

The Law Debenture Corporation p.l.c. and its subsidiaries
HALF YEARLY REPORT FOR THE SIX MONTHS TO 30 JUNE 2015 (unaudited)

The Directors recommend an interim dividend of 5.2p on the ordinary shares for the six months to 30 June 2015. The report including the unaudited results for the period was as follows:

Group summary

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

Investment trust

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

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

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

Independent fiduciary services

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

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

Registered office

Fifth Floor
100 Wood Street
London EC2V 7EX

Telephone: 020 7606 5451

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(Registered in England No 30397)

Financial summary

	30 June 2015 Pence	30 June 2014 Pence	31 December 2014 Pence
Share price	510.50	518.50	530.00
NAV per share after proposed dividend	485.21	484.97	475.82
NAV per share after proposed dividend with debt at fair value	476.80	478.12	465.62
Net revenue return per share:			
- Investment trust	7.49	6.08	10.08
- Independent fiduciary services	3.26	3.23	6.87
Group net revenue return per share	10.75	9.31	16.95
Capital return per share	4.04	7.83	3.87
Dividends per share	5.20	4.70	15.70

	%
Ongoing charges ¹	0.46
Gearing ¹	4.90

Ongoing charges are based on the costs of the investment trust and include the Henderson management fee of 0.30% of NAV for the investment trust. There is no performance element related to the fee.

¹ Source AIC.

Performance to 30 June 2015

	6 months	1 year	5 years	10 years
	%	%	%	%
Share price total return ¹	(1.6)	1.5	116.7	177.2
NAV total return ¹	3.8	3.1	102.9	183.2
FTSE All-Share Index total return	3.0	2.6	66.6	97.7

¹ Source AIC. NAV used to calculate total return has been adjusted to reflect the fair value of the debenture. The adjustment reduced the NAV at 30 June 2015 by 8.41p (31 December 2014: 10.20p; 30 June 2014: 6.85p).

Basis of preparation

The results for the period have been prepared in accordance with International Financial Reporting Standards (IAS 34 – Interim financial reporting).

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.

There have been no changes to the group's accounting policies during the period.

Half yearly management report

Performance

Our net asset value total return for the six months to 30 June 2015 was 3.8%, compared to a total return of 3.0% for the FTSE Actuaries All-Share Index. Net revenue per share was 10.75p, an increase of 15.5% over the corresponding period last year, as a result of a 23.2% increase in the investment trust and a 0.9% increase in independent fiduciary services. A major factor in the increase in investment trust revenue was a significant increase in special dividends.

Dividend

The board has declared an interim dividend of 5.2p (2014: 4.7p). The dividend will be paid on 11 September 2015 to holders on the record date of 14 August 2015. The current expectation of the directors is that the final dividend will be at least maintained.

Investment trust

It has been a subdued period for equity markets during which a generally good operating performance from the portfolio companies has been offset by concerns over macro-economic issues. Some of the best performing areas of the last few years such as capital goods' companies have experienced share price weakness as the strength of the global economic upswing has been questioned, while some of the weaker areas of recent times, for example, the Japanese stock market, have made good progress. This rotation is inevitable in stock markets but ultimately performance from equities is determined by the growth of earnings and dividends. Companies held in the portfolio, in aggregate, are generating strong free cashflow and are therefore paying down debt. This positions them well if there is economic turbulence.

The stocks that added the most value over the period included house-builders, Redrow and Bellway, and textile rental company, Johnson Service Group. One of the largest detractors was Velocys, which fell as a result of the fall in the oil price making the adoption of their gas to liquid technology less attractive than expected.

Outlook

The fall in the oil price has reduced inflation and it should boost economic activity. This will help investor confidence at a time when valuations of companies are reasonable and balance sheets are strong. We will retain a relatively long list of stocks to mitigate risk.

Independent fiduciary services

Revenue, net of cost of sales, which represents legal costs recharged to clients, increased by 1.4% over the corresponding period last year. Administration costs increased by 2.2% which included exit costs from our agency solutions business. Profit before tax fell by 1.0%.

Group income statement

for the six months ended 30 June 2015 (unaudited)

	30 June 2015			30 June 2014		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	8,042	-	8,042	7,497	-	7,497
UK special dividends	1,643	-	1,643	631	-	631
Overseas dividends	1,584	-	1,584	1,508	-	1,508
Overseas special dividends	183	-	183	8	-	8
Interest from securities	-	-	-	103	-	103
	11,452	-	11,452	9,747	-	9,747
Interest income	40	-	40	34	-	34
Independent fiduciary services fees	14,878	-	14,878	15,345	-	15,345
Other income	139	-	139	49	-	49
Total income	26,509	-	26,509	25,175	-	25,175
Net gain on investments held at fair value through profit or loss	-	4,978	4,978	-	9,388	9,388
Gross income and capital gains	26,509	4,978	31,487	25,175	9,388	34,563
Cost of sales	(1,482)	-	(1,482)	(2,040)	-	(2,040)
Administrative expenses	(10,480)	(209)	(10,689)	(10,226)	(169)	(10,395)
Operating profit	14,547	4,769	19,316	12,909	9,219	22,128
Finance costs						
Interest payable	(1,449)	-	(1,449)	(1,434)	-	(1,434)
Profit before taxation	13,098	4,769	17,867	11,475	9,219	20,694
Taxation	(414)	-	(414)	(507)	-	(507)
Profit for period	12,684	4,769	17,453	10,968	9,219	20,187
Return per ordinary share (pence)	10.75	4.04	14.79	9.31	7.83	17.14
Diluted return per ordinary share (pence)	10.75	4.04	14.79	9.30	7.82	17.12

Statement of comprehensive income

for the six months ended 30 June 2015 (unaudited)

	30 June 2015			30 June 2014		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit for the period	12,684	4,769	17,453	10,968	9,219	20,187
Foreign exchange on translation of foreign operations	-	(57)	(57)	-	(106)	(106)
Total comprehensive income for the period	12,684	4,712	17,396	10,968	9,113	20,081

Group statement of financial position

	30 June 2015 (unaudited) £000	30 June 2014 (unaudited) £000	31 December 2014 (audited) £000
Assets			
Non current assets			
Goodwill	2,208	2,143	2,215
Property, plant and equipment	88	159	131
Other intangible assets	30	122	45
Investments held at fair value through profit or loss	606,802	601,266	600,894
Deferred tax assets	1,162	704	1,234
Total non current assets	610,290	604,394	604,519
Current assets			
Trade and other receivables	8,842	8,850	7,491
Other accrued income and prepaid expenses	5,598	5,329	4,679
Cash and cash equivalents	50,630	49,136	50,321
Total current assets	65,070	63,315	62,491
Total assets	675,360	667,709	667,010
Current liabilities			
Trade and other payables	16,296	14,385	13,012
Short term borrowing	27,601	25,248	26,548
Corporation tax payable	648	656	632
Other taxation including social security	677	636	613
Deferred income	4,098	4,270	4,027
Total current liabilities	49,320	45,195	44,832
Non current liabilities and deferred income			
Long term borrowings	39,485	39,458	39,472
Retirement benefit obligations	2,890	729	3,250
Deferred income	4,829	5,546	5,245
Total non current liabilities	47,204	45,733	47,967
Total net assets	578,836	576,781	574,211
Equity			
Called up share capital	5,916	5,908	5,916
Share premium	8,637	8,296	8,622
Capital redemption	8	8	8
Own shares	(1,493)	(1,712)	(1,686)
Capital reserves	529,038	528,921	524,269
Retained earnings	36,168	35,278	36,463
Translation reserve	562	82	619
Total equity	578,836	576,781	574,211

Group statement of cash flows

For the six months ended 30 June 2015

	30 June 2015 (unaudited) £000	30 June 2014 (unaudited) £000	31 December 2014 (audited) £000
Operating activities			
Operating profit before interest payable and taxation	19,316	22,128	28,635
(Gains) on investments	(4,769)	(9,219)	(4,567)
Foreign exchange gains/(losses)	7	24	(49)
Depreciation of property, plant and equipment	43	61	120
Amortisation of intangible assets	15	101	185
(Increase) in receivables	(2,270)	(2,429)	(420)
Increase in payables	3,016	2,217	291
Transfer from capital reserves	(19)	(14)	(389)
Normal pension contributions in excess of cost	(360)	(360)	(685)
Cash generated from operating activities	14,979	12,509	23,121
Taxation	(326)	(731)	(1,408)
Operating cash flow	14,653	11,778	21,713
Investing activities			
Acquisition of property, plant and equipment	-	(13)	(40)
Expenditure on intangible assets	-	-	(10)
Purchase of investments	(26,691)	(28,665)	(54,894)
Sale of investments	25,706	31,864	53,997
Cash flow from investing activities	(985)	3,186	(947)
Financing activities			
Interest paid	(1,449)	(1,434)	(2,896)
Dividends paid	(12,979)	(12,368)	(17,911)
Proceeds of increase in share capital	15	13	347
Purchase of own shares	193	(17)	9
Net cash flow from financing activities	(14,220)	(13,806)	(20,451)
Net (decrease)/increase in cash and cash equivalents	(552)	1,158	315
Cash and cash equivalents at beginning of period	23,773	22,895	22,895
Foreign exchange (losses)/gains on cash and cash equivalents	(192)	(165)	563
Cash and cash equivalents at end of period	23,029	23,888	23,773
Cash and cash equivalents comprise			
Cash and cash equivalents	50,630	49,136	50,321
Short term borrowings	(27,601)	(25,248)	(26,548)
	23,029	23,888	23,773

Group statement of changes in equity

	Share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Equity at 1 January 2015	5,916	8,622	(1,686)	8	619	524,269	36,463	574,211
Net profit	-	-	-	-	-	4,769	12,684	17,453
Other comprehensive income:								
Foreign exchange	-	-	-	-	(57)	-	-	(57)
Total comprehensive income for the period	-	-	-	-	(57)	4,769	12,684	17,396
Issue of shares	-	15	-	-	-	-	-	15
Movement in own shares	-	-	193	-	-	-	-	193
Dividend relating to 2014	-	-	-	-	-	-	(12,979)	(12,979)
Total equity at 30 June 2015	5,916	8,637	(1,493)	8	562	529,038	36,168	578,836

Group segmental analysis

	Investment trust			Independent fiduciary services			Total		
	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Revenue									
Income	11,492	9,781	16,916	14,878	15,345	32,366	26,370	24,126	49,282
Other income	-	-	60	139	49	160	139	49	220
Cost of sales	-	-	-	(1,482)	(2,040)	(5,291)	(1,482)	(2,040)	(5,291)
Administration costs	(1,384)	(1,329)	(2,606)	(9,096)	(8,897)	(17,625)	(10,480)	(10,226)	(20,231)
	10,108	8,452	14,370	4,439	4,457	9,610	14,547	12,909	23,980
Interest (net)	(1,276)	(1,286)	(2,498)	(173)	(148)	(310)	(1,449)	(1,434)	(2,808)
Return, including profit on ordinary activities before taxation	8,832	7,166	11,872	4,266	4,309	9,300	13,098	11,475	21,172
Taxation	-	-	-	(414)	(507)	(1,199)	(414)	(507)	(1,199)
Return, including profit attributable to shareholders	8,832	7,166	11,872	3,852	3,802	8,101	12,684	10,968	19,973
Revenue return per ordinary share (pence)	7.49	6.08	10.08	3.26	3.23	6.87	10.75	9.31	16.95
Assets	620,189	610,444	609,653	55,171	57,265	57,357	675,360	667,709	667,010
Liabilities	(61,216)	(52,961)	(51,100)	(35,308)	(37,967)	(41,699)	(96,524)	(90,928)	(92,799)
Total net assets	558,973	557,483	558,553	19,863	19,298	15,658	578,836	576,781	574,211

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

Analysis of the investment portfolio By geographical location

	Valuation 31 December 2014 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	Appreciation/ (depreciation) £000	Valuation 30 June 2015 £000	%
United Kingdom	437,740	22,769	(72)	(25,157)	6,520	441,800	72.8
North America	56,129	-	-	-	(4,085)	52,044	8.6
Europe	38,604	-	-	(549)	1,124	39,179	6.5
Japan	17,462	3,336	(2)	-	2,537	23,333	3.8
Other Pacific	38,621	586	-	-	143	39,350	6.5
Other	12,338	-	-	-	(1,242)	11,096	1.8
	600,894	26,691	(74)	(25,706)	4,997	606,802	100.0

By Sector (excluding cash)

	As at 30 June 2015 %	As at 31 December 2014 %
Oil & gas	8.2	8.7
Basic materials	7.4	8.0
Industrials	26.7	25.4
Consumer goods	10.0	11.3
Health care	7.8	8.0
Consumer services	8.8	8.3
Telecommunications	0.6	0.5
Utilities	2.5	2.9
Financials*	26.7	25.1
Technology	1.3	1.8
	100.0	100.0

Investment portfolio valuation

as at 30 June 2015

UK unless otherwise stated.

Holdings in italics were acquired after 31 December 2014

	£'000	%
Oil & gas		
Oil & gas producers		
BP	14,704	2.42
Royal Dutch Shell	10,842	1.79
Tullow Oil	3,056	0.50
Premier Oil	1,863	0.31

Total (Fra)	1,280	0.21
Indus Gas	782	0.13
Providence Resources	732	0.12
Xcite Energy	640	0.11
	33,899	5.59

Oil equipment & services

Cape	6,312	1.04
Schlumberger (USA)	4,383	0.72
Gibson Energy (Can)	3,634	0.60
National Oilwell Varco (USA)	1,534	0.25
Now (USA)	158	0.03
	16,021	2.64

Basic materials

Chemicals

Velocys	6,123	1.00
Croda	4,816	0.79
Elementis	2,225	0.37
Linde (Ger)	1,207	0.20
Brenntag (Ger)	962	0.16
	15,333	2.52

Forestry & paper

Mondi	5,480	0.90
	5,480	0.90

Mining

Rio Tinto	11,110	1.83
Glencore	6,382	1.05
BHP Billiton	6,245	1.03
South 32 (Aus.)	436	0.07
Lonmin	30	-
	24,203	3.98

Industrials

Construction & materials

Marshalls	9,766	1.61
Balfour Beatty	4,264	0.70
Accsys Technologies	3,265	0.54
	17,295	2.85

Aerospace & defence

Senior	16,510	2.72
BAE Systems	8,122	1.34
Rolls Royce	6,090	1.00
Lockheed Martin (USA)	5,318	0.88
Meggitt	4,664	0.77
Embraer(Bra)	3,242	0.53
	43,946	7.24

General industrials

Smith(DS)	10,658	1.76
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	10,658	1.76
Electronic & electrical equipment		
Morgan Advanced Materials	6,528	1.08
Applied Materials (USA)	6,104	1.01
Spectris	5,272	0.87
TT Electronics	2,106	0.35
XP Power	1,884	0.31
Legrand (Fra)	1,021	0.17
Philips Electronics (Net)	1,005	0.17
	23,920	3.96
Industrial engineering		
Hill & Smith	10,082	1.66
Deere (USA)	6,112	1.01
Cummins (USA)	5,838	0.96
Weir Group	4,240	0.70
Renold	3,754	0.62
Caterpillar (USA)	2,157	0.36
IMI	2,108	0.35
Severfield	571	0.09
	34,862	5.75
Industrial transportation		
AP Moller-Maersk (Den)	1,419	0.23
Wincanton	865	0.14
Goldenport	96	0.02
	2,380	0.39
Support services		
Johnson Service	7,305	1.20
Interserve	6,671	1.10
Carillion	3,755	0.62
Babcock	3,738	0.62
Deutsche Post (Ger)	2,344	0.39
Adecco (Swi)	1,566	0.26
SGS (Swi)	1,508	0.25
Sodexo (Fra)	1,474	0.24
Augean	539	0.09
	28,900	4.77
Consumer goods		
Automobiles & parts		
GKN	15,128	2.49
Toyota Motor (Jap)	5,861	0.97
	20,989	3.46
Beverages		
Pernod-Ricard (Fra)	1,377	0.23
	1,377	0.23
Food producers		
Unilever	4,776	0.79
Nestlé (Swi)	3,660	0.60
	8,436	1.39

Household goods & home construction

Bellway	10,665	1.76
Redrow	9,823	1.62
L'Oreal (Fra)	1,764	0.29

	22,252	3.67
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Tobacco

Imperial Tobacco	6,132	1.01
Swedish Match (Swe)	1,096	0.18

	7,228	1.19
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Health care**Health care equipment & services**

Becton Dickinson (USA)	6,755	1.10
Smith & Nephew	5,048	0.83
Fresenius (Ger)	5,047	0.82
<i>Spire Healthcare</i>	4,984	0.82
Fresenius Medical Care (Ger)	2,055	0.34

	23,889	3.91
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Pharmaceuticals & biotechnology

GlaxoSmithKline	9,919	1.63
AstraZeneca	4,019	0.66
Novartis (Swi)	3,417	0.56
Pfizer (USA)	3,196	0.53
Roche (Swi)	2,053	0.34
Novo-Nordisk (Den)	1,177	0.19

	23,781	3.91
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Consumer services**Food & drug retailers**

Tesco	3,719	0.61
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	3,719	0.61
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General retailers

Dunelm	7,697	1.27
Findel	1,729	0.28
<i>Auto Trader</i>	1,429	0.24
Topps Tiles	1,078	0.18
Inditex (Spa)	1,062	0.18

	12,995	2.15
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Media

Reed Elsevier	7,763	1.28
Sky	5,698	0.94
Pearson	3,314	0.55
Daily Mail & General Trust	2,462	0.41

	19,237	3.18
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Travel & leisure

Carnival	6,496	1.07
International Consolidated Airlines	4,080	0.67
Betfair	3,765	0.62
Marstons	3,290	0.54
	17,631	2.90

Telecommunications

Mobile telecommunications

Inmarsat	3,319	0.55
	3,319	0.55

Utilities

Electricity

SSE	4,608	0.76
Greenko	2,790	0.46
	7,398	1.22

Gas, water & multiutilities

National Grid	4,985	0.82
Severn Trent	2,081	0.34
Centrica	923	0.15
	7,989	1.31

Financials

Banks

HSBC	10,547	1.74
	10,547	1.74

Nonlife insurance

Amlin	11,662	1.92
Hiscox	7,890	1.30
	19,552	3.22

Life insurance/assurance

Prudential	4,598	0.75
Aviva	3,865	0.64
Chesnara	3,250	0.54
Permanent TSB (Ire)	13	-
	11,726	1.93

Real estate investments & services

St Modwen Properties	6,107	1.01
	6,107	1.01

Real estate investment trusts

Mucklow (A&J) Group	4,020	0.66
Land Securities	3,872	0.64
	7,892	1.30

Financial services

IP Group	10,258	1.69
Provident Financial	8,044	1.33
International Personal Finance	5,483	0.90

<i>Oxford Sciences Innovation</i> <i>(unlisted)</i>	3,333	0.55
Deutsche Börse (Ger)	1,385	0.23
	<hr/> 28,503	<hr/> 4.70

Equity investment instruments		
Henderson Japan Capital Growth	17,472	2.88
Henderson Asia Pacific Capital Growth	13,443	2.22
Baillie Gifford Pacific	12,787	2.11
First State Asia Pacific	11,880	1.96
Templeton Emerging Markets Investment Trust	7,854	1.29
Herald Investment Trust	6,052	1.00
Better Capital (2012)	3,500	0.58
Foresight Solar	3,128	0.52
Scottish Oriental Smaller Company Trust	804	0.13
	<hr/> 76,920	<hr/> 12.69

Technology

Software & computer services		
Microsoft (USA)	5,614	0.92
Amadeus IT (Spa)	1,244	0.20
	<hr/> 6,858	<hr/> 1.12

Technology hardware & equipment		
Atmel (USA)	1,241	0.20
	<hr/> 1,241	<hr/> 0.20

Principal risks and uncertainties

The principal risks of the Corporation relate to the investment activities and include market price risk, foreign currency risk, liquidity risk, interest rate risk and credit risk. These are explained in the notes to the annual accounts for the year ended 31 December 2014. In the view of the board these risks are as applicable to the remaining six months of the financial year as they were to the period under review.

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

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.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the half yearly report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the 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 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

Christopher Smith
28 July 2015

Notes

1. 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 2014 have been filed with the Registrar of Companies. The independent auditors' report on the annual report and financial statements for 2014 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.
2. The calculations of NAV and earnings per share are based on:

NAV: shares at end of the period 118,030,510 (30 June 2014: 117,788,551) (31 December 2014: 117,951,359). Income: average shares during the period 118,009,527 (30 June 2014: 117,781,948)(31 December 2014: 117,847,733).

3. Listed investments are all traded on active markets and as defined by IFRS 7 are level 1 financial instruments. As such they are valued at unadjusted quoted bid prices.