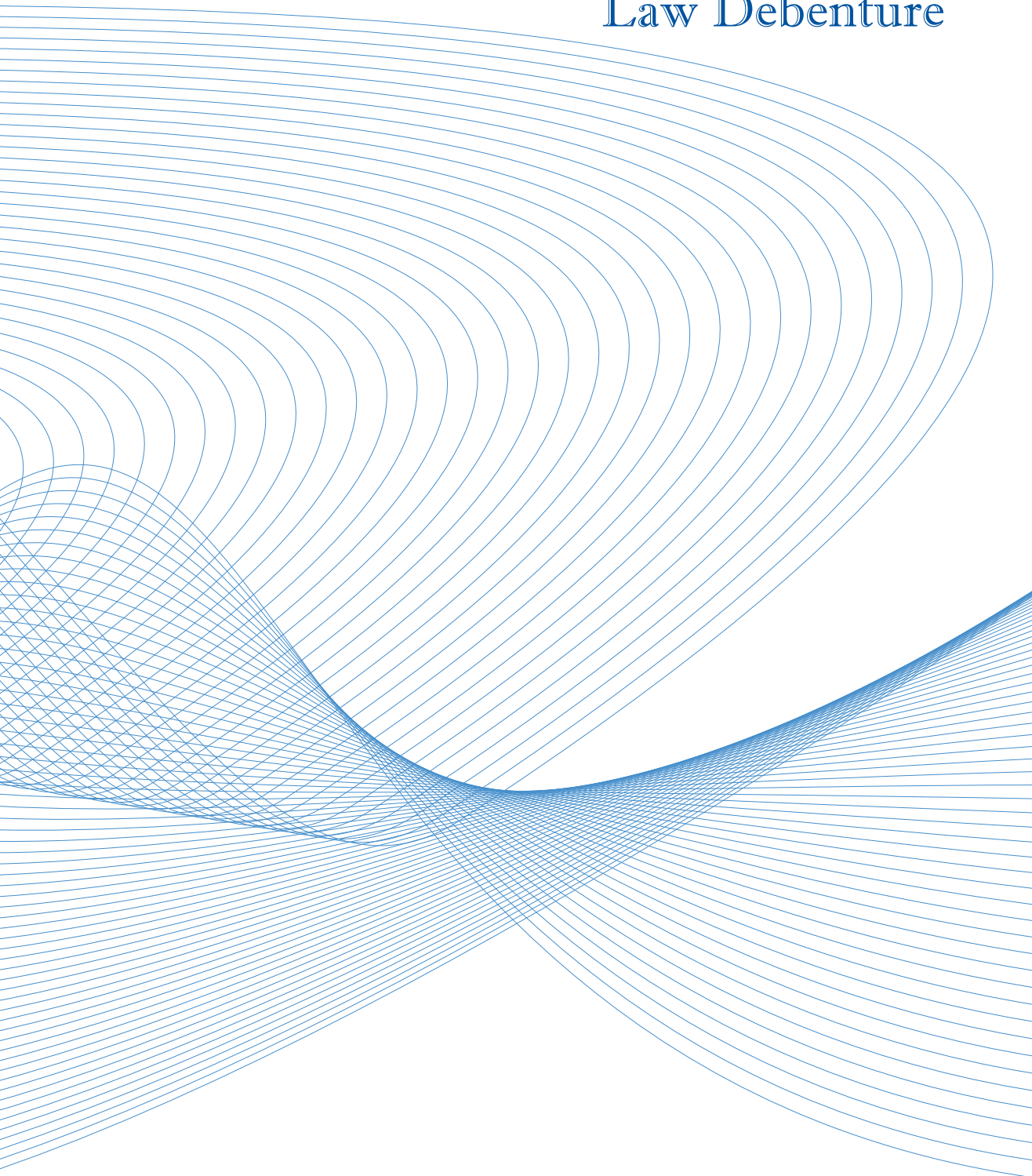


Law Debenture



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

Investment trust

We are a global growth 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.

Trustee and related services

We are a leading independent provider of professional trustee, fiduciary and related services (including structured finance administration, corporate services and agent for service of process) to the wholesale markets and to occupational pension schemes. We have offices in London, 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.

Highlights

	At 30 June 2007 pence	At 30 June 2006 pence	31 December 2006 pence
Share price	362.50	303.50	349.00
NAV per share	354.15	296.65	335.27
NAV per share after proposed dividend	350.15	293.25	328.17
Earnings per share:			
– Investment trust	4.82	3.88	7.07
– Trustee services	3.05	2.16	5.11
Group earnings per share	7.87	6.04	12.18
Dividends per share	4.00	3.40	10.50

Performance to 30 June 2007

	6 months %	12 months %
Share price	3.9	19.4
NAV total return	7.9	20.8
FTSE All-Share Index total return	7.6	18.4

Basis of preparation

The results for the period have been prepared in accordance with International Financial Reporting Standards. There have been no changes to the group's accounting policies during the period.

Total return

Over the six months to 30 June 2007, our net asset value total return was 7.9% compared to the FTSE All-Share Index total return of 7.6%.

Earnings and dividends

Earnings per ordinary share for the period were 7.87p, an increase of 30.3% over the corresponding period last year. The investment trust benefited from increased interest income following the reduction in equity exposure, and trustee services from a quite exceptional level of special fees. Earnings were reduced by an adjustment to prior years' tax of £386,000. The results do not include any potential recovery of VAT on management fees, as this is not yet certain.

The Board has declared an interim dividend of 4.0p, which is an increase of 17.6% over the previous interim dividend of 3.4p. The dividend is payable on 12 September 2007 to shareholders on the register on 10 August 2007. Directors expect to recommend that the final dividend will at least equal that paid in respect of 2006, but the percentage increase in the interim dividend is not expected to be matched in the final dividend.

Investment manager's report

During the period, equity markets continued to make progress. Corporate results were generally better than expected, with impressive cash generation. This resulted in strong dividend growth, which together with increased interest income brought about an increase of 25.2% in investment trust profit before tax.

There was a high level of corporate activity, from which the portfolio benefited. However, we have been using the strength in the stock market during the period to reduce equity exposure further, from 95% to 91%. The reason for this is that interest rate increases will make operating conditions for many companies more difficult. Problems are emerging in housing markets with defaults in US sub-prime lending and lending margins being squeezed in the UK. A setback in the housing market would affect consumer confidence, but might not reduce inflation because of high raw material prices.

Trustee and related services

Trustee and related services increased revenue by 25.7% and profit before tax by 70.2% as a result of continued growth in most areas of the business arising from high levels of corporate activity, and a concentration of non-recurring special fees both in the UK and US. Law Debenture continues to be involved in a wide variety of capital markets transactions: existing clients have appointed us to new debt issues and treasury management has seen a number of new opportunities, particularly as facility agent and escrow agent.

Our structured finance administration business, which commenced in August 2006, has had a very encouraging six months and we have won our first appointments.

Law Debenture's service of process business is highly regarded and is recognised for its quality of service. Its growth during the period has been driven by the high level of corporate transactions. Our corporate services business has had a good 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 numerous new business enquiries, resulting in several new appointments in the first half of the year.

Law Debenture Trust Company of New York achieved significant growth in income and profit. We continue to generate fees from successor trustee appointments. On 31 January 2007, we acquired Delaware Corporate Services Inc, for an expected total consideration of \$1.6 million, to increase our range of corporate services in the US.

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 2007 (unaudited)

	30 June 2007			30 June 2006		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	5,065	–	5,065	5,338	–	5,338
UK special dividends	94	–	94	19	–	19
Overseas dividends	1,259	–	1,259	1,117	–	1,117
Interest from securities	51	–	51	85	–	85
	6,469	–	6,469	6,559	–	6,559
Bank deposit interest	2,247	–	2,247	554	–	554
Trustee and other related fees	17,244	–	17,244	13,401	–	13,401
Other income	14	–	14	324	–	324
Total revenue	25,974	–	25,974	20,838	–	20,838
Net gain on investments held at fair value through profit or loss	–	21,591	21,591	–	8,092	8,092
Gross income and capital gains	25,974	21,591	47,565	20,838	8,092	28,930
Cost of sales	(4,674)	–	(4,674)	(4,522)	–	(4,522)
Administrative expenses	(8,664)	(170)	(8,834)	(7,153)	(91)	(7,244)
Operating profit	12,636	21,421	34,057	9,163	8,001	17,164
Finance costs						
Interest payable	(1,227)	–	(1,227)	(1,229)	–	(1,229)
Profit before taxation	11,409	21,421	32,830	7,934	8,001	15,935
Taxation	(2,194)	–	(2,194)	(868)	–	(868)
Profit for period	9,215	21,421	30,636	7,066	8,001	15,067
Return per ordinary share (pence)	7.87	18.30	26.17	6.04	6.83	12.87
Diluted return per ordinary share (pence)	7.81	18.16	25.97	6.02	6.82	12.84

Statement of total recognised income and expense

for the period ended 30 June 2007 (unaudited)

	30 June 2007			30 June 2006		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit for the period	9,215	21,421	30,636	7,066	8,001	15,067
Foreign exchange	(113)	–	(113)	(197)	–	(197)
Total income and expense relating to the period	9,102	21,421	30,523	6,869	8,001	14,870

	30 June 2007 (unaudited) £000	30 June 2006 (unaudited) £000	31 December 2006 (audited) £000
Assets			
Non current assets			
Goodwill	788	–	–
Intangible assets	67	94	67
Property, plant and equipment	699	711	694
Investments held at fair value through profit or loss	375,499	366,430	365,114
Deferred tax assets	470	1,644	705
Total non current assets	377,523	368,879	366,580
Current assets			
Trade and other receivables	15,232	7,327	12,009
Other accrued income and prepaid expenses	3,571	2,262	2,751
Cash and cash equivalents	83,218	33,747	74,555
Total current assets	102,021	43,336	89,315
Total assets	479,544	412,215	455,895
Current liabilities			
Trade and other payables	10,659	7,351	9,541
Short term borrowings	60	11	34
Corporation tax payable	1,342	318	848
Other taxation including social security	461	440	430
Deferred income	4,259	4,379	4,026
Total current liabilities	16,781	12,499	14,879
Non current liabilities			
Long term borrowings	39,270	39,243	39,257
Retirement benefit obligations	833	4,828	1,073
Deferred income	8,067	8,359	8,041
Total non current liabilities	48,170	52,430	48,371
Total net assets	414,593	347,286	392,645

6 Cash flow statement

for the period ended 30 June 2007

	30 June 2007 (unaudited) £000	31 December 2006 (audited) £000	30 June 2006 (unaudited) £000
Operating activities			
Cash generated from operating activities	9,687	13,794	8,644
Taxation	(1,465)	(1,199)	(517)
Interest paid	(1,227)	(2,458)	(1,229)
Special pension contribution	–	(1,615)	(1,615)
Operating cash flow	6,995	8,522	5,283
Investing activities			
Capital expenditure	(58)	(114)	(42)
Expenditure on intangible assets	–	(9)	(9)
Purchase of investments	(40,348)	(35,038)	(17,416)
Sale of investments	51,383	98,967	39,734
Other movements	–	22	18
Acquisition of subsidiary undertaking	(630)	–	–
Cash flow from investing activities	10,347	63,828	22,285
Financing activities			
Dividends paid	(8,311)	(10,945)	(6,963)
Proceeds of increase in share capital	26	183	92
Purchase of own shares	(307)	(363)	(363)
Net cash flow from financing activities	(8,592)	(11,125)	(7,234)
Net increase in cash and cash equivalents	8,750	61,225	20,334
Cash and cash equivalents at beginning of period	74,521	13,599	13,599
Exchange losses on cash and cash equivalents	(113)	(303)	(197)
Cash and cash equivalents at end of period	83,158	74,521	33,736
Cash and cash equivalents comprise			
Cash and cash equivalents at end of period	83,218	74,555	33,747
Bank overdrafts	(60)	(34)	(11)
	83,158	74,521	33,736

By geographical location

	United Kingdom £000	North America £000	Europe £000	Japan £000	Pacific £000	Total £000
Valuation at 31 December 2006	268,125	908	48,709	18,210	29,162	365,114
Purchases	29,699	–	10,649	–	–	40,348
Cost of acquisition	(151)	–	(19)	–	–	(170)
Sales proceeds	(40,101)	–	(5,201)	–	(6,081)	(51,383)
Appreciation/(depreciation)	13,494	(27)	4,719	(871)	4,276	21,591
Valuation at 30 June 2007	271,066	881	58,857	17,339	27,357	375,500
Per cent of total	72.2	0.2	15.7	4.6	7.3	100.0

By sector (excluding cash)

	As at 30 June 2007 %	As at 31 December 2006 %
Oil & gas	10.4	8.4
Basic materials	1.8	1.5
Industrials	19.4	18.2
Consumer goods	12.0	12.2
Health care	8.7	6.2
Consumer services	9.4	11.2
Telecommunications	4.4	3.9
Utilities	2.9	3.5
Financials	20.7	23.7
Pooled equity investments	10.3	11.2
	100.0	100.0

Statement of changes in equity

	Share capital £000	Share premium £000	Own shares £000
Balance at 1 January 2007	5,886	7,410	(1,326)
Net profit	–	–	–
Foreign exchange	–	–	–
Total income and expenditure	–	–	–
Movement in own shares	–	–	(307)
Issue of shares	1	25	–
Dividend relating to 2006	–	–	–
Share based payment	–	–	–
Total equity shareholders' funds at 30 June 2007	5,887	7,435	(1,633)

Segmental analysis

	30 June 2007 £000	30 June 2006 £000	Investment trust 31 December 2006 £000
Segment revenue	6,469	6,559	11,480
Other income	–	–	30
Segmental costs			
Cost of sales	–	–	–
Administration costs	(1,131)	(925)	(1,804)
	5,338	5,634	9,706
Interest (net)	491	(979)	(1,260)
Profit for the period before taxation	5,829	4,655	8,446
Taxation	(183)	(119)	(168)
Profit for the period	5,646	4,536	8,278
Return per ordinary share (pence)	4.82	3.88	7.07

Capital redemption £000	Share based payment £000	Foreign exchange £000	Capital reserves £000	Retained earnings £000	Total £000
8	167	(230)	357,024	23,706	392,645
–	–	–	21,421	9,215	30,636
–	–	(113)	–	–	(113)
–	–	(113)	21,421	9,215	30,523
–	–	–	–	–	(307)
–	–	–	–	–	26
–	–	–	(8,311)	–	(8,311)
–	17	–	–	–	17
8	184	(343)	370,134	32,921	414,593

30 June 2007 £000	Trustee and related services			30 June 2007 £000	Total	
	30 June 2006 £000	31 December 2006 £000			30 June 2006 £000	31 December 2006 £000
17,258	13,725	26,741		23,727	20,284	38,221
–	–	114		–	–	144
(4,674)	(4,522)	(8,465)		(4,674)	(4,522)	(8,465)
(7,533)	(6,228)	(11,719)		(8,664)	(7,153)	(13,523)
5,051	2,975	6,671		10,389	8,609	16,377
529	304	1,276		1,020	(675)	16
5,580	3,279	7,947		11,409	7,934	16,393
(2,011)	(749)	(1,961)		(2,194)	(868)	(2,129)
3,569	2,530	5,986		9,215	7,066	14,264
3.05	2.16	5.11		7.87	6.04	12.18

10 Portfolio valuation

as at 30 June 2007

UK unless otherwise stated.

Holdings in italics were acquired after 31 December 2006.

	£000	%
Oil & gas		
Oil & gas producers		
BP	16,870	4.49
Royal Dutch Shell	11,970	3.19
BG	4,103	1.09
Total (Fra)	2,899	0.77
	35,842	9.54
Oil equipment & services		
<i>Saipem (Italy)</i>	1,706	0.45
<i>John Wood</i>	1,692	0.45
	3,398	0.90
Basic materials		
Chemicals		
ICI	4,344	1.16
Asahi Kasei (Japan)	1,307	0.35
Croda	955	0.25
	6,606	1.76
Industrials		
Construction & materials		
ACS Actividades Construccion (Spain)	3,057	0.81
CRH (Ireland)	2,466	0.66
Balfour Beatty	1,551	0.41
Marshalls	695	0.18
	7,769	2.06
Aerospace & defence		
Rolls Royce	5,116	1.36
Meggitt	3,696	0.98
Smiths	3,157	0.84
	11,969	3.18
General industrials		
Smith (DS)	2,552	0.68
Tomkins	2,210	0.59
<i>Acertec</i>	543	0.14
	5,305	1.41

	£000	%
Electronic & electrical equipment		
Morgan Crucible	3,040	0.81
TT Electronics	2,392	0.64
<i>Neopost (Fra)</i>	1,461	0.39
Abacus	564	0.15
	7,457	1.99
Industrial engineering		
Senior	9,120	2.43
Weir Group	2,920	0.78
Renold	2,640	0.70
	14,680	3.91
Industrial transportation		
Kuehne & Nagel (Switz)	2,294	0.61
Wincanton	1,962	0.52
AP Moller-Maersk (Den)	1,682	0.45
Autologic	1,604	0.43
	7,542	2.01
Support services		
Alfred McAlpine	4,572	1.22
Interserve	2,969	0.79
Deutsche Post (Ger)	2,588	0.69
SGS (Switz)	2,065	0.55
Johnson Service	1,897	0.51
Sodexo Alliance (Fra)	1,786	0.48
Adecco (Switz)	1,308	0.35
<i>Augean</i>	998	0.27
	18,183	4.86
Consumer goods		
Automobiles & parts		
GKN	2,985	0.79
Toyota Motor (Japan)	2,204	0.59
	5,189	1.38
Beverages		
Diageo	4,978	1.33
Scottish & Newcastle	3,200	0.85
Pernod-Ricard (Fra)	690	0.18
	8,868	2.36

	£000	%
Food producers		
Unilever	3,629	0.97
Cadbury Schweppes	3,160	0.84
Uniq	3,091	0.82
Nestlé (Switz)	2,553	0.68
Dairy Crest	1,360	0.36
Premier Foods	698	0.19
	14,491	3.86
Household goods		
Reckitt Benckiser	4,100	1.09
Puma (Ger)	2,220	0.59
Essilor (Fra)	1,560	0.42
	7,880	2.10
Leisure goods		
Alba	799	0.21
	799	0.21
Tobacco		
British American Tobacco	7,891	2.10
	7,891	2.10
Health care		
Health care equipment & services		
Fresenius (Ger)	4,627	1.23
Smith & Nephew	2,905	0.77
<i>Fresenius Medical Care (Ger)</i>	1,372	0.37
	8,904	2.37
Pharmaceuticals & biotechnology		
GlaxoSmithKline	10,171	2.71
Shire	5,266	1.40
<i>Astrazeneca</i>	4,558	1.21
Novartis (Switz)	1,943	0.52
Sanofi-Aventis (Fra)	1,133	0.30
Astellas Pharma (Japan)	757	0.20
	23,828	6.34
Consumer services		
Food & drug retailers		
Tesco	5,019	1.34
	5,019	1.34

	£000	%
General retailers		
Inditex (Spain)	2,696	0.72
Findel	2,348	0.63
Dunelm	1,552	0.41
Lawson (Japan)	688	0.18
	7,284	1.94
Media		
EMI	3,350	0.89
Reed Elsevier	2,844	0.76
Reuters	2,785	0.74
Pearson	2,106	0.56
BSkyB	1,918	0.51
Johnston Press	1,644	0.44
<i>Yell</i>	1,502	0.40
Toppan Printing (Japan)	962	0.26
<i>WPP</i>	747	0.20
	17,858	4.76
Travel & leisure		
Greene King	1,459	0.39
Carnival	1,285	0.34
Carnival (USA)	881	0.23
<i>British Airways</i>	731	0.19
Avis Europe	720	0.19
<i>Thomas Cook Group</i>	48	0.01
	5,124	1.35
Telecommunications		
Fixed line telecommunications		
BT	4,323	1.15
Cable & Wireless	1,943	0.52
Colt Telecom 7.625% 15 DEC 2009	1,373	0.37
	7,639	2.04
Mobile telecommunications		
Vodafone	8,061	2.15
Inmarsat	658	0.18
	8,719	2.33

12 Portfolio valuation

continued

	£000	%
Utilities		
Electricity		
Scottish & Southern Energy	2,894	0.77
<i>Iberdrola (Spain)</i>	1,131	0.30
	4,025	1.07
Gas water & multiutilities		
National Grid	2,396	0.64
United Utilities	2,212	0.59
Severn Trent	2,119	0.56
	6,727	1.79
Financials		
Banks		
HSBC	11,889	3.17
Royal Bank of Scotland	10,951	2.92
Barclays	6,786	1.81
HBOS	3,938	1.05
Lloyds TSB	3,892	1.04
BNP Paribas (Fra)	3,138	0.84
Standard Chartered	2,442	0.65
Deutsche Postbank (Ger)	2,412	0.64
Fortis (Neth)	1,591	0.42
<i>National Bank of Greece (Gre)</i>	1,427	0.38
	48,466	12.92
Nonlife insurance		
Hiscox	3,785	1.01
Amlin	2,242	0.60
	6,027	1.61
Life insurance/assurance		
Aviva	3,230	0.86
Prudential	2,802	0.75
Legal & General	2,702	0.72
Old Mutual	2,699	0.72
Friends Provident	2,337	0.62
<i>Aegon (Neth)</i>	1,852	0.49
Standard Life	508	0.14
	16,130	4.30

	£000	%
Real estate		
Unibail (Fra)	2,752	0.73
	2,752	0.73
General financial		
Deutsche Börse (Ger)	2,405	0.64
Provident Financial	1,756	0.47
	4,161	1.11
Equity investment instruments		
Henderson Asia Pacific		
Capital Growth (Pacific)	27,357	7.29
Henderson Japan		
Capital Growth (Japan)	11,421	3.04
	38,778	10.33

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 end 31 December 2006 have been extracted from the 2006 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 in issue at end of the period 117,066,384 (2006: 117,069,433).
Income: average shares in issue during the period 117,072,235 (2006: 117,076,110).

