



LawDebenture



HALF YEARLY REPORT
2023

Law Debenture is rare among investment trusts.

A PROUD HISTORY

134 years of value creation for shareholders.

STRENGTH AND DIVERSITY OF INCOME

34%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% increase in dividend over the ten years to 31 December 2022.

CONSISTENT LONG-TERM OUTPERFORMANCE OF OUR BENCHMARK

51.3% share price total return outperformance of our benchmark, the FTSE Actuaries All-Share Index over the ten years to 30 June 2023.

Key statistics

for the half year ended 30 June 2023

<p>4.0%²</p> <p>Net Asset Value Total Return – including debt and IPS at fair value (year ended 31 December 2022: 0.6%)</p>	<p>£1,009.1m³</p> <p>Net Asset Value – including debt and IPS at fair value (31 December 2022: £972.6m)</p>	<p>8.5%⁴</p> <p>Independent Professional Services business growth in profit before tax (30 June 2022: 5.9%)</p>
<p>1.68%</p> <p>Average premium in share price versus NAV (with debt and IPS at fair value) (30 June 2022: 1.96%)</p>	<p>0.48%</p> <p>Ongoing charges ratio – compared to industry average of 1.07% (30 June 2022: 0.48% compared to industry average of 1.09%)</p>	<p>1.5%</p> <p>Share Price Total Return (for the half year 30 June 2022: -3.8%)</p>

¹ Calculated for the 10 years ended 31 December 2022.

² Total net assets per statement of financial position percentage increase 1.7% (year ended December 2022 decrease 9.08%).

³ Please refer to pages 19 and 20 for calculation of net asset value.

⁴ Calculated for the half year ended 30 June 2023.

Law Debenture: a unique combination of an award winning UK Income Investment Trust¹ and a leading provider of Independent Professional Services

Investment Portfolio

c. 79% 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%² compared to industry average of 1.07%³
- ▶ Contrarian investment style:
 - High quality companies with strong competitive advantage at attractive valuations
 - Out of favour equities standing at valuation discounts to their long-term historical average
- ▶ Selective, bottom-up approach
- ▶ Diversified portfolio by sector (predominant UK weighting)

Independent Professional Services (IPS) business

c. 21% of NAV

including IPS and long-term borrowings at fair value

PENSIONS

The longest established and one of the largest UK providers of pension trustee services

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

We believe that all divisions have potential for further growth in expanding markets. Our plan to achieve this is by increasing our market share through better leveraging of technology, our strong relationships and our brand

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

¹ Winner of the AIC 2021 & 2022 UK equity income sector investment trust of the year; AJ Bell Fund and Investment Trust awards 2022; winner of Best UK Equity – active category.

² Calculated based on data held by Law Debenture for the period ended 30 June 2023.

³ Source: Association of Investment Companies (AIC) industry average as at 30 June 2023.

Performance

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return (with debt at par)*	2.2	6.0	43.0	28.4	121.9
NAV total return (with debt at fair value)*	4.0	11.1	60.9	38.9	136.4
FTSE Actuaries All-Share Index Total Return ²	2.6	7.9	33.2	16.5	78.0
Share price total return ^{2*}	1.5	5.0	67.4	59.2	129.3
Change in Retail Price Index ³	4.1	10.4	28.2	33.3	50.3

Consistent long-term outperformance of benchmark⁴

FTSE Actuaries All-Share Index²

Share price total return^{2*}

NAV total return¹



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£10,000
invested in
Law Debenture
ten years ago
would be worth
£22,930
as at
30 June 2023⁵

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 2013 and 30 June 2023.

* Items marked "*" are considered to be alternative performance measures and calculated using the published daily NAV. For a description of these measures, see page 152 of the annual report and financial statements for the year ended 31 December 2022.

Please remember that past performance does not predict future returns. The value of an investment and the income from it can rise as well as fall as a result of market and currency fluctuations, and you may not get back the amount originally invested.

Financial summary

	Six months 30 June 2023 £000	Six months 30 June 2022 £000	Twelve months 31 December 2022 £000
Net Asset Value – with debt and IPS at fair value*	1,009,140	917,365	972,566
Total Net Assets per the statement of financial position	812,578	787,932	799,067
	Pence	Pence	Pence
NAV per share at fair value ^{1,2*}	775.92	726.74	761.69
Revenue return per share:			
Investment portfolio	13.29	13.66	24.06
Independent professional services	4.80 ³	4.55 ³	10.38
Group revenue return per share	18.09	18.21	34.44
Capital (loss)/return per share	(5.26)	(100.61)	(103.17)
Dividends per share ⁴	7.625	7.25	30.50
Share price	767	760	771
	%	%	%
Ongoing charges ^{5*}	0.48	0.48	0.49
Net gearing*	13	11	12
Premium/(discount)*	(1.15)	4.58	1.22

¹ Please refer to pages 19 and 21 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 Revenue per share is calculated using the weighted average shares in issue as at 30 June 2023.

⁴ The second interim dividend is not due to be announced until September 2023 and has not been factored in the calculation presented. The Board have indicated their intention to pay three interim dividends of 7.625p in respect of 2023, each representing a quarter of the total 2022 dividend declared of 30.5p. The final dividend will be declared in February 2024.

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 alternative performance measures ('APM') and calculated using the published daily NAV. For a description of these measures, see page 152 of the annual report and financial statements for the year ended 31 December 2022.

Half yearly management report



Introduction

I am pleased to report that The Law Debenture Corporation p.l.c. ('Law Debenture') has delivered another solid performance during a time of significant global economic uncertainty. Elevated interest rates and persistent inflation have resulted in ongoing market volatility. Despite these headwinds, the combination of our well-diversified portfolio and another good performance from our Independent Professional Services ('IPS') business has enabled Law Debenture to marginally outperform our benchmark, the FTSE Actuaries All-Share Index. This delivered a 2.6% total return, whereas Law Debenture's Net Asset Value ('NAV'), with debt and IPS at fair value, delivered a return of 4.0%. With debt at par, our NAV delivered a return of 2.2%.

Our Investment Managers continue to build on 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 IPS business is now well into its sixth year of consistent mid-to-high single-digit growth, with net revenue up 11.2% and profit before tax up 8.5%.

Our IPS business accounts for 21% of Law Debenture's NAV but has funded approximately 34% of dividends over the past decade. As a result, our Investment Managers have increased flexibility in selecting what they feel are strong business models and attractive valuation opportunities, which we believe will continue to position the equity portfolio for future longer-term growth.

Dividend

We are pleased to continue building on our 44-year record of maintaining or increasing dividends. We recently declared a first interim dividend of 7.625 pence per ordinary share, representing an increase of 5.2% over the prior year's first interim dividend. This highlights the benefits of IPS's income streams, as well as Law Debenture's substantial revenue reserves. This dividend was paid on 6 July 2023 to shareholders on the register at close of business on 2 June 2023. Based on the closing share price on 26 July 2023 of 812 pence, the dividend yield per Law Debenture share is 3.8%¹. Over the last 10 years, we have increased the dividend by 114%² in aggregate, which compares favourably with our sector peers.

Since the publication of our Annual Report at the end of February 2023, we have issued 2 million new ordinary shares to existing and new investors, raising a total of £16.6 million. It is the Board's current intention to recommend that the total dividend in relation to 2023 is to maintain or increase the total 2022 dividend of 30.5 pence per ordinary share. Our shareholders will be asked to vote on the final dividend at our AGM in 2024.

Corporate Trust

Despite a challenging economic backdrop, we are pleased to report net revenue growth of 12.2% in the first half of 2023.

Primary issuance in debt capital markets ebbs and flows and market conditions can change rapidly. Our long-standing relationships with many of our clients and referral partners make us well placed to participate when a more buoyant issuance environment returns.

The strength of our Corporate Trust business lies in its diversified revenue streams, some elements of

¹ Based on the total dividend paid in relation to 2022 of 30.5p per share.

² Based on the period 2012 to 2022.

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We remain focused on continuing our unbroken 44-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.

countercyclicality and, in the current environment at least, a healthy proportion of fee income with linkage to inflation.

In 2019, we made the decision to increase the investment in our escrow product. This product allows two (or more) parties the ability to transfer an asset, typically cash, to us as a trusted independent third-party, pending the satisfaction of certain conditions that need to be met prior to the entitlement to such assets being determined. Our increasing success in this market is based on our ability to move fast and use our expertise to consider bespoke transactions. Our book of business is growing steadily and has considerable range including Corporate M&A, Litigation, Real Estate and Sporting Events. Pensions is also an increasingly active market for escrow services, which we are well-placed to serve. For example, we completed a Reservoir Trust in the first half of 2023 that resolved trapped surplus considerations between the sponsor and participants in a major UK Pension Scheme.

Post-issue work, when a bond issuer runs into financial difficulty, can lead to countercyclical incremental revenues for this business. It is inevitable but unfortunate that, as businesses adapt to the elevated interest rate environment, we are beginning to see increasing signs of stress, which is likely to impact our pool of issuers over time. Office for National Statistics' data shows that corporate bankruptcies are currently on the rise.³ When bonds default, the workflow, risk and revenue profiles of our role can materially change. A key duty of the bond trustee is to be the legal creditor of the issuer on behalf of the bondholders. Our role in such default situations requires material incremental work that, given a favourable outcome, can lead to significant additional income for us. That said, defaults often take years to play out and the results are uncertain.

Many of the debt capital markets transactions that sit on our books, built up over many decades, have contractual inflation-linked fee increases for our services. The longer that inflation remains at elevated levels (40-year highs for UK RPI were recorded toward the end of last year⁴) the more these inflation-linked increases feed through to our book of business.

We are now in our 134th year of the provision of Corporate Trust services to our clients. We are pleased to have grown our business in the first half of 2023 despite challenging primary market conditions. The diversification of our revenue streams, and our ability to innovate, underpin our confidence that this business will continue to produce good returns over the longer-term.

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At the core of Law Debenture's financial objectives are two key aims; to achieve long-term capital growth, and to steadily increase income for our shareholders.

Pensions

The first half of 2023 has illustrated the importance of effective pension scheme trusteeship and governance in turbulent times. We have seen the continuation of activity driven from the "gilts crisis" in Q3/Q4 2022 with many schemes recognising the need to review their funding and investment strategies. In particular, we are seeing an increased interest in journey planning and buy-

in strategies, as well as corporate sponsors working with trustees to consider the viability of running pension schemes with a surplus on a long-term basis.

Increasing regulatory obligations require more attention and manpower than ever from the trustees and in-house teams. The common denominator is the need for more expertise and relevant experience from professional trustees and governance executives to help manage schemes properly and effectively. We believe that the market need for independent professional pension support continues to grow.

³ Commentary – Monthly Insolvency Statistics April 2023 – GOV.UK (www.gov.uk).

⁴ Inflation and price indices – Office for National Statistics (ons.gov.uk).

Half yearly management report continued

Independent Professional Services

DIVISION	Net revenue ¹ 30 June 2023 £000	Net revenue ¹ 30 June 2022 £000	Growth 2021/2022 %
Pensions	8,597	6,973	23.3
Corporate Trust	5,818	5,185	12.2
Corporate Services	9,693	9,515	1.9
Total	24,108	21,673	11.2

¹ Revenue shown is net of cost of sales.

The Pensions business had a busy first half-year supporting their existing clients as well as winning new business, with net revenues up 23.3% for H1 at £8.6m. This positions us well to build on our record of growth within this business, having delivered compound revenue growth in the five-year period 2018 to 2022 of 10.7%.

Notable wins for the Trustee business have been Arvin Meritor, Lafarge UK Pension Plan, and SLB. Ireland continues to grow its book of business, having added Irish Life MasterTrust to its portfolio of clients, among others. The Manchester Pensions team is also growing and has firmly put Law Debenture on the map for potential opportunities coming from the local offices of large law firms and consultancies. In February, we were proud and grateful to have been awarded "Independent Trustee Firm of the Year" at the 2023 Pensions Age awards. It was an honour to be recognised for the work we do for our clients, especially following an eventful year like 2022.

Our outsourced pensions governance business, Pegasus, has expanded its team and continues to win new business including in the corporate sole trustee space, in house support, scheme secretarial services, project management, trustee effectiveness review work and single code implementation.

We continue to hire and invest in the right people who can deliver the high-quality service our Pensions team is known for in the market. We believe that the diversity of expertise, experience and background of our Pensions team has enabled us to provide a first-class service to our clients and evolve our offering to meet their requirements.

Corporate Services

Our Corporate Services business reported net revenue growth of 1.9%.

Corporate Secretarial Services ('CSS')

In our 2022 year-end update, we mentioned the capacity constraints that we were experiencing. However, healthy

demand for our products and services remains very much in place. Satisfying that demand with excellent people, efficient operational workflows, and enhanced technology takes some time to deliver. Our journey to hire and develop the right people, skills, technology, and operational infrastructure continued in H1 2023 and will be the focus for this business for the remainder of the year, under Trish Houston's leadership.

At the last year end, we had raised our headcount by almost 40% since the January 2021 acquisition of CSS. We added to our headcount by a further 12% in this business in H1 2023, despite fierce competition for candidates. We continue to make progress in filling the skills and experience gaps that we have identified and have expanded our staff training initiatives. Just after the year end, we completed the implementation of a digital matter management system that significantly enhances control, delivers efficiencies and builds scale in the Global Entity Management segment of this business. We are increasingly recording more accurate and useful management information and are progressively able to make better-informed decisions regarding effective resource allocation.

The growing need for these types of outsourced governance solutions is well established and underpinned by a steady stream of regulatory initiatives. Put simply, the provision of high-quality supply needs to catch up with demand. Over time, we are confident that we will see good returns from this investment.

Service of Process

This remains our business which has the fewest recurring revenues and 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 law 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 economic activity and capital markets new issuance, the greater the demand for our product. Given the difficult conditions in primary capital markets, downward revisions to global economic growth, and a number of major economies being at or close to entering recession, Service of Process revenues were unsurprisingly depressed in the first half of 2023.

Our knowledge of this market reassures us that we will be well placed as primary markets activity in capital markets improves and global economic expansion returns. However, we have no special insight as to when this might happen. In the meantime, we have continued to improve our technology platform and remain very much present in the minds of our referral partner networks.

Structured Finance

This niche business provides accounting and administrative services to special purpose vehicles ('SPVs'). Typical buyers of our services are 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 and aircraft leases.

Although a small business for us, we saw record levels of enquiry, new business wins and revenue in the first half of the year. This is particularly pleasing given the difficult operating conditions for many financial markets' participants. The increase in our Paying Agency work (often driven by corporate disposals) was encouraging in H1 2023 and we will work hard to continue to build momentum in this substantial market.

In a busy industry where excellent delivery is a differentiator, we will continue to focus on providing high-quality bespoke products to our expanding group of clients.

Safecall

The first half of 2023 was another robust period for this business as we continue to increase our market share in this growing market.

Significant investment in account management and business development resource was made, with new business wins hitting an all-time high. Reports received on

behalf of our clients also reached record levels and barely a week goes by without a major news story involving a whistleblower. Increased public awareness of the product and regulatory impetus further reinforce our confidence in the long-term growth prospects for our business in this market.

Examples of the breadth of new business signed in the first half of 2023 includes Evelyn Partners, TBC Bank, Herbert Smith Freehills, a number of sporting organisations and several Fire Services across the UK.

It is also important that we continue to innovate through investment in our product offering. As a result, our revenue streams are increasingly diversified. Sales of our training modules are growing, as are appointments to undertake investigations, where our unique expertise adds significant value for clients.

From a technology perspective, we delivered a new management information module for our clients in H1 2023 and will develop more advancements for clients in the latter half of the year. In addition, we are investing in a new investigation training module for our clients together with a new website, to improve user experience for both prospective and existing clients.

Central overview

We have been steadily investing to ensure that our infrastructure provides an appropriate, scalable, control environment which is critical for us to deliver sustainable long-term growth. In the first part of 2023, we have selectively added expertise to fill skills gaps identified in HR, Finance and IT.

Technology advances continue to quicken and, in order to compete effectively and deliver as our clients demand, we must be nimble. Accordingly, we have started a programme to refresh our IT operating model adopted in 2019 that served us well during the many challenges of Covid.

Environmental, Social and Governance ('ESG')

2022 was a significant year in Law Debenture's ESG development and this was detailed in the 2022 Annual Report (pages 50-57). Since then, we have continued our progress in the areas where we can make a real impact.

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Law Debenture is a rare proposition: an investment trust supported by a wholly owned professional services business. The whole is greater than the sum of these parts, providing a hedge to market volatility.

Half yearly management report continued

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The Group takes great pride in our long-term record over one, three, five and ten years, with consistent, long-term outperformance of the benchmark, the FTSE Actuaries All Share Index. James and Laura have a proven valuation-driven process which aims to identify market-leading, high-quality companies that are undervalued at the point of purchase.

We were ranked 1st in the Financial Services category and 2nd overall amongst the FTSE 250 in the FTSE Women Leaders Review for the second consecutive year. This Review 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 UK Government, aimed at increasing the representation of women in leadership roles.

In March 2023 we were shortlisted in the Trailblazer Exco and Direct Reports' category for FTSE 250 businesses for the inaugural Institute of Directors and INSEAD Alumni Balance in Business Awards. Other shortlisted companies included a number of our clients and market leading organisations such as Diageo plc, HSBC Bank plc, Lloyds Banking Group plc, Marks and Spencer plc, Tate & Lyle plc and Tesco plc.

We continue to give consideration to ESG factors across both the investment portfolio and the IPS business and will share a more detailed review in the 2023 Annual Report.

Outlook

We believe that the combination of IPS with the investment portfolio is a unique and well-diversified model and I am cautiously optimistic about the Group's progress in the second half of 2023 and beyond, in spite of the ongoing macroeconomic uncertainties. I believe that IPS' investment in talent and technology leaves it well positioned to continue to win new business, increase market share and deliver medium-term growth in line with our mid-to-high single percentage target.

Our Investment Managers continue to invest in what they feel are a differentiated selection of high-quality businesses with competitive advantage and good long-term growth prospects. We are confident that their disciplined approach of buying at attractive entry point valuations will continue

to deliver over the longer-term for our shareholders. The Board supports their view that the UK stock market continues to offer investors the opportunity to own resilient, cash-generative and well-managed business models that are well positioned to produce attractive longer-term returns.

Denis Jackson
Chief Executive
27 July 2023

Investment managers' report



Overview

The period began positively with the return of some investor confidence in equity markets. However, this proved short-lived when the Silicon Valley Bank collapsed. There was concern at the time that this collapse might lead to contagion globally. Thankfully, this did not prove to be the case as the banking system does not carry the same degree of leverage as in the past. The narrative in the market moved on, but risk aversion in the market remains. The global inflation level has not fallen as quickly as some had hoped. This is particularly the case with the UK, resulting in continued upward movement in its interest rates. The outcome has been that the gilt market has adjusted downwards, leaving yields at a level that is even higher than last autumn. This background of rising rates has undermined investor confidence in equities, particularly in UK-orientated small companies. AIM-listed companies in particular, have experienced share price

weakness, falling, in some cases, to what appear to be extraordinarily low valuations.

Year to date, the FTSE Actuaries All-Share Index has seen some marginal growth of 2.6% in total return. This compares to Law Debenture's NAV (with debt and IPS at fair value) which saw total return growth of 4%. This marginal out-performance of the benchmark is predominantly driven by movements in the fair value of the debt and growth in the valuation of the IPS business.

Activity

The share price weakness in UK listed businesses is creating attractive long-term investment opportunities. Therefore, over the six-month period, we have been a net buyer of £31.6 million UK shares. This has been in a diverse number of companies; for instance, the holding

Investment managers' report continued

in Marshalls, the building materials company, has been added to, as has Marks and Spencer where there are early signs of trading improving. In the smaller companies' sphere, the holding in the alternative energy company, Ceres Power, has been increased, as has the exposure to Hipgnosis, the owner of a catalogue of recorded music. In the technology space, we increased the holding in Oxford Nanopore, the gene sequencing business, and Surface Transforms, the ceramic brake maker. The exposure to renewable energy was further expanded by purchases of Air Products and Chemicals and Johnson Matthey. These companies are mainly servicing very different end-markets, but they have in common the potential to be substantially bigger businesses in the future, without the current valuation reflecting this.

When increasing gearing, it is important to remain vigilant to companies held that are not performing as hoped. During the period, the holding in Direct Line was reduced after a disappointing underwriting result. Unilever and Haleon were sold as their valuations appear relatively high due to investors believing them to be safe havens. On a recovery in equity market sentiment, the risk appetite of investors might increase, which should benefit the Portfolio.

Contributors

Amongst the five biggest positive contributors are two aerospace stocks, namely Rolls Royce and Senior. The aviation industry is recovering from the severe setback of Covid effects on air travel. The number of miles flown globally has recovered and the aerospace industry is an area of excellence in the UK. Another recovery stock which has seen share price appreciation is Marks and Spencer, thanks to an improved operating performance as a result of bold management action, particularly in relation to its store footprint and work to reposition their offering in clothing. One of the largest contributors in the period was Flutter Entertainment, which operates Betfair and Paddy Power in the UK. Flutter Entertainment has also seen very strong growth in gaming in the US with the opening up of the gambling market in some States, which contributed to the rise in its share price.

Detractors

The largest detractor in the period was Direct Line. The insurance company has had very disappointing underwriting results. They failed to pick up some of the underlying trends in claims experience. We reduced the holding and await management action to address the problems.

Top five absolute contributors

The following five stocks produced the largest absolute contribution to performance in the first half of 2023:

Stock	Share price movement (%)	Contribution (£m)
Flutter Entertainment	40.0	7.0
Rolls Royce	77.1	6.8
Marks & Spencer	60.5	5.2
HSBC	20.6	4.6
Senior	39.9	4.3

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

Top five absolute detractors

The following five stocks produced the largest negative impact on portfolio valuation in the first half of 2023:

Stock	Share price movement (%)	Contribution (£m)
Direct Line Insurance	(35.7)	(5.1)
Anglo American	(30.9)	(4.5)
i3 Energy	(43.5)	(3.3)
Rio Tinto	(14.0)	(3.1)
AFC Energy	(58.6)	(2.3)

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

The next three largest detractors, Anglo American, i3 Energy and Rio Tinto, are all commodity producers. The concerns over economic activity have led to a fall in the price of, for instance, oil and copper. These are cyclical shares, and we would expect them to recover over time.

Income from the Investment Portfolio

Dividend payments from the underlying Portfolio are growing with ordinary dividend income for H1 2023 up 4.9% at £19.3m (H1 2022: £18.4m). This has exceeded our expectations, but last year the Portfolio did benefit from £3.4m of special dividends, which has not been repeated in 2023.

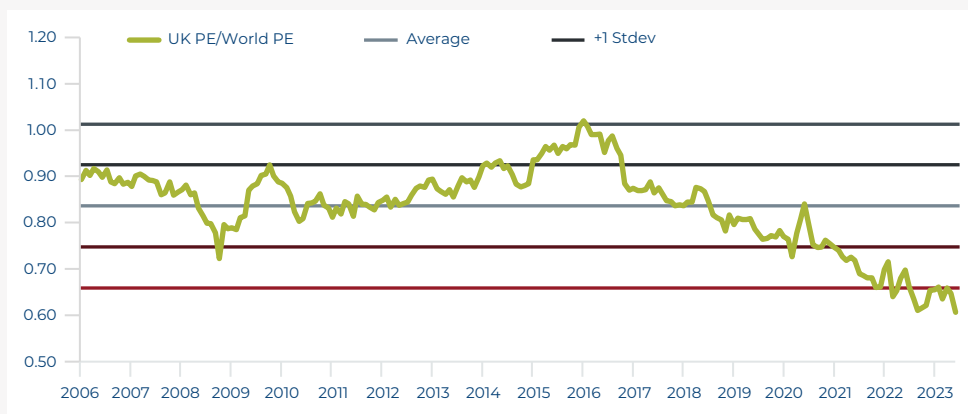
A large contributor to Law Debenture's overall income remains the IPS business, which facilitates us holding low- or zero-yielding stocks, not typically seen in an income fund.

ESG

We continue to interact and engage with companies, both at the board and executive levels, on ESG factors. We believe that this approach provides the most accurate insights into the progress companies are making against their ESG objectives, such as environmental footprint.

During the first half, we have challenged several company management teams about all aspects of sustainability. Where appropriate, we took action as a result of those engagements, which included exiting positions where it seemed there was very little progress against sustainability goals.

UK Market PE vs World as at 30 June 2023



Outlook

The chart above illustrates how undemanding UK companies' valuations have become. The investment focus remains on companies that will be able to adapt to the circumstances they find themselves in. They will do this by providing good quality products and services. At the moment, however, investors are predominantly focused on macro-economic concerns, the main one of which is the persistence of inflation and the level interest rates may reach within the UK. It is through periods of uncertainty like this that we can refresh the Portfolio and position it so that it will benefit when a degree of confidence returns.

Note: The 12 month forward P/E of the FTSE All Share relative to the 12 month forward P/E of the FTSE World index. Average and standard deviations over the period 31 January 2006.

Source: Janus Henderson, Datastream, as at 30 June 2023.

James Henderson and Laura Foll

Investment Managers

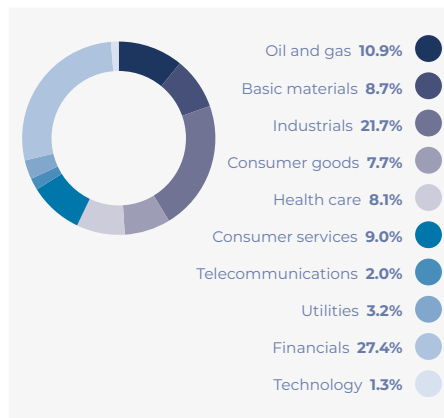
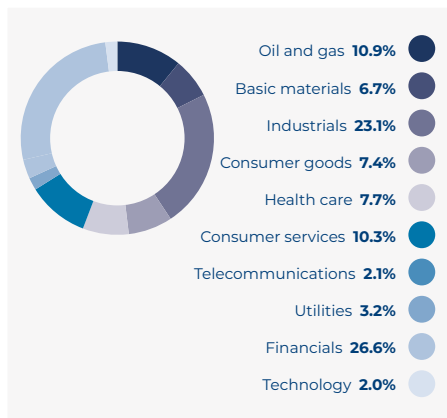
27 July 2023

Investment managers' report continued

Sector distribution of portfolio by value

30 June 2023

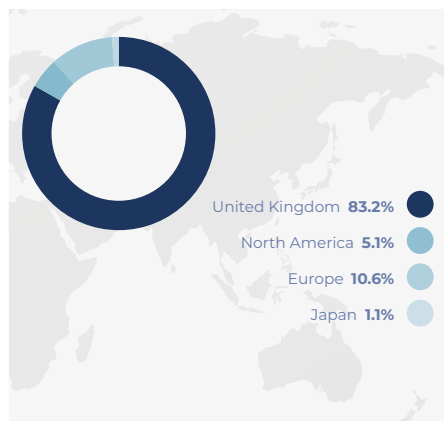
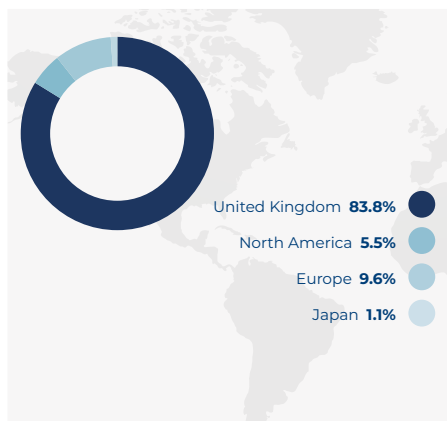
31 December 2022



Geographical distribution of portfolio by value

30 June 2023

31 December 2022



Fifteen largest holdings: investment rationale

as at 30 June 2023

Rank 2023	Company	Location	% of portfolio	Approx Market Cap.	Valuation December 2022 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation June 2023 £000
1	Shell	UK	3.18	£109bn	29,075	—	—	206	29,281
<p>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. The fossil fuel business has experienced strong cash generation due to high oil & gas prices, with this being used to fund the material investment required within the renewables area to facilitate the company's transition and provide for cash returns to shareholders via dividends and share buybacks.</p>									
2	HSBC	UK	2.93	£128.2bn	22,360	—	—	4,601	26,961
<p>The company is one of the largest banking and financial services companies in the world serving more than 40m customers around the globe. It has brought a clearer focus to its business by exiting areas where it lacks clear advantages. The rise in interest rates is a big benefit to underlying profits.</p>									
3	BP	UK	2.84	£86.5bn	27,069	—	—	(943)	26,126
<p>BP is a vertically integrated oil and gas company. Under a new CEO, BP has 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.</p>									
4	Flutter Entertainment	UK	2.67	£11.3bn	17,492	—	—	6,990	24,482
<p>The company offers betting on a wide range of sports as well as online games including bingo and poker. They are growing fast in the US as gambling opens up in more states. They have a responsible attitude towards their customers.</p>									
5	GlaxoSmithKline	UK	2.1	£69.6bn	19,983	—	—	(679)	19,304
<p>The company is a research based pharmaceutical company with a strong R & D pipeline. There is a clearer focus after disposals on the science of the immune system, human genetics and the use of advanced technologies. The company has refocused back to its core competences and the quality of the earnings are higher as a result.</p>									
6	Barclays	UK	2.05	£16.1bn	19,498	—	—	(632)	18,866
<p>Barclays has a strong retail lending franchise combined with an investment bank. Over time its 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 and the valuation is undemanding given current prospects</p>									
7	Rolls Royce	UK	2.05	£69.8bn	8,797	3,223	—	6,786	18,806
<p>The company is a leading industrial technology company specialising in civil aerospace, defence and power systems. The changes in management are bringing a return to a focused culture to the business. The technical skills of the company are now being joined in a sharper commercial approach to the business, while the company remains a true global leader.</p>									
8	Rio Tinto	UK	2.04	£46.7bn	21,742	—	—	(3,048)	18,694
<p>The company focuses on mining aluminium, copper, gold, iron ore, lead, silver, tin, uranium, zinc, diamonds and zircon. It is often the lowest cost producer which allows it to deal with the volatility of commodity prices and means the cycles are less severe.</p>									
9	NatWest	UK	1.7	£22.5bn	17,238	—	—	(1,592)	15,646
<p>NatWest is one of the largest commercial and retail lenders in the UK. In recent years it has largely exited its markets business and refocused on its 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. Rising interest rates and a strong management team are behind improving earnings.</p>									

Fifteen largest holdings: investment rationale continued

as at 30 June 2023

Rank 2023	Company	Location	% of portfolio	Approx Market Cap.	Valuation December 2022 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation June 2023 £000
10	Marks & Spencer	UK	1.68	£3.7bn	8,631	1,558	—	5,219	15,408
<p>The company is a British retailer predominately focused on their own label business in Food, Clothing and Home products. The relatively new management team is making the chain relevant again to their customer base with a better fashion offer and a considered reduction in their store footprint is adding greater discipline to their cost base.</p>									
11	Senior	UK	1.63	£0.8bn	10,682	—	—	4,265	14,947
<p>Senior operates in the manufacturing and engineering industries. The company has a very strong management team. They have controlled cost well in a difficult period. They are strongly placed to achieve margin expansion as volumes pick up. Aerospace demand is growing and this very well managed company is benefitting.</p>									
12	Sanofi	France	1.57	£103.3bn	12,815	746	—	822	14,383
<p>Sanofi manufactures and develops prescription pharmaceuticals in particular for the treatment of thrombosis and the central nervous system. They are a leader in oncology medicines. The pipeline of new drugs underpins real opportunity for growth.</p>									
13	National Grid	UK	1.48	£28.1bn	13,058	—	—	557	13,615
<p>The company is an energy company, operating in the UK and US, delivering electricity and gas. The US business not only adds geographical diversity it brings long-term strong growth prospects to the well managed company.</p>									
14	Tesco	UK	1.43	£16.7bn	11,888	—	—	1,284	13,172
<p>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. Margins have improved in spite of the competitive backdrop.</p>									
15	Lloyds Banking Group	UK	1.42	£33.0bn	13,623	—	—	(546)	13,077
<p>Lloyds is a leading retail and commercial lender in the UK. Its strong market share within UK mortgage lending allowed it to historically generate good returns versus peers. Rising interest rates and a strong balance sheet suggest the valuation is undemanding.</p>									

Investment portfolio valuation

based on market values at 30 June 2023

Holding name	Country	Sector	Industry	£000	%
Shell	UK	Oil & Gas	Oil & gas producers	29,281	3.18
HSBC	UK	Financials	Banks	26,961	2.93
BP	UK	Oil & Gas	Oil & gas producers	26,126	2.84
Flutter Entertainment	UK	Consumer Services	Travel & leisure	24,482	2.67
GlaxoSmithKline	UK	Health Care	Pharmaceuticals & biotechnology	19,304	2.10
Barclays	UK	Financials	Banks	18,866	2.05
Rolls Royce	UK	Industrials	Aerospace & defence	18,806	2.05
Rio Tinto	UK	Basic Materials	Mining	18,694	2.04
NatWest	UK	Financials	Banks	15,646	1.70
Marks & Spencer	UK	Consumer Services	General retailers	15,408	1.68
Senior	UK	Industrials	Aerospace & defence	14,947	1.63
Sanofi	France	Health Care	Pharmaceuticals & biotechnology	14,383	1.57
National Grid	UK	Utilities	Gas, water & multiutilities	13,615	1.48
Tesco	UK	Consumer Goods	Food & Drug Retailers	13,172	1.43
Lloyds Banking Group	UK	Financials	Banks	13,077	1.42
Standard Chartered	UK	Financials	Banks	12,879	1.40
BAE Systems	UK	Industrials	Aerospace & defence	12,051	1.31
Morgan Advanced Materials	UK	Industrials	Electronic & electrical equipment	11,645	1.27
IMI	UK	Industrials	Industrial engineering	11,268	1.23
M & G	UK	Financials	Financial services	10,527	1.15
Irish Continental Group	Ireland	Consumer Services	Travel & leisure	10,516	1.15
Herald Investment Trust	UK	Financials	Equity investment instruments	10,488	1.14
Toyota Motor Corporation	Japan	Consumer Goods	Automobiles & parts	10,363	1.13
Prudential Corp	UK	Financials	Life insurance/assurance	10,353	1.13
Ceres Power	UK	Oil & Gas	Oil equipment services & distribution	10,216	1.11
Land Securities	UK	Financials	Real estate investment trusts	10,181	1.11
Aviva	UK	Financials	Life insurance/assurance	10,164	1.11
Anglo American	UK	Basic Materials	Mining	10,049	1.09
Hill & Smith	UK	Industrials	Industrial engineering	9,997	1.09
Severn Trent	UK	Utilities	Gas, water & multiutilities	9,879	1.08
Hiscox	UK	Financials	Nonlife insurance	9,860	1.07
Caterpillar	USA	Industrials	Industrial engineering	9,679	1.05
Boku	UK	Industrials	Support services	9,438	1.03
Balfour Beatty	UK	Industrials	Construction & materials	9,421	1.03
Kingfisher	UK	Consumer Goods	Household goods & home construction	9,383	1.02
Dunelm	UK	Consumer Services	General retailers	9,296	1.01
Cummins	USA	Industrials	Industrial engineering	9,070	0.99
Glencore	Switzerland	Basic Materials	Mining	8,890	0.97
BT Group	UK	Telecommunications	Fixed Line Telecommunications	8,870	0.97
DS Smith	UK	Industrials	General industrials	8,605	0.94
Vanquis Banking Group	UK	Financials	Financial services	8,337	0.91

Investment portfolio valuation continued

based on market values at 30 June 2023

Holding name	Country	Sector	Industry	£000	%
Hipgnosis Songs Fund	UK	Financials	Equity investment instruments	8,259	0.90
Vodafone	UK	Telecommunications	Mobile telecommunications	8,136	0.89
Accsys Technologies	UK	Industrials	Construction & materials	8,086	0.88
Cranswick	UK	Consumer Goods	Food producers	7,757	0.84
Spectris	UK	Industrials	Electronic & electrical equipment	7,635	0.83
Scottish Oriental Small Co	UK	Financials	Equity investment instruments	7,523	0.82
Phoenix Group Holdings	UK	Financials	Life insurance/assurance	7,445	0.81
Direct Line Insurance	UK	Financials	Nonlife insurance	7,339	0.80
Halfords	UK	Consumer Services	General retailers	7,014	0.76
Johnson Service Group	UK	Industrials	Support services	6,800	0.74
Hammerson	UK	Financials	Real estate investment trusts	6,690	0.73
ITV	UK	Consumer Services	Media	6,659	0.73
Standard Life Aberdeen	UK	Financials	Financial services	6,557	0.71
Marshalls	UK	Industrials	Construction & materials	6,504	0.71
Reckitt Benckiser Group	UK	Health Care	Health care equipment & services	6,503	0.71
Elementis	UK	Basic Materials	Chemicals	6,474	0.71
Kier	UK	Industrials	Construction & materials	6,469	0.70
Haleon	UK	Health Care	Pharmaceuticals & biotechnology	6,443	0.70
Mondi	UK	Basic Materials	Forestry & paper	6,295	0.69
Applied Materials	USA	Technology	Technology hardware & equipment	6,255	0.68
Smith & Nephew	UK	Health Care	Health care equipment & services	5,957	0.65
Air Products and Chemicals	Canada	Oil & Gas	Oil & gas producers	5,892	0.64
Ibstock	UK	Industrials	Construction & materials	5,797	0.63
International Personal Finance	UK	Financials	Financial services	5,794	0.63
General Motors	USA	Consumer Goods	Automobiles & parts	5,765	0.63
Gibson Energy	Canada	Oil & Gas	Oil & gas producers	5,754	0.63
Chesnara	UK	Financials	Life insurance/assurance	5,645	0.61
IP Group	UK	Financials	Financial services	5,568	0.61
International Consolidated Airlines	UK	Consumer Services	Travel & leisure	5,565	0.61
Oxford Sciences Innovation	UKULM	Financials	Financial services	5,533	0.60
SSE	UK	Utilities	Electricity	5,523	0.60
Bayer AG	Germany	Health Care	Pharmaceuticals & biotechnology	5,441	0.59
Babcock	UK	Industrials	Aerospace & defence	5,214	0.57
Oxford Nanopore Technologies	UK	Technology	Advanced Medical Equipment & Technology	5,204	0.57
Ricardo	UK	Industrials	Support services	4,781	0.52
Vertu Motors	UK	Consumer Services	General retailers	4,764	0.52
International Distribution Services	UK	Industrials	Industrial transportation	4,639	0.51
VH Global Sustainable Energy Opportunities	UK	Other	Sustainable Energy	4,610	0.50
Grit Real Estate Income Group	Guernsey	Financials	Real estate investment trusts	4,560	0.50

Investment portfolio valuation continued

based on market values at 30 June 2023

Holding name	Country	Sector	Industry	£000	%
TT Electronics	UK	Industrials	Electronic & electrical equipment	4,554	0.50
Bristol-Myers Squibb	USA	Health Care	Pharmaceuticals & biotechnology	4,529	0.49
Redde Northgate	UK	Industrials	Support services	4,377	0.48
Johnson Matthey	UK	Other	Sustainable Energy	4,365	0.48
i3 Energy	UK	Oil & Gas	Oil & gas producers	4,349	0.47
Jubilee Metals Group	UK	Basic Materials	Mining	4,308	0.47
AFC Energy	UK	Oil & Gas	Alternative Energy	4,196	0.46
Reach	UK	Consumer Services	Media	3,849	0.42
Next 15 Group	UK	Consumer Services	Media	3,735	0.41
Weir Group	UK	Industrials	Industrial engineering	3,512	0.38
ITM Power	UK	Oil & Gas	Oil equipment services & distribution	3,506	0.38
Nestle	Switzerland	Consumer Goods	Food producers	3,280	0.36
Epwin Group	UK	Consumer Goods	Household goods & home construction	3,277	0.36
Indus Gas	UK	Oil & Gas	Oil & gas producers	3,089	0.34
Castings	UK	Industrials	Construction & materials	3,070	0.33
SigmaRoc	UK	Industrials	Construction & materials	3,055	0.33
Watkin Jones	UK	Consumer Goods	Household goods & home construction	2,999	0.33
Plant Health Care	USA	Basic Materials	Chemicals	2,983	0.32
Bellway	UK	Consumer Goods	Household goods & home construction	2,982	0.32
ASML	Netherlands	Technology	Technology hardware & equipment	2,938	0.32
Novo Nordisk	Denmark	Health Care	Pharmaceuticals & biotechnology	2,733	0.30
Roche	Switzerland	Health Care	Pharmaceuticals & biotechnology	2,677	0.29
Surface Transforms	UK	Consumer Goods	Automobiles & parts	2,380	0.26
SAP	Germany	Technology	Software & computer services	2,243	0.24
LVMH	France	Consumer Goods	Leisure Goods	2,095	0.23
Moncler	Italy	Consumer Goods	Personal goods	2,089	0.23
Airbus SE	Netherlands	Industrials	Aerospace & defence	2,071	0.23
Munchener Rueckver	Germany	Financials	Nonlife insurance	1,975	0.22
UniCredit	Italy	Financials	Banks	1,958	0.21
Safran SA	France	Industrials	Aerospace & defence	1,909	0.21
Zoo Digital Group	UK	Technology	Software & computer services	1,722	0.19
Cellnex Telecom	Spain	Telecommunications	Mobile telecommunications	1,708	0.19
Amundi	France	Financials	Financial services	1,699	0.19
Renold	UK	Industrials	Industrial engineering	1,692	0.18
Deutsche Boerse	Germany	Financials	Financial services	1,665	0.18
Invinity Energy Systems	UK	Oil & Gas	Alternative Energy	1,645	0.18
DSM-Firmenich AG	Netherlands	Basic Materials	Chemicals	1,567	0.17
ASM International NV	Netherlands	Industrials	Electronic & electrical equipment	1,286	0.14
Allied Minds	UK	Financials	Financial services	1,277	0.14

Investment portfolio valuation continued

based on market values at 30 June 2023

Holding name	Country	Sector	Industry	£000	%
Sig Combibloc	Switzerland	Industrials	General industrials	1,227	0.13
EDP Renovaveis SA	Spain	Other	Sustainable Energy	1,162	0.13
Logistics Development Group	UK	Industrials	Industrial transportation	1,117	0.12
Danone SA	France	Consumer Goods	Food producers	1,103	0.12
Arbuthnot Banking Group	UK	Financials	Financial services	1,094	0.12
Marstons	UK	Consumer Services	Travel & leisure	1,082	0.12
Kistos	UK	Oil & Gas	Oil & gas producers	1,058	0.12
SGS SA	Switzerland	Industrials	Support services	1,043	0.11
BNP Paribas SA	France	Financials	Banks	1,034	0.11
Ilika	UK	Oil & Gas	Alternative Energy	963	0.10
Velocys	UK	Oil & Gas	Oil equipment services & distribution	937	0.10
First Tin	UK	Basic Materials	Mining	852	0.09
Arkema SA	France	Basic Materials	Chemicals	772	0.08
Adidas	Germany	Consumer Goods	Leisure Goods	758	0.08
Libertine Holdings	UK	Other	Sustainable Energy	735	0.08
Longboat Energy	UK	Oil & Gas	Oil & gas producers	735	0.08
Grifols	Spain	Health Care	Pharmaceuticals & biotechnology	679	0.07
Bawag	Austria	Financials	Banks	641	0.07
Gelion	UK	Other	Sustainable Energy	619	0.07
Allfunds Group	UK	Other	Other	593	0.06
Universal Music Group	Netherlands	Consumer Services	Media	563	0.06
Brockhaus Capital Management	Germany	Financials	Financial services	562	0.06
Serica Energy	UK	Oil & Gas	Oil & gas producers	526	0.06
Sartorius AG	Germany	Health Care	Health care equipment & services	501	0.05
Ondine Biomedical Inc.	Canada	Health Care	Pharmaceuticals & biotechnology	500	0.05
Deltic Energy	UK	Oil & Gas	Oil & gas producers	365	0.04
Carclo	UK	Basic Materials	Chemicals	151	0.02
SIMEC Atlantis Energy	UK	Utilities	Electricity	145	0.02
Mirriad Advertising	UK	Consumer Services	Media	129	0.01
LDIC Investments	UK	Financials	Financial services	100	0.01
EuroAPI Sasu	France	Health Care	Pharmaceuticals & biotechnology	55	0.01
Better Cap	UK	Financials	Equity investment instruments	25	—
Barryroe Offshore Energy	Ireland	Oil & Gas	Oil & gas producers	13	—
Permanent TSB	Ireland	Financials	Banks	7	—
				918,221	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 22. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on page 23. A segmental analysis is provided on page 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 performance 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 2022, and the EBITDA for the half year to 30 June 2023, 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 3 on page 135. 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 and Intertrust have been acquired and are no longer listed. Link's valuation has been impacted by transactional influences and updates to the ongoing Woodford scandal. JTC continues to be 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 2023	Revenue CAGR FY19 – LTM 2023	EBITDA margin LTM
Law Deb IPS	50	10.5x	12%	38%
SEI Investments Company	1,519	12.3x	5%	22%
SS&C Technologies Holding, Inc	4,325	10.5x	4%	32%
EQT Holdings Limited	67	14.0x	7%	34%
Perpetual Limited	428	11.1x	11%	19%
JTC PLC	200	18.0x	27%	24%
Link Administration Holdings Limited	662	5.3x	-4%	13%
Begbies Traynor Group plc	116	8.7x	18%	19%
Christie Group plc	69	4.7x	-3%	9%

* 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 is broadly in line with the mean multiple of the comparator group. The multiple selected is consistent with that used at both the half year and year end of 2022.

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 2023. The valuation of the IPS business has increased by £120m/133% 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 (£57.3m) and substituted with the calculation of the fair value and surplus net assets of the business (£153.4m). The fair value of the IPS business has increased by 4.4% due to a combination of higher surplus net assets being available and a higher EBITDA. An adjustment of £43.1m 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 2023 of £1,009.1m or 775.92 pence per share:

	30 June 2023		31 December 2022	
	£000	Pence per share	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	812,578	624.78	799,067	625.81
Fair valuation of IPS: EBITDA at a multiple of 10.5x (31 December 2022: 10.5x)	178,017	136.88	174,174	136.41
IPS net assets attributable to IPS valuation	32,627	25.09	27,566	21.59
Fair value of IPS business	210,644	161.97	201,740	158.00
Removal of IPS net assets included in Group net assets	(57,263)	(44.03)	(53,364)	(41.79)
Fair value uplift for IPS business	153,381	117.94	148,376	116.20
Debt fair value adjustment	43,181	33.20	25,123	19.68
NAV at fair value	1,009,140	775.92	972,566	761.69
	£000	%	£000	%
NAV attributable to IPS	210,644	21	201,740	21

See commentary for the breakdown of the assets already included in the NAV per the financial statements.

Calculation of net asset value (NAV) per share continued

The Financial Statements NAV at fair value calculated above differs to the published NAV at fair value for 30 June 2023 (half year NAV released by RNS on 3 July 2023). As such, please see below for a reconciliation:

	£000	Pence per share
Reconciliation of published NAV to results NAV:		
Published NAV cum income with debt at fair value	1,010,790	777.19
Reconciliation of shareholders' funds to net assets:		
Published NAV	(819,233)	(629.90)
Results NAV	812,578	624.78
Revised IPS valuation uplift:		
Published NAV (valuation per 31 December 2022)	(148,376)	(114.08)
Results NAV	153,381	117.93
Total NAV at fair value per results	1,009,140	775.92

Group income statement

for the six months ended 30 June 2023 (unaudited)

	30 June 2023			30 June 2022		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	16,005	—	16,005	15,921	—	15,921
UK special dividends	—	—	—	—	3,442	3,442
Overseas dividends	3,291	—	3,291	2,487	—	2,487
Overseas special dividends	—	—	—	—	—	—
Total dividend income	19,296	—	19,296	18,408	3,442	21,850
Interest income	440	—	440	14	—	14
Independent professional services fees [†]	27,174	—	27,174	25,691	—	25,691
Other income	393	—	393	216	—	216
Total income	47,303	—	47,303	44,329	3,442	47,771
Net gain/(loss) on investments held at fair value through profit or loss	—	(3,285)	(3,285)	—	(124,238)	(124,238)
Total income and capital gains/(losses)	47,303	(3,285)	44,018	44,329	(120,796)	(76,467)
Cost of sales	(3,141)	—	(3,141)	(4,061)	—	(4,061)
Administrative expenses	(19,391)	(1,045)	(20,436)	(16,288)	(996)	(17,284)
Operating profit/(loss)	24,771	(4,330)	20,441	23,980	(121,792)	(97,812)
Finance costs						
Interest payable	(818)	(2,454)	(3,272)	(818)	(2,454)	(3,272)
Profit/(loss) before taxation	23,953	(6,784)	17,169	23,162	(124,246)	(101,084)
Taxation	(625)	—	(625)	(669)	—	(669)
Profit/(loss) for the period	23,328	(6,784)	16,544	22,493	(124,246)	(101,753)
Return per ordinary share (pence)	18.09	(5.26)	12.83	18.21	(100.61)	(82.40)
Diluted return per ordinary share (pence)	18.08	(5.26)	12.82	18.21	(100.58)	(82.37)

[†] IPS fees are presented gross. Please refer to Note 6 on page 28 for a reconciliation to the net revenue.

Group statement of comprehensive income

for the six months ended 30 June 2023 (unaudited)

	30 June 2023			30 June 2022		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit/(loss) for the period	23,328	(6,784)	16,544	22,493	(124,246)	(101,753)
Foreign exchange gain/(loss) on translation of foreign operations	—	(168)	(168)	—	(112)	(112)
Total comprehensive income/(loss) for the period	23,328	(6,952)	16,376	22,493	(124,358)	(101,865)

Group statement of financial position

as at 30 June 2023 (unaudited)

	Unaudited 30 June 2023 £000	Unaudited 30 June 2022 £000	Audited 31 December 2022 £000
Non-current assets			
Goodwill	19,010	18,973	19,036
Property, plant and equipment	1,838	1,901	1,796
Right-of-use asset	4,584	5,253	5,040
Other intangible assets	2,971	3,177	3,417
Investments held at fair value through profit or loss	918,221	853,231	891,005
Retirement benefit asset	7,973	7,085	7,400
Total non-current assets	954,597	889,620	927,694
Current assets			
Trade and other receivables	18,363	24,213	19,697
Contract assets	9,576	8,720	7,182
Cash and cash equivalents	33,520	71,979	49,559
Total current assets	61,459	104,912	76,438
Total assets	1,016,056	994,532	1,004,132
Current liabilities			
Trade and other payables	18,865	19,854	19,815
Lease liability	964	356	991
Corporation tax payable	1,718	1,387	1,256
Other taxation including social security	2,376	2,561	2,892
Contract liabilities	6,139	7,504	5,223
Total current liabilities	30,062	31,662	30,177
Non-current liabilities and deferred income			
Long-term borrowings	163,931	164,267	163,909
Contract liabilities	3,151	3,463	3,976
Deferred tax liability*	1,344	1,060	1,344
Lease liability	4,990	6,148	5,659
Total non-current liabilities	173,416	174,938	174,888
Total net assets	812,578	787,932	799,067
Equity			
Called up share capital	6,530	6,371	6,407
Share premium	102,812	72,042	83,022
Own shares	(4,180)	(3,128)	(3,128)
Capital redemption	8	8	8
Translation reserve	2,687	2,544	2,855
Capital reserves	655,463	665,177	662,512
Retained earnings	49,258	44,918	47,391
Total equity	812,578	787,932	799,067
Total equity pence per share[†]	624.78	624.20	625.81

* The deferred tax liability has been re-classified as non-current to align with the disclosure requirements outlined in IAS 1.56.

[†] Please refer to page 20 for calculation of total equity pence per share.

Group statement of cash flows

for the six months ended 30 June 2023 (unaudited)

	Note	Unaudited 30 June 2023 £000	Unaudited 30 June 2022 £000	Audited 31 December 2022 £000
Cash flows from operating activities (before dividends received and taxation paid)	5	3,603	(2,052)	2,249
Cash dividends received		17,958	15,921	37,498
Taxation paid		—	—	(700)
Cash generated from operating activities		21,561	13,869	39,047
Investing activities				
Acquisition of property, plant and equipment		(191)	(79)	(151)
Acquisition of right of use assets		—	—	(428)
Expenditure on intangible assets		—	(60)	(639)
Purchase of investments (less cost of acquisition)		(51,631)	(77,296)	(170,653)
Sale of investments		21,130	92,327	145,892
Cash flow from investing activities		(30,692)	14,892	(25,979)
Financing activities				
Interest paid		(3,272)	(3,272)	(6,544)
Dividends paid		(21,236)	(19,530)	(37,167)
Payment of lease liability		(629)	(239)	(505)
Proceeds of increase in share capital		19,913	30,403	41,419
Purchase of own shares		(1,052)	87	87
Net cash flow from financing activities		(6,276)	7,449	(2,710)
Net increase/(decrease) in cash and cash equivalents		(15,407)	36,210	10,358
Cash and cash equivalents at beginning of period		49,559	35,880	35,880
Foreign exchange gains/(losses) on cash and cash equivalents		(632)	(111)	3,321
Cash and cash equivalents at end of period		33,520	71,979	49,559

Group statement of changes in equity

as at 30 June 2023 (unaudited)

	Share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2023	6,407	83,022	(3,128)	8	2,855	662,512	47,391	799,067
Profit/(loss) for the period	—	—	—	—	—	(6,784)	23,328	16,544
Foreign exchange	—	—	—	—	(168)	(265)	(225)	(658)
Total comprehensive profit/(loss) for the period	—	—	—	—	(168)	(7,049)	23,103	15,886
Issue of shares	123	19,790	(1,052)	—	—	—	—	18,861
Dividend relating to 2022	—	—	—	—	—	—	(11,276)	(11,276)
Dividend relating to 2023	—	—	—	—	—	—	(9,960)	(9,960)
Total equity at 30 June 2023	6,530	102,812	(4,180)	8	2,687	655,463	49,258	812,578

Group segmental analysis

	Investment Portfolio			Independent Professional Services			Total		
	30 June 2023 £000	30 June 2022 £000	31 Dec. 2022 £000	30 June 2023 £000	30 June 2022 £000	31 Dec. 2022 £000	30 June 2023 £000	30 June 2022 £000	31 Dec. 2022 £000
Revenue									
Dividend income	19,296	18,408	34,464	—	—	—	19,296	18,408	34,464
IPS revenue [†]									
Corporate Trust	—	—	—	6,800	6,614	13,292	6,800	6,614	13,292
Corporate Services	—	—	—	11,744	12,094	25,792	11,744	12,094	25,792
Pensions	—	—	—	8,630	6,983	14,368	8,630	6,983	14,368
Segment income	19,296	18,408	34,464	27,174	25,691	53,452	46,470	44,099	87,916
Other income	393	216	847	—	—	—	393	216	847
Cost of sales	(75)	(43)	(125)	(3,066)	(4,018)	(8,283)	(3,141)	(4,061)	(8,408)
Administration costs	(1,856)	(898)	(3,522)	(17,535)	(15,390)	(30,810)	(19,391)	(16,288)	(34,332)
Return before interest and tax	17,758	17,683	31,664	6,573	6,283	14,359	24,331	23,966	46,023
Interest payable (net)	(624)	(804)	(1,432)	246	—	62	(378)	(804)	(1,370)
Return, including profit on ordinary activities before taxation	17,134	16,879	30,232	6,819	6,283	14,421	23,953	23,162	44,653
Taxation	—	—	—	(625)	(669)	(1,392)	(625)	(669)	(1,392)
Return, including profit attributable to shareholders	17,134	16,879	30,232	6,194	5,614	13,029	23,328	22,493	43,261
Return per ordinary share (pence)	13.29	13.66	24.06	4.80	4.55	10.38	18.09	18.21	34.44
Assets	931,689	910,116	922,080	84,367	84,416	84,640	1,016,056	994,532	1,006,720
Liabilities	(176,373)	(166,604)	(176,377)	(27,105)	(39,996)	(31,276)	(203,478)	(206,600)	(207,653)
Total net assets	755,315	743,512	745,703	57,263	44,420	53,364	812,578	787,932	799,067

[†] Please refer to Note 6 on page 28 for a breakdown of net revenue by department.

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

Principal risks and uncertainties

The principal Group risks include investment performance and market risk, cyber and technology risk and IPS concentration risk. ESG considerations are our emerging risk.

These top risks are explained along with mitigating actions in the Risk Management section of the Annual Report for the year ended 31 December 2022. 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 2022.

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
27 July 2023

Past performance is not a guide to future performance. The value of an investment and any income from it is not guaranteed and may go down as well as up and investors may not get back the amount invested.

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 Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) as adopted and endorsed by 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 2022 annual financial statements, except for those that relate to new standards effective for the first time for periods beginning on (or after) 1 January 2023, and will be adopted in the 2023 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 2022 have been filed with the Registrar of Companies. The independent auditor's report on the annual report and financial statements for 2022 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 130,057,740 (30 June 2022: 126,230,289; 31 December 2022: 127,685,028) being the total number of shares on issue less shares acquired by the ESOT in the open market.

Income: average shares during the period 128,924,615 (30 June 2022: 123,497,103; 31 December 2022: 125,628,620) 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.

Notes to the condensed consolidated financial statements continued

5. Note to the statement of cash flows

The presentation of the cash flow statement has been updated in line with that in the 2022 annual report. As such, this note accompanies the statement of cash flows on page 24.

	Unaudited 30 June 2023 £000	Unaudited 30 June 2022 £000	Audited 31 December 2022 £000
Operating profit/(loss) before interest and taxation	20,441	(97,812)	(78,411)
Adjust for non-cash flow items:			
Losses/(gains) on investments	3,285	124,238	126,234
Movement in amortised cost of borrowings	22	—	(336)
Depreciation of property, plant and equipment	149	152	328
Depreciation of right-of-use assets	456	349	931
Amortisation of intangible assets	379	679	675
Decrease/(increase) in receivables	(1,060)	(5,856)	198
(Decrease)/increase in payables	(950)	(8,183)	(9,604)
(Decrease)/increase in deferred income	91	—	(475)
(Decrease)/increase in other taxation payable	(679)	811	(1,123)
Normal pension contributions in excess of cost	(573)	(509)	1,330
Dividends receivable	(17,958)	(15,921)	(37,498)
Cash flows from operating activities (before dividends received and taxation paid)	3,603	(2,052)	2,249

6. Breakdown of net revenue per department

The table below illustrates a breakdown of net revenue per department:

	Gross Revenue			Cost of sales			Net Revenue		
	30 June 2023 £000	30 June 2022 £000	31 Dec. 2022 £000	30 June 2023 £000	30 June 2022 £000	31 Dec. 2022 £000	30 June 2023 £000	30 June 2022 £000	31 Dec. 2022 £000
Pensions	8,630	6,983	14,368	(33)	(10)	(25)	8,597	6,973	14,343
Corporate Trust	6,800	6,614	13,292	(982)	(1,429)	(2,672)	5,818	5,185	10,620
Corporate Services	11,744	12,094	25,792	(2,051)	(2,579)	(5,586)	9,693	9,515	20,206
Total IPS income	27,174	25,691	53,452	(3,066)	(4,018)	(8,283)	24,108	21,673	45,169

The Board

Robert Hingley (N) (R)

Chairman, Independent Non-Executive Director

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

Denis Jackson

Chief Executive Officer

Appointed to the Board on 1 January 2018.

Trish Houston

Chief Operating Officer

Appointed to the Board on 2 September 2020.

Tim Bond (A) (R) (N)

Senior Independent Director

Appointed to the Board on 14 April 2015.

Pars Purewal (A) (R) (N)

Independent Non-Executive Director

Appointed to the Board on 16 December 2021.

Claire Finn (R) (A) (N)

Independent Non-Executive Director

Appointed to the Board on 2 September 2019.

Clare Askem (A) (R) (N)

Independent Non-Executive Director

Appointed to the Board on 10 June 2021.

Key

- (R) Remuneration Committee
- (N) Nomination Committee
- (A) Audit and Risk Committee
- Committee Chair

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.



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

Depository

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

Global custodian

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

Registrar

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

T: 0370 707 1129

Joint brokers

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

Peel Hunt LLP
100 Liverpool Street, London EC2M 2AT

AIC



A member of the Association of Investment Companies



D LawDebenture

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