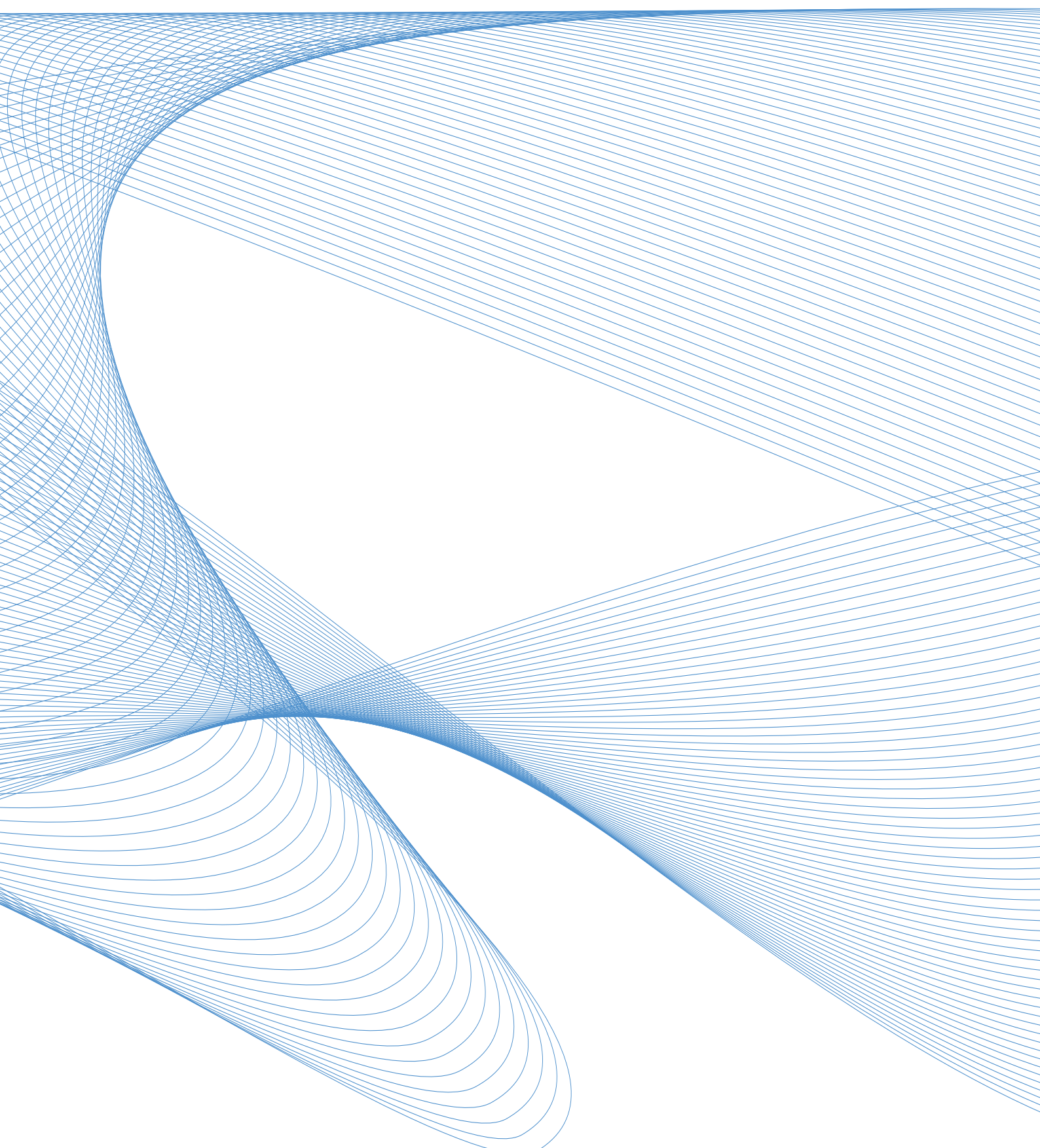


Law Debenture



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From its origins in 1889, Law Debenture has diversified to become a group with a unique range of activities in the financial and professional services sectors. The group divides into two distinct complementary areas of business.

Investment trust

We are a global investment trust, listed on the London Stock Exchange.

Our portfolio of investments is managed by Henderson Global Investors Limited under a contract terminable by either side on 12 months' notice.

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

Independent fiduciary services

We are a leading provider of independent fiduciary services. Our activities are corporate trusts, treasury management, pension trusts, corporate services (including agent for service of process), structured finance administration and whistle blowing services. We have offices in London, Sunderland, New York, Delaware, Hong Kong, the Channel Islands and the Cayman Islands.

Individuals, companies, agencies and organisations throughout the world rely upon Law Debenture to carry out its duties with the independence and professionalism upon which its reputation is built.

2 10 year record

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net assets (£m)	250.2	287.6	294.6	260.3	199.6	241.7	272.5	339.6	392.6	407.1	266.4
Total return ¹ (pence)	20.8	38.9	12.9	(22.7)	(43.8)	44.2	34.4	64.7	53.1	23.6	(105.0)
Revenue return ¹ (pence)											
Investment trust	5.62	5.57	5.45	4.07	4.10	4.51	5.06	5.73	7.07	8.60	10.23
Independent fiduciary services	1.72	2.13	2.40	2.98	2.23	2.40	3.51	4.32	5.11	5.63	5.35
	7.34	7.70	7.85	7.05	6.33	6.91	8.57	10.05	12.18	14.23	15.58
Dividends ¹ (pence)	6.20	6.60	6.80	6.90	6.90	6.90	7.55	9.05	10.50	12.00	12.20
NAV ¹ (pence) (after proposed final dividend)	214.2	246.5	252.6	222.9	170.5	201.9	228.1	284.0	328.2	339.6	219.2
Share price ¹ (pence)	214.3	233.6	239.6	233.5	192.5	221.75	232.5	288.75	349.00	354.5	223.5
Premium/(discount) (%)	0.0	(5.2)	(5.1)	4.7	12.9	9.8	1.9	1.7	6.3	4.4	2.0
Market capitalisation (£m)	249.9	272.6	279.4	272.7	225.3	260.0	273.2	339.7	410.8	417.4	263.8
Cost of running investment trust ² (% of average portfolio value)	0.42	0.46	0.47	0.53	0.56	0.55	0.52	0.51	0.49	0.49	0.48

¹ Pence per share as restated following a five for one share split in August 2002.

² Cost of running investment trust in 2008 excludes the VAT refund related to prior years.

The information in respect of 2003-2008 is in accordance with International Financial Reporting Standards. The information in respect of 1998-2002 is in accordance with UK Generally Accepted Accounting Principles.

Highlights

	31 December 2008 pence	31 December 2007 pence	Change %
Share price	223.50	354.50	-37.0
NAV per share after proposed final dividend	219.20	339.64	-35.5
Revenue return per share			
– Investment trust	10.23	8.60	19.0
– Independent fiduciary services	5.35	5.63	-5.0
Group revenue return per share	15.58	14.23	9.5
Dividends per share	12.20	12.00	1.7

Performance

	2008 %	2007 %
Share price total return	-33.5	5.0
NAV total return	-31.9	7.2
FTSE All-Share Index total return	-29.9	5.3

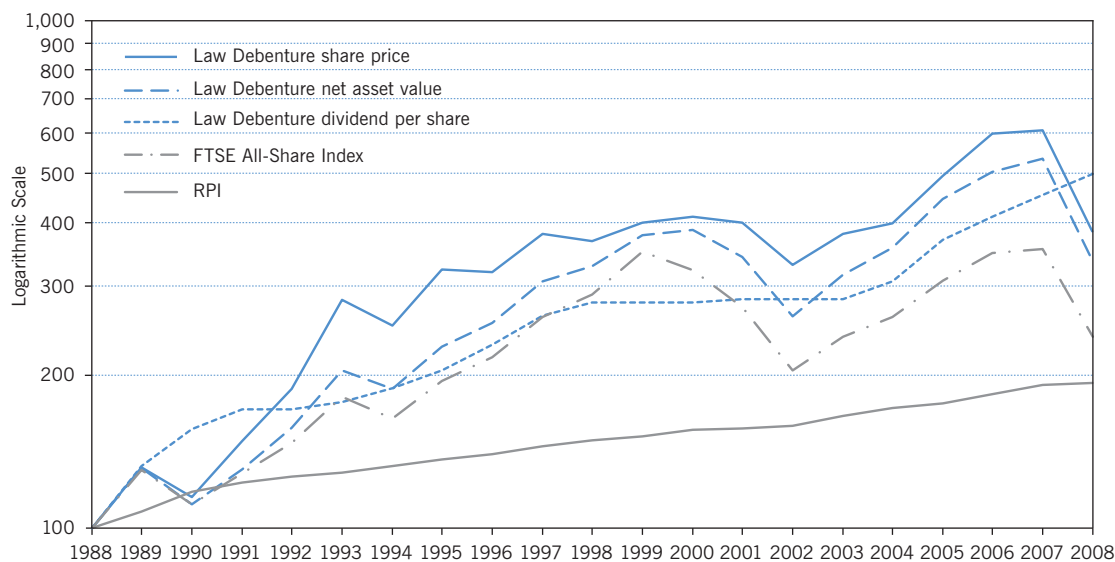
	5 years %	10 years %
NAV total return ¹	25.2	44.1
FTSE Actuaries All-Share Index total return ¹	18.6	12.4
Share price total return ¹	18.5	42.8
Change in retail price index ¹	17.7	31.4
Annual earnings growth	17.7	7.8
Annual dividend growth	12.1	7.0
Annual RPI change	3.3	2.8

¹ Source: AIC.

The performance data contained above has been compiled in accordance with AIC recommendations.

Total returns assume the reinvestment of dividends.

20 year performance



Douglas McDougall OBE*Chairman*

Chairman of The Independent Investment Trust plc, Foreign & Colonial Eurotrust PLC and Scottish Investment Trust plc and a director of The Monks Investment Trust plc, Pacific Horizon Investment Trust plc and Herald Investment Trust plc. Former joint senior partner of Baillie Gifford & Co, investment managers, and former chairman of IMRO, of the Association of Investment Trust Companies and of the Fund Managers' Association. Joined the board in 1998, becoming chairman in 2000. Chairman of the remuneration and nomination committees and a member of the audit committee.

Caroline Banzky*Managing director*

Appointed to the board in January 2002. Former chief operating officer of SVB Holdings PLC, a Lloyd's listed integrated vehicle, and former finance director of N.M. Rothschild & Sons Limited.

Armel Cates*Non-executive director*

A former partner of Clifford Chance and appointed to the board in February 2001. Wide experience of capital markets transactions including medium term note programmes, securitisations and repackagings. Director of Fatburen Investment BV and of Charterhouse-in-Southwark Trustee Company.

A member of the remuneration, nomination and audit committees and chairman of the LDC Trust Management Limited board.

John Kay*Non-executive director*

Appointed to the board in September 2004. Business economist, writer and broadcaster. Visiting Professor at the London School of Economics. Founded London Economics, Britain's largest independent economic consultancy. Director of Scottish Mortgage Trust plc and Value and Income Trust plc.

He writes a weekly column for the Financial Times, and is a member of the Scottish Government's Council of Economic Advisers. Chairman of the audit committee and member of the remuneration and nomination committees.

Robert Williams*Non-executive director*

A former partner of Linklaters, specialising in international finance. Joined the board in 1993. Member of the LDC Trust Management Limited board. Part time executive director until 31 December 2004, thereafter non-executive.

Investment manager

James Henderson

Joined Henderson Global Investors in 1983 and has been an investment trust portfolio manager since 1990, managing Lowland Investment Company plc since then and Henderson Opportunities Trust plc since January 2006. He first became involved in the management of Law Debenture's portfolio in 1994 and took over sole management of the portfolio in June 2003.

Performance

The year to 31 December 2008 was a most disappointing one for stock markets. Our net asset value total return was -31.9%, compared to a total return of -29.9% for the FTSE Actuaries All-Share Index.

Our gross income increased over the year by 0.7% from £48.5 million to £48.9 million. Profit (revenue) attributable to shareholders was £18.2 million, an increase of 9.6% over the previous year, as a result of a 19.0% improvement in the investment trust and a 5.0% fall in independent fiduciary services. Improved company dividends and a £455,000 VAT refund increased the return from the investment trust. Our independent fiduciary services businesses performed well but without the exceptional level of special fees which arose last year.

Revenue return and dividends

Revenue return per share for the year to 31 December 2008 was 15.58p, an increase of 9.5% from the previous year. The board is recommending a final dividend of 8.0p per ordinary share (2007: 8.0p), which, together with the interim dividend of 4.2p (2007: 4.0p) gives a total dividend of 12.2p (2007: 12.0p), an increase of 1.7%. The final dividend will be paid, subject to shareholder approval, on 22 April 2009 to holders on the register at the record date of 13 March 2009. The policy of the Corporation continues to seek growth in both capital and income.

Investment trust

During the year the total return of the portfolio was -29.9%, in line with the FTSE All-Share Index. The underperformance of our net asset value total return was a result of the level of gearing in the period.

The year was dominated by the crisis in the international financial system. We underestimated the extent to which this would spread to the wider economy, and indeed we raised our gearing to a peak of 116% before recognising our error. By the end of the year gearing had been reduced to 108%, partly through the sale of bank holdings. The outlook for economic activity is very uncertain, and our focus is on investment in companies which we think would be survivors even in a deep recession. Following the steep fall in markets, equities look reasonably valued by conservative standards on a long term view. For a discussion of the investment background please see the report by the portfolio manager, James Henderson, on pages 8 and 9.

The investment trust has benefited from a VAT refund arising from the successful JPMorgan Fleming Claverhouse case against HM Revenue & Customs. We reached a final agreement with our investment manager in respect of the period 2000-2007 and we have recognised this in 2008. We have not recognised any amount at 31 December 2008 in respect of earlier periods, which in any event will not materially effect our NAV and results.

Independent fiduciary services

Independent fiduciary services profit before tax fell by 16.6% as a result of the non-recurrence of exceptional fees which arose in 2007. There has been a marked downturn in the level of activity in the capital markets following the global credit crunch. The economic outlook for 2009 is poor and we expect an adverse impact on the results. However, we continue to seek new opportunities and Law Debenture is involved in a wide variety of capital market transactions. We have new appointments in the UK and the US as a result of restructurings. Increased levels of fraud in the current environment help us market our whistle blowing service. Our pension trustee business continues to see growth in the market for professional independent trustees. For a discussion on the independent fiduciary services businesses please see the report by Caroline Banzky on pages 16 and 17.

Board

Rob Williams is not seeking re-election to the board at the Annual General Meeting and I thank him for his long and distinguished service to the Corporation. Christopher Smith, recently retired as a Managing Director - Corporate Finance of JPMorgan Cazenove, comes up for election to the board at the Annual General Meeting. Christopher has long experience of investment trusts; he should be a valuable addition and we look forward to working with him.

Staff

The independent fiduciary services businesses are dependent upon the professionalism and commitment of our people, whom I should like to thank for their hard work during the year.

Douglas McDougall

Background

The global banking crisis spread out of the financial sector into all areas of the economy during 2008. The authorities in the US believed something needed to be done but their plans altered and the scale of the problem was continually underestimated. They were criticised about the potential moral hazard of saving investment banks, yet when they allowed Lehman Brothers to go into administration the scale of the problem massively escalated. The UK banks, with their global spread, were major sufferers and failed in their attempts to raise enough new capital as the size of the losses expanded. The Monetary Policy Committee, while setting interest rate policy, was for the first half of the year fighting the wrong battle with inflation moving up as a result of increased commodity prices. The oil price doubled over a twelve month period. The problems in the credit markets needed interest rates to fall but the authorities were watching with alarm as inflation rose. The concerns over inflation were misplaced as the deflationary effects of the credit crunch were to slow the global economy. Western economies are now facing a significant recession and interest rates have been markedly reduced.

Investment approach

Credit is often likened to the fuel in an engine. When the supply of it is interrupted continual problems occur. As the portfolio manager I thought during the first part of the year that the credit problems were easing. The spreads between corporate bonds and government stock were narrowing, which I took as an indication that the fuel was beginning to flow again. The portfolio was positioned to benefit from the resumption of lending and a reasonable level of gearing was built up and holdings that would benefit were added to. Like the MPC my concern was more about commodity prices and inflation rather than realising how unsustainable the leverage had become in major financial institutions. The events of the autumn with commodity prices and interest rates falling, yet economic activity contracting, clearly illustrated the mistake of this thinking. The banking exposure was reduced during the autumn and the focus changed to companies with sustainable franchises that will allow them to come through the current economic turbulence.

The investment portfolio

A protection in an uncertain investment climate is to have genuine diversity of activities within the investment portfolio. On pages 14 and 15 all of the portfolio holdings are shown. It illustrates the breadth. However, within this are some underlying themes in the portfolio. There is considerable exposure to industrial companies that are global leaders. The current downturn is showing the fundamental problems in the financial sector. The fallout from this is damaging the wider economy but in the medium term the drivers of global industrial growth are in place, with the most important of these being the emergence of the dynamic economies of China, India and Brazil. The industrial companies servicing this future growth will benefit. Examples in the portfolio that will benefit are Caterpillar and Cummins in the US and GKN and Weir in the UK, which will see demand for their products increase. These companies have over the last year seen their share prices fall but should be strong performers when economies stabilise. Another area where the portfolio is well represented is non life insurance. These companies, unlike the industrials, are benefiting from the tightness of credit and insurance underwriting profits are improving. The companies in this area, Hiscox and Amlin, are coming through with strong performance. They bring diversification to the portfolio as they are on a different cycle to the economically sensitive holdings.

The smaller companies have experienced some of the worst share price falls. For some this has been justified as their business models have not proved robust enough for the current economic climate. However, a large element of the share price weakness has been the result of investors' desire for liquidity leading to a significant fall in valuations. When the results come through and investors see how these businesses have coped with the difficult economic conditions, there is considerable scope for substantial share price appreciation from this area of the portfolio.

Outlook

The authorities are applying a great deal of monetary and fiscal stimulus to the economy. The problem is that credit is not available in sufficient quantity to allow activity to stabilise. Banks are wanting to reduce their balance sheet exposures and companies are responding by reducing stock levels, costs and capital expenditure plans so as to generate cash. This trend will end when companies see demand stabilise and the banks have confidence in their capital adequacy. The authorities' action to increase public spending and cut interest rates will result in the stabilisation of demand, while the banks capital raising will eventually lead to the return of confidence that the equity cushion is sufficient.

Demand will be further helped in the UK by the depreciation of sterling. UK goods and services are looking increasingly cheap to overseas buyers. The lower prices of commodities and energy are reducing costs for many UK companies, which will help to offset the margin pressure of declining sales.

The portfolio has a modest level of gearing and consists of lowly valued companies, which will benefit when confidence starts to improve.

James Henderson
Henderson Global Investors Limited

10 Top 20 holdings by value

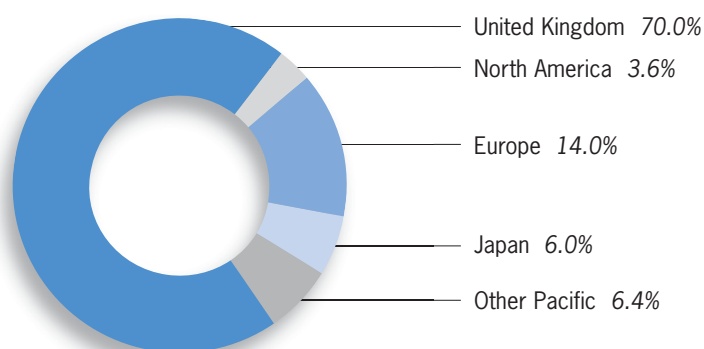
Rank	Company	2008		2007	
		Value £000	% of portfolio	% of portfolio	Rank
1	Henderson Asia Pacific Capital Growth (Pacific)*	18,542	6.43	6.55	1
2	BP	12,612	4.37	4.06	2
3	Royal Dutch Shell	11,631	4.03	3.33	3
4	Henderson Japan Capital Growth (Japan)*	11,018	3.82	2.51	7
5	GlaxoSmithKline	10,007	3.47	2.35	8
6	HSBC	7,944	2.75	2.78	4
7	British American Tobacco	7,180	2.49	2.16	9
8	Shire	5,308	1.84	1.28	16
9	Amlin	4,605	1.60	0.56	57
10	Vodafone	4,603	1.60	2.09	10
11	Hiscox	4,329	1.50	0.89	31
12	Tesco	4,308	1.49	1.35	14
13	Diageo	4,107	1.42	1.22	19
14	Bellway	3,741	1.30	1.23	18
15	Senior	3,687	1.28	2.61	5
16	Fresenius (Ger)	3,618	1.25	1.20	21
17	Unilever	3,553	1.23	1.00	28
18	Applied Materials (USA)	3,523	1.22	0.42	88
19	Rolls Royce	3,154	1.09	1.22	20
20	Anglo American	3,092	1.07	–	–
		45.25			

* Open ended investment companies.

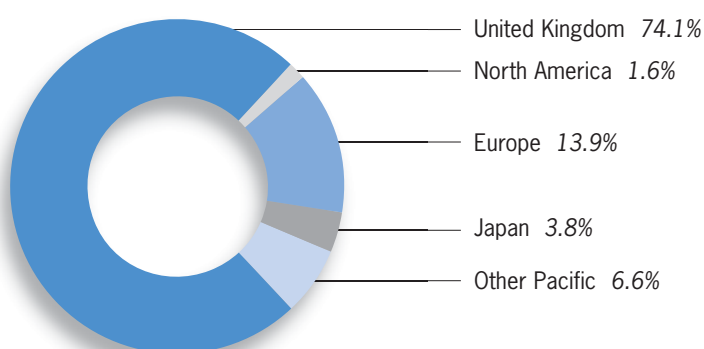
The top 20 holdings by value at 31 December 2007 accounted for 44% of the investment portfolio.

	Valuation 31 December 2007 £000	Purchases £000	Sales proceeds £000	Appreciation/ (depreciation) £000	Valuation 31 December 2008 £000
United Kingdom	313,900	58,150	(54,857)	(115,047)	202,146
North America	6,906	7,480	–	(4,202)	10,184
Europe	58,703	15,482	(19,351)	(14,400)	40,434
Japan	16,241	–	–	1,019	17,260
Other Pacific	27,744	–	–	(9,202)	18,542
	423,494	81,112	(74,208)	(141,832)	288,566

Geographical distribution of portfolio 2008



Geographical distribution of portfolio 2007



12 Classification of investments

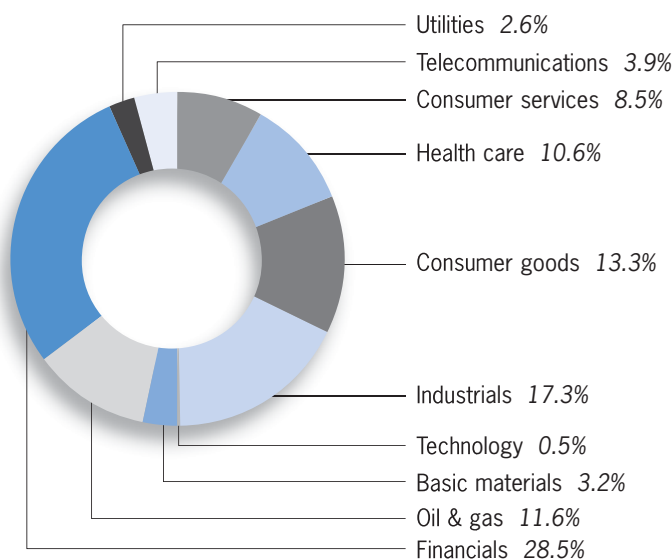
based on market values at 31 December 2008

	United Kingdom %	North America %	Europe %	Japan %	Other Pacific %
Oil & gas					
Oil & gas producers	9.39	–	0.80	–	–
Oil equipment & services	0.32	0.80	0.28	–	–
	9.71	0.80	1.08	–	–
Basic materials					
Chemicals	0.37	–	–	0.41	–
Forestry & paper	0.56	–	–	–	–
Mining	1.82	–	–	–	–
	2.75	–	–	0.41	–
Industrials					
Construction & materials	0.71	–	0.60	–	–
Aerospace & defence	4.06	–	–	–	–
General industrials	0.68	–	–	–	–
Electronic & electrical equipment	1.28	1.22	0.56	–	–
Industrial engineering	1.92	1.08	0.39	–	–
Industrial transportation	0.33	–	0.85	–	–
Support services	1.83	–	1.77	–	–
	10.81	2.30	4.17	–	–
Consumer goods					
Automobiles & parts	0.61	–	–	0.53	–
Beverages	1.42	0.22	0.22	–	–
Food producers	2.05	–	0.89	–	–
Household goods	3.54	–	1.22	–	–
Leisure goods	0.13	–	–	–	–
Tobacco	2.49	–	–	–	–
	10.24	0.22	2.33	0.53	–
Health care					
Health care equipment & services	0.71	–	2.03	–	–
Pharmaceuticals & biotechnology	6.28	–	1.26	0.35	–
	6.99	–	3.29	0.35	–
Consumer services					
Food & drug retailers	1.49	–	–	–	–
General retailers	1.67	–	0.74	0.55	–
Media	2.23	–	–	0.33	–
Travel & leisure	1.28	0.21	–	–	–
	6.67	0.21	0.74	0.88	–
Telecommunications					
Fixed line telecommunications	1.78	–	–	–	–
Mobile telecommunications	2.18	–	–	–	–
	3.96	–	–	–	–
Utilities					
Electricity	0.84	–	0.35	–	–
Gas water & multiutilities	1.40	–	–	–	–
	2.24	–	0.35	–	–
Financials					
Banks	5.15	–	1.11	–	–
Nonlife insurance	3.19	–	–	–	–
Life insurance/assurance	2.81	–	0.34	–	–
Real estate	3.45	–	–	–	–
General financial	1.03	–	0.60	–	–
Equity investment instruments	0.54	–	–	3.82	6.43
	16.17	–	2.05	3.82	6.43
Technology					
Software & computer services	0.50	–	–	–	–
	0.50	–	–	–	–
Total 2008	70.04	3.53	14.01	5.99	6.43
Total 2007	74.12	1.63	13.86	3.84	6.55

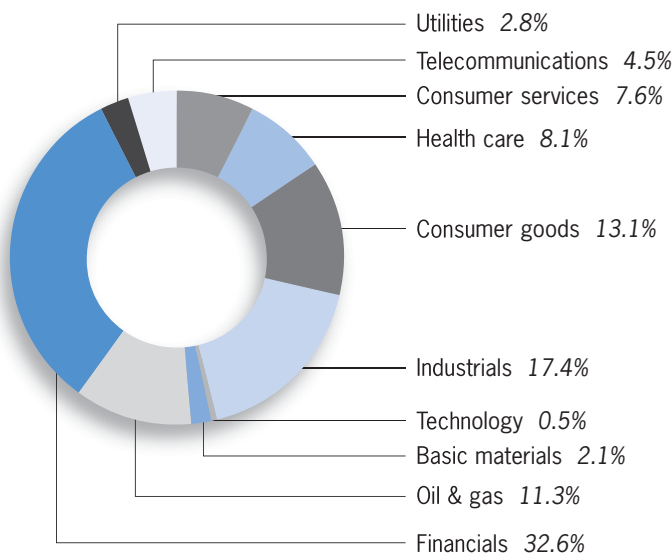
The above table excludes bank balances and short term deposits.

Total 2008 £000	2008 %	Total 2007 £000	2007 %
29,426	10.19	40,020	9.45
4,077	1.40	8,036	1.90
33,503	11.59	48,056	11.35
2,236	0.78	6,868	1.62
1,630	0.56	1,897	0.45
5,256	1.82	-	-
9,122	3.16	8,765	2.07
3,784	1.31	6,948	1.64
11,713	4.06	12,351	2.92
1,972	0.68	3,906	0.92
8,852	3.06	8,679	2.06
9,775	3.39	17,328	4.10
3,417	1.18	7,000	1.66
10,392	3.60	17,467	4.13
49,905	17.28	73,679	17.43
3,295	1.14	4,014	0.95
5,377	1.86	9,605	2.26
8,470	2.94	14,318	3.37
13,693	4.76	17,986	4.25
362	0.13	468	0.11
7,180	2.49	9,137	2.16
38,377	13.32	55,528	13.10
7,933	2.74	9,692	2.28
22,718	7.89	24,650	5.82
30,651	10.63	34,342	8.10
4,308	1.49	5,715	1.35
8,537	2.96	7,369	1.76
7,399	2.56	13,866	3.27
4,297	1.49	5,249	1.24
24,541	8.50	32,199	7.62
5,143	1.78	6,872	1.63
6,283	2.18	12,131	2.86
11,426	3.96	19,003	4.49
3,436	1.19	4,512	1.06
4,039	1.40	7,408	1.75
7,475	2.59	11,920	2.81
18,047	6.26	51,564	12.17
9,181	3.19	6,371	1.50
9,130	3.15	14,361	3.38
9,947	3.45	17,261	4.08
4,709	1.63	7,731	1.82
31,107	10.79	40,765	9.62
82,121	28.47	138,053	32.57
1,445	0.50	1,949	0.46
1,445	0.50	1,949	0.46
288,566	100.00		
		423,494	100.00

Portfolio by sector 2008



Portfolio by sector 2007



as at 31 December 2008

The number of investments decreased from 137 at 31 December 2007 to 135 at 31 December 2008. Those shown in italics are new holdings in the six months following 30 June 2008.

	£000	%		£000	%
Oil & gas			Industrial engineering		
Oil & gas producers			Hill & Smith		
BP	12,612	4.37	Cummins (USA)	1,855	0.64
Royal Dutch Shell	11,631	4.03	Caterpillar (USA)	1,242	0.44
BG	2,870	0.99	Weir Group	1,240	0.43
Total (Fra)	2,313	0.80	ABB (Switz)	1,118	0.39
	29,426	10.19	Delta	820	0.28
			Renold	500	0.17
Oil equipment & services				9,775	3.39
Schlumberger (USA)	1,472	0.51	Industrial transportation		
John Wood	935	0.32	Kuehne & Nagel (Switz)	1,446	0.50
National Oilwell Varco (USA)	850	0.29	AP Moller-Maersk (Den)	1,011	0.35
Saipem (Italy)	820	0.28	Wincanton	848	0.29
	4,077	1.40	Autologic	112	0.04
				3,417	1.18
Basic materials			Support services		
Chemicals			Carillion		
Asahi Kasei (Japan)	1,197	0.41	SGS (Switz)	2,473	0.86
Croda	1,039	0.37	Sodexo (Fra)	2,013	0.70
	2,236	0.78	Interserve	1,787	0.62
Forestry & paper			Deutsche Post (Ger)		
Mondi	1,630	0.56	Augean	1,647	0.57
	1,630	0.56	Johnson Service	1,312	0.45
				753	0.26
Mining				407	0.14
Anglo American	3,092	1.07		10,392	3.60
Rio Tinto	1,844	0.64	Consumer goods		
Xstrata	320	0.11	Automobiles & parts		
	5,256	1.82	GKN	1,762	0.61
			Toyota Motor (Japan)	1,533	0.53
Industrials				3,295	1.14
Construction & materials			Beverages		
CRH (Ireland)	1,726	0.60	Diageo	4,107	1.42
Balfour Beatty	1,646	0.57	Pernod-Ricard (Fra)	641	0.22
Marshalls	403	0.14	Dr Pepper Snapple Group (USA)	629	0.22
Heywood Williams	9	-		5,377	1.86
	3,784	1.31	Food producers		
Aerospace & defence			Unilever		
Senior	3,687	1.28	Nestlé (Switz)	3,553	1.23
Rolls Royce	3,154	1.09	Cadbury	2,574	0.89
Meggitt	2,516	0.87	Dairy Crest	1,794	0.62
Smiths	2,356	0.82	Premier Foods	422	0.15
	11,713	4.06	Uniq	74	0.03
				53	0.02
General industrials				8,470	2.94
Smith (DS)	1,023	0.35	Household goods		
Tomkins	921	0.32	Bellway	3,741	1.30
Acertec	28	0.01	Reckitt Benckiser	2,817	0.98
	1,972	0.68	Redrow	2,423	0.84
Electronic & electrical equipment			Essilor (Fra)		
Applied Materials (USA)	3,523	1.22	Puma (Ger)	2,155	0.75
Morgan Crucible	2,565	0.89	Bovis Homes	1,356	0.47
Neopost (Fra)	1,617	0.56		1,201	0.42
Abacus	647	0.22		13,693	4.76
TT Electronics	500	0.17	Leisure goods		
	8,852	3.06	Alba	362	0.13
				362	0.13
			Tobacco		
			British American Tobacco	7,180	2.49
				7,180	2.49

	£000	%
Health care		
Health care equipment & services		
Fresenius (Ger)	3,618	1.25
Fresenius Medical Care (Ger)	2,254	0.78
Smith & Nephew	2,061	0.71
	7,933	2.74
Pharmaceuticals & biotechnology		
GlaxoSmithKline	10,007	3.47
Shire	5,308	1.84
AstraZeneca	2,806	0.97
Novartis (Switz)	2,393	0.83
Sanofi-Aventis (Fra)	1,229	0.43
Astellas Pharma (Japan)	975	0.35
	22,718	7.89
Consumer services		
Food & drug retailers		
Tesco	4,308	1.49
	4,308	1.49
General retailers		
Next	2,959	1.03
Inditex (Spain)	2,132	0.74
Lawson (Japan)	1,593	0.55
Dunelm	1,000	0.35
Findel	703	0.24
Topps Tiles	150	0.05
	8,537	2.96
Media		
Reed Elsevier	1,918	0.66
Pearson	1,601	0.55
BSkyB	1,431	0.50
Thomson Reuters	1,083	0.38
Toppan Printing (Japan)	944	0.33
Yell	266	0.09
Johnston Press	156	0.05
	7,399	2.56
Travel & leisure		
Greene King	1,185	0.41
British Airways	1,028	0.36
Carnival	808	0.28
Carnival (USA)	613	0.21
Marstons	585	0.20
Avis Europe	52	0.02
Thomas Cook Group	26	0.01
	4,297	1.49
Telecommunications		
Fixed line telecommunications		
Colt Telecom 7.625% 15 DEC 2009	1,832	0.63
BT	1,758	0.61
Cable & Wireless	1,553	0.54
	5,143	1.78
Mobile telecommunications		
Vodafone	4,603	1.60
Inmarsat	1,680	0.58
	6,283	2.18

	£000	%
Utilities		
Electricity		
Scottish & Southern Energy	2,412	0.84
Iberdrola (Spain)	1,024	0.35
	3,436	1.19
Gas water & multiutilities		
National Grid	2,221	0.77
Severn Trent	1,818	0.63
	4,039	1.40
Financials		
Banks		
HSBC	7,944	2.75
Barclays	3,706	1.28
Banco Santander (Spain)	2,240	0.78
Standard Chartered	1,715	0.59
Royal Bank of Scotland	1,487	0.53
BNP Paribas (Fra)	955	0.33
	18,047	6.26
Nonlife insurance		
Amlin	4,605	1.60
Hiscox	4,329	1.50
Chaucer	247	0.09
	9,181	3.19
Life insurance/assurance		
Aviva	3,062	1.06
Prudential	1,840	0.64
Legal & General	1,366	0.47
Friends Provident	995	0.34
Irish Life & Permanent (Ire)	987	0.34
Old Mutual	880	0.30
	9,130	3.15
Real estate		
Land Securities	2,533	0.88
Hammerson	2,140	0.74
Mucklow (A&J) Group	1,768	0.61
Great Portland Estate	1,690	0.59
Segro	1,111	0.39
St Modwen Properties	705	0.24
	9,947	3.45
General financial		
Deutsche Börse (Ger)	1,670	0.59
Provident Financial	1,505	0.52
International Personal Finance	695	0.24
Intermediate Capital Group	634	0.22
	4,504	1.57
Equity investment instruments		
Henderson Asia Pacific Capital Growth (Pacific)	18,542	6.43
Henderson Japan Capital Growth (Japan)	11,018	3.82
Herald Investment Trust	1,547	0.54
	31,107	10.79
Technology		
Software & computer services		
Sage	1,445	0.50
	1,445	0.50

Results

Independent fiduciary services income fell by 1.0% and net underlying income by 6.1%. Profit before tax fell by 16.6% from £10.1 million to £8.4 million. The fall in profit is a result of the non-recurrence of special fees earned in 2007 and the reduction in the number of corporate transactions in the second half of 2008. Revenue return per share fell by 5.0% from 5.63p to 5.35p, as 2007 was adversely affected by a prior year tax adjustment.

Corporate trusts

Although the international capital markets had a difficult year, certain high profile investment grade borrowers were still able to access the bond market. We were appointed by Anglo American, Aviva, British American Tobacco, BP, Centrica, Cadbury Schweppes, GlaxoSmithKline and National Grid, and towards the end of the year as trustee on new bond issues for Lloyds TSB, Nationwide and the Royal Bank of Scotland, all of which were guaranteed by the UK Government.

Law Debenture's recognised independence and ability to handle more complex deals is widely recognised in the market. Hence we were involved in the recommended bid by EDF Energy for British Energy. The offer to the British Energy shareholders involved an innovative structure as shareholders were offered either cash or a mixture of cash and contingent value rights instruments, which will pay out sums over the next ten years linked to energy prices. Law Debenture was selected to act as trustee of the contingent value rights instruments.

It was an active year for established trusts. Actions continued in relation to the Polish company, Elektrim, with a further substantial distribution being made to bondholders in 2008. Additional work continues to arise as a result of the credit crunch.

Treasury management

Treasury management provides trust cash management, custody and administration services in relation to various corporate trust, employee benefit schemes and retention plans, project financing and escrow and administration arrangements. 2008 was a difficult year for treasury management departments generally, but we managed the consequences of the banking sector difficulties without mishap and were able to grow the escrow business.

Pensions

The need, and consequent demand, for our pension trusteeship services remains strong. Our income for 2008 was slightly below 2007 levels, when the extreme level of corporate activity affecting the sponsors of pension schemes led to unprecedented demands on pension scheme trustees.

We won a number of new appointments, however, reflecting the growing appreciation by schemes of the value that a professional independent trustee can bring. New appointments included the Lloyds TSB Group and Mitchells & Butlers Pension Schemes.

We appointed three new members to our team with strong commercial and financial experience. This reflects our confidence for the potential demand for our services, and our determination to maintain and enhance our strong capability and reputation.

Corporate services

Law Debenture Corporate Services Limited has two income streams. The first is our long established and highly regarded service of process business. This saw a significant down turn in new appointments in the second half of the year as the global economic situation reduced the number of corporate transactions. We continue to accept appointments through our offices in London, New York, Delaware, the Channel Islands and Hong Kong, virtually 24 hours a day.

Our second income stream derives from the provision of corporate services (corporate directors, company secretary, accounting and incorporations service for Special Purpose Vehicles – SPVs). Although structured finance markets experienced a traumatic year, with very few new issues, we provided services for covered bond issues by Standard Life and Newcastle Building Society.

Appointments were secured from sectors other than securitisation/structured finance. For example, appointments to manage SPVs for real property holding structures and PFI projects, and for capital raising initiatives by companies in central and eastern Europe. The corporate services department operates independently of the trust business and provides services whether or not Law Debenture has a trustee role.

Structured finance administration

We managed to secure a number of new appointments, despite the collapse of the structured finance market. The general mistrust of opaque structures with strong ratings has resulted in a greater focus on third party administration and verification roles with a transparent approach to reporting. These are our core strengths and as a result, In 2008 we were appointed as fund administrator for Whistlejacket (in receivership) Limited, a structured investment vehicle in the process of being restructured, and as collateral administrator for Gresham V, a CLO issue.

Safecall

Safecall increased its client base during the year as more and more organisations appreciated the added value an external whistleblowing service provides. The increased level of fraud, driven by the economic downturn, has helped raise the demand for independent confidential reporting and we are well placed to capitalise on this. New appointments included Provident Financial, Taylor Wimpey, Metronet, Max Petroleum, Dominos Pizzas, Man Group and Severn Trent.

Overseas

United States

Law Debenture Trust Company of New York continued to expand its presence as a premier provider of corporate trust service in the United States. While performance was down against 2007, when there were exceptional levels of bankruptcy settlement fees, towards the end of 2008 we were appointed as trustee, administration and paying agent for the Common Fund for Short Term Investments. The Common Fund is a Non-Profit Organization, which provides investment and financial services to over 990 colleges and universities. At the time of the appointment the portfolio held over \$4 billion of assets. Other noteworthy appointments included successor trustee, registrar and paying agent for GlaxoSmithKline Capital Inc., Univision Communications Inc., and British Telecommunications plc. Trustee appointments included Clear Channel Communications, Stillwater Mining Company, Pacific Life Global Funding, and Nielsen Finance LLC. We were also named as trustee for Fosse 2008 -1 (Alliance Leicester) and serve on the creditors committee of Washington Mutual Inc.

Law Debenture Corporate Services Inc. had a strong first half of the year, but saw reduced transaction volumes in the second half of 2008.

Hong Kong

Hong Kong experienced a notable slowdown in M&A activity in late 2008. However, corporate activity on a smaller scale has continued, thereby mitigating the impact of the slowing economy on our escrow business. Falling share prices led more companies to adopt employee share trusts in 2008, in some cases as replacements for share option schemes that had gone 'out of the money' and this created opportunities for us, including an appointment by Tradelink Electronic Commerce Limited. The service of process business made a significant contribution to the business during the year.

Mainland China continues to be an attractive destination for external operators and we expect an increasing role for our niche services in China over the coming year.

Channel Islands

The global credit crunch has resulted in a significant fall in new business enquiries. However we were involved as trustee in considering a number of matters arising on some of our existing transactions which have resulted in additional work for us.

Cayman Islands

Law Debenture (Cayman) is a registered trust company which provides a useful location for offshore transactions.

Caroline Banschky

Registered office

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Facsimile: 020 7606 0643
(Registered in England – No. 30397)

Investment portfolio manager

Henderson Global Investors Limited
201 Bishopsgate
London EC2M 3AE

Auditors

BDO Stoy Hayward LLP
55 Baker Street
London W1U 7EU

Global custodians

The Bank of New York Mellon
160 Queen Victoria Street
London EC4V 4LA

Registrar and transfer office

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 707 1129

Bankers

The Royal Bank of Scotland Group

Stockbrokers

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

A member of



The directors present their report and the audited financial statements for the year ended 31 December 2008. The Corporation retains its status as an investment trust and has been treated by HM Revenue & Customs ('HMRC') and approved as such for the year ended 31 December 2007, the latest year for which financial statements have been submitted. Such approval for the year ended 2007 is subject to there being no subsequent enquiry under Corporation Tax Self Assessment. In the opinion of the directors, the Corporation has subsequently conducted its affairs so as to enable it to obtain section 842 approval under the Income and Corporation Taxes Act 1985. The Corporation, which (as far as the directors are aware) is not a close company, is registered as an investment company as defined in section 833 of the Companies Act 2006 and operates as such. The directors consider that the group operates as a going concern.

In August 2002, all of the Corporation's ordinary shares of 25p were split into five ordinary shares of 5p. Wherever share price data is shown which relates to a period before August 2002, the price has been restated to reflect the share split.

Business review

This part of the report has been expanded this year to comply with the requirements of the Companies Act 2006.

The group divides into two distinct complementary areas of business. The Corporation is a global investment trust, its portfolio of investments being managed by Henderson Global Investors Limited ('Henderson'). Independent fiduciary services activities are corporate trusts, treasury management, pension trusts, corporate services (including agent for service of process), structured finance administration and whistle blowing services. The services are provided by wholly owned subsidiaries of the Corporation with offices in London, Sunderland, New York, Delaware, Hong Kong, the Channel Islands and the Cayman Islands.

The Corporation's objective for the investment trust is to achieve long term capital growth in real terms and steadily increasing income. The directors consider a number of performance measures to assess the group's success in achieving its objectives. The key performance indicators used to measure the progress

and performance of the group are: net asset value total return per share; the discount or premium in share price to net asset value; and the cost of running the portfolio as a percentage of its value. The net asset value total return combines the total return on the portfolio and the earnings of the independent fiduciary service business.

The net asset value performance is included in the chairman's statement and the premium or discount to net asset value and cost of running the portfolio are given within the 10 year record.

The outlook for the investment portfolio is described in the investment manager's report. The independent fiduciary services businesses may be adversely affected by the difficult market conditions that will continue for some time. The recession has curbed activity in some of the markets where the businesses operate and it will be difficult to maintain revenues at the levels reached in recent years. The Managing Director and her team will continue to seek new opportunities wherever possible.

Law Debenture considers that none of its trading activities has a negative environmental impact beyond the consumption of energy to service its offices.

The group's employees are provided with a modern, comfortable working environment which complies with all relevant safety regulations. Employees receive a range of benefits designed to promote good health including health insurance, medicals, etc. Independent confidential helpline facilities are provided to enable employees to deal with issues of concern to them, whether work related or domestic. As a result of these measures, and senior management's open style, staff turnover is extremely low (less than 10% per annum).

The group does not support social and community initiatives, its offices being based in non-residential financial districts.

The board is required to give information about persons with whom Law Debenture has contractual or other arrangements that are essential to the business of the group. In the view of the board, the only contract that is essential is that in place with Henderson, details of which are given elsewhere in the directors' report.

continued

Investment policy

The Corporation's investment policy is as follows:

The Corporation carries on its business as a global growth investment trust. Its objective is set out in the business review. The aim is to achieve a higher rate of total return than the FTSE Actuaries All-Share Index through investing in a portfolio diversified both geographically and by industry.

To achieve this, investments are selected on the basis of what appears most attractive in the conditions of the time. This approach means that there is no obligation to hold shares in any particular type of company, industry or geographical location. The independent fiduciary services businesses do not form part of the investment portfolio and are outwith this policy.

The Corporation's portfolio will typically contain between 70 and 150 listed investments. The portfolio is widely diversified both by industrial sector and geographic location of investments in order to spread investment risk.

Whilst performance is measured against local and UK indices, the composition of these indices does not influence the construction of the portfolio. As a consequence, it is expected that the Corporation's investment portfolio and performance will deviate from the comparator indices.

Because the Corporation's assets are invested internationally and without regard to the composition of indices, there are no restrictions on maximum or minimum stakes in particular regions or industry sectors. However, such stakes are monitored in detail by the board at each board meeting in order to ensure that sufficient diversification is maintained.

Liquidity and long-term borrowings are managed with the aim of improving returns to shareholders. The policy on gearing is to assume only that level of gearing which balances risk with the objective of increasing the return to shareholders. In pursuit of its investment objective, investments may be held in, inter alia, equity shares, fixed interest securities, interests in limited liability partnerships, cash and liquid assets. Derivatives may be used but only with the prior authorisation of the board. Investment in such instruments for trading purposes is proscribed. It is permissible to hedge against currency

movements on both capital and income account, subject again to prior authorisation of the board. Stock lending, trading in suspended shares and short positions are not permitted.

The Corporation's investment activities are subject to the following limitations and restrictions:

- No investment may be made which raises the aggregate value of the largest 20 holdings, excluding investments in OEICs, to more than 40% of the Corporation's portfolio, including cash. The value of a new acquisition in any one company may not exceed 5% of total portfolio value (including cash) at the time the investment is made, further additions shall not cause a single holding to exceed 5%, and board approval must be sought to retain a holding, should its value increase above the 5% limit.
- The Corporation applies a ceiling on effective gearing of 150%. While effective gearing will be employed in a typical range of 90% to 120%, the board retains the ability to reduce equity exposure to below 90% if deemed appropriate.
- The Corporation may not make investments in respect of which there is unlimited liability.
- The Corporation has a policy not to invest more than 15% of gross assets in other UK listed investment companies.

Investment policy – implementation

During the year, the assets of the Corporation were invested in accordance with the investment policy.

A full list of holdings is disclosed on pages 14 and 15 and detailed analyses of the spread of investments by geographic region and industry sector are shown on pages 11 to 13. NAV relative performance against the FTSE All-Share Index is shown on page 3.

The top 20 holdings (excluding the Henderson OEICs) comprise 37.1% of the total portfolio (2007: 35.3%).

The extent to which the Corporation's objective has been achieved, and how the investment policy was implemented, are described in the chairman's statement on pages 6 and 7 and the investment manager's review on pages 8 and 9.

Investments are selected on the basis of what appears most attractive in the conditions of the time. The Corporation will not pay unrealistically high prices but hopes to be able to buy growth shares on reasonable terms. There is no obligation to hold shares in any particular type of company or industry or market, the aim is to find the best value in a diversified portfolio, and to achieve a better return than the FTSE All-Share Index by good stock picking. In the long term, return on equities should exceed the cost of our long term borrowing.

Principal risks and uncertainties

The principal risks of the Corporation relate to its investment activities and include market price risk, foreign currency risk, liquidity risk, interest rate risk, and credit risk. These are explained in note 19 to the accounts.

The principal risks of the independent fiduciary services business arise during the course of defaults, potential defaults and restructurings where we have been appointed to provide services. To mitigate these risks we work closely with our legal advisers and, where appropriate, financial advisers, both in the set up phase to ensure that we have as many protections as practicable, and at all other stages whether or not there is a danger of default.

Revenue, dividends and reserves

The revenue return attributable to shareholders for the year ended 31 December 2008 was £18,248,000. The directors recommend a final dividend of 8.0p per share, which together with the interim dividend of 4.2p paid in September 2008, will produce a total of 12.2p (2007: 12.0p). The final dividend will be paid on 22 April 2009 to holders on the register on the record date of 13 March 2009. After deduction of the interim and proposed final dividends of £14,306,000 (2007: £14,051,000), consolidated revenue reserves increased by £3,942,000 (2007: increase of £2,605,000).

Directors

All the directors on page 5 held office throughout the year.

The board has decided that, effective from the 2009 AGM, all directors will be required to stand for re-election every year. The list of candidates, which the

board supports, is set out in the notice of annual general meeting, along with a statement in each case of why the candidate is supported. Mr. Williams will not be seeking re-election and stands down after 15 years of service.

The board is appointing a new non-executive director with effect from 1 March 2009. Christopher Smith was until 31 December 2008, a Managing Director - Corporate Finance at JPMorgan Cazenove. He has over 30 years experience in corporate finance and equity capital markets and will be a valuable addition to the board.

No director has a service contract with any member of the group in excess of one year or was materially interested in any other contract with any member of the group. During the year, liability insurance was maintained for the benefit of directors and other officers.

Directors' shareholdings

Beneficial interests as at 31 December	2008	2007
C.J. Banzky	75,342	47,139
A.C. Cates	35,580	35,458
J.A. Kay	10,000	5,000
D.C.P. McDougall	410,000	410,000
R.J. Williams	110,392	95,308

The beneficial interest of James Henderson at 31 December 2008 was 50,000.

No director has a beneficial interest in the shares of any subsidiary company. There has been no change in directors' interests since 31 December 2008.

Directors' conflicts of interests

The Corporation's Articles of Association were amended last year to comply with the Companies Act 2006 requirement that impose a statutory duty on directors to avoid conflicts of interest. The board has in place appropriate procedures to deal with conflicts and potential conflicts, including an annual review, and those procedures are operating effectively. Each director has declared all matters that might give rise to a potential conflict of interest and these have been considered and approved by the board.

Regulatory compliance

The Corporation is subject to continuing obligations applicable to listed companies, overseen by the UK

continued

Listing Authority ('UKLA'), which is a division of the Financial Services Authority. One company in the group, The Law Debenture Trust Corporation p.l.c., is regulated in the conduct of a limited range of authorised business activities. The directors receive periodic reports from the compliance officer about its conduct.

The Money Laundering Regulations 2007 have required some of the Corporation's independent fiduciary services businesses to be registered for compliance by HMRC and the Managing Director is responsible for supervising compliance, which is managed on a day to day basis by the Money Laundering Reporting Officer.

Law Debenture's responsibilities as an institutional shareholder

The Corporation's policy is as follows:

Law Debenture will normally support incumbent management and, where practicable, vote in favour of resolutions proposed by the boards of companies in which it has a shareholding, but reserves the right to vote against management where appropriate.

The board determines the Corporation's investment strategy but does not issue express instructions to the investment manager on transactions in particular shares. Where Law Debenture believes that incumbent management is failing in its duties, Law Debenture (or on its behalf, the Corporation's investment manager) may attempt to enter into dialogue with the company concerned in an attempt to alter the management's position.

Where this is not possible, or where incumbent management declines to alter its behaviour, Law Debenture will consider voting against resolutions proposed by the management.

Henderson, on Law Debenture's behalf, monitors companies in which Law Debenture is invested, and from time to time may discuss matters of corporate governance with such companies. The Henderson corporate governance unit will notify Law Debenture's investment manager, who in turn will notify Law Debenture, should matters arise that might lead the Corporation to consider intervening, abstaining or voting against a particular proposal.

The Corporation will not hold shares in companies whose ethical and environmental practices are in its view likely to damage the performance of the business to the detriment of its shareholders.

Repurchase of shares

During the year, the Corporation did not repurchase any of its shares for cancellation. It intends to seek shareholder approval to renew its powers to repurchase shares for cancellation up to 14.99% of the Corporation's issued share capital, if circumstances are appropriate.

Shares may be issued in accordance with the articles of association – see AGM resolution 11.

Substantial shareholdings and share information

As at 27 February 2009, there were no shareholders that had notified the Corporation of an interest in 3% or more of the issued share capital. Share information as required by section 992 of the Companies Act 2006 appears at page 67. Unless expressly stated the Corporation has no disclosure to make under that section.

Shareholder relations

The Corporation encourages communication between the management and shareholders on matters of mutual interest. All shareholders receive a copy of the annual report and the interim statement, and the Corporation also provides this service to shareholders in nominee companies where the nominee has made appropriate arrangements. The shareholders wishing to receive reports and other communications electronically may do so by writing to the Corporation.

Employee participation

Employees are informed of the financial aspects of the group's performance through periodic management meetings. Copies of the annual report and the interim statement are made available to all employees. Details of the general bonus scheme are contained in the remuneration report on page 31. The Corporation has since 1992 operated SAYE schemes in which all UK full-time employees are eligible to participate after completing a minimum service requirement.

Options outstanding under the SAYE schemes at 31 December 2008 were:

Date of grant	Number of option holders	Shares under option	Exercise price
17 June 2004	14	33,365	203.82p
10 June 2005	10	15,093	240.73p
9 August 2006	13	20,316	283.70p
11 June 2007	11	11,981	349.76p
22 May 2008	37	115,271	314.24p

From 1993 to 2004, the Corporation operated Executive Share Option Schemes, which enabled executives to be granted options to acquire shares in the Corporation. Options granted under the scheme are normally exercisable between the third and tenth anniversaries of the option grant date. For options granted from 1998 onwards, such exercise was contingent upon targets for the independent fiduciary services business being achieved. Following a board decision in 2005 to discontinue the scheme and replace it with a Deferred Share Bonus Plan, no further options have been granted and total options outstanding at 31 December 2008 were as follows:

Date of grant	Number of option holders	Shares under option	Exercise price
2 August 2002	1	17,025	211.5p
28 March 2003	15	196,066	174.4p
2 March 2004	11	84,467	228.2p

Investment management

Henderson is responsible for the management of the investment portfolio. Henderson is fully aware of the Corporation's investment policy and provides a cost competitive service. Consequently the directors believe that the continuing appointment of Henderson is in the best interests of shareholders. The agreement does not cover custody or the preparation of data associated with investment performance, which are outsourced, or record keeping, which is maintained by the Corporation. Fees paid to Henderson in the year amounted to £945,000 (2007: £931,000) and are based on 0.25% per annum of the average portfolio value, excluding cash. The underlying management fee of 1% on the Corporation's holdings in the Henderson Japanese and Pacific OEICs has been rebated.

The Corporation holds no shares in members of the HHG Group, the parent company of Henderson; it has been notified that funds managed by members of the HHG Group held 342,969 shares in the Corporation at 31 December 2008.

Charitable donations

During the year the Corporation made charitable donations of £1,732 (2007: £1,687).

Payment of suppliers

The group is committed to seeking the best terms possible for all types of business and hence there is no single policy as to the terms used. For most suppliers, the average credit period is 30 days. Special arrangements exist for suppliers of certain legal services, where the group charges these costs to its clients.

Auditors

During the year, the directors decided that in accordance with corporate governance best practice, it being six years since the appointment of PKF (UK) LLP as auditors, it would be appropriate to put the audit to tender. PKF decided not to participate in the process and accordingly resigned as auditors. Following the tender process, BDO Stoy Hayward LLP were appointed as the Corporation's auditors.

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Acts.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with

continued

International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The directors have chosen to prepare financial statements for the Corporation in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Corporation's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of information given to auditors

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

Directors' responsibility statement pursuant to DTR4

The directors confirm to the best of their knowledge:

The group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group.

The annual report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that they face.

Auditors

A resolution to appoint BDO Stoy Hayward LLP as auditors to the Corporation will be proposed at the annual general meeting.

By order of the board

Law Debenture Corporate Services Limited
Secretary

27 February 2009

The directors are required to report on how the Corporation has applied the main and supporting principles in the Combined Code on Corporate Governance (the 'Code'), and to confirm that it has complied with the Code's provisions or, where this has not been the case, to provide an explanation. The Corporation was a constituent of the FTSE 250 during the period of the review, so all of the provisions of the Code apply to it. However, the Code recognises that investment companies such as Law Debenture may have board structures which might affect the relevance of particular provisions of the Code. Where Law Debenture has departed from any provisions of the Code, this will be explained below.

The board – role, modus operandi and appraisal

The board includes a majority of non-executive directors. The names of the directors, all of whom served through the year, along with biographies, are on page 5 of the annual report.

The board is responsible for the overall strategy and management of the group, setting investment policy and strategy and ensuring that the Corporation is operating in compliance with statutory and legal obligations. There is a formal schedule of matters specifically reserved for board decision, and this document is published on the Corporation's website (www.lawdeb.com under investment trust/investor information). Matters connected with strategy and management, structure and capital, financial reporting and control, investment trust portfolio, contracts, shareholder communication, board membership and other appointments, remuneration and corporate governance are reserved for the board. There is a separate schedule setting out the division of responsibility between the chairman and managing director.

The chairman takes personal responsibility for leadership of the board and ensures that directors receive accurate, timely and clear information. He reviews the provision of information with the company secretary at least annually.

The board operates as a collective decision making forum. Individual directors are required to scrutinise reports produced by the executive, and are encouraged to debate issues in an open and constructive manner. If one or more directors cannot support a consensus decision, a vote will

be taken and the views of a dissenting director recorded in the minutes.

Procedures are in place to enable independent professional advice to be taken by individual directors at the Corporation's expense, and appropriate insurance cover is in place in respect of legal action against the directors.

The board meets regularly throughout the year. The attendance records of the directors (both at meetings of the board and, where relevant, meetings of board committees) are set out in the table below. There was also a strategy day during the year attended only by the directors.

	Board	Remuneration	Audit	Nominations
Number of meetings in the year	9*	3	4	1
Meetings attended by:				
C.J. Banszky	9	–	–	–
A.C. Cates	9	3	4	1
J.A. Kay	8	3	4	1
D.C.P. McDougall	8	3	4	1
R.J. Williams	9	–	–	–

*One of these was held at short notice to take routine decisions.

The board keeps under review the performance of the executive director, and the chairman formally appraises all the directors each year. The non-executive directors meet once each year (without the presence of the chairman) to review the chairman's performance, the results of the review being discussed with the chairman by the senior independent director.

Mr Cates is the senior independent director. He is available to shareholders who have concerns that cannot be addressed through the chairman, managing director or chief financial officer.

The board – independence

At least half of the board, excluding the Chairman, must be independent non-executive directors. The board has concluded that as at the date of this report, excluding the chairman, two of the four other directors are independent non-executives. In judging independence, the board takes into account whether or not a director is independent of management and any material business or other relationship that could affect or interfere with the exercise of objective judgement by the director, or his/her

ability to act in the best interests of the Corporation and its subsidiaries.

The chairman, Mr McDougall, was independent at appointment and continues to be independent in the view of the board, notwithstanding the fact that he has served as a director for more than nine years and that he is not taken into account in assessing the independence of the board as a whole.

Assessment of independence should be about conduct, not an arbitrary time limit.

The board is satisfied that Mr McDougall's other commitments do not interfere with the discharge of his responsibilities to Law Debenture, and is satisfied that he makes sufficient time available to discharge his duties as chairman of Law Debenture.

Mr Cates was until 30 April 2002 a partner of Clifford Chance LLP, a firm that has provided advice to certain of the independent fiduciary services subsidiaries from time to time. The board has concluded that this does not affect the assessment of Mr Cates as independent for two reasons. Firstly, the Corporation's independent fiduciary services businesses obtain legal advice from many leading law firms during the course of a year. Secondly, in many instances, external factors (rather than Law Debenture's preference) dictate the choice of legal adviser, or conflicts of interest dictate that one firm must be chosen ahead of another.

Professor Kay was independent at appointment in September 2004 and remains so, having had no previous connections with the Corporation or any of its subsidiaries.

On 1 January 2005, Mr Williams became a non-executive director, having previously spent 11 years as an executive director. He is not considered by the board to be independent because of his period as an executive.

The board – re-election and renewal

The nominations committee – described in more detail elsewhere in this report – ensures that the board has in place arrangements for orderly and transparent appointments to the board. There are job descriptions in place for non-executive directors' roles, and the board has written terms and conditions of appointment for non-executive directors, which are available for inspection at the AGM. Particular care is taken to ensure that non-executive directors have sufficient time to commit to the duties expected of them. No new

non-executive director is appointed without first being interviewed by each existing non-executive director.

All new directors undergo an induction process, involving presentations by the managing director and each business head and meetings with the investment manager.

Commencing at the 2009 AGM, all directors will be submitted for annual re-election, subject to continued satisfactory performance, which is assessed as described above. There is no maximum number of terms that a director may serve.

Directors' remuneration

Details of the directors' remuneration appear in the remuneration report on page 34.

Board committees

The board has established a nominations committee, an audit committee and a remuneration committee, to which it has delegated certain responsibilities. Each committee has terms of reference, which are published on the Corporation's website (www.lawdeb.com/investment-trust/investor-information/corporate-governance).

All members of board committees are independent non-executive directors. The Smith guidance, which forms part of the Code, says that the chairman should not be a member of the audit committee. The Corporation's board, which is small, has concluded that given the range and complexity of issues considered by the committee, it is appropriate to have three members including the chairman. The board notes that following a review of the Code by the Financial Reporting Council, for smaller companies the proscription on the chairman serving on an audit committee has been removed. Although during 2008 the Corporation was not a smaller company, nevertheless for the reasons given above, non-compliance with this part of the Code is in the shareholders' best interests.

The Code provides that the chairman may be a member of the remuneration committee (the earlier Code proscribed this) but that he should not be its chairman. The Corporation's board has concluded that it is appropriate, given the size of the board, for the chairman to be on the remuneration committee and, given his experience and knowledge, that he is best placed of the three committee members to chair it.

A summary of each committee is set out below.

The number of meetings held during the year, and the attendance record of committee members is set out in the table on page 25.

Nominations committee

Role

To keep under review the structure, size and composition of the board and make recommendations about adjustments that are deemed necessary, and to ensure effective succession planning in accordance with legal and corporate governance needs.

Key duties

- Identification and nomination for board approval of suitable candidates to fill vacancies;
- Succession planning (in particular of the chairman and managing director);
- Making recommendations about the re-appointment of non-executive directors; and
- Ensuring that the board and its committees are constituted to comply so far as practicable with the Code.

Members

D.C.P. McDougall (chairman)
A.C. Cates
J.A. Kay

Audit committee

Role

To assist the board in the management of the group's finances and financial reporting structure.

Key duties

- Monitoring the independence and objectivity of the auditors, their performance and remuneration and making recommendations on the appointment of new auditors;
- Monitoring the statutory audit;
- Reviewing the annual and interim accounts before submission to the board, including particular focus on changes in accounting policy etc; and
- Reviewing the effectiveness of systems of internal control and risk management (including monitoring the internal audit function).

Members

J.A. Kay (chairman)
D.C.P. McDougall
A.C. Cates

The board is satisfied that all members have the necessary recent and relevant financial experience to serve.

Remuneration committee

Role

To develop the Corporation's remuneration policy and oversee its implementation, monitoring the effectiveness of the policy as it relates to the group's executives.

Key duties

- Reviewing and agreeing the remuneration and benefits of the executive director and senior executives in the light, as relevant, of corporate performance against a range of measures;
- Development of total remuneration packages, taking account of factors set out in the Code, based in part on performance and subject to suitable performance measurements as set by the committee; and
- To make recommendations to the board for any changes to long term incentive arrangements.

Members

D.C.P. McDougall (chairman)
A.C. Cates
J.A. Kay

The board does not operate a Management Engagement Committee. The duties of such a committee are undertaken directly by the board.

Accountability and audit

The statement of directors' responsibilities in relation to the financial statements appears on page 23 of the annual report and accounts. The independent auditors' report appears on pages 36 and 37. The directors confirm that the Corporation is a going concern as evidenced by the financial statements, which demonstrate a healthy position, taking into account all known and future anticipated liabilities, and the group's ability to meet those liabilities.

The financial statements present a balanced and clear assessment of the financial position and prospects of the Corporation and the group. The

financial statements are reviewed by the audit committee, then approved by the board, and signed by the chairman and managing director.

Non-audit services provided by the auditor (and by PKF (UK) LLP prior to its resignation) are reviewed by the audit committee to ensure that independence is maintained. Non-audit fees are shown at note 3 on page 45. The board's policy is that non-audit work (which normally consists of taxation and other technical advice) will be carried out by the Corporation's auditors unless there is a conflict of interest or someone else is considered to have more relevant experience.

Internal controls

The following paragraphs describe the framework of internal controls in place to ensure that the Corporation complies with the Financial Reporting Council's guidance ('the Turnbull guidance') which forms a part of the Code, and with the obligations of the UKLA's Disclosure and Transparency Rules. This section should be read in conjunction with the business review, from which shareholders will better understand the risks that our internal controls are in place to manage.

The board monitors the effectiveness of internal controls on a continuous basis and in a number of ways, both directly through main board general reviews and also by the more specific work carried out by the audit committee. The various mechanisms include:

- Board review of the group's matrix of key risks and controls;
- An internal audit function, which involves not only each business department (including overseas offices) being subject to audit on a regular basis, but also regular reviews of other business wide processes;
- Testing by the compliance officer of the Financial Services Authority ('FSA') regulated business systems and controls;
- Periodic reports to the board by the compliance officer about legal and regulatory changes, and the steps that the board must take to comply; and
- Review of reports by the external auditors on their annual audit work, and specific checks carried out on behalf of treasury management clients.

The internal audit programme and system of compliance checks have both been developed using a risk-based methodology and an evaluation of process controls.

The board considers that the above measures constitute continuing application of the Turnbull guidance and form an important management tool in the monitoring and control of the group's operational risks.

An important element of the overall controls remains a continuous review of the quality and effectiveness of internal financial controls of the group. During the year, the board has continued to require that the group maintains proper accounting records, so that it can rely on the financial information it receives to make appropriate business decisions and also that the group's assets are safeguarded. Key elements of the systems of internal control continue to be:

- Regular qualitative self-assessment of the effectiveness of the individual controls maintained in the overall internal financial control framework;
- Preparation by management of a comprehensive and detailed budget system, involving annual board approval and monthly comparison at board level of actual results with budgets and forecasts;
- Systematic reporting to the board of matters relating to litigation, insurance, pensions, taxation, accounting and cash management as well as legal, compliance and company secretarial issues;
- Review of internal audit reports by the appropriate operating company board and the audit committee;
- Review of the internal controls of those services, such as investment management, custody and registration, which have been delegated to third parties, such review being conducted during the initial contractual negotiation and on a regular basis, including annual discussions with the senior management and compliance staff of Henderson Global Investors Limited;

- Monitoring by the board of the investment management process, including the establishment and maintenance of investment guidelines, receiving a report from the investment manager at each board meeting, the review of all transactions with the investment manager and regular reconciliations of the records of the group with those of the global custodian and investment data services provider; and
- Receipt of frequent and detailed reports about the independent fiduciary services businesses, including reports (and attendance at board meetings from time to time) from managing directors of overseas subsidiaries.

The systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss.

By means of the procedures set out above, the directors have established a process for identifying, evaluating and monitoring the effectiveness of the internal control systems for the period. This process has been in place throughout 2008 and will be reviewed by the board on a regular basis.

Arrangements are in place by which staff of the group may, in confidence, raise concerns under the Public Interest Disclosure Act 1998 about possible improprieties in matters of financial reporting or other matters. If necessary, any member of staff with an honest and reasonable suspicion about possible impropriety may raise the matter directly with the chairman of the audit committee. Arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

Relations with shareholders and institutional shareholder responsibilities

The Corporation's compliance with these aspects of the Code is described separately within the directors' report.

Annual general meeting

Details of the annual general meeting ('AGM') for 2009 are set out at pages 66 to 69.

The board recognises the value of the AGM as an opportunity to communicate with investors and encourage their participation. Separate resolutions are put to the AGM on each substantially separate issue. Except where a poll has been called, the level of proxies lodged for each resolution, and the balance for and against the resolution and the number of abstentions is disclosed to the meeting. This information is published immediately after the AGM on the Corporation's website. Those appointing a proxy have the opportunity to indicate 'vote withheld' if they wish neither to support nor oppose a resolution. The notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. Where requested by nominee holders, annual reports and related documentation are circulated to beneficial owners and the Corporation is happy for beneficial owners to attend the AGM and (where appropriate arrangements have been made with the nominee) to vote their shares in person.

Summary statement of compliance

The board has concluded that, as demonstrated by the disclosures made in the foregoing, the Corporation has complied throughout 2008 with the requirements of the Combined Code on Corporate Governance or, where it has not complied, an explanation has been provided. Compliance is reported in respect of the entire Code.

Dear Shareholder

On behalf of the board I submit the remuneration report for The Law Debenture Corporation p.l.c. for 2008. The report contains specific and detailed information about the way directors of the Corporation are remunerated, and the amounts they receive. Some of the information is historical, some forward looking. Those sections that have been audited in accordance with legislative requirements are shown at the top of each relevant paragraph.

The remuneration report will be put to shareholders for approval as an ordinary resolution at the annual general meeting.

Douglas McDougall

Chairman, remuneration committee

Remuneration committee – membership and advisers

The board has delegated responsibility for consideration of all matters relating to the executive director's remuneration to a remuneration committee. All of the members of the committee (listed at page 27) are independent, non-executive directors. Each of these served throughout the year to 31 December 2008.

The committee met three times during the year. The managing director attended all of the meetings at the invitation of the chairman (although she was not present when details of her own remuneration were discussed). The managing director, the chief financial officer and the company secretary provided advice when called upon to do so. As for external advisers, the committee appointed Lesley Pearson, a remuneration consultant, to undertake salary benchmarking exercises and Facing Changes Limited to assist in a consultation exercise with the staff on proposed amendments to the pension plan (see paragraph 6 below). No other external advisers were engaged during the year.

To the extent required by statute, disclosures in this remuneration report have been audited – the independent auditors' report appears on pages 36 and 37.

The Corporation's remuneration policy

The remuneration committee and the board recognise that the Corporation and its subsidiaries work in competitive markets. The aim is to ensure that remuneration packages offered to the executive director and senior executives are competitive, and designed to attract, retain and motivate individuals of the highest calibre.

The remuneration committee operates, and will continue in the future to operate, in accordance with key principles which are:

- Remuneration packages should be competitive but not extravagant, and should broadly be in line with average packages in the markets in which Law Debenture operates; and
- There should be a clear link between total remuneration and performance.

The major components of Law Debenture's remuneration packages for the executive director and senior executives comprise: basic salary; general bonus scheme, which may be invested in a Share Incentive Plan, calculated by reference to the success of the independent fiduciary services businesses; discretionary bonus based upon independent fiduciary services business performance and the attainment of personal targets; a deferred bonus scheme for certain senior executives, designed to enhance retention of people key to the strategic growth of the independent fiduciary services business; pensions provision in a contributory, funded, HMRC approved, final salary occupational pension scheme; and participation in a Sharesave Scheme. Details of the policy applied in each component are outlined below. Non-executive directors receive fees as described at paragraphs 8 and 10, but do not receive any other benefits.

The sole executive director during the period of this report was Mrs Banszky (managing director).

The policy applied in respect of each component of the remuneration package is as follows:

1. Basic salary

Basic salary is set at levels consistent with individual performance and the market rates applicable to jobs of similar complexity and responsibility. To measure this, the remuneration committee engages an independent remuneration consultant. The salary of the executive director, which is described at paragraph 10 below, is reviewed annually by the remuneration committee.

The managing director also received non-pensionable cash payments in the form of a car allowance, pension allowance as detailed in paragraph 6 and a payment in lieu of private health cover (she is not a member of the group's scheme). This is included within salary/fees at paragraph 10. Non-cash benefits include life insurance cover.

2. General bonus scheme

This is payable to all eligible staff but not to the managing director.

A cash payment will be made in March 2009 in respect of performance of the independent fiduciary services businesses in 2008. The amount of the payment is not guaranteed from year to year and is calculated by reference to a number of factors relating to the independent fiduciary services businesses, including profitability and the growth in profits. The bonus is paid as a percentage of basic salary (normally expected to be between 5 and 15%), and all qualifying employees receive a bonus calculated at the same percentage. In 2009, the general bonus scheme payment will be 8.5% of basic salary. There are no performance conditions specific to any individual in order to qualify for receipt of a general bonus payment, although certain length of service and qualification conditions do apply. Entitlement to the payment will be withdrawn if the participant is not employed as at 24 March 2009. Participants are entitled to place all or part of their general bonus scheme payment into a HMRC approved Share Incentive Plan.

3. Senior executive discretionary bonus scheme

This is payable to a number of senior executives, including the managing director.

In assessing what bonus or incentive payment should be awarded, account is taken of any factors that the remuneration committee reasonably consider appropriate, including the financial performance and position of the group, the performance of the individual and the performance of the individual's department. There is no contractual entitlement that says an incentive payment must be paid in any given year. Entitlement is normally lost if, on the date that incentive payments are paid, a participant is no longer employed by the group, or either the participant or the group has served notice to terminate employment. Incentive payments are not taken into account in calculating pension contributions. The discretionary bonus payable in 2009 to Mrs Banzky in respect of 2008 will be £130,667 (2007: £168,000). Up to the allowable limit, her bonus in respect of 2008 and payable in 2009 will be eligible to be placed in the Corporation's Share Incentive Plan.

Starting in 2006, the remuneration committee amended the bonus arrangements. Eligible executives can receive a total bonus, which except in exceptional circumstances is unlikely to exceed 75% of salary. The total bonus includes the general bonus scheme, the senior executive discretionary bonus scheme and any awards made under the Deferred Share Bonus Plan. The purpose of the Deferred Share Bonus Plan, under which shares awarded as bonus do not vest for three years, is to incentivise and retain staff deemed key to the future of the business. It is expected that awards made under the Deferred Share Bonus Plan will make up at least one-third of the total bonus receivable by the participant.

At its discretion, the remuneration committee may make awards of shares each year under the Plan to executives. No executive has a contractual entitlement to an award, and the committee is not obliged to make an award to any individual in any year. Shares are purchased in the open market up to the amount of the award, and held on trust by a Law

continued

Debenture subsidiary. The shares are released to the executive on the third anniversary of grant of the award and are taxable at the executive's marginal rate of income tax on receipt. Entitlement to the award is lost if the executive gives notice to resign, or is put on notice of termination, before the award release date. Dividend rights and voting rights on shares held by the trustee pending release to relevant executives are waived. The committee made awards of deferred bonus shares to the executive director (details of which are at paragraph 14) and 47 key members of the executive on 3 March 2008. Subject to eligibility, the shares will be released to award holders on 3 March 2011.

The remuneration committee has agreed an award of shares to the value of £65,333. under the plan to Mrs Banzsky in respect of 2008, which will be purchased in March 2009 and will be released in March 2012.

Non-executive directors are not entitled to be participants.

4. Save as you earn ('SAYE') sharesave plan 2002 ('the Scheme')

Subject to eligibility conditions concerning length of service, the executive director (in common with all of the members of staff) is entitled to participate in the Corporation's SAYE Scheme. Details of her participation in the Scheme appear at paragraph 13.

The Scheme is approved by HMRC under paragraph 1, Schedule 9 Income and Corporation Taxes Act 1988. Eligible participants are entitled to make monthly savings direct from post tax pay, with a guaranteed tax-free return after five years. The amount to be saved can be up to a maximum aggregate of £250 per month. On joining the scheme, savers are given an option to acquire shares in the Corporation at the end of the five year saving period, at a price fixed at the beginning of the saving period. The fixed price is the net asset value per ordinary share on the date when eligible participants are invited to join the plan.

At the end of the five year saving period, participants receive a tax free bonus as stipulated by HMRC. At the end of a saving period, participants may choose to apply the amount saved to exercise the options over the shares notified at the outset of the saving period, or they may choose to relinquish their options

in favour of receiving a cash repayment of all of their contributions, plus the bonus.

Mrs Banzsky participated in the 2008 invitation, contributing £250 per month, her 2003 plan having matured in August 2008 when she received 9,237 options, all of which she exercised.

5. Executive share options (discontinued in 2005)

A summary of executive share options granted in previous years to the executive director is set out at paragraph 12.

The performance conditions that applied before the executive director was entitled to exercise her options are as follows:

- *Options granted in 2002*
These became exercisable on 2 August 2007, the performance conditions having been met.
- *Options granted in 2003*
These became exercisable on 28 March 2008, the performance conditions having been met.
- *Options granted in 2004*
These became exercisable on 2 March 2007, the performance conditions having been met.

6. Pensions provision

Mrs Banzsky was a member of the group's funded contributory, HMRC approved, final salary occupational scheme until 31 March 2006. Details of her membership of the scheme are contained in the table at paragraph 11. Pursuant to her service contract, since leaving the scheme the managing director has received 20% of base salary as compensation. This amount is paid monthly in arrears accruing from day to day after the deduction of income tax and national insurance.

From 1 April 2009, all future pension benefits will accrue at 1/80ths (currently 1/60ths for some eligible employees) with a salary cap of £40,000 for accrual purposes. Employees earning more than the cap will instead receive a cash sum which they may invest in a separate money purchase scheme. The board recognises the value of the Plan to employees, but at the same time wishes to reduce the risks of providing a final salary scheme. Transferring some of the mortality and investment risks to employees achieves this.

7. Service contracts

Details of the executive director's service contract are as follows:

	Date of Contract	Notice Period
C.J. Banszky	9 November 2001	6 months

Her employment is not for a fixed term. There are no contractual provisions for compensation payable upon early termination (with notice) of the contract. There is an entitlement to receive salary and benefits during the period of notice, which may be paid 'in lieu' of all or part of any period of notice. There are no entitlements to payments of any sort in the event that for cause the executive director's employment is summarily terminated.

In the event that the managing director is given notice of termination of employment within twelve months of any change in control of the company, she must be given not less than twelve months' written notice, and the same arrangements for receiving salary and benefits during this period (including payments 'in lieu') also apply as described above.

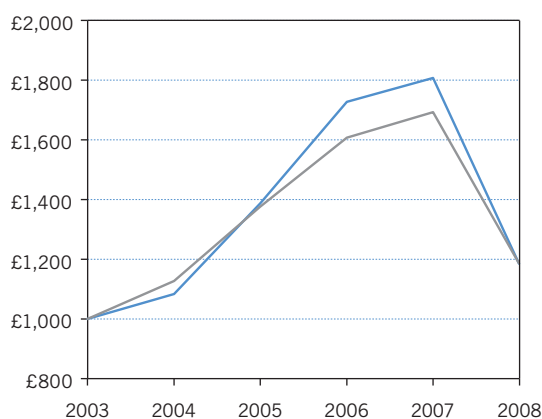
8. Remuneration of non-executive directors

The non-executive directors were paid fees for their services in 2008, as set out in paragraph 10. They may also reclaim travelling expenses.

The fees are reviewed by the board, on advice from the executive director, who from time to time undertakes comparative studies, using an independent remuneration consultant, to ensure that the Corporation's fee levels are consistent with the marketplace. The fees were amended with effect from 1 January 2008, and are paid as a flat rate director's fee (£22,500, or £27,500 for the senior non-executive director) with variable, additional fees being paid for each committee or board on which a director serves as chairman or a member. The board concluded in December 2008 that it would not be appropriate to increase fees in the current economic climate. All directors are expected to attend all meetings of the board and of any committee of which they are a member, barring unforeseen circumstances. The attendance record of the non-executive directors at meetings of the Corporation's board and committees is set out at page 25 as part of the corporate governance report.

Each non-executive director is appointed for an indefinite term, subject to periodic re-election by the shareholders in accordance with the Articles of Association. There are no provisions in any of the non-executive directors' letters of appointment for compensation payable on early termination of the directorship.

9. Performance graph



— Law Debenture share price total return, assuming the investment of £1,000 on 31 December 2003 and reinvestment of all dividends (excluding dealing expenses).
 — FTSE All-Share Index total return assuming notional investment of £1,000 into the index on 31 December 2003 and the reinvestment of all income (excluding dealing expenses).

Notes

1. The graph shows the total shareholder return of a nominal holding of £1,000 of Law Debenture's shares measured against the total shareholder return of a nominal holding of £1,000 invested in the FTSE All-Share Index over a five year period.
2. Dividends have been reinvested.

continued

10. Directors' emoluments 2008 (audited)

	Total salary/fees £	Total bonus £	Benefits other than in cash £	Total receivable for 2008 £	Total receivable for 2007 £
C.J. Banszky	347,215	162,765	800	510,780	529,979
A.C. Cates	55,000	–	–	55,000	53,000
D.C.P. McDougall	68,000	–	–	68,000	65,000
R.J. Williams	32,500	–	–	32,500	31,500
J.A. Kay	32,500	–	–	32,500	31,500

Notes

- Total salary/fees for Mrs Banszky comprises basic salary plus non-pensionable cash allowances of £67,215 as set out in paragraphs 1 and 6.
- Total bonus for Mrs Banszky comprises the discretionary bonus payable in respect of 2008 and the deferred shares vesting in 2008 as set out in paragraphs 3 and 14.
- No compensation or fee was paid to any individual who had previously been a director.

11. Annual pension entitlements upon reaching retirement age (audited)

	Increase in accrued pension during 2008 £ pa	Accumulated total accrued pension at 31 December 2008 £ pa	Transfer value as at 31 December 2007 £000	Transfer value as at 31 December 2008 £000	Increase in transfer value £000
C.J. Banszky	300	7,899	114	141	27

Notes

- The pension entitlement shown is that which would be paid annually on retirement based on service to 31 December 2008.
- The increase in accrued pension during the year includes any increase for inflation.
- The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- Any Additional Voluntary Contributions ('AVCs') are excluded from the above table. Mrs Banszky made no AVCs during the year.
- No previous directors are, or have been, in receipt of any excess retirement benefits.
- Mrs Banszky ceased to be a member of the scheme from 31 March 2006.

12. Executive share option scheme (audited)

	Interest as at 31 December 2007	Granted in 2008	Exercised in 2008	Interest as at 31 December 2008	Exercise price	Earliest exercise	Latest exercise
C.J. Banszky							
2002	17,025	–	–	17,025	211.5p	02.08.07	01.08.10
2003	38,596	–	–	38,596	174.4p	28.03.08	27.08.11
2004	31,364	–	–	31,364	228.2p	02.03.07	01.03.12

No options expired unexercised in the year, and none of the terms and conditions relating to any of the options were varied during the year.

The market price at the beginning of the year was 354.5p: the highest price during the year was 360.0p the lowest price was 180.0p.

13. Save as you earn share save plan (audited)

	Interest as at 31 December 2007	Interest acquired in 2008	Exercise price	Market price at invitation date	Exercised in 2008	Interest as at 31 December 2008	Earliest exercise	Latest exercise
C.J. Banzsky	9,237	–	172.40p	204.75p	9,237	–	–	–
C.J. Banzsky	–	5,179	314.24p	328.00p	–	5,179	01.08.13	31.01.14
R.J. Williams	9,237	–	172.40p	204.75p	9,237	–	–	–

None of the terms and conditions relating to any of the options held under this scheme was varied during the year. Mr Williams acquired his interest when he was an executive director. He was not eligible to start a new plan after the expiry of his existing plan in 2008.

14. Deferred share bonus plan (audited)

	Interest at 31 December 2007	Interest acquired in 2008	Purchase price	Interest at 31 December 2008	Date shares to be released
C.J. Banzsky					
2005	9,632	–	249.18p	–	–
2006	18,806	–	319.04p	18,806	01.03.09
2007	18,293	–	355.32p	18,293	08.03.10
2008 (January)	–	1,993	334.50p	1,993	25.01.11
2008 (March)	–	24,874	337.71p	24,874	03.03.11

The shares were purchased in the open market and are held under trust by a Law Debenture subsidiary until the release date.

Mrs Banzsky received her allocation of 9,632 deferred shares issued in 2005 on 13 May 2008, and continues to hold them. The price at vesting was 333.25p. The value of the shares at vesting is included in directors' remuneration and PAYE and NI was paid on that basis. The market value of the shares at 31 December 2008 was 233.5p.

15. Aggregate directors' remuneration

	2008	2007
Emoluments	698,780	710,979
Notional gain on exercise of share options	–	21,128
	698,780	732,107

to the shareholders of The Law Debenture Corporation p.l.c.

We have audited the group and parent company financial statements (the 'financial statements') of The Law Debenture Corporation p.l.c. for the year ended 31 December 2008 which comprise the group income statement, the group and Corporation statements of recognised income and expense, the group and Corporation balance sheets, the group and Corporation cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only that included on pages 1 to 29 and the unaudited parts of the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

Registered Auditors
London, UK

27 February 2009

38 Group income statement

for the year ended 31 December

	Notes	2008			2007		
		Revenue £000	Capital £000	Total* £000	Revenue £000	Capital £000	Total* £000
UK dividends		12,738	–	12,738	9,643	–	9,643
UK special dividends		15	–	15	94	–	94
Overseas dividends		2,248	–	2,248	1,507	–	1,507
Overseas special dividends		20	–	20	–	–	–
Interest from securities		180	–	180	418	–	418
		15,201	–	15,201	11,662	–	11,662
Interest income	5	1,461	–	1,461	4,323	–	4,323
Independent fiduciary services fees		32,090	–	32,090	32,418	–	32,418
Other income		112	–	112	129	–	129
Total income		48,864	–	48,864	48,532	–	48,532
Net (loss)/gain on investments held at fair value through profit or loss	2	–	(141,314)	(141,314)	–	11,635	11,635
Gross income and capital (losses)/gains		48,864	(141,314)	(92,450)	48,532	11,635	60,167
Cost of sales		(9,431)	–	(9,431)	(8,371)	–	(8,371)
Administrative expenses	3	(16,449)	77	(16,372)	(17,038)	(659)	(17,697)
Operating (loss)/profit		22,984	(141,237)	(118,253)	23,123	10,976	34,099
Finance costs							
Interest payable	5	(2,456)	–	(2,456)	(2,459)	–	(2,459)
(Loss)/profit before taxation	6	20,528	(141,237)	(120,709)	20,664	10,976	31,640
Taxation	7	(2,280)	–	(2,280)	(4,008)	–	(4,008)
(Loss)/profit for year	6	18,248	(141,237)	(122,989)	16,656	10,976	27,632
(Loss)/return per ordinary share (pence)	9	15.58	(120.59)	(105.01)	14.23	9.37	23.60
Diluted (loss)/return per ordinary share (pence)	9	15.58	(120.59)	(105.01)	14.19	9.34	23.53

* See note 1.

Statement of recognised income and expense

for the year ended 31 December

	2008			2007		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Group						
(Loss)/profit for the year	18,248	(141,237)	(122,989)	16,656	10,976	27,632
Foreign exchange	1,117	–	1,117	(31)	–	(31)
Taxation on foreign exchange	(70)	–	(70)	–	–	–
Pension actuarial (losses)/gains	(6,032)	–	(6,032)	26	–	26
Taxation on pension	1,605	–	1,605	(8)	–	(8)
Total recognised income and expense relating to the year	14,868	(141,237)	(126,369)	16,643	10,976	27,619
Corporation						
(Loss)/profit for the year and total recognised income and expense relating to the year	15,602	(141,237)	(125,635)	15,434	70,976	86,410

as at 31 December

	Notes	Group		Corporation	
		2008 £000	2007 £000	2008 £000	2007 £000
Assets					
Non current assets					
Goodwill	10	3,181	4,185	-	-
Property, plant and equipment	11	477	666	-	-
Other intangible assets	12	83	46	-	-
Investments held at fair value through profit or loss	13	288,566	423,494	288,361	423,276
Investments in subsidiary undertakings	13	-	-	58	58
Amounts due from subsidiary undertakings		-	-	60,000	60,000
Deferred tax assets	7	1,953	332	-	-
Total non current assets		294,260	428,723	348,419	483,334
Current assets					
Trade and other receivables	14	3,461	4,320	239	204
Other accrued income and prepaid expenses		4,126	3,693	986	938
Corporation tax receivable		239	-	-	-
Other taxation including social security		455	-	455	-
Cash and cash equivalents	15	31,590	34,685	20,297	23,286
Total current assets		39,871	42,698	21,977	24,428
Total assets		334,131	471,421	370,396	507,762
Current liabilities					
Amounts owed to subsidiary undertakings		-	-	51,042	48,310
Trade and other payables	16	8,491	8,583	179	1,016
Short term borrowings	20	85	65	-	-
Corporation tax payable		1,782	1,852	1,059	825
Other taxation including social security		416	509	233	315
Deferred income		4,019	3,767	11	10
Total current liabilities		14,793	14,776	52,524	50,476
Non current liabilities and deferred income					
Long term borrowings	20	39,311	39,284	-	-
Retirement benefit obligations	23	5,478	257	-	-
Deferred income		7,226	7,871	244	253
Contingent purchase consideration		900	2,143	-	-
Total non current liabilities		52,915	49,555	244	253
Total net assets		266,423	407,090	317,628	457,033
Equity					
Called up share capital	17	5,902	5,888	5,902	5,888
Share premium		7,971	7,477	7,971	7,477
Capital redemption		8	8	8	8
Share based payments		201	195	-	-
Own shares		(2,137)	(1,603)	-	-
Capital reserves	18	226,763	368,000	286,981	428,218
Retained earnings		26,929	27,386	16,766	15,442
Translation reserve		786	(261)	-	-
Total equity shareholders' funds	26	266,423	407,090	317,628	457,033

Approved and authorised for issue by the board on 27 February 2009 and signed on its behalf by:

D.C.P. McDougall Chairman

C.J. Banzky Managing director

40 Cash flow statement

for the year ended 31 December

	Group		Corporation	
	2008 £000	2007 £000	2008 £000	2007 £000
Operating activities				
Operating profit before interest payable and taxation	(118,253)	34,099	(121,016)	30,888
Losses/(gains) on investments	141,772	(10,976)	141,772	(10,976)
Foreign exchange	(248)	-	-	-
Depreciation of property, plant and equipment	286	157	-	-
Amortisation of intangible assets	31	54	-	-
Share based payments	6	28	-	-
Decrease/(increase) in receivables	(29)	6,860	(538)	3,574
(Decrease)/increase in payables	(551)	(1,496)	(927)	954
Transfer from capital reserves	(336)	(215)	(336)	(215)
UK and overseas withholding tax deducted at source	(212)	(177)	(212)	(177)
Normal pension contributions in excess of cost	(811)	(790)	-	-
Cash generated from operating activities	21,655	27,544	18,743	24,048
Taxation	(2,463)	(2,497)	(914)	(242)
Interest paid	(2,456)	(2,459)	(3,259)	(3,266)
Operating cash flow	16,736	22,588	14,570	20,540
Investing activities				
Acquisition of property, plant and equipment	(88)	(129)	-	-
Expenditure on intangible assets	(68)	(33)	-	-
Purchase of investments	(81,112)	(117,682)	(81,112)	(117,654)
Sale of investments	74,208	70,538	74,195	70,538
Sale of subsidiary undertakings	-	-	-	60,000
Acquisition of subsidiary undertakings	-	(1,905)	-	(50)
Loans to subsidiary undertakings	-	-	-	(60,000)
Cash flow from investing activities	(7,060)	(49,211)	(6,917)	(47,166)
Financing activities				
Subsidiary undertakings	-	-	2,732	2,187
Dividends paid	(14,278)	(12,994)	(14,278)	(12,994)
Proceeds of increase in share capital	508	69	508	69
Purchase of own shares	(534)	(277)	-	-
Net cash flow from financing activities	(14,304)	(13,202)	(11,038)	(10,738)
Net decrease in cash and cash equivalents	(4,628)	(39,825)	(3,385)	(37,364)
Cash and cash equivalents at beginning of period	34,620	74,521	23,286	60,695
Foreign exchange gains/(losses) on cash and cash equivalents	1,513	(76)	396	(45)
Cash and cash equivalents at end of period	31,505	34,620	20,297	23,286
Cash and cash equivalents comprise				
Cash and cash equivalents	31,590	34,685	20,297	23,286
Bank loans and overdrafts	(85)	(65)	-	-
	31,505	34,620	20,297	23,286

1 Summary of significant accounting policies

General Information

The Law Debenture Corporation p.l.c. is a public company incorporated in the United Kingdom. The address of the registered office is given on page 18. The group's operations and its principal activities are as an investment trust and the provider of independent fiduciary services.

The financial statements are presented in pounds sterling thousands because that is the currency of the primary economic environment in which the group operates.

Basis of preparation

The financial statements of The Law Debenture Corporation p.l.c. have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed instruments held at fair value through profit or loss. Where presentational guidance set out in the Statement of Recommended Practice Financial Statements of Investment Trust Companies, January 2009 (SORP) is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements 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. The most significantly affected components of the financial statements and associated critical judgements is as follows:

Defined benefit scheme

The estimation of the expected cash flows used in the calculation of the defined benefit scheme's liabilities includes a number of assumptions around mortality, inflation rates applicable to defined benefits and the average expected service lives of the employees (see note 23). The directors take advice from the Scheme Actuary when selecting these assumptions and when selecting the discount rate used to calculate the defined benefit scheme liabilities.

IFRS and interpretations applied and not yet applied to the financial statements

IFRS that are applicable to these financial statements for the first time have no material financial impact and no significant impact on the disclosures.

Certain new standards and amendments to standards have been published which will be mandatory to future financial statements but have not been adopted early in these financial statements. These include:

IFRS8 Operating Segments, applicable for periods commencing on or after 1 January 2009;

IFRS3 (amended) Business Combinations, applicable for periods commencing on or after 1 July 2009; and

IAS 1 (amended) Presentation of Financial Statements, applicable for periods commencing on or after 1 January 2009.

The application of the above in 2008 would not have had any financial impact.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of The Law Debenture Corporation p.l.c. and entities controlled by the Corporation (its subsidiaries) made up to the end of the financial period. Control is achieved where the Corporation has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess consideration over the fair values of the identifiable net assets acquired is recognised as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. The financial statements of subsidiaries are adjusted, where necessary, to ensure the accounting policies used are consistent with those adopted by the group.

Presentation of income statement

In order to better reflect the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Corporation's status as a UK investment company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the group's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988. As permitted by Section 230 of the Companies Act 1985, the Corporation has not presented its own income statement.

continued

1 Summary of significant accounting policies continued

Segment reporting

A business segment is a group of assets and operations that are subject to risks and returns that are different from those of other business segments. The group comprises two business segments; the investment trust and independent fiduciary services, this is consistent with internal reporting. The overseas offices represent less than 10% of the assets and operations and consequently no separate geographical segment information is provided.

Foreign currencies

Transactions recorded in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date. Gains and losses on translation are included in net profit or loss for the period, however exchange gains or losses on investments held at fair value through profit and loss are included as part of their fair value gain or loss.

The assets and liabilities of overseas subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expenses of overseas subsidiaries are translated at the average exchange rates for the period. Exchange differences arising from the translation of net investment in foreign subsidiaries are recognised in equity and transferred to the group's translation reserve.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives as follows:

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

Intangible assets

Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between three and five years.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment would be recognised in profit or loss and is not subsequently reversed.

Impairment of assets

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Assets are reviewed on a regular basis and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Financial instruments

Investments

Listed investments, which comprise the investment trust portfolio, have been designated as investments held at fair value through profit or loss. Purchases and sales of listed investments are recognised on trade date, the date on which the group commits to purchase or sell the investment. Investments are initially recognised at fair value and transaction costs are expensed as incurred. Gains and losses arising from listed investments, as assets at fair value through profit or loss, are included in the income statement in the period in which they arise.

The fair value of listed investments is based on quoted market prices at the balance sheet date. The quoted market price used is the bid price.

Gains and losses on investments and direct transaction costs are analysed within the income statement as capital. All other costs of the investment trust are treated as revenue items.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

1 Summary of significant accounting policies continued

Borrowings

Borrowings are recognised initially at fair value, 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 method, so as to generate a constant rate of return on the amount outstanding.

Share capital

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

Taxation

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are either never taxable or deductible or are taxable or deductible in other periods. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to recover the asset. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is expected to be settled or the asset is expected to be realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time basis using the effective interest rate applicable.

Sales of services

Revenue comprises the fair value of the sales of services net of value added tax and after eliminating sales within the group. Sales of services are recognised in the accounting period in which the services are rendered, provided that the outcome of the transaction can be estimated reliably. Where the outcome of a transaction can be estimated reliably, sales are assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Where payments are received in advance for trusteeships which extend beyond the period end then the amount relating to future periods is deferred using an appropriate discount rate.

Employee benefits

Pension costs

The group operates a defined benefit pension plan. The cost of providing benefits is determined using the project unit credit method, with independent actuarial calculations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur through equity. Past service cost is recognised immediately to the extent that benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

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

Bonus schemes

The group recognises provisions in respect of its bonus schemes when contractually obliged or when there is a past practice that has created a constructive obligation.

Share based plans

The group has awarded share options to executives and the group makes equity based awards to executives.

In accordance with the transitional provisions for the implementation of the standard, the group has applied the requirements of IFRS 2 Share-based Payments to all grants of equity instruments made after 7 November 2002.

Share-based payments are measured at fair value at the date of grant using an appropriate option valuation technique, which is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

continued

1 Summary of significant accounting policies continued**Leases***Operating leases*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Dividend distribution to the Corporation's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by shareholders.

2 Total capital (losses)/gains from investments

	2008 £000	2007 £000
Realised gains based on historical cost	661	30,632
Amounts recognised as unrealised in previous years	(28,601)	(29,461)
Realised (losses)/gains based on carrying value at previous balance sheet date	(27,940)	1,171
Unrealised (losses)/gains on investments	(113,038)	10,679
	(140,978)	11,850
Transfers to revenue	(336)	(215)
	(141,314)	11,635

3 Administrative expenses

	2008 £000	2007 £000
Administrative expenses include:		
Salaries and directors' fees	9,402	8,734
Social security costs	1,003	789
Other pension costs	729	724
Investment management fee	945	931
VAT on investment management fees	(425)	105
Depreciation – property, plant and equipment	286	157
Amortisation – intangible assets	31	54
Operating leases – land and buildings	1,247	1,122
Foreign exchange	(134)	45
Auditors' remuneration	129	185

During the year, the group employed an average of 115 staff (2007: 101). All staff are engaged in the provision of independent fiduciary services. The Corporation has no employees.

3 Administrative expenses continued

Details of the terms of the investment management agreement are provided on page 23 of the directors' report.

Administrative expenses charged to capital are transaction costs and foreign exchange differences on the purchase of investments held at fair value through profit or loss.

A more detailed analysis of the auditors' remuneration on a worldwide basis is provided below:

	2008 £000	2007 £000
Audit services		
– fees payable to the Corporation's auditors for the audit of its financial statements*	120	115
– audit related regulatory	4	4
Tax services	5	66
Other services	–	–
	129	185

* Including the Corporation £25,000 (2007: £35,000).

These figures do not include fees receivable by the auditors for work undertaken by them in connection with the audits of special purpose vehicles administered by the group as part of its independent fiduciary services business.

A description of the work of the audit committee is set out in the corporate governance report on page 27 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments, which comprise the following, are included in administrative expenses:		
Directors' fees	188	181
Management remuneration	511	530
	699	711

The emoluments of the highest paid director totalled £511,000 (2007: £530,000) and included employer pension contributions of £ nil (2007: nil) and amounts under the terms of the employee bonus plan of £163,000 (2007: £181,000). Her accrued pension entitlement is as follows:

	2008 £000
Increase during 2008 including inflation increase	–
Accumulated total accrued pension at 31 December 2008	8
Transfer value of increase in accrued pension based on actuarial advice	27

Annual pension entitlements shown above are based upon service up to 31 December 2008 and do not include any Additional Voluntary Contributions. There are no other directors for whom there is an accrued pension entitlement.

Details of options held and the emoluments of each director are shown in the remuneration report starting on page 30.

continued

5 Interest

	2008 £000	2007 £000
Interest income		
Interest on bank deposits	582	2,716
Returns on money market funds	687	1,346
Returns on pension scheme (net)	192	261
	1,461	4,323
Interest payable		
Interest on debenture stock	2,450	2,450
Interest on multi-currency bank loans	–	–
Interest on bank overdrafts	6	9
	2,456	2,459
Interest (net)	(995)	1,864

6 Segmental analysis

	Investment trust		Independent fiduciary services		Total	
	31 December 2008 £000	31 December 2007 £000	31 December 2008 £000	31 December 2007 £000	31 December 2008 £000	31 December 2007 £000
Segment income	15,201	11,662	32,090	32,418	47,291	44,080
Other income	93	27	19	102	112	129
Cost of sales	–	–	(9,431)	(8,371)	(9,431)	(8,371)
Administration costs	(1,254)	(1,850)	(15,195)	(15,188)	(16,449)	(17,038)
	14,040	9,839	7,483	8,961	21,523	18,800
Interest (net)	(1,944)	711	949	1,153	(995)	1,864
Return, including profit on ordinary activities before taxation	12,096	10,550	8,432	10,114	20,528	20,664
Taxation	(110)	(481)	(2,170)	(3,527)	(2,280)	(4,008)
Return, including profit attributable to shareholders	11,986	10,069	6,262	6,587	18,248	16,656
Return per ordinary share	10.23	8.60	5.35	5.63	15.58	14.23
Assets	310,396	447,762	23,735	23,659	334,131	471,421
Liabilities	(52,768)	(50,729)	(14,940)	(13,602)	(67,708)	(64,331)
Total net assets	257,628	397,033	8,795	10,057	266,423	407,090

The capital element of the income statement is wholly attributable to the investment trust.

Other information

	£000	£000	£000	£000	£000	£000
Capital expenditure	–	–	156	162	156	162
Depreciation	–	–	317	211	317	211

7 Taxation

	2008 £000	2007 £000
Taxation based on revenue for the year comprises:		
UK Corporation tax at 28.5% (2007: 30%)	1,998	2,836
Adjustments in respect of prior years	13	386
	2,011	3,222
Overseas tax		
Current tax on income for the year	281	421
Total current tax charge	2,292	3,643
Deferred tax	(12)	365
	2,280	4,008

Taxation

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008 £000	2007 £000
(Loss)/profit before taxation	(120,709)	31,640
Tax on ordinary activities at standard rate 28.5% (2007:30%)	(34,402)	9,492
Effects of:		
Expenses not deductible for tax purposes	8	46
Higher rates of tax on overseas income	-	(5)
Non taxable capital losses/gains	40,253	(3,293)
Tax credit on dividend income	(3,438)	(2,734)
Adjustment in respect of prior periods	13	386
Recovery of overseas tax	(213)	124
Tax at small companies rate	-	(4)
Losses on overseas companies for which no tax relief arises	75	-
Other differences	(16)	(4)
	2,280	4,008

The group expects that a substantial portion of its future income will continue to be in the form of UK dividend receipts and capital gains, which constitute non-taxable income. On this basis, the group tax charge is expected to remain significantly different to the 28% standard UK rate.

Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

Deferred tax assets

	Accelerated tax depreciation £000	Retirement benefit obligations £000	Other employee benefits £000	Total £000
At 1 January 2007	318	322	65	705
(Charge)/credit to income	(128)	(237)	-	(365)
Credit to equity	-	(8)	-	(8)
At 1 January 2008	190	77	65	332
(Charge)/credit to equity	-	1,605	(8)	1,597
(Charge)/credit to income	160	(148)	-	12
Foreign exchange	12	-	-	12
At 31 December 2008	362	1,534	57	1,953

continued

8 Dividends on ordinary shares

	2008 £000	2007 £000
Dividends on ordinary shares comprise the following:		
2008 Interim 4.2p (2007: 4.0p)	4,925	4,683
2007 Final 8.0p (2006: 7.1p)	9,353	8,311
Total for year	14,278	12,994
Proposed final dividend for the year ended 31 December 2008	9,381	

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2008 £000	2007 £000
2008 Interim 4.2p (2007: 4.0p)	4,925	4,683
2008 Final 8.0p (2007 8.0p)	9,381	9,368
	14,306	14,051

On this basis Law Debenture satisfies the requirements of Section 842 of the Income and Corporation Taxes Act 1988, as amended by Section 117 Finance Act 1988, Section 55 Finance Act 1990 and Schedule 30 paragraph 2 Finance Act 1996 as an approved Investment Trust Company.

Dividends have been waived in respect of the 772,080 shares owned by the Employee Share Ownership Trust ('ESOT') (see note 17).

9 Earnings per share from continuing operations

Revenue return is based on profits attributable of £18,248,000 (2007: £16,656,000).

Capital return per share is based on net capital loss for the year of £141,237,000 (2007: gain £10,976,000).

Total return per share is based on net loss for the year of £122,989,000 (2007: gain £27,632,000).

The calculations of returns per share are based on 117,124,503 (2007: 117,085,850) shares, being the weighted average number of shares in issue during the year after adjusting for shares owned by the ESOT. There was no dilution in 2008. In 2007 total, revenue and capital returns per share were calculated using 117,454,985 shares, being the diluted weighted average number of shares in issue assuming exercise of options at less than fair value.

10 Goodwill

	2008 £000	2007 £000
Cost		
At 1 January	4,185	–
Acquisition (see note 27)	–	4,185
Adjustment to contingent consideration	(1,243)	–
Foreign exchange	239	–
At 31 December	3,181	4,185

At 31 December 2008 the estimate of the contingent consideration relating to the acquisition of subsidiary companies during 2007 was reduced. The goodwill is identifiable with separate operating companies. At 31 December 2008 the goodwill in relation to the operating companies was reviewed. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows based on management forecasts for 2009 and 2010, an assumed annual growth based on current market expectations and a discount rate of 10%. On this basis the goodwill is not considered to be impaired.

11 Property, plant and equipment

Group	2008			2007		
	Leasehold improvements £000	Office furniture & equipment £000	Total £000	Leasehold improvements £000	Office furniture & equipment £000	Total £000
Cost						
At 1 January	777	825	1,602	731	742	1,473
Additions at cost	–	88	88	46	83	129
Foreign exchange	–	11	11	–	–	–
At 31 December	777	924	1,701	777	825	1,602
Accumulated depreciation						
At 1 January	347	589	936	290	489	779
Charge	156	130	286	57	100	157
Foreign exchange	–	2	2	–	–	–
At 31 December	503	721	1,224	347	589	936
Net book value at 31 December	274	203	477	430	236	666

The Corporation holds no property, plant and equipment.

12 Other intangible assets

Group	Computer software 2008 £000	Computer software 2007 £000
Cost		
At 1 January	600	567
Additions at cost	68	33
At 31 December	668	600
Accumulated amortisation		
At 1 January	554	500
Charge	31	54
At 31 December	585	554
Net book value at 31 December	83	46

The Corporation holds no other intangible assets.

continued

13 Investments**Investments held at fair value through profit or loss**

	2008			2007		
	Listed £000	Unlisted £000	Total £000	Listed £000	Unlisted £000	Total £000
Group						
Opening cost at 1 January	294,493	218	294,711	217,359	190	217,549
Gains at 1 January	128,783	-	128,783	147,565	-	147,565
Opening fair value at 1 January	423,276	218	423,494	364,924	190	365,114
Purchases at cost	81,112	-	81,112	117,654	28	117,682
Cost of acquisition	(319)	-	(319)	(614)	-	(614)
Sales – proceeds	(74,195)	(13)	(74,208)	(70,538)	-	(70,538)
– realised gains on sales	126	-	126	30,632	-	30,632
Losses in the income statement	(141,639)	-	(141,639)	(18,782)	-	(18,782)
Closing fair value at 31 December	288,361	205	288,566	423,276	218	423,494
Closing cost at 31 December	301,217	205	301,422	294,493	218	294,711
(Losses)/gains	(12,856)	-	(12,856)	128,783	-	128,783
Closing fair value at 31 December	288,361	205	288,566	423,276	218	423,494

	2008			2007		
	Listed £000	Unlisted £000	Total £000	Listed £000	Unlisted £000	Total £000
Corporation						
Opening cost at 1 January	299,590	-	299,590	222,456	-	222,456
Gains at 1 January	123,686	-	123,686	142,468	-	142,468
Opening fair value at 1 January	423,276	-	423,276	364,924	-	364,924
Purchases at cost	81,112	-	81,112	117,654	-	117,654
Cost of acquisition	(319)	-	(319)	(614)	-	(614)
Sales – proceeds	(74,195)	-	(74,195)	(70,538)	-	(70,538)
– realised gains on sales	126	-	126	30,632	-	30,632
Losses in the income statement	(141,639)	-	(141,639)	(18,782)	-	(18,782)
Closing fair value at 31 December	288,361	-	288,361	423,276	-	423,276
Closing cost at 31 December	306,314	-	306,314	299,590	-	299,590
(Losses)/gains	(17,953)	-	(17,953)	123,686	-	123,686
Closing fair value at 31 December	288,361	-	288,361	423,276	-	423,276

Included in unlisted investments in the group balance sheet are subsidiary undertakings which are held in connection with the group's independent fiduciary services business and in which the group holds all voting rights. These undertakings have not been included in the group consolidation as the Corporation's ability to exercise its rights as a parent company over the assets and management of these undertakings is severely restricted by contractual agreements with other parties. The group received fees of £192,685 (2007: £301,360) in respect of these undertakings.

There were no amounts outstanding with these undertakings at the year end (2007: nil).

13 Investments continued

Investments in subsidiary undertakings – Corporation

	2008 £000	2007 £000
Cost		
At 1 January	58	8
Acquisition	–	50
At 31 December	58	58

The Corporation, or a subsidiary thereof, owns all the issued share capital of the following principal subsidiaries. All subsidiaries are registered in England and Wales unless otherwise stated. All of the subsidiaries listed below are included in the consolidated financial statements. Other than Law Debenture Finance p.l.c., a group financing company, all subsidiaries are engaged in the provision of independent fiduciary services.

† Delaware Corporate Services Inc (incorporated in Delaware)

† L.D.C. Trust Management Limited

† Law Debenture Corporate Services Limited

† Law Debenture Corporate Services Inc (incorporated in New York)

Law Debenture Finance p.l.c.

† Law Debenture Guarantee Limited

† Law Debenture Holding Inc. (incorporated in New York)

† Law Debenture Intermediary Corporation p.l.c.

† Law Debenture Trust (Asia) Limited (incorporated in Hong Kong)

† Law Debenture Trust Corporation of New York (incorporated in New York)

† Law Debenture Trustees Limited

† Law Debenture Asset Backed Solutions Limited

† The Law Debenture Corporation (Deutschland) Limited

The Law Debenture Corporation (H.K.) Limited (incorporated in Hong Kong)

† The Law Debenture Pension Trust Corporation p.l.c.

† The Law Debenture Trust Corporation p.l.c.

† The Law Debenture Trust Corporation (Cayman) Limited (incorporated in the Cayman Islands)

† The Law Debenture Trust Corporation (Channel Islands) Limited (incorporated in Jersey)

† Safecall Limited

† Shares held by a subsidiary.

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

14 Trade and other receivables

An allowance has been made during the year for the estimated irrecoverable amounts from the sale of services of £323,000 (2007:£275,000). This allowance has been determined by reference to past experience.

continued

15 Cash and cash equivalents

These comprise cash held at bank by the group, short-term bank deposits with an original maturity of three months or less and money market funds with immediate access. The carrying amount of these assets approximates to their fair value.

16 Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

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

17 Called up share capital

	2008 £000	2007 £000
Authorised share capital		
133,000,000 ordinary shares	6,650	6,650
Allotted, issued and fully paid share capital		
Value		
As at 1 January	5,888	5,886
Issued in year	14	2
As at 31 December	5,902	5,888
Shares		
As at 1 January	117,752,213	117,720,013
Issued in year	281,810	32,200
As at 31 December	118,034,023	117,752,213

During the year to 31 December 2008, 281,810 shares were allotted under the SAYE Scheme and Executive Share Option Scheme for a total consideration of £508,171 which includes a premium of £494,081.

During the year, 131,843 options were granted under the Corporation's SAYE scheme. At 31 December 2008, options under the schemes exercisable from 2009 to 2013 at prices ranging from 172.4p to 349.8p per share were outstanding in respect of 493,584 ordinary shares (2007: 812,242) ordinary shares. During 2008 115,230 options lapsed or were cancelled (2007: 5,489) and 335,271 were exercised.

Further details of options outstanding are given in the directors' report on page 23.

Own shares held

	2008 £000	2007 £000
Own shares held – cost	2,137	1,603

The own shares held represent the cost of 772,080 (2007: 651,949) ordinary shares of 5p each in the Corporation, acquired by the ESOT in the open market. The shares have been acquired to meet the requirements of the Executive Share Option Scheme and the Deferred Share Bonus Plan. The dividends relating to the shares have been waived. The market value of the shares at 31 December 2008 was £1,725,599.

18 Capital reserves

	2008			2007		
	Unrealised (depreciation)/ appreciation £000	Realised reserves £000	Total £000	Unrealised appreciation £000	Realised reserves £000	Total £000
Group						
At 1 January	126,023	241,977	368,000	145,679	211,345	357,024
Transfer on disposal of investments	(28,601)	28,601	–	(29,461)	29,461	–
Net gains on investments	(113,038)	(27,940)	(140,978)	10,679	1,171	11,850
Cost of acquisition	(319)	–	(319)	(659)	–	(659)
Foreign exchange	396	–	396	–	–	–
Transfers to revenue	(336)	–	(336)	(215)	–	(215)
At 31 December	(15,875)	242,638	226,763	126,023	241,977	368,000

	2008			2007		
	Unrealised (depreciation)/ appreciation £000	Realised reserves £000	Total £000	Unrealised appreciation £000	Realised reserves £000	Total £000
Corporation						
At 1 January	121,287	306,931	428,218	140,943	216,299	357,242
Transfer on disposal of investments	(28,601)	28,601	–	(29,461)	29,461	–
Net gains on investments	(113,038)	(27,940)	(140,978)	10,679	61,171	71,850
Cost of acquisition	(319)	–	(319)	(659)	–	(659)
Foreign exchange	396	–	396	–	–	–
Transfers to revenue	(336)	–	(336)	(215)	–	(215)
At 31 December	(20,611)	307,592	286,981	121,287	306,931	428,218

19 Financial instruments

The group's investment objective is to achieve long term capital growth through investing in a diverse portfolio of investments spread both geographically and by sector. In pursuit of this objective, the group has the power to deploy the following financial instruments:

- Equities and fixed interest securities
- Cash, short-term investments and deposits, and working capital arising from the group's operations
- Debentures, term loans and bank overdrafts to allow the group to raise finance
- Derivative transactions to manage any of the risks arising from the use of the above instruments

It remains the group's policy that no trading in derivatives is undertaken. Information in respect of the investment portfolio is included on pages 8 to 15.

continued

19 Financial instruments continued

The group and Corporation held the following categories of financial assets and liabilities at 31 December 2008.

Group	2008	2007
	£000	£000
Assets		
Financial assets held at fair value through profit or loss (designated as such upon initial recognition):		
Equity investments	286,734	422,027
Debt investments	1,832	1,467
	288,566	423,494
Loans and receivables:		
Trade and other receivables	3,461	4,320
Cash and cash equivalents	31,590	34,685
	35,051	39,005
Total financial assets	323,617	462,499
Liabilities		
Financial liabilities measured at amortised cost:		
Loans and payables		
Trade and other payables	8,491	8,583
Short term borrowings	85	65
	8,576	8,648
Long term borrowings	39,311	39,284
Total financial liabilities	47,887	47,932
Corporation		
	2008	2007
	£000	£000
Assets		
Financial assets held at fair value through profit or loss (designated as such upon initial recognition):		
Equity investments	286,529	421,809
Debt investments	1,832	1,467
	288,361	423,276
Loans and receivables:		
Amounts due from subsidiary undertakings	60,000	60,000
Trade and other receivables	239	204
Cash and cash equivalents	20,297	23,286
	80,536	83,490
Total financial assets	368,897	506,766
Liabilities		
Financial liabilities measured at amortised cost:		
Loans and payables		
Amounts owed to subsidiary undertakings	51,042	48,310
Trade and other payables	179	1,016
Total financial liabilities	51,221	49,326

19 Financial instruments continued

The principal risks facing the group in respect of its financial instruments remain unchanged from 2007 and are:

- **market price risk**, arising from uncertainty in the future value of financial instruments. The board maintains policy guidelines whereby risk is spread over a range of investments, the number of holdings normally being between 70 and 150. In addition, the stock selections and transactions are actively monitored throughout the year by the investment manager, who reports to the board on a regular basis to review past performance and develop future strategy. The investment portfolio is exposed to market price fluctuation: if the valuation at 31 December 2008 fell or rose by 10%, the impact on the group's total profit or loss for the year would have been £28.9 million (2007: £42.3 million). Corresponding 10% changes in the valuation of the investment portfolio on the Corporation's total profit or loss for the year would have been the same.
- **foreign currency risk**, arising from movements in currency rates applicable to the group's investment in equities and fixed interest securities and the net assets of the group's overseas subsidiaries denominated in currencies other than sterling. The group's financial assets denominated in currencies other than sterling were:

	2008			2007		
	Investments £m	Net monetary assets £m	Total currency exposure £m	Investments £m	Net monetary assets £m	Total currency exposure £m
Group						
US Dollar	10.2	3.9	14.1	6.9	2.8	9.7
Euro	31.6	2.0	33.6	48.9	0.4	49.3
Danish Krone	1.0	–	1.0	1.9	–	1.9
Swiss Franc	9.5	–	9.5	9.4	–	9.4
Hong Kong Dollar	–	0.5	0.5	–	0.4	0.4
Japanese Yen	6.2	–	6.2	5.6	–	5.6
	58.5	6.4	64.9	72.7	3.6	76.3

	2008			2007		
	Investments £m	Net monetary assets £m	Total currency exposure £m	Investments £m	Net monetary assets £m	Total currency exposure £m
Corporation						
US Dollar	10.2	0.2	10.4	6.9	0.3	7.2
Euro	31.6	2.0	33.6	48.9	0.1	49.0
Danish Krone	1.0	–	1.0	1.9	–	1.9
Swiss Franc	9.5	–	9.5	9.4	–	9.4
Japanese Yen	6.2	–	6.2	5.6	–	5.6
	58.5	2.2	60.7	72.7	0.4	73.1

The holdings in the Henderson Japan Capital Growth and Pacific Capital Growth OEICs are denominated in sterling but have underlying assets in foreign currencies equivalent to £29.6 million (2007: £38.4 million). Investments made in the UK and overseas have underlying assets and income streams in foreign currencies which cannot be determined and this has not been included in the sensitivity analysis. If the value of all other currencies at 31 December 2008 rose or fell by 10% against sterling, the impact on the group's total profit or loss for the year would have been £8.8 million (2007: £11.1 million). Corresponding 10% changes in currency values on the Corporation's total profit or loss for the year would have been the same. The calculations are based on the investment portfolio at the respective balance sheet dates and are not representative of the year as a whole.

continued

19 Financial instruments continued

- **liquidity risk**, arising from any difficulty in realising assets or raising funds to meet commitments associated with any of the above financial instruments. To minimise this risk, the board's policy guidelines only permit investment in equities and fixed interest securities quoted in major financial markets. In addition, cash balances and overdraft facilities are maintained commensurate with likely future settlements. The maturity of the group's existing borrowings is set out in note 20.
- **interest rate risk**, arising from movements in interest rates on borrowing, deposits and short term investments. The board reviews the mix of fixed and floating rate exposures and ensures that gearing levels are appropriate to the current and anticipated market environment. The group's interest rate profile at 31 December 2008 was:

	Group				Corporation		
	Sterling £m	HK Dollars £m	US Dollars £m	Euro £m	Sterling £m	US Dollars £m	Euro £m
Fixed rate assets		-	-	-	-	-	-
Floating rate assets	26.4	0.4	2.9	1.9	18.2	0.2	1.9
Fixed rate liabilities*	39.3	-	-	-	-	-	-
Weighted average fixed rate	6.125%						

* Fixed until 2034.

The group holds cash and cash equivalents on short term bank deposits and money market funds. Interest rates tend to vary with bank base rates. The investment portfolio is not directly exposed to interest rate risk.

If interest rates during the year were 1.0% higher or lower the impact on the group's total profit or loss for the year would have been £226,000 (2007: £242,000).

The Corporation holds cash and cash equivalents on short term bank deposits and money market funds. Amounts due from subsidiary undertakings are for a term of five years and carry interest at a fixed rate (see note 13). Amounts owed to subsidiary undertakings include £40 million at a fixed rate. Interest rates on cash and cash equivalents and amounts due to subsidiary undertakings at floating rates tend to vary with bank base rates. Corresponding 1.0% changes in interest rates would have affected the Corporation's profit or loss for the year by £66,000 (2007: £104,000). The calculations are based on the balances at the respective balance sheet dates and are not representative of the year as a whole.

- **credit risk**, arising from the failure of another party to perform according to the terms of their contract. The group minimises credit risk through policies which restrict deposits to highly rated financial institutions and restrict the maximum exposure to any individual financial institution. The group's maximum exposure to credit risk arising from financial assets is £35.1 million (2007: £39.0 million). The Corporation's maximum exposure to credit risk arising from financial assets is £80.5 million (2007: £83.5 million).

Trade and other receivables

Trade and other receivables not impaired but past due by the following:

	Group		Corporation	
	2008 £000	2007 £000	2008 £000	2007 £000
Between 31 and 60 days	681	1,144	-	124
Between 61 and 90 days	702	581	134	7
More than 91 days	337	370	99	61
Total	1,720	2,095	233	192

19 Financial instruments continued

Trade and other payables

	Group		Corporation	
	2008 £000	2007 £000	2008 £000	2007 £000
Due in less than one month	7,786	7,544	179	1,016
Due in more than one month	705	1,039	-	-
	8,491	8,583	179	1,016

Fair value

The directors are of the opinion that the fair value of financial assets and liabilities of the group are not materially different to their carrying values.

20 Bank overdrafts and loans

	2008 %	2007 %
The weighted average interest rates were as follows:		
Bank overdrafts	5.67	6.51

The directors estimate the fair value of the group's borrowings as follows and have been classified by the earliest date on which repayment can be required.

	Group		Corporation	
	2008 £000	2007 £000	2008 £000	2007 £000
Borrowings are repayable as follows:				
In one year or less	85	65	-	-
In more than five years				
Secured				
6.125% guaranteed secured bonds 2034	39,311	39,284	-	-

The sterling bank overdrafts of £85,000 (2007: £65,000) have been incurred in connection with the independent fiduciary services business.

The 6.125% bonds were issued by Law Debenture Finance p.l.c. and guaranteed by the Corporation. The £40 million nominal tranche, which produced proceeds of £39.1 million, is constituted by Trust Deed dated 12 October 1999 and the Corporation's guarantee is secured by a floating charge on the undertaking and assets of the Corporation. The stock is redeemable at its nominal amount on 12 October 2034. Interest is payable semi-annually in equal instalments on 12 April and 12 October in each year.

Analysis of borrowings by currency

	2008		2007	
	Sterling £000	Total £000	Sterling £000	Total £000
Bank overdrafts	85	85	65	65

continued

21 Contingent liabilities

In order to facilitate the activities of one of its US subsidiaries, a UK subsidiary of the Corporation has provided a guarantee in the amount of US\$50 million.

The group is also from time to time party to legal proceedings and claims, which arise in the ordinary course of the independent fiduciary services business. The directors do not believe that the outcome of any of the above proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the group's financial position.

The Corporation has provided a guarantee to a subsidiary undertaking in respect of the ongoing liabilities of the group defined benefit pension scheme see note 23.

22 Lease commitments

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

		2008	2007
	Land and buildings £000	Total £000	Total £000
Less than one year	1,178	1,178	1,146
Two to five years	5,567	5,567	5,536
More than five years	5,504	5,504	6,573
	12,249	12,249	13,255

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

23 Pension commitments

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

Actuarial gains and losses are recognised in full in the period in which they occur. The group has adopted the revised version of IAS19 (Employee Benefits) published in December 2004. As permitted by the revised standard, actuarial gains and losses are recognised outside profit or loss and presented in the statement of recognised income and expense. The liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the Projected Unit Method.

At 31 December 2008, the expected rate of return on assets is 6.2% pa (2007: 6.4% pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 31 December 2008.

The estimated employer and employee contributions expected to be paid to the plan during 2009 is currently uncertain. Following consultation with employees, the group has changed the future benefits which will accrue to employees after 1 April 2009. The impact of this to future contributions has not yet been calculated. The contributions may also be significantly impacted by the results of the triennial actuarial valuation at 31 December 2008, which has not yet been completed.

23 Pension commitments continued

The major assumptions in the 31 December 2008 disclosure under IAS19 are shown below and are applied to membership data supplied at that date. This shows the net pension assets and liabilities.

	2008 %	2007 %
Principal actuarial assumptions:		
Retail Price Inflation	2.9%	3.4%
Discount rate	5.2%	5.7%
5% LPI Pension increases in payment	2.7%	3.3%
General salary increases	4.4%	4.9%
Expected return on assets	6.2%	6.4%

	Years	Years
Life expectancy of male aged 65 in 2008	22.2	21.9
Life expectancy of male aged 65 in 2028	24.1	23.0

	2008 £000	2007 £000
Present value of defined benefit obligation	29,244	26,968
Fair value of plan assets	(23,766)	(26,711)
Deficit in balance sheet	5,478	257

	2008 £000	2007 £000
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The amounts recognised in profit or loss are as follows:

Employer's part of current service cost	601	624
Interest cost	1,539	1,330
Expected return on plan assets	(1,731)	(1,591)
Past service costs	-	190
Total expense recognised in profit or loss	409	553

	2008		2007	
	Allocation %	£000	Allocation %	£000

The current allocation of plan assets is as follows:

Equities	63%	14,930	58%	15,499
Bonds	9%	2,118	11%	2,845
Gilts	24%	5,794	25%	6,670
Pensioner annuities	4%	920	3%	897
Property	-	-	3%	799
Other	-	4	-	1
Total	100%	23,766	100%	26,711

continued

23 Pension commitments continued

	2008 £000	2007 £000			
Reconciliation of present value of defined benefit obligation					
Opening defined benefit obligation	26,968	25,440			
Employer's part of current service cost	601	624			
Interest cost	1,539	1,330			
Contributions by plan participants	153	146			
Actuarial losses/(gains)	681	(278)			
Benefits paid	(698)	(484)			
Past service costs	-	190			
Closing defined benefit obligation	29,244	26,968			
	2008 £000	2007 £000			
Reconciliation of fair value of plan assets					
Opening fair value of plan assets	26,711	24,367			
Expected return on plan assets	1,731	1,591			
Actuarial losses	(5,351)	(252)			
Contributions by the employer	1,220	1,343			
Contributions by plan participants	153	146			
Benefits paid	(698)	(484)			
Closing fair value of plan assets	23,766	26,711			
	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Principal actuarial assumptions					
Present value of defined benefit obligation	29,244	26,968	25,440	27,371	24,010
Fair value of plan assets	(23,766)	(26,711)	(24,367)	(20,928)	(16,662)
Deficit	5,478	257	1,073	6,443	7,348
Experience adjustments on plan assets					
Amount of (loss)/gain	(5,351)	(252)	816	1,724	771
Percentage of plan assets	(23%)	(1%)	3%	8%	5%
Experience adjustments on plan liabilities					
Amount of gain/(loss)	7	326	39	797	(62)
Percentage of the present value of the plan liabilities	-	1%	-	3%	-
Expense to be recognised immediately outside profit or loss					
Actuarial losses/(gains)	6,032	(26)	(3,119)	(20)	(1,766)

24 Share based payments

The group operates a share option scheme for the executive director and senior members of staff. Details of which are included in paragraph 5 of the remuneration report on page 32.

Details of the share options outstanding were:

	2008		2007	
	Number of share options	Weighted average price Pence	Number of share options	Weighted average price Pence
Outstanding at 1 January	492,434	195.81	611,247	201.00
Granted during the year	–	–	–	–
Exercised during the year	(109,876)	206.83	(118,813)	222.48
Lapsed during the year	(85,000)	212.10	–	–
Outstanding at 31 December	297,558	191.66	492,434	195.81
Exercisable at 31 December	297,558	191.66	244,440	217.71
			2008 Pence	2007 Pence
Weighted average share price at date of exercise			331.28	355.89

Details of the number of option holders is given on page 23 of the directors' report.

Inputs into the Black-Scholes model are as follows:

	2008	2007
Expected volatility	20%	20%
Interest rate	5%	5%
Expected life (years)	3	3

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

The group recognised total expenses of £6,000 (2007: £28,000) in respect of share based payment transactions.

During the year the Deferred Share Bonus Plan made awards in respect of 221,672 with a market value of £742,000, which will be released to executives in March 2011. The shares are held in the ESOT. The cost of the shares is being charged to the income statement over the vesting period.

25 Related party transactions

Group

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

Corporation

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

	2008 £000	2007 £000
Dividends from subsidiaries	–	2,965
Interest on intercompany balances charged by subsidiaries	3,259	3,265
Management charges from subsidiaries	400	400
Interest on intercompany balances charged to subsidiaries	5,400	3,795

continued

26 Reconciliation of reserves

	Share capital £000	Share premium £000
Group		
Balance at 1 January 2007	5,886	7,410
Net profit	–	–
Foreign exchange	–	–
Actuarial gain on pension scheme (net of tax)	–	–
Total income and expenditure	–	–
Issue of shares	2	67
Dividend relating to 2006	–	–
Dividend relating to 2007	–	–
Share based payment	–	–
Movement in own shares	–	–
Total equity shareholders' funds at 31 December 2007	5,888	7,477
Balance at 1 January 2008		
	5,888	7,477
Net loss	–	–
Foreign exchange	–	–
Actuarial loss on pension scheme (net of tax)	–	–
Total income and expenditure	–	–
Issue of shares	14	494
Dividend relating to 2007	–	–
Dividend relating to 2008	–	–
Share based payment	–	–
Movement in own shares	–	–
Total equity shareholders' funds at 31 December 2008	5,902	7,971
Corporation		
	Share capital £000	Share premium £000
Equity at 1 January 2007	5,886	7,410
Net profit (and total income and expenditure)	–	–
Issue of shares	2	67
Dividend relating to 2006	–	–
Dividend relating to 2007	–	–
Total equity shareholders' funds at 31 December 2007	5,888	7,477
Equity at 1 January 2008		
	5,888	7,477
Net loss (and total income and expenditure)	–	–
Issue of shares	14	494
Dividend relating to 2007	–	–
Dividend relating to 2008	–	–
Total equity shareholders' funds at 31 December 2008	5,902	7,971

Capital reserves comprises realised and unrealised gains/(losses) on investments held at fair value through profit or loss (see note 18).

Own shares £000	Capital redemption £000	Share based payments £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
(1,326)	8	167	(230)	357,024	23,706	392,645
-	-	-	-	10,976	16,656	27,632
-	-	-	(31)	-	-	(31)
-	-	-	-	-	18	18
-	-	-	(31)	10,976	16,674	27,619
-	-	-	-	-	-	69
-	-	-	-	-	(8,311)	(8,311)
-	-	-	-	-	(4,683)	(4,683)
-	-	28	-	-	-	28
(277)	-	-	-	-	-	(277)
(1,603)	8	195	(261)	368,000	27,386	407,090
(1,603)	8	195	(261)	368,000	27,386	407,090
-	-	-	-	(141,237)	18,248	(122,989)
-	-	-	1,047	-	-	1,047
-	-	-	-	-	(4,427)	(4,427)
-	-	-	1,047	(141,237)	13,821	(126,369)
-	-	-	-	-	-	508
-	-	-	-	-	(9,353)	(9,353)
-	-	-	-	-	(4,925)	(4,925)
-	-	6	-	-	-	6
(534)	-	-	-	-	-	(534)
(2,137)	8	201	786	226,763	26,929	266,423
Own shares £000	Capital redemption £000	Share based payments £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
-	8	-	-	357,242	13,002	383,548
-	-	-	-	70,976	15,434	86,410
-	-	-	-	-	-	69
-	-	-	-	-	(8,311)	(8,311)
-	-	-	-	-	(4,683)	(4,683)
-	8	-	-	428,218	15,442	457,033
-	8	-	-	428,218	15,442	457,033
-	-	-	-	(141,237)	15,602	(125,635)
-	-	-	-	-	-	508
-	-	-	-	-	(9,353)	(9,353)
-	-	-	-	-	(4,925)	(4,925)
-	8	-	-	286,981	16,766	317,628

continued

27 Acquisition of subsidiary undertakings – 2007

On 31 January 2007 the group acquired 100% of the issued share capital of Delaware Corporate Services Inc.. Delaware Corporate Services Inc. provides corporate services in Delaware USA.

On 31 October 2007 the group acquired 100% of the share capital of Safecall Limited. Safecall Limited provides whistle blowing services to public and private sector organisations. The transactions have been provided for by the purchase method of accounting and the following is a combined statement of the fair value at acquisition.

	Book value £000	Fair value £000
Net assets required		
Trade and other receivables	113	113
Cash and cash equivalents	393	393
Trade and other payables	(8)	(8)
Deferred income	(176)	(176)
Corporate tax payable	(35)	(35)
Other taxation including social security	(31)	(31)
Total consideration	256	256
Goodwill		4,185
Total consideration		4,441
Satisfied by:		
Cash		2,107
Directly attributable costs		191
Contingent consideration		2,143
		4,441
Net cash outflow arising on acquisition		2,298
Cash consideration		(393)
Cash and cash equivalents acquired		1,905

The estimate of contingent consideration at 31 December 2007 was reduced to £900,000 at 31 December 2008.

Investment trust status

The Corporation carries on business as an investment trust company as defined in section 842(1) of the Income and Corporation Taxes Act 1988. The directors will endeavour to conduct its affairs so as to enable it to maintain HM Revenue & Customs approval of the Corporation's status in this respect. So far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Corporation.

Capital gains tax

For shareholders who have purchased their shares through a share savings scheme on a monthly basis and who wish to apply HM Revenue & Customs' optional basis of valuing holdings as if they had all been purchased in July, guidance notes have been prepared by the AIC and are available from the company secretary on request.

Company share information

Information about the Corporation can be found on its web site <http://www.lawdeb.com>. The market price of its ordinary shares is published in the *Financial Times*, *The Times*, *The Daily Telegraph*, *The Guardian*, *The Independent*, and the *Daily Mail*.

Individual savings account ('ISA')

For investors seeking a tax efficient method of investing in the shares of the Corporation. The Plan Manager is National Westminster Bank Plc and can be contacted at:

National Westminster Bank Plc,
FREEPOST,
Princess House,
27 Bush Lane,
London EC4R 0AA.
Tel No: 0845 601 5600.

References to services provided by members of the Royal Bank of Scotland Group have been approved by National Westminster Bank Plc, which is authorised and regulated by the FSA.

Registrars

Our registrars, Computershare Investor Services plc, operate a dedicated telephone service for Law Debenture shareholders – **0870 707 1129**. Shareholders can use this number to access holding balances, dividend payment details, share price data, or to request that a form be sent to their registered address.

Financial calendar

Dividend and interest payments

Ordinary shares:

Interim announced July	Paid September
Final announced February	Paid April
6.125% guaranteed secured notes	Paid April and October

Group results

First Quarter	
Interim Statement	Announced in April
Half year results	Announced in July
Third Quarter	
Interim Statement	Announced in October
Full year results	Announced in February
Report and accounts	Published in March
Annual general meeting	Held in London in April

Payment methods for dividends

Dividends and interest can be paid to shareholders by means of BACS (Bankers Automated Clearing System). Mandate forms for this purpose are available on request from the Corporation's Registrars.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 119th annual general meeting of the Corporation will be held on 7 April 2009 at 11.00am at the Brewers Hall, Aldermanbury Square, London EC2V 7HR for the following purposes:

Ordinary business

1. To receive the report of the directors and the audited accounts for the year ended 31 December 2008.
2. To receive and approve the directors' remuneration report for the year ended 31 December 2008.
3. To declare a final dividend of 8.0p per share in respect of the year ended 31 December 2008.
4. To re-elect D.C.P. McDougall as a director.
5. To re-elect A.C. Cates as a director.
6. To re-elect C.J. Banszky as a director.
7. To re-elect J.A. Kay as a director.
8. To elect C. Smith as a director.
9. To appoint BDO Stoy Hayward LLP as auditors of the Corporation to hold office until the conclusion of the next general meeting at which accounts are laid and to authorise the directors to determine their remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

10. General authority to buy back shares

THAT the Corporation be and is generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of section 163 of the Act) of any of its issued ordinary shares of 5p each in the capital of the Corporation, in such manner and upon such terms as the directors of the Corporation may from time to time determine, PROVIDED ALWAYS THAT:

- (a) the maximum number hereby authorised to be purchased shall be limited to 17,693,300 shares, or if less, that number of shares which is equal to 14.99% of the Corporation's issued share capital as at the date of the passing of this resolution;
- (b) the minimum price which may be paid for a share shall be 5p;
- (c) the maximum price which may be paid for a share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the shares for the five business days immediately preceding the day on which the share is purchased;
- (d) unless previously revoked, renewed or varied, the authority hereby conferred shall expire on the date of the Corporation's next annual general meeting provided that a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of Shares may be made in pursuance of any such contract.

11. General authority to allot shares

THAT:

- (a) the directors be generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 to exercise for the period ending on the date of the Corporation's next annual general meeting, all the powers of the Corporation to allot relevant securities (as defined in section 80(2) of the said Act) up to an aggregate nominal amount of £295,085;
- (b) the Corporation may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

12. Disapplication of statutory pre-emption rights

THAT:

- (a) in exercise of the authority given to the directors by resolution 11 above, the directors be empowered to allot equity securities (as defined in section 94(2) of the said Act) for the period ending on the date of the Corporation's next annual general meeting wholly for cash generally up to an aggregate nominal amount of £295,085 as if section 89(1) of the said Act did not apply to such allotment, provided always that no more than 7.5% of the issued share capital shall be issued on a non pre-emptive basis within any three year period;
- (b) the Corporation may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

Total voting rights and share information

The Corporation confirms that it has an issued share capital at 26 February 2009 of 118,034,023 ordinary shares with voting rights and no restrictions and no special rights with regard to control of the Corporation. There are no other classes of share capital and none of the Corporation's issued shares are held in treasury. Therefore the total number of voting rights in The Law Debenture Corporation p.l.c. is currently 118,034,023.

By order of the board

Law Debenture Corporate Services Limited

Secretary

27 February 2009

Registered office:

Fifth Floor

100 Wood Street

London EC2V 7EX

Registered No. 30397

1. A member who holds ordinary shares on the register of members and is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his or her place. A proxy need not be a member of the Corporation. Proxy rights do not apply to nominated persons although the nominated person may have a right under an agreement with the registered member to appoint a proxy. In addition to instructing a proxy to vote for or against a resolution, the form enables you to instruct a 'vote withheld' if you prefer. A vote withheld is not a vote in law and will not be counted in the calculation of votes. It may be used, for example, to convey a message of dissatisfaction on a particular issue, where the strength of feeling is not so great as to oppose the resolution, but supporting it is not appropriate either.
2. If you hold your shares on the register of members (as opposed to holding them in a nominee), you will find enclosed a form of proxy for use at the meeting. To be valid, forms of proxy must be lodged at the office of the Corporation's registrar, Computershare Investor Services plc, P.O. Box 1075, Bristol BS99 3ZZ, not less than 48 hours before the time appointed for the holding of the meeting. Lodgement of a form of proxy will not prevent a member from attending and voting in person.
3. The register of directors' interests will be available for inspection at the registered office of the Corporation during normal business hours and at the annual general meeting. No director has a service contract with the Corporation of more than one year's duration.
4. Subject to the dividend on the ordinary shares now recommended being approved at the annual general meeting, dividends will be paid on 22 April 2009 to shareholders on the register on the record date on 13 March 2009.
5. Resolution 2 is to receive and approve the directors' remuneration report for the year ended 31 December 2008. The remuneration report is set out at pages 30 to 35 of the annual report of the Corporation.

NB Commencing at this year's AGM, all directors are required to seek re-election each year.

6. Resolution 4: Mr D.C.P. McDougall offers himself for re-election. The board supports his re-election because he leads the board with skill and considerable success. He is highly regarded in the investment trust sector and makes a full contribution to the board, with particular expertise in overseeing investment strategy. His biography is included on page 5 of the annual report.
7. Resolution 5: Mr A.C. Cates offers himself for re-election. The board supports his re-election because Mr Cates continues to perform well as senior non-executive director as evidenced in his appraisal by the Chairman. His extensive knowledge of corporate trusts is valued and he is an informed and expert chairman of the principal holding company for the independent advisory services business. His biography is included on page 5 of the annual report.
8. Resolution 6: Mrs C.J. Banzky offers herself for re-election. The board supports her re-election. She continues to be a very effective managing director, considerably improving profitability of the independent fiduciary services business and enhancing shareholder value. Her biography is included on page 5 of the annual report.
9. Resolution 7: Professor John Kay offers himself for re-election. The board supports his re-election. He provides a valuable insight into economic events and trends, and is an effective audit committee chairman. His biography is included on page 5 of the annual report.
10. Resolution 8 is to elect Mr C. Smith. He was appointed by the board with effect from 1 March 2009 (see page 21). Until recently, a Managing Director - Corporate Finance for JPMorgan Cazenove, he brings a wealth of corporate finance experience to the board along with a thorough knowledge of the investment trust sector and regulatory matters. The board is confident that he will make a valuable contribution to the group's activities.
11. Resolution 9 is to appoint BDO Stoy Hayward LLP as the Corporation's auditors. BDO Stoy Hayward LLP were appointed on 31 October 2008 replacing the resigning auditors, PKF (UK) LLP, who had been the Corporation's auditors since October 2002.
12. Special resolution 10 renews the authority given to directors at the last annual general meeting to purchase ordinary shares in the market for cancellation. Such purchases at appropriate times and prices could be a suitable method of enhancing shareholder value and would be applied within guidelines set from time to time by the board. It should be noted that no such purchases would be undertaken if shares were trading at a premium to net asset value.
13. Special resolution 11 renews the authority given to directors at the last annual general meeting to allot unissued capital not exceeding 5,901,701 shares, being 5% of the issued share capital. This authority is sought principally to allow the directors to satisfy demand for shares from participants in the Individual Savings Account, and would be exercised only at times when it would be advantageous to the Corporation's shareholders to do so. Shares would not be issued under this authority at a price lower than net asset value at the time of the issue. If approved, the authority will continue to operate until the next annual general meeting.
14. Special resolution 12 is proposed because the directors consider that in order to allot shares in the circumstances described in resolution 11 it is in the best interests of the Corporation and its shareholders to allot a maximum of 5,901,701 shares other than on a pre-emptive basis. The board would not, however, issue more than 7.5% of the issued share capital on a non-pre-emptive basis within any three year period.



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