

L.D.C. Trust Management Limited

**L.D.C. TRUST MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

REGISTERED NUMBER: 01234879



L.D.C. Trust Management Limited

Strategic report

The Directors present to the members the Strategic report of L.D.C. Trust Management Limited ("the Company") for the year ended 31 December 2021.

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.

The Company administers the affairs of those various companies within the Law Debenture Group under the parent company Law Debenture Corporation p.l.c. During the course of business, costs for the Group are incurred by the Company and are recharged across the Group, based on contribution to Group revenue and headcount plus a markup. The Company receives management fees from members of the Group as revenue in respect of these expenses.

The Company's key performance indicators are administrative expenses and profit on ordinary activities before taxation and net assets, which are detailed further in the 'Business review' section below.

Business review

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

Turnover has increased by 31% (2020: decreased 8%). Turnover is from the recharge of management fees to Group companies. In 2020 the management fee policy was revised to represent allocation of costs in a manner more representative of a standalone business, including an allocation of costs incurred for central support functions.

In 2021, administrative expenses increased from £17,357,000 to £23,595,000, largely driven by increased staffing costs relating to a higher average number of employees during the year of 152 (2020: 105) following the company secretarial business ("CSS") acquisition of Konexo, a division of Eversheds Sunderland LLP group, on 29 January 2021. Profit on ordinary activities before tax has decreased from £1,110,000 to £656,000, driven by higher staff remuneration costs from increase in the number of employees.

Results, dividend and reserves

Profit on ordinary activities before tax for the year was £656,000 (2020: £1,110,000), with a tax charge of £892,000 (2020: £480,000) resulting in a loss of £236,000 (2020: profit of £630,000). No dividend was proposed for the year by the Directors (2020: £Nil).

There are £4,615,000 accumulated gains carried forward (2020: £2,034,000 accumulated deficit) following an actuarial gain of £6,885,000 (2020: actuarial loss of £5,265,000).

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. The Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

L.D.C. Trust Management Limited

Strategic report (continued)

Going concern

In assessing the going concern status of the Company, the Directors have taken note of the financial performance and position during the year and up to the date of this report, and in particular the profitability, net assets, net current assets, and available cash resources of the Company.

In addition, the Directors have had regard to the lack of historical credit losses from other group companies, and the fact that all income earned from intercompany management fees covers the costs of the Company.

The Directors believe the Company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next twelve months.

This, together with its proven ability to generate cash from operations and recoverability of receivables recorded, provides the directors with the confidence that the Company is well placed to manage its business risks successfully.

Given the Company's income and debtors are from charging intercompany management fees to other Group companies, the Directors have specifically considered the recoverability of receivables due from other group companies in the next twelve months. To satisfy themselves that such receivables will be repaid when necessary to ensure sufficient liquidity, the Directors have obtained formal confirmation from The Law Debenture Corporation p.l.c. of its willingness to provide financial support should it be required for twelve months from the date of signing the financial statements.

The Directors have also reviewed the net assets and liquidity of the Company's parent in order to confirm its ability to provide such support. The parent's assets consist of cash and securities that are readily realisable, providing confidence around the Company's ability to service liabilities as they fall due.

The Directors have further considered the ongoing impact of Covid-19 and the Russian - Ukraine war and have concluded that there is no impact of either development the Company's ability to operate as a going concern.

Having considered the above factors, the Directors are satisfied that the Company can continue on a going concern basis for at least twelve months from the date of these financial statements.

Principal risks and uncertainties

The Company leverages the risk management processes of its ultimate parent company, The Law Debenture Corporation p.l.c. as outlined in its 2021 Annual Report and Accounts on pages 37-41. The risk management processes are sufficient for the Company to rely upon in addressing the risks specific to the Company.

The principal risks have been reviewed by the Executive Risk Committee and the Board of Law Debenture Corporation p.l.c. Each risk is classified as a Group, IPS or emerging risk along with the mitigating activities and can be found on pages 39 – 41 of The Law Debenture Corporation p.l.c. Annual Report and Accounts.

The principal risks of the business relate to its administrative services provided to group companies and the associated liquidity and credit risks.

L.D.C. Trust Management Limited

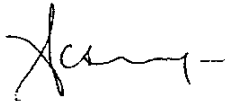
Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity and Credit risk

The Company provides administrative services to group companies and incurs costs on behalf of the Group. The principal credit risk to which the Company is exposed is the intercompany loans with group undertakings. Liquidity risk arises from any difficulty settling amounts owed to third parties. To minimise this risk, the Directors obtain comfort from the parent that financial support will be provided if required, providing confidence around the Company's ability to settle amounts payable as they fall due.

By order of the Board



A Skerritt

Law Debenture Corporate Services Limited

Secretary

9 December 2022

L.D.C. Trust Management Limited

Directors' report

The Directors present their annual report on the affairs of L.D.C Trust Management Limited ("the Company"), together with the financial statements and auditor's report, for the year ended 31 December 2021.

Directors and Secretary

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

D. Jackson
P. Houston
H. Scotton
K. Stobbs-Miller

The Secretary is Law Debenture Corporate Services Limited.

Registered office

The registered office of the Company is 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG.

Directors' indemnities

During the year and up to the date of this report, the Company maintained liability insurance for the benefit of Directors and other officers.

Directors' interests

No Director, nor the Secretary, has a beneficial interest in the share capital of the Company.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020 £nil).

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 24 to the financial statements.

Financial risk management objectives and policies

Financial instruments

The Company does not actively use financial instruments as part of its financial risk management. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

Liquidity risk

The Company maintains sufficient cash and liquid resources. This is 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.

L.D.C. Trust Management Limited

Directors' report (continued)

Financial risk management objectives and policies (continued)

Credit risk

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.

Strategic information

Future developments, COVID-19 and business risks have been upgraded for disclosure in the Strategic report, as permitted by section 414C of the Companies Act 2006.

Auditors

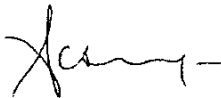
BDO Limited resigned as auditors during the year. Following a competitive audit tender process overseen by the Parent Company's Audit and Risk Committee, Deloitte LLP were engaged as the Company's and wider Group's new external auditor in October 2021. A resolution to reappoint Deloitte LLP as auditors of the Company will be proposed at the forthcoming AGM.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board



A Skerritt

Law Debenture Corporate Services Limited

Secretary

9 December 2022

L.D.C. Trust Management Limited

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.

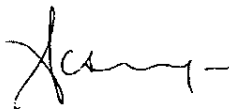
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS 101 'Reduced Disclosure Framework' 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 United Kingdom Accounting Standards, comprising FRS 101 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 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.

By order of the Board



A Skerritt
Law Debenture Corporate Services Limited
Secretary
9 December 2022

L.D.C. Trust Management Limited

Independent auditor's report to the members of L.D.C. Trust Management Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of L.D.C. Trust Management Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

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).

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

L.D.C. Trust Management Limited

Independent auditor's report to the members of L.D.C. Trust Management Limited (continued)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Auditor's responsibilities for the audit of the financial statements

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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities.

L.D.C. Trust Management Limited

Independent auditor's report to the members of L.D.C. Trust Management Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, relevant accounting standards and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included anti-money laundering regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing regulatory correspondence.

L.D.C. Trust Management Limited

Independent auditor's report to the members of L.D.C. Trust Management Limited (continued)

Report on other legal and regulatory requirements

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

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 any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

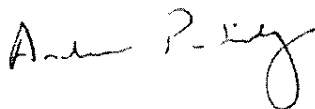
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



.....
Andrew Partridge (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
9 December 2022

L.D.C. Trust Management Limited

Profit and loss account

For the year ended 31 December

		2021	2020
	Note	£000	£000
Turnover	5	24,251	18,455
Administrative expenses	6 & 7	<u>(23,595)</u>	<u>(17,357)</u>
Operating profit		656	1,098
Bank deposit interest		<u>-</u>	<u>12</u>
Profit before taxation		656	1,110
Tax on profit or loss	8	(892)	(480)
(Loss) / profit for the financial year		<u>(236)</u>	<u>630</u>

All amounts relate to continuing operations.

The annexed notes form part of these financial statements.

L.D.C. Trust Management Limited

Statement of comprehensive income

For the year ended 31 December

		2021	2020
	Note	£000	£000
Loss / profit for the financial year		(236)	630
Pension cost actuarial gain/(loss)	22	8,500	(6,500)
Taxation on pension		(1,615)	1,235
Profit/ (loss) and total comprehensive income on ordinary activities after taxation		6,649	(4,635)

L.D.C. Trust Management Limited

Balance sheet

As at 31 December

	Note	2021 £000	2020 £000
Non-current assets			
Tangible assets	9	1,973	1,077
Intangible assets	10	400	-
Right-of-use assets	11	5,037	5,091
Deferred tax asset	12	-	715
		<u>7,410</u>	<u>6,883</u>
Current assets			
Debtors: amounts falling due within one year	13	107,784	26,705
Cash at bank and in hand		<u>239</u>	<u>939</u>
		108,023	27,644
Creditors: amounts falling due within one year	14	<u>(109,504)</u>	<u>(27,699)</u>
Net current liabilities		<u>(1,481)</u>	<u>(55)</u>
Total assets less current liabilities		5,929	6,828
Creditors: amounts falling due after more than one year			
Lease liabilities	15	(5,700)	(5,263)
Provision for liabilities and charges	16	(1,131)	(759)
Deferred tax liability	12	<u>(1,060)</u>	<u>-</u>
Net (liabilities)/assets excluding pension		(1,962)	806
Retirement benefit asset/(liability)	22	<u>6,577</u>	<u>(2,840)</u>
Net assets/(liability) including pension asset		<u>4,615</u>	<u>(2,034)</u>
Equity			
Called up share capital	17	-	-
Profit and loss account		<u>4,615</u>	<u>(2,034)</u>
Total shareholders' funds		<u>4,615</u>	<u>(2,034)</u>

Approved and authorised for issue by the Board on 9 December 2022 and signed on its behalf by:



D. Jackson
Director

The annexed notes form part of these financial statements.

L.D.C. Trust Management Limited

Statement of changes in equity

For the year ended 31 December

	Called up share capital £000	Profit and loss account £000	Total £000
Balance as at 1 January 2020	-	2,601	2,601
Profit for the year	-	630	630
Actuarial loss on remeasurement of retirement benefit liability	-	(5,265)	(5,265)
Total comprehensive income	-	(4,635)	(4,635)
Balance as at 31 December 2020	-	(2,034)	(2,034)
Balance as at 1 January 2021	-	(2,034)	(2,034)
Loss for the year	-	(236)	(236)
Actuarial gain on remeasurement of retirement benefit asset	-	6,885	6,885
Total comprehensive income	-	6,649	6,649
Balance as at 31 December 2021	-	4,615	4,615

The annexed notes form part of these financial statements.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021

1. General information

L.D.C. Trust Management Limited ("the 'Company'") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 5.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

2. New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

3. Significant accounting policies

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.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, 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

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Certain comparative information as required by paragraph 38 of IAS 1, 'Presentation of financial statements';
- Certain disclosures regarding the Company's capital;
- IAS 7, 'Statement of cash flows';
- The effect of future accounting standards not yet adopted as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors';
- The disclosure of the remuneration of key management personnel required by IAS 24, 'Related party disclosures'; and
- Disclosure of related party transactions with other wholly owned members of the group headed by The Law Debenture Corporation p.l.c as required by IAS 24, 'Related party disclosures'.

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Significant accounting policies (continued)

Summary of disclosure exemptions (continued)

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:

- IFRS 3, 'Business combinations';
- IFRS 2, 'Share based payments';
- IFRS 7, 'Financial instruments';
- IFRS 15, 'Revenue from Contracts with Customers';
- IFRS 16, 'Leases'; and
- IAS 36, 'Impairment of assets'.

Basis of consolidation

The company is a wholly owned subsidiary of within The Law Debenture Corporation p.l.c group. It is included in the consolidated financial statements of The Law Debenture Corporation p.l.c group, which are publicly available. Therefore, the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is 8th Floor, 100 Bishopsgate, London EC2N 4AG.

The financial statements of The Law Debenture Corporation p.l.c. can be obtained as described in note 19.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 4 along with principal risks and uncertainties.

In assessing the going concern status of the Company, the Directors have taken note of the financial performance and position during the year and up to the date of this report, and in particular the profitability, net assets, net current assets, and available cash resources of the Company.

The Directors believe the Company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next twelve months. This, together with its proven ability to generate cash from operations and recoverability of receivables recorded, provides the directors with the confidence that the Company is well placed to manage its business risks successfully. The Directors have specifically considered the recoverability of receivables due from other group companies in the next twelve months. To satisfy themselves that such receivables will be repaid when necessary to ensure sufficient liquidity, the Directors have obtained formal confirmation from The Law Debenture Corporation p.l.c. of its willingness to provide financial support should it be required for twelve months from the date of signing the financial statements.

The Directors have also reviewed the net assets and liquidity of the Company's parent in order to confirm its ability to provide such support. The parent's assets consist of cash and securities that are readily realisable, providing confidence around the Company's ability to service liabilities as they fall due.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Significant accounting policies (continued)

Going concern (continued)

Revenue recognition

Revenue represents management fees from members of the Group in respect of costs incurred by the Company on behalf of the Group. These expenses are recharged across the Group, based on contribution to Group revenue and headcount plus a markup and are accounted for on an accruals basis.

Tangible non-current assets

Tangible assets are recorded at cost plus directly attributable costs less accumulated depreciation and accumulated impairment losses (refer to 'Impairment of non-financial assets' section on page 21). Depreciation is calculated using the straight-line method at rates designed to reduce the assets to their residual value over their estimated useful lives, as follows:

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

Right-of-use assets

Right-of-use assets are measured at cost less accumulated depreciation. The carrying amount is adjusted for any re-measurement of the lease liability.

Depreciation has been calculated to write off the cost of the right-of use asset over the lease period.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Significant accounting policies (continued)

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Significant accounting policies (continued)

Retirement and termination benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Company recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

The Company recognises service costs within profit or loss as administrative expenses.

Net interest expense is recognised within administrative expenses.

The retirement benefit asset recognised in the balance sheet represents the surplus in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

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.

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Significant accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

The Company issues equity-settled share-based payments to certain employees, whereby the shares are deferred for a three-year period. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effects of non-market-based vesting conditions.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Significant accounting policies (continued)

Short-term and other long-term employee benefits (continued)

The Company also awards share options to executives of the Group. In 2021 the Group introduced a long-term performance incentive plan (LTIP) to executives in addition to annual bonus following the completion of a required service period and is dependent on the achievement of corporate performance and individual targets. Options are normally exercisable between 3 to 5 years from the date of grant for nil consideration. Full details of this plan can be found in the Directors' remuneration report of the 2021 The Law Debenture Corporation p.l.c. Annual Report and Accounts, pages 71 and 74.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade receivables

Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost less any provision for impairment and expected credit losses, to ensure that amounts recognised represent the recoverable amount.

Impairment of financial assets

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

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

Trade payables

Trade payables are recognised at fair value and subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less, subject to insignificant changes in fair value.

Borrowings

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

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Share capital

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

Leases

The Company determines at contract inception whether an arrangement contains a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases an office property. Rental contracts are typically made for fixed periods of 1 to 10 years and lease terms are negotiated on an individual basis.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets (under £5,000); and
- Leases with a duration of 12 months or less.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the Group's borrowing rate which was updated during the year following the issuance of a further two debentures, lowering the rate to 3.966% (previously 4.589%). Where there has been a lease modification and/or a new lease arrangement entered into, this rate has been applied.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change to future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under the residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).
-

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

3. Critical accounting judgements and key sources of estimation uncertainty

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.

In applying the Company's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates.

Retirement benefit obligations

The Company's retirement benefit obligations are covered in note 22. The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, mortality rates, inflation rates and national average earnings inflation.

The cost of providing benefits under the plan is determined using the projected unit credit method, with independent actuarial calculations being carried out at each year end date. Actuarial gains and losses are recognised in full in the period in which they occur through other comprehensive income. The asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the year end date less the fair value of the plan assets.

There are no further material estimates or critical judgements made. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. 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:

	2021 £000	2020 £000
Management fees charged to group undertakings	24,173	18,454
Other income	78	1
	<u>24,251</u>	<u>18,455</u>

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

6. Administrative expenses

Administrative expenses include:	2021 £000	2020 £000
Salaries, including Directors' remuneration	15,512	11,324
Social security costs	1,528	1,180
Other pensions costs	1,112	963
Other staff costs	1,375	975
Auditor's remuneration	100	118
Recovery of costs from other group companies	(700)	(775)
Depreciation - property, plant and equipment	259	47
Depreciation – right-of-use asset (note 12)	591	900
Foreign exchange	-	8

No other fees were paid to the auditors during the year (2020: £Nil).

The average number of employees during the year was 152 (2020: 105).

7. Employee information and Directors' emoluments

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

	2021 £000	2020 £000
Directors' remuneration	1,583	1,094

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.

	2021 £000	2020 £000
The emoluments of the highest paid Director after apportionment	356	554

Throughout the year and at the end of 2021, two Directors of the Company were active members of the pension plan.

At the start of 2020 four Directors of the Company were active members of the pension plan. During 2020, one of the directors resigned and three were appointed, leaving four active Directors at the end of 2020 were members of the pension plan.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

8. Taxation	2021	2020
(a) Analysis of taxation charge	£000	£000
Current tax:		
UK corporation tax	<u>619</u>	<u>284</u>
Total current tax	619	284
Deferred tax	<u>(1,060)</u>	<u>715</u>
Total tax	(441)	999

(b) Factors affecting the tax charge for the year

The standard rate of corporation tax applied to reported profit is 19 per cent (2020: 19 per cent).

The applicable rate has changed following the substantive enactment of the Finance Act 2022.

The charge for the year can be reconciled to the profit before tax as follows:

	2021	2020
	£000	£000
Profit on ordinary activities before tax	656	1,110
Profit on ordinary activities multiplied by the standard rate of UK corporation tax at 19.00% (2020: 19.00 %)	125	211
Effects of:		
Deferred tax (change in provisions)	216	(196)
Expenses not deductible for tax purposes	42	(267)
Utilisation of tax losses not previously recognised	203	-
Group tax payable	<u>306</u>	<u>340</u>
Current tax charge for year	892	480

The group payment arrangement (GPA) is registered under LDCTM for all wholly-owned group companies. As such, LDCTM makes tax payments on behalf of the group to HMRC.

(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.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

9. Tangible assets

Cost	Office Furniture and Equipment £000	Total £000
Balance at 1 January 2021	2,117	2,117
Additions at cost	1,155	1,155
Disposals	(21)	(21)
At 31 December 2021	3,251	3,251
Accumulated depreciation		
Balance at 1 January 2021	1,040	1,040
Charge for the year	259	259
Disposals in the year	(21)	(21)
At 31 December 2021	1,278	1,278
Carrying amount At 31 December 2020	1,077	1,077
Carrying amount At 31 December 2021	1,973	1,973

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

10. Intangible assets

Cost	IT Projects £000	Total £000
Balance at 1 January 2021	-	-
Additions at cost	<u>400</u>	<u>400</u>
At 31 December 2021	<u>400</u>	<u>400</u>
Accumulated amortisation		
Balance at 1 January 2021	-	-
Charge for the year	<u>-</u>	<u>-</u>
At 31 December 2021	<u>-</u>	<u>-</u>
Carrying amount At 31 December 2020	<u>-</u>	<u>-</u>
Carrying amount At 31 December 2021	<u>400</u>	<u>400</u>

11. Right-of-use asset

Additional information on the right-of-use assets is as follows:

	Right-of- use asset £000	Total £000
Opening balance at 1 January		
Balance at 1 January 2021	5,150	5,150
Additions at cost	537	537
Disposals at cost	<u>-</u>	<u>-</u>
At 31 December 2021	<u>5,687</u>	<u>5,687</u>
Depreciation		
Balance at 1 January 2021	59	59
Charge for the year	<u>591</u>	<u>591</u>
At 31 December 2021	<u>650</u>	<u>650</u>
Carrying amount At 31 December 2020	<u>5,091</u>	<u>5,091</u>
Carrying amount At 31 December 2021	<u>5,037</u>	<u>5,037</u>

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

12. Deferred tax

A deferred tax liability has been established in respect of the defined benefit pension scheme (see note 22).

	2021 £000	2020 £000
As at 1 January	532	(513)
Credit to other comprehensive income	(1,615)	1,235
(Charge) to income	<u>(172)</u>	<u>(190)</u>
As at 31 December	<u>(1,255)</u>	<u>532</u>

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

	2021 £000	2020 £000
As at 1 January	183	197
(Charge) to income	<u>12</u>	<u>(14)</u>
As at 31 December	<u>195</u>	<u>183</u>

Total deferred tax (liability)/ asset	<u>(1,060)</u>	<u>715</u>
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13. Debtors: amounts falling due within one year

	2021 £000	2020 £000
Amounts due from group undertakings	107,234	25,679
Prepayments and other debtors	<u>550</u>	<u>1,026</u>
	<u>107,784</u>	<u>26,705</u>

Amounts due from group undertakings of £107,234,000 (2020: £25,679,000) are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The carrying value represents amounts receivable which are not impaired. The Directors consider that the carrying value approximates to the fair value.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

14. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Amounts due to group undertakings	104,570	23,990
Trade and other payables	3,572	3,037
Leasehold liabilities	205	-
Other taxes	538	479
Corporation tax	619	193
	<u>109,504</u>	<u>27,699</u>

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

Amounts due to group undertakings represent intercompany loans which are unsecured, interest-free and repayable on demand.

15. Lease liabilities

Lease liabilities are presented in the statement of financial position within creditors as follows:

For the year ended 31 December	2021 £000	2020 £000
Amounts payable under leases		
Within one year	205	-
Between one and five years	3,831	2,714
After five years	3,385	4,256
Less: future finance charges	<u>(1,516)</u>	<u>(1,708)</u>
Present value of lease obligations	5,905	5,263
Less: amounts due for settlement within one year	<u>205</u>	<u>-</u>
Amounts due for settlement after one year	<u>5,700</u>	<u>5,263</u>

Leases signed in the year

During the year the Company signed a five year lease for its new office at 2 New Bailey, Manchester to house our company secretarial services function and our group shared service centre team. On the lease commencement date the Group recognised a right-of-use asset of £531,226 and leasehold liability of £454,308. The right-of use asset is recognised at leasehold liability (£454,308), plus capitalised direct costs (£14,068) plus dilapidation provision estimated costs of removal and restoring (£62,850).

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

16. Provisions for liabilities and charges

	2021 £000	2020 £000
Provision for deferred bonuses		
At 1 January	759	842
Charge for the year	526	500
Releases in year	<u>(154)</u>	<u>(583)</u>
At 31 December	<u>1,131</u>	<u>759</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 cost of the shares awarded is provided over three years.

17. Share capital

	2021 £	2020 £
Authorised, issued and fully paid share capital		
35 ordinary shares of £0.20 each	<u>7</u>	<u>7</u>

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. No shares were reclassified during the year (2020: no reclassifications).

18. Financial instruments

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

	2021 £000	2020 £000
Financial assets		
Amounts due from group undertakings	107,234	25,679
Cash and cash equivalents	239	939
Financial liabilities		
Amounts due to group undertakings	104,570	23,991
Provision for deferred bonuses	1,131	1,386
Trade and other payables	3,572	3,037

A description of the principal risk relating to financial instruments are their relevance to the Company and how they are managed is given on page 4.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

19. Ultimate controlling party

Following the group restructuring during the year 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, Law Debenture Corporate Services Limited, 8th Floor, 100 Bishopsgate, London, EC2N 4AG.

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

21. Share based plans

The Company recognised total expenses of £Nil (2020: £Nil) in respect of share based payment transactions.

The group has established a Deferred Share Bonus Plan and awards to employees in respect of 105,635 (2020: 112,199) shares were made with a market value of £844,000 (2020: £654,000). These will be released to executives in March 2025. 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

For some employees, the Group operates a funded pension plan providing benefits for its employees based on final pensionable emoluments. The assets of the plan are held in a separate trustee administered fund. The Company has appointed an independent sole trustee to oversee the governance of the 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 Group and is overseen by an independent sole trustee who ensures 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 2021. The funding target is for the plan to hold assets equal in value to the accrued benefits based on projected pensionable emoluments. If there is a shortfall against this target, then the Group and the trustee will agree deficit contributions to meet this deficit over a period.

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

Contributions are set based upon funding valuations carried out every three years; the next valuation in respect of 31 December 2021 is currently underway. The estimated amount of total employer contributions expected to be paid to the plan during 2022 is £1.0m (2021 actual: £1.0m).

Notes to the financial statements for the year-ended 31 December 2021 (continued)

22. Pension commitments (continued)

Actuarial gains and losses are recognised immediately through other comprehensive income. The major assumptions in the 31 December 2021 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.

Significant actuarial assumptions	2021 %	2020 %
Retail Price Inflation	3.3	2.8
CPI single equivalent rate	2.7	2.2
Discount rate	2.0	1.3
5% Limited RPI Pension increases in payment	n/a	n/a
General salary increases	n/a	n/a
Life expectancy of male/female aged 65 in 2021	23.3/25.4	23.7/25.5
Life expectancy of male/female aged 65 in 2040	24.9/26.9	25.5/27.0
Weighted average duration	17.9	19.1

Plan assets and obligations	2021 £000	2020 £000
Present value of defined benefit obligation	61,700	57,800
Fair value of plan assets	(68,300)	(60,500)
(Asset)/deficit in balance sheet	6,600	(2,700)
Less deferred tax (note 12)	(1,255)	513
	5,345	(2,187)

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

	2021 £000	2020 £000
Amounts recognised in the profit and loss account are as follows:		
Interest expense	(100)	-
Total expense recognised in the income statement	(100)	-

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

22. Pension commitments (continued)

Amounts recognised outside the profit and loss account are as follows:

	2021 £000	2020 £000
Remeasurements	(8,500)	6,500
(Gain)/ loss recognised outside the income statement	(8,500)	(6,500)

	Allocation	2021 £000	Allocation	2020 £000
The current allocation of plan assets is as follows:				
Equities	43%	29,500	41%	25,800
Bonds	8%	5,600	9%	5,900
Gilts	0%	-	24%	15,000
LDI	20%	13,900	0%	-
Pensioner annuities	1%	700	1%	800
Diversified growth funds	13%	8,600	13%	8,300
Infrastructure	9%	6,200	10%	6,000
Other	6%	3,800	2%	1,200
Total	100%	68,300	100%	63,000

- The Plan holds a number of pensioner annuities which have been valued consistently with the defined benefit obligation using membership data as at 1 January 2022.
- At the time of writing, the value of the JP Morgan infrastructure fund on 31 December 2021 is unavailable. Therefore, the value of £6.2m used is at an effective date of 1 October 2021.
- The Plan's non-annuity assets are invested in pooled funds, which are not themselves quoted. However, the pooled funds are invested in assets with prices quoted and traded on public exchanges. The exception to this is the JP Morgan infrastructure fund, where underlying investments are not quoted.

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

22. Pension commitments (continued)

Movement in present value of defined benefit obligation

	2021	2020
	£000	£000
Opening defined benefit obligation at 1 January	65,800	57,800
Interest on plan assets	900	1,200
Benefits paid	(2,600)	(1,600)
Actuarial losses/(gains) due to:		
Experience in benefit obligations	2,300	(400)
Changes in financial assumptions	(3,500)	9,100
Changes in demographic assumptions	(1,200)	-
Update to 31 December 2021 membership data (gain)/loss	-	(300)
Closing defined benefit obligation at 31 December	61,700	65,800

Movement in fair value of plan assets

	2021	2020
	£000	£000
Opening fair value of plan assets at 1 January	63,000	60,500
Interest expense on defined benefit obligation	800	1,200
Actuarial returns net of interest	6,100	1,900
Contributions by the employer	1,000	1,000
Benefits paid	(2,600)	(1,600)
Closing fair value of plan assets at 31 December	68,300	63,000

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

	2021	2020
	£000	£000
Opening net defined benefit liability/(asset) at 1 January	2,800	(2,700)
Expense charged to profit and loss	100	-
Amount recognised outside of profit and loss	(8,500)	6,500
Employer contributions	(1,000)	(1,000)
Closing net defined benefit (asset) /liability at 31 December	(6,600)	2,800

L.D.C. Trust Management Limited

Notes to the financial statements for the year-ended 31 December 2021 (continued)

22. Pension commitments (continued)

	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000
Amounts recognised in the balance sheet					
Present value of defined benefit obligation	61,700	65,800	57,800	51,600	57,300
Fair value of plan assets	(68,300)	(63,000)	(60,500)	(54,100)	(57,600)
Net defined benefit (asset)/liability	(6,600)	2,800	(2,700)	(2,500)	(300)

Over the year to 31 December 2021, the balance sheet improved from a deficit of £2.8m to a surplus of £6.6m. The Directors have confirmed the entitlement to recognise the defined benefit asset with our Actuarial Advisors. This improvement is driven by:

- an significant increase in the discount rate during the year, which decreases the value of the pension obligations;
- changes to the mortality assumptions used to value the liability, which results in a decrease of the value of the pension obligations;
- investment returns on assets being higher than anticipated; and
- deficit reduction contributions paid by the Company of £1.0m during the year.

This was partially offset by:

- actual inflation being higher than that expected at the previous year end;
- an increase in expectations of future inflation, which increases the value of the pension obligations; and
- updated membership data.

23. Post balance sheet events

There were no post balance sheet events.