

**L.D.C. TRUST MANAGEMENT LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**REGISTERED NUMBER: 1234879**

WEDNESDAY



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COMPANIES HOUSE

***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 ninth annual general meeting of the company will be held on 21 March 2007 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 2006.
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  
21 March 2007

## ***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 2006.

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The company administers the affairs of various group companies for which it receives management fees.

There have not been any significant changes to the principal activities during the year. The directors are not aware at the date of the report of any likely changes in the company's activities in the next year. Turnover has increased by 9.9% and underlying profit before tax, after adjusting for increased income from group undertakings in 2005 of £4,670,000 arising from a change in accounting policy (in the prior year), increased by 18.6%. Net assets have been increased by £2,183,000 as a result of the reductions in the deficit of the pension plan due to changes in the assumptions.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Changes to the assumptions used in the calculation of the liabilities of the pension plan can have a significant impact upon the net assets and distributable reserves of the company. Details of the assumptions are provided in note 23 to the accounts.

The directors do not believe that there are any significant risks and uncertainties arising from the provision of administrative services to group companies.

### **RESULTS**

The profit after taxation for the year was £5,491,000 (2005:£9,552,000). After allowing for the dividends declared by the directors and approved by the shareholder on 19 December 2006 of £4,950,000 for 2006 (2005: £4,500,000) a profit of £541,000 (2005: profit £1,102,000) 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.

## **L.D.C. TRUST MANAGEMENT LIMITED**

### **DIRECTORS**

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

A. Cates (Chairman)  
D.M. Anderson  
C.J. Banzsky  
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.

### **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 01/01/06	Allotted/ Purchased	Sold/ transferred	At 31/12/06	At 01/01/06	Granted	Exercised /Cancelled	At 31/12/06
D.M. Anderson	47,867	-	(6,810)	41,057	9,237	-	-	9,237
I.K. Bowden	10,843	1,353	-	12,196	8,750	-	-	8,750
T.M.J. Fullwood	8,661	1,475	-	10,136	8,021	-	-	8,021
J.R. Mason-Jebb	74,145	1,567	-	75,712	9,237	-	-	9,237
E.S. Thomas	1,755	11,353	-	13,108	9,237	-	-	9,237
A.L.Hills	14,317	1,353	-	15,670	9,237	-	-	9,237

	EXSOS options to subscribe For Ordinary 5p shares				Deferred share bonus plan For Ordinary 5p shares			
	At 01/01/06	Exercised	Granted	At 31/12/06	At 01/01/06	Granted	Exercised /Cancelled	At 31/12/06
D.M. Anderson	70,158	-	-	70,158	4,816	9,403	-	14,219
I.K. Bowden	24,437	-	-	24,437	3,532	5,517	-	9,049
T.M.J. Fullwood	15,000	-	-	15,000	4,816	9,403	-	14,219
J.R. Mason-Jebb	69,184	(43,750)	-	25,434	2,809	5,955	-	8,764
E.S. Thomas	57,895	-	-	57,895	-	6,976	-	6,976
A.L.Hills	27,213	-	-	27,213	2,207	5,172	-	7,379

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.

***L.D.C. TRUST MANAGEMENT LIMITED***

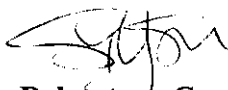
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the directors has confirmed that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

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

21 March 2007

***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 2006 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.

In addition we report to you, 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.

***L.D.C. TRUST MANAGEMENT LIMITED***

**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 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985: and
- the information given in the directors' report is consistent with the financial statements.

*PKF(UK) LLP*

**PKF (UK) LLP**  
Registered Auditors  
London, UK  
21 March 2007



**L.D.C. TRUST MANAGEMENT LIMITED**

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

	Notes	2006 £'000	2005 £'000
<b>TURNOVER</b>	2	10,428	9,488
Income from shares in group undertakings		5,383	10,155
<b>ADMINISTRATIVE EXPENSES</b>			
Administrative expenses	3 & 4	(9,965)	(9,949)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		5,846	9,694
Bank deposit interest	4	4	
Interest from group undertakings		271	135
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		6,121	9,829
Taxation	6	(630)	(277)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		5,491	9,552

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

*The annexed notes form part of these financial statements.*

***L.D.C. TRUST MANAGEMENT LIMITED***

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

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Result for financial year	<b>5,491</b>	<b>9,552</b>
Foreign exchange	<b>(63)</b>	<b>77</b>
Pension cost actuarial gain	<b>3,119</b>	<b>20</b>
Taxation on pension	<b>(936)</b>	<b>(6)</b>
Total gains and losses relating to year	<b>7,611</b>	<b>9,643</b>

**L.D.C. TRUST MANAGEMENT LIMITED**

BALANCE SHEET AS AT 31 DECEMBER		2006		2005	
		Notes	£'000	£'000	£'000
<b>NON CURRENT ASSETS</b>					
Fixed assets	8		741		814
Investments in subsidiaries	9		47,115		47,115
Other investments	10		43		43
Deferred tax assets	13		340		1,912
			<u>48,239</u>		<u>49,884</u>
<b>CURRENT ASSETS</b>					
Debtors	11		9,414		10,213
Cash at bank and in hand			37		1,656
			<u>9,451</u>		<u>11,869</u>
<b>CREDITORS: Amounts falling due within one year</b>	12		<u>(44,091)</u>		<u>(45,619)</u>
<b>NET CURRENT LIABILITIES</b>			<u>(34,640)</u>		<u>(33,750)</u>
<b>TOTAL ASSETS</b>					
<b>LESS CURRENT LIABILITIES</b>			<u>13,599</u>		<u>16,134</u>
Provision for liabilities and charges	14		<u>(122)</u>		-
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<u>13,477</u>		<u>16,134</u>
Pension Liability	23		<u>(1,073)</u>		<u>(6,443)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>			<u>12,404</u>		<u>9,691</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	15		-		-
Share based payment reserve			167		115
Profit and Loss Account	16		12,364		9,640
Foreign exchange reserve			<u>(127)</u>		<u>(64)</u>
<b>SHAREHOLDERS' FUNDS (all equity interests)</b>	17		<u>12,404</u>		<u>9,691</u>

Approved and authorised for issue by the Board on 21 March 2007

I.K. Bowden

)

) Directors

T.M.J. Fullwood

)

*The annexed notes form part of these financial statements.*

**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. Deferred tax balances are not discounted.
- 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 2006**

- 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.
- xii) **Employee benefits:** Executives have been awarded share options and deferred bonuses in the form of shares. Share based payments are measured at fair value, and in the case of options using an appropriate options valuation technique. The fair value is expensed over the vesting period.

**2. TURNOVER**

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

	2006 £'000	2005 £'000
Fees from group undertakings	32	83
Management fees charged to group undertakings	10,322	9,368
Other income	44	13
Overseas dividend	30	24
	<u>10,428</u>	<u>9,488</u>

***L.D.C. TRUST MANAGEMENT LIMITED***

**3. ADMINISTRATIVE EXPENSES**

Administrative expenses include:

	2006 £'000	2005 £'000
Salaries including directors remuneration	5,888	5,357
Social security costs	609	567
Other pensions costs	212	953
Operating lease – land and buildings	906	908
Auditor's remuneration	20	14
Recovery of costs from other group companies	(565)	(565)
Depreciation -property, plant and equipment	175	196
Fee paid to parent undertaking	5	8
Foreign exchange	22	-

No other fees were paid to the auditors during the year £Nil (2005: £8,150).

The average number of employees during the year was 75 (2005 - 68).

**4. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS**

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

	2006 £'000	2005 £'000
Directors' remuneration	<u>1,415</u>	<u>766</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**

**2006**      **2005**  
**£'000**      **£'000**

The emoluments of the highest paid director after apportionment

**404**      **238**

Seven directors of the Company are members of the pension plan (2005:7).

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

<b>Increase in accrued pension during 2006 £ pa</b>	<b>Accumulated total accrued pension at 31 December 2006 £ pa</b>	<b>Transfer value as at 31 December 2005 £000</b>	<b>Transfer value as at 31 December 2006 £000</b>	<b>Increase in transfer value £000</b>
<b>440</b>	<b>7,333</b>	<b>94</b>	<b>104</b>	<b>10</b>

**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**

**2006**      **2005**  
**£'000**      **£'000**

Current tax:

UK Corporation tax at 30% (2005: 30%)

-      **45**

Adjustment in respect of prior periods

**(6)**      -

Total current tax (Note (b) )

**(6)**      **45**

Deferred tax

**636**      **232**

**630**      **277**

**(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:

**L.D.C. TRUST MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	6,121	9,829
Profit on ordinary activities multiplied by the standard rate of UK Corporation tax at 30%	1,836	2,949
Effects of:		
Deferred tax on pensions	340	265
Non taxable inter company dividends	(1,615)	(3,047)
Expenses not deductible for tax purposes	51	61
Other differences	24	49
Adjustments to tax in respect of prior periods	(6)	-
Current tax charge for year (Note (a))	630	277

**(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.

<b>7. DIVIDEND</b>	2006 £'000	2005 £'000
The dividend comprises the following:		
Dividends paid 2005 £564,285.71 per share	-	3,950
Final dividend paid £707,142.86 per share (2005:£642,857.14 per share)	4,950	4,500
	<u>4,950</u>	<u>8,450</u>



**L.D.C. TRUST MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**8. TANGIBLE FIXED ASSETS**

	LEASEHOLD IMPROVEMENTS	OFFICE FURNITURE AND EQUIPMENT	TOTAL
COST	£'000	£'000	£'000
Balance at 1 January 2006	714	1,170	1,884
Additions at cost	-	111	110
Disposals at cost	-	(9)	(9)
<b>At 31 December 2006</b>	<b>714</b>	<b>1,272</b>	<b>1,986</b>
<b>ACCUMULATED DEPRECIATION</b>			
Balance at 1 January 2006	229	841	1,070
Charge for the year	45	130	175
Disposals at cost	-	-	-
<b>At 31 December 2006</b>	<b>274</b>	<b>971</b>	<b>1,245</b>
<b>NET BOOK VALUE at 31 December 2006</b>	<b>440</b>	<b>301</b>	<b>741</b>
<b>NET BOOK VALUE at 31 December 2005</b>	<b>485</b>	<b>329</b>	<b>814</b>

**9. INVESTMENTS IN SUBSIDIARIES**

	2006 £'000	2005 £'000
As at 1 <sup>st</sup> January and 31 <sup>st</sup> 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 2006**

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 Asset Backed Solutions Limited  
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 company

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	2006	2005
	£'000	£'000
Cost at 1 January	<u>43</u>	<u>43</u>
Cost at 31 December	<u>43</u>	<u>43</u>

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	2006	2005
	£'000	£'000
Amounts due from group undertakings	8,526	10,105
Other debtors	216	108
Accruals	<u>672</u>	<u>-</u>
	<u>9,414</u>	<u>10,213</u>

**L.D.C. TRUST MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

<b>12. CREDITORS: amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to group undertakings	<b>41,332</b>	<b>45,008</b>
Other creditors	<b>2,522</b>	<b>375</b>
Other Taxes	<b>237</b>	<b>145</b>
Corporation tax	<b>-</b>	<b>91</b>
	<b>44,091</b>	<b>45,619</b>

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 in respect of the current deficit in the group's pension scheme (see note 23).

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
As at 1 January	<b>1,933</b>	<b>2,204</b>
Charge in the year	<b>(675)</b>	<b>(265)</b>
Transfer to reserves	<b>(936)</b>	<b>(6)</b>
As at 31 December	<b>322</b>	<b>1,933</b>

Deferred tax asset has been established in respect of accelerated capital allowances and other timing differences.

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
As at 1 January	<b>(21)</b>	<b>(54)</b>
Credit in the year	<b>39</b>	<b>33</b>
As at 31 December	<b>18</b>	<b>(21)</b>
Total	<b>340</b>	<b>1,912</b>

**L.D.C. TRUST MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

<b>14. PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Provision for deferred bonuses		
At 1 January	-	-
Charge for the year	122	-
At 31 December	<u>122</u>	<u>-</u>
Shares awarded under the deferred share bonus plan are released to executives on the third anniversary of the grant of the award. Awards are made on the basis of performance in the previous financial year. The market value of the shares awarded is provided over three years.		
<b>15. AUTHORISED AND ISSUED SHARE CAPITAL</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
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>
<b>16. PROFIT AND LOSS ACCOUNT</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 January	9,640	8,524
Pension actuarial gains/(losses) net of tax	2,183	14
Result for the year	<u>5,491</u>	<u>9,552</u>
	17,314	18,090
Dividends (note 7)	<u>(4,950)</u>	<u>(8,450)</u>
Retained revenue at 31 December	<u>12,364</u>	<u>9,640</u>

The profit and loss account balance has been reduced by the net pension deficit of £751,000 (2005 - £4,510,000) see note 23.

**L.D.C. TRUST MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

<b>17. RECONCILIATION OF MOVEMENT OF SHAREHOLDERS' FUNDS</b>	<b>2006 £000</b>	<b>2005 £000</b>
Shareholders' funds at 1 January	<u>9,691</u>	<u>8,446</u>
Total gains and losses for the year	7,611	9,643
Dividends paid	(4,950)	(8,450)
Share based payment	<u>52</u>	<u>52</u>
Shareholders' funds at 31 December	<u><b>12,404</b></u>	<u><b>9,691</b></u>

**18. LEASE COMMITMENTS**

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

	<b>LEASEHOLD PROPERTY 2006 £000</b>	<b>OFFICE FURNITURE &amp; EQUIPMENT 2006 £000</b>	<b>TOTAL 2006 £000</b>	<b>2005 £000</b>
Less than one year	-	3	3	11
2 to 5 years	-	-	-	12
Over 5 Years	908	-	908	908
<b>Total as at 31 December</b>	<u><b>908</b></u>	<u><b>3</b></u>	<u><b>911</b></u>	<u><b>931</b></u>

**19. 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.

**20. 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.

**21. 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 (£25.5 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.

**22. 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 2006 Number	Weighted average price 2006 pence	Share options 2005 Number	Weighted average price 2005 pence
Outstanding at 1 January	689,997	202.26	1,153,262	213.04
Granted during year	-	-	-	-
Exercised during the year	(78,750)	212.10	(112,500)	176.88
Lapsed/forfeited during the year	-	245.80	(350,765)	245.80
Outstanding at 31 December	611,247	201.00	689,997	202.26
Exercisable at 31 December	168,750	212.10	247,500	212.10
			2006 Pence	2005 Pence
Weighted average share price at date of exercise			316.92	260.22

Inputs into the Black-Scholes model are as follows

	2006	2005
Expected volatility	20%	20%
Interest rate	5%	5%
Expected life (years)	3	3

**22 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 (2005: £52,000) in respect of share based payment transactions.

The group has established a Deferred Share Bonus Plan and awards to employees in respect of 113,676 (2005: 41,510) shares were made with a market value of £362,000 (2005: £103,000). These will be released to executives on 1 March 2009. The shares are held in a trust and the cost of the shares is being charged to the income statement over the vesting period.

**23 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 2005.

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 6.4% pa (2005: 6.1% 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 2007 is £1.3 million (2006: £2.6 million). Contributions are subject to revision following the triennial actuarial valuation as at 31 December 2005, which was completed during the year.

The major assumptions in the 31 December 2006 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.

	2006	2005
	%	%
Principal actuarial assumptions		
Retail Price Inflation	2.9	2.9
Discount rate	5.2	4.7
5% RPI Pension increases in payment	2.9	2.9
General salary increases	4.4	4.4
Expected return on assets	6.4	6.1
Life expectancy of male aged 65 in 2006	20.9	20.8
Life expectancy of male aged 65 in 2026	22.0	22.0



**23 PENSION COMMITMENTS (CONTINUED)**

Expected rates of return on plan assets	2006	2005	2004
Equities	7.5%	7.3%	7.5%
Bonds	4.8%	4.4%	5.3%
Gilts	4.3%	4.0%	4.5%
Pensioner annuities	5.2%	4.7%	5.3%
Property	6.3%	5.7%	6.0%
Other	4.3%	4.0%	4.5%
Total	6.4%	6.1%	6.6%

	2006 £000	2005 £000
Present value of defined benefit obligation	25,440	27,371
Fair value of plan assets	(24,367)	(20,928)
Deficit in balance sheet	1,073	6,443
Less deferred tax (note 13)	(322)	(1,933)
	751	4,510

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

	2006 £000	2005 £000
Amounts recognised in profit and loss account are as follows:		
Employer's part of current service cost	615	814
Interest costs	1,275	1,282
Expected return on plan assets	(1,316)	(1,143)
Past service costs	(403)	-
Total expense recognised in profit and loss account	171	953

	Allocation	2006 £000	Allocation	2005 £000
The current allocation of plan assets is as follows:				
Equities	60%	14,528	60%	12,621
Bonds	9%	2,317	8%	1,755
Gilts	23%	5,544	23%	4,695
Pensioner annuities	4%	886	5%	953
Property	3%	840	3%	709
Other	1%	252	1%	195
Total	100%	24,367	100%	20,928

**L.D.C. TRUST MANAGEMENT LIMITED**

**23 PENSION COMMITMENTS (CONTINUED)**

	2006	2005
Reconciliation of present value of defined benefit obligation	£000	£000
Opening defined benefit obligation	27,371	24,010
Employer's part of current service cost	615	814
Interest cost	1,275	1,282
Contributions by plan participants	130	
Actuarial losses	(2,303)	1,704
Benefits paid	(1,245)	(439)
Past service costs	(403)	-
Closing defined benefit obligation	25,440	27,371
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	20,928	16,662
Expected return on plan assets	1,316	1,143
Actuarial gains	816	1,724
Contributions by the employer	2,422	1,838
Contributions by plan participants	130	-
Benefits paid	(1,245)	(439)
Closing fair value of plan assets	24,367	20,928

	2006	2005	2004	2003	2002
	£000	£000	£000	£000	£000
Principal actuarial assumptions					
Present value of defined benefit obligation	25,440	27,371	24,010	20,222	16,922
Fair value of plan assets	(24,367)	(20,928)	(16,662)	(14,609)	(11,661)
Deficit	1,073	6,443	7,348	5,613	5,261
Experience adjustments on plan assets					
Amount of gain/(loss)	816	1,724	771	1,592	(2,721)
Percentage of plan assets	3%	8%	5%	11%	(23%)
Experience adjustments on plan liabilities					
Amount of gain/(loss)	39	797	(62)	157	(58)
Percentage of the present value of the plan liabilities	-	3%	-	1%	-
Changes in actuarial assumptions	2,264	(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	-	-	-	-	-
Actuarial (gains) and losses	(3,119)	(20)	(1,766)	708	(3,806)