

Law Debenture

Half Yearly Report 2016



The Law Debenture Corporation p.l.c.

Group summary

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 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 six 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 Actuaries 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 ("IFS"). Our activities are corporate trusts, pension trusts, corporate services (including agent for service of process), whistle blowing services and governance 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.

Performance

Performance to 30 June 2016

	6 months %	1 year %	5 years %	10 years %
Share price total return ¹	0.0	(1.4)	53.5	130.0
NAV total return ¹	1.5	(2.1)	46.6	124.3
FTSE Actuaries All-Share Index total return	4.3	2.2	35.5	68.8

¹Source AIC.

	30 June 2016 %
Ongoing charges ¹	0.45
Gearing ¹	12

Ongoing charges are based on the costs of the investment trust and include the Henderson management fee of 0.30% of NAV for the investment trust. There is no performance element related to the fee.

¹ Source: AIC.

Financial summary

	30 June 2016 pence	30 June 2015 pence	31 December 2015 pence
Share price	486.50	510.50	498.00
NAV per share	542.04	556.00	533.41
NAV per share with debt at fair value	519.18	547.59	524.54
Net revenue return per share:			
- Investment trust	7.05	7.49	11.01
- Independent fiduciary services	3.44	3.26	7.09
Group net revenue return per share	10.49	10.75	18.10
Capital return per share	13.30	4.04	(17.47)
Dividends per share	5.20	5.20	16.20

NAV per share

	30 June 2016 pence	30 June 2015 pence	31 December 2015 pence
NAV per share per financial statements	485.56	490.41	472.14
Fair value adjustment for IFS	56.48	65.59	61.27
NAV per share as disclosed	542.04	556.00	533.41
Debt fair value adjustment	(22.86)	(8.41)	(8.87)
NAV per share as disclosed with debt at fair value	519.18	547.59	524.54

Fair valuation of the Independent Fiduciary Services businesses

The fair valuation of Independent Fiduciary Services businesses (IFS) is based upon the historic earnings before interest, taxation, depreciation and amortisation (EBITDA), an appropriate multiple and the surplus net assets of the business at their underlying fair value. The multiple applied in valuing the IFS is from comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and the IFS in respect of growth, margin, size and liquidity.

Fair valuation of the IFS

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
EBITDA at a multiple of 7.9 (30 June 2015: 8.9; 31 December 2015: 8.4)	73,865	84,684	78,397
Surplus net assets	15,823	11,356	12,082
	89,688	96,040	90,479

An increase or decrease of 1 in the multiple would give rise to a £9.3 million change in the fair valuation of the IFS. The adjustment to NAV to reflect the IFS fair value is an increase of 56.48p per share (30 June 2015: 65.59p; 31 December 2015: 61.27p).

2 Half yearly management report

Performance

Our Net Asset Value total return for the six months to 30 June 2016 was 1.5%, compared to a total return of 4.3% for the FTSE Actuaries All-Share Index. Most of this underperformance arose from the movement in fair value of our long term debt as a result of lower gilt yields. Net revenue per share was 10.49p, 2.4% lower than the corresponding period last year (2015:10.75p).

Dividend

The board has declared an interim dividend of 5.2p (2015: 5.2p). The dividend will be paid on 9 September 2016 to holders on the record date of 12 August 2016. The current expectation of the directors is that the final dividend will be at least maintained.

Investment trust

It has been a volatile period for equity markets, with macro-economic issues driving large swings in equity values, exacerbated by the disruption caused in the immediate aftermath of the Brexit vote. Law Debenture's portfolio benefitted from positive returns in sectors with predominantly overseas profits priced in dollars, such as mining and oil – the top 5 performers were Anglo American, Royal Dutch Shell, Glencore, Weir and BP. Our relatively high weight in mid-cap and small-cap UK companies, which are more reliant on the UK economy for their turnover and profit, suffered disproportionate price falls immediately after the Brexit vote as sterling devalued. The worst 5 performers were Interserve, IP Group, International Consolidated Airlines, Provident Financial and Marshalls. These have no common theme. We believe that these are all good businesses, whose share prices should recover.

We began to sell off holdings in the Henderson Japan and Far East OEICs (and have completely realised these holdings post the period end) as we believe better value can be achieved in

these regions by investing in good closed ended funds trading at a discount, such as Scottish Oriental Smaller Companies Investment Trust.

Outlook

Our relative performance (compared to peers in the global sector and the benchmark) has suffered badly since Brexit, largely because of our exposure to sterling. However, so long as the companies we are invested in have competitive products, good management teams, undemanding valuations, low debt levels and cash generative capability, they ought to weather this storm and should be well placed to deal with the post-Brexit economic turbulence. In view of the elevated economic uncertainty, we have been net sellers in the portfolio since the period end and are taking a cautious approach in our investments.

Independent fiduciary services

Revenue, net of cost of sales, which represents legal costs recharged to clients, decreased by 2.4% over the corresponding period last year. Administration costs decreased by 1.6%. Profit before tax decreased by 2.3%. Performance in the first half was reasonable, notwithstanding uncertainties pre and post the Brexit vote, which had a negative impact on some of our markets. Post referendum, while there have been some transactions put on hold, overall there has not been an immediate adverse impact, although this may change as markets and wholesale capital investors react and adjust to the aftershocks that will inevitably be felt for some time to come. Michael Adams, the new Chief Executive, joins in August, following the retirement of Caroline Banzsky.

	30 June 2016			30 June 2015		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends	9,316	–	9,316	8,042	–	8,042
UK special dividends	888	–	888	1,643	–	1,643
Overseas dividends	1,755	–	1,755	1,584	–	1,584
Overseas special dividends	114	–	114	183	–	183
	12,073	–	12,073	11,452	–	11,452
Interest income	110	–	110	40	–	40
Independent fiduciary services fees	14,166	–	14,166	14,878	–	14,878
Other income	194	–	194	139	–	139
Total income	26,543	–	26,543	26,509	–	26,509
Net gain on investments held at fair value through profit or loss	–	15,803	15,803	–	4,978	4,978
Gross income and capital gains	26,543	15,803	42,346	26,509	4,978	31,487
Cost of sales	(1,085)	–	(1,085)	(1,482)	–	(1,482)
Administrative expenses	(10,278)	(107)	(10,385)	(10,480)	(209)	(10,689)
Operating profit	15,180	15,696	30,876	14,547	4,769	19,316
Finance costs						
Interest payable	(2,690)	–	(2,690)	(1,449)	–	(1,449)
Profit before taxation	12,490	15,696	28,186	13,098	4,769	17,867
Taxation	(106)	–	(106)	(414)	–	(414)
Profit for period	12,384	15,696	28,080	12,684	4,769	17,453
Return per ordinary share (pence)	10.49	13.30	23.79	10.75	4.04	14.79
Diluted return per ordinary share (pence)	10.49	13.30	23.79	10.75	4.04	14.79

Statement of comprehensive income

for the six months ended 30 June 2016 (unaudited)

	30 June 2016			30 June 2015		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit for the period	12,384	15,696	28,080	12,684	4,769	17,453
Foreign exchange on translation of foreign operations	–	735	735	–	(57)	(57)
Total comprehensive income for the period	12,384	16,431	28,815	12,684	4,712	17,396

4 Group statement of financial position

	30 June 2016 (unaudited) £000	30 June 2015 (unaudited) £000	31 December 2015 (audited) £000
Assets			
Non current assets			
Goodwill	2,350	2,208	2,256
Property, plant and equipment	204	88	206
Other intangible assets	6	30	16
Investments held at fair value through profit or loss	629,225	606,802	621,613
Deferred tax assets	703	1,162	824
Total non current assets	632,488	610,290	624,915
Current assets			
Trade and other receivables	5,863	8,842	7,073
Other accrued income and prepaid expenses	5,056	5,598	4,888
Cash and cash equivalents	68,239	50,630	60,301
Total current assets	79,158	65,070	72,262
Total assets	711,646	675,360	697,177
Current liabilities			
Trade and other payables	11,960	16,296	13,816
Short term borrowings	–	27,601	–
Corporation tax payable	189	648	506
Other taxation including social security	665	677	686
Deferred income	4,202	4,098	3,934
Derivative financial instruments	1,731	–	725
Total current liabilities	18,747	49,320	19,667
Non current liabilities and deferred income			
Long term borrowings	114,002	39,485	113,980
Retirement benefit obligations	972	2,890	1,400
Deferred income	4,747	4,829	4,810
Total non current liabilities	119,721	47,204	120,190
Total net assets	573,178	578,836	557,320
Equity			
Called up share capital	5,916	5,916	5,916
Share premium	8,667	8,637	8,667
Capital redemption	8	8	8
Own shares	(1,467)	(1,493)	(1,493)
Capital reserves	519,345	529,038	503,649
Retained earnings	39,065	36,168	39,664
Translation reserve	1,644	562	909
Total equity	573,178	578,836	557,320

	30 June 2016 (unaudited) £000	30 June 2015 (unaudited) £000	31 December 2015 (audited) £000
Operating activities			
Operating profit before interest payable and taxation	30,876	19,316	5,218
(Gains)/losses on investments	(15,696)	(4,769)	20,620
Foreign exchange (gains)/losses	(102)	7	(43)
Depreciation of property, plant and equipment	58	43	94
Amortisation of intangible assets	10	15	30
Decrease/(increase) in receivables	1,042	(2,270)	209
(Decrease)/increase in payables	(644)	3,016	1,105
Transfer from capital reserves	(46)	(19)	(385)
Normal pension contributions in excess of cost	(428)	(360)	(650)
Cash generated from operating activities	15,070	14,979	26,198
Taxation	(302)	(326)	(803)
Operating cash flow	14,768	14,653	25,395
Investing activities			
Acquisition of property, plant and equipment	(48)	–	(168)
Purchase of investments	(51,132)	(26,691)	(96,541)
Sale of investments	59,127	25,706	55,595
Cash flow from investing activities	7,947	(985)	(41,114)
Financing activities			
Interest paid	(2,690)	(1,449)	(3,632)
Dividends paid	(12,983)	(12,979)	(19,118)
Long term borrowings	–	–	74,477
Proceeds of increase in share capital	–	15	45
Purchase of own shares	26	193	193
Net cash flow from financing activities	(15,647)	(14,220)	51,965
Net increase/(decrease) in cash and cash equivalents	7,068	(552)	36,246
Cash and cash equivalents at beginning of period	60,301	23,773	23,773
Foreign exchange gains/(losses) on cash and cash equivalents	870	(192)	282
Cash and cash equivalents at end of period	68,239	23,029	60,301
Cash and cash equivalents comprise			
Cash and cash equivalents	68,239	50,630	60,301
Short term borrowings	–	(27,601)	–
	68,239	23,029	60,301

6 Group statement of changes in equity and segmental analysis

Group statement of changes in equity

	Share capital £000	Share premium £000
Equity at 1 January 2016	5,916	8,667
Net profit	–	–
Other comprehensive income:		
Foreign exchange	–	–
Total comprehensive income for the period	–	–
Issue of shares	–	–
Movement in own shares	–	–
Dividend relating to 2015	–	–
Total equity at 30 June 2016	5,916	8,667

Group segmental analysis

		Investment trust	
	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Revenue			
Income	12,073	11,492	19,005
Other income	53	–	25
Cost of sales	–	–	–
Administration costs	(1,327)	(1,384)	(2,926)
	10,799	10,108	16,104
Interest (net)	(2,479)	(1,276)	(3,117)
Return, including profit on ordinary activities before taxation	8,320	8,832	12,987
Taxation	–	–	–
Return, including profit attributable to shareholders	8,320	8,832	12,987
Revenue return per ordinary share (pence)	7.05	7.49	11.01
Assets	653,711	620,189	640,223
Liabilities	(103,546)	(61,216)	(101,063)
Total net assets	550,165	558,973	539,160
NAV per ordinary share (pence)	466.06	473.58	456.76

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

Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
(1,493)	8	909	503,649	39,664	557,320
–	–	–	15,696	12,384	28,080
–	–	735	–	–	735
–	–	735	15,696	12,384	28,815
–	–	–	–	–	–
26	–	–	–	–	26
–	–	–	–	(12,983)	(12,983)
(1,467)	8	1,644	519,345	39,065	573,178

30 June 2016	Independent fiduciary services		30 June 2016 £000	30 June 2015 £000	31 December 2015 £000	Total
	30 June 2015 £000	31 December 2015 £000				
14,166	14,878	30,384	26,239	26,370	49,389	
141	139	171	194	139	196	
(1,085)	(1,482)	(3,461)	(1,085)	(1,482)	(3,461)	
(8,951)	(9,096)	(17,485)	(10,278)	(10,480)	(20,411)	
4,271	4,439	9,609	15,070	14,547	25,713	
(101)	(173)	(390)	(2,580)	(1,449)	(3,507)	
4,170	4,266	9,219	12,490	13,098	22,206	
(106)	(414)	(847)	(106)	(414)	(847)	
4,064	3,852	8,372	12,384	12,684	21,359	
3.44	3.26	7.09	10.49	10.75	18.10	
57,935	55,171	56,954	711,646	675,360	697,177	
(34,922)	(35,308)	(38,794)	(138,468)	(96,524)	(139,857)	
23,013	19,863	18,160	573,178	578,836	557,320	
19.50	16.83	15.38	485.56	490.41	472.14	

8 Analysis of the investment portfolio

By geographical location

	Valuation 31 December 2015 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	(Depreciation)/ appreciation £000	Valuation 30 June 2016 £000	%
United Kingdom	449,215	43,708	(212)	(38,948)	(4,206)	449,557	71.4
North America	58,484	140	–	(1,121)	13,182	70,685	11.2
Europe	40,086	4,993	(22)	(160)	3,436	48,333	7.7
Japan	24,569	–	–	(9,147)	(1,217)	14,205	2.3
Other Pacific	39,668	1,202	(7)	(9,751)	3,661	34,773	5.5
Other	9,591	1,089	(1)	–	993	11,672	1.9
	621,613	51,132	(242)	(59,127)	15,849	629,225	100.0

By sector (excluding cash)

	As at 30 June 2016 %	As at 31 December 2015 %
Oil & gas	9.4	6.9
Basic materials	8.3	6.5
Industrials	28.6	26.4
Consumer goods	7.4	9.2
Health care	9.7	8.7
Consumer services	7.9	8.8
Telecommunications	0.8	0.7
Utilities	2.2	2.1
Financials	23.4	28.5
Technology	2.3	2.2
	100.0	100.0

UK unless otherwise stated

Holdings in italics were acquired since 31 December 2015

	£000	%		£000	%
Oil & gas			Industrials		
<i>Oil & gas producers</i>			<i>Construction & materials</i>		
Royal Dutch Shell	20,620	3.28	Marshalls	7,443	1.18
BP	14,016	2.23	Accsys Technologies	4,538	0.72
Tullow Oil	4,326	0.69	Balfour Beatty	4,331	0.69
Indus Gas	3,303	0.52	Ibstock	2,985	0.47
Total (Fra)	1,519	0.24		19,297	3.06
Premier Oil	950	0.15	<i>Aerospace & defence</i>		
Providence Resources	382	0.06	Senior	11,793	1.87
Xcite Energy	170	0.03	Rolls Royce	9,961	1.58
	45,286	7.20	BAE Systems	9,432	1.50
<i>Oil equipment & services</i>			Lockheed Martin (USA)	8,354	1.33
Cape	4,794	0.76	Meggitt	4,049	0.64
Schlumberger (USA)	4,732	0.75	Embraer (Bra)	3,955	0.63
Gibson Energy (Can)	2,732	0.43		47,544	7.55
National Oilwell Varco (USA)	1,258	0.20	<i>General industrials</i>		
Now (USA)	170	0.03	Smith (DS)	9,706	1.54
	13,686	2.17		9,706	1.54
Basic materials			<i>Electronic & electrical equipment</i>		
<i>Chemicals</i>			Applied Materials (USA)	8,962	1.42
Croda	5,302	0.83	Spectris	8,204	1.30
Elementis	4,229	0.67	Morgan Advanced Materials	6,963	1.11
Velocys	1,513	0.24	TT Electronics	1,871	0.30
Linde (Ger)	1,048	0.17	XP Power	1,868	0.30
	12,092	1.91	Philips Electronics (Net)	1,157	0.18
<i>Forestry & paper</i>			Legrand (Fra)	1,098	0.17
Mondi	5,576	0.89		30,123	4.78
	5,576	0.89	<i>Industrial engineering</i>		
<i>Mining</i>			Hill & Smith	9,561	1.52
Rio Tinto	12,036	1.91	Weir Group	9,367	1.49
Glencore	9,343	1.48	Deere (USA)	6,004	0.95
Anglo American	7,268	1.16	Cummins (USA)	5,887	0.94
BHP Billiton	6,128	0.97	IMI	4,228	0.67
	34,775	5.52	Caterpillar (USA)	2,268	0.36
			Renold	2,081	0.33
			Severfield	410	0.07
				39,806	6.33

10 Investment portfolio valuation continued

	£000	%		£000	%
Industrial transportation			Tobacco		
AP Moller-Maersk (Den)	1,070	0.17	Imperial Brands	6,079	0.97
Wincanton	879	0.14	Swedish Match (Swe)	1,492	0.24
	1,949	0.31		7,571	1.21
Support services			Health care		
Johnson Service	8,427	1.34	Health care equipment & services		
Interserve	6,923	1.10	Becton Dickinson (USA)	9,515	1.51
Carillion	4,904	0.78	Smith & Nephew	5,950	0.95
Babcock	3,129	0.50	Fresenius (Ger)	5,663	0.90
Deutsche Post (Ger)	2,647	0.42	Spire Healthcare	4,996	0.79
SGS (Swi)	2,221	0.35	Fresenius Medical Care (Ger)	2,540	0.40
Sodexo (Fra)	1,400	0.21		28,664	4.55
Adecco (Swi)	1,139	0.18	Pharmaceuticals & biotechnology		
<i>Elis (Fra)</i>	726	0.12	GlaxoSmithKline	12,026	1.91
Augean	468	0.07	Johnson & Johnson (USA)	5,443	0.87
	31,984	5.07	AstraZeneca	4,465	0.71
Consumer goods			Pfizer (USA)	3,950	0.63
Automobiles & parts			Novartis (Swi)	2,922	0.46
GKN	12,183	1.94	Roche (Swi)	2,264	0.36
Toyota Motor (Jap)	6,078	0.97	Novo-Nordisk (Den)	1,358	0.22
	18,261	2.91		32,428	5.16
Beverages			Consumer services		
Pernod-Ricard (Fra)	1,560	0.25	Food & drug retailers		
	1,560	0.25	Tesco	3,060	0.49
Food producers				3,060	0.49
Unilever	6,260	0.99	General retailers		
Nestlé (Swi)	4,599	0.73	Dunelm	6,702	1.07
Greencore	1,555	0.25	Inditex (Spa)	1,104	0.18
Origin Enterprises (Ire)	991	0.16	Findel	975	0.15
	13,405	2.13	Topps Tiles	795	0.13
Household goods & home construction				9,576	1.53
<i>Watkin Jones</i>	4,110	0.65	Media		
L'Oreal (Fra)	1,847	0.29	Relx	10,305	1.64
	5,957	0.94	Pearson	5,074	0.81
			Sky	4,659	0.74
			Daily Mail & General Trust	3,070	0.49
			<i>Publicis Groupe (Fra)</i>	1,459	0.23
				24,567	3.91

	£000	%
Travel & leisure		
International Consolidated Airlines	5,088	0.81
Carnival	3,309	0.53
Marstons	2,761	0.44
<i>Irish Continental (Ire)</i>	1,272	0.20
	12,430	1.98

Telecommunications

Mobile telecommunications

Inmarsat	2,917	0.46
<i>Vodafone</i>	2,275	0.36
	5,192	0.82

Utilities

Electricity

SSE	4,659	0.74
	4,659	0.74

Gas, water & multiutilities

National Grid	6,683	1.06
Severn Trent	2,434	0.39
	9,117	1.45

Financials

Banks

HSBC	12,111	1.92
Standard Chartered	3,586	0.57
<i>Barclays</i>	2,772	0.44
	18,469	2.93

Nonlife insurance

Hiscox	9,711	1.54
RSA Insurance	7,488	1.19
	17,199	2.73

Life insurance/assurance

Prudential	6,710	1.07
Aviva	3,091	0.49
Chesnara	2,750	0.44
Standard Life	2,198	0.35
Permanent TSB (Ire)	6	–
	14,755	2.35

	£000	%
Real estate investments & services		
St Modwen Properties	4,965	0.79
	4,965	0.79

Real estate investment trusts

Land Securities	3,344	0.53
Mucklow (A&J) Group	3,096	0.49
	6,440	1.02

Financial services

IP Group	7,742	1.23
Provident Financial	6,322	1.00
International Personal Finance	4,130	0.66
Oxford Sciences Innovation (unlisted)	3,333	0.53
Deutsche Börse (Ger)	1,610	0.26
Amundi (Fra)	853	0.14
	23,990	3.82

Equity investment instruments

Stewart Investors Asia Pacific	13,260	2.11
Baillie Gifford Pacific	12,825	2.04
Henderson Japan Capital Growth	8,127	1.29
Templeton Emerging Markets Investment Trust	7,717	1.23
Herald Investment Trust	5,695	0.91
Henderson Asia Pacific Capital Growth	4,434	0.70
Scottish Oriental Smaller Company Trust	4,254	0.68
Foresight Solar	2,820	0.45
Better Capital (2012)	1,550	0.25
	60,682	9.66

Technology

Software & computer services

Microsoft (USA)	7,656	1.22
Amadeus IT (Spa)	1,603	0.25
<i>SAP (Ger)</i>	1,122	0.18
	10,381	1.65

Technology hardware & equipment

Apple (USA)	3,576	0.57
<i>Microchip Technology (USA)</i>	178	0.03
	3,754	0.60

Principal risks and uncertainties

The principal risks of the Corporation 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 for the year ended 31 December 2015. In the view of the board these risks are as applicable to the remaining six months of the financial year as they were to the period under review.

The principal risks of the independent fiduciary services business arise during the course of defaults, potential defaults and restructurings where we have been appointed to provide services. To mitigate these risks we work closely with our legal advisers and, where appropriate, financial advisers, both in the set up phase to ensure that we have as many protections as practicable, and at all other stages whether or not there is a danger of default.

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 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 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

Christopher Smith

Chairman

28 July 2016

Basis of preparation

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

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.

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

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 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The annual report and financial statements for 2015 have been filed with the Registrar of Companies. The independent auditors' report on the annual report and financial statements for 2015 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.
2. The calculations of NAV and earnings per share are based on:
NAV: shares at end of the period 118,043,941 (30 June 2015: 118,030,510; 31 December 2015: 118,040,381). Income: average shares during the period 118,041,246 (30 June 2015: 118,009,527; 31 December 2015: 118,013,557).
3. Listed investments are all traded on active markets and as defined by IFRS 7 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.

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