L.D.C. TRUST MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

REGISTERED NUMBER: 01234879

L.D.C. Trust Management Limited

Directors
D. Jackson
I.K. Bowden
K.Thorpe

Registered office
Fifth Floor
100 Wood Street
London
EC2V 7EX

Notice of meeting
Notice is hereby given that the fortieth annual general meeting of L.D.C. Trust Management Limited ("the Company") will be held on 28 March 2019 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 2018.

2. To re-appoint BDO LLP the Company's auditors and to 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

Virginia Duncan

Law Debenture Corporate Services Limited
Secretary
28 March 2019

L.D.C. Trust Management Limited

The directors present to the members the Strategic report, the Directors' report together with the audited financial statements of the Corporation for the year ended 31 December 2018.

Strategic Report

Business model, objective, key performance indicators (KPI's)
The Company continues to provide the resources necessary to enable the affairs of various group companies to be managed, for which it receives management fees.

Business review
The Company administers the affairs of various group companies for which it receives management fees.

The Company's single key performance indicator is profit on ordinary activities before tax and this is detailed below.

There have not been any changes to the activity of the Company in the year.

Turnover has increased by 2.3 % (2017: decreased 3.3%) During 2017 the company sold its entire holding in Nordic Trustee AS, generating an exceptional profit of £3,275,000. In 2018 administrative expenses increased from £13,920,000 to £15,324,000. As a result underlying profit on ordinary activities before tax has decreased from £4,520,000 to £506,000. Net assets have decreased by £2,362,000 (2017: increased £1,214,000), largely as a result of a decrease in amounts due from subsidiary undertakings and changes in the assets of the pension plan.

Results
The profit on ordinary activities after tax for the year was £342,000 (2017: £3,682,000).

After dividends, there was a decrease in reserves of £2,362,000 (2017: increase £1,124,000).

There is £3,162,000 accumulated revenue reserves carried forward (2017: £5,524,000).

Future developments
The directors are not aware at the date of the report of any likely changes in the Company's activities in the next year.

Strategic Report (continued)

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 21 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.

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

The plan closed to future accrual of benefits on 31 December 2016 and benefits now increase broadly in line with inflation.

	Increase/(decrease) In asset At 31 December 2018 £000	Increase/(decrease) In asset At 31 December 2017 £000
Discount rate + 0.1%	(900)	(1,100)
Inflation assumptions + 0.1%	700	800
Life expectancy at 65 + 1 year	(200)	2,000
RPI/CPI gap 1.1% instead of 1.0%	2,000	(300)

The directors take advice from an actuary when selecting assumptions.

By order of the Board

Virginia Duncan

Law Debenture Corporate Services Limited
Secretary
28 March 2019

Directors' Report

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.

Directors
The directors of the Company during the financial year were as follows:

I.K. Bowden	
D.Jackson	
K.Thorpe	(appointed 8 June 2018)
T.M.J. Fullwood	(resigned 12 January 2018)

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

Directors' interests
No director has a beneficial interest in the share capital of the Company.

Dividend and share capital
Dividends declared by the directors totalled £4,000,000 for 2018 (2017: £4,016,217).

Statement as to disclosure of information to auditors
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Events after the reporting period
There are no adjusting or non-adjusting events after the reporting period.

Auditors
The auditors, BDO LLP, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

By order of the Board

Virginia Duncan

Law Debenture Corporate Services Limited
Secretary
28 March 2019

Statement of Directors' responsibilities

The directors are responsible for preparing the directors' report, the strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Independent Auditor's Report
To the Members of L.D.C. Trust Management Limited.

We have audited the financial statements of L.D.C. Trust Management Limited ("the Company") for the year ended 31 December 2018 which comprise the Income statement, the Statement of Financial Position and the Statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and

except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

- https://www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

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

VJ Bradley

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

28 March 2019

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

Income Statement
for the year ended 31 December

	Note	2018 £000	2017 £000
Turnover	3	**15,641**	15,157
Net gain on investment held at fair value through profit or loss	10	-	3,275
Administrative expenses	4 & 5	**(15,324)**	(13,920)
Profit on ordinary activities before interest		**317**	4,512
Bank deposit interest		**29**	8
Interest from group undertakings		**160**	-
Interest paid to parent		-	-
Profit on ordinary activities before tax		**506**	4,520
Taxation	7	**(164)**	(838)
Profit on ordinary activities after taxation		**342**	3,682

All amounts relate to continuing operations.

The annexed notes form part of these financial statements.

Statement of comprehensive income
for the year ended 31 December

	Note	2018 £000	2017 £000
Profit on ordinary activities after tax		**342**	3,682
Pension cost actuarial gain	21	**1,600**	1,800
Taxation on pension		**(304)**	(342)
Profit and Total comprehensive income on ordinary activities after taxation		**1,638**	5,140

L.D.C. Trust Management Limited

Statement of financial position
as at 31 December

	Note	**2018**	2017
		£000	£000
Non-current assets			
Tangible assets	9	**149**	221
Investments	10	**-**	-
		149	1
Current assets			
Debtors	12	**12,330**	16,762
Cash at bank and in hand		**6,571**	6,593
		18,901	23,355
Creditors: Amounts falling due within one year	13	**(17,478)**	(17,815)
Net current assets		**1,423**	5,540
Total assets less current liabilities		**1,572**	5,761
Provision for liabilities and charges	14	**(632)**	(727)
Deferred tax (Liability)/assets	11	**(278)**	190
Net assets excluding pension asset		**662**	5,224
Retirement benefit asset	21	**2,500**	300
Net assets including pension asset/ liability		**3,162**	5,524
Capital and reserves			
Share capital	15	**-**	-
Retained earnings		**3,162**	5,524
Shareholders' funds		**3,162**	5,524

Approved and authorised for issue by the Board on 28 March 2019

D.Jackson
Director

The annexed notes form part of these financial statements.

Registered Number 01234879

Statement of changes in equity
for the year ended 31 December

	Share capital £000	Retained earnings £000	Total £000
Equity at 1 January 2017	-	4,400	4,400
Profit for the period	-	3,682	3,682
Actuarial gain on pension scheme (net of tax)	-	1,458	1,458
Other comprehensive income for the period	-	-	-
Total comprehensive income	-	5,140	5,140
Dividend relating to 2017	-	(4,016)	(4,016)
Total equity at 31 December 2017	-	5,524	5,524
Equity at 1 January 2018	-	**5,524**	**5,524**
Profit for the period	-	**342**	**342**
Actuarial gain on pension scheme (net of tax)	-	**1,296**	**1,296**
Other comprehensive income for the period	-	-	-
Total comprehensive income	-	**1,638**	**1,638**
Dividend relating to 2018	-	**(4,000)**	**(4,000)**
Total equity at 31 December 2018	-	**3,162**	**3,162**

The annexed notes form part of these financial statements.

1. Accounting polices

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework (FRS 101). The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling and amounts have been presented in round thousands ("£000s").

Disclosure exemptions

In preparing these financial statements, the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU Endorsed IFRS;
- Certain disclosures regarding the Company's capital;
- A statement of cashflows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with other wholly owned members of the group headed by The Law Debenture Corporation p.l.c.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosure is included in the consolidated financial statements of The Law Debenture Corporation p.l.c. These financial statements do not include certain disclosures in respect of:

- Business combinations;
- Share based payments;
- Financial instruments;and
- Impairment of assets.

Basis of consolidation

The Company is exempt from the obligation to prepare and deliver group financial statements, as it is a wholly owned subsidiary within The Law Debenture Corporation p.l.c. Group, a company registered in England & Wales which prepares group financial statements.

The financial statements of The Law Debenture Corporation p.l.c. can be obtained as described in note 18.

2. Critical accounting estimates, judgements and policies

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates; examples include any provisions, impairments and estimated useful lives. It also requires the Company's directors to exercise judgements and estimates in preparing the financial statements. The estimates, judgements and policies of the directors are discussed below:

i) **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.

Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018):the group has applied IFRS 15 from 1 January 2018. Based on management's assessment, there has been no material financial impact as a result of the implementation of IFRS 15. Revenue is measured based on the consideration specified in a contract with a customer and is recognised by the group when it transfers control over a service to a customer. Each of the revenue streams generated by the IPS businesses has been assessed and no amendment to the current revenue recognition policy has been required.

ii) **Tangible non-current assets:** Tangible assets are recorded at historic purchase cost less accumulated depreciation. Depreciation has been calculated to write off the cost of all tangible 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

iii) **Investments:** Investments in subsidiaries, associates, and other investments are valued at cost. Provision is made where there has been a permanent impairment in value.

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

v) **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 allowed in accordance with FRS 101 by virtue of IAS 7.

vi) **Operating leases:** Rentals under operating leases are charged on a straight line basis over the life of the lease term.

2. Critical accounting estimates, judgements and policies (continued)

vii) **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.

viii) **Pensions costs:**
The Company operates a defined benefit pension plan, which was closed to new members and future accruals on 31 December 2016. 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 through other comprehensive income.

The asset 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.

ix) **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.

x) **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.

xi) **Financial instruments:** The Company's financial instruments comprise equity investments, cash and other liquid resources, and various items, such as debtors and creditors that arise directly from its operations. Further details are set out in Note 17.

The company has applied IFRS 9 from 1 January 2018. Based on the company's assessment, there has been no material financial impact as a result of the implementation of IFRS 9. The following key areas have been assessed:

Classification – the classification of financial assets as "fair value through profit and loss" is unchanged.

Impairment – IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' model. The impact to the company will only be in relation to the impairment of trade and other receivables. The impairment assessment has been made on a simplified approach basis and did not have any material impact on the financial assets of the company. There are no other impairment impacts from the implementation of IFRS 9.

3. Turnover

The Company provides the resources necessary to enable the affairs of various group companies to be managed, for which it receives management fees. Turnover is represented by the following:

	2018 £000	2017 £000
Management fees charged to group undertakings	**15,634**	15,000
Other income	**7**	-
Overseas dividend	**-**	157
	15,641	15,157

4. Administrative expenses

Administrative expenses include:

	2018 £000	2017 £000
Salaries, including directors' remuneration	**9,699**	8,538
Social security costs	**1,044**	1,133
Other pensions costs	**707**	749
Other staff costs	**635**	729
Operating lease – land and buildings (note 16)	**908**	908
Auditor's remuneration	**42**	51
Recovery of costs from other group companies	**(335)**	(507)
Depreciation - property, plant and equipment	**131**	118
Foreign exchange	**(50)**	7

No other fees were paid to the auditors during the year (2017: £nil).

The average number of employees during the year was 81 (2017: 84).

5. Employee information and Directors' emoluments

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

	2018 £000	2017 £000
Directors' remuneration	**1,138**	1,392

All directors were remunerated for their services to the group as a whole by the Company which acts as the employing company for the group. In respect of the director who was also a director 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.

	2018	2017
	£000	£000
The emoluments of the highest paid director after apportionment	**611**	730

One of the directors (2017: 1) of the Company was an active member of the pension plan.

6. **Agreement with holding company**

A supplemental agreement dated 5 September 2008 changed the payment basis of the supplemental agreement dated 24 September 1996 from 15% of trustee fees assigned to the Company from The Law Debenture Corporation p.l.c. to nil.

7. **Taxation**

(a) Analysis of taxation charge	**2018**	2017
	£000	£000
Current tax:		
UK Corporation tax	-	672
Total current tax	-	672
Deferred tax	**164**	166
Total tax (Note (b))	**164**	838

(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. The difference is explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	**506**	4,520
Profit on ordinary activities multiplied by the standard rate of UK Corporation tax at 19.00% (2017:19.25 %)	**96**	870
Effects of:		
Non-taxable overseas dividend	-	(30)
Deferred tax (change in provisions)	**164**	-
Taxable losses	**(96)**	-
Tax rate change	-	(2)
Current tax charge for year (Note (a))	**164**	838

(c) Factors that may affect future tax charges

The Company's future effective tax rate will depend on the extent to which there is group relief available to claim from other group companies.

8. Dividend

	2018 £000	2017 £000
The dividend comprises the following:		
Final dividend £114,286 per share (2017: £114,743)	**4,000**	4,016
	4,000	4,016

9. Tangible assets

	Leasehold Improvements	Office Furniture And Equipment	Total
Cost	**£000**	**£000**	**£000**
Balance at 1 January 2018	**152**	**1,969**	**2,121**
Additions at cost	**-**	**59**	**59**
At 31 December 2018	**52**	**2,028**	**2,180**
Accumulated depreciation			
Balance at 1 January 2018	**152**	**1,748**	**1,900**
Charge for the year	**-**	**131**	**131**
At 31 December 2018	**152**	**1,879**	**2,031**
Carrying amount At 31 December 2017	-	221	221
Carrying amount At 31 December 2018	**-**	**149**	**149**

10. Investments

	2018	2017
	£000	£000
Cost at 1 January	**-**	43
Disposal in year	**-**	(43)
Cost at 31 December	**-**	-

During 2017 the company sold its entire holding of Nordic Trustee AS (incorporated in Norway). The sale generated a profit of £3.275,000.

11. Deferred tax

A deferred tax liability has been established in respect of the defined benefit pension scheme (see note 21).

	2018	2017
	£000	£000
As at 1 January	**(57)**	437
(Charge) in the year	**(114)**	(152)
(Charge) to reserves	**(304)**	(342)
As at 31 December	**(475)**	(57)

11. Deferred tax (continued)

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

	2018 £000	2017 £000
As at 1 January	**247**	261
(Charge) in the year	**(50)**	(14)
		-
As at 31 December	**197**	247
Total	**(278)**	190

12. **Debtors:** amounts falling due within one year

	2018 £000	2017 £000
Amounts due from group undertakings	**11,506**	15,853
Prepayments and accrued income	**824**	909
	12,330	16,762

The carrying value represents trade and other receivables which are not impaired. The directors consider that the carrying value approximates to the fair value.

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses trade receivables are grouped based on similar risk characteristics and aging.

The expected loss rates are based on the company's historical credit losses experienced over the two year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the company's customers.

Contract assets and contract liabilities are included within "other accrued income and prepaid expenses" in the statement of financial position.

13. **Creditors:** amounts falling due within one year

	2018 £000	2017 £000
Amounts due to group undertakings	**14,058**	14,703
Trade and other payables	**2,975**	2,704
Other taxes	**302**	283
Corporation tax	**143**	125
	17,478	17,815

13. Creditors: amounts falling due within one year (continued)

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

14. Provisions for liabilities and charges

	2018	2017
	£000	£000
Provision for deferred bonuses		
At 1 January	**727**	873
Charge for the year	**361**	442
Releases in year	**(456)**	(588)
At 31 December	**632**	727

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 cost of the shares awarded is provided over three years.

15. Share capital

	2018	2017
	£	£
Allotted and fully paid share capital 35 ordinary shares of £0.20 each	**7**	7

16. Lease commitments

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

	Leasehold property	Total	Total
	2018	**2018**	2017
	£000	**£000**	£000
Later than one year, but not later than 5 years	**908**	**908**	908
Later than 5 Years	**-**	**-**	-
Total as at 31 December	**908**	**908**	908

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

17. Financial Instruments

At 31 December the Company held the following categories of financial assets and liabilities.

	2018	2017
	£000	£000
Financial assets		
Amounts due from group undertakings	**11,506**	15,853
Cash and cash equivalent	**6,571**	6,593
Financial liabilities		
Amounts due to group undertakings	**14,058**	14,703
Provision for deferred bonuses	**632**	727
Trade and other payables	**2,975**	2,704

A description of the principal risk relating to financial instruments are their relevance to the Company and how they are managed is given below:

Liquidity risk:
The Company maintains sufficient cash and liquid resources. Cash flow forecasts are reviewed on a regular basis to determine whether the Company has sufficient resources to meet obligations under financial liabilities as and when they fall due.

Currency risk:
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The Company is exposed to the usual credit risk and cash flow risk associated with selling on credit. The Company manages this through credit control procedures.

Capital management
The Company has no externally imposed capital requirements.

18. Ultimate controlling party

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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 under paragraph 8(k) of FRS101, not to disclose transactions with other wholly owned members of the group.

20. Share based plans

The Company recognised total expenses of £Nil (2017: £Nil) in respect of share based payment transactions.

The group has established a Deferred Share Bonus Plan and awards to employees in respect of 69,028 (2017: 84,331) shares were made with a market value of £410,406 (2017: £482,094). These will be released to executives in March 2021. The shares are held in a trust and the cost of the shares is being charged to the income statement over the vesting period.

21. Pension commitments

For some employees, the company operates a funded pension plan providing benefits for its employees based on final pensionable emoluments. The assets of the plan are held in a separate trustee administered fund. The plan closed to future accrual of benefits on 31 December 2016 and benefits now increase broadly in line with inflation.

Under the defined benefit pension plan, each member's pension at retirement is related to their pensionable service and final pensionable emoluments. The weighted average duration of the expected benefit payments from the plan is around 20 years. The defined benefit scheme is operated from a trust, which has assets which are held separately from the company and trustees who ensure the plan's rules are strictly followed.

These figures were prepared by an independent qualified actuary in accordance with IAS19 (revised), and are based on membership data as at 31 December 2018. The funding target is for the plan to hold assets equal in value to the accrued benefits based on projected pensionable emoluments. If there is a shortfall against this target, then the company and the Trustee will agree deficit contributions to meet this deficit over a period.

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

Contributions are set based upon funding valuations carried out every three years; the next valuation is due to be carried out as at 31 December 2017. The estimated amount of total employer contributions expected to be paid to the plan during 2019 is £0.9 million (2018 actual: £0.9 million).

The major assumptions in the 31 December 2018 disclosure under IAS19 (revised) are shown below and are applied to membership data supplied at that date. This shows the net pension assets and liabilities.

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

21. Pension commitments (continued)

Significant actuarial assumptions	**2018 %**	2017 %
Retail Price Inflation	**3.2**	3.2
Consumer Price Inflation	**2.2**	2.2
Discount rate	**2.9**	2.4
5% Limited RPI Pension increases in payment	**n/a**	3.1
General salary increases	**n/a**	n/a
Life expectancy of male/female aged 65 in 2018	**23.6/25.4**	23.7/25.5
Life expectancy of male/female aged 65 in 2038	**25.3/26.8**	25.4/26.9

Plan assets and obligations	**2018 £000**	2017 £000
Present value of defined benefit obligation	**51,600**	57,300
Fair value of plan assets	**(54,100)**	(57,600)
(Asset)/deficit in balance sheet	**(2,500)**	(300)
Less deferred tax (note 11)	**475**	57
	(2,025)	243

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

	2018 £000	2017 £000
Amounts recognised in profit and loss account are as follows:		
Interest expense	**-**	100
Past service cost	**300**	-
Total expense recognised in profit and loss account	**300**	100

The current allocation of plan assets is as follows:	**Allocation**	**2018 £000**	Allocation	2017 £000
Equities	**47%**	**25,600**	49%	28,400
Bonds	**10%**	**5,300**	10%	5,500
Gilts	**26%**	**14,000**	24%	13,900
Pensioner annuities	**1%**	**700**	1%	800
Diversified growth funds	**14%**	**7,700**	14%	8,100
Other	**2%**	**800**	2%	900
Total	**100%**	**54,100**	100%	57,600

Notes to the financial statements - 31 December 2018 (continued)

21. Pension commitments (continued)

Reconciliation of present value of defined benefit obligation	**2018** **£000**	2017 £000
Opening defined benefit obligation	**57,300**	56,000
Employer's part of current service cost	**-**	-
Interest cost	**1,300**	1,500
Actuarial losses/(gains) due to:		
Experience in benefit obligations	**-**	-
Changes in financial assumptions	**(5,100)**	3,400
Changes in demographic assumptions	**(600)**	(1,300)
Benefits paid	**(1,600)**	(2,300)
Curtailments and settlements	**300**	-
Closing defined benefit obligation	**51,600**	57,300

Reconciliation of fair value of plan assets	**2018** **£000**	2017 £000
Opening fair value of plan assets	**57,600**	53,700
Interest on plan assets	**1,300**	1,400
Actuarial returns	**(4,100)**	3,900
Contributions by the employer	**900**	900
Benefits paid	**(1,600)**	(2,300)
Closing fair value of plan assets	**54,100**	57,600

The pension plan is exposed to investment risk, (the movement of the discount rate used against the value of the plans assets,) interest rate risk (decreases/ increases in the discount rate which will increase/ decrease the defined benefit obligation) and longevity risk, (changes in the estimation of mortality rates of members).

Movement in the net defined benefit obligations	**2018** **£000**	2017 £000
(Asset)/deficit at 1 January	**(300)**	2,300
Expense charged to profit and loss	**300**	100
Amount recognised outside of profit and loss	**(1,600)**	(1,800)
Employer contributions	**(900)**	(900)
Closing net (asset) at 31 December	**(2,500)**	(300)

Notes to the financial statements - 31 December 2018 (continued)

21. Pension commitments (continued)

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Plan assets and obligations and principal actuarial assumptions					
Present value of defined benefit obligation	**51,600**	57,300	56,000	45,200	46,390
Fair value of plan assets	**(54,100)**	(57,600)	(53,700)	(43,800)	(43,140)
(Asset)/deficit	**(2,500)**	(300)	2,300	1,400	3,250

17. Financial Instruments

At 31 December the Company held the following categories of financial assets and liabilities.

	2018	2017
	£000	£000
Financial assets		
Amounts due from group undertakings	**9,894**	15,853
Cash and cash equivalent	**6,571**	6,593
Financial liabilities		
Amounts due to group undertakings	**12,446**	14,703
Provision for deferred bonuses	**632**	727
Trade and other payables	**3,253**	2,704

A description of the principal risk relating to financial instruments are their relevance to the Company and how they are managed is given below:

Liquidity risk:
The Company maintains sufficient cash and liquid resources. Cash flow forecasts are reviewed on a regular basis to determine whether the Company has sufficient resources to meet obligations under financial liabilities as and when they fall due.

Currency risk:
Foreign currency risk is the risk that the value of a financial instrument will vary with respect to foreign currency fluctuations. The Company has minimal currency risk exposure since most of its assets and transactions are denominated in sterling.

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The Company is exposed to the usual credit risk and cash flow risk associated with selling on credit. The Company manages this through credit control procedures.

Capital management
The Company has no externally imposed capital requirements.

18. Ultimate controlling party

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