The Law Debenture Corporation p.l.c. today published its results for the half-year ended 30 June 2022

Resilience, continued outperformance and dividend growth against the backdrop of turbulent global markets

Group Highlights:

- NAV total return with debt and Independent Professional Services (IPS) at FV for H1 2022 of -4.0%
- Another period of strong performance from IPS with profit before tax up by 5.9% and valuation up 4.9% to £178.4m
- The Group has issued 3.8[1] million new ordinary shares at a premium to NAV, to existing and new investors, with net proceeds of £30.4m to support ongoing investment.
- Continued low ongoing charges of 0.48[2]%, compared to the industry average of 1.09[3]%
- Winner of Investment Week's UK Income Sector Investment Trust of the year for 2021

Dividend Highlights

- Declared a first interim dividend of 7.25 pence per ordinary share, paid in July 2022, representing an increase of 5.5% over the prior year's first interim dividend
- It is the Board's intention for each of the first three interim dividends for 2022 to be equivalent to a quarter of Law Debenture's total 2021 dividend of 29.0 pence per ordinary share. Performance and growth in Independent Professional Services business (IPS) continues to support the Board's intention to maintain or increase the total dividend in 2022
- Dividend yield of 3.8%[4]
- 13.8% CAGR in dividends over the last four years[5]

Investment Portfolio Highlights:

- Material outperformance of the benchmark over three, five and ten years
- Strong long term record with Share price total return over 10 years of 180.8% (FTSE All-Share: 94.6%) and of 808.9% over 25 years (FTSE All-Share: 312.5%)
- Revenue return from the portfolio of £16.9m (June 2021: £10.2m), representing growth of 65.6%

	YTD %	1 year %	3 years %	5 years %	10 years %
NAV total return (with debt at par)[6*]	-8.4	-3.5	23.1	34.8	155.7
NAV total return (with debt at fair value)[6*]	-4.0	0.4	28.5	40.6	157.5
FTSE Actuaries All-Share Index Total Return[7]	-4.6	1.6	7.4	17.8	94.6
Share price total return[7*]	-3.8	3.4	43.8	58.2	180.8
Change in Retail Price Index[8]	7.0	11.8	17.4	24.9	40.6

IPS Highlights:

- Wholly-owned independent provider of professional services. Accounts for 19% of H1 2022 NAV but has funded 36.4% of dividends in the last 10 years[9]
- IPS enters its fifth consecutive year of growth with net revenues of £21.7m (June 2021: £19.5m) up 11.3%

Longer Term Record:

- 133 years of value creation for shareholders
- 114.8%[9] increase in the dividend over the last 10 years
- Over 40 years of increasing or maintaining dividends to shareholders

Robert Hingley, Chairman, said:

"Law Debenture aims to provide a steadily increasing income for our shareholders whilst achieving long-term capital growth in real terms. The Group has an excellent long-term record for outperformance, and we are encouraged by the relative capital preservation and continued good performance from IPS in this turbulent and challenging period of political and economic uncertainty.

We are confident that, in the long term, the combination of a robust and well-positioned equity portfolio and continued growth in our IPS business will deliver attractive returns for our shareholders. IPS benefits from strong recurring revenues, and the team is investing to ensure the consistent growth delivered in the last four years can be sustained over the longer term."

Denis Jackson, Chief Executive Officer, commented:

"Against a very challenging and uncertain political and economic backdrop, with rising global inflation and interest rates, Law Debenture has delivered another resilient performance. The Group has maintained its consistent long-term benchmark outperformance. The strong, consistent income from the IPS business offers our portfolio managers greater flexibility in their investment selection, helping set Law Debenture apart from other UK equity income Trusts and underpinning our confidence in our ability to continue to outperform in the long-term."

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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 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] For the period from 1 January 2022 to 30 June 2022
[2] Calculated based on data held by Law Debenture for the period ended 30 June 2022
[3] Source: Association of Investment Companies (AIC) industry average as at 30 June 2022
[4] Calculated based on share price of 772p as at 27 July 2022, using the total 2021 dividend paid of 29.0p per share
[5] Calculated for the 4 years ended 31 December 2021
[6] 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
[7] Source: Refinitiv
[8] Source: Office for National Statistics
[9] Calculated for the 10 years ended 31 December 2021
[*] Items marked "*" are considered to be alternative performance measures and calculated using the published daily NAV

THE LAW DEBENTURE CORPORATION P.L.C. AND ITS SUBSIDIARIES

HALF YEARLY REPORT FOR THE SIX MONTHS TO 30 JUNE 2022 (UNAUDITED)

Financial summary

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

* Items marked "*" are considered to be alternative performance measures. For a description of these measures, see page 134 of the annual report and financial statements for the year ended 31 December 2021.

[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 the fair value of the IPS business and long-term borrowings.

[3] This figure takes into account the new shares issued since 30 June 2021. Using the weighted average shares on issue at 30 June 2021, IPS revenue return per share would be 4.67 pence.

[4] The second interim dividend is not due to be announced until September 2022 and has not been factored in the calculation presented. The Board have indicated their intention to pay three interim dividends of 7.25p in respect to 2022, each representing a quarter of the total 2021 dividend declared of 29.0p. The final dividend will be declared in February 2023.

[5] Ongoing charges are calculated based on AIC guidance, using the administrative costs of the investment trust and include the Janus Henderson investment management fee, charged at an annual rate of 0.30% of the NAV of the investment portfolio. There is no performance related element to the fee.

Half yearly management report

Introduction

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

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

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

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

[1] Calculated based on -4% YTD to 30 June 2022 NAV performance with debt and IPS at fair value, resulting in 96% of preserved shareholders' capital.
[2] Calculated based on increased group earnings per share of 12.87p at 30 June 2021 to 18.21p at 30 June 2022.

Dividend

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

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

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

[3] Calculated based on share price of 772p as at 27 July 2022, using the total 2021 dividend paid of 29.0p per share.

IPS performance

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

Approximately a third of our administration costs are related to our people. As the 'Great Resignation' and unwind of lockdowns have played through, the demand for skilled employees in our sectors has been the most intense for many years. We must compete to retain our people who underpin the quality of service we deliver to our clients. This was reflected in the uplift to our staff's remuneration this year. These pay increases have an immediate impact on our cost base and, while we have been able to pass on some of these, as we highlight later in the report, there are elements of our revenue streams where contracted inflation-linked increases only feed through to our invoices over time.

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

Independent Professional Services

DIVISION	**Revenue[1] 30 June 2022 £000**	Revenue[1] 30 June 2021 £000	**Growth 2021/2022 %**
Pensions	**6,973**	6,462	**7.9%**

Corporate Trust	**5,185**	4,937	**5.0%**
Corporate Services	**9,515**	8,069	**17.9%**
Total	**21,673**	19,468	**11.3%**

[1] Revenue shown is net of cost of sales

Pensions

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

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

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

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

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

* For the four years ended 31 December 2021.

Corporate Trust

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

While primary markets were weak in the first half of 2022, the majority of the capital markets transactions that sit on our books, built up over many decades, have contractual inflation-linked fee increases for our services. These fee increases are applied on the transaction anniversary. The longer that inflation remains at elevated levels, the more these inflation-linked increases will feed through to our book of business. It is likely that this will be increasingly helpful as the year progresses.

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

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

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

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

Corporate Services

Company Secretarial Services

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

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

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

Service of Process

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Denis Jackson
Chief Executive
28 July 2022

Investment managers' report

Overview

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

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

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

Portfolio performance and activity

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

Top five absolute detractors

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

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

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

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

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

Top five absolute contributors

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

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

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

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

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

Income

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

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

ESG

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

Outlook

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

James Henderson and Laura Foll
Investment Managers
28 July 2022

Sector distribution of portfolio by value

	30 June 2022	31 December 2021
Oil and gas	11.1%	10.1%
Basic materials	7.0%	9.7%
Industrials	20.3%	20.7%
Consumer goods	7.9%	7.4%
Health care	10.7%	7.2%
Consumer services	7.6%	8.8%
Telecommunications	3.3%	2.6%
Utilities	4.5%	4.4%
Financials	27.0%	27.5%
Technology	0.6%	1.6%

Geographical distribution of portfolio by value

30 June 2022		31 December 2021	
United Kingdom	84.7%	United Kingdom	82.6%
North America	5.4%	North America	5.4%
Europe	8.7%	Europe	10.0%
Japan	1.2%	Japan	1.1%
		Other Pacific	0.7%
		Other	0.2%

Fifteen largest holdings: investment rationale
at 30 June 2022

Rank 2022	Company	% of portfolio	Approx Market Cap.	Valuation 2021 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2022 £000
1	GlaxoSmithKline	3.47	£89.8bn	26,911	—	—	2,659	29,570
2	Shell	3.13	£157bn	20,280	—	—	6,395	26,675
3	HSBC	2.72	£107.4bn	19,454	—	—	3,769	23,223
4	BP	2.59	£74.4bn	18,839	—	—	3,294	22,133
5	Barclays	2.21	£25.3bn	20,196	2,355	—	(3,717)	18,834
6	Rio Tinto	2.16	£83.3bn	18,345	—	—	92	18,437
7	NatWest	1.79	£22.8bn	14,100	1,724	—	(543)	15,281
8	BAE Systems	1.75	£26.2bn	9,896	—	—	5,048	14,944
9	Direct Line Insurance	1.74	£3.3bn	13,950	2,220	—	(1,320)	14,850
10	National Grid	1.61	£38.4bn	14,934	—	1,218	50	13,766
11	Tesco	1.59	£19.2bn	13,488	1,697	—	(1,642)	13,543
12	Anglo American	1.55	£39.3bn	13,572	—	—	(355)	13,217
13	Lloyds Banking Group	1.49	£29.2bn	14,340	—	—	(1,647)	12,693
14	Vodafone	1.41	£35.5bn	10,657	—	—	1,374	12,031
15	Standard Chartered	1.37	£18.4bn	8,456	—	—	3,205	11,661

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 of these accounts, which shows a detailed breakdown of the split between the investment portfolio, IPS business and Group charges.

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

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

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

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

The table below shows a summary of performance of our comparators:

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

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

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

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

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

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

Long-term borrowing

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

Calculation of NAV per share

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

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

Group income statement
for the six months ended 30 June 2022 (unaudited)

	30 June 2022			30 June 2021		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
UK dividends	**15,921**	—	**15,921**	10,050	—	10,050
UK special dividends	—	**3,442**	**3,442**	—	—	—
Overseas dividends	**2,487**	—	**2,487**	1,789	—	1,789
Overseas special dividends	—	—	—	—	—	—
Total dividend income	**18,408**	**3,442**	**21,850**	11,839	—	11,839

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

Group statement of comprehensive income
for the six months ended 30 June 2022 (unaudited)

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

Group statement of financial position

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

Translation reserve	**2,544**	1,982	2,656
Capital reserves	**665,177**	770,677	789,423
Retained earnings	**44,918**	34,106	41,955
Total equity	**787,932**	849,239	878,837
Total equity pence per share[+]	**624.20**	695.47	717.86

* Note the decrease in goodwill is due to part of this balance being re-classified as 'other intangible assets' in the 2021 annual accounts.
[+] Please see above for calculation of total equity pence per share.

Group statement of cash flows

	Unaudited 30 June 2022 £000	Unaudited 30 June 2021 £000	Audited 31 December 2021 £000
Operating activities			
Operating (loss)/profit before interest payable and taxation	**(97,812)**	114,848	155,320
Losses/(gains) on investments	**124,238**	(98,066)	(121,170)
Depreciation of property, plant and equipment	**152**	181	220
Depreciation of right-of-use assets	**349**	354	858
Interest on lease liability	**339**	257	—
Amortisation of intangible assets	**340**	—	490
(Increase)/decrease in receivables	**(5,856)**	(80)	(4,419)
(Decrease)/increase in payables	**(8,183)**	(1,931)	1,920
Transfer from capital reserves	**—**	(800)	—
Normal pension contributions in excess of cost	**(509)**	(486)	(940)
Cash generated from operating activities	**13,058**	14,277	32,279
Taxation	**811**	(125)	(307)
Operating cash flow	**13,869**	14,152	31,972
Investing activities			
Acquisition of property, plant and equipment	**(79)**	(1,295)	(1,075)
Expenditure on intangible assets	**(60)**	(1)	—
Cash consideration transferred in relation to acquisition	**—**	(18,208)	(18,214)
Purchase of investments	**(77,296)**	(112,370)	(200,096)

Sale of investments	**92,327**	77,980	140,440
Cash flow from investing activities	**14,892**	(53,894)	(78,945)
Financing activities			
Interest paid	**(3,272)**	(2,639)	(5,277)
Dividends paid	**(19,530)**	(18,021)	(34,923)
Payment of lease liability	**(239)**	(212)	(371)
Proceeds of increase in share capital	**30,403**	29,269	32,810
Proceeds of issuance of long-term borrowings	**—**	—	50,000
Purchase of own shares	**87**	(542)	(1,754)
Net cash flow from financing activities	**7,449**	7,855	40,485
Net increase/(decrease) in cash and cash equivalents	**36,210**	(31,887)	(6,488)
Cash and cash equivalents at beginning of period	**35,880**	41,762	41,762
Foreign exchange (losses)/gains on cash and cash equivalents	**(111)**	10	606
Cash and cash equivalents at end of period	**71,979**	9,885	35,880

Group statement of changes in equity

	Share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2022	6,145	41,865	(3,215)	8	2,656	789,423	41,955	878,837
Net gain/(loss) for the period	—	—	—	—	—	(124,246)	22,493	(101,753)
Foreign exchange	—	—	—	—	(112)	—	—	(112)
Total comprehensive loss for the period	—	—	—	—	(112)	(124,246)	22,493	(101,865)
Issue of shares	226	30,177	—	—	—	—	—	30,403
Movement in own shares	—	—	87	—	—	—	—	87
Dividend relating to 2021	—	—	—	—	—	—	(10,396)	(10,396)
Dividend relating to 2022	—	—	—	—	—	—	(9,134)	(9,134)
Total equity at 30 June 2022	6,371	72,042	(3,128)	8	2,544	665,177	44,918	787,932

Group segmental analysis

	Investment Portfolio			Independent Professional Services			Group charges			Total		
	30 June 2022	30 June 2021	31 Dec 2021	**30 June 2022**	30 June 2021	31 Dec 2021	30 June 2022	**30 June 2021**	31 Dec 2021	**30 June 2022**	30 June 2021	31 Dec 2021
	£000	£000	£000	**£000**	£000	£000	£000	**£000**	£000	**£000**	£000	£000
Revenue												
Segment income	**18,408**	11,839	26,259	**25,691**	23,047	49,513	—	—	—	**44,099**	34,886	75,772
Other income	**216**	299	551	—	3	—	—	—	—	**216**	302	551
Cost of sales	**(43)**	—	(110)	**(4,018)**	(3,579)	(7,927)	—	—	—	**(4,061)**	(3,579)	(8,037)
Administration costs	**(898)**	(1,289)	(3,434)	**(15,390)**	(13,537)	(28,246)	—	—	—	**(16,288)**	(14,826)	(31,680)
	17,683	10,849	23,266	**6,283**	5,934	13,340	—	—	—	**23,966**	16,783	36,606
Interest payable (net)	**(804)**	(660)	(1,319)	—	—	—	—	—	—	**(804)**	(660)	(1,319)
Return, including profit on ordinary activities before taxation	**16,879**	10,189	21,947	**6,283**	5,934	13,340	—	—	—	**23,162**	16,123	35,287
Taxation	—	—	—	**(669)**	(650)	(1,210)	—	—	—	**(669)**	(650)	(1,210)
Return, including profit attributable to shareholders	**16,879**	10,189	21,947	**5,614**	5,284	12,130	—	—	—	**22,493**	15,473	34,077
Return per ordinary share (pence)	**13.66**	8.48	18.09	**4.55**	4.39	10.00	—	—	—	**18.21**	12.87	28.09
Assets	**910,116**	952,257	1,020,114	**84,416**	55,122	71,903	—	**21**	—	**994,532**	1,007,400	1,092,017
Liabilities	**(166,604)**	(123,977)	(175,418)	**(39,996)**	(34,184)	(37,762)	—	—	—	**(206,600)**	(158,161)	(213,901)
Total net assets	**743,512**	828,280	844,696	**44,420**	20,938	34,141	—	**21**	—	**787,932**	849,239	878,837

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

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

Related party transactions

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK and gives a true and fair view of the assets, liabilities, financial position and profit of the Group as required by DTR 4.2.4R;
- the half yearly report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period.

On behalf of the Board

Robert Hingley
Chairman
28 July 2022

Notes to the condensed consolidated financial statements

1. Basis of preparation

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

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

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

2. Presentation of financial information

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

3. Calculations of NAV and earnings per share

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

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

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

4. Listed investments

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

5. Portfolio investments

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

6. Half yearly report 2022

   The half yearly report 2022 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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(Registered in England - No. 00030397)
LEI number - 2138006E39QX7XV6PP21