The Law Debenture Corporation p.l.c. today published its results for the half-year ended 30 June 2023

Solid overall performance in difficult market conditions

Group Highlights:

- Net asset value (NAV) total return with debt and Independent Professional Services (IPS) business at fair value (FV) for H1 2023 delivered a modest outperformance of 4.0% compared to our benchmark, the FTSE All-Share Index, at 2.6%. With debt at par the return was 2.2%.
- IPS profit before tax up by 8.5% and valuation up 4.4% to £210m (compared to 30 December 2022).
- Since the publication of The Law Debenture Corporation p.l.c.'s (Law Debenture) Annual Report in February 2023, Law Debenture has issued 2 million new ordinary shares at a premium to NAV (to existing and new investors) with net proceeds of £16.6m to support ongoing investment.
- Continued low ongoing charges of 0.48%, compared to the UK Equity Income industry average of 1.07%.

Winner of Investment Week's UK Equity Income Investment Trust of the Year for 2022 (second year running); winner in UK Equity – Active category at the AJ Bell Fund and Investment Awards 2022 and winner for Best Investment Trust for Income at the 2022 Shares Awards.

Dividend Highlights:

- Declared a first interim dividend of 7.625 pence per ordinary share, paid in July 2023, representing an increase of 5.17% over the prior year's first interim dividend.
- It is the Board's intention for each of the first three interim dividends for 2023 to be equivalent to a quarter of Law Debenture's total 2022 dividend of 30.5 pence per ordinary share. Performance and growth of the IPS business continues to support the Board's intention to maintain or increase the total dividend in 2023.
- Dividend yield of 3.8% based on our closing share price of 812 pence on 26 July 2023 (with a relatively strong reserves position).

Overall Highlights:

- Modest outperformance (with debt and IPS at FV) in first half of 2023.
- Long-term outperformance of the benchmark over three, five and ten years.
- Strong long-term record with share price total return over 10 years of 129.3% (FTSE All-Share: 78%).
- Total dividend income from the portfolio of £19.3m (June 2022: £18.4m).

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

1 NAV is calculated in accordance with the Association of Investment Companies (AIC) methodology, based on performance data held by Law Debenture including the fair value of the IPS business and long-term borrowings.
2 Source: Refinitiv.
3 Source: Office for National Statistics.

IPS Highlights:

- Wholly-owned independent provider of professional services. Accounts for 21% of H1 2023 NAV but has funded approximately 34% of dividends in the last 10 years.[4]
- IPS enters its sixth consecutive year of consistent growth with net revenues of £24.1m (June 2022: £21.7m) up 11.2% with profit before tax up by 8.5% (compared to 30 June 2022).

Longer Term Record:

- 134 years of history with a long-term track record of value creation for shareholders.
- £10,000 invested in Law Debenture ten years ago would be worth £22,930 as at 30 June 2023[5].
- Over 44 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 market backdrop has been difficult, with elevated levels of inflation proving more persistent than many economic commentators may have hoped and, within the investment trust sector, a marked widening of discounts. Against this background, we are pleased that IPS has shown continued growth and that, overall, we have modestly outperformed our benchmark. We are confident that the combination of a high-quality equity portfolio and growth in our IPS business will continue to deliver attractive long-term returns for our shareholders.

Denis Jackson, Chief Executive Officer, commented:

"Against a backdrop of continued macroeconomic uncertainty with high global inflation and interest rates, Law Debenture has delivered a solid performance in the first half of 2023. Our portfolio managers select investments based on an assessment of their long-term value and believe an undervalued UK stock market continues to offer investors the opportunity to own resilient, cash-generative and well-managed businesses at attractive valuation multiples. We believe the strong, predictable 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. Though the near-term economic outlook is not without its challenges, we feel our ongoing investment in IPS leaves it well positioned for medium-term growth in-line with our mid to high single percentage target."

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

4 Calculated for the 10 years ended 31 December 2022.
5 Calculated on a total return basis assuming dividend re-investment between 30 June 2013 and 30 June 2023.

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

HALF YEARLY REPORT FOR THE SIX MONTHS TO 30 JUNE 2023 (UNAUDITED)

Financial summary

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

[1] Please 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] Revenue per share is calculated using the weighted average shares in issue as at 30 June 2023.

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

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

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

Half yearly management report

Introduction

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

Our Investment Managers continue to build on their successful long-term record of outperformance against our benchmark, the FTSE Actuaries All Share Index, and drivers of their performance are covered in detail in their report. Our IPS business is now well into its sixth year of consistent mid-to-high single-digit growth, with net revenue up 11.2% and profit before tax up 8.5%.

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

Dividend

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

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

[1] Based on the total dividend paid in relation to 2022 of 30.5p per share.
[2] Based on the period 2012 to 2022.

Independent Professional Services

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

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

Corporate Trust

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

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

The strength of our Corporate Trust business lies in its diversified revenue streams, some elements of countercyclicality and, in the current environment at least, a healthy proportion of fee income with linkage to inflation.

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

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

Many of the debt capital markets transactions that sit on our books, built up over many decades, have contractual inflation-linked fee increases for our services. The longer that inflation remains at elevated levels (40-year highs for UK RPI were recorded toward the end of last year[4]) the more these inflation-linked increases feed through to our book of business.

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

[3] Commentary – Monthly Insolvency Statistics April 2023 – GOV.UK (www.gov.uk).
[4] Inflation and price indices – Office for National Statistics (ons.gov.uk).

Pensions

The first half of 2023 has illustrated the importance of effective pension scheme trusteeship and governance in turbulent times. We have seen the continuation of activity driven from the "gilts crisis" in Q3/Q4 2022 with many schemes recognising the need to review their funding and investment strategies. In particular, we are seeing an increased interest in journey planning and buy-in strategies, as well as corporate sponsors working with trustees to consider the viability of running pension schemes with a surplus on a long-term basis.

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

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

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

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

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

Corporate Services

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

Corporate Secretarial Services ('CSS')

In our 2022 year-end update, we mentioned the capacity constraints that we were experiencing. However, healthy demand for our products and services remains very much in place. Satisfying that demand with excellent people, efficient operational workflows, and enhanced technology takes some time to deliver. Our journey to hire and develop the right people, skills, technology, and operational infrastructure continued in H1 2023 and will be the focus for this business for the remainder of the year, under Trish Houston's leadership.

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

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

Service of Process

This remains our business which has the fewest recurring revenues and is most dependent on global macro-economic factors. Major economies, such as the UK and US, allow overseas businesses to sign legal documents subject to their laws, provided that they have either a registered address or appointed agent for service of process in the governing law jurisdiction. We act as the agent for service of process to thousands of clients from all over the world each year. The greater the amount of global economic activity and capital markets new issuance, the greater the demand for our product. Given the difficult conditions in primary capital markets, downward revisions to global economic growth, and a number of major economies being at or close to entering recession, Service of Process revenues were unsurprisingly depressed in the first half of 2023.

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

Structured Finance

This niche business provides accounting and administrative services to special purpose vehicles ('SPVs'). Typical buyers of our services are asset managers, hedge funds and challenger banks. They use SPV structures to warehouse and provide long-term funding for real assets. Examples include credit card receivables, mortgages, real estate and aircraft leases.

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

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

Safecall

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

Significant investment in account management and business development resource was made, with new business wins hitting an all-time high. Reports received on behalf of our clients also reached record levels and barely a week goes by without a major news story involving a whistleblower. Increased public awareness of the product and regulatory impetus further reinforce our confidence in the long-term growth prospects for our business in this market.

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

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

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

Central overview

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

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

Environmental, Social and Governance ('ESG')

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

We were ranked 1st in the Financial Services category and 2nd overall amongst the FTSE 250 in the FTSE Women Leaders Review for the second consecutive year. This Review is the third and successor phase to the Hampton-Alexander and Davies Reviews. It is an independent, voluntary and business-led initiative supported by the UK Government, aimed at increasing the representation of women in leadership roles.

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

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

Outlook

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

Our Investment Managers continue to invest in what they feel are a differentiated selection of high-quality businesses with competitive advantage and good long-term growth prospects. We are confident that their disciplined approach of buying at attractive entry point valuations will continue to deliver over the longer-term for our shareholders. The Board supports their view that the UK stock market continues to offer investors the opportunity to own resilient, cash-generative and well-managed business models that are well positioned to produce attractive longer-term returns.

Denis Jackson
Chief Executive
27 July 2023

Investment managers' report

Overview

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

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

Activity

The share price weakness in UK listed businesses is creating attractive long-term investment opportunities. Therefore, over the six-month period, we have been a net buyer of £31.6 million UK shares. This has been in a diverse number of companies; for instance, the holding in Marshalls, the building materials company, has been added to, as has Marks and Spencer where there are early signs of trading improving. In the smaller companies' sphere, the holding in the alternative energy company, Ceres Power, has been increased, as has the exposure to Hipgnosis, the owner of a catalogue of recorded music. In the technology space, we increased the holding in Oxford Nanopore, the gene sequencing business, and Surface Transforms, the ceramic brake maker. The exposure to renewable energy was further expanded by purchases of Air Products and Chemicals and Johnson Matthey. These companies are mainly servicing very different end-markets, but they have in common the potential to be substantially bigger businesses in the future, without the current valuation reflecting this.

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

Contributors

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

Detractors

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

Top five absolute contributors

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

Stock	Share price movement (%)	Contribution (£m)
Flutter Entertainment	40.0	7.0

Rolls Royce	77.1	6.8
Marks & Spencer	60.5	5.2
HSBC	20.6	4.6
Senior	39.9	4.3

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

Top five absolute detractors

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

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

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

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

Income from the Investment Portfolio

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

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

ESG

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

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

Outlook

The chart regarding UK Market PE vs World on page 11 of the half year report illustrates how undemanding UK companies' valuations have become. The investment focus remains on companies that will be able to adapt to the circumstances they find themselves in. They will do this by providing good quality products and services. At the moment, however, investors are predominantly focused on macro-economic concerns, the main one of which is the persistence of inflation and the level interest rates may reach within the UK. It is through periods of uncertainty like this that we can refresh the Portfolio and position it so that it will benefit when a degree of confidence returns.

James Henderson and Laura Foll
Investment Managers
27 July 2023

Sector distribution of portfolio by value

	30 June 2023	31 December 2022
Oil and gas	**10.9%**	10.9%
Basic materials	**6.7%**	8.7%

Industrials	**23.1%**	21.7%
Consumer goods	**7.4%**	7.7%
Health care	**7.7%**	8.1%
Consumer services	**10.3%**	9.0%
Telecommunications	**2.1%**	2.0%
Utilities	**3.2%**	3.2%
Financials	**26.6%**	27.4%
Technology	**2.0%**	1.3%

Geographical distribution of portfolio by value

	30 June 2023	31 December 2022
United Kingdom	**83.8%**	83.2%
North America	**5.5%**	5.1%
Europe	**9.6%**	10.6%
Japan	**1.1%**	1.1%

Fifteen largest holdings: investment rationale
as at 30 June 2023

Rank 2023	Company	Location	% of portfolio	Approx Market Cap.	Valuation Dec 2022 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation June 2023 £000
1	Shell	UK	3.18	£109bn	29,075	—	—	206	29,281
2	HSBC	UK	2.93	£128.2bn	22,360	—	—	4,601	26,961
3	BP	UK	2.84	£86.5bn	27,069	—	—	(943)	26,126
4	Flutter Entertainment	UK	2.67	£11.3bn	17,492	—	—	6,990	24,482
5	GlaxoSmithKline	UK	2.1	£69.6bn	19,983	—	—	(679)	19,304
6	Barclays	UK	2.05	£16.1bn	19,498	—	—	(632)	18,866
7	Rolls Royce	UK	2.05	£69.8bn	8,797	3,223	—	6,786	18,806
8	Rio Tinto	UK	2.04	£46.7bn	21,742	—	—	(3,048)	18,694
9	NatWest	UK	1.7	£22.5bn	17,238	—	—	(1,592)	15,646
10	Marks & Spencer	UK	1.68	£3.7bn	8,631	1,558	—	5,219	15,408
11	Senior	UK	1.63	£0.8bn	10,682	—	—	4,265	14,947
12	Sanofi	France	1.57	£103.3bn	12,815	746	—	822	14,383
13	National Grid	UK	1.48	£28.1bn	13,058	—	—	557	13,615
14	Tesco	UK	1.43	£16.7bn	11,888	—	—	1,284	13,172
15	Lloyds Banking Group	UK	1.42	£33.0bn	13,623	—	—	(546)	13,077

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

The current fair value of the IPS business is calculated based on historical earnings before interest, taxation, depreciation and amortisation ('EBITDA') for the second half of 2022, and the EBITDA for the half year to 30 June 2023, with an appropriate multiple applied.

The calculation of the IPS valuation and methodology used to derive it are included in the previous annual report at Note 3 on page 135. In determining a calculation basis for the fair valuation of the IPS business, the Directors have taken external professional advice from PwC LLP. The multiple applied in valuing IPS is from comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS in respect of size, liquidity, margin and growth. A range of multiples is then provided by PwC from which the Board selects an appropriate multiple to apply. The make-up of our IPS business is unique meaning we do not have a like for like comparator group to benchmark ourselves against. We believe our core comparators remain as Sanne Group, Intertrust, Link Administration Holdings and JTC. However, each of these companies have specific factors which limit their usability for a market multiples-based valuation approach.

Sanne and Intertrust have been acquired and are no longer listed. Link's valuation has been impacted by transactional influences and updates to the ongoing Woodford scandal. JTC continues to be a highly acquisitive group.

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

Company	Revenue LTM* (£m)	LTM EV/EBITDA 30 June 2023	Revenue CAGR FY19 - LTM 2023	EBITDA margin LTM
Law Deb IPS	50	10.5x	12%	38%
SEI Investments Company	1,519	12.3x	5%	22%
SS&C Technologies Holdings, Inc.	4,325	10.5x	4%	32%
EQT Holdings Limited	67	14.0x	7%	34%
Perpetual Limited	428	11.1x	11%	19%
JTC PLC	200	18.0x	27%	24%
Link Administration Holdings Limited	662	5.3x	-4%	13%
Begbies Traynor Group plc	116	8.7x	18%	19%
Christie Group plc	69	4.7x	-3%	9%

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

The multiple selected for the current period is 10.5x, which is broadly in line with the mean multiple of the comparator group. The multiple selected is consistent with that used at both the half year and year end of 2022.

It is hoped that our initiatives to inject growth into the IPS business will result in a corresponding increase in valuation over time. As stated above, management is aiming to achieve mid to high single digit growth in 2023. The valuation of the IPS business has increased by £120m/133% since the first valuation of the business as at 31 December 2015.

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

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

Long-term borrowing

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

Calculation of NAV per share

The table below shows how the NAV at fair value is calculated. The value of assets already included within the NAV per the Group statement of financial position that relates to IPS is removed (£57.3m) and substituted with the calculation of the fair value and surplus net assets of the business (£153.4m). The fair value of the IPS business has increased by 4.4% due to a combination of higher surplus net assets being available and a higher EBITDA. An adjustment of £43.1m is then made to show the Group's debt at fair value, rather than the book cost that is included in the NAV per the Group statement of financial position. This calculation shows NAV fair value for the Group as at 30 June 2023 of £1,009.1m or 775.92 pence per share:

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

	£000	**%**	£000	%
NAV attributable to IPS	**210,644**	**21**	201,740	21

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

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

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

Group income statement
for the six months ended 30 June 2023 (unaudited)

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

+ IPS fees are presented gross. Please refer to Note 6 below for a reconciliation to the net revenue.

Group statement of comprehensive income
for the six months ended 30 June 2023 (unaudited)

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

Group statement of financial position
as at 30 June 2023 (unaudited)

Non-current assets	Unaudited 30 June 2023 £000	Unaudited 30 June 2022 £000	Audited 31 December 2022 £000
Goodwill	19,010	18,973	19,036
Property, plant and equipment	1,838	1,901	1,796
Right-of-use asset	4,584	5,253	5,040
Other intangible assets	2,971	3,177	3,417
Investments held at fair value through profit or loss	918,221	853,231	891,005
Retirement benefit asset	7,973	7,085	7,400
Total non-current assets	954,597	889,620	927,694

Current assets			
Trade and other receivables	**18,363**	24,213	19,697
Contract assets	**9,576**	8,720	7,182
Cash and cash equivalents	**33,520**	71,979	49,559
Total current assets	**61,459**	104,912	76,438
Total assets	**1,016,056**	994,532	1,004,132
Current liabilities			
Trade and other payables	**18,865**	19,854	19,815
Lease liability	**964**	356	991
Corporation tax payable	**1,718**	1,387	1,256
Other taxation including social security	**2,376**	2,561	2,892
Contract liabilities	**6,139**	7,504	5,223
Total current liabilities	**30,062**	31,662	30,177
Non-current liabilities and deferred income			
Long-term borrowings	**163,931**	164,267	163,909
Contract liabilities	**3,151**	3,463	3,976
Deferred tax liability*	**1,344**	1,060	1,344
Lease liability	**4,990**	6,148	5,659
Total non-current liabilities	**173,416**	174,938	174,888
Total net assets	**812,578**	787,932	799,067
Equity			
Called up share capital	**6,530**	6,371	6,407
Share premium	**102,812**	72,042	83,022
Own shares	**(4,180)**	(3,128)	(3,128)
Capital redemption	**8**	8	8
Translation reserve	**2,687**	2,544	2,855
Capital reserves	**655,463**	665,177	662,512
Retained earnings	**49,258**	44,918	47,391
Total equity	**812,578**	787,932	799,067
Total equity pence per share⁺	**624.78**	624.20	625.81

* The deferred tax liability has been re-classified as non-current to align with the disclosure requirements outlined in IAS 1.56.
⁺ Please see above for calculation of total equity pence per share.

Group statement of cash flows

for the six months ended 30 June 2023 (unaudited)

	Unaudited 30 June 2023 £000	Unaudited 30 June 2022 £000	Audited 31 December 2022 £000
Cash flows from operating activities (before dividends received and taxation paid)	**3,603**	(2,052)	2,249
Cash dividends received	**17,958**	15,921	37,498
Taxation paid	—	—	(700)
Cash generated from operating activities	**21,561**	13,869	39,047
Investing activities			
Acquisition of property, plant and equipment	**(191)**	(79)	(151)
Acquisition of right of use assets	—	—	(428)
Expenditure on intangible assets	—	(60)	(639)
Purchase of investments (less cost of acquisition)	**(51,631)**	(77,296)	(170,653)
Sale of investments	**21,130**	92,327	145,892
Cash flow from investing activities	**(30,692)**	14,892	(25,979)
Financing activities			
Interest paid	**(3,272)**	(3,272)	(6,544)
Dividends paid	**(21,236)**	(19,530)	(37,167)
Payment of lease liability	**(629)**	(239)	(505)
Proceeds of increase in share capital	**19,913**	30,403	41,419

Purchase of own shares	**(1,052)**	87	87
Net cash flow from financing activities	**(6,276)**	7,449	(2,710)
Net increase/(decrease) in cash and cash equivalents	**(15,407)**	36,210	10,358
Cash and cash equivalents at beginning of period	**49,559**	35,880	35,880
Foreign exchange gains/(losses) on cash and cash equivalents	**(632)**	(111)	3,321
Cash and cash equivalents at end of period	**33,520**	71,979	49,559

Group statement of changes in equity

as at 30 June 2023 (unaudited)

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

Group segmental analysis

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

† Please see below for a breakdown of net revenue by department.

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

Principal risks and uncertainties

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

These top risks are explained along with mitigating actions in the Risk Management section of the Annual Report for the year ended 31 December 2022. In the view of the Board these risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the period under review. As part of ongoing risk management to identify new risks and developments, the Board continues to review and assess risks, uncertainties and impacts during the course of the year.

Related party transactions

There have been no related party transactions during the period which have materially affected the financial position or performance of the Group. During the period, transactions between the Corporation and its subsidiaries have been eliminated on consolidation. Details of related party transactions are given in the notes to the annual accounts for the year ended 31 December 2022.

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

On behalf of the Board

Robert Hingley
Chairman
27 July 2023

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

Notes to the condensed consolidated financial statements

1. **Basis of preparation**

   The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) as adopted and endorsed by the UK.

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

The Group's accounting policies during the period are the same as in its 2022 annual financial statements, except for those that relate to new standards effective for the first time for periods beginning on (or after) 1 January 2023, and will be adopted in the 2023 annual financial statements.

2. Presentation of financial information

The financial information presented herein does not amount to full statutory accounts within the meaning of section 435 of the Companies Act 2006 and has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The annual report and financial statements for 2022 have been filed with the Registrar of Companies. The independent auditor's report on the annual report and financial statements for 2022 was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

3. Calculations of NAV and earnings per share

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

NAV: shares at end of the period 130,057,740 (30 June 2022: 126,230,289; 31 December 2022: 127,685,028) being the total number of shares on issue less shares acquired by the ESOT in the open market.

Income: average shares during the period 128,924,615 (30 June 2022: 123,497,103; 31 December 2022: 125,628,620) being the weighted average number of shares on issue after adjusting for shares held by the ESOT.

4. Listed investments

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

5. Note to the statement of cash flows

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

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

6. Breakdown of net revenue per department

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

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

7. Investments

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

8. Half yearly report 2023

The 2023 half yearly report 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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