fees receivable from the provision of fiduciary services. We also obtained a breakdown of accrued and deferred income and selected a sample to agree back to contracts to check the balance was in line with expectations.

- As part of the ordinary course of the fiduciary services business the group may incur legal costs. These costs will be accrued and charged to client accounts as a fee and a receivable recognised. Where the group is not able to recover the costs from its client the group will record impairment for these amounts. The recording of accruals and the impairment of trade receivable balances are accounting estimates derived from judgements by management and there is an inherent risk of management override. Management apply judgement in both determining whether there is objective evidence of impairment of receivables balances and in estimating the carrying amount of accruals.

  We reviewed the amounts accrued to understand the basis and whether they meet the criteria for recognition under IAS 37. We also reviewed the impairments of receivable balances to understand their basis. During this process we reviewed supporting documentation relating to the amount provided, reviewed the consistency of the basis for impairment compared to prior years, reviewed unimpaired receivables to consider completeness of impairments, considered the historical accuracy of management's judgements relating to impairment of receivables balances and discussed with management their judgements and assumptions in recording the impairments made, challenging and corroborating explanations where applicable.

The Audit Committee's consideration of these risks is set out on pages 35 and 36.

Purpose of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements and our application of materiality

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. We define planning materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We determined final materiality for the financial statements as a whole to be £13.9 million. In determining this, we based our assessment on a percentage of gross assets. On the basis of our risk assessment, together with our assessment of the group's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, namely £10 million. Our objective in adopting this approach was to ensure that total detected and undetected audit differences do not exceed our final materiality of £13.9 million for the financial statements as a whole.

International Standards on Auditing (UK and Ireland) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to those classes of transactions and balances which impact on the costs and the net revenue returns of the fiduciary services business. We determined materiality for these areas to be £0.5 million.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.4 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the strategic report and the directors' report for the financial year for which the

financial statements are prepared is consistent with the financial statements; and

- the information given in the corporate governance statement set out on pages 32 and 33 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the company

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 31 and page 10 respectively, in relation to going concern and longer term viability; and
- the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Daniel Taylor (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

25 February 2016

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

Group income statement for the year ended 31 December

	Notes	2015 Revenue £000	2015 Capital £000	2015 Total* £000	2014 Revenue £000	2014 Capital £000	2014 Total* £000
UK dividends		**14,813**	**–**	**14,813**	14,054	–	14,054
UK special dividends		**1,643**	**–**	**1,643**	631	–	631
Overseas dividends		**2,355**	**–**	**2,355**	2,094	–	2,094
Overseas special dividends		**194**	**–**	**194**	34	–	34
Interest from securities		**–**	**–**	**–**	103	–	103
		19,005	**–**	**19,005**	16,916	–	16,916
Interest income	5	**125**	**–**	**125**	88	–	88
Independent fiduciary services fees		**30,384**	**–**	**30,384**	32,366	–	32,366
Other income		**196**	**–**	**196**	220	–	220
Total income		**49,710**	**–**	**49,710**	49,590	–	49,590
Net (loss)/gain on investments held at fair value through profit or loss	2	**–**	**(20,210)**	**(20,210)**	–	4,638	4,638
Gross income and capital (losses)/gains		**49,710**	**(20,210)**	**29,500**	49,590	4,638	54,228
Cost of sales		**(3,461)**	**–**	**(3,461)**	(5,291)	–	(5,291)
Administrative expenses	3	**(20,411)**	**(410)**	**(20,821)**	(20,231)	(71)	(20,302)
Operating profit		**25,838**	**(20,620)**	**5,218**	24,068	4,567	28,635
Finance costs							
Interest payable	5	**(3,632)**	**–**	**(3,632)**	(2,896)	–	(2,896)
Profit before taxation	6	**22,206**	**(20,620)**	**1,586**	21,172	4,567	25,739
Taxation	7	**(847)**	**–**	**(847)**	(1,199)	–	(1,199)
Profit for the year	6	**21,359**	**(20,620)**	**739**	19,973	4,567	24,540
Return per ordinary share (pence)	9	**18.10**	**(17.47)**	**0.63**	16.95	3.87	20.82
Diluted return per ordinary share (pence)	9	**18.10**	**(17.47)**	**0.63**	16.95	3.87	20.82

*See note 1.

Statement of comprehensive income for the year ended 31 December

	2015 Revenue £000	2015 Capital £000	2015 Total £000	2014 Revenue £000	2014 Capital £000	2014 Total £000
Group						
Profit for the year	**21,359**	**(20,620)**	**739**	19,973	4,567	24,540
Foreign exchange on translation of foreign operations	**–**	**290**	**290**	–	431	431
Pension actuarial gains/(losses)	**1,200**	**–**	**1,200**	(2,846)	–	(2,846)
Taxation on pension	**(240)**	**–**	**(240)**	569	–	569
Other comprehensive income for the year	**960**	**290**	**1,250**	(2,277)	431	(1,846)
Total comprehensive income for the year	**22,319**	**(20,330)**	**1,989**	17,696	4,998	22,694

	Notes	Group 2015 £000	Group 2014 £000	Corporation 2015 £000	Corporation 2014 £000
Assets					
Non current assets					
Goodwill	10	**2,256**	2,215	**–**	–
Property, plant and equipment	11	**206**	131	**–**	–
Other intangible assets	12	**16**	45	**–**	–
Investments held at fair value through profit or loss	13	**621,613**	600,894	**621,294**	600,566
Investments in subsidiary undertakings	13	**–**	–	**96,311**	96,311
Deferred tax assets	7	**824**	1,234	**–**	–
Total non current assets		**624,915**	604,519	**717,605**	696,877
Current assets					
Trade and other receivables	14	**7,073**	7,491	**239**	149
Other accrued income and prepaid expenses		**4,888**	4,679	**1,083**	1,090
Cash and cash equivalents	15	**60,301**	50,321	**17,607**	7,848
Total current assets		**72,262**	62,491	**18,929**	9,087
Total assets		**697,177**	667,010	**736,534**	705,964
Current liabilities					
Amounts owed to subsidiary undertakings		**–**	–	**61,617**	59,612
Trade and other payables	16	**13,816**	13,012	**897**	188
Short term borrowings	20	**–**	26,548	**–**	26,548
Corporation tax payable		**506**	632	**20**	21
Other taxation including social security		**686**	613	**513**	389
Deferred income		**3,934**	4,027	**16**	11
Derivative financial instruments	19	**725**	–	**725**	–
Total current liabilities		**19,667**	44,832	**63,788**	86,769
Non current liabilities and deferred income					
Long term borrowings	20	**113,980**	39,472	**74,481**	–
Retirement benefit obligations	23	**1,400**	3,250	**–**	–
Deferred income		**4,810**	5,245	**175**	184
Total non current liabilities		**120,190**	47,967	**74,656**	184
Total net assets		**557,320**	574,211	**598,090**	619,011
Equity					
Called up share capital	17	**5,916**	5,916	**5,916**	5,916
Share premium		**8,667**	8,622	**8,667**	8,622
Capital redemption		**8**	8	**8**	8
Own shares	17	**(1,493)**	(1,686)	**–**	–
Capital reserves	18	**503,649**	524,269	**563,161**	585,309
Retained earnings		**39,664**	36,463	**20,338**	19,156
Translation reserve		**909**	619	**–**	–
Total equity		**557,320**	574,211	**598,090**	619,011

Approved and authorised for issue by the board on 25 February 2016 and signed on its behalf by:

C. Smith Chairman
C. Banszky Managing director

Registered number 30397

Group	Share capital £000	Share premium £000
Equity at 1 January 2014	5,908	8,283
Profit	–	–
Foreign exchange	–	–
Actuarial (loss) on pension scheme (net of tax)	–	–
Total comprehensive income	–	–
Issue of shares	8	339
Dividend relating to 2013	–	–
Dividend relating to 2014	–	–
Movement in own shares	–	–
Total equity at 31 December 2014	5,916	8,622
Equity at 1 January 2015	**5,916**	**8,622**
Profit	**–**	**–**
Foreign exchange	**–**	**–**
Actuarial gain on pension scheme (net of tax)	**–**	**–**
Total comprehensive income	**–**	**–**
Issue of shares	**–**	**45**
Dividend relating to 2014	**–**	**–**
Dividend relating to 2015	**–**	**–**
Movement in own shares	**–**	**–**
Total equity at 31 December 2015	**5,916**	**8,667**

Corporation	Share capital £000	Share premium £000
Equity at 1 January 2014	5,908	8,283
Total comprehensive income	–	–
Issue of shares	8	339
Dividend relating to 2013	–	–
Dividend relating to 2014	–	–
Total equity at 31 December 2014	5,916	8,622
Equity at 1 January 2015	**5,916**	**8,622**
Total comprehensive income	**–**	**–**
Issue of shares	**–**	**45**
Dividend relating to 2014	**–**	**–**
Dividend relating to 2015	**–**	**–**
Total equity at 31 December 2015	**5,916**	**8,667**

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss (see note 18).

Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
(1,695)	8	188	519,702	36,678	569,072
–	–	–	4,567	19,973	24,540
–	–	431	–	–	431
–	–	–	–	(2,277)	(2,277)
–	–	431	4,567	17,696	22,694
–	–	–	–	–	347
–	–	–	–	(12,368)	(12,368)
–	–	–	–	(5,543)	(5,543)
9	–	–	–	–	9
(1,686)	8	619	524,269	36,463	574,211

(1,686)	**8**	**619**	**524,269**	**36,463**	**574,211**
–	**–**	**–**	**(20,620)**	**21,359**	**739**
–	**–**	**290**	**–**	**–**	**290**
–	**–**	**–**	**–**	**960**	**960**
–	**–**	**290**	**(20,620)**	**22,319**	**1,989**
–	**–**	**–**	**–**	**–**	**45**
–	**–**	**–**	**–**	**(12,979)**	**(12,979)**
–	**–**	**–**	**–**	**(6,139)**	**(6,139)**
193	**–**	**–**	**–**	**–**	**193**
(1,493)	**8**	**909**	**503,649**	**39,664**	**557,320**

Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
–	8	–	582,487	17,959	614,645
–	–	–	2,822	19,108	21,930
–	–	–	–	–	347
–	–	–	–	(12,368)	(12,368)
–	–	–	–	(5,543)	(5,543)
–	8	–	585,309	19,156	619,011

–	**8**	**–**	**585,309**	**19,156**	**619,011**
–	**–**	**–**	**(22,148)**	**20,300**	**(1,848)**
–	**–**	**–**	**–**	**–**	**45**
–	**–**	**–**	**–**	**(12,979)**	**(12,979)**
–	**–**	**–**	**–**	**(6,139)**	**(6,139)**
–	**8**	**–**	**563,161**	**20,338**	**598,090**

	Group 2015 £000	Group 2014 £000	Corporation 2015 £000	Corporation 2014 £000
Operating activities				
Operating profit before interest payable and taxation	**5,218**	28,635	**1,577**	24,586
Losses/(gains) on investments	**20,620**	(4,567)	**22,148**	(2,822)
Foreign exchange	**(43)**	(49)	**–**	–
Depreciation of property, plant and equipment	**94**	120	**–**	–
Amortisation of intangible assets	**30**	185	**–**	–
Decrease/(increase) in receivables	**209**	(420)	**(83)**	302
Increase in payables	**1,105**	291	**1,558**	3
Transfer (from) capital reserves	**(385)**	(389)	**(385)**	(389)
Normal pension contributions in excess of cost	**(650)**	(685)	**–**	–
Cash generated from operating activities	**26,198**	23,121	**24,815**	21,680
Taxation	**(803)**	(1,408)	**(1)**	8
Operating cash flow	**25,395**	21,713	**24,814**	21,688
Investing activities				
Acquisition of property, plant and equipment	**(168)**	(40)	**–**	–
Expenditure on intangible assets	**–**	(10)	**–**	–
Purchase of investments	**(96,541)**	(54,894)	**(96,541)**	(54,844)
Sale of investments	**55,595**	53,997	**55,586**	53,997
Acquisition of subsidiary undertakings	**–**	–	**–**	(1,182)
Cash flow from investing activities	**(41,114)**	(947)	**(40,955)**	(2,029)
Financing activities				
Subsidiary undertakings	**–**	–	**2,005**	942
Interest paid	**(3,632)**	(2,896)	**(3,425)**	(2,656)
Dividends paid	**(19,118)**	(17,911)	**(19,118)**	(17,911)
Long term borrowings	**74,477**	–	**74,477**	–
Proceeds of increase in share capital	**45**	347	**45**	347
Purchase of own shares	**193**	9	**–**	–
Net cash flow from financing activities	**51,965**	(20,451)	**53,984**	(19,278)
Net increase in cash and cash equivalents	**36,246**	315	**37,843**	381
Cash and cash equivalents at beginning of period	**23,773**	22,895	**(18,700)**	(17,468)
Foreign exchange gains/(losses) on cash and cash equivalents	**282**	563	**(1,536)**	(1,613)
Cash and cash equivalents at end of period	**60,301**	23,773	**17,607**	(18,700)
Cash and cash equivalents comprise				
Cash and cash equivalents	**60,301**	50,321	**17,607**	7,848
Short term borrowings	**–**	(26,548)	**–**	(26,548)
	60,301	23,773	**17,607**	(18,700)

1 | Summary of significant accounting policies

General information

The Law Debenture Corporation p.l.c. is a public company incorporated in the United Kingdom. The address of the registered office is given on page 50. The group's operations and its principal activities are as an investment trust and the provider of independent fiduciary services.

Basis of preparation

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 investments at fair value through profit or loss.

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), as adopted by the European Union.

Where presentational guidance set out in the Statement of Recommended Practice Financial Statements of Investment Trust Companies (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.

Critical accounting estimates and judgements

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

Defined benefit scheme

The calculation of the deficit of the defined benefit scheme is sensitive to the assumptions used. The assumptions used are given in note 23 to the financial statements.

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

	Increase/(decrease) in liability	
	at 31 December 2015 £ million	at 31 December 2014 £ million
Discount rate +0.1%	**(0.8)**	(0.9)
Inflation assumptions +0.1%	**0.6**	0.5
Life expectancy at 65 +1 year	**1.5**	1.4
RPI/CPI gap 0.8% instead of 1.0%	**0.4**	0.4

The directors take advice from an actuary when selecting assumptions.

New IFRSs, interpretations and amendments not yet effective

None of the new standards, interpretations or amendments, which are effective for the first time in these financial statements has had a material impact on the financial statements.

The following relevant standards and interpretations were issued by the IASB or the IFRIC before the period end but are as yet not effective for the 2015 year end:

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)*

IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2017)*

* Not yet endorsed by the EU.

The group is currently assessing the impact, if any, that these standards will have on the presentation of, and recognition in its consolidated results in future periods.

1 | Summary of significant accounting policies continued

Basis of consolidation

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

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

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

Presentation of income statement and statement of comprehensive income

In order to better reflect the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the income statement and statement of comprehensive income between items of a revenue and capital nature has been presented. Additionally, the net revenue is the measure the directors believe appropriate in assessing the group's compliance with certain requirements set out in Sections 1158-1159 of the Corporation Tax Act 2010. As permitted by Section 408 of the Companies Act 2006, the Corporation has not presented its own income statement, however its loss for the year was £1,848,000 (2014: profit £21,930,000).

Segment reporting

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

Foreign currencies

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

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

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

Property, plant and equipment

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

Leasehold improvements	over the remaining lease period
Office furniture and equipment	3-10 years

Intangible assets

Computer software

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

1 | Summary of significant accounting policies continued

Goodwill

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

Impairment of assets

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

Financial instruments

Investments

Listed and unlisted investments, which comprise the investment trust portfolio, have been designated as investments held at fair value through profit or loss. Purchases and sales of listed and unlisted investments are recognised on the date on which the group commits to purchase or sell the investment. Investments are initially recognised at fair value and transaction costs are expensed as incurred. Gains and losses arising from listed and unlisted investments, as assets at fair value through profit or loss, are included in the income statement in the period in which they arise.

The fair value of listed investments is based on quoted market prices at the reporting date. The quoted market price used is the bid price. The fair value of unlisted investments is determined by the directors with reference to IPEV guidelines.

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

Trade receivables

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

Trade payables

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short term highly liquid investments with original maturities of three months or less.

Borrowings

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

Hedge accounting

The group designated US dollar short term borrowings and US dollar/sterling foreign exchange forward swaps as hedging instruments to hedge the net investment in its US operations. The hedges were documented at the inception of the relationships and on an ongoing basis the group reviews and documents the effectiveness of the hedges.

The gain or loss on the hedging instruments relating to the effective portion of the hedges are recognised in other comprehensive income and accumulated in the translation reserve.

Share capital

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

1 | Summary of significant accounting policies continued

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to recover the asset. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is expected to be settled or the asset is expected to be realised based on tax rates that have been enacted or substantively enacted at the year end date.

Revenue recognition

Dividend income

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

Interest income

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

Sales of services

Fees comprise the fair value of the sales of services net of value added tax and after eliminating sales within the group. Sales of services are recognised in the accounting period in which the services are rendered, provided that the outcome of the transaction can be estimated reliably. Where the outcome of a transaction can be estimated reliably, sales are assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Where payments are received in advance for trusteeships which extend beyond the period end then the amount relating to future periods is deferred using an appropriate discount rate.

Employee benefits

Pension costs

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

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

Profit share schemes

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

1 | Summary of significant accounting policies continued

Share based plans
The group has awarded share options to executives and the group makes equity based awards to executives.

Share-based payments are measured at fair value at the date of grant using an appropriate option valuation technique, which is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Reserves
A description of each of the reserves follows:

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

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

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

Capital reserves
The following are dealt with through this reserve:

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

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

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

Leases
Operating leases
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

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

2 | Total capital (losses)/gains from investments

	2015 £000	2014 £000
Realised gains based on historical cost	**27,854**	16,248
Amounts recognised as unrealised in previous years	**(23,526)**	(13,318)
Realised gains based on carrying value at previous year end date	**4,328**	2,930
Unrealised (losses)/gains on investments	**(24,153)**	2,097
	(19,825)	5,027
Transfers (to) revenue	**(385)**	(389)
	(20,210)	4,638

3 | Administrative expenses

	2015 £000	2014 £000
Administrative expenses include:		
Salaries and directors' fees	**10,549**	10,723
Social security costs	**1,231**	1,216
Other pension costs	**646**	648
	12,426	12,587
Investment management fee	**1,671**	1,627
Depreciation – property, plant and equipment	**94**	120
Amortisation – intangible assets	**30**	185
Operating leases – land and buildings	**1,309**	1,354
Foreign exchange	**37**	33
Auditors' remuneration	**185**	158

During the year, the group employed an average of 120 staff (2014: 120). All staff are engaged in the provision of independent fiduciary services. The Corporation has no employees.

Details of the terms of the investment management agreement are provided on page 8 of the strategic report.

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

Cost of sales represents legal charges which are recovered as part of fees.

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

	2015 £000	2014 £000
Audit services		
– fees payable to the Corporation's auditors for the audit of its financial statements*	**194**	148
– audit related regulatory	**7**	–
Tax services	**5**	5
Other assurance services	**5**	5
	211	158

* Including the Corporation £35,000 (2014: £35,000).

3 | Administrative expenses continued

A description of the work of the audit committee is set out in the audit committee report on pages 34 to 36 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4 | Remuneration of directors (key management personnel)

The remuneration of the directors, who are the key management personnel of the group, comprises the following:

	2015 £	2014 £
Short term benefits including fees in respect of non-executive directors	**776,226**	744,634
Deferred share bonus scheme	**97,914**	135,322
	874,140	879,956

Details for each individual director are shown in the remuneration report on page 46.

5 | Interest

	2015 £000	2014 £000
Interest income		
Interest on bank deposits	**2**	2
Returns on money market funds	**123**	86
	125	88
Interest payable		
Interest on pension scheme (net)	**100**	22
Short term borrowings	**333**	424
Interest on long-term debt	**3,199**	2,450
	3,632	2,896
Interest (net)	**(3,507)**	(2,808)

6 | Segmental analysis

	Investment trust		Independent fiduciary services		Total	
	31 December 2015 £000	31 December 2014 £000	**31 December 2015 £000**	31 December 2014 £000	**31 December 2015 £000**	31 December 2014 £000
Revenue						
Segment income	**19,005**	16,916	**30,384**	32,366	**49,389**	49,282
Other income	**25**	60	**171**	160	**196**	220
Cost of sales	**–**	–	**(3,461)**	(5,291)	**(3,461)**	(5,291)
Administration costs	**(2,926)**	(2,606)	**(17,485)**	(17,625)	**(20,411)**	(20,231)
	16,104	14,370	**9,609**	9,610	**25,713**	23,980
Interest (net) (note 5)	**(3,117)**	(2,498)	**(390)**	(310)	**(3,507)**	(2,808)
Return, including profit on ordinary activities before taxation	**12,987**	11,872	**9,219**	9,300	**22,206**	21,172
Taxation	**–**	–	**(847)**	(1,199)	**(847)**	(1,199)
Return, including profit attributable to shareholders	**12,987**	11,872	**8,372**	8,101	**21,359**	19,973
Revenue return per ordinary share	**11.01**	10.08	**7.09**	6.87	**18.10**	16.95
Assets	**640,223**	609,653	**56,954**	57,357	**697,177**	667,010
Liabilities	**(101,063)**	(51,100)	**(38,794)**	(41,699)	**(139,857)**	(92,799)
Total net assets	**539,160**	558,553	**18,160**	15,658	**557,320**	574,211

The capital element of the income statement is wholly attributable to the investment trust. Details regarding the segments are included on page 1 – Group summary and in note 1 – Segment reporting.

	Investment trust		Independent fiduciary services		Total	
	31 December 2015 £000	31 December 2014 £000	**31 December 2015 £000**	31 December 2014 £000	**31 December 2015 £000**	31 December 2014 £000
Other information						
Capital expenditure	**–**	–	**168**	50	**168**	50
Depreciation/amortisation	**–**	–	**124**	305	**124**	305

7 | Taxation

	2015 £000	2014 £000
Taxation based on revenue for the year comprises:		
UK Corporation tax at 20.25% (2014: 21.5%)	**429**	708
Overseas tax on income for the year	**239**	372
Total current tax charge	**668**	1,080
Deferred tax	**179**	119
	847	1,199

7 | Taxation continued

Taxation

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

	2015 £000	2014 £000
Profit before taxation	**1,586**	25,739
Tax on ordinary activities at standard rate 20.25% (2014: 21.5%)	**321**	5,534
Effects of:		
Expenses not deductible for tax purposes	**29**	18
Higher rates of tax on overseas income	**94**	142
Non taxable capital losses/(gains)	**4,176**	(982)
Tax credit on dividend income	**(3,774)**	(3,524)
Change in tax rate for deferred tax	**1**	11
	847	1,199

The group expects that a substantial portion of its future income will continue to be in the form of dividend receipts and capital gains and losses, which constitute non-taxable income. On this basis, the group tax charge is expected to remain significantly different to the standard UK rate.

Deferred tax

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

Deferred tax assets	Accelerated tax depreciation £000	Retirement benefit obligations £000	Total £000
At 1 January 2014	547	228	775
(Charge)/credit to income	28	(147)	(119)
Credit to other comprehensive income	–	569	569
Foreign exchange	9	–	9
At 1 January 2015	584	650	1,234
(Charge) to income	(49)	(130)	(179)
(Charge) to other comprehensive income	–	(240)	(240)
Foreign exchange	9	–	9
At 31 December 2015	**544**	**280**	**824**

In accordance with the accounting policy, deferred tax is calculated at the tax rates that are expected to apply to the reversal. Overseas taxes reflect the current rate, whilst UK taxes are at the enacted rate of 20%.

A deferred tax asset has not been recognised in respect of overseas losses of £1,268,000 (2014: £1,209,000) as their usability cannot be predicted with reasonable certainty.

8 | Dividends on ordinary shares

	2015 £000	2014 £000
Dividends on ordinary shares comprise the following:		
2015 Interim 5.2p (2014: 4.7p)	**6,139**	5,543
2014 Final 11.0p (2013: 10.5p)	**12,979**	12,368
Total for year	**19,118**	17,911
Proposed final dividend for the year ended 31 December 2015	**12,984**	

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered.

	2015 £000	2014 £000
2015 Interim 5.2p (2014: 4.7p)	**6,139**	5,543
2015 Final 11.0p (2014:11.0p)	**12,984**	12,975
	19,123	18,518

On this basis, The Law Debenture Corporation p.l.c. satisfies the requirements of Sections 1158-1159 of the Corporation Tax Act 2010, as an approved investment trust company.

Dividends have been waived in respect of the shares owned by the ESOT (see note 17).

9 | Earnings per share from continuing operations

Revenue return is based on profits attributable of £21,359,000 (2014: £19,973,000).

Capital return per share is based on capital losses for the year of £20,620,000 (2014: gain £4,567,000).

Total return per share is based on gain for the year of £739,000 (2014: gain £24,540,000).

The calculations of returns per share are based on 118,013,557 (2014: 117,847,733) shares, being the weighted average number of shares in issue during the year after adjusting for shares owned by the ESOT. In 2015 total, revenue and capital diluted returns per share were calculated using 118,020,665 shares (2014: 117,864,491 shares), being the diluted weighted average number of shares in issue assuming exercise of options at less than fair value. There were 105,565 (2014: nil) antidilutive shares.

10 | Goodwill

	2015 £000	2014 £000
Cost		
At 1 January	**2,215**	2,167
Foreign exchange	**41**	48
At 31 December	**2,256**	2,215

The goodwill is identifiable with separate operating companies (Safecall Limited: £1,419,000; and Delaware Corporate Services Inc.: £837,000). At 31 December 2015 the goodwill in relation to the operating companies was reviewed. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows based on management forecasts for 2016, assessed annual growth for 5 years of 5% with no terminal growth, which is based on current expectations and a discount rate of 10%. On this basis the goodwill is not considered to be impaired.

10 | Goodwill continued

The group has conducted a sensitivity analysis on the impairment test of goodwill and for the carrying value of goodwill to equal its recoverable amount the future cash flows would need to fall in excess of 25% per annum over the 5 years for Safecall and for there to be no growth in future cash flows for Delaware Corporate Services Inc. over 5 years.

11 | Property, plant and equipment

Group	Leasehold improvements £000	Office furniture & equipment £000	Total £000	Leasehold improvements £000	Office furniture & equipment £000	Total £000
			2015			2014
Cost						
At 1 January	**777**	**1,557**	**2,334**	777	1,517	2,294
Additions at cost	**71**	**97**	**168**	–	40	40
Foreign exchange	**1**	**–**	**1**	–	–	–
At 31 December	**849**	**1,654**	**2,503**	777	1,557	2,334
Accumulated depreciation						
At 1 January	**765**	**1,438**	**2,203**	755	1,332	2,087
Foreign exchange	**–**	**–**	**–**	–	(4)	(4)
Charge	**14**	**80**	**94**	10	110	120
At 31 December	**779**	**1,518**	**2,297**	765	1,438	2,203
Net book value at 31 December	**70**	**136**	**206**	12	119	131

The Corporation holds no property, plant and equipment.

12 | Other intangible assets

Group	Computer software 2015 £000	Computer software 2014 £000
Cost		
At 1 January	**1,458**	1,448
Additions at cost	**–**	10
At 31 December	**1,458**	1,458
Accumulated amortisation		
At 1 January	**1,413**	1,225
Foreign exchange	**(1)**	3
Charge	**30**	185
At 31 December	**1,442**	1,413
Net book value at 31 December	**16**	45

The Corporation holds no other intangible assets.

13 | Investments

Investments held at fair value through profit or loss

Group	2015 Listed £000	2015 Unlisted £000	2015 Total £000	2014 Listed £000	2014 Unlisted £000	2014 Total £000
Opening cost at 1 January	**388,128**	**328**	**388,456**	371,236	278	371,514
Gains at 1 January	**212,438**	**–**	**212,438**	223,659	–	223,659
Opening fair value at 1 January	**600,566**	**328**	**600,894**	594,895	278	595,173
Purchases at cost	**93,208**	**3,333**	**96,541**	54,844	50	54,894
Cost of acquisition	**(402)**	**–**	**(402)**	(203)	–	(203)
Sales – proceeds	**(55,586)**	**(9)**	**(55,595)**	(53,997)	–	(53,997)
– realised gains on sales	**27,854**	**–**	**27,854**	16,248	–	16,248
(Losses) in the income statement	**(47,679)**	**–**	**(47,679)**	(11,221)	–	(11,221)
Closing fair value at 31 December	**617,961**	**3,652**	**621,613**	600,566	328	600,894
Closing cost at 31 December	**453,202**	**3,652**	**456,854**	388,128	328	388,456
Gains	**164,759**	**–**	**164,759**	212,438	–	212,438
Closing fair value at 31 December	**617,961**	**3,652**	**621,613**	600,566	328	600,894

Corporation	2015 Listed £000	2015 Unlisted £000	2015 Total £000	2014 Listed £000	2014 Unlisted £000	2014 Total £000
Opening cost at 1 January	**393,226**	**–**	**393,226**	376,334	–	376,334
Gains at 1 January	**207,340**	**–**	**207,340**	218,561	–	218,561
Opening fair value at 1 January	**600,566**	**–**	**600,566**	594,895	–	594,895
Purchases at cost	**93,208**	**3,333**	**96,541**	54,844	–	54,844
Cost of acquisition	**(402)**	**–**	**(402)**	(203)	–	(203)
Sales – proceeds	**(55,586)**	**–**	**(55,586)**	(53,997)	–	(53,997)
– realised gains on sales	**27,854**	**–**	**27,854**	16,248	–	16,248
(Losses) in the income statement	**(47,679)**	**–**	**(47,679)**	(11,221)	–	(11,221)
Closing fair value at 31 December	**617,961**	**3,333**	**621,294**	600,566	–	600,566
Closing cost at 31 December	**458,300**	**3,333**	**461,633**	393,226	–	393,226
Gains	**159,661**	**–**	**159,661**	207,340	–	207,340
Closing fair value at 31 December	**617,961**	**3,333**	**621,294**	600,566	–	600,566

Listed investments are all traded on active markets and as defined by IFRS 13 are Level 1 financial instruments. As such they are valued at unadjusted quoted bid prices. Unlisted investments are Level 3 financial instruments. They are valued by the directors using unobservable inputs including the underlying net assets of the investments.

Investments in subsidiary undertakings – Corporation	2015 £000	2014 £000
Cost		
At 1 January	**96,311**	35,129
Addition	**–**	61,182
At 31 December	**96,311**	96,311

During the year the Corporation sold its subsidiary undertaking, Law Debenture Agency Solutions Limited at its carrying value (£1), which represented fair value.

13 | Investments continued

Fair valuation of the Independent Fiduciary Services businesses (IFS)

The IFS is represented by the wholly owned subsidiaries of the Corporation, with the exception of Law Debenture Finance p.l.c. The directors have chosen to provide a fair valuation of the IFS businesses, which is not included within the financial statements, to assist the users of the report and accounts. The fair valuation is used in preparing performance data for the group. The fair value is determined using unobservable inputs (including the group's own data), which represent Level 3 inputs. The directors' estimate of fair value uses the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association.

The fair valuation of IFS is based upon the historic earnings before interest, taxation, depreciation and amortisation (EBITDA), an appropriate multiple and the surplus net assets of the business at their underlying fair value. The multiple applied in valuing the IFS is from comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and the IFS in respect of growth, margin, size and liquidity.

Fair valuation of the IFS	**2015 £000**	2014 £000
EBITDA at a multiple of 8.4 (2014: 8.9)	**78,397**	84,684
Surplus net assets	**12,082**	8,507
	90,479	93,191

An increase or decrease of 1 in the multiple would give rise to a £9.3 million change in the fair valuation of the IFS. The adjustment to NAV to reflect the IFS fair value is an increase of 61.27p per share (2014: 65.73p).

Subsidiaries and related undertakings

The following is a list of all of the subsidiaries within the Law Debenture group. Each of them is 100% owned within the group and has been consolidated in the group accounts. Unless indicated, all subsidiaries are incorporated in the United Kingdom. All shares issued by group subsidiaries are ordinary shares. The Corporation and the group do not have any significant holdings in any qualifying undertakings other than the subsidiary undertakings listed below.

L.D. Pension Plan Trustee Limited

L.D.C. Trust Management Limited

Law Debenture Investment Management Limited

LDC Reporting Services Limited

Beagle Nominees Limited

The Law Debenture Trust Corporation p.l.c.

The Law Debenture Pension Trust Corporation p.l.c.

Law Debenture Corporate Services Limited

Law Debenture Trustees Limited

The Law Debenture Intermediary Corporation p.l.c.

Law Debenture Overseas No. 1 Limited

Law Debenture Finance p.l.c.

Law Debenture Securitisation Services Limited

LDPTC Nominees Limited

Law Debenture Governance Services Limited

Safecall Limited

Safecall Training Limited

The Whistleblowing Company Limited

The Sole Trustee plc

The Law Debenture Corporation (Deutschland) Limited

L.D.C. Latvia Limited

Law Debenture Trustee for Charities

Law Debenture (No. 1 Scheme) Trust Corporation

Law Debenture (No. 2 Scheme) Trust Corporation

Law Debenture (No. 3 Scheme) Pension Trust Corporation

The Law Debenture (No. 5) Trust Corporation

The Law Debenture (CSMA) Pension Trust Corporation

The Law Debenture (Britannia) Pension Trust Corporation

The Law Debenture (1996) Pension Trust Corporation

The Law Debenture (Airborne) Pension Trust Corporation

The Law Debenture Amersham Pension Trust Corporation

The Law Debenture (BAA) Pension Trust Corporation

The Law Debenture (BIS Management) Pension Trust Corporation

13 | Investments continued

The Law Debenture (BIS Retirement) Pension Trust Corporation

The Law Debenture (Freemans) Trust Corporation

The Law Debenture (GS) Pension Trust Corporation

The Law Debenture (Intel Old Plan) Pension Trust Corporation

The Law Debenture (SAPP) Pension Trust Corporation

The Law Debenture (JLPF) Pension Trust Corporation

The Law Debenture (JLPP) Pension Trust Corporation

The Law Debenture (JGRP) Pension Trust Corporation

The Law Debenture (JGSPS) Pension Trust Corporation

The Law Debenture (KBPP) Pension Trust Corporation

The Law Debenture (KGPP) Pension Trust Corporation

The Law Debenture (LBS) Pension Trust Corporation

The Law Debenture (Swiss Re GB) Trust Corporation

Law Debenture (Ocean) Trust Corporation

Law Debenture (Odyssey) Trust Corporation

The Law Debenture (SRL) Pension Trust Corporation

The Law Debenture (Stena Line EPS) Pension Trust Corporation

The Law Debenture (Tootal) Trust Corporation

Law Debenture (GWR) Pension Trust Corporation

The Law Debenture (JGDBS) Pension Trust Corporation

ICI Pensions Trustee Limited

Morgan Crucible Pension Trustees Limited

AstraZeneca Pensions Trustee Limited

Law Debenture MC Senior Pension Trust Corporation

ICI Specialty Chemicals Pensions Trustee Limited

RTL Shareholder SVC Limited

Billiton SVC Limited

DLC SVC Limited

LDC (NCS) Limited

LDC Shares Limited

Terrier Services Limited

L.D.C. Securitisation Director No. 1 Limited

L.D.C. Securitisation Director No. 2 Limited

L.D.C. Securitisation Director No. 3 Limited

L.D.C. Securitisation Director No. 4 Limited

L.D.C. Corporate Director No. 1 Limited

L.D.C. Corporate Director No. 2 Limited

L.D.C. Corporate Director No. 3 Limited

L.D.C. Corporate Director No. 4 Limited

L.D.C. Corporate Director No. 5 Limited

CD Corporate Director No. 1 Limited

CD Corporate Director No. 2 Limited

LDC Nominee Director No. 1 Limited

LDC Nominee Director No. 2 Limited

LDC Nominee Secretary Limited

L.D.C. DR Trustee Limited

LDC DR Nominees Limited

L.D.C. (SPV No.1) Limited

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

Law Debenture Trust (Asia) Limited (incorporated in Hong Kong)

Law Debenture Services (Asia) Limited (incorporated in Hong Kong)

Law Debenture China Limited (incorporated in Hong Kong)

Law Debenture Services (HK) Limited (incorporated in Hong Kong)

The Law Debenture Trust Corporation (Channel Islands) Limited (incorporated in Jersey)

The Law Debenture Trust Corporation (Cayman) Limited (incorporated in the Cayman Islands)

The Law Debenture Trust Company of New York (incorporated in the USA)

Law Debenture Corporate Services Inc. (incorporated in the USA)

Law Debenture Holdings Inc (incorporated in the USA)

Delaware Corporate Services Inc. (incorporated in the USA)

Law Debenture (Ireland) Limited (incorporated in the Republic of Ireland)

BHP SVC PTY Limited (incorporated in Australia)

14 | Trade and other receivables

The carrying value represents trade and other receivables which are not impaired. The directors consider that the carrying amount approximates to the fair value. Allowances for impairment are determined by reference to past experience.

15 | Cash and cash equivalents

These comprise cash held at bank by the group, short term bank deposits with an original maturity of three months or less and money market funds with immediate access. The carrying amount of these assets approximates to their fair value.

16 | Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

The directors consider that the carrying amount of trade and other payables approximates to their fair value, due to their age.

17 | Called up share capital

Allotted, issued and fully paid share capital

	2015 £000	2014 £000
Value		
As at 1 January	**5,916**	5,908
Issued in year	**–**	8
As at 31 December	**5,916**	5,916

	Number	Number
Shares		
As at 1 January	**118,314,903**	118,152,771
Issued in year	**13,971**	162,132
As at 31 December	**118,328,874**	118,314,903

During the year to 31 December 2015, 13,971 shares were allotted under the SAYE Scheme for a total consideration of £45,740 which includes a premium of £45,041.

During the year, 42,428 options were granted under the Corporation's SAYE scheme. At 31 December 2015, options under the SAYE Scheme exercisable from 2016 to 2020 at prices ranging from 357.51p to 512.50p per share were outstanding in respect of 188,163 ordinary shares (2014: 167,333 ordinary shares). During 2015, 7,627 options lapsed or were cancelled (2014: 3,561) and 13,971 (2014: 162,132) were exercised.

Further details of options outstanding are given in the directors' report on page 26.

Own shares held

	2015 £000	2014 £000
Own shares held – cost	**1,493**	1,686

The own shares held represent the cost of 288,493 (2014: 363,544) ordinary shares of 5p each in the Corporation, acquired by the ESOT in the open market. The shares have been acquired to meet the requirements of the Deferred Share Plan. The dividends and voting rights relating to the shares have been waived. The market value of the shares at 31 December 2015 was £1,436,695 (2014: £1,926,783).

18 | Capital reserves

Group	2015 Unrealised appreciation £000	2015 Realised reserves £000	2015 Total £000	2014 Unrealised appreciation £000	2014 Realised reserves £000	2014 Total £000
At 1 January	**208,230**	**316,039**	**524,269**	219,911	299,791	519,702
Transfer on disposal of investments	**(23,526)**	**23,526**	**–**	(13,318)	13,318	–
Net (losses)/gains on investments	**(24,153)**	**4,328**	**(19,825)**	2,097	2,930	5,027
Cost of acquisition	**(402)**	**–**	**(402)**	(203)	–	(203)
Foreign exchange	**(8)**	**–**	**(8)**	132	–	132
Transfers (to) revenue	**(385)**	**–**	**(385)**	(389)	–	(389)
At 31 December	**159,756**	**343,893**	**503,649**	208,230	316,039	524,269

Corporation	2015 Unrealised appreciation £000	2015 Realised reserves £000	2015 Total £000	2014 Unrealised appreciation £000	2014 Realised reserves £000	2014 Total £000
At 1 January	**203,953**	**381,356**	**585,309**	217,379	365,108	582,487
Transfer on disposal of investments	**(23,526)**	**23,526**	**–**	(13,318)	13,318	–
Net (losses)/gains on investments	**(24,153)**	**4,328**	**(19,825)**	2,097	2,930	5,027
Cost of acquisition	**(402)**	**–**	**(402)**	(203)	–	(203)
Foreign exchange	**(1,536)**	**–**	**(1,536)**	(1,613)	–	(1,613)
Transfers (to) revenue	**(385)**	**–**	**(385)**	(389)	–	(389)
At 31 December	**153,951**	**409,210**	**563,161**	203,953	381,356	585,309

19 | Financial instruments

The group's investment objective is to achieve long term capital growth through investing in a diverse portfolio of investments spread both geographically and by sector. In pursuit of this objective, the group has the power to deploy the following financial instruments:

- Quoted equities, unlisted equities and fixed interest securities
- Cash and short term investments and deposits
- Debentures, term loans and bank overdrafts to allow the group to raise finance
- Derivative transactions to manage any of the risks arising from the use of the above instruments
- Derivative transactions to hedge the net investment in overseas subsidiaries

It remains the group's policy that no trading in derivatives is undertaken. Information in respect of the investment portfolio is included on pages 14 to 19.

Capital management

The Corporation is not allowed to retain more than 15% of its income from shares and securities each year and has a policy to increase dividends. However revenue profits are calculated after all expenses. Distributions will not be made if they inhibit the investment strategy. The investment strategy of the Corporation is disclosed on page 7 and includes a ceiling on effective gearing of 50%, with a typical range of 10% net cash to 20% gearing.

Capital is represented by the group's net assets.

19 | Financial instruments continued

The group and Corporation held the following categories of financial assets and liabilities at 31 December 2015.

Group	2015 £000	2014 £000
Assets		
Financial assets held at fair value through profit or loss (designated as such upon initial recognition):		
Equity investments	**621,613**	600,894
Loans and receivables:		
Trade and other receivables	**7,073**	7,491
Cash and cash equivalents	**60,301**	50,321
	67,374	57,812
Total financial assets	**688,987**	658,706
Liabilities		
Derivative financial instruments at fair value (designated as a hedge from inception)	**725**	–
Financial liabilities measured at amortised cost:		
Loans and payables:		
Trade and other payables	**13,816**	13,012
Short term borrowings	**–**	26,548
Long term borrowings	**113,980**	39,472
	127,796	79,032
Total financial liabilities	**128,521**	79,032

Corporation	2015 £000	2014 £000
Assets		
Financial assets held at fair value through profit or loss (designated as such upon initial recognition):		
Equity investments	**621,294**	600,566
Loans and receivables:		
Trade and other receivables	**239**	149
Cash and cash equivalents	**17,607**	7,848
	17,846	7,997
Total financial assets	**639,140**	608,563
Liabilities		
Derivative financial instruments at fair value (designated as a hedge from inception)	**725**	–
Financial liabilities measured at amortised cost:		
Loans and payables:		
Amounts owed to subsidiary undertakings	**61,617**	59,612
Trade and other payables	**897**	188
Short term borrowings	**–**	26,548
Long term borrowings	**74,481**	–
	136,995	86,348
Total financial liabilities	**137,720**	86,348

19 | Financial instruments continued

Derivative financial instruments

	2015 £000	2014 £000
Fair value of hedge instrument	**725**	–

The Corporation repaid a short term US dollar borrowing, which was designated as a hedging instrument.

In order to retain the hedge, the Corporation entered into a $45 million US dollar/sterling currency swap with HSBC Bank plc which matures on 24 March 2016. The currency swap is a Level 2 financial instrument as defined by IFRS 13 and the fair value of the financial liability at 31 December 2015 represents the sterling equivalent of the change in value of the notional amount since inception. The fair value represents the contractual undiscounted cash flow of the swap.

The hedge was initially created in July 2013 and replaced by the swap in September 2015, to hedge the net investment in US operations. The hedges have been reviewed on an ongoing basis and have been effective at all times since inception. The gains or losses on the hedging instruments have been recognised in reserves and set off against gain or loss on the translation of the net investment in US operations.

The principal risks facing the group in respect of its financial instruments remain unchanged from 2014 and are:

Market risk

- **price risk**, arising from uncertainty in the future value of financial instruments. The board maintains strategy guidelines whereby risk is spread over a range of investments, the number of holdings normally being between 70 and 150. In addition, the stock selections and transactions are actively monitored throughout the year by the investment manager, who reports to the board on a regular basis to review past performance and develop future strategy. The investment portfolio is exposed to market price fluctuation: if the valuation at 31 December 2015 fell or rose by 10%, the impact on the group's total profit or loss for the year would have been £62.2 million (2014: £60.1 million). Corresponding 10% changes in the valuation of the investment portfolio on the Corporation's total profit or loss for the year would have been £62.1 million (2014: £60.1 million).

- **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:

	2015			2014		
Group	**Investments £m**	**Net monetary assets £m**	**Total currency exposure £m**	Investments £m	Net monetary assets £m	Total currency exposure £m
US Dollar	**59.7**	**6.0**	**65.7**	55.4	7.7	63.1
Canadian Dollar	**2.1**	**–**	**2.1**	4.7	–	4.7
Euro	**24.1**	**0.3**	**24.4**	22.8	1.2	24.0
Danish Krone	**2.3**	**–**	**2.3**	2.5	–	2.5
Swedish Krona	**1.5**	**–**	**1.5**	1.2	–	1.2
Swiss Franc	**12.1**	**–**	**12.1**	12.1	–	12.1
Hong Kong Dollar	**–**	**0.3**	**0.3**	–	0.4	0.4
Japanese Yen	**6.9**	**–**	**6.9**	2.8	–	2.8
	108.7	**6.6**	**115.3**	101.5	9.3	110.8

The group US dollar net monetary assets is that held by the US operations of £36.3 million less the US dollar/sterling currency swap notional amount of £30.3 million ($45 million).

19 | Financial instruments continued

Corporation	Investments £m (2015)	Net monetary (liabilities) £m (2015)	Total currency exposure £m (2015)	Investments £m (2014)	Net monetary (liabilities)/ assets £m (2014)	Total currency exposure £m (2014)
US Dollar	**59.7**	**(30.3)**	**29.4**	55.4	(26.5)	28.9
Canadian Dollar	**2.1**	**–**	**2.1**	4.7	–	4.7
Euro	**24.1**	**–**	**24.1**	22.8	0.9	23.7
Danish Krone	**2.3**	**–**	**2.3**	2.5	–	2.5
Swedish Krona	**1.5**	**–**	**1.5**	1.2	–	1.2
Swiss Franc	**12.1**	**–**	**12.1**	12.1	–	12.1
Japanese Yen	**6.9**	**–**	**6.9**	2.8	–	2.8
	108.7	**(30.3)**	**78.4**	101.5	(25.6)	75.9

The Corporation US dollar net monetary liability of £30.3 million is the sterling equivalent of the $45 million notional US dollar/sterling currency swap.

The holdings in the Henderson Japan Capital Growth, Henderson Pacific Capital Growth, Baillie Gifford Pacific and Stewart Investors Asia Pacific OEICs and Templeton Emerging Markets Investment Trust and Scottish Oriental Smaller Companies Trust are denominated in sterling but have underlying assets in foreign currencies equivalent to £63.6 million (2014: £61.6 million). Investments made in the UK and overseas have underlying assets and income streams in foreign currencies which cannot be determined and this has not been included in the sensitivity analysis. If the value of all other currencies at 31 December 2015 rose or fell by 10% against sterling, the impact on the group's total profit or loss for the year would have been £19.1 million and £15.6 million respectively (2014: £18.1 million and £14.8 million respectively). Corresponding 10% changes in currency values on the Corporation'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:

						2015
				Group		**Corporation**
	Sterling £m	**HK Dollars £m**	**US Dollars £m**	**Euro £m**	**Sterling £m**	**US Dollars £m**
Floating rate assets	**23.4**	**0.3**	**36.3**	**0.3**	**17.4**	**0.2**

						2014
				Group		Corporation
	Sterling £m	HK Dollars £m	US Dollars £m	Euro £m	Sterling £m	Euro £m
Floating rate assets	14.5	0.4	34.2	1.2	6.9	0.9

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

19 | Financial instruments continued

	Group		Corporation	
	2015 US Dollars £m	2014 US Dollars £m	**2015 US Dollars £m**	2014 US Dollars £m
Floating rate liabilities				
Short term borrowings	**–**	26.5	**–**	26.5

Interest on the short term borrowings was 1.5% above HSBC's base rate (see note 20). The weighted average rate during the year was 1.62% (2014: 1.59%).

	Group		Corporation	
	2015 Sterling £m	2014 Sterling £m	**2015 Sterling £m**	2014 Sterling £m
Fixed rate liabilities	**114.0**	39.5	**74.5**	–
Weighted average fixed rate for the year	**5.320%**	6.125%	**3.770%**	–

The weighted average fixed rate will be 4.589% with all long term borrowing in place for a full year. 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 £336,000 credit (2014: £183,000 credit). It is assumed that interest rates are unlikely to fall below the current level.

The Corporation holds cash and cash equivalents on short term bank deposits and money market funds and has short term borrowings. Amounts owed to subsidiary undertakings include £40 million 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 Corporation's profit or loss for the year by £9,000 charge (2014: £142,000 charge). 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

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.

Credit risk

Arising from the failure of another party to perform according to the terms of their contract. The group minimises credit risk through policies which restrict deposits to highly rated financial institutions and restrict the maximum exposure to any individual financial institution. The group's maximum exposure to credit risk arising from financial assets is £67.4 million (2014: £57.8 million). The Corporation's maximum exposure to credit risk arising from financial assets is £17.8 million (2014: £8.0 million).

Trade and other receivables

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

	Group		Corporation	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Between 31 and 60 days	**1,986**	1,533	**8**	11
Between 61 and 90 days	**380**	493	**–**	–
More than 91 days	**1,777**	1,950	**31**	35
Total	**4,143**	3,976	**39**	46

19 | Financial instruments continued

At 31 December 2015, trade and other receivables which were impaired and for which there was a bad debt provision totalled £522,000 (2014: £272,000) (Corporation: £nil (2014: £nil)). All the impaired trade and other receivables were more than 91 days past due.

Trade and other payables

	Group		Corporation	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Due in less than one month	**13,353**	12,448	**897**	188
Due in more than one month and less than three months	**463**	564	**–**	–
	13,816	13,012	**897**	188

Fair value

The directors are of the opinion that the fair value of financial assets and liabilities of the group are not materially different to their carrying values, with the exception of the long term borrowings (see note 20).

20 | Borrowings

	Group		Corporation	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Short term borrowings				
Bank overdraft	**–**	26,548	**–**	26,548

The uncommitted overdraft facility of £30,000,000, repayable on demand, provided by HSBC Bank plc, secured by a floating charge which ranked *pari passu* with a charge given in respect of the debenture was repaid from funds raised by the issue of the senior secured notes during the year and the facility cancelled.

	Group		Corporation	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Long term borrowings				
Long term borrowings are repayable as follows:				
In more than five years				
Secured				
6.125% guaranteed secured bonds 2034	**39,499**	39,472	**–**	–
3.77% secured senior notes 2045	**74,481**	–	**74,481**	–
	113,980	39,472	**74,481**	–

The 6.125% bonds were issued by Law Debenture Finance p.l.c. and guaranteed by the Corporation. The £40 million nominal tranche, which produced proceeds of £39.1 million, is constituted by Trust Deed dated 12 October 1999 and the Corporation's guarantee is secured by a floating charge on the undertaking and assets of the Corporation. The bonds are redeemable at nominal amount on 12 October 2034. Interest (see note 5) is payable semi-annually in equal instalments on 12 April and 12 October in each year.

The 3.77% notes were issued by the Corporation on 25 September 2015. The £75 million nominal tranche, which produced proceeds of £74.5 million, is constituted by a note purchase agreement and the notes are secured by a floating charge which ranked *pari passu* with the charge given as part of the 6.125% bond issue. The notes are redeemable at nominal amount on 25 September 2045. Interest (see note 5) is payable semi-annually in equal instalments on 25 March and 25 September in each year.

20 | Borrowings continued

The long term borrowings are stated in the statement of financial position at book value. Restating them at a fair value of £124.4 million at 31 December 2015 (2014: £51.5 million) has the effect of decreasing the year end NAV by 8.87p (2014: 10.20p). The estimated fair value is based on the redemption yield of reference gilts plus a margin derived from the spread of A rated UK corporate bond yields over UK gilt yields (2014: BBB).

21 | Contingent liabilities

The group is from time to time party to legal proceedings and claims, which arise in the ordinary course of the independent fiduciary services business. The directors do not believe that the outcome of any of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the group's financial position.

The Corporation has provided a guarantee to a subsidiary undertaking in respect of the ongoing liabilities of the group defined benefit pension scheme (see note 23). The Corporation has provided surety for the lease of the group's main property which is held by a subsidiary undertaking. The annual rental is currently £907,000 and its full term ends in 2020.

22 | Lease commitments

At the year end date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £000	2014 £000
Less than one year	**1,290**	1,314
Two to five years	**3,386**	3,939
More than five years	**–**	488
	4,676	5,741

Lease payments represent rentals payable by the group for its office properties. The lease for the main property was negotiated for a term of 16 years and rentals are fixed for an average of five years.

23 | Pension commitments

For some employees, the group operates a funded pension plan providing benefits for its employees based on final pensionable emoluments. The assets of the plan are held in a separate trustee administered fund.

Under the defined benefit pension plan, each member's pension at retirement is related to their pensionable service and final pensionable emoluments. The weighted average duration of the expected benefit payments from the plan is around 18 years. The defined benefit scheme is operated from a trust, which has assets which are held separately from the group and trustees who ensure the plan's rules are strictly followed.

These figures were prepared by an independent qualified actuary in accordance with IAS19 (revised), and are based on membership data as at 31 December 2015. The funding target is for the plan to hold assets equal in value to the accrued benefits based on projected pensionable emoluments. If there is a shortfall against this target, then the group and the Trustee will agree deficit contributions to meet this deficit over a period.

There is a risk to the group that adverse experience could lead to a requirement for the group to make additional contributions to recover any deficit that arises.

Contributions are set based upon funding valuations carried out every three years; the next valuation is due to be carried out as at 31 December 2017. The estimated amount of total employer contributions expected to be paid to the plan during 2016 is £1.3 million (2015 actual: £1.2 million).

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

23 | Pension commitments continued

The major assumptions in the 31 December 2015 disclosure under IAS19 (revised) are shown below and are applied to membership data supplied at that date. This shows the net pension assets and liabilities.

	2015 %	2014 %	2013 %	2012 %	2011 %
Significant actuarial assumptions:					
Retail Price Inflation	**3.0**	3.0	3.3	3.1	3.2
Consumer Price Inflation	**2.0**	2.0	2.5	2.4	2.5
Discount rate	**3.7**	3.7	4.6	4.6	4.9
5% limited RPI pension increases in payment	**2.9**	2.9	3.2	3.0	3.1
General salary increases	**4.5**	4.5	4.8	4.7	4.7

	2015 Years	2014 Years
Life expectancy of male/female aged 65 in 2015	**23.9/25.7**	24.1/25.9
Life expectancy of male/female aged 65 in 2035	**26.1/27.6**	26.2/27.8

	2015 £000	2014 £000
The amounts recognised in profit or loss are as follows:		
Employer's part of current service cost	**490**	396
Interest cost	**100**	22
Total expense recognised in profit or loss	**590**	418

	2015		2014	
	Allocation %	**£000**	Allocation %	£000
The current allocation of plan assets is as follows:				
Equities	**65**	**28,400**	62	26,980
Bonds	**10**	**4,300**	10	4,260
Gilts	**23**	**10,300**	25	10,940
Pensioner annuities	**2**	**700**	2	710
Other	**–**	**100**	1	250
Total	**100**	**43,800**	100	43,140

	2015 £000	2014 £000
Reconciliation of present value of defined benefit obligation		
At 1 January	**46,390**	40,720
Employer's part of current service cost	**490**	396
Interest on plan liabilities	**1,700**	1,847
Contributions by plan participants	**150**	145
Actuarial (gains)/losses due to:		
Experience on benefit obligations	**(1,860)**	(406)
Changes in financial assumptions	**(520)**	4,640
Changes in demographic assumptions	**(50)**	194
Benefits paid	**(1,100)**	(1,146)
At 31 December	**45,200**	46,390

23 | Pension commitments continued

	2015 £000	2014 £000
Reconciliation of fair value of plan assets		
At 1 January	**43,140**	39,631
Interest on plan assets	**1,600**	1,825
Actual returns net of interest	**(1,230)**	1,582
Contributions by the employer	**1,240**	1,103
Contributions by plan participants	**150**	145
Benefits paid	**(1,100)**	(1,146)
At 31 December	**43,800**	43,140

	2015 £000	2014 £000
Movement in the net defined benefit obligations		
Deficit at 1 January	**3,250**	1,089
Expense charged to profit and loss	**590**	418
Amount recognised outside of profit and loss	**(1,200)**	2,846
Employer contributions	**(1,240)**	(1,103)
Deficit at 31 December	**1,400**	3,250

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Plan assets and obligations						
Present value of defined benefit obligation	**45,200**	46,390	40,720	38,292	35,906	33,525
Fair value of plan assets	**(43,800)**	(43,140)	(39,631)	(36,065)	(32,768)	(32,649)
Deficit	**1,400**	3,250	1,089	2,227	3,138	876

24 | Related party transactions

Group

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

Corporation

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

	2015 £000	2014 £000
Dividends from subsidiaries	**7,725**	6,500
Interest on intercompany balances charged by subsidiaries	**2,676**	2,656
Management charges from subsidiaries	**420**	192
Interest on intercompany balances charged to subsidiaries	**128**	1,238

The key management personnel are the directors of the Corporation, details of their compensation are included in note 4 to the accounts and in part 3 of the remuneration report on pages 46 to 48.

Investment trust status

The Corporation carries on business as an investment trust company as defined in Sections 1158-1159 of the Corporation Tax Act 2010. The directors will endeavour to conduct its affairs so as to enable it to maintain HMRC approval of the Corporation's status in this respect. So far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Corporation.

Capital gains tax

For shareholders who have purchased their shares through a share savings scheme on a monthly basis and who wish to apply HMRC's optional basis of valuing holdings as if they had all been purchased in July, guidance notes have been prepared by the AIC and are available from the company secretary on request.

Company share information

Information about the Corporation can be found on its web site **http://www.lawdeb.com**. The market price of its ordinary shares is also published daily in a number of newspapers.

Registrars

Our registrars, Computershare Investor Services PLC, operate a dedicated telephone service for Law Debenture shareholders – **0370 707 1129**. Shareholders can use this number to access holding balances, dividend payment details, share price data, or to request that a form be sent to their registered address.

Share dealing

Computershare Investor Services PLC offers shareholders a share dealing service via the internet or by telephone, details of which are as follows:

Internet – **www.computershare.com/sharedealingcentre**
Telephone – **0370 703 0084**

Commission for the internet service is 1% with a minimum charge of £30 and 1% for the telephone service, plus £35.

The service is available only to those shareholders who hold their shares on the register (i.e. it is not available to those who hold their shares via a nominee).

Shareholders using the internet service will need their Shareholder Reference Number (SRN) and post code to complete their trade. The SRN can be found printed on your proxy card.

The share dealing service is controlled and operated by Computershare Investor Services PLC and the Corporation is not responsible or liable for anything arising from a shareholder's decision to use the service. The Corporation is not acting as an introducer for the share dealing service and receives no financial benefit, either from making shareholders aware of the service or from any share deals conducted by shareholders who use the service.

Financial calendar

Dividend and interest payments

Ordinary shares:

Interim announced July	Paid September
Final announced February/March	Paid April
6.125% guaranteed secured notes	Paid April and October
3.77% senior secured notes	Paid March and September

Group results

Half year results	Announced in July
Full year results	Announced in February/March
Report and accounts	Published in March
Annual general meeting	Held in London in April
Factsheets	Published monthly on the Corporation's website

Payment methods for dividends

Dividends and interest can be paid to shareholders by means of BACS. Mandate forms for this purpose are available on request from the Corporation's Registrars.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 126th annual general meeting of the Corporation will be held on 12 April 2016 at 11.00am at the Brewers' Hall, Aldermanbury Square, London EC2V 7HR for the following purposes:

Ordinary business

1. **To receive the report of the directors, the strategic report and the audited accounts for the year ended 31 December 2015.**
2. **To receive and approve the directors' remuneration report for the year ended 31 December 2015.**
3. **To declare a final dividend of 11.0p per share in respect of the year ended 31 December 2015.**
4. **To re-elect Caroline Banszky as a director.**
5. **To re-elect Christopher Smith as a director.**
6. **To re-elect Robert Laing as a director.**
7. **To re-elect Mark Bridgeman as a director.**
8. **To elect Tim Bond as a director.**
9. **To re-appoint BDO LLP as auditors of the Corporation to hold office until the conclusion of the next general meeting at which accounts are laid and to authorise the audit committee to determine their remuneration.**
10. **General authority to allot shares.**
    THAT:

    (a) the directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise for the period ending on the date of the Corporation's next annual general meeting, all the powers of the Corporation to allot shares in the Corporation or to grant rights to subscribe for or to convert any security into shares in the Corporation up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £295,822;

    (b) the Corporation may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

Special business

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

11. **Disapplication of statutory pre-emption rights.**
    THAT:

    (a) in exercise of the authority given to the directors by resolution 10 above, the directors be empowered pursuant to section 570 of the Act to allot shares or grant rights to subscribe for or to convert any security into shares in the Corporation for the period ending on the date of the Corporation's next annual general meeting wholly for cash generally up to an aggregate nominal amount of £295,822 as if section 561 of the Act did not apply to such allotment, provided always that no more than 7.5% of the issued share capital shall be issued on a non pre-emptive basis within any three year period;

    (b) the Corporation may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

12. General authority to buy back shares.

THAT: the Corporation be and is generally and unconditionally authorised in accordance with sections 693 and 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of its issued ordinary shares of 5p each in the capital of the Corporation, in such manner and upon such terms as the directors of the Corporation may from time to time determine, PROVIDED ALWAYS THAT:

(a) the maximum number hereby authorised to be purchased shall be limited to 17,737,498 shares, or if less, that number of shares which is equal to 14.99% of the Corporation's issued share capital as at the date of the passing of this resolution;

(b) the minimum price which may be paid for a share shall be 5p;

(c) the maximum price which may be paid for a share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the shares for the five business days immediately preceding the day on which the share is purchased;

(d) unless previously revoked, renewed or varied, the authority hereby conferred shall expire on the date of the Corporation's next annual general meeting provided that a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of Shares may be made in pursuance of any such contract.

13. Authority to convene a general meeting – notice.

THAT: a general meeting of the Corporation, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the board

Law Debenture Corporate Services Limited
Secretary

25 February 2016

Registered office:
Fifth Floor
100 Wood Street
London EC2V 7EX
Registered No. 30397

1. A member who holds ordinary shares on the register of members and is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his or her place (or in the case of a corporation, to appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member). A proxy need not be a member of the Corporation. Proxy rights do not apply to nominated persons although the nominated person may have a right under an agreement with the registered member to appoint a proxy. In addition to instructing a proxy to vote for or against a resolution, the form enables shareholders to instruct a 'vote withheld' if preferred. A vote withheld is not a vote in law and will not be counted in the calculation of votes. It may be used, for example, to convey a message of dissatisfaction on a particular issue, where the strength of feeling is not so great as to oppose the resolution, but supporting it is not appropriate either.

2. Shareholders who hold shares on the register of members (as opposed to holding them in a nominee) will find enclosed a form of proxy for use at the meeting. To be valid, forms of proxy must be lodged electronically by accessing www.investorcentre.co.uk/eproxy or by post at the office of the Corporation's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. CREST members can register votes electronically by using the service provided by Euroclear. Proxies must be received not less than 48 hours before the time appointed for the holding of the meeting. This is also the voting record date by which a person must be entered on the register in order to have a right to attend and vote at the meeting. Lodgement of a form of proxy will not prevent a member from attending and voting in person.

3. The register of directors' interests will be available for inspection at the registered office of the Corporation during normal business hours and at the annual general meeting. No director has a service contract with the Corporation of more than one year's duration.

4. Subject to the dividend on the ordinary shares now recommended being approved at the annual general meeting, dividend payments will be made on 21 April 2016 to shareholders on the register on the record date on 18 March 2016.

5. **Resolution 2** is to receive and approve the directors' remuneration report for the year ended 31 December 2015. The remuneration report, which follows the format required by the relevant regulations, is set out at pages 46 to 48 of the annual report.

6. **Resolution 4:** Caroline Banszky offers herself for re-election. The board supports her re-election. She has been a very effective managing director, improving profitability of the independent fiduciary services business and thus enhancing shareholder value and will remain firmly committed to her role until retirement later in the year. Her biography is included on page 49 of the annual report.

7. **Resolution 5:** Christopher Smith offers himself for re-election. The board supports his re-election. He brings a wealth of corporate finance experience to the board along with a thorough knowledge of the investment trust sector and regulatory matters. He has demonstrated that he is a skilful and effective chairman. His biography is included on page 49 of the annual report.

8. **Resolution 6:** Robert Laing offers himself for re-election. The board supports his re-election. The board believes that its effectiveness is greatly enhanced by having a non-executive director with a legal background and experience of one or more of the fiduciary services sectors where Law Debenture operates. Robert Laing matches this requirement. He is an effective director and chairman of the remuneration committee. His biography is included on page 49 of the annual report.

9. **Resolution 7:** Mark Bridgeman offers himself for re-election. The board supports his re-election. The board believes that it is essential to appoint a non-executive director with fund management experience and Mark fulfils that need. He has established himself as an effective director and chairman of the audit committee. His biography is included on page 49 of the annual report.

10. **Resolution 8:** Tim Bond offers himself for election. The board supports his election. The board believes that it is desirable to have input from someone with a global, strategic macroeconomic background. Both from his current and previous experience, Tim is able to contribute in this way and does so effectively. His biography is included on page 49.

11. **Resolution 9** is to re-appoint BDO LLP as the Corporation's auditors. BDO LLP were first appointed on 31 October 2008.

12. **Resolution 10** renews the authority given to directors at the last annual general meeting to allot unissued capital not exceeding 5,916,443 shares, being 5% of the issued share capital. This authority would be exercised only at times when it would be advantageous to the Corporation's shareholders to do so. Shares would not be issued under this authority at a price lower than market price or net asset value at the time of the issue. If approved, the authority will continue to operate until the next annual general meeting.

13. **Special resolution 11** is proposed because the directors consider that in order to allot shares in the circumstances described in resolution 10 it is in the best interests of the Corporation and its shareholders to permit the allotment of a maximum of 5,916,443 shares other than on a pre-emptive basis. The board would not, however, issue more than 7.5% of the issued share capital on a non-pre-emptive basis within any three year period.

14. **Special resolution 12** renews the authority given to directors at the last annual general meeting to purchase ordinary shares in the market for cancellation. Such purchases at appropriate times and prices could be a suitable method of enhancing shareholder value and would be applied within guidelines set from time to time by the board. It should be noted that no such purchases would be undertaken if shares were trading at a premium to net asset value.

15. **Special resolution 13** seeks authority to convene a general meeting (but not the annual general meeting) by giving not less than 14 clear days' notice. While the directors have no current intention to call a general meeting in the year ahead, circumstances might arise when such a meeting might become necessary and the directors deem it in the best interests of shareholders that it be held as quickly as possible. Such circumstances might include, for example, a decision to make a significant amendment to the investment strategy (shareholder approval for such a change being a regulatory stipulation).

16. **Meeting notice requirements** – the Corporation is required under the Act to make a number of additional disclosures as follows. The Corporation's website – www.lawdeb.com/investment-trust/investor-information – contains a copy of this notice, which includes the current total voting rights, as set out below. Should the required number of members requisition the Corporation to publish any statement about the audit or related matters that the relevant members propose to raise at the AGM (in accordance with section 527 of the Act), this would be published at the Corporation's expense on the website and forwarded to the auditor. Similarly, any shareholder statements, resolutions and matters of business connected with the meeting received after publication of this notice will be published on the website subject to compliance by the submitting party with the Act. At the AGM, the Corporation will cause to be answered any question relating to the business being dealt with at the meeting put by a shareholder in attendance.

Total voting rights and share information

The Corporation has an issued share capital at 25 February 2016 of 118,328,874 ordinary shares with voting rights and no restrictions and no special rights with regard to control of the Corporation. There are no other classes of share capital and none of the Corporation's issued shares are held in treasury. Therefore the total number of voting rights in The Law Debenture Corporation p.l.c. is 118,328,874.

AGM Venue
Brewers’ Hall
Aldermanbury Square
London EC2V 7HR

RAILWAY
Main line stations within one mile include: Holborn Viaduct, Blackfriars, Cannon Street, London Bridge, Fenchurch Street, Farringdon and Liverpool Street.

Main line stations within two miles are: Charing Cross, Waterloo, King’s Cross, St Pancras and Euston.

UNDERGROUND
Moorgate (Circle, Metropolitan, Hammersmith & City, and Thames Link)
Bank (Central, Northern, Waterloo & City)
Monument (Circle, District, Docklands)
St Paul’s (Central)

BUSES
From Cheapside the 501 service connects London Bridge and Waterloo via Holborn, from Moorgate the 43 and 133 buses go to Liverpool Street, from London Wall the 172 goes to Blackfriars.

PARKING
There is limited meter parking in business hours near the hall. Underground parking is available beneath London Wall, entrance being by the corner of Coleman Street and on the north side of London Wall immediately before Bastion House. There is multi-storey parking in Aldersgate Street just north of the intersection with London Wall.

www.lawdeb.com

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