The Law Debenture Corporation p.l.c.

27 February 2024

Leading UK Equity income sector performer over short, medium and longer term with another creditable year in 2023

The Law Debenture Corporation p.l.c. ("Law Debenture" or the "Company") releases its results for the year ended 31 December 2023.

Highlights:

- Share price total return marginally outperformed the FTSE Actuaries All-Share Index with a total return of 8.1% for 2023.
- NAV total return with debt and Independent Professional Services ("IPS") business at fair value for FY 2023 of 9.4% (8.9% with debt at par), outperforming index at 7.9%.
- Another good performance from IPS, with net revenue increasing by 11.8%, profit before tax up by 10.5% and valuation up 6.3% to £185 million (excluding net assets).
- The Company issued c.3 million new Ordinary Shares at a premium to NAV during 2023, to existing and new investors, with net proceeds of c.£24.2 million to support ongoing investment.
- Continued low ongoing charges of 0.49%[1], compared to the industry average of 1.20%[2].

Winner 2023 Investment Company of the Year Awards in November, in association with the AIC, in the UK Income category for the third year running.

Winner in the Active-Income category for the second year in a row at the September's 2023 AJ Bell Investment Awards.

Dividend Highlights

- 2023 full year dividend expected to increase by 4.9% to 32.0 pence per Ordinary Share (2022: 30.5 pence per Ordinary Share).
- Proposed 2023 dividend is fully covered by retained profits earned this year with no requirement to call upon historical reserves.
- Dividend yield of 4.1% (based on our closing share price of 778 pence on 23 February 2024), proposed Q4 dividend of 9.125 pence per Ordinary Share.
- 7.9% CAGR in dividends over last ten years, reflecting strong IPS cashflow and good portfolio performance.

Investment Portfolio Highlights

- Consistent share price and NAV (with IPS and debt at fair value) outperformance of the benchmark over one, three, five and ten years (see table below).
- Strong long-term record, with share price total return outperforming FTSE Actuaries All-Share by around 48% over 5 years which compares well with its key sector peers.
- Revenue from the portfolio of £33.5m (December 2022: £34.5m).

	1 year %	3 years %	5 years %	10 years %
NAV total return[3] (with IPS at fair value and debt at par)	8.9	22.7	51.8	101.4
NAV total return[3] (with IPS and debt at fair value)	9.4	35.1	62.4	111.9
FTSE Actuaries All-Share Index Total Return[4]	7.9	28.1	37.7	68.2
Share price total return[4]	8.1	30.6	85.3	120.2
Change in Retail Price Index[5]	5.3	27.7	32.1	48.9

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

IPS Highlights

- The Company's wholly-owned provider of professional services is a key differentiator to other investment trusts and offers additional portfolio flexibility.
- Accounts for c.20% of 2023 NAV, but has funded approximately 34% of dividends paid by the Company in the last 10 years.
- IPS has now delivered six consecutive years of growth, with a 5 year net PBT CAGR of c.8.7%.
- 2023 valuation of £185 million (excluding net assets) up 111.4% since 2018.

Longer-Term Record

- 135 years of history.
- Long-term record of valuation creation for shareholders.
- 113% aggregate increase in the dividend over the last 10 years (7.9% CAGR).
- 45 years of increasing or maintaining dividends to shareholders.

Robert Hingley, Chairman, said:

"Law Debenture made creditable overall progress in 2023. The share price total return of around 8% includes a further good increase in our full-year total dividend of 4.9%. Law Debenture's long-term record of benchmark outperformance remains strong."

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

Denis Jackson, Chief Executive Officer, commented:

"2023 has been another year of operational and financial progress for Law Debenture, despite the continued macroeconomic uncertainty and elevated interest rates. The overall portfolio and IPS have performed well despite ongoing market volatility, and we had our 45th year of maintaining or increasing dividends."

"Law Debenture is resilient by design and has demonstrated strong performance over the short, medium and longer term. The combination of IPS with the investment portfolio offers additional flexibility in stock picking and is a well proven and differentiated model. Despite ongoing macroeconomic uncertainty in 2024, I am cautiously optimistic about the Company's prospects for this year and beyond. The investment portfolio is well diversified and attractively valued. Our ongoing investment in IPS leaves it well positioned for medium-term growth in-line with our mid to high single percentage target."

Investment Portfolio

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

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

Independent Professional Services

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

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

The Law Debenture Corporation Denis Jackson, Chief Executive Officer Hester Scotton, Chief Financial Officer Trish Houston, Chief Operating Officer	+44 (0)20 7606 5451
Teneo (Financial PR) David Allchurch/Doug Campbell/Oliver Bell	+44 (0)20 7260 2700

[1] Calculated based on data held by Law Debenture for the year ended 31 December 2023.

[2] Source: Association of Investment Companies (AIC) industry average as at 31 December 2023.

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

[4] Source: Refinitiv.

[5] Source: Office for National Statistics.

ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2023 (AUDITED)

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

The Directors recommend a final dividend of 9.125 pence per share making a total for the year of 32.0 pence per share. Subject to the approval of shareholders, the final dividend will be paid on 11 April 2024 to holders on the register of the record date of 8 March 2024. The Annual Financial Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK.

The financial information set out in this Annual Financial Report does not constitute the Company's statutory accounts for 2022 or 2023. Statutory accounts for the years ended 31 December 2022 and 31 December 2023 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2022 and 2023 were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar in due course.

The financial information in this Annual Financial Report has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the UK (collectively Adopted IFRSs). The accounting policies adopted in this Annual Financial Report have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the year ended 31 December 2023. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the year ended 31 December 2022.

Financial summary

	31 December 2023 £000	31 December 2022 £000	**Change %**
Net Asset Value – with debt and IPS at fair value (1)*	**1,048,304**	972,566	**7.79**
Total Net Assets per the statement of financial position	**854,229**	799,067	**6.90**
	Pence	Pence	
Net Asset Value (NAV) per share at fair value (1)*	**802.67**	761.69	**5.38**
Revenue return per share			
Portfolio	**22.41**	24.06	**(6.86)**
Independent professional services	**11.02**	10.38	**6.36**
Group revenue return per share	**33.43**	34.44	**(2.87)**
Capital return/(loss) per share	**24.47**	(103.17)	**123.72**

Dividends per share	32.00	30.50	4.92
Share price (4)	801	771	3.89
	%	%	
Ongoing charges (3)*	0.49	0.49	
Gearing (3)	13	12	
Discount/(premium)*	(0.21)	1.22	

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

Performance

	1 year %	3 years %	5 years %	10 years %
NAV total return[2]* (with IPS at fair value and debt at par)	8.9	22.7	51.8	101.4
NAV total return[2]* (with IPS and debt at fair value)	9.4	35.1	62.4	111.9
FTSE Actuaries All-Share Index Total Return[4]	7.9	28.1	37.7	68.2
Share price total return[4]*	8.1	30.6	85.3	120.2
Change in Retail Price Index[5]	5.3	27.7	32.1	48.9
Relative performance (NAV at FV)	1.4	7.0	24.7	43.7
Relative performance (Share Price)	0.2	2.4	47.6	52.0

* Items marked "*" are considered to be alternative performance measures and are described in more detail on pages 155 to 157 of the Annual Report.

1 Please refer below or to page 36 of the annual report for calculation of net asset value. Please note change in NAV per share in the financial summary does account for the effect of dividends on total return.
2 NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value and both total returns account for shareholder returns through dividends.
3 Ongoing charges are calculated based on AIC guidance, using the administrative costs of the investment trust and include the Janus Henderson Investors' management fee, charged at the annual rate of 0.30% of the NAV. There is no performance related element to the fee. Gearing is described in the strategic report below and in our alternative performance measures in the annual report.
4 Source: Refinitiv.
5 Source: Office for National Statistics.

Chairman's statement

Performance

Law Debenture has again performed creditably in the face of macroeconomic conditions which continue to be challenging for many consumers and businesses alike. 2023 saw global interest rates continue to rise and to levels that are above those experienced for the majority of the period post the global financial crisis of 2008/09. Equity markets have also had to contend with global economic uncertainty, relatively high levels of inflation, combined with the ongoing war in Ukraine and the Israel/Palestine conflict, all of which has resulted in ongoing market volatility. Nonetheless, the combination of our diversified Portfolio and another good IPS performance has enabled Law Debenture to continue to deliver on its commitment to produce capital growth over the longer term and steadily increasing dividend income. Law Debenture's long-term record of benchmark outperformance remains strong, with share price outperformance of the FTSE Actuaries All-Share Index over the last five years of c.48%. I am proud that Law Debenture has been a leading performer in the UK Equity Income sector over the long term, which reflects well on the hard work of our investment managers and talented employees.

Our benchmark, the FTSE Actuaries All-Share Index, delivered a 7.9% total return in 2023. The Company's share price total return marginally outperformed this with a total return of 8.1% for 2023. The Net Assets Value ('NAV') with debt and the independent professional services ('IPS') business at fair value delivered a return of 9.4%.

We were delighted to receive recognition for all the hard work of our great team of people in the shape of two awards. At the 2023 Investment Company of the Year Awards in November, in association with the AIC, we were named winner in the UK Income category for the third year running and in the Active-Income category for the second year in a row at the September 2023 AJ Bell Investment Awards. The continued success in industry-leading awards demonstrates the excellent short and longer-term track record of our investment managers, supported by the IPS business.

Dividend

We retain a proud record of increasing or maintaining our dividend payments for the 45th year in a row. The current climate has naturally affected yields from our Portfolio, and it is likely that the enduring impact of the past year's difficulties will continue to affect dividend flows. However, the consistent and reliable cash flows from our diversified IPS business have helped ensure that we can continue our strong dividend record. Subject to your approval, we propose paying a final dividend of 9.125 pence per ordinary share. The proposed 2023 dividend is fully covered by retained profits earned this year, with no requirement to call upon reserves.

The dividend will be paid on 11 April 2024 to holders on the register on the record date of 8 March 2024. This will provide shareholders with a total dividend of 32 pence per share for 2023, an increase of 4.9% compared with 2022. This represents a dividend yield of 4.1% based on our closing share price of 778 pence on 23 February 2024. Over the last 10 years, we have increased the dividend by 113% in aggregate which ranks Law Debenture very high versus its key sector peers.

Capital structure

In 2023, the Group issued 3.0 million new ordinary shares at a premium to NAV, to existing and new investors, with net proceeds of £24.2m to support ongoing investment. Shares were issued at a premium to NAV to be accretive to existing shareholders.

Our Portfolio

James Henderson and Laura Foll, our investment managers, continue to invest in a differentiated selection of well-managed and high-quality businesses with competitive advantage and good long-term growth prospects. Dividend income of £33.5m from the Portfolio was slightly lower than in 2022. This was driven by a combination of factors but most influential was a reduction in special dividend income in 2023. However, it is pleasing to report a total capital profit for the year of £31.7m. Of this, £37.4m relates to movements in the value of the holdings within the Portfolio.

We remain confident that James's and Laura's disciplined approach of buying at attractive entry point valuations will continue to deliver over the longer term for our shareholders.

More detailed commentary on the Portfolio's performance with a review from our investment managers can be found below.

IPS

We believe our professional services business has been a crucial differentiator in driving consistent long-term outperformance compared to other UK income funds and, the Board believes, is well positioned to continue this, with a strong platform built in recent years from which to grow further. Although accounting for only c.20% of our NAV (with IPS and Debt at Fair Value), the IPS business has funded around a third of our dividends in the last 10 years and has now delivered a compound annual growth in profit before tax of 8.7% over the last five years. Through its strong cashflow and consistent mid-to high single digit growth rates, IPS enables our investment managers to build a more flexible Portfolio that includes both income and growth-focused stocks, rather than having to 'chase yield'.

In a year where many businesses faced a challenging trading backdrop, it is pleasing to see IPS continue to show robust overall growth. Some of our businesses benefit from a degree of counter-cyclicality, which is in part, why IPS had another year of creditable profit growth. This is underpinned by our specialist knowledge and record of providing excellent client service. Pensions recorded the highest revenue growth rate in 2023 but there is good momentum and grounds for optimism in a number of other areas. The Board is pleased to see continued good employee engagement and satisfaction scores and we remain focused on strengthening our processes and management information systems. With this ongoing investment in talent and technology, the Board is confident IPS has the potential to sustain mid to high single digit growth over the medium term.

Environmental, Social and Governance (ESG)

Our Executive Leadership team has continued their work to create a working culture that encompasses our four values: Make Change Happen; Better Together; Believe It's Possible and Never Stop Learning.

In 2023, we were ranked 1st in the Financial Services and 2nd overall amongst the FTSE 250 in the FTSE Women Leaders Review for the second consecutive year – an achievement that we are extremely proud of. We understand that gender balance needs to be treated as a business issue, not an HR issue or one for a dedicated DE&I team to manage alone.

We were pleased to host an expert panel in December alongside FTSE Women Leaders Review and INSEAD Alumni Balance in Business Initiative. Our panel chair, Avivah Wittenberg-Cox, and speakers, Fiona Cannon, OBE, Sarah Findlater and our CEO, Denis Jackson, shared practical guidance around how they have made change within their organisations, what has worked, and what hasn't.

Our IPS business is built upon the provision of independent governance services. A central tenet of this work is our commitment to diversity, and we are delighted that we have established a balanced gender pay gap position and have strong female representation both at Board and senior executive level, with women making up 56% of the senior leadership team.

As an organisation, we believe that long-term growth is underpinned by sustainability. This presents opportunities for investment in the IPS business. It has a relatively small carbon-footprint compared to other FTSE 250 groups but, over the years, we have taken steps to further reduce this, most notably with our choice of office space.

Further, as part of our commitment to the ESG agenda, Law Debenture has continued to make voluntary disclosures in relation to Task Force on Climate-Related Financial Disclosures ('TCFD'). This can be found on page 51 of the Annual Report.

Our investment managers remain committed to investing in businesses that have a sustainable business model and carefully take ESG into consideration when making investment decisions. For more details please see page 49 of the Annual Report.

The Board
Tim Bond will retire from the Board at the close of the 2024 AGM having served nine years. We thank him for his invaluable contributions over the years and wish him the best for the future. At the same time, we welcome Maarten Slendebroek who has extensive experience in financial services, including as CEO of Jupiter Fund Management for five years from 2014 until 2019, having joined the firm as Strategy and Distribution Director in 2012. His key skills and experience include fund management and investment, strategy, corporate finance, ESG matters and distribution to investors.

Looking forward
The end of 2023 brought some tentative optimism from investors that inflation and the cost-of-living crisis will be at less elevated levels going forward. This improved equity market backdrop still has, however, to contend with interest rates that look likely to stay at significantly higher levels than those experienced for the majority of the period post the global financial crisis of 2008/09.

The majority of the Portfolio is invested in UK equities, although many of the earnings are derived from outside the UK. James and Laura continue to believe that UK market valuations remain low in both absolute and relative terms and offer some attractive longer-term growth opportunities with a lot of bad news already priced in. Many UK companies are leveraging their robust balance sheets and good cash flow to consider share buy-backs. In addition, many overseas corporates and private equity firms continue to see ongoing attractions in UK company valuations. Companies with robust business models and supportive long-term trends are now frequently overlooked by investors who cannot see past a gloomy UK economic environment. Law Debenture is well positioned with a long-term focus and a clear emphasis on the value provided by the companies we invest in.

The Board and our investment managers therefore remain confident in our future medium-term performance, due to the diversified and resilient nature of our Portfolio and the good growth potential for IPS. Its services are generally well sought after, its brand reputation is good and the market share opportunities remain significant. During these uncertain macroeconomic times, our consistent delivery has only been possible due to the good work of our investment managers and our skilled workforce. On behalf of the Board, I would like to thank them all, as well as our shareholders, for their continuing support.

Robert Hingley
Chair of the Board
26 February 2024

Chief Executive Officer’s review

Introduction
2023 has been an encouraging year overall for Law Debenture, despite continued macroeconomic uncertainty. Elevated levels of inflation and interest rates proved to be challenging for many consumers and businesses alike. Despite this, Law Debenture’s overall performance reflected well on the Group’s ability to adapt to a changeable economic climate and navigate short-term headwinds. We delivered on our two main objectives, producing NAV growth and continuing to increase income for shareholders. Our total share price performance and NAV modestly outperformed the index again, we are proud to have had our 45th year of maintaining or increasing dividends.

In this context, James Henderson and Laura Foll have continued to perform well. The Group takes great pride in our long-term record over one, three, five and ten years, with consistent outperformance of the benchmark, the FTSE Actuaries All Share Index and compared to our key sector peers. We see this as continuing validation of our consistent strategy. Law Debenture offers a cost-effective way to access an active and expertly managed portfolio and provides good liquidity to investors given the size of our market capitalisation.

James and Laura have a consistent and proven valuation-driven process which aims to identify market-leading, high-quality companies that are undervalued at the point of purchase. It is a testament to the continued outperformance and the investment team that Law Debenture has won another two prestigious investment trust awards this year – the UK Income category at the Investment Company of the Year Awards 2023, for the third year running, and the Active Income category at the AJ Bell Investment Awards.

Our IPS business has delivered its sixth consecutive year of middle to high single digit revenue and profit growth. The economic backdrop over this extended period has been volatile and generally uncertain, which makes IPS's performance all the more noteworthy. The Group takes considerable pride in IPS's strong and consistent record with a five-year CAGR in PBT of c.8.7%.

IPS business net revenues (gross revenue less direct costs incurred) for 2023 rose by 11.8% to £50.5m (2022: £45.2m) and profit before tax was up 10.5%. The diversification of our income streams again served us well, with Pensions an especially strong performer. We continue to invest to ensure our IT infrastructure and wider operating model are fit for purpose as we seek to further scale and sustain our medium-term growth ambitions, whilst also working hard to ensure our profit margins are sustainable.

We have placed significant focus on cash and debtor management within our IPS business. The benefit of this has been magnified as a result of the change in the interest rate environment, meaning that the cash we hold in IPS has generated a good return for our shareholders. Overall, we continue to target mid to high single digit growth in profit going forward.

For 135 years, we have stuck to our principles of independence, trust and excellence. Our investment for growth over the last six years has positioned us well for the future. I am encouraged by the new business wins in 2023 and by our strong client relationships, which means that approximately two-thirds of our business is repeated year on year. As we continue to face a relatively uncertain macroeconomic environment in 2024, our aim is that IPS should continue to provide an element of structural growth and counter-cyclical revenue that will support our overall performance. High-quality governance services should remain core to our clients, regardless of the economic cycle.

We are proud to have delivered a 113% increase in dividend over the last ten years. This record has been supported by the diversified nature and consistently strong performance of IPS, which makes Law Debenture a unique investment trust. The flow of income from IPS has funded around 34% of dividends over that period. This gives James and Laura the flexibility to invest in a broader and higher-growth portfolio than many sector peers, helping to position the Portfolio for future longer-term growth.

DIVISION	Net revenue 2019 £000	Net revenue 2020 £000	Net revenue 2021 £000	Net revenue 2022 £000	**Net revenue 2023 £000**	**Growth 2022/2023 %**
Corporate trust	9,024	10,789	9,771	10,620	**12,473**	**17.4%**
Pensions	10,598	11,479	13,060	14,343	**17,396**	**21.3%**
Corporate services	12,167	12,226	18,755	20,206	**20,640**	**2.1%**
Total	31,789	34,494	41,586	45,169	**50,509***	**11.8%**

*Total net revenue is calculated by reducing segment income of £58,543k by cost of sales of £8,034k. Please refer to the IPS segmental analysis disclosed later in this announcement.
Corporate services: 2021 includes additional revenue arising from the acquisition of the CSS business from Eversheds Sutherland (International) LLP.

Corporate trust

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

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

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

Market dynamics

Following two very challenging years, deal volumes in primary debt markets remained patchy in 2023. Primary debt issuance in Europe recovered modestly by 11% (source: Dealogic) off a low base. However, Primary Debt Issuance volumes in Asia (excluding Japan) were down by 18% (source: Dealogic) and overall issuance levels remain significantly below those experienced in 2019 to 2021 (source: Dealogic). Perhaps unsurprisingly, given the tough primary market conditions, major banks, brokers and other participants in this market continue to reduce capacity in this area.

Our post-issuance work increased modestly during the year. Bankruptcies continued to rise from historically low levels across our main market in the UK (source: ONS). The combined effects of the withdrawal of stimulus packages provided during the Covid pandemic, inflation levels that in some cases hit 40-year highs in major developed economies (source: ONS) and higher interest rates has exposed many businesses to challenges of which they have limited institutional memory. We do not wish distress on any of our client base, but it would not be a surprise if demand for our post-issuance services were to increase as we move further through this economic cycle.

Highlights

Following a solid 8.7% growth in net revenues in 2022, we are pleased to report net revenue growth of 17.4% in 2023 despite the difficult market environment.

As we noted last year, the majority of the capital markets transactions that sit on our books have been built up over many decades, and have contractual inflation-linked fee increases for our services. These fee increases are applied on the transaction anniversary.

Consequently, as higher levels of inflation have filtered through since late 2021, associated inflation-linked increases have fed through to our book of business.

Despite challenging primary market conditions, there were notable new transactions that we completed during the year which included acting as both security agent and facility agent on the inaugural debt raise (£175m credit facility) by Pulse Clean Energy. The proceeds of this issue will be used to support the development of multiple new energy storage and grid stability facilities across the UK, as well as the acquisition of 30MW of battery assets in Manchester, which will come online next year. We also supported Yondr Group in their project to develop a 40MW data centre in Bischofsheim, Frankfurt. Again, Law Debenture acted as both security agent and facility agent on this complex project financing for the construction and development of the data centre.

Our expertise in Japanese Convertible Bonds is well known and we were delighted to be involved with issuances for long-established names such as Tokyo Corporation, Kobe Steel Ltd and OSG Corporation. Closer to home, we also closed new deals for household names that included Metrobank, GSK and National Grid.

Our escrow business continues to grow steadily. During 2023, we were appointed to a well-diversified range of transactions that included mergers and acquisitions, litigation, commercial real estate, source code, sporting events and global trade in commodities.

Outlook for our corporate trust business

As we have mentioned many times, on a year-to-year basis, levels of both primary market activity and post-issuance work are hard to predict. We do know that post-issuance work has a strong economic counter-cyclicality and that we have a long-established, well-diversified book of business. This underpins a high-quality element of recurring revenue, built on enduring client relationships. At the time of writing, it appears that inflation levels are dropping quite rapidly. Over the last two years, we have benefitted from elevated inflation due to the large element of contractual inflation linkage in our engagements. Correspondingly, we will face downward pressure on the growth rate of our revenues as inflation decreases.

Eliot Solarz was appointed to head our Corporate Trust business at the beginning of 2018. Over the past six years, he has reinvigorated a business that celebrates its 135th anniversary this year. We have added to our product mix, broadened our range of technical knowledge and significantly raised our external profile. At the same time, our commitment to the pillars on which the business was built, namely trust and independence, domain expertise, and an ability to move fast, have been reinforced.

We are confident that, over time, we can continue to grow this business within our stated target range of mid to high single digits annually.

Pensions

Under the leadership of Vicky Paramour, we are the longest-serving, and one of the largest, independent providers of Pension Trustees in the UK with over 200 appointments. In 2023, we continued to support our existing clients as well as bring new clients into our Portfolio.

Our Pegasus offering of outsourced pensions executive solutions, led by Sankar Mahalingham, continues to be a leading provider in a competitive market. It also continues to develop new services that further support our clients and demonstrate our investment and commitment to the industry.

Market dynamics

Coming into 2023 after the LDI crisis of September 2022, many UK pension schemes were still getting to grips with changes in their funding position. A large number of schemes were finding that their aspiration of reaching self-sufficiency or being in a position to insure their pension liabilities through buy-in appeared achievable over a relatively short time horizon. However, the Mansion House reforms in July and then the changes announced in the Autumn Budget statement highlighted the Government's desire to encourage pensions schemes to consider running on and investing in UK corporations.

These developments have led to pension schemes re-examining their long-term strategies. Some schemes are looking to accelerate their journey to buy-in with others re-structuring their funding and investment strategies for run-on. This was reflected in an increasing demand for professional trustees with both buy-in and continuation expertise, as well as broader governance support.

The UK Pensions Regulator's General Code was announced in January 2024 and the Defined Benefit Funding Code is also expected to come into effect during 2024. We have continued to support our clients in enhancing and improving their governance arrangements and preparing for the introduction of these changes.

2023 was an interesting year for the Pensions Trustee market with further consolidation amongst providers. Although this has increased competition, we have continued to see a steady flow of new opportunities and we believe we remain well positioned for the longer term.

Highlights

2023 was another strong year for our Pensions and Pegasus business, with growth in revenues of 21.3% Over the past five years, compound net revenue growth is a healthy 13%. In our core Trustee business, we were delighted to add incremental appointments that included names such as Aviva MasterTrust, ArvinMeritor, Lafarge UK Pension Plan, Aggregate Industries Pension Plan and SLB. A notable 2023 appointment for our Jersey office included The RBS International Pension Trust. Ireland continued to grow its book of business with some strong wins. The Manchester-based Pensions team is also growing and they have firmly put Law Debenture on the map for opportunities in the North of England.

In the last twelve months, we have helped deliver over 15 large buy-in transactions for our clients. This includes the largest single transaction to date between the Boots Pension Scheme and Legal & General (see case study in the Annual Report) and the first ever super fund transaction between Clara Pensions and the Sears Retail Pension Scheme.

We continued to evolve our approach to providing Corporate Sole Trustee services, with a particular focus on new offerings specifically designed for smaller schemes looking for holistic cost-effective governance solutions. The Pegasus business continues to broaden its range of services to meet the needs of our clients. We are seeing increasing demand for Guaranteed Minimum Pension equalisation projects – projects to remove historical gender inequalities in pension provision. Support for de-risking projects has also increased, as schemes work to deliver their chosen endgame strategy.

We also provide outsourced pension executive services and interim support for in-house teams that have resource issues. We now cover the full range of responsibilities, including administration and investment oversight, as well as more traditional governance duties.

We welcomed 10 new members of staff into the Pensions team in 2023, including senior additions Scott Pinder as Head of Corporate Sole Trustee Services, Ian McKinlay as Director of Investment Services for Pegasus and Lok Ma as an investment specialist in our Trustee team.

Outlook for our Pensions business

2024 promises to be a year full of pension policy changes with new guidance and legislation expected. This will cover new disclosure and governance requirements, measures to ensure value for members in DC schemes as well as proposals on consolidation. In addition, we continue to see increased interest in mechanisms to avoid trapped surplus within pensions schemes. Our own escrow business has worked with a number of schemes looking for solutions in this area.

This constantly changing financial and regulatory environment underlines the need for increased professionalisation of pension trusteeship and strong governance. We are well placed to deliver on this challenge and believe that demand for our expanding range of pension trustee and governance services will continue to increase steadily over time.

Corporate services

Corporate Services comprises four constituents: Structured Finance Services, our whistleblowing division, Safecall, Service of Process (SoP) and our Corporate Secretarial Services business (CSS). The combined result of these businesses in 2023 as revenues being approximately flat. This reflects strong progress in our Safecall and small Structured Finance areas, a largely flat revenue contribution from CSS, and a difficult year for our SoP business.

Service of Process

SoP – Market dynamics

This is our business with the fewest recurring revenues and with the greatest dependency on global macroeconomic factors and deal flow in capital markets. Our long history in this market informs us that, from one year to the next, revenues can vary significantly and market conditions can be quick to turn.

SoP – Highlights

The widely reported slowdowns reported in GDP growth, particularly in developed markets (source: IMF), combined with the difficult market conditions in primary markets (covered in the Corporate Trust section above) have, unsurprisingly, made for a challenging year. We ended the year with revenues marginally down.

Despite slowdowns, we have not been inert. We have increased investment in training for our staff and in our referral partner relationships. We have much improved systems which is enabling a more proactive approach to business development. We are confident that SoP will remain a material contributor to our profits over financial market and economic cycles.

Critical to SoP’s long-term success has been the leadership of Anne Hills, soon to celebrate her 39th anniversary with the Company. A recent visit to Hong Kong reminded me first hand of both her and our Company’s excellent global brand for this service.

Corporate Secretarial Services

CSS – Market dynamics

Law makers and regulators worldwide continue to raise the bar for Corporate Governance standards, which underpin demand for our services. Our current focus includes solutions that will support companies in navigating the new UK Corporate Governance Code requirements and the fundamental changes to the way in which companies will interact with Companies House as a result of the Economic Crime and Corporate Transparency Act.

We have been solving client challenges in this sector for over twenty years and operate in three main products areas:

Managed services: Global Entity Management services (GEMS) provide a single outsourced point of contact to multinational corporations to ensure that their legal entities are kept in good standing. Client appointments vary in scale and coverage, ranging from a single legal entity in one country at its simplest to over 300 subsidiaries in 50 countries at its most complex. We are paid a fixed annual fee for annual compliance and corporate records maintenance. We may also earn incremental revenues from additional projects such as incorporations and dissolutions, the co-ordination of global corporate change projects and entity validation work. Effective workflow management and use of technology are critical to compete effectively and we continue to invest heavily here. We have teams based in our Manchester, Hong Kong and Dublin offices, as well as a dedicated, UK-focused entity management team in London.

Corporate governance services: We offer a complete range of board and committee support, from full outsourced company secretarial support to attending and minuting meetings, board evaluations and governance reviews. We also have expertise in providing practical company secretarial support to companies preparing for an IPO transaction. Our clients range from major Main Market and AIM listed companies, including investment trusts, to leading UK operating subsidiaries of top global brands. Our fees are often fixed annual fees for specifically scoped mandates but can also be time or project based. Demand here is often for skilled professionals with prior experience in a particular industry and/or governance framework who can seamlessly transition work from an in-house setting to an outsourced provider. This team in based in London.

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

CSS – Highlights

We continue to invest in and restructure CSS. We have increased our headcount in this business by over 50% since its acquisition from Eversheds Sutherland (International) LLP just under three years ago. The progress that we have made in our operational infrastructure and improved client delivery in our CSS offerings during 2023 did not filter through to our revenues which were broadly flat. However, we remain confident that the significant investments that we have made in new people, skills, technologies and operational workflows will underpin sustainable growth over time.

During 2023, we invested in a dedicated business development resource and, as a result, our sales pipelines are improving. I am delighted that a number of multinationals joined our GEMS client roster on multi-year deals with effect from January 2024. The project nature that is naturally embedded in a significant element of the CSS revenue stream demands constant replenishment. It is pleasing that there have been a number of wins during 2023 with both existing and new FTSE 250 and AIM listed clients on the corporate governance services side.

We remain confident of our ability to increase our market share over time in a growing market driven by increased regulatory demands.

I would like to thank Trish Houston who, in addition to her COO responsibilities, has led this business for the past 16 months after returning from maternity leave. From 1 January 2024, Trish will focus fully on her role as COO and the much-improved CSS platform and its leadership now reports directly to me.

Structured Finance Services

Structured finance services – Market dynamics

Demand for our special purpose vehicle (SPV) management and accounting services fluctuates directly with the demand for raising funds via secured bond issuances. The market remains very competitive and is driven by the cost of raising finance by this method, compared with other means.

Loan agency services are dependent on the appetite for outsourcing administration work on syndicated loans and we have seen an increase in enquiries from financial institutions for this role.

Whilst our paying agency services are dependent upon the market fluctuations in mergers & acquisitions work, we are seeing increase demand as law firms are stepping away from providing this role.

We operate in three main product areas:

Management of Special Purpose Vehicles ('SPVs') and other similar corporate structures: We provide directors, accounting and day-to-day corporate administrative services to entities set up to help financial institutions, including challenger banks and boutique asset managers (private equity and hedge funds) seeking to diversify their funding using securitisation techniques. The SPVs are established to raise funds in the bond/loan markets which are then used to acquire distinct pools of assets (including mortgages, receivables, credit card debt, aircraft, whole businesses etc.) against which the funds are secured. The funding is non-recourse, meaning that the funds raised only have recourse to the pool of assets on which they are secured and to no other party.

Accounting services: We provide management and statutory accounting services to corporate entities who wish to outsource this area or where they do not have local accounting knowledge. We do not provide audit services to clients.

Facility and Paying Agency services: We manage and provide outsourced administration for corporate loans and facilities by acting as a conduit between multiple lenders and a single borrower. Our paying agency services relate primarily to managing the payments for law firms involved in M&A transactions. Unlike facility agent work, which provides recurring fees, paying agent services generally incur one-off transaction fees.

The competitive landscape in each of these three areas is dominated by larger providers with long-established relationships. We are a small player in the sector, which is dominated by private equity-backed competitors. Thanks to Mark Filer and his team, we continue to receive consistent praise from our clients and are growing our market presence steadily.

Structured finance services – Highlights

Despite capital markets new issuance levels being challenged during 2023, we were delighted to receive repeat appointments from a number of leading names operating in the sector, including Atom Bank and LendInvest. Our facility and paying agent business also grew steadily during the year. Gratifying too was to see rewards from our business development efforts, with an increasing number of professional firms around the country referring business to us.

Quotations for new business and wins were both at new high levels, which resulted in pleasing revenue growth.

We have a sound product and good momentum. Our challenge is to raise our profile with a broader universe of clients and referral partners in order to accelerate our growth.

Whistleblowing: Safecall

Safecall – Market dynamics

Regulatory frameworks and standards continue to be strengthened across the developed world. News headlines are increasingly underpinned by some sort of whistleblowing activity. Early adopters were often larger entities, but smaller and mid-sized employers are increasingly seeing the value of an independent and trusted partner to deliver this service. Investors are increasingly demanding a robust, independent whistleblowing structure to be in place prior to allocating capital.

All enquiries are dealt with by our highly-trained staff that continues to consist largely of former police officers. The quality of the work they do for our clients receives high praise. A number of competitors in the sector run business models based off low-cost call centres. We have every intention of remaining a premium provider of high-quality product.

Safecall – Highlights

We provided a record number of reports to our clients in 2023, up 15% on 2022. Towards year end, digital channels (as opposed to voice) accounted for over 70% of issues raised. We delivered increased client functionality via our portal in 2023 and client feedback is encouraging. We rebranded our offering and launched a new website in Q4. We have more to deliver here in 2024 but are increasingly confident in our ability to compete effectively for larger mandates as they come up for renewal.

Under the successful leadership of Joanna Lewis, we have expanded our training and investigations offerings and have made solid progress, doubling revenues in this service in 2023.

Once again, we experienced strong year-on-year revenue growth, with a significant number of new relationship wins. Among the 132 new clients we onboarded in 2023 were Whitbread, Balfour Beatty and Imperial College London.

As well as the investment in our technology platform, we will add further capacity and expertise to the operations team, managed by Tim Smith. Moreover, we will continue to add further resource to our sales, account management and marketing initiatives in order to accelerate our growth.

It is a really exciting time to be a provider of solutions in this fast-growing sector.

Central Functions

A refreshed five-year plan for the IPS business as a whole by the Senior Leadership Team was a key piece of work undertaken during the year.

The larger and more consistent the earnings growth within IPS, the more optionality it creates for the Managers of the Portfolio to deliver on our objective of long-term capital gains and steadily increasing income.

In order to grow our earnings and dividends, we need to focus on growing our capital and we have approximately doubled the revenues and profits for the IPS business over the past six years. The aim is to approximately double these again over the next five years. We expect our growth to be largely organic, but we continue to be open to opportunities presented by acquisitions where we believe this could add value to our clients and shareholders.

Our business development teams, overseen centrally by Suzy Walls, are increasingly joined up and ambitious. We have a structured programme to deepen and broaden our referral partner relationships. We are strengthening our ties with industry bodies and continue to optimise our output using digital channels to raise our profile. Our calendar of industry events is anchored around the Law Debenture Debate for Pensions in May (now in its 21st year) and our Lens Photo competition in January (now in its 7th year). We also continue to build momentum around our Law Firm Reception in early September (now in its 4th year).

In October, we held a well-attended Golden Jubilee party for our business in Hong Kong as the city emerged from a particularly difficult period during extensive Covid lockdowns.

Our improved business pipelines are a function of thousands of individual touch points and increased commitment to our firm-wide business development initiatives is helping to build positive momentum.

As we have noted in past annual reports, we are making a significant investment in modernising our central support functions. With oversight from our CFO, Hester Scotton, we have made substantial improvements, including changing our general ledger accounting system and establishing our shared service centre in Manchester. During the second half of 2023, we started the process of onboarding a new PSA (Professional Services Automation) operating system. As we look to double the size of our IPS business over the next five years, it is critical that we do this in a controlled and sustainable manner. To enable this, we are moving towards a new Target Operating Model that we will embed across the IPS business during 2024. We have also added capacity to our Legal team, overseen by Kelly Stobbs, our General Counsel.

We have invested further in our HR team to support our headcount globally, which is now nearing 300. We have much increased rigour around appraisals process and career frameworks. We held our third annual culture week in July and have a number of clubs that have gathered good support from within the employee base. Our charity community group also raised its ambitions with two volunteering days at the Whitechapel Mission towards the end of the year. During 2024, we will continue to build on our cultural vision.

Information Technology

Our IT strategy is centred around being flexible users of third-party software applications. We want our businesses to be easy to find, easy to engage with and easy to use. We had a number of successes in this regard under our Chief Technology Officer's, David Williams, leadership in 2023.

Safecall added several new modules to its client portal, including deliveries that help to support expanding investigation efforts. In CSS Global Entity Management, we delivered a new client interface that enables clients to view legal entity work status. In both cases, our employees and our clients are viewing outputs in real time. We will continue to build on our technological capabilities.

It is important that we receive third party certification of our technology standards to give confidence to all our stakeholders. I am pleased that Safecall are well on their way to achieving ISO 27001 certification, the leading international standard focused on information security, by mid-2024.

Towards the year end, we rolled out a digital workplace project across the UK offices. This consists of improved system access, new laptops, headsets, meeting room technology and network infrastructure. In addition to the ability to work more effectively when on the move, it improves our ability to work collaboratively with our clients. This roll-out required significant investment in new hardware, moving us on to a modern platform built around hybrid/mobile working. In addition, we added resource focussed solely on IT security.

From January 2024, David Williams will report to our COO, Trish Houston, to ensure that all of our operational improvements are as effectively joined up as possible.

Prospects

Law Debenture is well diversified and resilient by design. The combination of IPS with the Portfolio is a well-proven model and I am cautiously optimistic about the Group’s progress in 2024 and beyond, despite an external environment which is expected to remain challenging. I am confident that IPS is well positioned for medium-term growth, in line with our mid to high single percentage target. We continue to look for opportunities to grow IPS through organic investment in some of our fastest growing businesses. We are encouraged by good new business momentum and continue to invest in operational fitness, talent and technology to ensure we gain market share and maintain longer-term growth.

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

We are cognisant that 2024 will likely present its own set of challenges but, given the modest current valuation of the UK equity market, we are optimistic about the investment opportunities we can see. We believe James and Laura have constructed a well-diversified portfolio of strong and well-managed businesses on relatively low valuation multiples, capable of delivering attractive capital returns, and further increases in dividends, over the medium term.

Denis Jackson
Chief Executive Officer
26 February 2024

IPS net revenue and PBT – 5 year performance

Department	2019 £000	2020 £000	2021 £000	2022 £000	**2023 £000**	**5yr Revenue Variance £000**	**5yr Revenue Variance %**
Pensions	10,598	11,479	13,060	14,343	**17,396**	**6,798**	**64.1%**
Corporate trust	9,024	10,789	9,771	10,620	**12,473**	**3,449**	**38.2%**
Corporate services	12,167	12,226	18,755 (1)	20,206	**20,640**	**8,473**	**69.6%**
IPS net revenue	31,789	34,494	41,586	45,169	**50,509 (2)**	**18,720**	**58.9%**
% Net Revenue growth	7.5%	8.5%	20.1%	8.6%	**11.8%**		
Profit before tax	11,465	12,227	13,340	14,422	**15,936**	**4,471**	**39.0%**
% PBT growth	9.4%	6.6%	9.1%	8.1%	**10.5%**		

1 Includes revenue from the acquisition of the Company Secretarial Services business from Eversheds Sutherland (International) LLP.
2 This figure is included in the income statement by subtracting cost of sales of £8.0m from gross revenue of £58.5m.

IPS Valuation

	31.12.2018 £000	31.12.2019 £000	31.12.2020 £000	31.12.2021 £000	31.12.2022 £000	**31.12.2023 £000**	**5yr growth %**
EBITDA	10,424	11,515	13,335	15,369	16,588	**17,625**	**69.1%**
Multiple	8.4	9.2	9.4	10.8	10.5	**10.5**	**25.0%**
IPS fair value (excluding net assets)	87,562	105,938	125,349	165,985	174,174	**185,063**	**111.4%**
NAV adjustment: total value less net assets already included	78,439	91,860	112,407	135,885	148,376	**160,836**	**105.0%**

See below for commentary on the IPS valuation.

Investment managers' review

Our investment strategy

The investment approach adopted has not changed for many years, but it has hopefully been improved with lessons learnt. There is a relatively long list of stocks which allows for a blend of large, medium and small companies. There are overseas holdings where a similar company cannot be found in the UK market or the overseas company is cheaper. Over 80% of the Portfolio is in UK quoted companies at present, as this is where we are finding superior value despite concerns about the UK economy. The belief behind portfolio construction is that genuine diversity in the holdings is how capital is preserved in the long term. We employ different approaches to how we look at potential investments. Around 50% of the Portfolio is in FTSE100 companies. These are, we believe, sound long-term investments and they are often well-known companies that feature in other portfolios with similar objectives. However, it is what you do differently to others that makes you perform differently. The structure of a cash-generative operating company and a Portfolio gives the opportunity to have a wider range of investments and still produce an attractive level of earnings. Therefore, unusually for an income growth trust, there are investments that do not pay a dividend. Early-stage small companies and operationally challenged large companies feature. The small companies that succeed will give substantial returns, while large companies that have a recovery plan that they implement with determination will in time return to paying dividends at a considerably higher share price. The different elements of the Portfolio, when blended together, provide real diversification of underlying operating activities. It does mean there are usually around 150 holdings and we do not go over 175. The absolute stock-specific risk is relatively low compared to the index and the exposure to small and medium-sized companies has contributed, in the long term, to the better performance of your Company.

Economic and market backdrop

The central economic debate in 2023 was the balance between bringing down inflation while avoiding recession. Consensus opinion for economic growth ultimately proved too pessimistic. At the time of writing, real GDP growth in 2023 looks likely to be closer to 0.5% growth. The chart in the Annual Report shows how UK real GDP expectations progressed over the course of the calendar year:

The swing factor in the economy was always likely to be the UK consumer and whether they were willing to draw down on their pandemic savings to smooth cost-of-living pressures. This has proven to be the case, with more resilient retail sales than expected, benefitting some of this Portfolio's largest holdings such as Marks & Spencer. From an inflation perspective, while there was some persistence to UK inflation during the summer months (largely caused by nuances surrounding the energy price cap), over the course of the year inflation fell from over 10% to below 4%. This meant that, by the end of the year, the UK consumer was again receiving real wage growth.

As we look ahead to 2024, we see that a similar dynamic has the potential to occur again. Consensus currently expects modest 0.4% real GDP growth. However, household cash flows (after all essential expenses such as energy and food bills) have the potential to grow mid- to high-single digit, aided by good levels of nominal wage growth. We therefore see the potential for a better UK economic backdrop than is widely forecast.

Alternative Performance Measures	1 year %	3 years %	5 years %	10 years %
NAV total return (with IPS at fair value and debt at par)[1]	8.9	22.7	51.8	101.4
NAV total return (with debt and IPS at fair value)[2]	9.4	35.1	62.4	111.9
FTSE Actuaries All-Share Index total return[2]	7.9	28.1	37.7	68.2

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

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

Performance

Our aim as portfolio managers is to outperform the FTSE Actuaries All-Share benchmark over both the short- and long-term. It is our view that our structure of the Company provides a favourable backdrop for this, as it broadens the investible universe beyond higher dividend-paying shares. When we come on to look in more detail at stock attribution, in a similar pattern to recent years, it is often the lowest dividend-paying shares that have been among the best performers.

Top five gains

Top five absolute contributors to performance:

Stock	£ Appreciation	% Appreciation
Rolls Royce	25,243,022	287.0%
Marks & Spencer	11,603,227	134.4%
HSBC	5,195,260	23.2%
Hill & Smith	4,898,816	62.8%
Senior	4,436,460	41.5%

In 2023, the Portfolio performed approximately in line with the FTSE Actuaries All-Share benchmark. Unlike in 2022, when good performance in the UK equity market was heavily dominated by large companies in the FTSE 100, this year share price performance was more balanced across different sizes of company. Performance drivers were therefore more esoteric, driven by individual stock performance. While 'recovery' holdings such as Marks & Spencer and Rolls-Royce performed very well, these were balanced by some poor performers, predominantly within the natural resources and financials sectors. We will now examine the stock-specific performance drivers in more detail.

Rolls-Royce and Marks & Spencer, while clearly very different businesses, arguably have similar reasons for their strong performance this year. Both have long had potential for successful turnarounds – Rolls-Royce has won considerable market share in supplying engines for the next generation of wide-bodied planes, while M&S has long had a successful food business while clothing and home profitability had dwindled. Both have seen recent management change that have proven the catalyst for an earnings (and share price) recovery. It is important to note that, in both cases, the dividend yield is low (or indeed zero in the case of Rolls-Royce). When companies are in the midst of recovery, it is often right to pause dividend payments, as companies may be in a cash consumptive phase that often comes with substantial restructuring costs. These positions would therefore be challenging to hold, in size, within a traditional income fund structure. Our Group structure is therefore an advantage in being able to hold, in scale, these 'recovery' holdings.

In the case of M&S, it was the new Chairman (Archie Norman) in 2017 that spurred the change. It was at this point that the business recognised the need for a fundamental re-set – closing legacy stores, lowering prices on both sides of the business to become more affordable and reducing (in clothing) the sometimes overwhelming amount of items on offer (instead becoming more focussed, with buying in greater depth that allowed better buying terms, as well as better availability). These changes, put in place over a number of years, have become gradually more apparent, but it was only this year that we began to see a series of material earnings upgrades following market share gains in both categories.

In the case of Rolls-Royce, their technical expertise had long been apparent. However, the shares had struggled for external reasons (namely Covid, with the long-haul market, served by wide-bodied planes, being particularly slow to recover) and company-specific reasons, in particular a frustration that market share success had not translated into substantial cash generation. These historical frustrations have been (at least) partially resolved this year, with passenger demand for travel continuing to recover and, under a new CEO, the company announcing material cost savings and ambitious free cash flow targets. The ongoing aerospace market recovery also aided another of the best performers this year, Senior, which makes aerospace components.

HSBC performed well, aided by rising interest rates, although, relative to the benchmark, it was a detractor (as the position is comparatively smaller than that of the benchmark). Hill & Smith, an industrial conglomerate with significant exposure to the US infrastructure market, also performed well on structural growth in many of its end markets.

While in 2023 Rolls-Royce saw favourable end markets combined with 'self help', Anglo American in effect saw the opposite. There were undoubtedly challenging operating conditions, for example cyclical demand weakness in diamonds (where they own De Beers) and power and transport outages in one of their key geographies, South Africa. These external factors combined with self-inflicted issues, such as a material downgrade to production guidance for copper, which is seen as one of the key sources of future earnings growth for the shares. We continue to hold the shares on the grounds that, relative to, for example, copper-focussed peers, they present good value with the prospect for earnings recovery, but undoubtedly this year's operating performance has been disappointing.

Ceres Power has made progress operationally, but investors are disappointed that there has been no large licensing deal signed with China and more generally the uptake in hydrogen fuel cells is slower than was initially hoped. Due to substantial profits taken in the shares at a higher share price, Ceres remains the top contributor to Portfolio performance over the last five years.

Commodity prices such as natural gas spiked in the immediate aftermath of the war in Ukraine. However, this year there was a degree of normalisation, which impacted commodity producers such as i3 Energy and Indus Gas.

Within financials, Natwest was a poor performer, both in absolute terms and also relative to its key UK peer, Lloyds (also held in this Portfolio). While, at the start of the year, Natwest looked more attractive from a valuation perspective and therefore was a bigger position in this Portfolio, the banking sector has a remarkable ability to snatch defeat from the jaws of victory. A steep rise in interest rates should be a positive for bank margins, but shares have often performed poorly despite this. In this case it was Nigel Farage being 'debanked' and the subsequent departure of the CEO that led to poor performance.

Top five losses
Top five absolute detractors from performance:

Stock	£ Depreciation	% Depreciation
Anglo American	(5,879,700)	(40.4%)
Ceres Power	(5,577,078)	(70.2%)
i3 Energy	(4,133,490)	(53.7%)
NatWest	(2,983,500)	(17.3%)
Indus Gas	(2,951,570)	(71.1%)

Portfolio income
During the year dividend income totalled £33.5m, down modestly from last year's £34.4m. The key difference between the two years was a lower level of special dividends in 2023, in particular from the mining and banks sectors. As we look ahead to 2024, in our view the backdrop for UK dividends is encouraging as the dividend payout ratio has been reset to more sustainable levels following Covid.

Portfolio activity

During the year we were modest net investors, investing £37m. This net investment was largely matched by a rise in the Trust's net asset value and some share issuance, meaning gearing at calendar year end rose only modestly, reaching 12.7% at year-end, compared to 12% at the beginning of the year.

The approach is to take a long-term view about the holdings we will buy as our confidence grows and valuations remain undemanding and sell when these factors are going in the opposite direction. We are always looking for opportunities to refresh the Portfolio in an opportunistic way. The property sector has had the perfect storm in recent years with interest going up and changes in behaviour such as the move to online from physical stores in retail, while in the office area the move to working from home has altered property requirements. These problems have meant the share prices for quoted property stocks have been very weak in recent years. They are trading at substantial discounts to the recent asset values. This is an opportunity for good operators in property to show their worth. Purchases were made in Shaftesbury, which has an iconic London portfolio of properties, and Workspace which repurposes properties to uses the economy of today needs. These companies add value to their properties under management and, when interest rates stabilise, their strengths should come to be recognised by investors. It is important to focus on companies that genuinely add value in their activities rather than just hope they will be helped by a change in the economic conditions. Holdings were also built up in Johnson Matthey and Air Products, both well-managed companies that will benefit from the move towards alternative forms of energy. There were also a number of positions built up in smaller companies in order to refresh the Portfolio for the future.

On sales, two of the largest were taking profits in US companies that have operated well but where the valuation is now relatively high given the macroeconomic headwinds, namely Caterpillar and Applied Materials.

Outlook

There is a long list of investor concerns. They range from major global conflicts to the seemingly low productivity of the UK economy. However, we do not own shares in an economy but rather dynamic companies with management teams that will deal with the circumstances they find. It is usually the general worries that have led individual company share prices to fall to historically low levels. These low valuation levels are apparent at both the UK market level (see chart on page 20 of the Annual Report) and the Portfolio level.

The prospective Price Earnings Ratio for the Portfolio, at sub 10 times, is substantially lower than its historical average. The Portfolio yield has looked this high before but that was before dividends were going to be cut in the banking crisis. This time, the dividend cover is relatively high and there is little hopeful thinking in the projections. For all the confidence at a stock level, it will probably need some lift of the gloom about the macro picture for share prices to appreciate. The most obvious event will be when interest rates are cut, especially if it is from a position in which there is no actual recession being experienced. In the meantime, we will focus on companies that are managing themselves in a way that positions them for long-term growth, through providing excellent product and services to their clients. This is the best way to face economic uncertainty.

James Henderson and Laura Foll
Investment managers
26 February 2024

Portfolio by sector and value

Portfolio by sector			
2023		2022	
Oil and gas	10.3%	Oil and gas	10.9%
Basic materials	6.0%	Basic materials	8.7%

Industrials	25.6%	Industrials	21.7%
Consumer goods	7.8%	Consumer goods	7.7%
Health care	6.0%	Health care	8.1%
Consumer services	10.4%	Consumer services	9.0%
Telecommunications	1.9%	Telecommunications	2.0%
Utilities	3.1%	Utilities	3.2%
Financials	27.4%	Financials	27.4%
Technology	1.5%	Technology	1.3%

Geographical distribution of Portfolio by value			
2023		**2022**	
United Kingdom	88.2%	United Kingdom	83.2%
North America	3.2%	North America	5.1%
Europe	7.4%	Europe	10.6%
Japan	1.2%	Japan	1.1%

Fifteen largest holdings: investment rationale
as at 31 December 2023

Rank 2023	Company	% of Portfolio	Approx Market Cap.	Valuation 2022	Purchases £000	(Sales) £000	Appreciation/ (Depreciation) £000	Valuation 2023 £000
1.	Rolls Royce	3.85	£69.76bn	8,797	3,223	—	25,243	37,263
2.	Shell	3.32	£105.76bn	29,075	—	—	3,044	32,119
3.	HSBC	2.85	£124.56bn	22,360	—	—	5,195	27,555
4.	BP	2.74	£85.18bn	27,069	—	—	(498)	26,571
5.	Rio Tinto	2.26	£46.67bn	21,743	—	—	165	21,908
6.	Marks & Spencer	2.25	£3.67bn	8,631	1,558	—	11,603	21,792
7.	Flutter Entertainment	2.23	£11.32bn	17,492	—	—	4,084	21,576
8.	GlaxoSmithKline	2.08	£69.91bn	19,983	—	—	175	20,158
9.	Barclays	1.96	£15.63bn	19,498	—	—	(583)	18,915
10.	Senior	1.57	£0.79bn	10,682	—	—	4,436	15,118
11.	Tesco	1.52	£16.47bn	11,888	—	(619)	3,404	14,673
12.	BAE Systems	1.50	£13.94bn	11,128	—	—	3,309	14,437
13.	Lloyds Banking Group	1.48	£32.41bn	13,623	—	—	689	14,312
14.	NatWest	1.48	£22.15bn	17,238	—	—	(2,983)	14,255
15.	National Grid	1.43	£28.19bn	13,058	—	—	793	13,851

Changes in geographical distribution

	Valuation 31 December 2022	Purchases	Costs of acquisition	Sales proceeds	Appreciation/ (Depreciation)*	Valuation 31 December 2023	%
United Kingdom	743,255	85,814	308	(18,405)	41,409	852,381	88.16
North America	45,482	7,581	—	(17,324)	(4,632)	31,107	3.24
Europe	92,842	5,855	8	(26,364)	(2,481)	69,860	7.37
Japan	9,426	—	—	—	2,452	11,878	1.23
	891,005	99,250	316	(62,093)	36,748	965,226	100

*Please refer to note 2 on page 127 of the Annual Report.

Extracts from the Strategic report

Who we are

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

Our purpose and objective

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

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

To our IPS clients we are trusted, independent experts who have 135 years of experience to call on in delivering vital aspects of their business cycle.

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

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

Our strategy – implementation

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

The IPS business provides a reliable source of revenue to the investment trust. This supports the dividend and ensures our investment managers are not constrained to choosing stocks solely based on yield. Instead, the investment managers benefit from increased flexibility in stock selection supporting the delivery of long-term capital growth.

Our unique structure is also tax efficient as some tax relief, arising from excess costs and interest payments which would otherwise be unutilised, can be passed from the Portfolio to the IPS business reducing the tax liability for the Group and increasing shareholder returns.
The way in which we implemented the investment strategy during 2023 is described in more detail in the investment managers' review above.

Annual performance is set out on pages 2 to 29 of the Annual Report, which contain tables, charts and data to explain performance both during the year under review and over the long-term. Performance against KPIs is discussed on page 34 of the Annual Report.

Our business model

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

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

TOTAL SHAREHOLDER RETURN	
PORTFOLIO	INDEPENDENT PROFESSIONAL SERVICES
(c.80% of NAV – including IPS	(c.20% of NAV – including IPS
and long-term borrowings at fair value)	and long-term borrowings at fair value)
• Invests in a diverse equity portfolio	• Trusted provider of independent governance services, generating recurring revenue.
• Earns capital returns and dividends	• Profits provide the investment trust with a steadily increasing revenue stream.
• Low ongoing charges	• Tax efficient

PORTFOLIO
• The Portfolio will typically contain over 70 and up to 175 stocks, the maximum permitted.
• The Portfolio is diversified in order to spread investment risk with no obligation to hold shares in any particular type of company or industry.
• The IPS business does not form part of the Portfolio.
Whilst performance is measured against the FTSE Actuaries All-Share Index, the composition of the index does not influence the construction of the Portfolio. As a consequence, it is expected that the Portfolio and performance will deviate from the comparator index.
INDEPENDENT PROFESSIONAL SERVICES
Operating through a number of wholly owned subsidiary companies (see note 13 to the accounts), we provide pension trustee executives, outsourced pension services, corporate trust services and corporate services to companies, agencies, organisations and individuals throughout the world. The services are provided through offices in the UK, Dublin, New York, Delaware, Hong Kong and the Channel Islands. Group employees are employed by L.D.C. Trust Management Limited (LDCTM) and Safecall Limited (in the UK) or a locally incorporated entity (in the overseas jurisdictions). As part of their duties, a number of the employees provide services to the investment trust and their time is charged to the trust, forming part of the ongoing charges. More details about the performance of the IPS business in 2023 are given in the Chief Executive Officer's review above.

Our strategy – guidelines

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

Investments	Permitted types of investments are:	Restrictions:
	• Equity Shares	• Trading is not permitted in suspended shares or short positions

	• Cash/Liquid Assets	• No more than 15% of gross assets will be invested in other UK listed investment trusts
		• No more than 175 stocks
		• No investment may be made which raises the aggregate value of the largest 20 holdings, excluding holdings in collective investment vehicles that give exposure to Japan, Asia/Pacific or emerging market regions, to more than 40% of the Portfolio, including gilts and cash
		• The value of a new acquisition in any one holding may not exceed 5% of the total Portfolio value (including cash) at the time the investment is made
		• Further additions shall not cause a single holding to exceed 5%, and Executive approval must be sought (to be reported at the next Board meeting), to retain a holding should its value increase above the 5% limit
		• No investment in any investment vehicle managed or advised by Janus Henderson shall be made without prior Board approval
		• No investment other than in equity shares quoted on a major international Stock Exchange (including AIM for the avoidance of doubt) or instruments convertible into the same may be made without prior Executive approval
		• The Company may not make investments in unlimited liability companies

	The current regional parameters are:		
		Minimum	Maximum

		%	%
	United Kingdom	55	100
	North America	0	20
	Continental Europe	0	20
	Japan	0	10
	Asia/Pacific	0	10
	Other (including South America)	0	10
Derivatives	May be used with prior authorisation of the Board		
Hedging	Currency hedges may be put in place with Board approval to protect against foreign exchange movements on the capital and income accounts		
Stock-lending	Up to 30% of the market value of the Portfolio may be lent		
Gearing	A ceiling on net gearing of 50% is applied. Typically net gearing, (i.e. gearing net of cash), is between 10% and 20% of the total Trust value. The Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate. Refer to page 156 of the Annual Report for calculation of gearing		
Daily dealing limit	Net purchases in any dealing day are to be limited to £30 million unless prior Executive approval is obtained		
Underwriting	Permitted capital at risk up to 5% of the value of the Portfolio		
Corporate approval	Where indicated, the investment manager must obtain prior approval to exceed permitted limits either through Board or Executive approval. Executive approval shall be the approval of either the Board Chair or the Chief Executive Officer. The Board may make non-material adjustments or changes to the investment policy from time to time. Any changes to the investment policy, which the Board deem to be material, require prior shareholder approval		

Agreement with the investment managers

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

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

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

Fee structure and ongoing charges

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

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

No performance fee is paid to the investment manager.

Reappointment of the investment managers

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

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

Gearing and long-term borrowing

Investment trusts have the benefit of being able to 'gear' their portfolios according to market conditions. This means that they can raise debt (either short or long-term) to generate funds for further investment. These funds can be used to increase the size of the Portfolio. Alternatively, assets from within the Portfolio can be sold to reduce debt and the Portfolio can even be 'negatively geared'. This means selling assets to hold cash so that less than 100% of the Company's assets are invested in equities. At 31 December 2023, our gearing was 13% (2022: 12%).

The Group has four debentures (long dated sterling denominated financing) details of which are on page 144 of the Annual Report. The weighted average interest payable on the debentures is 3.96% (2022: 3.96%).

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

Valuation of our IPS business

Accounting standards require us to consolidate the income, costs and taxation of our IPS business into the Group income statement below. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on page 113. A segmental analysis is provided in note 6 (pages 129 and 130 of the Annual Report) which shows a detailed breakdown of the split between the Portfolio and the IPS business.

Consolidating the value of the IPS business in this way does not fully recognise the value created for the shareholder by the IPS business in the NAV. To address this, from December 2015, the NAV we have published for the Group has included a fair value for the standalone IPS business.[1]

The current fair value of the IPS business is calculated based upon maintainable earnings before interest, taxation, depreciation and amortisation (EBITDA) for 2023, with an appropriate multiple applied. The EBITDA for the IPS business for 2023 was £17.6m. This number is reached by taking the return, including profit before interest and tax of £15.1m from note 6 on page 129 of the Annual Report and adding back the depreciation charge for property, plant and equipment and right-of-use assets of £1.3m, the amortisation of intangible assets of £0.9m, and net interest expense shown in note 6 on page 129 of the Annual Report.

The calculation of the IPS valuation and methodology used are included at note 13 on page 136 of the Annual Report. In determining a calculated basis for the fair valuation of the IPS business, the Board has taken appropriate external professional advice. The multiple applied in valuing the IPS business is based on comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS business in respect of size, liquidity, margin and growth. A range of multiples is then provided by the professional valuation firm, from which the Board selects an appropriate multiple to apply.

There is no one single comparator who's business is an accurate proxy for the unique collection of businesses that make up IPS. Whilst the group of companies presented in the table have some likeness to the IPS business, further work has been required in producing a multiple reflective of the fair value to attribute to the IPS business. Given this, as a cross-check, we have validated the valuation using a discounted cash flow with an externally advised WACC and are satisfied it is in range.

[1]Note the daily NAV is refreshed six monthly to reflect the IPS business at fair value and therefore the daily NAV has the most recent annual and interim IPS FV valuation.

The multiple of 10.5x has been applied to value the business. The uplift reflects that the IPS business now has six years of revenue and profit growth. The multiple selected has remained the same as the prior year.

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

Company	Revenue LTM[2] (£m)	LTM EV/ EBITDA 31 December 2023	Net revenue CAGR 2019-2023	EBITDA margin LTM
Law Deb IPS	53	10.5x	12.0%	32.0%
SEI Investments Company	1,550	14.4x	5.6%	24.9%
SS&C Technologies Holding, Inc	4,449	10.4x	6.2%	33.2%
EQT Holdings Limited	74	12.6x	9.7%	25.1%
Perpetual Limited	542	10.9x	17.2%	20.5%
Begbies Traynor Group plc	122	7.6x	19.3%	18.8%
Christie Group plc	69	21.9x	(3.1%)	3.3%
JTC plc	229	16.3x	26.9%	26.0%
Link Administration Holdings Limited	500	7.8x	(10.3%)	20.1%

2 LTM refers to the trailing 12 months ‘results’ which are publicly available. Source: Capital IQ.

Valuation guidelines require that the fair value of the IPS business be established on a stand-alone basis. Therefore, the valuation does not reflect the value of Group tax relief applied from the investment trust to the IPS business.

It is hoped that our continued initiatives to achieve growth into the IPS business will result in a corresponding increase in valuation over time. As stated above, management is aiming to achieve mid to high single percentage growth in 2024. The total valuation (including surplus net assets) of the business has increased by £119m/132% since the first valuation of the business as at 31 December 2015.

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

Calculation of NAV per share

The table below shows how the NAV at fair value is calculated. The value of assets already included within the NAV per the Group statement of financial position that relate to the IPS business have been removed (£50.0m) and substituted with the calculation of the fair value and surplus net assets of the business £210.8m. An adjustment of £33.2m is then made to show the Group’s debt at fair value, rather than the amortised cost that is included in the

NAV per the Group statement of financial position. This calculation shows a NAV fair value for the Group as at 31 December 2023 of £1,048.3m or 802.67 pence per share.

	31 December 2023		31 December 2022	
	£000	Pence per share	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	**854,229**	**654.07**	799,067	625.81
Fair valuation of IPS: EBITDA at a multiple of 10.5x (2022: 10.5x)	**185,063**	**141.70**	174,174	136.41
IPS net assets attributable to IPS valuation	**25,729**	**19.70**	27,566	21.59
Fair value of IPS business	**210,792**	**161.40**	201,740	158.00
Removal of IPS net assets included in Group net assets	**(49,956)**	**(38.25)**	(53,364)	(41.79)
Fair value uplift for IPS business	**160,836**	**123.15**	148,376	116.20
Debt fair value adjustment	**33,239**	**25.45**	25,123	19.68
NAV at fair value	**1,048,304**	**802.67**	972,566	761.69
NAV attributable to IPS	**210,792**	**20%**	201,740	21%

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

The 'results' NAV at fair value calculated above differs to the 'published' NAV at fair value for 29 December 2023 (year end NAV released by RNS on 2 January 2024). As such, please see below for a reconciliation:

	31 December 2023	
Reconciliation of published NAV to results NAV:	**Value £000**	**Pence per share**
Published NAV cum income with debt at fair value	**1,042,279**	**798.06**
Reconciliation of shareholders' funds to net assets:		
Published NAV	**(855,259)**	**(654.86)**
Results NAV	**854,229**	**654.07**
Revised IPS valuation uplift:		
Published NAV (valuation per 30 June 2023)	**(153,381)**	**(117.44)**
Results NAV	**160,836**	**123.15**
Revised Fair Value of Debentures:		
Published NAV	**(33,639)**	**(25.76)**
Results NAV	**33,239**	**25.45**
Total NAV at fair value per results	**1,048,304**	**802.67**

Our approach to risk

The Group's risk management and internal control framework is embedded in everyday operations and subject to regular enhancements. The diagram below summarises our risk reporting and governance, with risks effectively managed and monitored in a continuous risk management process. Top-down Board-level oversight for the Portfolio and IPS business is provided by the Audit and Risk Committee (ARC).

In discharging its oversight responsibilities in relation to the Portfolio, the Board considers risk matters during the year by meeting periodically with the investment managers and receives a wide range of reports about the Portfolio including investment review, risk reporting, governance reporting and comparative peer reporting.

Thematic discussions are held with the investment manager at two out of six of the scheduled Board meetings each year to address market trends and insights.

The ARC supports the Board in reviewing the internal control environment of the investment managers.

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

The ARC reviews the principal risks to the Group and the adequacy of the controls in place to appropriately manage those risks as part of our ongoing risk management. Consideration is also given to emerging risks to ensure that the risk management framework is updated to protect the business.

The ARC recognises that there are certain risks which are inherent in the Group's activities, such as taking market risk with respect to its Portfolio, and the controls to manage such risks are paramount to the delivery of our objectives.

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

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

Governance

The Group's risk management and internal control framework is governed via the "parties involved" section of the diagram above and overseen by the ARC. IPS business risks are managed through business unit risk committees and management meetings. The outputs of these are fed through to the Executive Risk Committee and then the ARC for review and to the Board for approval as appropriate.

Group risk summary and mitigating actions

PRINCIPAL GROUP RISKS	CHANGES TO RISK IN 2023	MITIGATING FACTORS
1. Investment Performance and Market Risk		
The risk of the Portfolio failing to deliver and/or failing to consider and react to market conditions to deliver the strategic objectives to:	UNCHANGED The risk level remains high as geopolitical tensions and global economic pressures continue to have an unfavourable impact on global markets and therefore the Portfolio. High global inflation in the year undermines the value of investment returns.	• Market risk is an accepted risk given the nature of the Portfolio. To manage this inherent risk the Board regularly reviews the investment managers' report including risk indicators, MI, and other financial information and has open dialogue, robust discussion and challenge to the investment managers on their approach and performance, seeking explanations from the investment managers where performance is

		not in line with our objectives.
• Achieve long-term capital growth.		• The investment trust is closed ended therefore does not have to sell investments to provide liquidity to shareholders who wish to sell. This enables our investment managers to invest for the long-term.
• Deliver steadily increasing income.		• To mitigate leverage risk, all borrowings require the prior approval of the Board and gearing levels are kept under close review by the Board. We have substantial headroom on all of our existing borrowings.
• Achieve a rate of return greater than the FTSE Actuaries All-Share Index, our benchmark.		
The principal risk is a material decline in the value of the NAV and under-performance against the benchmark. Investment performance and market risk are the largest risks to which the Group is exposed.		
Our investment risk includes market risk, gearing risk, credit risk and liquidity risk.		
2. Cyber, Technology and Systems Risk		
We rely on a set of critical IT systems which are fundamental to the day-to-day running of the business, as in any technology-enabled business. The threat of unauthorised or malicious attacks on our IT systems is an ongoing risk.	INCREASED RISK The cyber threat landscape is rapidly changing, with cyber-attacks growing ever more sophisticated and their increasing frequency and scale is well publicised. Industry data suggests that “bad actors” are becoming increasingly well-financed, with cyber experts warning of a rising use of commercial hacking tools.	• The Group is Cyber Essentials Plus certified, the highest level of certification offered under the Government-backed, industry-supported Cyber Essentials scheme which helps organisations protect themselves against common online security threats. Cyber insurance is also in place.
Failures in these systems could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position. This includes the systems of Janus Henderson, our investment manager.		• We place focus on training our staff about cyber security risks including phishing training and testing.
		• We adopt a continuous improvement approach to IT security and work closely with our supply chain and industry recognised best in class security providers.
		• The ARC is alert to the threat and risks of cyber

		security and receives regular updates on the strategic improvements to IT.
		• Janus Henderson are subject to an independent annual controls review to ensure there are no material deficiencies. During the year we conducted an on-site assessment of Janus Henderson's information system and business continuity/disaster recovery plans and consider them to be acceptable for our purposes. We also reviewed Janus Henderson's internal controls reports and ISAE 3402 report with a particular focus on IT, and no major issues were highlighted.
3. IPS Concentration Risk		
The unique setup of the Group as a Portfolio with the unquoted IPS business, which represents 20% of NAV and accounted for 33% of revenue return per share in 2023, creates an illiquid concentration risk.	UNCHANGED The IPS business includes some counter-cyclical services which may help to counteract any adverse market conditions for other business lines.	• The IPS business comprises a diversified range of services with little client concentration risk.
Failure to deliver on the IPS strategy could result in a significant reduction in valuation of the Group's largest asset thereby putting pressure on our ability to meet our stated objective of long-term capital growth, and steadily increasing income.		• The CEO and COO are accountable for the day-to-day running and operation of the IPS business with independent oversight and challenge from the Non-Executive Directors. The performance of the IPS business is reviewed at all regular Board meetings.
IPS Concentration risk also includes aggregation of litigation, compliance, regulatory and internal control failures and people risk.		• The annual IPS budget is subject to review and approval by the Board which provides robust scrutiny and challenge on IPS strategic plans.
		• Any significant IPS investment requires

		Board approval. This reduces the risk of unplanned concentration risk.
		• Valuation of the IPS business takes into account the illiquid nature of the holding.
		• The ARC has oversight of internal control findings from second/third line and external audit; and review and approval of the IPS valuation to ensure it appropriately reflects the risk of the IPS business.

Emerging risks and mitigating actions

EMERGING RISKS	CHANGES TO RISK IN 2023	MITIGATING FACTORS
1.ESG Considerations		
As ESG becomes an area of increased focus and regulation, we must consider the impact of ESG factors adversely affecting the Group's reputation and performance both directly and indirectly.	UNCHANGED The level of risk has been broadly in line with last year. We observe continued stakeholder recognition on the prominence of ESG risks. Challenges around the consistency and reliability of ESG ratings data remain.	• ESG is considered by our investment managers when selecting investments. ESG ratings and events in relation to our Portfolio holdings are regularly reviewed by the Board and challenged where necessary.
The ESG regulatory landscape continues to change, therefore we must ensure that we do not fall behind in meeting these requirements including climate and ESG-related targets, as well as ESG-related disclosure requirements.		• The investment managers regularly meet with the management of the companies that they hold in the Portfolio, which allows informed discussion around ESG-related issues.
There is also the risk of ESG issues in the companies that we invest in. We run the risk that one or a number of investee companies lose value, due to either not adapting to the ESG agenda, or from specific ESG incidents, resulting in a loss of value.		• Janus Henderson's research team continues to monitor regulations that impact our Portfolio. • We continue to engage and monitor with stakeholders on ESG, in order to identify trends, patterns and areas of key concern.

Viability statement

The Board has considered the Group's current financial position and the potential impact of its principal risks and uncertainties, and has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this report. The Board have increased the assessment period from three to five years, consistent with market peers and long-term nature of the investment trust.

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

Our business model and strategy

- The Board seeks to ensure that the Group delivers long-term performance. The closed ended nature of the investment trust creates a stable capital basis which enables our investment managers to take a longer term view in their construction and management of the Portfolio. This partially mitigates the risk to the Group of potential liquidity issues should shareholders wish to sell their shares, potentially avoiding any untimely requirements to sell down the Portfolio.
- As an investment trust, we benefit from the unique structure of a predominately UK-based equity Portfolio with a diversified revenue stream arising from the IPS business. As demonstrated by our long-term performance, the combination of the Portfolio and the IPS revenue streams provide protection to the long-term viability of the Group. Over a five year period, the share-price total return is 85.3%. The NAV total return with debt at FV is 62.4% compared to the FTSE Actuaries All-Index Total Return of 37.7%.
- One of the principal group risks relates to investment performance and market risk. Part of the risk to the Group is that a breach of our debt covenants results in a requirement for the Group to repay the debentures at short notice, potentially requiring the sale of assets during a market downturn. Whilst the Board acknowledges this risk, the uncertainty arising due to Covid and more recently the macroeconomic environment demonstrates the Group's ability to navigate these challenges. At the height of market decline on 23 March 2020, the Group maintained significant headroom on all covenants.
- The IPS business currently holds enough working capital to meet any short term requirements of the group and our book of clients provides a steady, largely reoccurring, flow of income. There has been a concerted focus on debtor management which has enhanced the IPS business's cashflow over the past year and improved our working capital cycle.
- Furthermore, the majority of the Portfolio is invested in UK listed securities which are traded on major stock exchanges, providing the Group with the ability to quickly liquidate assets, should the need arise.
- The investment trust has an ongoing charge of 2023: 0.49% (2022: 0.49%). This is the third lowest OCR in the UK Equity Income sector*.

* Source: The AIC Compare investment companies; The AIC

Our business operations

- The investment trust retains ownership of all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary. This supports our ability to meet our Legal and Regulatory requirements and acts as a control to both verify the existence of our assets and further safeguard the interests of our shareholders.
- The Group's cash is all held with banks approved by the Board. The Company's cash balance, including money market funds, as at 31 December 2023 amounted to £12.4m (31 December 2022: £29.8m), with IPS holding a further £19.0m. Cash is treated as a fungible across the Group and it is deployed on a basis of need with periodic clear down of inter-company balances via an intra-group net-off agreement.
- There is long term borrowing in place comprising four debentures;

Maturity date	PAR Value	Interest
2034	£40m	6.125%
2041	£20m	2.54%

2045	£75m	3.77%
2050	£30m	2.53%

The weighted average cost of borrowing is 3.96%. Each debenture is subject to a formal agreement, including financial covenants which the Company has complied with in full during the year. As at the end of December, net gearing was 12.6%, which is well within the typical operating range of 10%-20%.

- During January 2021, the Company also made arrangements to put in place a £50m unsecured overdraft facility with HSBC. Whilst available, this facility is currently not in use but provides further mitigation of any liquidity risk.
- The Board reviews the Portfolio performance including revenue forecasts, along with other key metrics such as gearing at each Board Meeting and receives monthly financial reporting to monitor and manage the principal risk relating to investment performance.

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

The ongoing conflicts from Russia-Ukraine and Israel-Hamas, combined with geopolitical uncertainty from the US presidential election and likely UK general election in 2024 continue to influence the global and UK economy. The Board does not consider this will have an impact on the longer term viability of the Group, given the headroom identified in the risk sensitivities from the far more extreme scenarios.

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

Balance sheet resilience

As at the 31 December 2023, Law Debenture Corporation held total investments, including cash and the IPS business of £1.21bn (31 December 2022: £1.14bn). With the exception of the IPS business, the majority of these assets are liquid and could be sold down within a short period of time, i.e. less than 10 working days.

The Board and the Executive Leadership team have actively monitored the cash position across the Group throughout the year, mindful of our commitment to pay quarterly dividends to shareholders. As of 31 December 2023, the Group holds cash of £31.4m (31 December 2022: £49.6m). In addition to this, the Company has an overdraft facility of £50m to protect against any significant fall of cash inflows.

Repurchase and issue of shares

At the 2023 AGM, the Directors were given power to buy back up to 19,274,822 ordinary shares or, if less, the number of shares equal to 14.99% of the Company's issued share capital at that date. During the year, the Company did not repurchase any of its shares for cancellation. This authority will expire at the 2024 AGM. The Company intends to seek shareholder approval to renew its powers to repurchase shares for cancellation up to 14.99% of the Company's issued share capital if circumstances are appropriate, at the 2024 AGM.

The Directors were also given power to allot up to 12,858,454 ordinary shares at the 2023 AGM. From the 2023 AGM to the 26 February 2024 the Company issued a total of 8.3m ordinary shares under its share issuance programme and our SAYE scheme. The authority will expire at the 2024 AGM at which the Company intends to seek shareholder approval to renew its powers to issue shares up to 10% of the Company's share capital in issue at 26 February 2024.

Share capital and significant shareholdings

The Company's share capital is made up of ordinary shares with a nominal value of 5p each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights and no shares which carry specific rights with regard to the control of the Company. There are no other classes of share capital and none of the Company's issued shares are held in treasury. As at 31 December 2023, there were 131,191,892 ordinary shares in issue with 131,191,892 voting rights. Note 17 includes details of share capital changes in the year.

As at 31 December 2023, there were no shareholders that had notified the Company of a beneficial interest of 3% or more of the issued share capital. Additionally, no such disclosures had been made to the Company as at 26 February 2024. Share information as required by section 992 of the Companies Act 2006 appears at pages 62 and 139 of the Annual Report.

Significant financial issues relating to the 2023 accounts

The UK Corporate Governance Code requires the Committee to describe any significant issues considered in relation to the 2023 financial statements and how those issues were addressed.

The significant issues and judgements considered by the Committee include the valuation of IPS, oversight of the Corporate Secretarial Services impairment review, the existence and valuation of investments, discussions around the control environment and the accounting for the Pension Defined Benefit Scheme.

No new significant issues arose during the course of the external audit. There continued to be a focus on embedding the improved Finance operations and we have continued to make investments in this area to support the strategy for long term growth. We are pleased with the progress made and the improved control environment.

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 and report to the Board that the financial statements themselves and the Annual Report as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company and Group's position and performance, business model and strategy.

Directors' responsibility statement pursuant to DTR4

The Directors confirm to the best of their knowledge that:

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

This report was approved by the Board of Directors on 26 February 2024.

Consolidated statement of profit or loss

For the year ended 31 December 2023

	2023	2022

	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	29,834	—	29,834	29,837	—	29,837
UK special dividends	—	1,368	1,368	1,176	3,442	4,618
Overseas dividends	3,670	—	3,670	3,451	—	3,451
Total dividend income	33,504	1,368	34,872	34,464	3,442	37,906
Interest income	1,197	—	1,197	266	—	266
Independent professional services fees	58,543	—	58,543	53,452	—	53,452
Other income	1,369	—	1,369	847	—	847
Total income	**94,613**	**1,368**	**95,981**	**89,029**	**3,442**	**92,471**
Net gain/(loss) on investments held at fair value through profit or loss	—	37,379	37,379	—	(126,234)	(126,234)
Total income and capital gains/(losses)	**94,613**	**38,747**	**133,360**	**89,029**	**(122,792)**	**(33,763)**
Cost of sales	(8,255)	—	(8,255)	(8,408)	—	(8,408)
Administrative expenses	(39,708)	(2,075)	(41,783)	(34,332)	(1,908)	(36,240)
Operating profit/(loss)	**46,650**	**36,672**	**83,322**	**46,289**	**(124,700)**	**(78,411)**
Finance costs						
Interest payable	(1,635)	(4,908)	(6,543)	(1,636)	(4,908)	(6,544)
Profit/(loss) before taxation	**45,015**	**31,764**	**76,779**	**44,653**	**(129,608)**	**(84,955)**
Taxation	(1,626)	—	(1,626)	(1,392)	—	(1,392)
Profit/(loss) for the year	**43,389**	**31,764**	**75,153**	**43,261**	**(129,608)**	**(86,347)**
Return per ordinary share (pence)	**33.43**	**24.47**	**57.90**	**34.44**	**(103.17)**	**(68.73)**
Diluted return per ordinary share (pence)	33.41	24.47	57.88	34.42	(103.14)	(68.72)

Consolidated statement of comprehensive income
For the year ended 31 December 2023

			2023			2022
GROUP	**Revenue £000**	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Profit/(loss) for the year	**43,389**	**31,764**	**75,153**	43,261	(129,608)	(86,347)
Foreign exchange on	**(602)**	**—**	**(602)**	—	199	199

translation of foreign operations						
Pension actuarial (losses)/gains	**(1,400)**	**—**	**(1,400)**	(300)	—	(300)
Taxation on pension	**—**	**—**	**—**	57	—	57
Other comprehensive (loss)/income for year	**(2,002)**	**—**	**(2,002)**	(243)	199	44
Total comprehensive income for the year	**41,387**	**31,764**	**73,151**	43,018	(129,409)	(86,391)

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

Statement of financial position
as at 31 December 2023

	GROUP		COMPANY	
Assets	2023 £000	2022 £000	**2023 £000**	2022 £000
Non-current assets				
Goodwill	**19,006**	19,036	**—**	—
Property, plant and equipment	**2,267**	1,796	**—**	—
Right-of-use assets	**4,131**	5,040	**—**	—
Other intangible assets	**3,034**	3,417	**16**	16
Investments held at fair value through profit or loss	**965,226**	891,005	**965,126**	890,905
Investments in subsidiary undertakings	**—**	—	**61,368**	61,368
Retirement benefit asset	**7,440**	7,400	**—**	—
Total non-current assets	**1,001,104**	927,694	**1,026,510**	952,289
Current assets				
Trade and other receivables	**21,496**	21,443	**3,014**	1,284
Contract	**8,604**	5,436	**—**	—

assets				
Cash and cash equivalents	**31,439**	49,559	**12,382**	29,825
Total current assets	**61,539**	76,438	**15,396**	31,109
Total assets	**1,062,643**	1,004,132	**1,041,906**	983,398
Current liabilities				
Amounts owed to subsidiary undertakings	**—**	—	**18,558**	19,603
Trade and other payables	**22,553**	19,815	**11,023**	10,046
Lease liabilities	**1,025**	991	**—**	—
Corporation tax payable	**2,198**	1,256	**—**	—
Other taxation including social security	**1,842**	2,892	**839**	1,860
Contract liabilities	**8,000**	5,223	**8**	7
Total current liabilities	**35,618**	30,177	**30,428**	31,516
Non-current liabilities				
Long-term borrowings	**163,889**	163,909	**124,343**	124,389
Contract liabilities	**2,403**	3,976	**—**	125
Deferred tax liabilities	**1,788**	1,344	**—**	—
Lease liabilities	**4,716**	5,659	**—**	—
Total non-current liabilities	**172,796**	174,888	**124,343**	124,514
Total net assets	**854,229**	799,067	**887,135**	827,368
Equity				
Called up share capital	**6,557**	6,407	**6,557**	6,407
Share premium account	**107,110**	83,022	**107,110**	83,022
Own shares	**(3,926)**	(3,128)	**—**	—
Capital redemption	**8**	8	**8**	8
Foreign exchange translation	**2,659**	2,855	**—**	—

reserve				
Capital reserves	**694,276**	662,512	**740,146**	708,382
Retained earnings	**47,545**	47,391	**33,315**	29,549
Total equity	**854,229**	799,067	**887,135**	827,368
Total equity pence per share	**651.13**	625.81		

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement, however its profit for the year was £44,999,000 (2022: loss £89,312,000). The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2024. They were signed on its behalf by:

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

Consolidated statement of changes in equity
As at 31 December 2023

GROUP	Share capital £000	Share premium account £000	Own shares £000	Capital redemption £000	Foreign exchange translation reserve £000	Capital reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2023	6,407	83,022	(3,128)	8	2,855	662,512	47,391	799,067
Profit/(loss) for the year	—	—	—	—	—	31,764	43,389	75,153
Foreign exchange	—	—	—	—	(196)	—	(602)	(798)
Actuarial (loss)/gain on pension scheme (net of tax)	—	—	—	—	—	—	(1,400)	(1,400)
Total comprehensive profit for the year	—	—	—	—	(196)	31,764	41,387	72,955
Issue of shares	150	24,088	(798)	—	—	—	—	23,439
Dividend relating to 2022	—	—	—	—	—	—	(11,276)	(11,276)
Dividend relating to 2023	—	—	—	—	—	—	(29,957)	(29,957)
Balance at 31 December 2023	**6,557**	**107,110**	**(3,926)**	**8**	**2,659**	**694,276**	**47,545**	**854,229**

GROUP	Share capital £000	Share premium account £000	Own shares £000	Capital redemption £000	Foreign exchange translation reserve £000	Capital reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	6,145	41,865	(3,215)	8	2,656	789,423	41,955	878,837
(Loss)/profit for the year	—	—	—	—	—	(129,608)	43,261	(86,347)
Foreign exchange	—	—	—	—	199	2,697	426	3,322
Actuarial (loss)/gain on pension scheme (net of tax)	—	—	—	—	—	—	(243)	(243)
Total comprehensive loss for the year	—	—	—	—	199	(126,911)	43,444	(83,268)

Issue of shares	262	41,157	87	—	—	—	—	41,506
Dividend relating to 2021	—	—	—	—	—	—	(10,396)	(10,396)
Dividend relating to 2022	—	—	—	—	—	—	(27,612)	(27,612)
Balance at 31 December 2022	**6,407**	**83,022**	**(3,128)**	**8**	**2,855**	**662,512**	**47,391**	**799,067**

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

Statement of changes in equity
As at 31 December 2023

COMPANY						
	Share capital £000	Share premium £000	Capital redemption £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2023	6,407	83,022	8	708,382	29,549	827,368
Profit/(loss) for the year	—	—	—	31,764	44,999	76,763
Total comprehensive profit for the year	—	—	—	31,764	44,999	76,763
Issue of shares	150	24,088	—	—	—	24,238
Dividend relating to 2022	—	—	—	—	(11,276)	(11,276)
Dividend relating to 2023	—	—	—	—	(29,957)	(29,957)
Total equity at 31 December 2023	**6,557**	**107,110**	**8**	**740,146**	**33,315**	**887,135**

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

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

Cash Flow Statement
For the year ended 31 December 2023

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Cash flows from operating activities (before dividends received) and taxation paid	**11,268**	1,983	**(5,780)**	(6,361)
Cash dividends received	**32,964**	37,498	**48,964**	47,136
Taxation paid	**—**	(700)	**—**	—
Cash generated from operating activities	**44,232**	38,781	**43,184**	40,775
Investing activities				
Acquisition of property, plant and equipment	**(874)**	(151)	**—**	—
Acquisition of right of use assets	**—**	(428)	**—**	—
Expenditure on intangible assets	**(54)**	(639)	**—**	—
Purchase of investments (less cost of acquisition)	**(98,934)**	(170,653)	**(98,934)**	(170,653)
Sale of investments	**62,093**	145,892	**62,093**	145,892
Interest received	**1,197**	266	**323**	204
Cash flow from investing activities	**(36,572)**	(25,713)	**(36,518)**	(24,557)
Financing activities				
Interest paid	**(6,544)**	(6,544)	**(6,653)**	(6,653)
Dividends paid	**(40,518)**	(37,167)	**(40,518)**	(37,167)
Payment of lease liabilities	**(1,272)**	(505)	**—**	—
Proceeds of increase in share capital	**24,237**	41,419	**24,237**	41,419
Purchase of own shares	**(798)**	87	**—**	—
Amounts receivable from intercompany	**—**	—	**(18,037)**	(23,207)
Intercompany funding	**—**	—	**16,994**	11,114
Net cash flow from financing activities	**(24,895)**	(2,710)	**(23,977)**	(14,494)
Net (decrease)/increase in cash and cash equivalents	**(17,235)**	10,358	**(17,311)**	1,724
Cash and cash equivalents at beginning of year	**49,559**	35,880	**29,825**	25,507
Foreign exchange	**(886)**	3,321	**(132)**	2,594

(losses)/gains on cash and cash equivalents				
Cash and cash equivalents at end of year	**31,439**	49,559	**12,382**	29,825

Extracts from the Notes to the Accounts

Going concern

The financial statements of The Law Debenture Corporation p.l.c. and the Group have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

The accounts have been prepared under the historical cost basis of accounting, modified to include the revaluation of investment at fair value at the end of each reporting period as explained in the accounting policies below.

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

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

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

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

Segment analysis

	Investment Portfolio		Independent Professional Services		Total	
	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000
Revenue						
Dividend income	33,504	34,464	—	—	33,504	34,464
IPS revenue:						
Corporate Services	—	—	25,041	25,792	25,041	25,792
Corporate Trust	—	—	16,043	13,292	16,043	13,292
Pensions	—	—	17,459	14,368	17,459	14,368
Segment revenue	33,504	34,464	58,543	53,452	92,047	87,916

Other income	1,369	847	—	—	1,369	847
Cost of sales	(221)	(125)	(8,034)	(8,283)	(8,255)	(8,408)
Administration costs	(4,271)	(3,522)	(35,437)	(30,810)	(39,708)	(34,332)
Profit before interest and tax	30,381	31,664	15,072	14,359	45,453	46,023
Interest payable (net) (note 5)	(1,302)	(1,432)	864	62	(438)	(1,370)
Profit before tax	29,079	30,232	15,936	14,421	45,015	44,653
Income tax	—	—	(1,626)	(1,392)	(1,626)	(1,392)
Profit for the year	29,079	30,232	14,310	13,029	43,389	43,261
Revenue return per ordinary share (pence)	22.41	24.06	11.02	10.38	33.43	34.44
Assets	980,587	922,080	82,056	84,640	1,062,643	1,006,720
Liabilities	(176,314)	(176,377)	(32,100)	(31,276)	(208,414)	(207,653)
Total net assets	804,273	745,703	49,956	53,364	854,229	799,067

The table below shows the Group's revenue from contracts with customers by business:

	Gross Revenue		Cost of sales		Net Revenue	
	31 December 2023 £000	31 December 2022 £000	**31 December 2023 £000**	31 December 2022 £000	**31 December 2023 £000**	31 December 2022 £000
Pensions	**17,459**	14,368	**(63)**	(25)	**17,396**	14,343
Corporate Trust	**16,043**	13,292	**(3,570)**	(2,672)	**12,473**	10,620
Corporate Services	**25,041**	25,792	**(4,401)**	(5,586)	**20,640**	20,206
Total IPS revenue	**58,543**	53,452	**(8,034)**	(8,283)	**50,509**	45,169

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

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

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

Capital element: The capital element of the income statement is wholly gains and losses relating to investments held at fair value through profit and loss (2023: profit of £37,379k; 2022: loss of £126,234k), administrative expenses (2023: £2,075k; 2022: £1,908k), interest payable (2023: £4,908k; 2022: £4,908k) and a capital dividend received of 2023: £1,368k; 2022: £3,442k, which corresponds to amounts classified as capital in nature in accordance with the SORP are shown in the capital column of the income statement above.

Financial instruments

The principal risks facing the Group in respect of its financial instruments remain unchanged from 2022 and are:

Market risk

Price risk, arising from uncertainty in the future value of financial instruments. The Board maintains strategy guidelines whereby risk is spread over a range of investments, the number of holdings normally being between 70 and 175. In addition, the stock selections and transactions are actively monitored throughout the year by the investment manager, who reports to the Board on a regular basis to review past performance and develop future strategy. The Portfolio is exposed to market price fluctuation: if the valuation at 31 December 2023 fell or rose by 10%, the impact on the Group's total capital reserves for the year would have been £96.5m (2022: £89.1m). Corresponding 10% changes in the valuation of the Portfolio on the Company's total capital reserves for the year would have been £96.5m (2022: £89.1m). 10% has been used based on historic trends, however we will continue to revisit this on a periodic basis.

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

GROUP						
	2023			2022		
	Investments	Net monetary assets	Total currency exposure	Investments	Net monetary assets	Total currency exposure
	£000	£000	£000	£000	£000	£000
US Dollar	24,062	1,766	25,828	35,552	7,681	43,233
Canadian Dollar	5,564	—	5,564	6,700	—	6,700
Euro	56,492	2,829	59,321	64,452	3,508	67,960
Danish Krone	3,147	—	3,147	2,405	—	2,405
Swedish Krona	—	—	—	—	—	—
Swiss Franc	8,376	—	8,376	7,237	—	7,237
Hong Kong Dollar	—	1,455	1,455	—	976	976
Japanese Yen	11,877	—	11,877	9,426	—	9,426
Total	109,518	6,050	115,568	125,772	12,165	137,937

The Group US dollar net monetary assets is that held by the US operations of £1.4m (2022: £1.3m) together with £0.4m (2022: £6.4m) held by non-US operations.

COMPANY						
	2023			2022		
	Investments	Net monetary assets	Total currency exposure	Investments	Net monetary assets	Total currency exposure
	£000	£000	£000	£000	£000	£000
US Dollar	24,062	—	24,062	35,552	—	35,552

Canadian Dollar	**5,564**	**—**	**5,564**	6,700	—	6,700
Euro	**56,492**	**—**	**56,492**	64,452	—	64,452
Danish Krone	**3,147**	**—**	**3,147**	2,405	—	2,405
Swedish Krona	**—**	**—**	**—**	—	—	—
Swiss Franc	**8,376**	**—**	**8,376**	7,237	—	7,237
Japanese Yen	**11,877**	**—**	**11,877**	9,426	—	9,426
Total	**109,518**	**—**	**109,518**	125,772	—	125,772

The holding in Scottish Oriental Smaller Companies Trust is denominated in sterling but has underlying assets in foreign currencies equivalent to £8.2m (2022: £7.3m). Investments made in the UK and overseas have underlying assets and income streams in foreign currencies which cannot easily be determined and have not been included in the sensitivity analysis. If the value of all other currencies At 31 December 2023 rose or fell by 10% against sterling, the impact on the Group's total profit or loss for the year would have been £12.2m and £10.0m respectively (2022: £14.0m and £11.4m). Corresponding 10% changes in currency values on the Company's total profit or loss for the year would have been the same. The calculations are based on the 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:

							2023
				GROUP			**COMPANY**
	Sterling £000	**HK Dollars £000**	**US Dollars £000**	**Euro £000**	**Sterling £000**	**US Dollars £000**	**Euro £000**
Floating rate assets	**25,740**	**1,455**	**1,766**	**2,829**	**12,425**	**—**	**—**

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

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 Portfolio is not directly exposed to interest rate risk.

		GROUP		**COMPANY**
	2023 Sterling £000	2022 Sterling £000	**2023 Sterling £000**	2022 Sterling £000

Fixed rate liabilities	**163,892**	163,909	**124,343**	124,389
Weighted average fixed rate for the year	**3.962%**	3.961%	**3.274%**	3.276%

If interest rates during the year were 1.0% higher the impact on the Group's total profit or loss for the year would have been £311,000 credit (2022: £346,000 credit). It is assumed that interest rates are unlikely to fall below the current level.

The Company holds cash and cash equivalents on short-term bank deposits and money market funds, it also has short-term borrowings. Amounts owed to subsidiary undertakings include £40m at a fixed rate. Interest rates on cash and cash equivalents and amounts due to subsidiary undertakings at floating rates tend to vary with bank base rates. A 1.0% increase in interest rates would have affected the Company's profit or loss for the year by £161,000 credit (2022: £224,000 credit). The calculations are based on the balances at the respective year end dates and are not representative of the year as a whole.

Liquidity risk

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

Credit risk

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

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

The Group's maximum exposure to credit risk arising from financial assets is £48.8m (2022: £69.3m). The Company's maximum exposure to credit risk arising from financial assets is £12.8m (2022: £30.3m).

Outstanding customer receivables are continuously monitored and followed up where required. Specific provisions incremental to ECL are made when there is evidence that the Group will not be able to collect the debts from the customer. This evidence can include indications that the customer is experiencing financial difficulty, problems contacting the customer or disputes with a customer. The ageing of trade receivables and the expected credit loss at the reporting date are disclosed on page 145 of the Annual Report.

Stock lending

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

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

Trade and other receivables

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

	GROUP		COMPANY	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Between 31 and 60 days	**1,965**	2,162	**—**	—
Between 61 and 90 days	**1,375**	1,367	**—**	—
More than 91 days	**6,192**	11,640	**21**	15
Total	**9,532**	15,169	**21**	15

IFRS 9 credit loss rates

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

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

The below table displays the gross carrying amount against the expected credit loss provision and specific provisions. Specific provisions relate to certain balances 91+ days overdue and the Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.
The total specific and credit loss provision at 31 December 2023 is £2,143,000 (2022: £3,953,000).

The loss allowance as at 31 December 2023 was determined as follows:

Trade receivables - days past due						
31 December 2023						
	Current £000	1 - 30 days overdue £000	31 - 60 days overdue £000	61 - 90 days overdue £000	91+ days overdue £000	Total £000
Expected loss rate	0.80%	2.08%	2.85%	5.38%	5.86%	3.31%
Gross carrying amount	5,902	2,409	1,965	1,375	6,192	17,843
Expected credit loss provision	(47)	(50)	(56)	(74)	(363)	(590)
Specific provision	—	—	—	—	(1,553)	(1,553)
Net carrying amount	5,855	2,359	1,909	1,301	4,276	15,700

The loss allowance as at 31 December 2022 was determined as follows:

Trade receivables - days past due

31 December 2022						
	Current	1 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	91+ days overdue	Total
	£000	£000	£000	£000	£000	£000
Expected loss rate	1.71%	5.64%	3.75%	4.68%	3.59%	3.79%
Gross carrying amount	2,634	3,562	2,162	1,367	11,640	21,365
Expected credit loss provision	(45)	(201)	(81)	(64)	(418)	(809)
Specific provision	—	—	—	—	(3,144)	(3,144)
Net carrying amount	2,589	3,361	2,081	1,303	8,078	17,412

Trade and other payables				
	GROUP		COMPANY	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Due in less than one month	**22,553**	19,815	**11,023**	10,046
Due in more than one month and less than three months	**—**	—	**—**	—
Total	**22,553**	19,815	**11,023**	10,046

Fair value

The Directors are of the opinion that the fair value of financial assets and liabilities of the Group are not materially different to their carrying values, with the exception of the long-term borrowings (see note 20). The Group's basis of fair value calculation on these long-term borrowings uses quoted prices (unadjusted) in active markets for identical liabilities that the entity can access at the measurement date. The Group does not make adjustments to quoted prices, only under specific circumstances, for example when a quoted price does not represent the fair value (i.e. when a significant event takes place between the measurement date and market closing date).

Related party transactions

GROUP

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

COMPANY

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

	2023 **£000**	2022 £000
Dividends from subsidiaries	**16,000**	9,638
Interest on intercompany balances charged by subsidiaries	**721**	2,559
Management charges from subsidiaries	**850**	850

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

Intercompany balances represent intercompany loans which are unsecured, interest-free and repayable on demand.

Fair value

The key management personnel are the Directors of the Company and are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Details of their compensation are included in note 4 to the accounts on page 128 and in Part 2 3 and 4 of the Remuneration Report on pages 82 to 98. Key management personnel costs inclusive of employers national insurance are £1,558k (2022: £1,573k).

Annual General Meeting (AGM)

The 134th AGM will be held in-person at the offices of The Law Debenture Corporation p.l.c., 8th Floor, 100 Bishopsgate, London, EC2N 4AG. Further details are included in the Notice of AGM included in the full annual report and accounts.

Access to the Annual Report

On 4 March 2024, the annual report and accounts will be available for download from the National Storage Mechanism at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

CORPORATE INFORMATION

Company advisers and information

Directors

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

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

Website

https://www.lawdebenture.com

Registrar

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

Auditors

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

Alternative Investment Fund Manager

The Law Debenture Corporation p.l.c.

Global custodian

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

Joint Brokers

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

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

Investment portfolio manager

Janus Henderson Global Investors
201 Bishopsgate, London EC2M 3AE

Investment managers

James Henderson and Laura Foll are joint managers. They also manage Lowland Investment Company plc, Henderson Opportunities Trust plc and the Henderson UK Equity Income & Growth Fund.

James joined Henderson Global Investors (now Janus Henderson Investors) in 1983 and has been an investment trust portfolio manager since 1990. He first became involved in the management of Law Debenture's portfolio in 1994 and took over lead responsibility for management of the portfolio in June 2003.

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

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

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