

Law Debenture

Interim Report 2002

Registered Office:
Fifth Floor
100 Wood Street
London EC2V 7EX
Telephone: 020 7606 5451
Fax: 020 7606 0643

Registered as an investment company
in England (Registered Number 30397)



A member of the Association
of Investment Trust Companies

Company summary

Corporate objectives	
Global Growth Investment Trust	Trustee Services
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 FT-SE Actuaries All Share Index through investing in a portfolio diversified both geographically and by industry.	To develop profitably our position as the leading independent provider of professional trustee, fiduciary and related services to the international financial markets and to occupational pension schemes.
<p>Manager & Fee Law Debenture is an independently run company whose portfolio investments are managed by Henderson Global Investors Limited under a contract terminable by either side on 12 months' notice. Investment fee: 0.25% p.a. of average portfolio value (excluding cash). The balance sheet is managed by Law Debenture.</p> <p>Investor services PEP/ISA Savings plan Share dealing</p>	<p>Offices UK, New York, Hong Kong, Jersey, Cayman Islands.</p> <p>Services provided Commercial trusts Corporate solutions Debt finance Structured finance Project finance Dual listed companies Delegated and successor trusteeships Treasury Management Pension scheme and charities trustee Agent for service of process Company secretarial services, including provision of directors Investor services administration</p>

Performance summary

	At 30 June 2002	At 31 Dec 2001	change %
NAV per share (p).....	1,063.8	1,114.6	(4.6)
Fully diluted NAV per share (p).....	1,050.1	1,099.6	(4.5)
FTSE All Share Index.....	2,263.1	2,523.9	(10.3)
Share price (p).....	1,127.5	1,167.5	(3.4)
Market capitalisation (£m).....	263.6	272.7	(3.3)
Net assets (£m).....	248.7	260.4	(4.5)
	6 months to 30 June 2002	6 months to 30 June 2001	change %
After tax revenue return (£000).....	3,966	4,154	(4.5)
Revenue return per share (p).....	17.0	17.8	(4.5)
Fully diluted revenue return per share (p)	16.3	17.1	(4.7)
Dividends per share (p).....	13.3	13.3	–
NAV total return %.....	(3.3)	(1.9)	–
FTSE All Share total return %.....	(8.9)	(18.5)	–

Management Commentary

Performance

Over the six months to 30 June 2002, our net asset value per share declined by 4.6% compared to a fall of 10.3% in the FTSE All-Share Index. Revenue from the investment trust was maintained. Trustee and related services continued to attract good levels of new business, which was particularly strong in pensions. Because of higher administrative charges, partly attributable to the building up of our New York office, earnings per share fell by 4.5% compared with the first half of 2001.

Dividends

The Board has declared an interim dividend for the year ending 31 December 2002 of 13.3p (2001: 13.3p) per share payable on 10 September 2002 to shareholders on the register on 9 August 2002. Barring unforeseen circumstances, the directors expect to recommend that the final dividend will at least equal that paid in respect of 2001.

Investment Trust

The slow but steady growth in the global economy and continuing low interest rates were not sufficient to counterbalance bearish sentiment towards company balance sheets, future profitability and the dependability of reported figures. Until June most equity markets were moving sideways with declines in TMT offset by gains in the “old economy”, but a combination of a weak dollar and further accounting irregularities in the USA triggered a sharp fall in June.

Our relative resilience in these difficult markets can be attributed to good stock selection in the UK, Europe, Japan and the Far East combined with an underweight position in technology. Our low weighting in the USA was a relative benefit, but our portfolio there underperformed the local index.

Management Commentary

Trustee and related services

Trustee and related revenues rose by 15.9% compared with the first half of 2001.

Although it has been a difficult start to the year for the international capital markets, we have nevertheless been busy, particularly in the asset backed and structured finance areas. In the UK, we have acted as trustee on a number of long term project bond issues as well as a motorway project in France being built under a concession contract from the French Government.

Our London office has worked closely with the Administrators of Railtrack both following their appointment and in assisting with the proposed acquisition by Network Rail. Defaults by Argentinian and Polish borrowers have been time consuming, as have been reorganisations by Italian corporate and bank borrowers. Law Debenture personnel have given assistance to the G10 working group looking at sovereign debt issues.

Our independence and professionalism are also enabling us to extend the use of the trustee into the corporate finance area by being involved in sophisticated voting trusts and escrow arrangements for companies both in the UK and overseas.

Company pension schemes continue to be battered by adverse financial conditions, increased regulatory requirements and demands from Government and commentators for higher standards of governance. As a result, we are seeing continued growth in our pension scheme trusteeship business, and the opportunity for further growth in the future too.

On 8th May 2002, Law Debenture Trust Company of New York received its limited purpose trust company certificate enabling it to act as a trustee for issues registered with the SEC.

Group statement of total return

for the six months to 30 June 2002

	Six months to 30 June 2002			Six months to 30 June 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total capital losses from investments.....	–	(12,689)	(12,689)	–	(9,763)	(9,763)
UK dividends.....	3,662	–	3,662	3,758	–	3,758
Overseas dividends.....	1,102	–	1,102	1,123	–	1,123
Special dividends.....	261	–	261	–	–	–
Interest from securities.....	66	–	66	96	–	96
Total.....	5,091	–	5,091	4,977	–	4,977
Bank deposit interest.....	362	–	362	470	–	470
Trustee and other fees.....	5,976	–	5,976	5,156	–	5,156
Other income.....	55	–	55	28	–	28
Gross revenue and capital losses....	11,484	(12,689)	(1,205)	10,631	(9,763)	868
Administrative expenses.....	(5,901)	–	(5,901)	(5,011)	–	(5,011)
Interest payable.....	(1,226)	–	(1,226)	(1,235)	–	(1,235)
Return, including profit on ordinary activities before taxation.....	4,357	(12,689)	(8,332)	4,385	(9,763)	(5,378)
Taxation.....	(391)	–	(391)	(231)	–	(231)
Return, including profit on ordinary activities after taxation.....	3,966	(12,689)	(8,723)	4,154	(9,763)	(5,609)
Dividends.....	(3,110)	–	(3,110)	(3,105)	–	(3,105)
Transfer to reserves.....	856	(12,689)	(11,833)	1,049	(9,763)	(8,714)
Return per ordinary share.....	17.0p	(54.3)p	(37.3)p	17.8p	(41.8)p	(24.0)p

Group Net Assets

	30 June 2002 (unaudited) £000	31 December 2001 (audited) £000
Fixed assets		
Tangible	1,221	1,240
Investments	282,356	293,027
	283,577	294,267
Current assets		
Debtors.....	11,262	12,294
Cash and short term deposits	17,840	20,818
	29,102	33,112
Current liabilities	(15,120)	(18,699)
Total assets less current liabilities	297,559	308,680
Long term liabilities	(48,813)	(48,311)
Net assets.....	248,746	260,369
Net asset value per share.....	1,063.8p	1,114.6p

Notes

- The figures and financial information for the year ended 31 December 2001 have been extracted from the 2001 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.
- The calculations of NAV and revenue returns are based on:

NAV: actual shares in issue at period end.....	23,382,319	(2001: 23,359,319)
Revenue: average shares in issue during the period....	23,376,018	(2001: 23,340,406)

Group Cash Flow Statement

for the six months to 30 June 2002

	30 June 2002		30 June 2001	
	£000	£000	£000	£000
Net cash inflow from operating activities	4,947		6,843	
Servicing of Finance				
Debenture interest paid	(1,225)		(1,225)	
Bank interest paid	(1)		(9)	
		(1,226)		(1,234)
Taxation		(126)		24
Financial Investment				
Purchase of investments	(30,346)		(29,341)	
Sales of investments.....	29,196		16,862	
		(1,150)		(12,479)
Fixed Assets				
Purchase		(96)		(201)
Payment of Ordinary Dividend		(4,953)		(4,898)
Management of liquid resources				
Decrease in short term deposits and investments	2,517		10,538	
Movement in overdraft	(543)		1,500	
		1,974		12,038
Financing				
Proceeds of increase in share capital		209		156
(Decrease)/increase in cash for period		(421)		249

Analysis of the Investment Portfolio and Cash

by Geographical Location

	United Kingdom £000	North America £000	Europe £000	Japan £000	Pacific £000	Total £000
Investments 1 Jan	200,742	29,160	42,696	8,232	12,197	293,027
Purchases	15,798	4,990	9,314	–	–	30,102
Sales	(11,053)	(7,444)	(9,722)	–	–	(28,219)
Appreciation/ (Depreciation)	(6,889)	(5,608)	(628)	666	(95)	(12,554)
Valuation 30 June	198,598	21,098	41,660	8,898	12,102	282,356
% of total	70.3	7.5	14.7	3.2	4.3	100.0
Cash 30 June	15,312	2,207	–	–	321	17,840
	213,910	23,305	41,660	8,898	12,423	300,196

by sector (excluding cash)

	As at 30 June 2002 %	As at 31 Dec 2001 %
Resources	12.0	11.5
Basic industries	5.8	5.3
General industrials	5.7	5.1
Cyclical consumer goods	1.0	1.0
Non-cyclical consumer goods	18.4	17.7
Cyclical services	16.1	16.6
Non-cyclical services	3.8	5.4
Utilities	3.4	3.0
Information Technology	0.7	1.1
Financials	33.1	33.3
	100.0	100.0

Valuation of investments as at 30 June 2002

Our entire portfolio of 146 different investments is shown below (UK unless otherwise stated)

Those shown in italics reflect holdings newly acquired since 31 December 2001

	£000	%		£000	%
Resources			Cyclical Consumer Goods		
Mining			Automobiles & Parts		
Anglo American	2,185	0.77	Johnson Controls (USA)	1,338	0.47
Rio Tinto	1,925	0.68	Volkswagen (Ger)	1,116	0.40
BHP Billiton	1,608	0.57	GKN	616	0.22
Oil & Gas			Non-Cyclical Consumer Goods		
BP	13,224	4.68	Beverages		
Shell Transport & Trading	7,920	2.80	Diageo	3,919	1.39
Total Fina Elf (Fra)	2,489	0.88	Scottish & Newcastle	2,128	0.75
IHC Caland (Neth)	1,961	0.69	Pepsico (USA)	1,761	0.62
BG	1,427	0.51	Allied Domecq	1,506	0.53
Exxon Mobil (USA)	1,304	0.46	Food Producers & Processors		
Basic Industries			Nestlé (Switz)	3,820	1.35
Chemicals			Unilever	2,631	0.93
ICI	1,566	0.55	Cadbury Schweppes	1,671	0.59
Bayer (Ger)	1,248	0.44	Health		
BOC	1,019	0.36	Cardinal Health (USA)	1,964	0.70
Construction & Building Materials			Smith & Nephew	1,820	0.64
Persimmon	2,790	0.99	Medtronic (USA)	1,406	0.50
Wolseley	1,995	0.71	Fresenius (Ger)	1,209	0.43
RMC	1,641	0.58	Personal Care & Household Products		
Hanson	1,640	0.58	Reckitt Benckiser	2,589	0.92
Pilkington	1,484	0.53	Pharmaceuticals		
Wimpey	1,072	0.38	GlaxoSmithKline	10,210	3.62
Forestry & Paper			AstraZeneca	4,074	1.44
Smith (DS)	1,740	0.62	Novartis (Switz)	1,789	0.64
General Industrials			Pfizer (USA)	1,470	0.52
Aerospace & Defence			Bristol-Myers Squibb (USA)	759	0.27
Smiths	1,704	0.60	Tobacco		
Rolls Royce	1,069	0.38	British American Tobacco	3,737	1.32
BAE Systems	1,005	0.36	Gallaher	2,645	0.94
Electronic & Electrical Equipment			Philip Morris (USA)	659	0.23
Philips (Neth)	2,528	0.90	Cyclical Services		
TT Electronics	1,639	0.58	General Retailers		
General Electric (USA)	1,041	0.37	Boots	1,691	0.60
Texas Instruments (USA)	560	0.20	GUS	1,627	0.58
Invensys	356	0.13	Marks & Spencer	1,509	0.53
Engineering & Machinery			WH. Smith	1,266	0.45
Tomkins	1,521	0.54	Dixons	1,147	0.41
Deere (USA)	1,257	0.45	Home Depot (USA)	614	0.22
Renold	1,240	0.44	Leisure, Entertainment & Hotels		
Sandvik (Swed)	1,065	0.38	Greene King	3,194	1.13
Morgan Crucible	501	0.18	MyTravel 5.75% Conv Bond	2,059	0.73
Cookson	359	0.13	Six Continents	2,000	0.71
			Hilton	1,597	0.57
			P & O Princess Cruises	1,370	0.49
			Elior (Fra)	1,200	0.42
			McDonalds (USA)	653	0.23
			Clearwater (HK)	97	0.03

Valuation of investments continued

	£000	%		£000	%
Media & Photography			Information Technology		
Reed Elsevier	2,120	0.75	Information Technology Hardware		
Johnston Press	1,484	0.53	Cisco Systems (USA)	551	0.20
BSkyB	1,258	0.45	Software & Computer Services		
United Business Media	870	0.31	Microsoft (USA)	1,471	0.52
Reuters	800	0.28	Financials		
Clear Channel Communication (USA)	714	0.25	Banks		
Support Services			HSBC	8,306	2.94
ISS International (Den)	2,147	0.76	Royal Bank of Scotland	7,626	2.70
Adecco (Switz)	1,559	0.55	Barclays	5,520	1.95
Sodexho Alliance (Fra)	1,368	0.48	Lloyds TSB	4,702	1.66
TPG (Neth)	1,363	0.48	HBOS	4,388	1.55
Rentokil	1,175	0.42	Abbey National	2,316	0.82
Compass	1,075	0.38	ABN Amro (Neth)	1,763	0.62
Deutsche Post (Ger)	980	0.35	BNP Paribas (Fra)	1,742	0.62
Michael Page	800	0.28	Alliance & Leicester	1,656	0.60
Leach (USA)	94	0.03	Fortis (Neth)	1,538	0.54
Transport			Comerica (USA)	806	0.29
BAA	1,617	0.57	Insurance		
Ryanair (Ire)	1,417	0.50	American International Group (USA)	1,914	0.68
Fraport (Ger)	1,221	0.43	Royal & Sun Alliance	1,060	0.38
Exel	1,086	0.38	Life Assurance		
P & O	964	0.34	Aviva	2,216	0.78
Avis Europe	865	0.31	Prudential	2,160	0.76
British Airways	559	0.20	Legal & General	1,831	0.65
Non-Cyclical Services			Old Mutual	1,492	0.53
Food & Drug Retailers			Alleanza Assicuraz (Ita)	1,260	0.45
Tesco	2,624	0.93	Britannic	1,054	0.37
Telecommunications Services			Friends Provident	869	0.31
Vodafone	3,600	1.27	Aegon (Neth)	711	0.25
BT	2,772	0.98	Investment Companies		
Hellenic Telecom (Greece)	777	0.28	Henderson Pacific Capital Growth	12,005	4.25
Colt Telecom 7.625% 15 Dec 2009	616	0.22	Henderson Japan Capital Growth	8,821	3.12
Colt Telecom 7.625% 31 Jul 2008	407	0.14	JF Five Arrows (Japan)	77	0.03
Thus	18	0.01	International Inc Fund	37	0.01
Utilities			Real Estate		
Electricity			Slough Estates	3,118	1.10
Powergen	2,122	0.75	Hammerson	2,380	0.84
National Grid	1,584	0.56	Unibail (Fra)	2,025	0.72
Scottish & Southern Energy	1,428	0.51	Wereldhave (Neth)	1,816	0.65
Scottish Power	987	0.35	Land Securities	1,812	0.64
Water			Speciality & Other Finance		
Pennon	2,102	0.75	Man Group	1,751	0.62
United Utilities	1,222	0.43	Provident Financial	1,727	0.61
			Deutsche Börse (Ger)	1,505	0.53
			American Express (USA)	762	0.27
			Amvescap	748	0.27
			Norsk Tillitsmann (Nor)	43	0.02