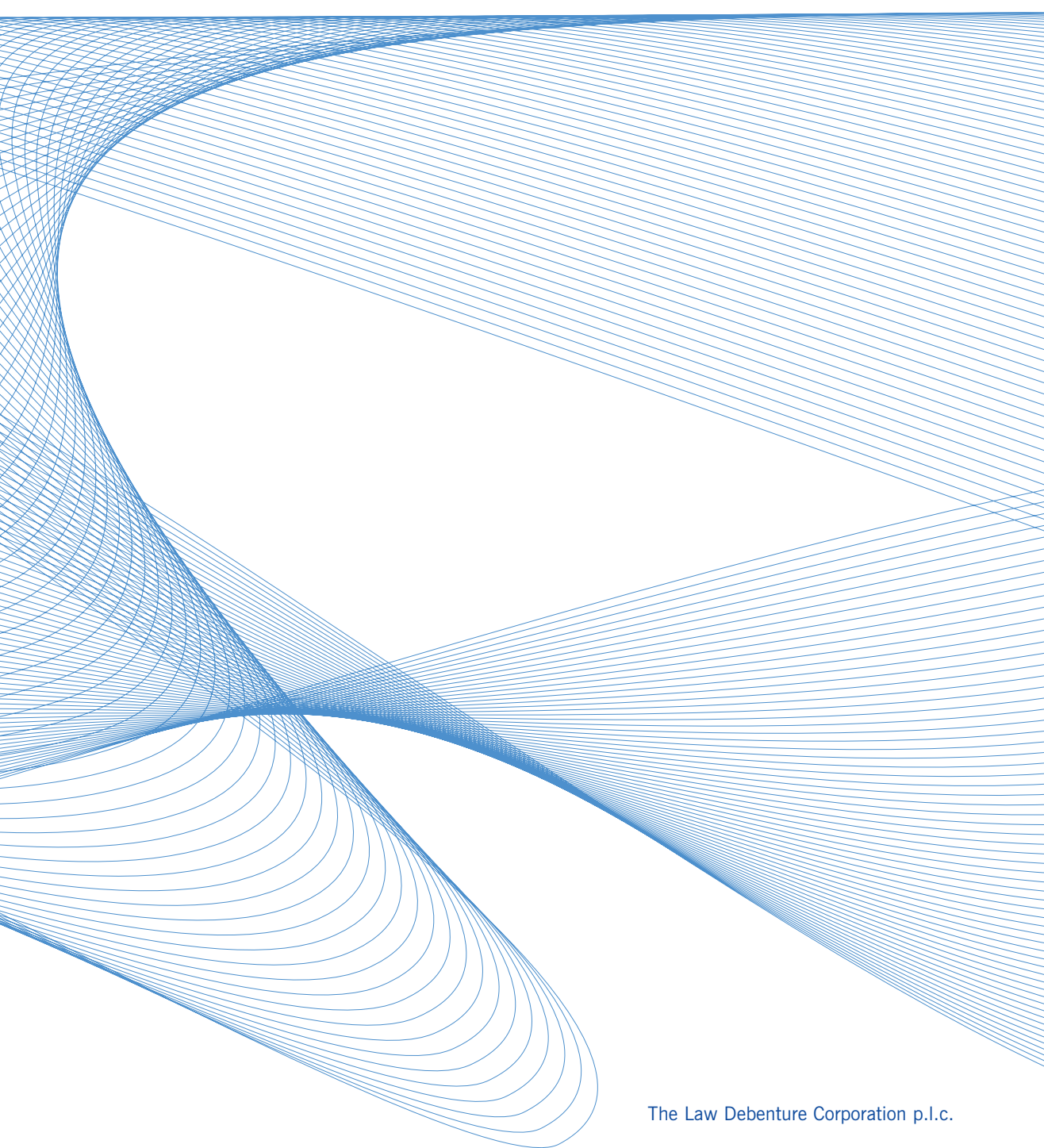


# Law Debenture



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, pension trusts, corporate services (including agent for service of process), structured finance administration and whistle blowing services. We have offices in London, Sunderland, New York, Delaware, Hong Kong, the Channel Islands and the Cayman Islands.

Individuals, companies, agencies and organisations 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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(Registered in England No 30397)

**Highlights**

	At 30 June 2008 pence	At 30 June 2007 pence	31 December 2007 pence
Share price	<b>281.00</b>	362.50	354.50
NAV per share after proposed dividend	<b>280.29</b>	350.15	339.64
Earnings per share:			
– Investment trust	<b>6.18</b>	4.82	8.60
– Independent fiduciary services	<b>2.56</b>	3.05	5.63
Group earnings per share	<b>8.74</b>	7.87	14.23
Dividends per share	<b>4.20</b>	4.00	12.00

**Performance to 30 June 2008**

	6 months %	12 months %
Share price	<b>(20.7)</b>	(22.5)
NAV total return	<b>(16.2)</b>	(16.5)
FTSE All-Share Index total return	<b>(11.2)</b>	(13.0)

**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.

### Total return

Over the six months to 30 June 2008, our net asset value (total return) fell 16.2 % compared to a fall in the FTSE All-Share Index (total return) of 11.2%. This underperformance is mainly due to the increased level of gearing in the period and the exposure of the portfolio to banks, house builders and property stocks.

### Earnings and dividends

Earnings per ordinary share for the period were 8.74p, an increase of 11.1% over the corresponding period last year. The investment trust benefited from increased UK dividend income following the acquisition of high yielding equities. Independent fiduciary services have not had the exceptional level of special fees which arose last year. The results do not include any potential recovery of VAT on management fees as there has been no change in the circumstances since last year end.

The board has declared an interim dividend of 4.2p, which is an increase of 5.0% over the previous interim dividend of 4.0p. The dividend is payable on 10 September 2008 to shareholders on the register on 8 August 2008. Directors expect to recommend that the final dividend will at least equal that paid in respect of 2007.

### Investment manager's report

The period has been a poor one for all equity markets and it has been particularly bad for certain areas of the UK market where the Law Debenture portfolio has exposure. The chief reason has been the rapid rise in the oil price which has not only increased company costs and hurt consumers but has also increased inflationary pressures. This has prevented the expected further cuts in interest rates, which has hit investor and consumer confidence. Investors have become risk averse which has meant companies that are in cyclical industries or have relatively high levels of debt have fallen particularly severely. Smaller companies' share prices have also suffered as investors want liquidity.

In this difficult climate, equity raising has been necessary to strengthen balance sheets. We have taken up the portfolio's rights in Royal Bank of Scotland. The intention is to buy good quality companies when the share price undervalues the prospects. However, the buying so far has been done too early. The downturn will hurt more than initially expected as interest rate falls have been delayed, but our investment approach remains in place as substantial fundamental value has emerged in equity markets. The portfolio is being placed to benefit from a return of investor confidence.

The stock market in the UK has entered bear market territory and the pace of the economic downturn is accelerating. Share prices have fallen to reflect the uncertainties about future earnings, but indiscriminate price falls have failed to acknowledge the strengths of many companies. Overall, UK companies are well placed to deal with a more difficult environment as in aggregate they are not overleveraged and have sound business models. This is being ignored as investor pessimism is reaching extreme levels.

The sustainability of any rally in share prices will depend on whether the credit markets become more active and the oil price falls. If the latter happens a substantial rally should occur as inflation worries would be dampened down and interest rates would fall. This would inject confidence into investor sentiment towards equities.

The portfolio has had a very poor second quarter. However, prospective dividend yields and price to book ratios suggest there is good value in the current portfolio.

### **Independent fiduciary services**

Independent fiduciary services revenue fell by 8.1% and profit before tax by 25.2% as a result of the non-recurrence of exceptional fees in the UK and the US which arose in the corresponding period last year. The downturn in the level of activity in the capital markets, seen at the end of last year, has continued throughout the period, particularly in the area of structured finance. Though new business opportunities have been limited, Law Debenture continues to be involved in a wide variety of capital markets transactions.

Law Debenture's service of process business is highly regarded and is recognised for its quality of service. It has maintained its level of activity in spite of the market conditions. Our corporate services business has had a reasonable start to the year, continuing to win appointments both in structured finance and more widely in other capital market transactions. Our pension trustee business has had several new business enquiries, resulting in new appointments in the first half of the year.

Our structured finance administration business has had a difficult six months and we have looked to expand the range of services we can provide, including a forensics service for investors.

The level of interest in the independent whistle blowing service provided by Safecall has been encouraging. Companies are increasingly concerned about the risk of fraud in the current market environment and the need for our service is being recognised.

Law Debenture Trust Company of New York has seen difficult market conditions and a significant reduction in special fees. Our corporate services business in the US continues to show growth.

In Hong Kong, we have seen an increase in the number of escrow transactions mostly relating to inward investment. The Channel Islands business continues to make good progress.

## 4 Group income statement

for the period ended 30 June 2008 (unaudited)

	30 June 2008			30 June 2007		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	7,511	–	7,511	5,065	–	5,065
UK special dividends	15	–	15	94	–	94
Overseas dividends	1,694	–	1,694	1,259	–	1,259
Interest from securities	60	–	60	51	–	51
	9,280	–	9,280	6,469	–	6,469
Bank deposit interest	534	–	534	2,247	–	2,247
Independent fiduciary services fees	15,853	–	15,853	17,258	–	17,258
<b>Total revenue</b>	<b>25,667</b>	<b>–</b>	<b>25,667</b>	<b>25,974</b>	<b>–</b>	<b>25,974</b>
Net (loss)/gain on investments held at fair value through profit or loss	–	(74,454)	(74,454)	–	21,591	21,591
<b>Gross income and capital (losses)/gains</b>	<b>25,667</b>	<b>(74,454)</b>	<b>(48,787)</b>	<b>25,974</b>	<b>21,591</b>	<b>47,565</b>
Cost of sales	(4,439)	–	(4,439)	(4,674)	–	(4,674)
Administrative expenses	(8,452)	(218)	(8,670)	(8,664)	(170)	(8,834)
<b>Operating (loss)/profit</b>	<b>12,776</b>	<b>(74,672)</b>	<b>(61,896)</b>	<b>12,636</b>	<b>21,421</b>	<b>34,057</b>
<b>Finance costs</b>						
Interest payable	(1,227)	–	(1,227)	(1,227)	–	(1,227)
<b>(Loss)/profit before taxation</b>	<b>11,549</b>	<b>(74,672)</b>	<b>(63,123)</b>	<b>11,409</b>	<b>21,421</b>	<b>32,830</b>
Taxation	(1,323)	–	(1,323)	(2,194)	–	(2,194)
<b>(Loss)/profit for the period</b>	<b>10,226</b>	<b>(74,672)</b>	<b>(64,446)</b>	<b>9,215</b>	<b>21,421</b>	<b>30,636</b>
<b>(Loss)/return per ordinary share (pence)</b>	<b>8.74</b>	<b>(63.81)</b>	<b>(55.07)</b>	<b>7.87</b>	<b>18.30</b>	<b>26.17</b>
Diluted (loss)/return per ordinary share (pence)	8.72	(63.65)	(54.93)	7.81	18.16	25.97

### Statement of total recognised income and expense

for the period ended 30 June 2008 (unaudited)

	30 June 2008			30 June 2007		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
<b>(Loss)/profit for the period</b>	<b>10,226</b>	<b>(74,672)</b>	<b>(64,446)</b>	<b>9,215</b>	<b>21,421</b>	<b>30,636</b>
<b>Foreign exchange</b>	<b>34</b>	<b>–</b>	<b>34</b>	<b>(113)</b>	<b>–</b>	<b>(113)</b>
<b>Total income and expense relating to the period</b>	<b>10,260</b>	<b>(74,672)</b>	<b>(64,412)</b>	<b>9,102</b>	<b>21,421</b>	<b>30,523</b>

	30 June 2008 (unaudited) £000	30 June 2007 (unaudited) £000	31 December 2007 (audited) £000
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill	4,028	788	4,185
Property, plant and equipment	630	699	666
Intangible assets	39	67	46
Investments held at fair value through profit or loss	358,228	375,499	423,494
Deferred tax assets	340	470	332
<b>Total non current assets</b>	<b>363,265</b>	<b>377,523</b>	<b>428,723</b>
<b>Current assets</b>			
Trade and other receivables	5,637	15,232	4,320
Other accrued income and prepaid expenses	5,038	3,571	3,693
Cash and cash equivalents	21,386	83,218	34,685
<b>Total current assets</b>	<b>32,061</b>	<b>102,021</b>	<b>42,698</b>
<b>Total assets</b>	<b>395,326</b>	<b>479,544</b>	<b>471,421</b>
<b>Current liabilities</b>			
Trade and other payables	7,277	10,469	8,583
Short term borrowings	72	60	65
Corporation tax payable	1,855	1,342	1,852
Other taxation including social security	443	461	509
Deferred income	3,807	4,259	3,767
<b>Total current liabilities</b>	<b>13,454</b>	<b>16,591</b>	<b>14,776</b>
<b>Non current liabilities</b>			
Long term borrowings	39,297	39,270	39,284
Retirement benefit obligations	17	833	257
Deferred income	7,649	8,067	7,871
Deferred purchase consideration	1,986	190	2,143
<b>Total non current liabilities</b>	<b>48,949</b>	<b>48,360</b>	<b>49,555</b>
<b>Total net assets</b>	<b>332,923</b>	<b>414,593</b>	<b>407,090</b>

## 6 Group cash flow statement

for the period ended 30 June 2008

	30 June 2008 (unaudited) £000	30 June 2007 (unaudited) £000	31 December 2007 (audited) £000
<b>Operating activities</b>			
Cash generated from operating activities	8,328	9,687	27,544
Taxation	(1,182)	(1,465)	(2,497)
Interest paid	(1,227)	(1,227)	(2,459)
<b>Operating cash flow</b>	<b>5,919</b>	<b>6,995</b>	<b>22,588</b>
<b>Investing activities</b>			
Capital expenditure	(58)	(58)	(129)
Expenditure on intangible assets	–	–	(33)
Purchase of investments	(51,018)	(40,348)	(117,682)
Sale of investments	41,564	51,383	70,538
Acquisition of subsidiary undertakings	–	(630)	(1,905)
<b>Cash flow from investing activities</b>	<b>(9,512)</b>	<b>10,347</b>	<b>(49,211)</b>
<b>Financing activities</b>			
Dividends paid	(9,353)	(8,311)	(12,994)
Proceeds of increase in share capital	92	26	69
Purchase of own shares	(534)	(307)	(277)
<b>Net cash flow from financing activities</b>	<b>(9,795)</b>	<b>(8,592)</b>	<b>(13,202)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(13,388)</b>	<b>8,750</b>	<b>(39,825)</b>
Cash and cash equivalents at beginning of period	34,620	74,521	74,521
Exchange gains/(losses) on cash and cash equivalents	82	(113)	(76)
<b>Cash and cash equivalents at end of period</b>	<b>21,314</b>	<b>83,158</b>	<b>34,620</b>
<b>Cash and cash equivalents comprise</b>			
Cash and cash equivalents at end of period	21,386	83,218	34,685
Bank overdrafts	(72)	(60)	(65)
	<b>21,314</b>	<b>83,158</b>	<b>34,620</b>



## By geographical location

	United Kingdom £000	North America £000	Europe £000	Japan £000	Pacific £000	Total £000
Valuation at 31 December 2007	313,900	6,906	58,703	16,241	27,744	<b>423,494</b>
Purchases	35,159	7,480	8,379	–	–	<b>51,018</b>
Cost of acquisition	(152)	(8)	(58)	–	–	<b>(218)</b>
Sales proceeds	(28,951)	–	(12,613)	–	–	<b>(41,564)</b>
(Depreciation)/appreciation	(64,584)	1,310	(4,950)	(829)	(5,449)	<b>(74,502)</b>
<b>Valuation at 30 June 2008</b>	<b>255,372</b>	<b>15,688</b>	<b>49,461</b>	<b>15,412</b>	<b>22,295</b>	<b>358,228</b>
<b>Per cent of total</b>	<b>71.3</b>	<b>4.4</b>	<b>13.8</b>	<b>4.3</b>	<b>6.2</b>	<b>100.0</b>

## By sector (excluding cash)

	As at 30 June 2008 %	As at 31 December 2007 %
Oil & gas	<b>12.8</b>	11.3
Basic materials	<b>1.2</b>	2.1
Industrials	<b>20.4</b>	17.4
Consumer goods	<b>11.6</b>	13.1
Health care	<b>8.6</b>	8.1
Consumer services	<b>6.9</b>	7.6
Telecommunications	<b>3.5</b>	4.5
Utilities	<b>2.2</b>	2.8
Financials	<b>22.6</b>	23.0
Technology	<b>0.5</b>	0.5
Pooled equity investments	<b>9.7</b>	9.6
	<b>100.0</b>	100.0

## Group statement of changes in equity

	Share capital £000	Share premium £000	Own shares £000
Balance at 1 January 2008	5,888	7,477	(1,603)
Net (loss)/profit	–	–	–
Foreign exchange	–	–	–
Total income and expenditure	–	–	–
Movement in own shares	–	–	(534)
Issue of shares	1	91	–
Dividend relating to 2007	–	–	–
Share based payment	–	–	–
<b>Total equity shareholders' funds at 30 June 2008</b>	<b>5,889</b>	<b>7,568</b>	<b>(2,137)</b>

## Group segmental analysis

		Investment trust	
	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
Segment revenue	<b>9,280</b>	6,469	11,662
Other income	–	–	27
Cost of sales	–	–	–
Administration costs	<b>(927)</b>	(1,131)	(1,850)
	<b>8,353</b>	5,338	9,839
Interest (net)	<b>(977)</b>	491	711
Profit for the period before taxation	<b>7,376</b>	5,829	10,550
Taxation	<b>(145)</b>	(183)	(481)
<b>Profit for the period</b>	<b>7,231</b>	5,646	10,069
Return per ordinary share (pence)	<b>6.18</b>	4.82	8.60

Capital redemption £000	Share based payment £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
8	195	(261)	368,000	27,386	407,090
–	–	–	(74,672)	10,226	(64,446)
–	–	34	–	–	34
–	–	34	(74,672)	10,226	(64,412)
–	–	–	–	–	(534)
–	–	–	–	–	92
–	–	–	–	(9,353)	(9,353)
–	40	–	–	–	40
<b>8</b>	<b>235</b>	<b>(227)</b>	<b>293,328</b>	<b>28,259</b>	<b>332,923</b>

Independent fiduciary services			Total		
30 June 2008 £000	30 June 2007 £000	31 December 2007 £000	30 June 2008 £000	30 June 2007 £000	31 December 2007 £000
<b>15,853</b>	17,258	32,418	<b>25,133</b>	23,727	44,080
–	–	102	–	–	129
<b>(4,439)</b>	(4,674)	(8,371)	<b>(4,439)</b>	(4,674)	(8,371)
<b>(7,525)</b>	(7,533)	(15,188)	<b>(8,452)</b>	(8,664)	(17,038)
<b>3,889</b>	5,051	8,961	<b>12,242</b>	10,389	18,800
<b>284</b>	529	1,153	<b>(693)</b>	1,020	1,864
<b>4,173</b>	5,580	10,114	<b>11,549</b>	11,409	20,664
<b>(1,178)</b>	(2,011)	(3,527)	<b>(1,323)</b>	(2,194)	(4,008)
<b>2,995</b>	3,569	6,587	<b>10,226</b>	9,215	16,656
<b>2.56</b>	3.05	5.63	<b>8.74</b>	7.87	14.23

## 10 Investment portfolio valuation

as at 30 June 2008

UK unless otherwise stated.

*Holdings in italics were acquired after 31 December 2007.*

	£000	%
<b>Oil &amp; gas</b>		
<b>Oil &amp; gas producers</b>		
BP	13,992	3.91
Royal Dutch Shell	13,615	3.80
BG	6,525	1.82
Total (Fra)	2,637	0.74
	36,769	10.27
<b>Oil equipment &amp; services</b>		
Schlumberger (USA)	2,699	0.75
John Wood	2,467	0.69
National Oilwell Varco (USA)	2,229	0.62
Saipem (Italy)	1,694	0.46
	9,089	2.52
<b>Basic materials</b>		
<b>Chemicals</b>		
Asahi Kasei (Japan)	1,054	0.29
Croda	960	0.27
<i>Delta</i>	883	0.25
	2,897	0.81
<b>Forestry &amp; paper</b>		
Mondi	1,334	0.37
	1,334	0.37
<b>Industrials</b>		
<b>Construction &amp; materials</b>		
<i>Carillion</i>	2,820	0.79
Balfour Beatty	1,488	0.42
CRH (Ireland)	1,445	0.40
Marshalls	307	0.09
Heywood Williams	34	0.01
	6,094	1.71
<b>Aerospace &amp; defence</b>		
Senior	9,287	2.59
Rolls Royce	3,242	0.90
Smiths	2,896	0.81
Meggitt	2,865	0.80
	18,290	5.10

	£000	%
<b>General industrials</b>		
Smith (DS)	1,246	0.35
Tomkins	1,133	0.32
Acertec	175	0.05
	2,554	0.72
<b>Electronic &amp; electrical equipment</b>		
Applied Materials (USA)	4,796	1.34
Morgan Crucible	4,422	1.23
TT Electronics	1,668	0.47
Neopost (Fra)	1,426	0.40
Abacus	366	0.10
	12,678	3.54
<b>Industrial engineering</b>		
Hill & Smith	4,466	1.25
Weir Group	3,752	1.05
<i>Cummins (USA)</i>	3,292	0.92
<i>ABB (Switz)</i>	1,573	0.44
Renold	1,540	0.43
<i>Caterpillar (USA)</i>	1,484	0.41
	16,107	4.50
<b>Industrial transportation</b>		
AP Moller-Maersk (Den)	2,758	0.77
Kuehne & Nagel (Switz)	1,816	0.51
Wincanton	1,363	0.38
Autologic	688	0.19
	6,625	1.85
<b>Support services</b>		
Interserve	2,888	0.81
SGS (Switz)	2,885	0.81
Sodexo (Fra)	2,403	0.67
Deutsche Post (Ger)	1,657	0.46
Augean	672	0.19
Johnson Service	252	0.07
	10,757	3.01

	£000	%
<b>Consumer goods</b>		
<b>Automobiles &amp; parts</b>		
GKN	2,230	0.62
Toyota Motor (Japan)	1,662	0.46
	3,892	1.08
<b>Beverages</b>		
Diageo	3,973	1.11
Pernod-Ricard (Fra)	645	0.18
Dr Pepper Snapple Group (USA)	588	0.16
	5,206	1.45
<b>Food producers</b>		
Unilever	3,213	0.90
Nestlé (Switz)	3,057	0.85
Cadbury	1,881	0.52
Uniq	1,492	0.42
Dairy Crest	660	0.18
Premier Foods	230	0.06
	10,533	2.93
<b>Household goods</b>		
Reckitt Benckiser	3,816	1.07
Bellway	2,825	0.79
Redrow	2,134	0.60
Essilor (Fra)	2,041	0.57
Puma (Ger)	1,672	0.47
Bovis Homes	1,019	0.28
	13,507	3.78
<b>Leisure goods</b>		
Alba	337	0.09
	337	0.09
<b>Tobacco</b>		
British American Tobacco	8,086	2.26
	8,086	2.26
<b>Health care</b>		
<b>Health care equipment &amp; services</b>		
Fresenius (Ger)	4,015	1.12
Smith & Nephew	2,601	0.73
Fresenius Medical Care (Ger)	1,932	0.54
	8,548	2.39

	£000	%
<b>Pharmaceuticals &amp; biotechnology</b>		
GlaxoSmithKline	8,678	2.42
AstraZeneca	5,781	1.61
Shire	4,323	1.21
Novartis (Switz)	1,928	0.54
Sanofi-Aventis (Fra)	940	0.26
Astellas Pharma (Japan)	747	0.21
	22,397	6.25
<b>Consumer services</b>		
<b>Food &amp; drug retailers</b>		
Tesco	4,432	1.24
	4,432	1.24
<b>General retailers</b>		
Next	2,665	0.74
Inditex (Spain)	1,862	0.52
Dunelm	1,088	0.30
Lawson (Japan)	980	0.26
Findel	834	0.23
<i>Topp's Tiles</i>	272	0.08
	7,701	2.13
<b>Media</b>		
Reed Elsevier	2,192	0.61
Pearson	1,536	0.43
BSkyB	1,415	0.40
Toppan Printing (Japan)	998	0.28
<i>Thomson Reuters</i>	968	0.27
WPP	484	0.14
Johnston Press	414	0.12
Yell	299	0.08
	8,306	2.33
<b>Travel &amp; leisure</b>		
British Airways	1,236	0.35
Carnival	864	0.24
<i>Marstons</i>	706	0.20
Greene King	669	0.19
Carnival (USA)	600	0.16
Avis Europe	297	0.08
Thomas Cook Group	34	0.01
	4,406	1.23

## 12 Investment portfolio valuation

continued

	£000	%
<b>Telecommunications</b>		
<b>Fixed line telecommunications</b>		
BT	2,597	0.73
Colt Telecom 7.625% 15 DEC 2009	1,583	0.44
Cable & Wireless	1,508	0.42
	5,688	1.59
<b>Mobile telecommunications</b>		
Vodafone	4,939	1.38
Inmarsat	1,904	0.53
	6,843	1.91
<b>Utilities</b>		
<b>Electricity</b>		
Scottish & Southern Energy	2,806	0.78
Iberdrola (Spain)	1,090	0.30
	3,896	1.08
<b>Gas water &amp; multiutilities</b>		
National Grid	2,143	0.60
Severn Trent	1,969	0.55
	4,112	1.15
<b>Financials</b>		
<b>Banks</b>		
HSBC	10,850	3.03
Royal Bank of Scotland	10,310	2.88
Lloyds TSB	3,574	1.00
Barclays	3,495	0.98
Alliance & Leicester	2,722	0.76
Standard Chartered	2,143	0.60
Deutsche Postbank (Ger)	1,821	0.51
BNP Paribas (Fra)	1,494	0.42
National Bank of Greece (Gre)	1,178	0.33
HBOS	911	0.25
	38,498	10.76
<b>Nonlife insurance</b>		
Amlin	3,257	0.91
Hiscox	2,861	0.80
	6,118	1.71

	£000	%
<b>Life insurance/assurance</b>		
Aviva	3,933	1.10
<i>Irish Life &amp; Permanent (Ire)</i>	2,878	0.80
Prudential	2,096	0.59
Legal & General	1,804	0.50
Old Mutual	1,485	0.41
Friends Provident	1,181	0.33
Standard Life	322	0.09
	13,699	3.82
<b>Real estate</b>		
Hammerson	3,570	1.00
Land Securities	3,388	0.95
Mucklow (A&J) Group	2,400	0.67
Great Portland Estate	2,199	0.61
Segro	1,771	0.49
St Modwen Properties	1,667	0.47
Unibail-Rodamco (Fra)	640	0.18
	15,635	4.37
<b>General financial</b>		
Deutsche Börse (Ger)	1,930	0.54
Intermediate Capital Group	1,847	0.52
Provident Financial	1,391	0.39
International Personal Finance	1,375	0.38
	6,543	1.83
<b>Equity investment instruments</b>		
Henderson Asia Pacific		
Capital Growth (Pacific)	22,295	6.22
Henderson Japan Capital		
Growth (Japan)	9,971	2.78
Herald Investment Trust	2,406	0.67
	34,672	9.67
<b>Technology</b>		
<b>Software &amp; computer services</b>		
Sage	1,774	0.50
	1,774	0.50

### 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**

24 July 2008

### Notes

1. These are not statutory accounts in terms of section 240 of the Companies Act 1985 and are unaudited. The figures and financial information for the year ended 31 December 2007 have been extracted from the 2007 report and accounts, which have been filed with the Registrar of Companies. Those accounts included an unqualified auditors' report and did not contain a statement under section 237 of the Companies Act 1985.
2. The calculations of NAV and earnings per share are based on:
  - NAV: shares at end of the period 117,023,883 (2007: 117,066,384).
  - Income: average shares during the period 117,027,094 (2007: 117,072,235).

