The Law Debenture Corporation p.l.c. today published its results for the half-year ended 30 June 2021

Group Highlights:

- 2021 dividend to be increased from 2020 level of 27.5 pence per share
- Dividend yield of 3.7% as quarterly dividend increased by 5.8%
- Investment Portfolio delivered strong positive returns outperforming the benchmark
- Independent Professional Services business (IPS) has entered its fourth consecutive year of both revenue and earnings per share growth.
- ~4 million new ordinary shares issued to existing and new investors, worth c. £29.2 million, exceeding £20 million target to refinance the acquisition of new Company Secretarial business. We continue to issue shares when the opportunity arises to generate value for the Trust
- Increase in the valuation of the IPS business by 10.1% year to date to £149.7m.

Investment Portfolio Highlights:

- NAV total return (with debt at par) for the six months grew 16.7% compared to 11.1% for the benchmark, FTSE Actuaries All-Share Total Return Index
- Material outperformance of the benchmark over one, three, five and ten years
- Net investors in the period, investing £36.4m (2020: £33m) to take advantage of attractive valuation opportunities
- On-going charges remain low at 0.50%[1] compared to the industry average of 1.02%[2]

| | YTD | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|
| NAV total return debt at par[3] | 16.7% | 41.7% | 27.5% | 75.6% | 167.5% |
| NAV total return debt at fair value[3] | 19.4% | 46.0% | 26.5% | 77.1% | 158.8% |
| Share price total return[4] | 10.9% | 50.0% | 42.6% | 85.5% | 184.0% |
| FTSE Actuaries All-Share Index[4] | 11.1% | 21.5% | 6.3% | 36.9% | 85.5% |

IPS Highlights:

- Wholly-owned independent provider of professional services, continues to provide a diversified and repeatable revenue stream for the dividend
- IPS enters its fourth consecutive year of growth with revenues increased by 18.2%[5], Profit before tax of 6.1% and earnings per share by 5.0%[6]
- Acquired Company Secretarial business expected to strengthen capabilities and offer growth opportunities

Longer Term Track Record:

- 132 years of value creation for shareholders
- 116% increase in the dividend over the last 10 years
- 42 years of increasing or maintaining dividends to shareholders
- IPS revenues funded 36%[7] of dividends for the Trust over the preceding 10 years

Robert Hingley, Chairman, commented:

"Against a challenging economic backdrop, I am pleased to report that your company has continued to outperform its benchmark on a one, three, five and ten year basis. In addition, our IPS business experienced further strong financial performance. The business provides your company with a diverse steady income stream and its financial performance is not directly correlated with markets.

The board is committed to targeting both capital appreciation and steadily increasing the income for our shareholders. Subject to market conditions, our current intention is to increase the total 2021 dividend compared to the total 2020 dividend of 27.5 pence per ordinary share. We are confident that, in the long term, the combination of a robust equity portfolio and continued growth in our IPS business will deliver strong NAV total returns and attractive dividend growth."

## Denis Jackson, Chief Executive Officer, commented:

"We are pleased to report another period of strong financial performance – further outperformance by our Investment Portfolio while our IPS business has performed strongly, with revenue up 18.2% and profit before tax up 6.1%.

I am extremely grateful to my excellent colleagues who have been as diligent and hard working as ever during the first half of the year. We have invested significantly in our people, bolstering our team and widening our existing expertise, and have continued to provide a high quality client service from our new offices in London and Salford. We look forward to capturing the opportunities ahead."


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|---|---|
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## Company History:

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 has two distinct areas of business.

## Investment Portfolio:

Our portfolio of investments is managed by James Henderson and Laura Foll of Janus Henderson Investors.

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 Total Return through investing in a diversified portfolio of stocks.

## Independent Professional Services:

We are a leading provider of independent professional services, built on three excellent foundations: our Pensions, Corporate Trust and Corporate Services businesses. We operate globally, with offices in the UK, New York, Ireland, Hong Kong, Delaware and the Channel Islands.

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

[1] Calculated based on data held by Law Debenture for the six months ended 30 June 2021.
[2] Source: Association of Investment Companies (AIC) industry average (excluding 3i) as at 31 December 2020.
[3] 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.
[4] Source: Bloomberg.
[5] Calculated on revenue net of cost of sales

[6] Calculated as at 30 June 2021.
[7] Calculated for the 10 years ended 31 December 2020.

HALF YEARLY REPORT FOR THE SIX MONTHS TO 30 JUNE 2021 (UNAUDITED)

## Financial summary

| | 30 June 2021 £000 | 30 June 2020 £000 | 31 December 2020 £000 |
|---|---|---|---|
| Net assets[1] | **936,448** | 642,705 | 787,219 |
| | **Pence** | Pence | Pence |
| Net Asset Value (NAV) per share at fair value[1,2*] | **766.89** | 543.93 | 666.15 |
| Revenue return per share | | | |
| - Investment portfolio | **8.48** | 6.33 | 12.12 |
| - Independent professional services | **4.39** | 4.18 | 9.35 |
| - Group charges | **—** | — | 0.09 |
| Group revenue return per share | **12.87** | 10.51 | 21.56 |
| Capital return/(loss) per share | **79.92** | (131.86) | (19.06) |
| Dividends per share[3] | **6.875** | 13.0 | 27.50 |
| Share price | **750.00** | 517.00 | 690.00 |
| | **%** | % | % |
| Ongoing charges[4*] | **0.50** | 0.48 | 0.55 |
| Gearing[*] | **11** | 19 | 9 |
| (Discount)/Premium[*] | **(2.2)** | (5.0) | 3.6 |

* Items marked "*" are considered to be alternative performance measures. For a description of these measures, see page 128 of the annual report and financial statements for the year ended 31 December 2020.
[1] Please see below for calculation of NAV.
[2] NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value.
[3] The second interim dividend is not due to be announced until September 2021 and has not been factored in the calculation presented. The Board have already indicated their intention to pay three interim dividends of 6.875p with respect to 2021, representing a quarter of the total 2020 dividend declared of 27.5p. The final dividend will be declared in February 2022.
[4] Ongoing charges are based on the costs of the investment trust and include the Janus Henderson Investors management fee of 0.30% of NAV of the investment portfolio. There is no performance related element to the fee.

Half yearly management report

## Introduction

At the start of Law Debenture's reporting year, the UK entered a third lockdown. This continued the Covid-19 related disruptions to the economy to which we had become all too accustomed in 2020. Despite these challenges, Law Debenture delivered on both of its objectives: producing long-term capital growth and steadily increasing income for our shareholders.

Our Investment Managers have continued their successful long-term record of material outperformance against our benchmark, the FTSE Actuaries All Share Index, over one, three, five and ten years, and drivers of their performance are covered in detail in their report. Our IPS business entered its fourth year of growth, with net revenue up 18.2% and profit before tax up 6.1%, all while retaining its reputation for quality and outstanding client outcomes.

## Dividend

We are pleased to continue building on our 42-year track record of maintaining or increasing dividends, and I am extremely proud that we have been able to do so against a backdrop of repeated lockdowns and ensuing economic difficulty. Although the UK dividend outlook is looking increasingly bright, predominantly thanks to the impact of the successful vaccine rollout, some uncertainties in global markets do remain – Law Debenture's unique structure and diversified pool of businesses will be as important as ever.

We recently declared a first interim dividend of 6.875 pence per ordinary share, representing an increase of 5.8% over the prior year's first interim dividend. This once again highlights the benefits of IPS' stable and consistent income stream, as well as the level of our substantial revenue reserves – a crucial feature of investment trusts that enabled us to continue delivering for our shareholders throughout the Covid-19 crisis.

This dividend was paid on 7 July 2021 to shareholders on the register at close of business on 4 June 2021. Based on the current share price, the dividend yield per Law Debenture share is 3.7%. Since the publication of our Annual Report at the end of February 2021, we have issued ˜4 million new ordinary shares to existing and new investors, worth £29.2 million. This exceeds the £20 million target to refinance the acquisition of our new company secretarial business.

It is the Board's current intention to recommend that the total dividend in relation to 2021 is an increase on the total 2020 dividend of 27.5p. Our shareholders will be asked to vote on the final dividend at our AGM in April 2022.

### *IPS performance*

The IPS businesses continue to perform well. We are pleased to be reporting strong revenue growth and growth of PBT and EPS in line with our objective of mid to high single digit growth.

## Pensions

Following a very strong first half of 2020, I am delighted to report that our Pensions business maintained its positive momentum with revenue growth of 10.7% in the first six months of 2021. There is no doubt that driven by the regulator, and much like listed company governance, professionalism of Pensions Governance in the UK continues to increase. Over the past thirty years, the UK listed company governance journey has seen the publication of The Cadbury Report in 1992; The Greenbury Report in 1995; The Hempel Report in 1995; The Combined Code in 2000; The Higgs Review in 2003; The Walker Review in 2009; The Stewardship code in 2010; and the revised Corporate Governance Code. Whilst the Pensions journey may not quite match that volume of governance changes, echoes from it will be heard; regulatory burdens will increase and the demand for high-quality expertise to help navigate through these changes will grow.

Our non-executive Director Trustee offering was established over fifty years ago and is one of the largest independent providers of Pension Trustees in the UK. It is essential that we continue to invest in our expertise in order to stay ahead of the regulatory changes, exceed the expectations of our clients and maintain our leading position in this growing, competitive market. During the first half of the year we secured additional, and highly sought after, legal and restructuring knowledge to both broaden and deepen the skill set our Trustee team offers. During the first half of the year, we welcomed Paul Torsney to the business with a remit to establish a Pensions Trustee offering in Ireland, as that market accelerates its governance enhancements.

It is clear from the meetings that I have attended this year that our Pensions clients place a very high value on the wealth of knowledge and experience that a Law Debenture Trustee brings to discussions. The combined experience of the team, across a large client footprint, takes years to replicate and is a material competitive advantage. As the economic impact of the pandemic was felt, new business enquiries were understandably quiet during the first half of 2020. However, the additions to our business development team made during this time, have produced a strong current pipeline of new opportunities.

Our Pension Executive offering, Pegasus, continues to demonstrate good growth. We have welcomed Sankar Mahalingham as Director of Pegasus. Year on year revenue growth for the first six months was again in excess of 40%. Particularly pleasing is our ability to win new appointments across the broadest range of our product suite from scheme secretarial, at its simplest, through to fully outsourced pensions management and professional sole trustee solutions, at its most complex. The pandemic has increased the focus of Chief Financial Officers on their cost base and the willingness of these potential buyers to outsource critical but non-core activities continues to grow.

Similar to our Trustee offering, we have invested in the expertise required to support our Pension Executive business. In particular, we have added further specialists with experience in GMP equalisation, Buy-out and Buy-in skills to our employee roster as demand for experienced help in these areas of specialism continues to increase.

The Pension business is now four years into a growth journey which so far has yielded compound annual growth of 10.1%. Momentum and operating margins are strong. Our reputation for excellence in execution has been further enhanced as the stresses placed on the pensions eco system, by the pandemic, have needed to be systematically addressed. Our success is hard earned, and we are proud of our progress. We will continue to invest in the people and infrastructure required to be a market leader in this growth business.

## Corporate Trust

Given the 19.5% growth recorded in our Corporate Trust business in 2020, comparisons were always going to be tough, and our broadly flat year on year revenues are reflective of that. Last year's excellent performance was underpinned by robust activity in both the capital markets and post issuance work. The impact of 21% growth in debt issuance revenues in European Capital

Markets* and a pick up in the counter cyclical post issue work that we undertake to act as a bridge between economically stressed issuers and their bondholders served us well in 2020. Market conditions in the first half of 2021 have been more subdued. Overall debt issuance revenues in Europe (our main market) were flat in the first half of the year*. Despite the tougher operating environment, we have maintained market share. New appointments have included trustee appointments of public deals for Natwest, Hammerson, Gamenet, Santander and Telegram group.

A bi-product of the unprecedented financial support offered to corporates around the world by central governments has been a material reduction in the number of bankruptcies recorded during the period. By way of example, UK Insolvency Service data shows that UK bankruptcies have approximately halved since the onset of the pandemic and are currently running at levels not seen since the economic boom of the late 1980's. This data helps us to understand why following a sharp pick up in post issuance work in the first half of 2020 as the initial impact of the pandemic was felt, our post issuance revenues have not continued to grow as we have experienced in prior economic downturn and recovery cycles. We do not wish ill on any company, but we would not be surprised to see bankruptcies return to more normal or even elevated levels as many of the emergency funding mechanisms provided by central governments are gradually withdrawn. This in turn would support demand for our expertise as issuers work their way through from covenant waivers to default and beyond.

That said, we are not passive, and we continue to invest in the skills necessary to grow this business. During the first half of the year we have hired an incremental business development headcount into our team to support Corporate Trust. This resource is being applied across our full Corporate Trust offering and Escrow appointments have shown strong growth in terms of number, size of underlying transaction, and breadth of underlying purpose.

Flat year on year revenues in any business never feel good. Given the challenging market conditions detailed above and the substantial growth recorded last year, we consider the results to be satisfactory. Remember too, that approximately two thirds of the annual revenues in our book of business is contractually secured and that over the past three this business has produced compound annual growth in revenues of 10.9%.

Our operating margins remain strong and we continue to enhance our reputation for speed, innovation and deep domain expertise. We were incorporated in 1889 to act as a bond trustee and remain confident in our ability to produce excellent outcomes for both our clients and our shareholders over time.

*Source: Dealogic

| DIVISION | Revenue[1] 30 June 2021 £000 | Revenue[1] 30 June 2020 £000 | Growth 2020/2021 % |
|---|---|---|---|
| Pensions | 6,462 | 5,839 | 10.7% |
| Corporate Trust | 4,937 | 4,878 | 1.2% |
| Corporate Services | 8,069 | 5,753 | 40.3% |
| Total | 19,468 | 16,470 | 18.2% |

[1] Revenue shown is net of cost of sales.

## Corporate Services

Overall, our revenues across these businesses were up by 40.3% year on year with a material amount of this driven by acquisition as further detailed below.

*Structured Finance Services*

A very small business at present for us but one that we hope to grow materially over time. The acquired company secretarial business enhances our capabilities and growth opportunities in a sector that we know well, having served clients for over twenty years. We will look to provide an extended product suite to a significantly expanded book of clients as we get to know and understand them.

Experience tells us that the provision of company secretarial services can be right at the start of corporate journey. If that journey is more of a Special Purpose Vehicle than an operating company, it may offer opportunities for outsourced accounting and transaction management services, both of which we provide. This is particularly the case in the fast growing continuum of the Private Equity/Hedge Fund/Boutique Asset Manager industries. Structurally long on capital and constrained on headcount, such organisations are frequent adopters of third party services to outsource elements of their underlying asset servicing and this has yielded a number of such appointments in the first half of the year. We will look to accelerate our sales pipeline as we further embed our recent acquisition.

*Service of Process*

As we mentioned in our latest annual report, this is our operating business with the least recurring amount of contractual revenues. Whilst it seems like a long time ago now, 2020 had actually started very brightly for this business until the pandemic took hold. Consequently, revenues for the first two and half months of 2021 were materially down from the equivalent period in 2020. Happily, as global economic activity started to benefit from the easing of Covid-19 restrictions, we ended the reporting period with our noses in front compared to last year.

Further progress will to some degree be driven by the strength, or otherwise, of global economic activity but again we continue to invest in building a strong growth platform. Ten days ago we rolled out a new technology platform to support this business that will help to scale its operations whilst enhancing control. Whilst we will not be abandoning our traditional distribution channels, the truly global footprint of the product lends itself well to digital distribution channels. Additional focus from the business development team will ensure that we build and maintain a very high profile with our extensive referral partner network as we hopefully emerge from lockdown in the second half of the year.

*Safecall*

At the year-end we announced that after twenty-two years Graham Long, the Co-founder and CEO of Safecall would be stepping down from his executive responsibilities in 2021 to become the non-executive Chairman of Safecall. We are delighted to announce that Joanna Lewis will be joining us in August to lead this business through the next chapters in its story.

Despite the difficult economic conditions in Europe particularly during the first quarter, the business recorded growth for the six months to June 2021. We added 70 new clients to the platform including high profile organisations such as ITV, The AA and Great Ormond Street Hospital, which underscore the breadth of appeal of our proposition.

As well as new leadership, we continue to invest in our operating capability. Elevated levels of cases to be handled, from an ever-expanding client base, means that we have added additional call handlers and operations management to the team to allow us to maintain our differentiated high quality offering.

*Corporate Secretarial Services Acquisition*

The headline here for the first half of 2021 was the acquisition of the corporate secretarial business from Konexo UK, a division of Eversheds Sutherland (International) LLP (Eversheds), a global top 10 law practice. We completed the acquisition at 5pm on Friday 29th January. At 9am on Monday 1st February we started our journey with the same staff, servicing the same clients, on the same commercial terms. It was critical to both us and Eversheds that the highest levels of client service were maintained during the transition. Many of the clients in the newly acquired business still remain key clients of Eversheds' broader law firm offerings.

Five months into the acquisition, we have demonstrated that we can continue to service existing clients well. Moreover, we have demonstrated our ability to win business with notable new relationships including Rio Tinto and Monzo Bank.

### *Corporate Centre*

We are now working out of our new offices at 100 Bishopsgate, London. This new location has been well received by both our people and clients. We continue to invest more widely in our Corporate Centre to support the ongoing growth of our business. We have made investments into new Finance and HR systems and strategic hires in Business Development, HR, Finance and IT.

The acquisition also gave us a regional footprint in the North West and on June 23rd we opened our new office at 2 New Bailey, Manchester. We are in the process of establishing a group shared service centre in the office to support all of our businesses; many of our shared group functions have already transitioned from London to Manchester. We have also taken on our first Pensions staff in Manchester, allowing us to accelerate delivery of a regional offering to a considerable local client base.

We recently welcomed all of our colleagues to our new offices in both London and Manchester when government restrictions were lifted on July 19th.

We continuously strive to ensure our expenditure and investment serves to bring value to our shareholders. We have recently completed a competitive audit tender process and we are delighted to announce our intention to appoint Deloitte LLP as our new external auditors, subject to the completion of the engagement process. Throughout the tender process, Deloitte demonstrated the value they would bring to the Group as our external auditors and will be responsible for undertaking the 2021 Group audit.

## Environmental, Social and Governance (ESG)

We continue to give consideration to ESG factors across both the investment portfolio and the IPS business. We will be enhancing our reporting on ESG in the 2021 Annual Report.

## Outlook

As we enter the second half of the year, with the UK economy on the path to recovery, we remain confident in our ability to deliver for our shareholders. The attractiveness of Law Debenture's unique offering is stronger than ever and is built to weather difficult periods.

As an important source of income for many of our shareholders, we understand the importance they place on us to deliver regular and reliable income. We remain focussed on continuing our unbroken 42-year track record of maintaining or raising the dividend. Our confidence is underpinned by the diversified and repeatable nature of the revenues of our IPS business. The cash flows from IPS allow James and Laura increased flexibility in portfolio construction to outperform the benchmark over time.

We remain on track with our IPS business, which continues to follow a trajectory of sustainable growth. At Law Debenture we take a long-term view – we build to last. As part of our growth strategy, we are investing in growing our high-quality workforce to support our ambitious plans, enabling us to win new business while retaining our exceptional level of client service that is critical to superior performance. We would like to thank our staff for their continued hard work and focus on delivering skillfully for our clients. As previously stated, we are always alert to opportunities presented by acquisitions, where we believe they could accelerate the growth in returns for our shareholders.

In today's ever-changing market landscape characterised by emerging public health risks, geopolitical threats and inflation, there is no shortage of difficulties for investors. We are especially pleased with James and Laura's performance.

The Board has great confidence in your Company's future and appreciates the enduring trust you place in us with your capital.

Denis Jackson
Chief Executive
29 July 2021

## Overview

The vaccination rollout which has allowed the economy to slowly reopen has been a positive background for equities. The results from companies have, in aggregate, been at the top end of investor expectations. The forward guidance by companies has been supportive of further upgrades in earnings projections. The relationship between earnings upgrades and share price performance is strong. It has been a more powerful factor in investors' minds than the growing concerns around the pick-up in inflation and any consequent future increases in interest rates. Therefore, in spite of concerns around the economy it has been a good period for growth in assets and earnings.

During the first half of the year we have been net buyers of equities as we respond to the opportunities that have arisen. The weighting in the banking sector, for instance, has been increased as they are benefitting from the increased economic activity with their provisions for bad debts proving overly cautious.

The valuation of the UK market is low in an international context as the UK market has been out of favour with international investors for a number of years as a result of concerns over politics and Brexit. These concerns have receded and sterling has stabilised, which has led to a return of investor interest. This has not just been confined to portfolio managers but also to corporates, where takeover activity has increased. Agreed bids for the insurer RSA (in November 2020) and St Modwen, the property company, have been two notable examples having a positive impact on Law Debenture's portfolio.

## Portfolio performance and activity

The first six months of 2021 were a good period for the Trust on an absolute basis and relative to the FTSE All-Share benchmark. The Trust's NAV (keeping debt at par) grew 16.7% in the period. This compares with the FTSE All-Share benchmark which rose 11.1%. We go into more details of the stock-specific drivers of performance in the attribution section below, but broadly the Trust benefitted from its exposure to the domestic and global economic recovery. The industrials sector, which as at the end of the period was 23.8% of the portfolio, was a key contributor to the outperformance. For many of the industrial companies in the portfolio, the sales recovery that has begun in the first half of this year has come at a time when meaningful costs have been taken out following the pandemic. This has led to a faster than expected earnings recovery, a trend which we expect to continue into the second half of the year.

During the first half of the year we were net investors, investing £36.4m (net). The majority of this investment (£29.7m) went into the UK, as this is where we continue to identify the most attractive valuation opportunities. As a result the UK remains the majority of the investment portfolio (82% as at the end of June 2021). North America was the second largest area for net investment (£6.0m), consisting predominantly of a new position in Merck and an addition to the existing position in Schlumberger.

New positions established in the six months included Vertu Motors, iEnergizer, Plant Health Care, Sanofi, Glencore, Convatec and VH Global Sustainable Energy Opportunities. There is deliberately no common end market exposure across these holdings. They range from small domestic companies such as Vertu Motors (a UK motor retailer) to global pharmaceutical companies such as Sanofi. Were there to be a common theme it is that they are market leaders in the areas they operate in, with highly experienced management teams that are focused on growth.

The largest sale during the period was St Modwen Properties, which was sold in June following an increased takeover offer from private equity. This was a trend seen elsewhere in the first half of the year with bids received (that were rejected by the boards) for aerospace components supplier, Senior and speciality chemicals company, Elementis.

Other full sales during the period included British American Tobacco, following which the portfolio has no tobacco exposure. The regulatory outlook for traditional tobacco products and next generation products remains unclear. Therefore despite the high dividend yields available in the sector, in our view there are better opportunities elsewhere. The income provided by Law Debenture's IPS business means that the investment portfolio has flexibility to avoid investing in high dividend yield sectors that are not viewed as attractive total return opportunities, while continuing to provide an attractive dividend yield to shareholders.

## Portfolio attribution

In a reversal of performance in the first half of 2020 the industrials sector was the largest positive contributor to performance, and three of the top five best performers seen below are in this sector. While the overall driver of industrial performance was the economic recovery, there were distinct end markets behind each of the holdings. Royal Mail benefitted from heightened ecommerce demand at a time when traditional retailers were often closed, Senior will benefit as the civil aerospace market recovers and Kier is benefitting from strong levels of UK infrastructure spend (such as HS2).

Applied Materials, which designs and manufactures equipment for the semiconductor industry, is seeing good demand as semiconductors are increasingly used in end markets outside of technology (such as cars and white goods). BT was a new position added in November 2020. It is our view that the fibre to the home rollout that is currently underway will provide a visible path to earnings growth over the next decade. Following the final regulatory outcome announced in the first half of this year, this improved growth profile is now beginning to be reflected in the valuation.

## Top five contributors

The following five stocks produced the largest absolute contribution to performance in the first half of 2021:

| Stock | Share price total return (%) | Contribution (£m) |
|---|---:|---:|
| Royal Mail | 71.0 | 7.3 |
| Senior | 69.7 | 5.3 |
| Applied Materials | 65.0 | 4.3 |
| BT Group | 46.7 | 4.1 |
| Kier | 96.7 | 3.8 |

Source: Bloomberg calendar year share price total return as at 30 June 2021.

## Top five detractors

The following five stocks produced the largest negative impact on portfolio valuation in the first half of 2021:

| Stock | Share price total return (%) | Contribution (£m) |
|---|---:|---:|
| SIMEC Atlantis Energy | -77.4 | -2.9 |
| Ceres Power | -19.9 | -2.8 |
| Provident Financial | -24.4 | -1.7 |
| AFC Energy | -20.0 | -1.5 |
| Hiscox | -16.3 | -1.5 |

Source: Bloomberg calendar year share price total return as at 30 June 2021.

Three of the five largest detractors from performance this year are in the alternative energy sector (SIMEC Atlantis Energy, Ceres Power, AFC Energy). This sector was among the key drivers of outperformance in 2020, and we had taken significant profits in the area, for example reducing the Ceres Power and ITM Power positions. It remains our view that some of the companies held could be future leaders in large end markets such as fuel cells, but the route to full commercialisation is unlikely to be smooth. The first half of this year saw little material news, but there was a period of share price consolidation following good performance last year.

Provident Financial fell as a result of customer complaints in its home collected credit business, a division which they are currently in the process of exiting (the costs of this exit remain uncertain). The key driver of long-term shareholder value is their credit card business which has grown significantly over the last decade. Hiscox is an insurer primarily for small and medium sized businesses that incurred large events and business interruption insurance claims last year following the pandemic. As the pandemic progressed (for example with further 'lockdowns' in late 2020 and early 2021) further claims levels remained unclear and this has remained an overhang on the shares. On a longer-term basis we continue to view Hiscox as a good quality underwriter and the shares trade on a lower valuation than they have historically, therefore we supported Hiscox in a placing last year and have continued to hold the shares.

## Income

It was encouraging to see a rise in investment income during the period, which rose to £11.8m from £9.1m in 2020. Among the key drivers of this growth was the financial sector, particularly the banks which totalled approximately 5% of investment income in the period (having paid nothing in the first half of 2020 as returns to shareholders were suspended by the regulator). The comparable investment income figure in 2019 was £15.1m. Therefore income levels have recovered from the depressed levels of 2020, but have not yet fully recovered to pre-pandemic levels. We expect further income growth from here, driven by a combination of earnings recovery and dividend pay-out ratios rising. For example, continuing to use the banks as an example, while dividends have resumed they are currently based on low pay-out ratios and excess capital positions remain material. Therefore there is further scope for significant dividend growth as company boards gain confidence in the sustainability of the economic recovery.

## Outlook

The approach used for running the portfolio is to focus on companies and how they are developing, while being mindful of their valuation. There is, however, a need to remain aware of the macroeconomic outlook. In the short-term, economic growth should continue to positively surprise as activities open up. The bottlenecks in supply will be overcome by increased capital spend, which will in time further aid growth.

An important question is how long and persistent the pick-up in inflation will be, and how high interest rates will need to go in response. In the medium term there will be large costs for the economy in the move towards decarbonisation that could create long term inflationary pressures. It is necessary in this environment not only to be invested in companies that have pricing power because of the relative uniqueness of their offering, but also to be invested in companies leading the transformation of the economy.

The portfolio is a diverse list of holdings in businesses that are equipped to deal and respond to rapid changes in their operating environments. Part of the evidence for this is how well they have coped with the events of the last eighteen months.

James Henderson and Laura Foll
Investment Managers
29 July 2021

Sector distribution of portfolio by value

| | 30 June 2021<br>% | 31 December 2020<br>% |
|---|---|---|
| Oil and gas | 10.0 | 11.6 |
| Basic materials | 11.0 | 9.3 |
| Industrials | 23.8 | 22.0 |
| Consumer goods | 5.9 | 6.2 |
| Health care | 6.5 | 5.2 |
| Consumer services | 7.3 | 8.9 |
| Telecommunications | 3.1 | 1.9 |
| Utilities | 3.8 | 4.8 |
| Financials | 26.8 | 28.5 |
| Technology | 1.8 | 1.6 |

Geographical distribution of portfolio by value

| | 30 June 2021<br>% | 31 December 2020<br>% |
|---|---|---|
| United Kingdom | 82.0 | 82.1 |
| North America | 6.7 | 5.4 |
| Europe | 9.5 | 10.1 |
| Japan | 1.1 | 1.1 |
| Other Pacific | 0.7 | 0.9 |
| Other | 0.0 | 0.4 |

## Fifteen largest holdings: investment rationale
at 30 June 2021

| Rank | Company | % of portfolio | Approx. Market Cap. | Valuation 2020 £000 | Purchases £000 | Sales £000 | Appreciation/ (Depreciation) £000 | Valuation 2021 £000 |
|---|---|---|---|---|---|---|---|---|
| 1 | GlaxoSmithKline | 2.52 | £72bn | 22,479 | — | — | 1,296 | 23,775 |
| 2 | Rio Tinto | 2.37 | £76bn | 20,513 | — | — | 1,796 | 22,309 |
| 3 | Barclays | 1.96 | £29bn | 7,261 | 8,766 | — | 2,454 | 18,481 |
| 4 | HSBC | 1.92 | £85bn | 11,881 | 5,297 | — | 917 | 18,095 |
| 5 | BP | 1.91 | £63bn | 14,524 | — | — | 3,431 | 17,955 |
| 6 | Royal Dutch Shell | 1.86 | £60bn | 15,743 | — | — | 1,744 | 17,487 |
| 7 | Royal Mail | 1.80 | £6bn | 10,466 | — | (745) | 7,265 | 16,986 |
| 8 | Accsys Technologies | 1.72 | £339m | 11,131 | 1,372 | — | 3,802 | 16,305 |
| 9 | Lloyds Banking Group | 1.48 | £33bn | 7,652 | 3,572 | — | 2,783 | 14,007 |
| 10 | Ceres Power | 1.47 | £2bn | 24,198 | — | (7,512) | (2,800) | 13,886 |
| 11 | Aviva | 1.45 | £16bn | 11,008 | — | — | 2,732 | 13,740 |
| 12 | Morgan Advanced Materials | 1.44 | £1bn | 11,974 | — | — | 1,616 | 13,590 |
| 13 | Herald Investment Trust | 1.38 | £2bn | 17,506 | — | (4,034) | (392) | 13,080 |
| 14 | National Grid | 1.37 | £33bn | 12,189 | — | — | 787 | 12,976 |
| 15 | Anglo American | 1.37 | £41bn | 10,910 | — | — | 2,016 | 12,926 |

## 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 below. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position below. A segmental analysis is provided below, 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 failed to recognise the value created for shareholders by the IPS business. To address this, from December 2015, the NAV we have published for the Group has included a fair value for the standalone IPS business.

The current fair value of the IPS business is calculated based upon historical earnings before interest, taxation, depreciation and amortisation (EBITDA) for the second half of 2020, and the EBITDA for the half year to June 2021, with an appropriate multiple applied.

The calculation of the IPS valuation and methodology used to derive it are included in the previous annual report at note 14. In determining a calculated basis for the fair valuation of the IPS business, the Directors have taken external professional advice. 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 the professional valuation firm, from which the Board selects an appropriate multiple to apply. The multiple selected for the current year is 10.1x, which represents a discount of 27% on the mean multiple across the comparable companies to reflect the relative size of the IPS business and the fact that it is unlisted.

The comparable companies used, and their recent performance, is presented in the table below:

| Company | LTM EV /EBITDA 30 June 2021 | Revenue CAGR 2016-2020 | EBITDA margin LTM |
|---|---:|---:|---:|
| Law Debenture IPS | 10.1x | 7% | 44% |
| Intertrust N.V. | 10.3x | 11% | 32% |
| SEI Investments Company | 13.9x | 2% | 29% |
| JTC PLC | 19.8x | 23% | 27% |
| SS&C Technologies Holdings, Inc. | 13.0x | 30% | 41% |
| EQT Holdings Limited | 13.8x | 3% | 39% |
| Perpetual Limited | 12.3x | -1% | 33% |

Source: Capital IQ.

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 2021. The valuation of the IPS business has increased by £59.2m/65.5% 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 (£20.9m) and substituted with the calculation of the fair value and surplus net assets of the business (£128.8m). The fair value of the business has increased by 10.1% as a result of an increased multiple and EBITDA. An adjustment of £41.6m 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 2021 of £936.4m or 766.89 pence per share:

| | 30 June 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | £000 | Pence per share | £000 | Pence per share |
| **Net asset value (NAV) per Group statement of financial position** | **849,239** | **695.47** | 726,994 | 615.19 |
| Fair valuation of IPS: EBITDA at a multiple of 10.1x (2020: 8.7x) | 138,017 | 113.03 | 125,349 | 106.07 |
| Surplus net assets | 11,696 | 9.58 | 10,605 | 8.97 |
| **Fair value of IPS business** | **149,713** | **122.61** | 135,954 | 115.05 |
| Removal of assets already included in NAV per financial statements | (20,938) | (17.15) | (23,547) | (19.93) |
| **Fair value uplift for IPS business** | **128,775** | **105.46** | 112,407 | 95.12 |
| Debt fair value adjustment | (41,566) | (34.04) | (52,182) | (44.16) |
| **NAV at fair value** | **936,448** | **766.89** | 787,219 | 666.15 |

Group income statement
for the six months ended 30 June 2021 (unaudited)

| | 30 June 2021 | | | 30 June 2020 | | |
|---|---|---|---|---|---|---|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| UK dividends | 10,050 | — | 10,050 | 6,654 | — | 6,654 |
| UK special dividends | — | — | — | 458 | — | 458 |
| Overseas dividends | 1,789 | — | 1,789 | 1,986 | — | 1,986 |
| Overseas special dividends | — | — | — | — | — | — |
| Total dividend income | 11,839 | — | 11,839 | 9,098 | — | 9,098 |
| Interest income | — | — | — | 88 | — | 88 |
| Independent professional services fees | 23,047 | — | 23,047 | 18,633 | — | 18,633 |
| Other income | 302 | — | 302 | 16 | — | 16 |
| Total income | 35,188 | — | 35,188 | 27,835 | — | 27,835 |
| Net gain/(loss) on investments held at fair value through profit or loss | — | 99,170 | 99,170 | — | (152,698) | (152,698) |
| Total income and capital gains/(losses) | 35,188 | 99,170 | 134,358 | 27,835 | (152,698) | (124,863) |
| Cost of sales | (3,579) | — | (3,579) | (2,163) | — | (2,163) |
| Administrative expenses | (14,826) | (1,105) | (15,931) | (11,943) | (1,145) | (13,088) |
| Operating profit/(loss) | 16,783 | 98,065 | 114,848 | 13,729 | (153,843) | (140,114) |
| Finance costs | | | | | | |
| Interest payable | (660) | (1,979) | (2,639) | (660) | (1,979) | (2,639) |
| Profit/(loss) before taxation | 16,123 | 96,086 | 112,209 | 13,069 | (155,822) | (142,753) |
| Taxation | (650) | — | (650) | (650) | — | (650) |
| Profit/(loss) for the period | 15,473 | 96,086 | 111,559 | 12,419 | (155,822) | (143,403) |
| Return per ordinary share (pence) | 12.87 | 79.92 | 92.79 | 10.51 | (131.86) | (121.35) |
| Diluted return per ordinary share (pence) | 12.87 | 79.92 | 92.79 | 10.51 | (131.86) | (121.35) |

Statement of comprehensive income

for the six months ended 30 June 2021 (unaudited)

| | 30 June 2021 | | | 30 June 2020 | | |
|---|---|---|---|---|---|---|
| | Revenue £000 | Capital £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Profit/(loss) for the period | 15,473 | 96,086 | 111,559 | 12,419 | (155,822) | (143,403) |
| Foreign exchange on translation of foreign operations | — | (20) | (20) | — | 489 | 489 |
| Total comprehensive income for the period | 15,473 | 96,066 | 111,539 | 12,419 | (155,333) | (142,914) |

Group statement of financial position

| Non-current assets | Unaudited 30 June 2021 £000 | Unaudited 30 June 2020 £000 | Audited 31 December 2020 £000 |
|---|---|---|---|
| Goodwill | 20,122 | 1,966 | 1,914 |
| Property, plant and equipment | 2,202 | 78 | 1,088 |
| Right-of-use asset | 5,591 | 5,632 | 5,413 |
| Other intangible assets | 620 | 73 | 619 |
| Investments held at fair value through profit or loss | 945,471 | 701,014 | 812,297 |
| Retirement benefit asset | — | 3,180 | — |
| Deferred tax assets | 771 | — | 771 |
| Total non-current assets | 974,777 | 711,943 | 822,102 |
| Current assets | | | |
| Trade and other receivables | 12,979 | 9,208 | 16,129 |
| Other accrued income and prepaid expenses | 9,759 | 5,822 | 6,529 |
| Cash and cash equivalents | 9,885 | 25,504 | 41,762 |
| Total current assets | 32,623 | 40,534 | 64,420 |
| Total assets | 1,007,400 | 752,477 | 886,522 |
| Current liabilities | | | |
| Trade and other payables | 25,490 | 13,376 | 27,405 |
| Lease liability | 250 | 240 | — |
| Corporation tax payable | 763 | 814 | 238 |
| Deferred tax liability | — | 150 | — |
| Other taxation including social security | 670 | 714 | 860 |
| Deferred income | 5,305 | 5,417 | 4,367 |
| Total current liabilities | 32,478 | 20,711 | 32,870 |
| Non-current liabilities and deferred income | | | |
| Long-term borrowings | 114,214 | 114,179 | 114,201 |
| Deferred income | 3,234 | 2,451 | 4,011 |
| Lease liability | 5,881 | 5,803 | 5,606 |
| Retirement benefit liability | 2,354 | — | 2,840 |
| Provision for onerous contracts | — | 127 | — |
| Total non-current liabilities | 125,683 | 122,560 | 126,658 |
| Total net assets | 849,239 | 609,206 | 726,994 |
| Equity | | | |
| Called up share capital | 6,123 | 5,922 | 5,923 |
| Share premium | 38,346 | 9,171 | 9,277 |
| Own shares | (2,003) | (1,533) | (1,461) |
| Capital redemption | 8 | 8 | 8 |
| Translation reserve | 1,982 | 2,386 | 2,002 |
| Capital reserves | 770,677 | 541,297 | 674,591 |
| Retained earnings | 34,106 | 51,955 | 36,654 |
| Total equity | 849,239 | 609,206 | 726,994 |
| Net Asset Value (pence) per share | 695.47 | 515.58 | 615.19 |

Group statement of cash flows

| | Unaudited 30 June 2021 £000 | Unaudited 30 June 2020 £000 | Audited 31 December 2020 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit/(loss) before interest payable and taxation | 114,848 | (140,114) | 9,406 |
| (Gains)/losses on investments | (98,066) | 153,843 | 18,570 |
| Foreign exchange (gains)/losses | — | (26) | 19 |
| Depreciation of property, plant and equipment | 181 | 21 | 37 |
| Depreciation of right-of-use assets | 354 | 572 | 1,179 |
| Interest on lease liability | 257 | 35 | 49 |
| Amortisation of intangible assets | — | 37 | 59 |
| Loss on sale of fixed assets | — | — | (15) |
| (Increase)/decrease) in receivables | (80) | (811) | (9,007) |
| (Decrease)/increase in payables | (1,931) | 163 | 14,926 |
| Transfer from capital reserves | (800) | (798) | (1,341) |
| Normal pension contributions in excess of cost | (486) | (480) | (960) |
| **Cash generated from operating activities** | 14,277 | 12,442 | 32,922 |
| Taxation | (125) | (479) | (1,103) |
| **Operating cash flow** | 14,152 | 11,963 | 31,819 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | (1,295) | (31) | (1,079) |
| Expenditure on intangible assets | (1) | (6) | (574) |
| Purchase of investments | (112,370) | (89,827) | (173,831) |
| Sale of investments | 77,980 | 58,089 | 166,908 |
| Acquisition of subsidiary undertakings | (18,208) | — | — |
| **Cash flow from investing activities** | (53,894) | (31,775) | (8,576) |
| **Financing activities** | | | |
| Interest paid | (2,639) | (2,639) | (5,278) |
| Dividends paid | (18,021) | (22,976) | (46,071) |
| Payment of lease liability | (212) | (613) | (1,163) |
| Proceeds of increase in share capital | 29,269 | 25 | 132 |
| Purchase of own shares | (542) | (201) | (129) |
| **Net cash flow from financing activities** | 7,855 | (26,404) | (52,509) |
| **Net decrease in cash and cash equivalents** | (31,887) | (46,216) | (29,266) |
| Cash and cash equivalents at beginning of period | 41,762 | 71,236 | 71,236 |
| Foreign exchange gains/(losses) on cash and cash equivalents | 10 | 484 | (208) |
| **Cash and cash equivalents at end of period** | 9,885 | 25,504 | 41,762 |

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 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2021 | 5,923 | 9,277 | (1,461) | 8 | 2,002 | 674,591 | 36,654 | 726,994 |
| Net gain for the period | — | — | — | — | — | 96,086 | 15,473 | 111,559 |
| Foreign exchange | — | — | — | — | (20) | — | — | (20) |
| Total comprehensive income for the period | — | — | — | — | (20) | 96,086 | 15,473 | 111,539 |
| Issue of shares | 200 | 29,069 | — | — | — | — | — | 29,269 |
| Movement in own shares | — | — | (542) | — | — | — | — | (542) |
| Dividend relating to 2020 | — | — | — | — | — | — | (9,614) | (9,614) |
| Dividend relating to 2021 | — | — | — | — | — | — | (8,407) | (8,407) |
| Total equity at 30 June 2021 | 6,123 | 38,346 | (2,003) | 8 | 1,982 | 770,677 | 34,106 | 849,239 |

Group segmental analysis

| | Investment Portfolio | | | Independent Professional Services | | | Group charges | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **30 June 2021 £000** | 30 June 2020 £000 | 31 Dec 2020 £000 | **30 June 2021 £000** | 30 June 2020 £000 | 31 Dec 2020 £000 | **30 June 2021 £000** | 30 June 2020 £000 | **31 Dec 2020** £000 | **30 June 2021 £000** | 30 June 2020 £000 | 31 Dec 2020 £000 |
| **Revenue** | | | | | | | | | | | | |
| Segment income | **11,839** | 9,098 | 17,937 | **23,047** | 18,633 | 38,898 | **—** | — | — | **34,886** | 27,731 | 56,835 |
| Other income | **299** | 12 | 213 | **3** | 4 | 6 | **—** | — | — | **302** | 16 | 219 |
| Cost of sales | **—** | — | — | **(3,579)** | (2,163) | (4,405) | **—** | — | — | **(3,579)** | (2,163) | (4,405) |
| Administration costs | **(1,289)** | (1,034) | (2,570) | **(13,537)** | (10,909) | (22,301) | **—** | — | (8) | **(14,826)** | (11,943) | (24,879) |
| Release of onerous contracts | **—** | — | — | **—** | — | — | **—** | — | 118 | **—** | — | 118 |
| | **10,849** | 8,076 | 15,580 | **5,934** | 5,565 | 12,198 | **—** | — | 110 | **16,783** | 13,641 | 27,888 |
| Interest payable (net) | **(660)** | (600) | (1,260) | **—** | 28 | 29 | **—** | — | — | **(660)** | (572) | (1,231) |
| Return, including profit on ordinary activities before taxation | **10,189** | 7,476 | 14,320 | **5,934** | 5,593 | 12,227 | **—** | — | 110 | **16,123** | 13,069 | 26,657 |
| Taxation | **—** | — | — | **(650)** | (650) | (1,178) | **—** | — | — | **(650)** | (650) | (1,178) |
| **Return, including profit attributable to shareholders** | **10,189** | 7,476 | 14,320 | **5,284** | 4,943 | 11,049 | **—** | — | 110 | **15,473** | 12,419 | 25,479 |
| Return per ordinary share (pence) | **8.48** | 6.33 | 12.12 | **4.39** | 4.18 | 9.35 | **—** | — | 0.09 | **12.87** | 10.51 | 21.56 |
| Assets | **952,257** | 714,209 | 850,255 | **55,122** | 38,218 | 36,246 | **21** | 50 | 21 | **1,007,400** | 752,477 | 886,522 |
| Liabilities | **(123,977)** | (128,105) | (146,992) | **(34,184)** | (15,039) | (12,536) | **—** | (127) | — | **(158,161)** | (143,271) | (159,528) |
| **Total net assets** | **828,280** | 586,104 | 703,263 | **20,938** | 23,179 | 23,710 | **21** | (77) | 21 | **849,239** | 609,206 | 726,994 |

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

## Principal risks and uncertainties

The principal risks of the Company relate to the investment activities and include market price risk, foreign currency risk, liquidity risk, interest rate risk, credit risk, country/region risk and regulatory risk. These are explained in the notes to the annual accounts for the year ended 31 December 2020. 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.

Since the year end the Board has continued to consider the risks faced by the Corporation arising from the Covid-19 pandemic on both the investment portfolio and the ability of the IPS business to operate. More information on the impact is given above in the half yearly management report and the Investment Manager's report.

The principal risks of the IPS 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 for the year ended 31 December 2020.

## 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 EU 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
29 July 2021

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.

The Group's accounting policies during the period are the same as in its 2020 annual financial statements, except for those that relate to new standards effective for the first time for periods beginning on (or after) 1 January 2021, and will be adopted in the 2021 annual financial statements.

Notes

1. 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 2020 have been filed with the Registrar of Companies. The independent auditor's report on the annual report and financial statements for 2020 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. 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 122,109,313 (30 June 2020: 118,159,734; 31 December 2020: 118,173,664) being the total number of shares in issue less shares acquired by the ESOT in the open market.

   Income: average shares during the period 120,226,033 (30 June 2020: 118,169,964; 31 December 2020: 118,171,875) being the weighted average number of shares in issue after adjusting for shares held by the ESOT.

3. Listed investments

   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. Unlisted investments are Level 3 financial instruments. They are valued by the Directors using unobservable inputs including the underlying net assets of the instruments.

4. Portfolio investments

   A full list of investments is included on the website each month.

5. Half yearly report 2021

   The half yearly report 2021 will be available on the website in early August via the following link:

   https://www.lawdebenture.com/investment-trust/shareholder-information/annual-reports-and-half-yearly-reports

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