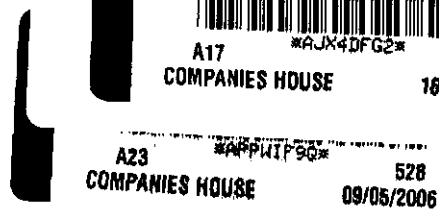


L.D.C. TRUST MANAGEMENT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

REGISTERED NUMBER: 1234879



L.D.C. TRUST MANAGEMENT LIMITED

DIRECTORS

A. Cates (Chairman)
D.M. Anderson
C.J. Banszky
I.K. Bowden
T.M.J. Fullwood
A.L.Hills
J.R. Mason-Jebb
E.S. Thomas
R.J. Williams

REGISTERED OFFICE

Fifth Floor
100 Wood Street
London EC2V 7EX

NOTICE OF MEETING

Notice is hereby given that the twenty eighth annual general meeting of the company will be held on 24 March 2006 at Fifth Floor, 100 Wood Street, London EC2V 7EX for the following purposes:

1. To consider and approve the report of the directors and the financial statements for the year ended 31 December 2005.
2. To re-appoint PKF (UK) LLP as the company's auditors and authorise the directors to determine their remuneration.

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member. Any instrument appointing a proxy must be received at the registered office before the time fixed for the meeting.

By order of the Board



Law Debenture Corporate Services Limited

Secretary
24 March 2006

L.D.C. TRUST MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present to the members their report and the financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company administers the affairs of various group companies for which it receives management fees. The directors intend to continue to develop the business.

RESULTS

The profit after taxation for the year was £9,552,000 (2004: £4,323,000). After allowing for the dividends declared by the directors and approved by the shareholder on 22 December 2005 of £4,500,000 for 2005 and £3,950,000 paid in respect of 2004 (2004: £3,350,000) a profit of £1,102,000 (2004: profit £973,000) has been transferred to accumulated revenue reserves.

FINANCIAL INSTRUMENTS

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

DIRECTORS

The directors of the company during the financial year were as follows:

A. Cates (*Chairman*)
D.M. Anderson
C.J. Banszky
I.K. Bowden
T.M.J. Fullwood
A.L. Hills
J.R. Mason-Jebb
E.S. Thomas
R.J. Williams

During the year, the company maintained liability insurance for the benefit of directors and other officers.

L.D.C. TRUST MANAGEMENT LIMITED

DIRECTORS' INTERESTS

The beneficial interests of C.J. Banzsky, A. Cates and R.J. Williams in the ordinary shares of The Law Debenture Corporation p.l.c., the company's ultimate holding company, are shown in the report and financial statements of that company. The beneficial interests of the other directors in the ordinary share capital of the company's ultimate holding company, The Law Debenture Corporation p.l.c. are shown below:

	Ordinary 5p shares				SAYE options to subscribe for Ordinary 5p shares			
	At 1/1/05	Allotted/ Purchased	Sold/ transferred	At 31/12/05	At 1/1/05	Granted	Exercised /Cancelled	At 31/12/05
D.M. Anderson	56,758	1,755	(10,646)	47,867	9,237	-	-	9,237
I.K. Bowden	9,088	1,755	-	10,843	8,750	-	-	8,750
T.M.J Fullwood	2,926	5,735	-	8,661	8,021	-	-	8,021
J.R. Mason-Jebb	72,172	1,973	-	74,145	9,237	-	-	9,237
E.S. Thomas	-	1,755	-	1,755	9,237	-	-	9,237
A.L.Hills	12,562	1,755	-	14,317	9,237	-	-	9,237

	EXSOS options to subscribe For Ordinary 5p shares				Deferred share bonus plan For Ordinary 5p shares			
	At 1/1/05	Exercised	Granted	At 31/12/05	At 1/1/05	Granted	Exercised /Cancelled	At 31/12/05
D.M. Anderson	70,158	-	-	70,158	-	4,816	-	4,816
I.K. Bowden	24,437	-	-	24,437	-	3,532	-	3,532
T.M.J. Fullwood	15,000	-	-	15,000	-	4,816	-	4,816
J.R. Mason-Jebb	106,684	-	-	106,684	-	2,809	-	2,809
E.S. Thomas	57,895	-	-	57,895	-	-	-	-
A.L.Hills	25,006	-	-	25,006	-	2,207	-	2,207


Details of The Law Debenture Corporation p.l.c. Executive Share Option Scheme (EXSOS) and Save As You Earn Scheme (SAYE) and deferred share bonus plan are given in its annual report and financial statements.

AUDITORS

During the year, the board received notice that PKF had converted its business into an LLP called PKF (UK) LLP, owned by the existing equity partners of PKF. The board resolved that the company should treat the appointment of PKF as the company's auditor as extending to PKF(UK)LLP in accordance with the provision of Section 26(5) of the Companies Act 1989.

A resolution to re-appoint PKF (UK) LLP as the Company's auditors will be proposed at the Annual General Meeting.

By order of the Board


Law Debenture Corporate Services Limited
Secretary
24 March 2006

L.D.C. TRUST MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

L.D.C. TRUST MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of L.D.C. Trust Management Limited.

We have audited the financial statements of L.D.C. Trust Management Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PKF(UK)LLP

PKF (UK) LLP
Registered Auditors
London, UK
24 March 2006

L.D.C. TRUST MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER		2005	RESTATED 2004*
	Notes	£'000	£'000
TURNOVER	2	9,488	8,841
Income from shares in group undertakings		10,155	4,427
ADMINISTRATIVE EXPENSES			
Administrative expenses	3 & 4	(9,949)	(9,039)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		9,694	4,229
Interest from group undertakings		135	176
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		9,829	4,405
Taxation	6	(277)	(82)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		9,552	4,323

Income and result on ordinary activities before taxation relate exclusively to continuing operations.

The annexed notes form part of these financial statements.

**Restated see note 23*

L.D.C. TRUST MANAGEMENT LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS
AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER**

	2005	RESTATED
	£'000	2004*
		£'000
Result for financial year	9,552	4,323
Foreign exchange	77	(45)
Pension cost actuarial gain/(losses)	20	(1,766)
Taxation on pension	(6)	529
Total gains and losses relating to year	9,643	3,041

* See note 23

L.D.C. TRUST MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER

		2005		RESTATED* 2004	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Fixed assets	8		814		1,000
Investments in subsidiaries	9		47,115		47,115
Other investments	10		43		43
			<u>47,972</u>		<u>48,158</u>
CURRENT ASSETS					
Debtors	11	10,213		1,992	
Cash at bank and in hand		<u>1,656</u>		<u>3</u>	
		11,869		1,995	
CREDITORS: Amounts falling due within one year	12	<u>(45,619)</u>		<u>(36,509)</u>	
NET CURRENT LIABILITIES			<u>(33,750)</u>		<u>(34,514)</u>
TOTAL ASSETS					
LESS CURRENT LIABILITIES			<u>14,222</u>		<u>13,644</u>
Provision for liabilities and charges	13		<u>(21)</u>		<u>(54)</u>
NET ASSETS EXCLUDING PENSION LIABILITY			<u>14,201</u>		<u>13,590</u>
Pension Liability	22		<u>(4,510)</u>		<u>(5,144)</u>
NET ASSETS INCLUDING PENSION LIABILITY			<u>9,691</u>		<u>8,446</u>
CAPITAL AND RESERVES					
Share Capital	14		-		-
Share based payment reserve			115		63
Profit and Loss Account	15		9,640		8,524
Foreign exchange reserve			<u>(64)</u>		<u>(141)</u>
SHAREHOLDERS' FUNDS (all equity interests)	16		<u>9,691</u>		<u>8,446</u>

Approved by the Board on 24 March 2006 and signed on its behalf by

C.J. Banszky

)
) Directors

C. J. Banszky

T.M.J. Fullwood

)

T. M. J. Fullwood

The annexed notes form part of these financial statements.

* See note 23

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES

- i) **Convention:** The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.
- ii) **Basis of consolidation:** The company is exempt from the obligation to prepare and deliver group financial statements, as it is a wholly owned subsidiary of The Law Debenture Corporation p.l.c. a company registered in England & Wales which prepares group financial statements.
- iii) **Recognition of income and expenses:** Recurring fees receivable, management fees, administration expenses and interest charges and dividends receivable are accounted for on an accruals basis; where expenses are recoverable from third parties, the recoveries and expenses are included in turnover and expenses.
- iv) **Tangible fixed assets:** Tangible fixed assets are recorded at historic purchase cost less accumulated depreciation. Depreciation has been calculated to write off the cost of all tangible fixed assets over the estimated useful lives of the relevant assets as follows:

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

- v) **Investments:** Investments in subsidiaries, associates, and other investments are valued at cost. Provision is made where there has been a permanent diminution in value.
- vi) **Deferred taxation:** Deferred taxation is provided for using the full provision method following the adoption of Financial Reporting Standard No. 19. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.
- vii) **Cash flow statement:** The company is a wholly owned subsidiary of The Law Debenture Corporation p.l.c. (a company incorporated in England and Wales) and is included in the consolidated financial statements of that company whose financial statements are publicly available. Consequently, the company has taken advantage of the exceptions from preparing a cash flow statement under the terms of FRS1 (revised 1996).
- viii) **Operating leases:** Rentals under operating leases are charged on a straight line basis over the life of the lease term.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

- ix) **Foreign currencies:** Transactions recorded in foreign currencies during the year are translated into sterling at the exchange rate ruling on the date of the transaction. Results of overseas subsidiaries are translated into sterling at the balance sheet rates. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date
- x) **Pensions Costs:** The company operates a defined benefit pension plan. The cost of providing benefits is determined using the project unit credit method, with independent actuarial calculations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. Past service cost is recognised immediately to the extent that benefits are already vested, and otherwise amortised on a straight – line basis over the average period until the benefits become vested

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs.

- xi) **Dividend distribution:** Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

2. TURNOVER

The company administers the affairs of various group companies for which it receives management fees. Turnover is represented by the following:

	2005 £'000	2004 £'000
Fees from group undertakings	83	97
Management fees charged to group undertakings	9,368	8,704
Other income	13	26
Overseas dividend	24	14
	<u>9,488</u>	<u>8,841</u>

L.D.C. TRUST MANAGEMENT LIMITED

3. ADMINISTRATIVE EXPENSES

Administrative expenses include:

	2005	2004
	£'000	£'000
Salaries including directors remuneration	5,357	4,912
Social security costs	567	487
Other pensions costs	953	877
Office rent	908	908
Auditor's remuneration	14	14
Recovery of costs from other group companies	(565)	(716)
Depreciation	196	243
Fee paid to parent undertaking	8	15

Other fees were paid to the auditors during the year amounting to £8,150 (2004: £14,500) in respect of taxation and other services.

The average number of employees during the year was 68 (2004 - 68).

4. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

The Directors' emoluments, which are included within administrative expenses, comprise the following:

	2005	2004
	£'000	£'000
Directors' remuneration	<u>766</u>	<u>788</u>

All directors were remunerated for their services to the group as a whole by LDC Trust Management Limited which acts as the employing company for the group. In respect of those directors who were also directors of The Law Debenture Corporation p.l.c., an allocation of a proportion of their emoluments has been included above. For the remaining directors, all of their emoluments are included above.

L.D.C. TRUST MANAGEMENT LIMITED

	2005	2004
	£'000	£'000
The emoluments of the highest paid director after apportionment	238	232

Seven directors of the Company are members of the pension plan (2004-7).

The entitlement under the pension plan for the highest paid director.

Increase in accrued pension during 2005	Accumulated total accrued pension at 31 December 2005	Transfer value as at 31 December 2004	Transfer value as at 31 December 2005	Increase in transfer value
£ pa	£ pa	£000	£000	£000
1,935	6,893	53	94	41

5. AGREEMENT WITH HOLDING COMPANY

A supplemental agreement dated 24 September 1996 changed the payment basis of the original agreement dated 20 February 1976 from a fixed annual payment to 15% of trustee fees assigned to the company from The Law Debenture Corporation p.l.c.

6. (a) ANALYSIS OF TAXATION CHARGE	2005	2004*
	£'000	£'000
Current tax:		
UK Corporation tax at 30% (2003: 30%)	45	38
Adjustment in respect of prior periods	-	40
Total current tax (Note (b))	45	78
Deferred tax	232	4
	277	82

*Restated see note 23

(b) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The difference is explained below:

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

	2005	2004
	£'000	£'000
Profit on ordinary activities before tax	9,829	4,405
Profit on ordinary activities multiplied by the standard rate of UK Corporation tax at 30%	2,949	1,322
Effects of:		
Deferred tax on pensions	265	-
Non taxable inter company dividends	(3,047)	(1,328)
Expenses not deductible for tax purposes	61	6
Other differences	49	42
Adjustments to tax in respect of prior periods	-	40
Current tax charge for year (Note (a))	277	82

(c) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company expects that a substantial portion of its future income will continue to be made up of inter company dividends which constitute non taxable income. It may also receive group relief from its parent. On this basis the group tax charge is expected to remain significantly below the 30% standard rate of UK corporation tax.

7. DIVIDEND	2005	2004*
	£'000	£'000
The dividend comprises the following:		
Dividends paid 2005 £564,285.71 (2004: £478,571.43) per share	3,950	3,350
Paid final dividend of £642,857.14 per share	4,500	-
	8,450	3,350

* Restated see note 23

L.D.C. TRUST MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

8. TANGIBLE FIXED ASSETS

	LEASEHOLD IMPROVEMENTS	OFFICE FURNITURE AND EQUIPMENT	TOTAL
COST	£'000	£'000	£'000
Balance at 1 January 2005	732	1,176	1,908
Additions at cost	-	46	46
Disposals at cost	(18)	(51)	(69)
At 31 December 2005	714	1,171	1,885
ACCUMULATED DEPRECIATION			
Balance at 1 January 2005	189	719	908
Charge for the year	46	150	196
Disposals at cost	(6)	(28)	(34)
At 31 December 2005	229	841	1,070
NET BOOK VALUE at 31 December 2005	485	330	815
NET BOOK VALUE at 31 December 2004	543	457	1,000

9. INVESTMENTS IN SUBSIDIARIES

	2005 £'000	2004 £'000
As at 1 st January	47,115	42,215
Additions during the year	-	4,900
As at 31 December	47,115	47,115

PRINCIPAL SUBSIDIARIES

The company or a subsidiary thereof, owns all the issued share capital of the following principal subsidiaries. All subsidiaries are registered in England and Wales unless otherwise stated. Other than Law Debenture Finance p.l.c. a group finance company, all the subsidiaries are engaged in providing trustee and related services.

L.D.C. TRUST MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

The Law Debenture Trust Corporation p.l.c.
Law Debenture Trustees Limited
Law Debenture Corporate Services Limited
The Law Debenture Pension Trust Corporation p.l.c.
Law Debenture Finance p.l.c.
Law Debenture Guarantee Limited
The Law Debenture Trust Corporation (Cayman) Limited (incorporated in the Cayman Islands)
The Law Debenture Trust Corporation (Channel Islands) Limited (incorporated in Jersey)
Law Debenture Trust (Asia) Limited (incorporated in Hong Kong)
Law Debenture Holding Co. Inc. (incorporated in New York)
LDC DR Trustees Limited
The Law Debenture Intermediary Corporation p.l.c.
†ICI Pensions Trustee Limited
†AstraZeneca Pensions Trustee Limited (formerly Zeneca Pensions Trustee Ltd)
†Shares held by a subsidiary

All the above mentioned subsidiaries operate in the United Kingdom with the exception of those subsidiaries incorporated overseas which operate in their country of incorporation.

10. OTHER INVESTMENTS	2005	2004
	£'000	£'000
Cost at 1 January	43	43
Cost at 31 December	43	43

Investments comprise of the following:

Norsk Tillitsmann AS (incorporated in Norway)

In 1993, the company acquired 4,470 registered shares of NOK 100 each fully paid in Norsk Tillitsmann AS for a cash consideration of £42,908 (6.0% of the issued share capital). The directors believe this investment is worth at least the current carrying value in the financial statements.

This company operates in its country of incorporation.

11. DEBTORS	2005	2004*
	£'000	£'000
Amounts due from group undertakings	10,105	1,989
Other debtors	108	3
	10,213	1,992

*Restated see note 23

L.D.C. TRUST MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

12. CREDITORS: amounts falling due within one year	2005 £'000	2004* £'000
Amounts due to group undertakings	45,008	36,414
Other creditors	375	57
Other Taxes	145	-
Corporation tax	91	38
	<u>45,619</u>	<u>36,509</u>

*Restated see note 23

The directors have been informed that the amount due to group undertakings will not be called unless sufficient funds are also available to repay other creditors in full.

13. DEFERRED TAX

A deferred tax asset has been established wholly in respect of the current deficit in the group's pension scheme (see note 22).

	2005 £000	2004* £000
As at 1 January 2005	2,204	1,684
Charge in the year	(265)	(9)
Transfer to reserves	(6)	529
As at 31 December 2005	<u>1,933</u>	<u>2,204</u>

A deferred tax liability has been established wholly in respect of accelerated capital allowances.

	2005 £000	2004* £000
As at 1 January 2005	54	59
Credit in the year	(33)	(5)
As at 31 December 2005	<u>21</u>	<u>54</u>

*Restated see note 23

L.D.C. TRUST MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

14. AUTHORISED AND ISSUED SHARE CAPITAL	2005	2004
	£	£
i) Authorised share capital 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
ii) Allotted and fully paid share capital 7 ordinary shares of £1 each	<u>7</u>	<u>7</u>
 15. PROFIT AND LOSS ACCOUNT	 2005	 2004*
	£000	£000
Balance at 1 January as previously reported	14,490	13,789
Change in accounting policy	<u>(5,966)</u>	<u>(5,001)</u>
As restated	8,524	8,788
Pension actuarial gains/(losses) net of tax	14	(1,237)
Result for the year	<u>9,552</u>	<u>4,323</u>
	18,090	11,874
Dividends (note 7)	<u>(8,450)</u>	<u>(3,350)</u>
Retained revenue at 31 December	<u>9,640</u>	<u>8,524</u>

*Restated see note 23

The profit and loss account balance has been reduced by the net pension deficit of £4,510,000 (2004 - £5,144,000) see note 22.

L.D.C. TRUST MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

16. RECONCILIATION OF MOVEMENT OF SHAREHOLDERS' FUNDS	2005 £000	2004* £000
Shareholders' funds at 1 January	<u>8,446</u>	<u>8,711*</u>
Total gains and losses for the year	9,643	3,041
Dividends paid	(8,450)	(3,350)
Share based payment	<u>52</u>	<u>44</u>
Shareholders' funds at 31 December	<u>9,691</u>	<u>8,446</u>

*Restated see note 23

17. LEASE COMMITMENTS

At 31 December the company had annual commitments under non cancellable operating leases which will expire as follows:

	LEASEHOLD PROPERTY	OFFICE FURNITURE & EQUIPMENT	TOTAL	2004
	£	£	£	£
Less than one year	-	10,667	10,667	50,955
2 to 5 years	-	11,624	11,624	146,261
Over 5 Years	908,246	-	908,246	908,246
Total as at				
31 December 2005	<u>908,246</u>	<u>22,291</u>	<u>930,537</u>	<u>1,105,462</u>

18. HOLDING COMPANY

All the issued share capital of the company is owned by The Law Debenture Corporation p.l.c., a company registered in England and Wales. Copies of the group financial statements of The Law Debenture Corporation p.l.c. can be obtained from The Secretary, The Law Debenture Corporation p.l.c., Fifth Floor, 100 Wood Street, London EC2V 7EX.

L.D.C. TRUST MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

19. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of The Law Debenture Corporation p.l.c., the company has taken advantage of the exemption contained within Financial Reporting Standard No. 8 (Related Party Transactions) not to disclose related party transactions with other members of the group.

20. CONTINGENT LIABILITIES

In order to facilitate the activities of a US subsidiary, a subsidiary of the company has provided a guarantee in the amount of US\$50 million. The company has an equivalent investment in that UK subsidiary.

The company's subsidiary undertakings from time to time are party to legal proceedings and or claims, which arise in the ordinary course of the trustee services business. The directors do not believe that the outcome of any of the above proceedings and or claims either individually or in aggregate, will have a material effect on the company's financial position.

L.D.C. TRUST MANAGEMENT LIMITED

21. SHARE BASED PLANS

The company participates in the group share option scheme for certain executive directors and senior members of staff. The options are over shares in the company's parent The Law Debenture Corporation p.l.c.

The company has made a charge for all grants of equity instruments made after 7 November 2002.

Share-options are measured at fair value at the date of grant, which is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

	Share options 2005 Number	Weighted average price 2005 pence	Share options 2004 Number	Weighted average price 2004 pence
Outstanding at 1 January	1,153,262	213.04	2,697,314	224.05
Granted during year	-	-	175,543	228.20
Exercised during the year	(112,500)	176.88	(262,500)	190.54
Lapsed/forfeited during the year	(350,765)	245.80	(1,457,095)	239.30
Outstanding at 31 December	689,997	202.26	1,153,262	213.04
Exercisable at 31 December	247,500	212.10	360,000	201.11
			2005 Pence	2004 Pence
Weighted average share price at date of exercise			260.22	218.50

Inputs into the Black-Scholes model are as follows

	2005	2004
Expected volatility	20%	20%
Interest rate	5%	5%
Expected life (years)	3	3

21 SHARE BASED PLANS (CONTINUED)

Expected volatility was determined by using the barra number for annual volatility of the group's share price. The expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company recognised total expenses of £52,000 (2004: £63,000) in respect of share based payment transactions.

During the year the group established a Deferred Share Bonus Plan and awards to employees in respect of 41,510 were made with a market value of £103,000. These will be released to executives on 13 May 2008. The shares are held in a trust and the cost of the shares is being charged to the income statement over the vesting period.

22 PENSION COMMITMENTS

The company operates a funded, defined benefit pension plan ("The Law Debenture Pension Plan") with pension benefits related to final pensionable pay. The assets of the plan are held in a separate trustee administered fund.

The last full actuarial valuation of the plan was at 31 December 2002.

Actuarial gains and losses are recognised in full in the period in which they occur. The group has adopted FRS 17 in respect of pension costs. Actuarial gains and losses are recorded outside profit and loss and presented in the statement of recognised income and expense. The liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the Projected Unit method.

At 31 December 2005, the expected rate of return on assets is 6.1% pa (2004: 6.6% pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 31 December 2005.

The estimated contributions expected to be paid to the plan during 2006 is £2.4 million (2005: £1.8 million). Contributions are subject to revision following the triennial actuarial valuation as at 31 December 2005, which is currently in progress.

The major assumptions in the 31 December 2005 valuation under FRS 17 are shown below and are applied to Membership data supplied at that date. This shows the net pension assets and liabilities.

	2005	2004
	%	%
Principal actuarial assumptions		
Retail Price Inflation	2.9	2.9
Discount rate	4.7	5.3
5% RPI Pension increases in payment	2.9	2.7
General salary increases	4.4	4.9
Expected return on assets	6.1	6.6
Life expectancy of male aged 65 in 2005	20.8	20.8
Life expectancy of male aged 65 in 2025	22.0	22.0

22 PENSION COMMITMENTS (CONTINUED)

	2005	2004
	£000	£000
Present value of defined benefit obligation	27,371	24,010
Fair value of plan assets	(20,928)	(16,662)
Deficit in balance sheet	6,443	7,348
Less deferred tax (note 13)	(1,933)	(2,204)
	4,510	5,144

The pension deficit and future obligations to meet payments to the pension plan have been guaranteed by The Law Debenture Corporation p.l.c.

	2005	2004
	£000	£000
Amounts recognised in profit and loss account are as follows:		
Employer's part , of current service cost	814	811
Interest costs	1,282	1,096
Expected return on plan assets	(1,143)	(1,030)
Total expense recognised in profit and loss account	953	877

	Expected return	2005 £000	Expected return	2004 £000	Expected d return	2003 £000
The current allocation of plan assets is as follows:						
Equities	7.3	12,621	7.5	10,549	7.7	10,351
Bonds	4.4	1,755	5.3	1,529	5.4	1,499
Gilts	4.0	4,695	4.5	2,948	4.8	1,345
Pensioner annuities	4.7	953	5.3	1,052	5.4	966
Property	5.7	709	6.0	627	6.3	359
Other	4.0	195	4.5	(43)	4.6	89
Total	6.1	20,928	6.6	16,662	7.0	14,609

	2005	2004
	£000	£000
Reconciliation of present value of defined benefit obligation		
Opening defined benefit obligation	24,010	20,222
Employer's part of current service cost	814	811
Interest cost	1,282	1,096
Actuarial losses	1,704	2,537
Benefits paid	(439)	(656)
Closing defined benefit obligation	27,371	24,010

L.D.C. TRUST MANAGEMENT LIMITED

22 PENSION COMMITMENTS (CONTINUED)

	2005	2004
	£000	£000
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	16,662	14,609
Expected return on plan assets	1,143	1,030
Actuarial gains	1,724	771
Contributions by the employer	1,838	908
Benefits paid	(439)	(656)
Closing fair value of plan assets	20,928	16,662

	2005	2004	2003	2002	2001
	£000	£000	£000	£000	£000
Principal actuarial assumptions					
Present value of defined benefit obligation	27,371	24,010	20,222	16,922	14,273
Fair value of plan assets	(20,928)	(16,662)	(14,609)	(11,661)	(12,829)
Deficit	6,443	7,348	5,613	5,261	1,444
Experience adjustments on plan assets					
Amount of gain/(loss)	1,724	771	1,592	(2,721)	
Percentage of plan assets	8%	5%	11%	(23%)	
Experience adjustments on plan liabilities					
Amount of gain/(loss)	797	(62)	157	(58)	
Percentage of the present value of the plan liabilities	3%	-	1%	-	
Changes in actuarial assumptions	(2,541)	(2,475)	(1,041)	(1,027)	
Percentage of the present value of the plan liabilities	9%	10%	5%	6%	
Expense to be recognised immediately outside profit or loss					
Total Actuarial (gains) and losses	(20)	(1,766)	708	(3,806)	
Percentage of present value of the plan liabilities	-	7%	4%	22%	

The information in respect of 2001, above, is unavailable

L.D.C. TRUST MANAGEMENT LIMITED

23 RESTATEMENT TO REFLECT CHANGES IN ACCOUNTING POLICIES

The prior year financial statements have been restated to reflect changes in accounting policies as a result of the following:

- a. The company has adopted FRS 21 – Events after the balance sheet date. Dividends are only recognised at the earlier of when they are paid or approved by shareholders. Previously the proposal of a dividend after the year end was treated as an adjusting post balance sheet event.
- b. The company has implemented FRS 17 in respect of pension's costs. Assets and liabilities of the pension plan and the appropriate deferred tax credits are now fully recognised on the balance sheet.
- c. The company has adopted FRS 20 – Share based payments. The company has recognised charges to income in respect of the fair value of outstanding share options granted to employees and share allocated to employees under the deferred share bonus plan .
The company has also accrued for paid annual leave.

Set out below are reconciliations of the balance sheet at 1 January 2004 and 31 December 2004 and the profit and loss account for the year ended 31 December 2004 illustrating the impact of the changes.

L.D.C. TRUST MANAGEMENT LIMITED

RESTATEMENT OF BALANCE SHEET - 1 JANUARY 2004

	2004	Adjustments				2004
		Employee	Share	Pensions	Dividends	
	£'000	benefits	Options			£'000
FIXED ASSETS						
Tangible fixed assets	1,281					1,281
Investments in subsidiaries	42,215					42,215
Other investments	43					43
	43,539					43,539
CURRENT ASSETS						
Debtors	13,112				(4,371)	8,741
Cash at bank and in hand	21					21
	13,133				(4,371)	8,762
CREDITORS: Amounts falling due within one year	(42,902)	(50)			3,350	(39,602)
NET CURRENT LIABILITIES	(29,769)	(50)			(1,021)	(30,840)
TOTAL ASSETS						
LESS CURRENT LIABILITIES	13,770	(50)			(1,021)	12,699
Provision for liabilities and charges	(77)	18				(59)
NET ASSETS EXCLUDING PENSION LIABILITY	13,693	(32)			(1,021)	12,640
Pension Liability	-			(3,929)		(3,929)
NET ASSETS INCLUDING PENSION LIABILITY	13,693	(32)		(3,929)	(1,021)	8,711
CAPITAL AND RESERVES						
Reserves Unrealised	(96)					(96)
Share based payments			19			19
Share Capital.						-
Retained earnings	13,789	(32)	(19)	(3,929)	(1,021)	8,788
SHAREHOLDERS' FUNDS (all equity interests)	13,693	(32)	-	(3,929)	(1,021)	8,711

L.D.C. TRUST MANAGEMENT LIMITED

RESTATEMENT OF PROFIT & LOSS ACCOUNT - 31 DECEMBER 2004

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31
DECEMBER**

	2004	Dividends	Share Options	Employee benefits	FRS 17	2004
	£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER	8,841				-	8,841
ADMINISTRATIVE EXPENSES						
Administrative expenses	(9,019)		(44)	(7)	31	(9,039)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(178)		(44)	(7)	31	(198)
Income from shares in group undertakings	4,725	(298)				4,427
Interest from group undertakings	176					176
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4,723	(298)	(44)	(7)	31	4,405
Taxation	(72)			(1)	(9)	(82)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	4,651	(298)	(44)	(8)	22	4,323

**STATEMENT OF TOTAL RECOGNISED GAINS
AND LOSSES**

	2004	Dividends	Share Options	Employee benefits	FRS 17	2004
	£'000	£'000	£'000	£'000	£'000	£'000
Result for Financial year	4,651	(298)	(44)	(8)	22	4,323
Foreign exchange	(45)					(45)
Pension cost actuarial gain/(losses)					(1,766)	(1,766)
Taxation on pension					529	529
Total gains and losses relating to year	4,606	(298)	(44)	(8)	(1,215)	3,041

L.D.C. TRUST MANAGEMENT LIMITED

RESTATEMENT OF BALANCE SHEET - 31 DECEMBER 2004

	2004	Adjustments				2004
		Employee	Share	Pensions	Dividends	
	£'000	benefits	Options	£'000	£'000	£'000
FIXED ASSETS						
Tangible fixed assets	1,000					1,000
Investments in subsidiaries	47,115					47,115
Other investments	43					43
	48,158					48,158
CURRENT ASSETS						
Debtors	6,661				(4,669)	1,992
Cash at bank and in hand	3					3
	6,664				(4,669)	1,995
CREDITORS: Amounts falling due within one year	(40,402)	(57)			3,950	(36,509)
NET CURRENT LIABILITIES	(33,738)	(57)			(719)	(34,514)
TOTAL ASSETS						
LESS CURRENT LIABILITIES	14,420	(57)			(719)	13,644
Provision for liabilities and charges	(71)	17				(54)
NET ASSETS EXCLUDING PENSION LIABILITY	14,349	(40)			(719)	13,590
Pension Liability				(5,144)		(5,144)
NET ASSETS INCLUDING PENSION LIABILITY	14,349	(40)	-	(5,144)	(719)	8,446
CAPITAL AND RESERVES						
Reserves Unrealised	(141)					(141)
Share based payments			63			63
Share Capital						
Profit and Loss Account	14,490	(40)	(63)	(5,144)	(719)	8,524
SHAREHOLDERS' FUNDS (all equity interests)	14,349	(40)	-	(5,144)	(719)	8,446