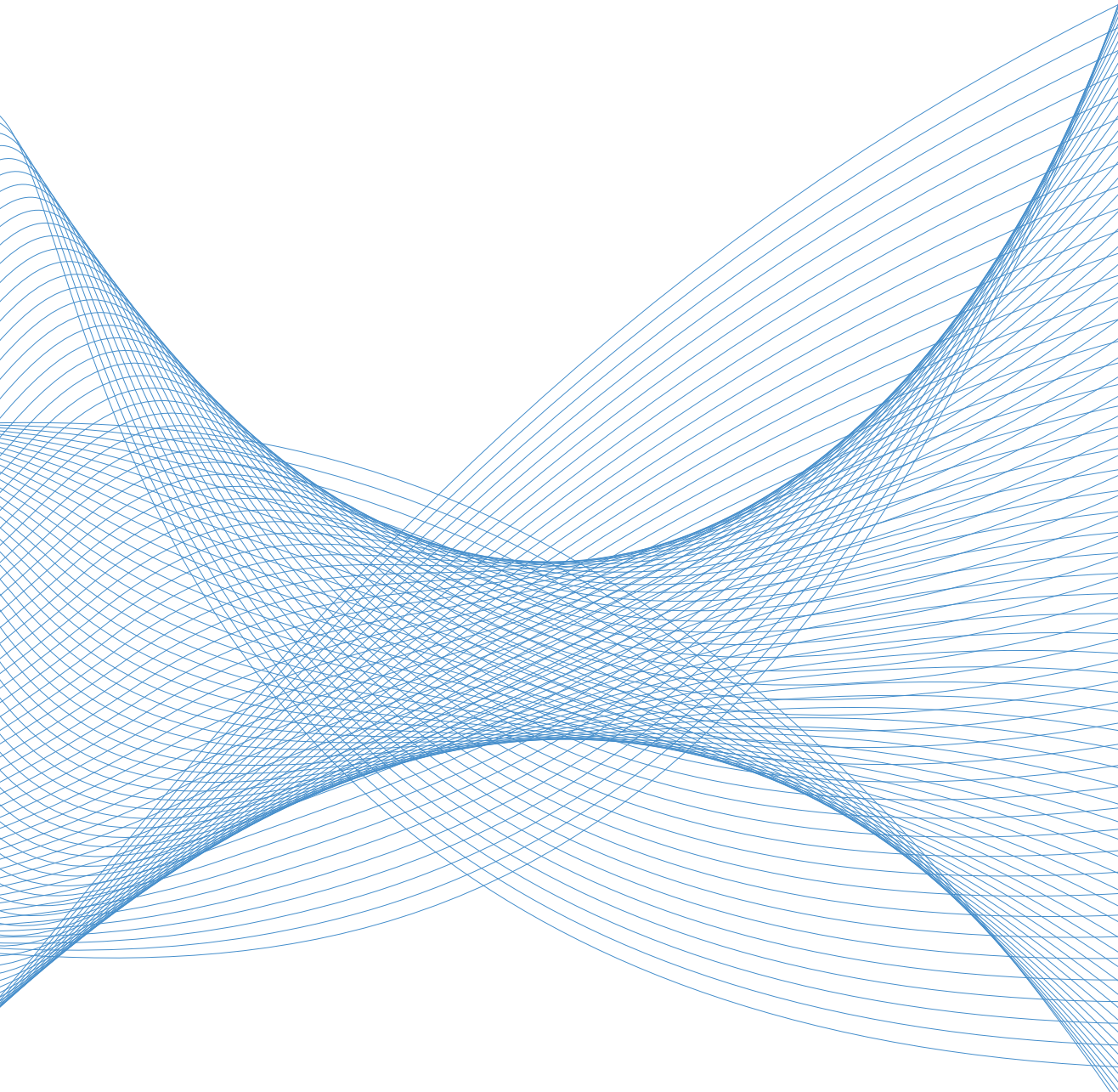


Law Debenture



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

Investment trust

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

Our portfolio of investments is managed by Henderson Global Investors Limited under a contract terminable by either side on 12 months' notice.

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

Independent fiduciary services

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

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

Registered office

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Facsimile: 020 7606 0643
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(Registered in England – No. 30397)

Highlights

	At 30 June 2009 pence	At 30 June 2008 pence	31 December 2008 pence
Share price	229.50	281.00	223.50
NAV per share after proposed dividend	218.19	280.29	219.20
Revenue return per share:			
– Investment trust	4.36	6.18	10.23
– Independent fiduciary services	2.26	2.56	5.35
Group revenue return per share	6.62	8.74	15.58
Dividends per share	4.20	4.20	12.20

Performance to 30 June 2009

	6 months %	12 months %
Share price	2.7	-18.3
NAV total return	1.5	-17.8
FTSE All-Share Index total return	0.8	-20.5

Basis of preparation

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

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

Performance

In the six months to 30 June 2009 our net asset value total return per share increased by 1.5%, compared to a total return of 0.8% for the FTSE Actuaries All-Share Index.

Revenue return and dividends

Revenue return per share for the period was 6.62p, a decrease of 24.3% from 8.74p for the corresponding period last year. The investment trust suffered a significant reduction in income as companies cut dividends and interest rates fell. £15million was invested in short dated quality corporate bonds with yields of around 6% to reduce the negative impact on revenue return.

The board has declared an interim dividend of 4.2p. The dividend is payable on 9 September 2009 to shareholders on the register on 14 August 2009. The current expectation of the directors is that the final dividend will be maintained. The board is reviewing the timing of the payment of the final dividend.

Investment manager's report

The portfolio has begun to recover some of the ground lost in 2008.

During the first three months of the period, equity markets fell as the world's economy continued to suffer a severe contraction. Company profit expectations were reduced and levels of corporate debt became an increasingly pressing problem. There was a recovery in share prices from late March following which a number of companies sought to raise new equity capital. The investment trust took up its rights under issues from companies including HSBC and Great Portland Estates. Investments were also made in high quality corporate bonds of relatively short duration, benefiting our revenue which has suffered due to dividend cuts by many companies in the portfolio and low interest rates on deposits. Our investment manager believes that most of the cuts have now been made and that dividend growth should resume in 2010.

In addition to investing in equities and corporate bonds, holdings were sold where it was believed that the company would not cope satisfactorily with the difficult economic climate. Over the period effective gearing reduced from 108% to 106%. The holding in the Henderson Far East OEIC was reduced, with the proceeds used to buy three other Far East trusts.

The global economy is stabilising but overall growth is slow. Companies in the portfolio are reducing costs and focusing on generating cash. The investment manager believes that these companies will over time prove to be good investments, being well placed to take advantage of a recovery when it comes.

Independent fiduciary services

The profit before tax for our independent fiduciary services business fell by 13.1% compared with the corresponding period last year. While revenues were, on the face of it, up on the previous year, this was largely attributable to legal fees incurred and recharged to third parties, which are included both in revenue and in cost of sales.

Our corporate trust business has seen an overall reduction in new opportunities, but there has been an increase in investment grade corporate bond issues. Additional work continues to arise on established trusts as a result of the impact of the recession on companies. Our corporate services business has been affected similarly with a reduced level of new appointments but with special work on existing business. Service of process work has slowed significantly during the period as a result of reduced corporate transactions activity. Our pension trustee business continues to see new business enquiries and the new members of the team recruited at the end of 2008 have taken on new clients.

In the US new business won at the end of 2008 and organisational changes made at the beginning of 2009 have benefited the results for the period.

The profile of our independent whistleblowing service provided by Safecall is increasing in the current economic environment.

Because of the general reduction in new business, steps were taken to reduce costs. From 1 April 2009, future pension benefits accruing to employees through the defined benefit pension scheme were reduced, transferring some of the mortality and investment risks to employees. In July 2009, following a review of our UK business, headcount was reduced partly as a result of merging our treasury management and structured finance administration businesses. This will reduce costs from 2010, whilst being neutral for this year.

There is no doubt that market conditions remain tough. But Law Debenture's traditional strengths of independence and quality of service should ensure that we continue to win our fair share of new business opportunities.

4 Group statement of comprehensive income

for the period ended 30 June 2009 (unaudited)

	30 June 2009			30 June 2008		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	4,745	–	4,745	7,511	–	7,511
UK special dividends	29	–	29	15	–	15
Overseas dividends	1,549	–	1,549	1,694	–	1,694
Interest from securities	468	–	468	60	–	60
	6,791	–	6,791	9,280	–	9,280
Interest income	202	–	202	534	–	534
Independent fiduciary services fees	18,672	–	18,672	15,853	–	15,853
Other income	257	–	257	–	–	–
Total income	25,922	–	25,922	25,667	–	25,667
Net (loss) on investments held at fair value through profit or loss	–	(3,859)	(3,859)	–	(74,454)	(74,454)
Gross income and capital (losses)	25,922	(3,859)	22,063	25,667	(74,454)	(48,787)
Cost of sales	(7,556)	–	(7,556)	(4,439)	–	(4,439)
Administrative expenses	(8,240)	(98)	(8,338)	(8,452)	(218)	(8,670)
Operating profit/(loss)	10,126	(3,957)	6,169	12,776	(74,672)	(61,896)
Finance costs						
Interest payable	(1,226)	–	(1,226)	(1,227)	–	(1,227)
Profit/(loss) before taxation	8,900	(3,957)	4,943	11,549	(74,672)	(63,123)
Taxation	(1,142)	–	(1,142)	(1,323)	–	(1,323)
Profit/(loss) for the period	7,758	(3,957)	3,801	10,226	(74,672)	(64,446)
Return/(loss) per ordinary share (pence)	6.62	(3.38)	3.24	8.74	(63.81)	(55.07)
Diluted return/(loss) per ordinary share (pence)	6.62	(3.38)	3.24	8.72	(63.65)	(54.93)

Other comprehensive income

for the period ended 30 June 2009 (unaudited)

	30 June 2009			30 June 2008		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit/(loss) for the period	7,758	(3,957)	3,801	10,226	(74,672)	(64,446)
Other comprehensive income:						
Foreign exchange	–	(252)	(252)	34	–	34
Total comprehensive income/(loss) for the period	7,758	(4,209)	3,549	10,260	(74,672)	(64,412)

	30 June 2009 (unaudited) £000	30 June 2008 (unaudited) £000	31 December 2008 (audited) £000
Assets			
Non current assets			
Goodwill	3,088	4,028	3,181
Property, plant and equipment	433	630	477
Other intangible assets	136	39	83
Investments held at fair value through profit or loss	291,288	358,228	288,566
Deferred tax assets	1,999	340	1,953
Total non current assets	296,944	363,265	294,260
Current assets			
Trade and other receivables	5,477	5,437	3,461
Other accrued income and prepaid expenses	4,347	5,038	4,126
Corporation tax receivable	271	200	239
Other taxation including social security	34	–	455
Cash and cash equivalents	20,191	21,386	31,590
Total current assets	30,320	32,061	39,871
Total assets	327,264	395,326	334,131
Current liabilities			
Trade and other payables	8,901	7,277	8,491
Short term borrowings	75	72	85
Corporation tax payable	1,469	1,855	1,782
Other taxation including social security	–	443	416
Deferred income	4,062	3,807	4,019
Total current liabilities	14,507	13,454	14,793
Non current liabilities and deferred income			
Long term borrowings	39,324	39,297	39,311
Retirement benefit obligations	5,200	17	5,478
Deferred income	6,849	7,649	7,226
Contingent purchase consideration	900	1,986	900
Total non current liabilities	52,273	48,949	52,915
Total net assets	260,484	332,923	266,423
Equity and liabilities			
Called up share capital	5,902	5,889	5,902
Share premium	7,971	7,568	7,971
Capital redemption	8	8	8
Share based payment	201	235	201
Own shares	(2,257)	(2,137)	(2,137)
Capital reserves	222,806	293,328	226,763
Retained earnings	25,319	28,259	26,929
Translation reserve	534	(227)	786
Total equity shareholders' funds	260,484	332,923	266,423

6 Group cash flow statement

for the period ended 30 June 2009

	30 June 2009 (unaudited) £000	30 June 2008 (unaudited) £000	31 December 2008 (audited) £000
Operating activities			
Operating profit/(loss) before interest payable and taxation	6,169	(61,896)	(118,253)
Losses on investments	3,957	74,672	141,772
Foreign exchange losses/(gains)	97	–	(248)
Depreciation of property, plant and equipment	82	94	286
Amortisation of intangible assets	20	7	31
Share based payments	–	–	6
(Increase) in receivables	(1,816)	(2,476)	(29)
(Decrease) in payables	(327)	(1,501)	(551)
Transfer from capital reserves	(164)	(186)	(336)
UK and overseas withholding tax deducted at source	(158)	(146)	(212)
Normal pension contributions in excess of cost	(278)	(240)	(811)
Cash generated from operating activities	7,582	8,328	21,655
Taxation	(1,375)	(1,182)	(2,463)
Interest paid	(1,226)	(1,227)	(2,456)
Operating cash flow	4,981	5,919	16,736
Investing activities			
Acquisition of property, plant and equipment	(42)	(58)	(88)
Expenditure on intangible assets	(73)	–	(68)
Purchase of investments	(50,066)	(51,018)	(81,112)
Sale of investments	43,676	41,564	74,208
Cash flow from investing activities	(6,505)	(9,512)	(7,060)
Financing activities			
Dividends paid	(9,368)	(9,353)	(14,278)
Proceeds of increase in share capital	–	92	508
Purchase of own shares (net)	(120)	(534)	(534)
Net cash flow from financing activities	(9,488)	(9,795)	(14,304)
Net decrease in cash and cash equivalents	(11,012)	(13,388)	(4,628)
Cash and cash equivalents at beginning of period	31,505	34,620	34,620
Foreign exchange (losses)/gains on cash and cash equivalents	(377)	82	1,513
Cash and cash equivalents at end of period	20,116	21,314	31,505
Cash and cash equivalents comprise			
Cash and cash equivalents	20,191	21,386	31,590
Bank loans and overdrafts	(75)	(72)	(85)
	20,116	21,314	31,505

By geographical location

	United Kingdom £000	North America £000	Europe £000	Japan £000	Pacific £000	Total £000
Valuation at 31 December 2008	202,146	10,184	40,434	17,260	18,542	288,566
Purchases	31,876	2,213	3,813	–	12,164	50,066
Cost of acquisition	(78)	(3)	(3)	–	(14)	(98)
Sales proceeds	(24,625)	(593)	(5,350)	(913)	(12,195)	(43,676)
Appreciation/(depreciation)	(3,045)	(83)	(2,811)	(1,423)	3,792	(3,570)
Valuation at 30 June 2009	206,274	11,718	36,083	14,924	22,289	291,288
% of total	70.8	4.0	12.4	5.1	7.7	100.0

By sector (excluding cash)

	As at 30 June 2009 %	As at 31 December 2008 %
Oil & gas	10.9	11.6
Basic materials	3.6	3.2
Industrials	16.4	17.3
Consumer goods	13.9	13.3
Health care	8.7	10.6
Consumer services	9.0	8.5
Telecommunications	3.1	3.9
Utilities	4.8	2.6
Financials	17.7	17.7
Technology	–	0.5
Equity investment instruments	11.9	10.8
	100.0	100.0

Group statement of changes in equity

	Share capital £000	Share premium £000	Own shares £000
Balance at 1 January 2009	5,902	7,971	(2,137)
Net profit/(loss) for the period	–	–	–
Other comprehensive income:			
Foreign exchange	–	–	–
Total comprehensive income for the period	–	–	–
Movement in own shares	–	–	(120)
Dividend relating to 2008	–	–	–
Total equity shareholders' funds at 30 June 2009	5,902	7,971	(2,257)

Group segmental analysis

	Investment trust		
	30 June 2009 £000	30 June 2008 £000	31 December 2008 £000
Segment income	6,791	9,280	15,201
Other income	212	–	93
Cost of sales	–	–	–
Administration costs	(713)	(927)	(1,254)
	6,290	8,353	14,040
Interest (net)	(1,016)	(977)	(1,944)
Return for the period before taxation	5,274	7,376	12,096
Taxation	(158)	(145)	(110)
Return for the period	5,116	7,231	11,986
Revenue return per ordinary share (pence)	4.36	6.18	10.23

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

Capital redemption £000	Share based payments £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
8	201	786	226,763	26,929	266,423
-	-	-	(3,957)	7,758	3,801
-	-	(252)	-	-	(252)
-	-	(252)	(3,957)	7,758	3,549
-	-	-	-	-	(120)
-	-	-	-	(9,368)	(9,368)
8	201	534	222,806	25,319	260,484

Independent fiduciary services			Total		
30 June 2009 £000	30 June 2008 £000	31 December 2008 £000	30 June 2009 £000	30 June 2008 £000	31 December 2008 £000
18,672	15,853	32,090	25,463	25,133	47,291
45	-	19	257	-	112
(7,556)	(4,439)	(9,431)	(7,556)	(4,439)	(9,431)
(7,527)	(7,525)	(15,195)	(8,240)	(8,452)	(16,449)
3,634	3,889	7,483	9,924	12,242	21,523
(8)	284	949	(1,024)	(693)	(995)
3,626	4,173	8,432	8,900	11,549	20,528
(984)	(1,178)	(2,170)	(1,142)	(1,323)	(2,280)
2,642	2,995	6,262	7,758	10,226	18,248
2.26	2.56	5.35	6.62	8.74	15.58

10 Investment portfolio valuation

as at 30 June 2009

UK unless otherwise stated.

Holdings in italics were acquired after 31 December 2008.

	£000	%
Oil & gas		
Oil & gas producers		
BP	10,511	3.61
Royal Dutch Shell	10,289	3.53
BG	2,545	0.87
Total (Fra)	2,014	0.69
	25,359	8.70
Oil equipment & services		
Schlumberger (USA)	3,285	1.13
John Wood	1,335	0.46
National Oilwell Varco (USA)	992	0.34
Saipem (Italy)	863	0.30
	6,475	2.23
Basic materials		
Chemicals		
Asahi Kasei (Japan)	1,236	0.42
Croda	1,067	0.37
	2,303	0.79
Forestry & paper		
Mondi	1,656	0.57
	1,656	0.57
Mining		
Anglo American	3,527	1.21
Rio Tinto	3,089	1.06
	6,616	2.27
Industrials		
Construction & materials		
CRH (Ireland)	1,778	0.61
Balfour Beatty	1,540	0.53
Marshalls	540	0.19
Heywood Williams	10	–
	3,868	1.33
Aerospace & defence		
Senior	3,545	1.22
Rolls Royce	3,073	1.05
Meggitt	2,484	0.85
Smiths	1,052	0.36
	10,154	3.48

	£000	%
General industrials		
Tomkins	1,110	0.38
Smith (DS)	898	0.31
	2,008	0.69
Electronic & electrical equipment		
Applied Materials (USA)	3,331	1.14
Morgan Crucible	2,423	0.83
Neopost (Fra)	1,404	0.48
TT Electronics	475	0.16
	7,633	2.61
Industrial engineering		
Hill & Smith	3,991	1.37
Cummins (USA)	2,136	0.73
Weir Group	1,848	0.63
Delta	1,450	0.50
ABB (Switz)	905	0.31
Caterpillar (USA)	802	0.27
Severfield-Rowen	483	0.17
Renold	390	0.13
	12,005	4.11
Industrial transportation		
Kuehne & Nagel (Switz)	1,017	0.35
Wincanton	922	0.32
Autologic	496	0.17
	2,435	0.84
Support services		
Carillion	2,518	0.86
Interserve	2,322	0.80
SGS (Switz)	1,536	0.53
Sodexo (Fra)	1,305	0.44
Deutsche Post (Ger)	1,059	0.36
Johnson Service	549	0.19
Augean	412	0.14
	9,701	3.32

	£000	%
Consumer goods		
Automobiles & parts		
GKN	2,289	0.79
Toyota Motor (Japan)	1,617	0.56
	3,906	1.35
Beverages		
Diageo	3,745	1.29
Pernod-Ricard (Fra)	478	0.16
	4,223	1.45
Food producers		
Unilever	2,492	0.86
Nestlé (Switz)	2,162	0.74
Associated British Foods	1,905	0.65
Dairy Crest	640	0.22
Cadbury Schweppes <i>Fin 4.785% 20/12/10</i>	636	0.22
Uniq	341	0.12
Premier Foods	89	0.03
	8,265	2.84
Household goods		
Bellway	3,803	1.31
Redrow	2,929	1.01
Reckitt Benckiser	2,074	0.71
Essilor (Fra)	1,923	0.66
	10,729	3.69
Leisure goods		
Alba	214	0.07
	214	0.07
Tobacco		
British American Tobacco	5,856	2.01
Imperial Tobacco Finance <i>6.875% 13/06/12</i>	4,490	1.54
Imperial Tobacco	2,760	0.95
	13,106	4.50

	£000	%
Health care		
Health care equipment & services		
Fresenius (Ger)	2,944	1.01
Smith & Nephew	2,113	0.73
Fresenius Medical Care (Ger)	1,902	0.65
Synthes (Switz)	439	0.15
	7,398	2.54
Pharmaceuticals & biotechnology		
GlaxoSmithKline	9,403	3.23
AstraZeneca	2,671	0.92
Shire	2,507	0.86
Novartis (Switz)	1,708	0.59
Roche (Switz)	825	0.28
Sanofi-Aventis (Fra)	819	0.28
	17,933	6.16
Consumer services		
Food & drug retailers		
Tesco	4,240	1.46
	4,240	1.46
General retailers		
Marks & Spencer <i>5.875% 29/05/12</i>	2,348	0.81
Dunelm	1,984	0.68
Inditex (Spain)	1,641	0.56
Lawson (Japan)	1,067	0.37
Topps Tiles	555	0.19
Findel	285	0.10
	7,880	2.71
Media		
Reed Elsevier	2,938	1.01
Pearson	1,676	0.58
BSkyB	1,363	0.47
Thomson Reuters	1,247	0.43
Toppan Printing (Japan)	1,104	0.38
Daily Mail & General Trust	284	0.10
Johnston Press	254	0.09
Yell	164	0.06
	9,030	3.12

12 Investment portfolio valuation

continued

	£000	%
Travel & leisure		
Greene King	1,856	0.63
Carnival	866	0.30
British Airways	717	0.25
Marstons	592	0.20
Carnival (USA)	567	0.19
Avis Europe	294	0.10
	4,892	1.67
Telecommunications		
Fixed line telecommunications		
Cable & Wireless	1,331	0.46
BT	1,319	0.45
	2,650	0.91
Mobile telecommunications		
Vodafone	4,468	1.53
Inmarsat	1,975	0.68
	6,443	2.21
Utilities		
Electricity		
<i>Scottish & Southern Energy 5.75% 05/02/14</i>	2,432	0.83
Scottish & Southern Energy	2,278	0.78
Iberdrola (Spain)	797	0.27
	5,507	1.88
Gas water & multiutilities		
<i>National Grid 6.125% 15/04/14</i>	5,424	1.86
Severn Trent	1,677	0.58
National Grid	1,368	0.47
	8,469	2.91
Financials		
Banks		
HSBC	8,543	2.93
Barclays Bank	2,866	0.98
Banco Santander (Spain)	2,506	0.86
Standard Chartered	2,272	0.78
BNP Paribas (Fra)	1,292	0.44
UBS (Switz)	594	0.20
	18,073	6.19

	£000	%
Nonlife insurance		
Amlin	3,627	1.25
Hiscox	3,185	1.09
Chubb	605	0.21
Chaucer	328	0.11
<i>Hardy Underwriting Bermuda</i>	176	0.06
	7,921	2.72
Life insurance/assurance		
Aviva	2,679	0.92
Irish Life & Permanent (Ire)	1,976	0.68
Prudential	1,833	0.63
Legal & General	1,305	0.45
Old Mutual	1,290	0.44
Friends Provident	758	0.26
	9,841	3.38
Real estate		
Great Portland Estate	2,464	0.85
Land Securities	2,106	0.72
Mucklow (A&J) Group	1,920	0.66
St Modwen Properties	1,633	0.56
Hammerson	1,532	0.53
Segro	1,419	0.49
	11,074	3.81
General financial		
Provident Financial	1,389	0.48
Deutsche Börse (Ger)	1,269	0.44
<i>Bureau Veritas (Fra)</i>	884	0.30
International Personal Finance	549	0.19
Intermediate Capital Group	484	0.17
	4,575	1.58
Equity investment instruments		
Henderson Japan Capital Growth (Japan)	9,900	3.40
Henderson Asia Pacific Capital Growth (Pacific)	8,112	2.78
<i>Baillie Gifford Pacific</i>	5,872	2.02
<i>First State Asia Pacific</i>	5,435	1.87
<i>Scottish Oriental Smaller Company Trust</i>	2,870	0.99
Herald Investment Trust	2,312	0.79
	34,501	11.85

Principal risks and uncertainties

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

Related party transactions

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

On behalf of the board

Douglas McDougall

23 July 2009

Notes

1. The financial information presented herein does not amount to full statutory accounts within the meaning of Section 435 of the Companies Act 2006 and they have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The annual report and financial statements for 2008 have been filed with the Registrar of Companies. The independent auditors' report on the annual report and financial statements for 2008 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 237(2) or 237(3) of the Companies Act 1985.
2. The calculations of NAV and earnings per share are based on:
 NAV: shares at end of the period 117,130,631 (2008, June: 117,023,883) (2008, December: 117,261,943).
 Income: average shares during the period 117,153,099 (2008, June: 117,027,094) (2008, December: 117,124,503).

