EST. 1889

LawDebenture

HALF YEARLY REPORT
2022

The Law Debenture Corporation p.l.c.

Law Debenture is rare among investment trusts

A PROUD HISTORY

133 years of value creation for shareholders.

STRENGTH AND DIVERSITY OF INCOME

36.4%[1] of dividend funded by our Independent Professional Services business over the past ten years.

LONG-TERM DIVIDEND GROWTH

40+ years of increasing or maintaining dividends to shareholders, with a 114.8% increase in dividend over the ten years to 31 December 2021.

CONSISTENT LONG-TERM OUTPERFORMANCE OF OUR BENCHMARK

86.2% share price outperformance of our benchmark, the FTSE Actuaries All-Share Index, over the ten years to 30 June 2022, and 496% share price outperformance over the past 25 years.

Key statistics

for the half year ended 30 June 2022

726.74p[2]
NAV per share (31 December 2021: 787.8p)

£917.4m[3]
Net Asset Value including debt and IPS at fair value (31 December 2021: £964.5m)

5.9%[4]
Independent Professional Services business growth in profit before tax (30 June 2021: 6.1%)

-4.0%
NAV total return for the half year (with debt at fair value) (30 June 2021: 19.4%)

-4.6%
Benchmark[5] total return for the half year (30 June 2021: 11.1%)

41.5%
Growth in group earnings per share for the half year (30 June 2021: 22.5%)

[1] Calculated for the 10 years ended 31 December 2021.
[2] Calculated with IPS and debt at fair value.
[3] Please refer to pages 19 and 20 for calculation of net asset value.
[4] Calculated for the half year ended 30 June 2022.
[5] The benchmark is the FTSE Actuaries All-Share Index.

LawDebenture

Law Debenture benefits from the rare combination of an investment trust with an independent professional services business (IPS).

From its origins in 1889, it has diversified to become a Group with a unique range of activities in the financial and professional services sectors. The Group has two distinct areas of business:

Investment Portfolio

c. 81% of NAV

including IPS and long-term borrowings at fair value

Managed by James Henderson and Laura Foll of Janus Henderson

OBJECTIVE: LONG-TERM CAPITAL GROWTH IN REAL TERMS AND STEADILY INCREASING INCOME

- Focused on long-term returns
- Low ongoing charges ratio at 0.48%[1] compared to industry average of 1.09%[2]
- Contrarian investment style:
  - Out of favour equities standing at valuation discounts to their long-term historical average
  - High quality companies with strong competitive advantage at attractive valuations
- Selective, bottom-up approach
- Diversified portfolio by sector (predominant UK weighting)

Independent Professional Services (IPS) business

c. 19% of NAV

including IPS and long-term borrowings at fair value

PENSIONS

The longest established and largest UK provider of independent pension trustees

CORPORATE TRUST

A leading independent corporate trustee across international capital markets

CORPORATE SERVICES

Range of outsourced solutions to corporates internationally

INTERNATIONAL PRESENCE:

United Kingdom, New York, Ireland, Hong Kong, Delaware, Cayman Islands and Channel Islands

All divisions have potential for further revenue growth in growing markets. This growth will be achieved by increasing our market share through better leveraging of technology, our strong relationships and our high quality brand.

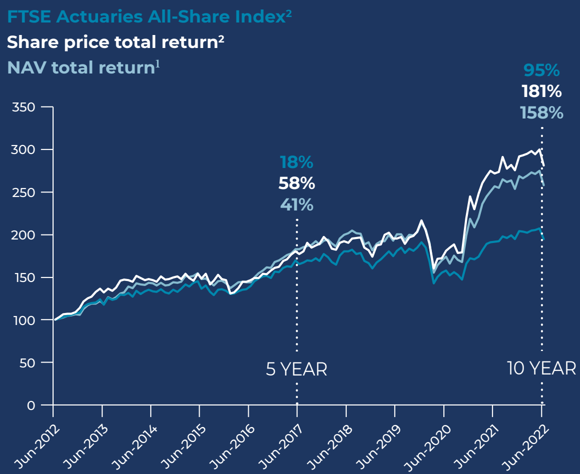
Significant, consistent income contribution from IPS gives greater flexibility in stock selection

[1] Calculated based on data held by Law Debenture for the period ended 30 June 2022.
[2] Source: Association of Investment Companies (AIC) industry average as at 30 June 2022.

Performance

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return (with debt at par)[1]*	(8.4)	(3.5)	23.1	34.8	155.7
NAV total return (with debt at fair value)[1]*	(4.0)	0.4	28.5	40.6	157.5
FTSE Actuaries All-Share Index Total Return[2]	(4.6)	1.6	7.4	17.8	94.6
Share price total return[2]*	(3.8)	3.4	43.8	58.2	180.8
Change in Retail Price Index[3]	7.0	11.8	17.4	24.9	40.6

Consistent long-term outperformance of benchmark[4]



£10,000 invested in Law Debenture ten years ago would be worth

£28,080

as at 30 June 2022[5]

[1] NAV is calculated in accordance with the Association of Investment Companies (AIC) methodology, based on performance data held by Law Debenture including the fair value of the IPS business and long-term borrowings.
[2] Source: Refinitiv.
[3] Source: Office for National Statistics.
[4] The graph shows ten year performance data.
[5] Calculated on a total return basis assuming dividend re-investment between 30 June 2012 and 30 June 2022.
* Items marked "*" are considered to be alternative performance measures and calculated using the published daily NAV. For a description of these measures, see page 134 of the annual report and financial statements for the year ended 31 December 2021.

Financial summary

	Six months 30 June 2022 £000	Six months 30 June 2021 £000	Twelve months 31 December 2021 £000
Net Asset Value (NAV) – including debt and IPS at fair value[1]	917,365	936,448	964,493
	Pence	Pence	Pence
NAV per share at fair value[1,2]*	726.74	766.89	787.83
Revenue return per share:			
Investment portfolio	13.66	8.48	18.09
Independent professional services	4.55[3]	4.39	10.00
Group revenue return per share	18.21	12.87	28.09
Capital (loss)/return per share	(100.61)	79.92	94.60
Dividends per share[4]	7.25	6.875	29.00
Share price	760	750	799
	%	%	%
Ongoing charges[5]*	0.48	0.50	0.50
Gearing*	11	11	13
Premium/(discount)*	4.58	(2.20)	1.42

[1] Please refer to pages 19 and 20 for calculation of NAV.
[2] NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including the fair value of the IPS business and long-term borrowings.
[3] This figure takes into account the new shares issued since 30 June 2021. Using the weighted average shares on issue at 30 June 2021, IPS revenue return per share would be 4.67 pence.
[4] The second interim dividend is not due to be announced until September 2022 and has not been factored in the calculation presented. The Board have indicated their intention to pay three interim dividends of 7.25p in respect to 2022, each representing a quarter of the total 2021 dividend declared of 29.0p. The final dividend will be declared in February 2023.
[5] Ongoing charges are calculated based on AIC guidance, using the administrative costs of the investment trust and include the Janus Henderson investment management fee, charged at an annual rate of 0.30% of the NAV of the investment portfolio. There is no performance related element to the fee.
* Items marked "*" are considered to be alternative performance measures and calculated using the published daily NAV. For a description of these measures, see page 134 of the annual report and financial statements for the year ended 31 December 2021.

Half yearly management report

Introduction

There is a huge amount of uncertainty in financial markets around the world as a result of the invasion of Ukraine and its geopolitical fallout, the continued impact of inflationary pressures not seen for 40 years and a potential severe global economic slowdown. We are mindful of the challenges that all our stakeholders face and continue to provide assistance where we can. Despite these significant uncertainties, our diversified business model has held up well.

It never feels good to report a reduced Net Asset Value for any reporting period but we have preserved 96%[1] of shareholders' capital and increased group earnings per share by 41.5%[2] in the first half of the year. We believe that achieving these results in the face of the material challenges highlighted above is an acceptable result.

Our Investment Managers have continued to add to their successful long-term record of outperformance against our benchmark, the FTSE Actuaries All Share Index, and drivers of their performance are covered in detail in their report. Our Independent Professional Services business is now well into its fifth year of growth, with net revenue up 11.3% and profit before tax up 5.9%.

Our Independent Professional Services business accounts for 19% of Law Debenture's NAV but has funded 36% of dividends over the past decade. As a result, our Investment Managers have increased flexibility in selecting strong business models and attractive valuation opportunities, which will continue to position the equity portfolio for future longer-term growth.

Dividend

We are pleased to continue building on our 43-year record of maintaining or increasing dividends. We recently declared a first interim dividend of 7.25 pence per ordinary share, representing an increase of 5.5% over the prior year's first interim dividend. This highlights the benefits of the IPS' stable and diversified income streams, as well as our substantial revenue reserves.

This dividend was paid on 7 July 2022 to shareholders on the register at close of business on 6 June 2022. Based on the current share price, the dividend yield per Law Debenture share is 3.8%[3]. Since the publication of our Annual Report at the end of February 2022, we have issued 3.8 million new ordinary shares to existing and new investors, raising a total of £30.4 million.

It is the Board's current intention to recommend that the total dividend in relation to 2022 is to maintain or increase on the total 2021 dividend of 29.0p. Our shareholders will be asked to vote on the final dividend at our AGM in March 2023.

IPS performance

We are pleased to report that all of our business lines grew their revenues in the first half of 2022 and we have seen growth in our profit before tax of 5.9%. Yet again, the diversification and repeatable nature of many of our income streams served us well. Nonetheless, in line with many other operating businesses, we have suffered some margin compression.

Approximately a third of our administration costs are related to our people. As the 'Great Resignation' and unwind of lockdowns have played through, the demand for skilled employees in our sectors has been the most intense for many years. We must compete to retain our people who

[1] Calculated based on -4% YTD to 30 June 2022 NAV performance with debt and IPS at fair value, resulting in 96% of preserved shareholders' capital.
[2] Calculated based on increased group earnings per share of 12.87p at 30 June 2021 to 18.21p at 30 June 2022.
[3] Calculated based on share price of 772p as at 27 July 2022, using the total 2021 dividend paid of 29.0p per share.

> We remain focused on continuing our unbroken 43-year record of maintaining or raising the dividend. Our confidence is underpinned by the diversified and recurring nature of the revenues of our IPS business.

underpin the quality of service we deliver to our clients. This was reflected in the uplift to our staff's remuneration this year. These pay increases have an immediate impact on our cost base and, while we have been able to pass on some of these, as we highlight later in the report, there are elements of our revenue streams where contracted inflation-linked increases only feed through to our invoices over time.

We are active in the management of our cost base and are working hard to ensure our profit margins are sustainable.

Pensions

The first half of 2022 has illustrated the value that can be created from a well-planned investment strategy. Many asset classes saw material adjustments and the large upward move in bond yields fed through to significant revisions in scheme liabilities over the reporting period. Schemes with appropriate levels of asset/liability hedging have been well positioned to navigate these movements.

Our Pensions business executed well on behalf of our clients and achieved further growth. Revenues in the first half were up 7.9%. Our compound revenue growth over the past four years has been 12.1%*. As I highlighted in our Annual Report, this growth is underpinned by a drive by the regulator to improve Pension Scheme governance. Given that most UK schemes still do not have professional trustees, we believe that there continues to be a growing market for our services.

We continue to win new clients. Notable wins in the first half of this year for our Trustee business included Coca-Cola. Having won our first mandate late last year in Ireland, we have added a further three in the first half of the year. We will need to continue to invest in our people in Ireland to service this expanding book of business. We have also made additional hires in Manchester to strengthen our regional footprint. Pegasus, our Executive Pensions offering, expanded its client base with companies including EY and the ICAEW.

> Our IPS business entered its fifth year of growth, with net revenue up 11.3% and profit before tax up 5.9%, all while retaining its reputation for quality and outstanding client outcomes.

The growth in our revenues from Master Trusts, Investment Governance Committees, and Corporate Sole Trustee appointments is particularly pleasing. We are increasingly involved in project work, such as GMP equalisation and risk settlement, as an increasing number of schemes execute partial or full buy outs.

To support our growth in this market, we have hired dedicated business development and bid support resource. We continue to invest in the people and skills necessary to ensure that we provide a first-class service to our expanding book of clients.

Corporate Trust

Following a challenging 2021, our deep relationships and broad referral networks enabled us to grow our revenues by 5.0% in the first half of 2022. This encouraging result was achieved in the face of extremely challenging issuance conditions in Debt Capital Markets. Half year European Debt Capital Market issuance levels were down by 27% (source: Dealogic) with European High Yield Debt issuance levels down by 69% (source: Dealogic). Such volatility in new debt issuance is not uncommon and market conditions can change rapidly.

While primary markets were weak in the first half of 2022, the majority of the capital markets transactions that sit on our books, built up over many decades, have contractual inflation-linked fee increases for our services. These fee increases are applied on the transaction anniversary. The longer that inflation remains at elevated levels, the more

* For the four years ended 31 December 2021.

Half yearly management report continued

Independent Professional Services

DIVISION	Revenue[1] 30 June 2022 £000	Revenue[1] 30 June 2021 £000	Growth 2021/2022 %
Pensions	6,973	6,462	7.9%
Corporate Trust	5,185	4,937	5.0%
Corporate Services	9,515	8,069	17.9%
Total	21,673	19,468	11.3%

[1] Revenue shown is net of cost of sales

these inflation-linked increases will feed through to our book of business. It is likely that this will be increasingly helpful as the year progresses.

Key to our success in this market is our ability to move fast and use our domain expertise to consider non-standard transactions as our clients' needs evolve. As lockdown took hold in 2020, we used our Escrow Product to support NHS trusts sourcing PPE at short notice, from around the world. More recently, in late April 2022, our escrow product was even used to support the Tyson Fury vs. Dillon White world title boxing event at Wembley Stadium.

An escrow arrangement is often used when two parties wish to move or transfer an asset, subject to certain conditions being met. The most widely understood example of this service is the role played by the lawyer on completion of a house purchase. The lawyer receives the monies and the deeds from each party. When the lawyer is satisfied that all the conditions have been met and the documentation is in order, the monies and legal title are transferred between the buyer and the seller. Our longevity, large capital base and strong reputation for independence make us well placed to grow this business. We are increasingly involved in escrows to support M&A, Corporate Disposals, Litigation, Global Trading and Commercial Property transactions.

Our Independent Professional Services business accounts for 19% of Law Debenture's NAV but has funded 36% of dividends over the past decade.

Post-issue work, when a bond issuer runs into financial difficulty, can lead to incremental revenues for this business. As the massive central bank and government support put into place during the pandemic is removed and businesses adapt to an inflationary environment, it would not be surprising to see corporate bankruptcies increase from their recent modest levels when compared with historical averages.

We are now in our 134th year of the provision of Corporate Trust services to our clients. This long history tells us that it produces good returns to our shareholders over time. We are pleased to have grown our business in the first half of 2022 despite challenging primary market conditions.

Corporate Services

Company Secretarial Services

We acquired the majority of our current Company Secretarial Services business from Eversheds Sutherland (International) LLP on 29 January 2021. We remain confident that we have bought a business which both complements our existing offerings and is able to grow its market share in a growing market. The business is also producing high-quality, repeatable revenue and we have been investing heavily in the people, skills, training, technology and infrastructure necessary to ensure our offering delivers the high standards of client service expected from Law Debenture.

Half year revenues grew by 41.6%, although this is not like-for-like, as the prior year period was only five months, given the timing of the acquisition.

In our previous Annual Reports, I highlighted an acceleration in outsourcing trends, partly brought about as a result of the lockdowns, and this remains the case. Examples of new business wins in the first half of 2022 include appointments by several Schroders Investment Trusts and Rentokil Initial. We have a strong pipeline of new business and we look forward to expanding our client base further in the second half of the year.

Service of Process

This is our business which is most dependent on global macro-economic factors. Major economies, such as the UK and US, allow overseas businesses to sign legal documents subject to their laws, provided that they have either a registered address or appointed agent for service of process in the governing jurisdiction. We act as the agent for service of process to thousands of clients from all over the world each year. The greater the amount of global trade and capital markets activity, the greater the demand for our product. Given the current elevated levels of economic uncertainty, we are particularly pleased that Service of Process grew its revenues by 5.2% in the first half of 2022.

We have created significant capacity and enhanced operational control with the roll-out last year of a new technology platform to support this business. We have continued to invest in our business development activities with a focused effort on our referral partner networks. Our long history in this market tells us that predicting revenues in the short term is difficult, but, over the economic cycle, this business provides a critical service to our clients and good returns to our shareholders.

Structured Finance

A small but important part of our product mix, this business provides accounting and administrative services to special purpose vehicles (SPVs). Typical buyers of our services are boutique asset managers, hedge funds and challenger banks. They use SPV structures to warehouse and provide long-term funding for real assets. Examples include credit card receivables, mortgages, real estate or aircraft leases.

In the first half of the year, we are delighted to have supported new vehicles that have been structured by the likes of LendInvest, Pepper and Avenue. We are proud too that Reinsurance Group of America's structure, which we supported, won "Overall Deal of the Year" at GlobalCapital's first Annual Securitization Awards in London in March. The growth in our Loan Agency book of business is also pleasing.

Revenues grew by 21.0% in the first half of the year and have grown by 11.6% compound over the past four years.

Safecall

With oversight from Jo Lewis, who joined us in late August last year, the new leadership team at Safecall have made an excellent start to the year. They have been busy refreshing and reinvigorating our whistleblowing business. In the first half of the year, we signed up a record number of new clients, measured by revenue. We are also pleased with the growth in the amount of training that we are providing to our clients to support whistleblowing issues. Examples of new clients signed up in the first half of the year included Beazley Insurance, First Central Group, The Royal Institute of British Architects and the RSPB. Our recorded revenues for the reporting period were up 16.1%. After 23 years in the original offices, during June we have moved to larger offices in Sunderland.

Like our other businesses, our whistleblowing business is based on independence and trust. The quality of our product is its differentiating factor. All whistleblowing issues are handled by our highly trained team of former police officers. During the first half of the year, we handled a record number of cases from our existing client base. Given the growing demand for our services, it is critical we invest to evolve our product offering and the first phase of our new client portal is on track for delivery in the second half of this year.

Central overview

The focus in the first half of the year has been on fully embedding the investments we made during 2021. We are pleased to report that our Manchester-based Shared Service Centre is now fully operational. We also made significant investment in our people function and launched our first 'Future Leaders of Law Debenture' programme.

Environmental, Social and Governance (ESG)

This is the first year of the FTSE Women Leaders Review, which is the third and successor phase to the Hampton-Alexander and Davies Reviews. It is an independent, voluntary and business-led initiative supported by the Government, aimed at increasing the representation of women. We are delighted that LawDeb ranked 1st in Financial Services (2nd overall) amongst the FTSE 250 in the inaugural FTSE Women Leaders Review.

We continue to give consideration to ESG factors across both the investment portfolio and the IPS business. We will be enhancing our reporting on ESG in the 2022 Annual Report.

Outlook

The recent surge in geopolitical risk has the potential to upend decades of relative international stability and increasing globalisation. It is also putting significant upward pressure on energy costs, at least in the short term. The economic outlook is uncertain, with gilt yields having risen to the highest level in six years and UK inflation at its highest level in almost 40 years. Whilst we are alive to the risks this creates, we remain confident in our ability to deliver for our shareholders over the longer term. The competitive advantage of Law Debenture's unique offering has proved itself many times through challenging periods.

We understand the importance shareholders place on us to deliver regular and reliable income. We remain focused on

Half yearly management report continued

> In today's ever-changing market landscape characterised by emerging public health risks, geopolitical threats and inflation, there is no shortage of difficulties for investors. We are especially pleased with James and Laura's performance. The cash flows from IPS allow James and Laura increased flexibility in portfolio construction to continue to outperform the benchmark over the longer term.

continuing our unbroken 43-year record of maintaining or raising the dividend. Our confidence is underpinned by the diversified and recurring nature of the revenues of our IPS business. The cash flows from IPS allow James and Laura increased flexibility in portfolio construction to continue to outperform the benchmark over the longer term. We continue to look for opportunities to grow our business through organic investment and disciplined acquisitions where appropriate.

We are encouraged by the new senior hires and the good new business momentum and continue to invest in talent and technology to ensure we continue to gain market share and maintain our longer-term growth. With the expertise we have within the business and the momentum building, I am confident that we are on the right path and will be able to navigate the wider macro uncertainties facing the economy today.

The Board has great confidence in your Company's longer-term future and appreciates the ongoing trust you place in us.

Denis Jackson
Chief Executive
28 July 2022

Investment managers' report

Overview

The economic backdrop is highly unusual. Interest rates are going up to combat inflation, while recession is widely predicted for later this year. The economy had, in 2021, staged a partial recovery from the pandemic but it was uneven. Shortages of labour and supply bottlenecks were evident in many areas but recessionary conditions continued in others. Then the first quarter of this year saw war break out in Europe, with Russia invading Ukraine. Whilst we are witnessing the impact now, with the expansion of NATO, Germany substantially increasing military spend and food shortages stoking inflation, the consequences will be experienced for years. The current uncertainties have dominated investor thinking, leading to steep valuation declines that were largely concentrated in the most cyclical areas of the market.

Despite the challenging backdrop, the performance of the investment portfolio has generally been satisfactory during a time when the median share in the UK has fallen substantially. As a demonstration of this, while the FTSE All-Share fell 4.6% in the six months, outperformance in the benchmark was highly concentrated at the top end of the FTSE 100 (which is dominated by natural resource companies as well as defensive sectors such as pharmaceuticals), while the median share in the FTSE 350 fell 19.7%. This compares to Law Debenture's NAV fall (with debt at fair value) of 4.0%. As can be seen more clearly in the portfolio performance section below, the Trust's NAV decline was (to an extent) mitigated by portfolio holdings in natural resources, which were held partly for diversification reasons in case the current backdrop of high commodity prices were to arise. While these positions helped from a mitigation perspective, they were not enough to fully offset the substantial share price declines seen elsewhere in sectors such as retail.

Dividend growth has been coming through at the upper end of our expectations, corporate balance sheets are conservatively positioned to weather an economic slowdown and company outlook statements, while acknowledging the uncertainties ahead, are broadly positive. The substantial de-rating we have seen in much of the UK equity market in the first half of this year may, to a large extent, already reflect the current economic

Investment managers' report continued

uncertainties. For these reasons we have been net buyers of UK equities in the first half of the year, concentrating purchases in the areas that have seen the steepest valuation falls.

Portfolio performance and activity

At the portfolio level, the de-rating was the most severe among consumer discretionary holdings (such as Marks & Spencer) and early-stage companies (such as Accsys Technologies). There is more detail of the individual drivers of performance in the tables below.

Top five absolute detractors

The following five stocks produced the largest negative impact on portfolio valuation in the first half of 2022:

Stock	Share price movement (%)	Contribution (£m)
Accsys Technologies	-38.3%	-6.0
Marks & Spencer	-41.8%	-5.9
Ceres Power	-45.1%	-5.9
Herald Investment Trust	-36.1%	-5.4
IP Group	-45.5%	-4.9

Source: Performance data held by Law Debenture based on market prices.

In the case of consumer discretionary companies, our holdings are largely in those that have undergone significant 'self-help' in recent years and where we do not think this improvement is reflected in the current valuation. Marks & Spencer, for example, has begun to address its legacy store estate and re-set prices to the extent that both the food and clothing businesses are gaining market share. While recent UK consumer confidence figures are notably weak, there are pockets of consumers that have built up substantial savings during the pandemic and this could mean spending in some areas is relatively insulated. This appears to be the case with, for example, repair, maintenance and improvement ('RMI') spend, which is holding up well. We do not think these nuances in consumer spending are being fully reflected in company valuations, where the sell-off in shares year-to-date has been material and indiscriminate. As a result, we have, in a number of cases, added to the holdings in this area during the last six months.

In the case of early-stage companies, these are businesses that, in our view, have the potential to be substantially bigger in time. However, within the portfolio they present the greatest degree of 'binary' risk, as some of their technologies may not reach full commercialisation or sales prospects may be smaller than hoped. At a time when market sentiment is poor, and there is a retreat to the relative safety of more defensive industries such as utilities and healthcare, this area performed poorly, particularly in the absence of meaningful company-specific news. Over the long term, this area has been a good contributor to the investment portfolio's performance and has acted as a diversifier in previous years, such as 2020, as the prospects for these businesses are largely independent of the economic cycle. Similar to the consumer discretionary holdings, we have made some additions to early-stage companies on share price weakness.

Top five absolute contributors

The following five stocks produced the largest absolute contribution to performance in the first half of 2022:

Stock	Share price movement (%)	Contribution (£m)
Shell	31.5%	6.4
BAE Systems	51.0%	5.0
HSBC	19.4%	3.8
i3 Energy	94.3%	3.5
BP	17.5%	3.3

Source: Performance data held by Law Debenture based on market prices.

The best performers during the six months tended to be companies with earnings either positively exposed to rising commodity prices (natural resource companies such as Shell, i3 Energy and BP), the potential for higher defence spending (BAE Systems), or rising interest rates (HSBC). We took profits in some of these areas following good performance. The positions in mining companies BHP and Glencore, for example, were sold, as was the position in US oil services company Schlumberger.

During the period we were modest net sellers, divesting £12m (net) and, within this, investing £30m (net) in the UK while divesting from Europe and the US. This meant the UK weighting within the portfolio rose to 85% at the end of June (compared to 83% at the end of 2021). It continues to be our view that the UK market offers the most attractive valuation opportunities. Within the UK market, the starkest de-rating in recent years has been among domestically exposed businesses, where we added to several positions during the first half, such as building materials companies Marshalls and Ibstock, retailers Kingfisher, Halfords and Vertu Motors and a new position in free-to-air broadcaster ITV. These additions were partially funded by sales of positions that were trading on high valuations versus their own history, such as logistics property owner Urban Logistics and information services provider Relx.

Income

Dividends during the period came in at the upper end of our expectations, with investment income rising materially to £18.4m (compared to £11.8m in the same period in 2021). This increase in income is partially a result of us being net investors within the UK, which continues to pay a higher dividend yield on average than elsewhere.

At the stock level we have seen some holdings, such as Irish Continental, return to dividend payments for the first time since the pandemic, and have seen healthy dividend increases from sectors such as banks (the three UK domestic banks held all more than doubled their final dividends year-on-year). We have also seen a notable trend of UK companies announcing share buybacks this year, where Boards see their share prices as undervalued.

ESG

We continue to think that interaction and engagement with companies, both at the board and executive levels, provides the most accurate insights into whether companies are aiming to be (for example) best in class with regards to their environmental footprint. During the first half, we have challenged a number of company management teams about the ambitiousness of their net zero targets. In most cases, the answers are nuanced; some industrial processes, for example, rely on very high temperatures that cannot yet be replicated outside of using fossil fuels. We need to continue to ask questions and challenge where we think companies could move faster, but we also need to recognise that the ability to achieve environmental goals varies hugely by industry.

Outlook

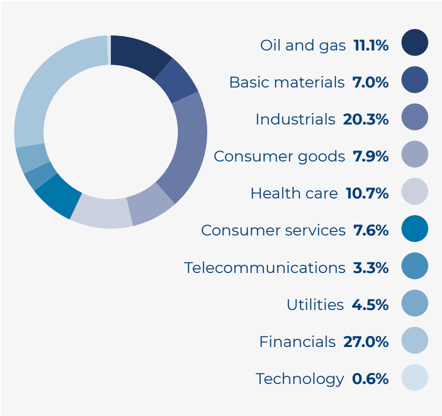
Inflation and interest rates will rise further in the short term but there are signs that the supply bottlenecks are easing. In a year's time, as the large jump in energy costs work their way out, inflation will likely retreat. Once this is clearly seen, the upward trend in interest rates will cease. Company operating performances may come to be seen as surprisingly robust given the backdrop. Portfolio valuations are low on any historic perspective. These are the ingredients for a share price recovery and is the reason we are a net buyer of UK equities for the portfolio. We continue to see opportunities across a wide range of companies, buying stocks on weak days in a diversified list of well-run companies that have strong management and low valuations.

James Henderson and Laura Foll
Investment Managers
28 July 2022

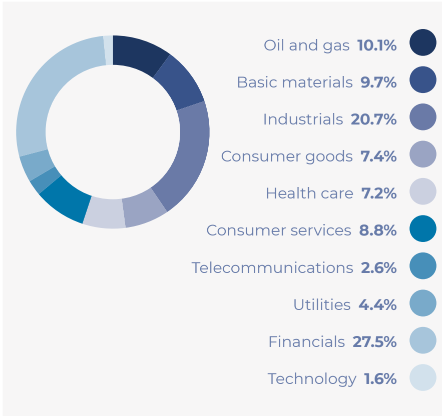
Investment managers' report continued

Sector distribution of portfolio by value

30 June 2022

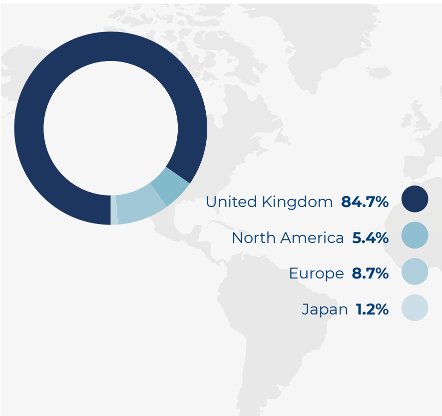


31 December 2021

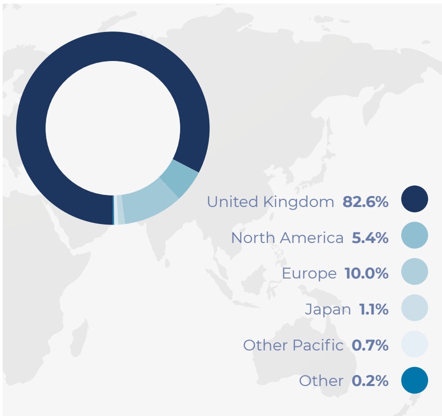


Geographical distribution of portfolio by value

30 June 2022



31 December 2021



Fifteen largest holdings: investment rationale

at 30 June 2022

Rank 2022	Company	Location	% of portfolio	Approx Market Cap.	Valuation 2021 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2022 £000
1	**GlaxoSmithKline**	UK	3.47	£89.8bn	26,911	—	—	2,659	29,570
GlaxoSmithKline is one of the world's largest pharmaceutical and vaccine companies. GSK currently trades at a valuation discount to the global pharmaceutical sector, as while they have world leading HIV and vaccines businesses, the pharmaceutical division has often lagged behind others in, for example, innovative oncology drugs. Under their current management team they are re-investing in R&D and focussing on innovative products. In July this year they de-merged their consumer healthcare business (now called Haleon). As two standalone businesses we think the group could be more highly valued than as a combined entity.									
2	**Shell**	UK	3.13	£157bn	20,280	—	—	6,395	26,675
Shell is a vertically integrated oil & gas company, with a diverse range of businesses including upstream oil & gas, renewables, chemicals and retail. Within the upstream division, Shell has a significant exposure to natural gas, which in our view will serve as a key transition fuel on the route to de-carbonisation. During this transition period, the cash generation from fossil fuels is being used to fund material investment within the renewables area.									
3	**HSBC**	UK	2.72	£107.4bn	19,454	—	—	3,769	23,223
HSBC are a global bank with a substantial presence in Hong Kong and mainland China. Their geographic focus brings worthwhile diversity to the portfolio. If interest rates globally were to rise further from their current modest levels this has the potential to materially increase group earnings over time.									
4	**BP**	UK	2.59	£74.4bn	18,839	—	—	3,294	22,133
BP is a vertically integrated oil and gas company. BP have announced ambitious plans to reach net zero carbon emissions by 2050 and gradually transition away from fossil fuels towards renewable energy. The cash generation from their oil & gas business should enable this transition to take place, while also continuing to fund cash returns to shareholders via dividends and share buybacks.									
5	**Barclays**	UK	2.21	£25.3bn	20,196	2,355	—	(3,717)	18,834
Barclays has a strong retail lending franchise combined with an investment bank. Over time it's strong retail franchise should allow it to generate good returns on capital, however in the past these have not consistently come through because of bad debts and persistently low interest rates. The bad debt provisions appear now to be robust and the direction of interest rates from here is likely to be upwards, therefore the strengths of the bank are expected to come to the fore.									
6	**Rio Tinto**	UK	2.16	£83.3bn	18,345	—	—	92	18,437
Rio Tinto is one of the world's largest mining companies with a particular focus on iron ore, aluminium and copper. Their mines are well positioned on the cost curve, often at the lowest cost quartile globally, meaning that they can continue to be highly cash generative despite volatile commodity prices. This cash generation combined with a strong balance sheet has resulted in an attractive ordinary dividend payment combined with some special dividends in recent years.									
7	**NatWest**	UK	1.79	£22.8bn	14,100	1,724	—	(543)	15,281
NatWest are one of the largest commercial and retail lenders in the UK. In recent years they have largely exited their markets business and re-focussed on their original area of strength (domestic lending). The balance sheet has been steadily improved over the decade since the financial crisis, leaving the business in a good position to steadily return cash to shareholders via dividends and share buybacks.									
8	**BAE Systems**	UK	1.75	£26.2bn	9,896	—	—	5,048	14,944
BAE Systems is a global defence contractor. In recent years it has improved its cash generation and balance sheet position, allowing it to return cash to shareholders via both a dividend and share buyback. It would be a beneficiary of rising defence spending in regions such as Europe and this led to strong share price performance in the first half of 2022.									
9	**Direct Line Insurance**	UK	1.74	£3.3bn	13,950	2,220	—	(1,320)	14,850
Direct Line are one of the leading motor and home insurers in the UK, with a well-known consumer facing brand. The company are disciplined underwriters, with a history of generating good returns in a competitive UK insurance market.									

Rank 2022	Company	Location	% of portfolio	Approx Market Cap.	Valuation 2021 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2022 £000
10	**National Grid**	UK	1.61	£38.4bn	14,934	—	1,218	50	13,766
National Grid are a regulated utility company with operations in both the UK and the US. The need to reduce global carbon emissions is likely to increase demands on electricity networks and this could lead to faster regulated asset growth in future driven by the need to increase grid capacity. The position brings defensive qualities and continues to pay an attractive dividend yield.									
11	**Tesco**	UK	1.59	£19.2bn	13,488	1,697	—	(1,642)	13,543
Tesco is the largest food retailer in the UK. Its leading market share means it is in a strong position to negotiate volume discounts with its suppliers, which can in turn be passed onto the end consumer allowing Tesco to maintain a competitive price point. The business produces substantial free cash flow which can be returned to shareholders via an attractive dividend yield and share buybacks.									
12	**Anglo American**	UK	1.55	£39.3bn	13,572	—	—	(355)	13,217
Anglo American is a diversified mining company with exposure to commodities including copper, iron ore, diamonds and platinum. It is well positioned to benefit from the need to decarbonise the global economy. For example, it is significantly exposed to copper where demand is likely to grow driven by its use in electric vehicles as well as renewable energy. Anglo American are also among the leaders within the mining sector on environmental targets, aiming to be carbon neutral in their own operations by 2040.									
13	**Lloyds Banking Group**	UK	1.49	£29.2bn	14,340	—	—	(1,647)	12,693
Lloyds are a leading retail and commercial lender in the UK. Their strong market share within UK mortgage lending allowed them to historically generate good returns versus peers. In the period since the financial crisis the balance sheet has been gradually strengthened, which could allow good returns to shareholders via dividends and share buybacks.									
14	**Vodafone**	UK	1.41	£35.5bn	10,657	—	—	1,374	12,031
Vodafone are a global fixed and mobile telecoms provider. With modest sales growth (driven by, for example, inflation+ pricing in some geographies) and some targeted cost cutting we think they are capable of growing earnings at a mid single digit rate while paying an attractive dividend yield to shareholders.									
15	**Standard Chartered**	UK	1.37	£18.4bn	8,456	—	—	3,205	11,661
Standard Chartered are a global bank with a focus on emerging markets. Their geographic focus brings worthwhile diversity to the portfolio. If interest rates globally were to rise further from their current modest levels this has the potential to materially increase group earnings over time.									

Investment portfolio valuation

based on market values at 30 June 2022

Holding name	Location	Sector	Industry	£000	%
GlaxoSmithKline	UK	Health Care	Pharmaceuticals & biotechnology	29,570	3.47
Shell	UK	Oil & Gas	Oil & gas producers	26,675	3.13
HSBC	UK	Financials	Banks	23,223	2.72
BP	UK	Oil & Gas	Oil & gas producers	22,133	2.59
Barclays	UK	Financials	Banks	18,834	2.21
Rio Tinto	UK	Basic Materials	Mining	18,437	2.16
NatWest	UK	Financials	Banks	15,281	1.79
BAE Systems	UK	Industrials	Aerospace & defence	14,944	1.75
Direct Line Insurance	UK	Financials	Nonlife insurance	14,850	1.74
National Grid	UK	Utilities	Gas, water & multiutilities	13,766	1.61
Tesco	UK	Consumer Goods	Food & drug retailers	13,543	1.59
Anglo American	UK	Basic Materials	Mining	13,217	1.55
Lloyds Banking Group	UK	Financials	Banks	12,693	1.49
Vodafone	UK	Telecommunications	Mobile telecommunications	12,031	1.41
Standard Chartered	UK	Financials	Banks	11,661	1.37
BT Group	UK	Telecommunications	Fixed line telecommunications	11,634	1.36
Sanofi	France	Health Care	Pharmaceuticals & biotechnology	11,612	1.36
Accsys Technologies	UK	Industrials	Construction & materials	10,745	1.26
M & G	UK	Financials	Financial services	10,703	1.25
Morgan Advanced Materials	UK	Industrials	Electronic & electrical equipment	10,568	1.24
Toyota Motor Corporation	Japan	Consumer Goods	Automobiles & parts	10,471	1.23
Severn Trent	UK	Utilities	Gas, water & multiutilities	10,464	1.23
Aviva	UK	Financials	Life insurance/assurance	10,324	1.21
Flutter Entertainment	UK	Consumer Services	Travel & leisure	10,305	1.21
Land Securities	UK	Financials	Real estate investment trusts	10,117	1.19
Senior	UK	Industrials	Aerospace & defence	9,880	1.16
Herald Investment Trust	UK	Financials	Equity investment instruments	9,612	1.13
Marks & Spencer	UK	Consumer Services	General retailers	9,485	1.11
Prudential Corp	UK	Financials	Life insurance/assurance	9,485	1.11
Kingfisher	UK	Consumer Goods	Household goods & home construction	9,038	1.06
Centrica	UK	Utilities	Gas, water & multiutilities	8,998	1.05
Hipgnosis Songs Fund	UK	Financials	Equity investment instruments	8,922	1.05
Euromoney	UK	Consumer Services	Media	8,653	1.01
Hiscox	UK	Financials	Nonlife insurance	8,524	1.00
Ceres Power	UK	Oil & Gas	Oil equipment services & distribution	8,302	0.97
i3 Energy	UK	Oil & Gas	Oil & gas producers	8,261	0.97
Convatec Group	UK	Health Care	Health care equipment & services	8,251	0.97
Watkin Jones	UK	Consumer Goods	Household goods & home construction	8,122	0.95
Irish Continental Group	Ireland	Consumer Services	Travel & leisure	8,013	0.94
Bristol-Myers Squibb	USA	Health Care	Pharmaceuticals & biotechnology	7,911	0.93
Rolls Royce	UK	Industrials	Aerospace & defence	7,838	0.92

Investment portfolio valuation continued

based on market values at 30 June 2022

Holding name	Location	Sector	Industry	£000	%
DS Smith	UK	Industrials	General industrials	7,809	0.92
Cummins	USA	Industrials	Industrial engineering	7,479	0.88
Caterpillar	USA	Industrials	Industrial engineering	7,340	0.86
Jubilee Metals Group	UK	Basic Materials	Mining	7,193	0.84
IMI	UK	Industrials	Industrial engineering	7,179	0.84
Gibson Energy	Canada	Oil & Gas	Oil & gas producers	7,071	0.83
Balfour Beatty	UK	Industrials	Construction & materials	7,027	0.82
Mondi	UK	Basic Materials	Forestry & paper	6,911	0.81
Scottish Oriental Small Co	UK	Financials	Equity investment instruments	6,831	0.80
Dunelm	UK	Consumer Services	General retailers	6,806	0.80
Reckitt Benckiser Group	UK	Health Care	Health care equipment & services	6,774	0.79
Cranswick	UK	Consumer Goods	Food producers	6,560	0.77
Hill & Smith	UK	Industrials	Industrial engineering	6,538	0.77
Ibstock	UK	Industrials	Construction & materials	6,441	0.75
Merck & Co	USA	Health Care	Pharmaceuticals & biotechnology	6,377	0.75
IP Group	UK	Financials	Financial services	6,367	0.75
Bayer AG	Germany	Health Care	Pharmaceuticals & biotechnology	6,102	0.72
Chesnara	UK	Financials	Life insurance/assurance	5,843	0.68
Elementis	UK	Basic Materials	Chemicals	5,786	0.68
Spectris	UK	Industrials	Electronic & electrical equipment	5,761	0.68
Marshalls	UK	Industrials	Construction & materials	5,727	0.67
iEnergizer	Guernsey	Industrials	Support services	5,718	0.67
Royal Mail	UK	Industrials	Industrial transportation	5,664	0.66
Johnson Service Group	UK	Industrials	Support services	5,661	0.66
Unilever	UK	Consumer Goods	Personal goods	5,582	0.65
Kier	UK	Industrials	Construction & materials	5,517	0.65
VH Global Sustainable Energy Opportunities	UK	Other	Sustainable energy	5,475	0.64
Smith & Nephew	UK	Health Care	Health care equipment & services	5,393	0.63
Phoenix Group Holdings	UK	Financials	Life insurance/assurance	5,018	0.59
General Motors	USA	Consumer Goods	Automobiles & parts	4,959	0.58
Oxford Sciences Innovation	UK	Financials	Financial services	4,917	0.58
SSE	UK	Utilities	Electricity	4,848	0.57
Standard Life Aberdeen	UK	Financials	Financial services	4,804	0.56
TT Electronics	UK	Industrials	Electronic & electrical equipment	4,682	0.55
Babcock	UK	Industrials	Aerospace & defence	4,620	0.54
Hammerson	UK	Financials	Real estate investment trusts	4,437	0.52
Provident Financial	UK	Financials	Financial services	4,406	0.52
Kistos	UK	Oil & Gas	Oil & gas producers	4,305	0.50
Indus Gas	UK	Oil & Gas	Oil & gas producers	3,981	0.47
Boku	UK	Industrials	Support services	3,976	0.47
Grit Real Estate Income Group	Guernsey	Financials	Real estate investment trusts	3,960	0.46
Redde Northgate	UK	Industrials	Support services	3,928	0.46

Investment portfolio valuation continued

based on market values at 30 June 2022

Holding name	Location	Sector	Industry	£000	%
Halfords	UK	Consumer Services	General retailers	3,780	0.44
International Consolidated Airlines	UK	Consumer Services	Travel & leisure	3,699	0.43
Nestle	Switzerland	Consumer Goods	Food producers	3,635	0.43
Vertu Motors	UK	Consumer Services	General retailers	3,627	0.42
AFC Energy	UK	Oil & Gas	Alternative energy	3,615	0.42
ITV	UK	Consumer Services	Media	3,589	0.42
International Personal Finance	UK	Financials	Financial services	3,557	0.42
ITM Power	UK	Oil & Gas	Oil equipment services & distribution	3,497	0.41
Ricardo	UK	Industrials	Support services	3,009	0.35
SigmaRoc	UK	Industrials	Construction & materials	2,926	0.34
Plant Health Care	USA	Basic Materials	Chemicals	2,780	0.33
Weir Group	UK	Industrials	Industrial engineering	2,726	0.32
Munchener Rueckver	Germany	Financials	Nonlife insurance	2,687	0.31
Koninklijke DSM	Netherlands	Basic Materials	Chemicals	2,575	0.30
Reach	UK	Consumer Services	Media	2,508	0.29
Roche	Switzerland	Health Care	Pharmaceuticals & biotechnology	2,476	0.29
Koninklijke KPN	Netherlands	Telecommunications	Fixed line telecommunications	2,406	0.28
Novo Nordisk	Denmark	Health Care	Pharmaceuticals & biotechnology	2,317	0.27
ASML	Netherlands	Technology	Technology hardware & equipment	2,134	0.25
Libertine Holdings	UK	Other	Sustainable energy	2,100	0.25
Oxford Nanopore Technologies	UK	Technology	Advanced medical equipment & technology	2,045	0.24
Amundi	France	Financials	Financial services	1,942	0.23
Marstons	UK	Consumer Services	Travel & leisure	1,895	0.22
Gelion	UK	Other	Sustainable energy	1,874	0.22
Ondine Biomedical Inc.	Canada	Health Care	Pharmaceuticals & biotechnology	1,750	0.21
Surface Transforms	UK	Consumer Goods	Automobiles & parts	1,699	0.20
Renold	UK	Industrials	Industrial engineering	1,692	0.20
Allied Minds	UK	Financials	Financial services	1,665	0.20
Sig Combibloc	Switzerland	Industrials	General industrials	1,607	0.19
Bawag	Austria	Financials	Banks	1,537	0.18
Ilika	UK	Oil & Gas	Alternative energy	1,471	0.17
Cellnex Telecom	Spain	Telecommunications	Mobile telecommunications	1,392	0.16
Safran SA	France	Industrials	Aerospace & defence	1,378	0.16
Moncler	Italy	Consumer Goods	Personal goods	1,369	0.16
UniCredit	Italy	Financials	Banks	1,362	0.16
Danone SA	France	Consumer Goods	Food producers	1,313	0.15
SAP	Germany	Technology	Software & computer services	1,260	0.15
EDP Renovaveis SA	Spain	Other	Sustainable energy	1,161	0.14
Velocys	UK	Oil & Gas	Oil equipment services & distribution	1,142	0.13
Longboat Energy	UK	Oil & Gas	Oil & gas producers	1,140	0.13

Investment portfolio valuation continued

based on market values at 30 June 2022

Holding name	Location	Sector	Industry	£000	%
Arkema SA	France	Basic Materials	Chemicals	1,090	0.13
Deutsche Boerse	Germany	Financials	Financial services	1,068	0.13
Logistics Development Group	UK	Industrials	Industrial transportation	1,048	0.12
Grifols	Spain	Health Care	Pharmaceuticals & biotechnology	970	0.11
Tullow Oil	UK	Oil & Gas	Oil & gas producers	937	0.11
First Tin	UK	Basic Materials	Mining	930	0.11
Universal Music Group	Netherlands	Consumer Services	Media	876	0.10
Mirriad Advertising	UK	Consumer Services	Media	818	0.10
CNH Industrial	UK	Industrials	Industrial engineering	778	0.09
Sartorius AG	Germany	Health Care	Health care equipment & services	777	0.09
Kion Group AG	Germany	Industrials	Construction & materials	692	0.08
Harbour Energy	UK	Oil & Gas	Oil & gas producers	682	0.08
Allfunds Group	UK	Other	Other	661	0.08
Stellantis	Netherlands	Consumer Goods	Automobiles & parts	531	0.06
Jackson Financial	USA	Financials	Financial services	513	0.06
Morses Club	UK	Financials	Financial services	473	0.06
Brockhaus Capital Management	Germany	Financials	Financial services	397	0.05
Carclo	UK	Basic Materials	Chemicals	277	0.03
SIMEC Atlantis Energy	UK	Utilities	Electricity	199	0.02
LDIC investments	UK	Financials	Financial services	100	0.01
Providence Resources	UK	Oil & Gas	Oil & gas producers	100	0.01
EuroAPI Sasu	France	Health Care	Pharmaceuticals & biotechnology	79	0.01
Better Cap	UK	Financials	Equity investment instruments	25	—
Permanent TSB	Ireland	Financials	Banks	4	—
				853,231	100.00

Calculation of net asset value (NAV) per share

Valuation of our IPS business

Accounting standards require us to consolidate the income, costs and taxation of our IPS business into the Group income statement on page 21. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on page 22. A segmental analysis is provided on pages 24 and 25 of these accounts, which shows a detailed breakdown of the split between the investment portfolio, IPS business and Group charges.

Consolidating the value of the IPS business in this way fails to recognise the value created for shareholders by the IPS business. To address this, since December 2015, the NAV we have published for the Group has included a fair value for the standalone IPS business.

The current fair value of the IPS business is calculated based on historical earnings before interest, taxation, depreciation and amortisation (EBITDA) for the second half of 2021, and the EBITDA for the half year to 30 June 2022, with an appropriate multiple applied.

The calculation of the IPS valuation and methodology used to derive it are included in the previous annual report at note 14. In determining a calculation basis for the fair valuation of the IPS business, the Directors have taken external professional advice, from PwC LLP. The multiple applied in valuing IPS is from comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS in respect of size, liquidity, margin and growth. A range of multiples is then provided by PwC, from which the Board selects an appropriate multiple to apply. The make-up of our IPS business is unique meaning we do not have a like for like comparator group to benchmark ourselves against. We believe our core comparators remain as Sanne Group, Intertrust, Link Administration Holdings and JTC. However, each of these companies have specific factors which limit their usability for a market multiples-based valuation approach. Sanne Group and Intertrust are under offer and experiencing no share price movement, Link is in ongoing mergers and acquisitions discussions and JTC is a highly acquisitive group.

These company-specific factors restrict their usability when monitoring market movements, but the transaction multiples themselves do provide benchmark data points for consideration. However, given these limitations, PwC have also considered the wider, less comparable companies listed below, but only to broadly assess market movements in the relevant and complimentary service sectors. The table below shows a summary of performance of our comparators:

Company	Revenue LTM* (£M)	LTM EV/EBITDA 30 June 2022	Revenue CAGR FY18 - LTM 2022	EBITDA margin LTM
Law Deb IPS	46	10.5x	12%	33%
SEI Investments	1,555	10.1x	5%	33%
SS&C Technologies Holdings Inc.	3,889	10.4x	10%	37%
EQT Holdings	58	12.0x	4%	38%
Perpetual	403	7.8x	8%	25%
JTC	148	18.2x	25%	17%
Sanne Group	204	22.6x	16%	29%
Link Administration Holdings	621	11.6x	-2%	10%
Begbies Traynor Group	99	12.6x	17%	10%
Christie Group	61	N/A	-5%	5%
Intertrust N.V.	489	12.5x	2%	28%

* LTM refers to the trailing 12 months 'results' which are publicly available. Source: Capital IQ.

The multiple selected for the current period is 10.5x, which represents a discount of 19.8% on the mean multiple of the comparator group. The multiple selected is marginally down on the full year multiple of 10.8x to reflect the current market conditions.

Calculation of net asset value (NAV) per share continued

It is hoped that our initiatives to inject growth into the IPS business will result in a corresponding increase in valuation over time. As stated above, management is aiming to achieve mid to high single digit growth in 2022. The valuation of the IPS business has increased by £88m/97% since the first valuation of the business as at 31 December 2015.

Valuation guidelines require the fair value of the IPS business be established on a stand-alone basis. The valuation does not therefore reflect the value of Group tax relief from the investment portfolio to the IPS business.

In order to assist investors, the Company restated its historical NAV in 2015 to include the fair value of the IPS business for the last ten years. This information is provided in the annual report within the 10 year record.

Long-term borrowing

The methodology of fair valuing all long-term borrowings is to benchmark the Group debt against A rated UK corporate bond yields.

Calculation of NAV per share

The table below shows how the NAV at fair value is calculated. The value of assets already included within the NAV per the Group statement of financial position that relates to IPS is removed (£44.4m) and substituted with the calculation of the fair value and surplus net assets of the business (£133.9m). The fair value of the IPS business has increased by 4.9% due to higher surplus net assets being available. An adjustment of £4.5m is then made to show the Group's debt at fair value, rather than the book cost that is included in the NAV per the Group statement of financial position. This calculation shows NAV fair value for the Group as at 30 June 2022 of £917.4m or 726.74 pence per share:

	30 June 2022		31 December 2021	
	£000	Pence per share	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	**787,932**	**624.20**	878,837	717.86
Fair valuation of IPS: EBITDA at a multiple of 10.5x (June 2021: 10.1x)	163,317	129.38	165,985	135.58
Surplus net assets	15,067	11.94	4,041	3.31
Fair value of IPS business	**178,384**	**141.32**	170,026	138.89
Removal of assets already included in NAV per financial statements	(44,420)	(35.19)	(34,141)	(27.89)
Fair value uplift for IPS business	**133,964**	**106.13**	135,885	111.00
Debt fair value adjustment	(4,531)	(3.59)	(50,229)	(41.03)
NAV at fair value	**917,365**	**726.74**	964,493	787.83

Group income statement

for the six months ended 30 June 2022 (unaudited)

	30 June 2022			30 June 2021		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	15,921	—	15,921	10,050	—	10,050
UK special dividends	—	3,442	3,442	—	—	—
Overseas dividends	2,487	—	2,487	1,789	—	1,789
Overseas special dividends	—	—	—	—	—	—
Total dividend income	18,408	3,442	21,850	11,839	—	11,839
Interest income	14	—	14	—	—	—
Independent professional services fees	25,691	—	25,691	23,047	—	23,047
Other income	216	—	216	302	—	302
Total income	44,329	3,442	47,771	35,188	—	35,188
Net (loss)/gain on investments held at fair value through profit or loss	—	(124,238)	(124,238)	—	99,170	99,170
Total income and capital (losses)/gains	44,329	(120,796)	(76,467)	35,188	99,170	134,358
Cost of sales	(4,061)	—	(4,061)	(3,579)	—	(3,579)
Administrative expenses	(16,288)	(996)	(17,284)	(14,826)	(1,105)	(15,931)
Operating (loss)/profit	23,980	(121,792)	(97,812)	16,783	98,065	114,848
Finance costs						
Interest payable	(818)	(2,454)	(3,272)	(660)	(1,979)	(2,639)
(Loss)/profit before taxation	23,162	(124,246)	(101,084)	16,123	96,086	112,209
Taxation	(669)	—	(669)	(650)	—	(650)
(Loss)/profit for the period	22,493	(124,246)	(101,753)	15,473	96,086	111,559
Return per ordinary share (pence)	18.21	(100.61)	(82.40)	12.87	79.92	92.79
Diluted return per ordinary share (pence)	18.21	(100.58)	(82.37)	12.87	79.92	92.79

Group statement of comprehensive income

for the six months ended 30 June 2022 (unaudited)

	30 June 2022			30 June 2021		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(Loss)/profit for the period	22,493	(124,246)	(101,753)	15,473	96,086	111,559
Foreign exchange loss on translation of foreign operations	—	(112)	(112)	—	(20)	(20)
Total comprehensive (loss)/income for the period	22,493	(124,358)	(101,865)	15,473	96,066	111,539

Group statement of financial position

Non-current assets	Unaudited 30 June 2022 £000	Unaudited 30 June 2021 £000	Audited 31 December 2021 £000
Goodwill	18,973*	20,122	18,973
Property, plant and equipment	1,901	2,202	1,974
Right-of-use asset	5,253	5,591	5,542
Other intangible assets	3,177	620	3,516
Investments held at fair value through profit or loss	853,231	945,471	992,478
Retirement benefit asset	7,085	—	6,577
Deferred tax assets	—	771	—
Total non-current assets	889,620	974,777	1,029,060
Current assets			
Trade and other receivables	24,213	12,979	20,466
Contract assets	8,720	9,759	6,611
Cash and cash equivalents	71,979	9,885	35,880
Total current assets	104,912	32,623	62,957
Total assets	994,532	1,007,400	1,092,017
Current liabilities			
Trade and other payables	19,854	25,490	29,329
Lease liability	356	250	287
Corporation tax payable	1,387	763	925
Deferred tax liability	1,060	—	1,060
Other taxation including social security	2,561	670	1,543
Contract liabilities	7,504	5,305	5,620
Total current liabilities	32,722	32,478	38,764
Non-current liabilities and deferred income			
Long-term borrowings	164,267	114,214	164,245
Contract liabilities	3,463	3,234	4,054
Lease liability	6,148	5,881	6,117
Retirement benefit liability	—	2,354	—
Total non-current liabilities	173,878	125,683	174,416
Total net assets	787,932	849,239	878,837
Equity			
Called up share capital	6,371	6,123	6,145
Share premium	72,042	38,346	41,865
Own shares	(3,128)	(2,003)	(3,215)
Capital redemption	8	8	8
Translation reserve	2,544	1,982	2,656
Capital reserves	665,177	770,677	789,423
Retained earnings	44,918	34,106	41,955
Total equity	787,932	849,239	878,837
Total equity pence per share†	624.20	695.47	717.86

* Note the decrease in goodwill is due to part of this balance being re-classified as 'other intangible assets' in the 2021 annual accounts.
† Please refer to page 20 for calculation of total equity pence per share.

Group statement of cash flows

	Unaudited 30 June 2022 £000	Unaudited 30 June 2021 £000	Audited 31 December 2021 £000
Operating activities			
Operating (loss)/profit before interest payable and taxation	(97,812)	114,848	155,320
Losses/(gains) on investments	124,238	(98,066)	(121,170)
Depreciation of property, plant and equipment	152	181	220
Depreciation of right-of-use assets	349	354	858
Interest on lease liability	339	257	—
Amortisation of intangible assets	340	—	490
(Increase)/decrease in receivables	(5,856)	(80)	(4,419)
(Decrease)/increase in payables	(8,183)	(1,931)	1,920
Transfer from capital reserves	—	(800)	—
Normal pension contributions in excess of cost	(509)	(486)	(940)
Cash generated from operating activities	13,058	14,277	32,279
Taxation	811	(125)	(307)
Operating cash flow	13,869	14,152	31,972
Investing activities			
Acquisition of property, plant and equipment	(79)	(1,295)	(1,075)
Expenditure on intangible assets	(60)	(1)	—
Cash consideration transferred in relation to acquisition	—	(18,208)	(18,214)
Purchase of investments	(77,296)	(112,370)	(200,096)
Sale of investments	92,327	77,980	140,440
Cash flow from investing activities	14,892	(53,894)	(78,945)
Financing activities			
Interest paid	(3,272)	(2,639)	(5,277)
Dividends paid	(19,530)	(18,021)	(34,923)
Payment of lease liability	(239)	(212)	(371)
Proceeds of increase in share capital	30,403	29,269	32,810
Proceeds of issuance of long-term borrowings	—	—	50,000
Purchase of own shares	87	(542)	(1,754)
Net cash flow from financing activities	7,449	7,855	40,485
Net increase/(decrease) in cash and cash equivalents	36,210	(31,887)	(6,488)
Cash and cash equivalents at beginning of period	35,880	41,762	41,762
Foreign exchange (losses)/gains on cash and cash equivalents	(111)	10	606
Cash and cash equivalents at end of period	71,979	9,885	35,880

Group statement of changes in equity

	Share capital £000	Share premium £000
Balance at 1 January 2022	6,145	41,865
Net gain/(loss) for the period	—	—
Foreign exchange	—	—
Total comprehensive loss for the period	—	—
Issue of shares	226	30,177
Movement in own shares	—	—
Dividend relating to 2021	—	—
Dividend relating to 2022	—	—
Total equity at 30 June 2022	6,371	72,042

Group segmental analysis

	Investment Portfolio			
	30 June 2022 £000	30 June 2021 £000	31 December 2021 £000	30 June 2022 £000
Revenue				
Segment income	18,408	11,839	26,259	25,691
Other income	216	299	551	—
Cost of sales	(43)	—	(110)	(4,018)
Administration costs	(898)	(1,289)	(3,434)	(15,390)
	17,683	10,849	23,266	6,283
Interest payable (net)	(804)	(660)	(1,319)	—
Return, including profit on ordinary activities before taxation	16,879	10,189	21,947	6,283
Taxation	—	—	—	(669)
Return, including profit attributable to shareholders	16,879	10,189	21,947	5,614
Return per ordinary share (pence)	13.66	8.48	18.09	4.55
Assets	910,116	952,257	1,020,114	84,416
Liabilities	(166,604)	(123,977)	(175,418)	(39,996)
Total net assets	743,512	828,280	844,696	44,420

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

Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
(3,215)	8	2,656	789,423	41,955	878,837
—	—	—	(124,246)	22,493	(101,753)
—	—	(112)	—	—	(112)
—	—	(112)	(124,246)	22,493	(101,865)
—	—	—	—	—	30,403
87	—	—	—	—	87
—	—	—	—	(10,396)	(10,396)
—	—	—	—	(9,134)	(9,134)
(3,128)	8	2,544	665,177	44,918	787,932

Independent Professional Services		Group charges			Total		
30 June 2021 £000	31 December 2021 £000	30 June 2022 £000	30 June 2021 £000	31 December 2021 £000	30 June 2022 £000	30 June 2021 £000	31 December 2021 £000
23,047	49,513	—	—	—	44,099	34,886	75,772
3	—	—	—	—	216	302	551
(3,579)	(7,927)	—	—	—	(4,061)	(3,579)	(8,037)
(13,537)	(28,246)	—	—	—	(16,288)	(14,826)	(31,680)
5,934	13,340	—	—	—	23,966	16,783	36,606
—	—	—	—	—	(804)	(660)	(1,319)
5,934	13,340	—	—	—	23,162	16,123	35,287
(650)	(1,210)	—	—	—	(669)	(650)	(1,210)
5,284	12,130	—	—	—	22,493	15,473	34,077
4.39	10.00	—	—	—	18.21	12.87	28.09
55,122	71,903	—	21	—	994,532	1,007,400	1,092,017
(34,184)	(37,762)	—	—	—	(206,600)	(158,161)	(213,901)
20,938	34,141	—	21	—	787,932	849,239	878,837

FINANCIAL STATEMENTS

Principal risks and uncertainties

The principal Group risks include investment performance and market risk, financial reporting, and cyber and technology risks. The principal risks specific to the IPS business include meeting its strategic and financial objectives, change management, and financial crime. Emerging risks include ESG factors, and the prominence of an increasingly digital IPS competitor landscape.

These top risks are explained along with mitigating actions in the Risk Management section of the Annual Report for the year ended 31 December 2021. In the view of the Board these risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the period under review. As part of ongoing risk management to identify new risks and developments, the Board continues to review and assess risks, uncertainties and impacts during the course of the year.

Related party transactions

There have been no related party transactions during the period which have materially affected the financial position or performance of the Group. During the period, transactions between the Corporation and its subsidiaries have been eliminated on consolidation. Details of related party transactions are given in the notes to the annual accounts for the year ended 31 December 2021.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK and gives a true and fair view of the assets, liabilities, financial position and profit of the Group as required by DTR 4.2.4R;
- the half yearly report includes a fair review of the information required by:

    (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period.

On behalf of the Board

Robert Hingley
Chairman
28 July 2022

Notes to the condensed consolidated financial statements

1. Basis of preparation

The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as adopted for use in the UK.

The financial resources available are expected to meet the needs of the Group for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

The Group's accounting policies during the period are the same as in its 2021 annual financial statements, except for those that relate to new standards effective for the first time for periods beginning on (or after) 1 January 2022, and will be adopted in the 2022 annual financial statements.

2. Presentation of financial information

The financial information presented herein does not amount to full statutory accounts within the meaning of section 435 of the Companies Act 2006 and has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The annual report and financial statements for 2021 have been filed with the Registrar of Companies. The independent auditor's report on the annual report and financial statements for 2021 was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

3. Calculations of NAV and earnings per share

The calculations of NAV and earnings per share are based on:

NAV: shares at end of the period 126,230,289 (30 June 2021: 122,109,313; 31 December 2021: 122,424,129) being the total number of shares on issue less shares acquired by the ESOT in the open market.

Income: average shares during the period 123,497,103 (30 June 2021: 120,226,033; 31 December 2021: 121,308,792) being the weighted average number of shares on issue after adjusting for shares held by the ESOT.

4. Listed investments

Listed investments are all traded on active markets and as defined by IFRS 13 are Level 1 financial instruments. As such they are valued at unadjusted quoted bid prices. Unlisted investments are Level 3 financial instruments. They are valued by the Directors using unobservable inputs including the underlying net assets of the instruments.

The Board

Robert Hingley

Chairman of the Board, Independent Non-Executive Director Ⓝ Ⓡ

Appointed to the Board on 1 October 2017 and appointed Chairman in April 2018.

A corporate financier with over 30 years' experience, Robert was a partner at Ondra LLP until October 2017. From 2010 until 2015, he was a managing director and later senior advisor, at Lazard. He was previously director-general of The Takeover Panel from 2007 on secondment from Lexicon Partners, where he was vice chairman. Prior to joining Lexicon Partners in 2005, he was co-head of the Global Financial Institutions Group and head of German investment banking at Citigroup Global Capital Markets, which acquired the investment banking business of Schroders in 2000. He joined Schroders in 1985 after having qualified as a solicitor with Clifford Chance in 1984.

Robert is currently the chairman of Phoenix Spree Deutschland Limited and of Euroclear UK and International Limited, chairman of Governors at North London Collegiate School and trustee at the Bishopsgate Institute. He is also a non-executive director of Marathon Asset Management and a member of the Takeover Panel.

Key skills and experience contributed to the Company include strategy, corporate finance, corporate governance and mergers and acquisitions.

Denis Jackson

Chief Executive Officer

Appointed to the Board on 1 January 2018.

Denis joined Law Debenture in July 2017 as Chief Commercial Officer. He was previously at Capita plc as director of new business enterprise, having been a director at Throgmorton UK Limited (which Capita acquired). Prior to that, he was regional general manager for Europe and the United States at Tibra Trading Europe Limited, a FCA regulated proprietary trading company, which he joined from Citigroup (formerly Salomon Brothers). He spent almost 20 years there in a variety of roles including in Treasury (both in New York and London), as head of the finance desk in Hong Kong, head of fixed income prime brokerage in New York and ultimately, head of EMEA prime brokerage sales.

Key skills and experience contributed to the Company include strategy, commerce, corporate finance and governance and operational and transactional leadership in regional organisations.

Trish Houston

Chief Operating Officer

Appointed to the Board on 2 September 2021.

Trish brings almost twenty years of experience in leadership roles in the financial services industry. Most recently, she was a member of the senior management team at JDX Consulting Limited, where she had executive responsibility for HR, IT and facilities and oversaw the merger of three businesses. Previously, Trish was a partner at Ruffer LLP where she held several roles including global head of HR and global head of risk. She was also a member of the investment management team in the UK, Australia and Switzerland at PricewaterhouseCoopers LLP.

Key skills and experience contributed to the Company include operational growth, risk management, strategy and human resource management.

Key

Ⓡ Remuneration Committee Ⓝ Nomination Committee Ⓐ Audit and Risk Committee ● Committee Chairman

Ⓐ Ⓡ Ⓝ **Tim Bond** Senior Independent Director

Appointed to the Board on 14 April 2015 — Tim was previously a partner at Odey Asset Management LLP until March 2022, having joined in 2010 as its head of macroeconomic strategy, and then subsequently managed Odey's Odyssey Fund. Before joining Odey, Tim spent 12 years at Barclays Capital as managing director and head of global asset allocation. Tim was editor and principal author of Barclays Capital's Equity Gilt Study and chief advisor to the bank's RADAR Fund. Prior to Barclays, Tim worked at Moore Capital and spent 10 years as a strategist and trader for Tokai Bank Europe, a proprietary trading boutique.

Key skills and experience contributed to the Company include fund management and investment, strategy, corporate finance, ESG matters and distribution to investors.

Ⓐ Ⓡ Ⓝ **Pars Purewal** Independent Non-Executive Director

Appointed to the Board on 16 December 2021 — After a career spanning more than thirty-five years, Pars retired as a senior partner of PricewaterhouseCoopers (PwC) in June 2019. His experience included being PwC's UK Asset Management leader for ten years and finance partner for both asset and wealth management. He is a Fellow of the ICAEW and also chair of the Audit Committee of both Brewin Dolphin Holdings PLC and Federated Hermes International and board chair of Beyond Food Foundation.

Key skills and experience contributed to the Company include an in-depth knowledge of the financial services sector, audit and accounting, fund management, risk management and compliance.

Ⓐ Ⓡ Ⓝ **Claire Finn** Independent Non-Executive Director

Appointed to the Board on 2 September 2019 — Claire's most recent executive experience was at Blackrock, where she spent almost 13 years, becoming managing director and head of UK DC, Unit Linked and Platforms, responsible for strategy, innovation and growth. Previous roles at Blackrock included director/managing director, head of strategic alliances, director of sales and relationship management and vice president of product development. She previously held roles in product management at Henderson Global Investors (2001 – 2005) and relationship management at Bank of Tokyo-Mitsubishi, London (1999 – 2001). Claire is currently a non-executive director of Artemis Fund Managers Limited, Sparrows Capital Limited, St. Joseph's Catholic Primary School, Octopus Apollo VCT and Baillie Gifford Shin Nippon Public Limited Company.

Key skills and experience contributed to the Company include investment management, distribution to retail and institutional investors, strategic innovation and growth in the UK asset management, pensions and insurance industries and corporate governance.

Ⓐ Ⓡ Ⓝ **Clare Askem** Independent Non-Executive Director

Appointed to the Board on 10 June 2021 — Clare has extensive background in strategic development and in-depth experience in business change and digital transformation. She is also a non-executive director of Portmeirion Group PLC and IG Design Group plc. Previously, Clare was managing director of Habitat at Sainsbury plc and was a director on the Sainsbury's Argos operating board. Prior to her role at Habitat, Clare held a number of executive positions at Home Retail Group plc including director of strategic development, chair of the group's technology committee and director on the operating board for Homebase. Prior to these roles Clare also held other executive positions at Dixons Carphone plc.

Key skills and experience contributed to the Company include strategy, corporate transactions and digital marketing and distribution.

Shareholder information

Investment trust status

The Company carries on business as an investment trust company as defined in Sections 1158-1159 of the Corporation Tax Act 2010.

Company share information

Information about the Company can be found on its website www.lawdebenture.com. The market price of its ordinary shares is also published daily in the Financial Times.

Registrars

Our registrars, Computershare Investor Services PLC, operate a dedicated telephone service for Law Debenture shareholders – 0370 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.

Share dealing

Computershare Investor Services PLC offers shareholders a share dealing service via the internet or by post.

Internet dealing: The fee for this service will be 1.4% of the value of each transaction (subject to a minimum of £40).

Website address: www.computershare.com/dealing/uk

Registry Postal Share Dealing Service: The fee for this service will be 1.4% of the value of each transaction (subject to a minimum of £40). Forms can be found at: www.computershare.com/dealing/uk or requested by calling: 0370 703 0084.

The service is available only to those shareholders who hold their shares on the register (i.e. it is not available to those who hold their shares via a nominee).

Shareholders using the internet service will need their Shareholder Reference Number (SRN) and post code to complete their trade.

Photo credit: Charles Hosea

Company advisers and information

Registered office

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W: www.lawdebenture.com

(Registered in England – No. 00030397)

Investment managers

James Henderson and Laura Foll are joint managers. They also manage Lowland Investment Company plc, Henderson Opportunities Trust plc and the Henderson UK Equity Income & Growth Fund.

James joined Henderson Global Investors (now Janus Henderson Investors) in 1983 and has been an investment trust portfolio manager since 1990. He first became involved in the management of Law Debenture's portfolio in 1994 and took over lead responsibility for management of the portfolio in June 2003.

Laura joined Janus Henderson Investors in 2009 and has held the position of portfolio manager on the Global Equity Income team since 2014. She first became involved with Law Debenture's portfolio in September 2011 and became joint portfolio manager in 2020.

Alternative Investment Fund Manager

The Law Debenture Corporation p.l.c.

Investment portfolio manager

Janus Henderson Global Investors
201 Bishopsgate, London EC2M 3AE

Auditors

Deloitte LLP
110 Queen Street, Glasgow, G1 3BX

Depositary

NatWest Trustee and Depositary Services Limited
250 Bishopsgate, London EC2M 4AA

Global custodian

HSBC Bank plc (under delegation by the depositary)
8 Canada Square, London E14 5HQ

Registrar

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

T: 0370 707 1129

Broker

J.P. Morgan Cazenove Limited
25 Bank Street, London E14 5JP

AIC

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A member of the Association of Investment Companies

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