



Law Debenture

Interim Report 2004

Company summary

Global Growth Investment Trust

Corporate objectives

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.

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.

Trustee and related services

Corporate objectives

To develop profitably our position as the leading independent provider of professional trustee, fiduciary and related services to the wholesale markets and to occupational pension schemes.

Offices

London, New York, Hong Kong, Jersey, Cayman Islands.

Services provided

Commercial trusts

- Corporate solutions

- Debt finance

- Structured finance

- Project finance

- Dual listed companies

- Delegated and successor trusteeships

- Escrow arrangements

- Treasury management

- Pension scheme trustee

- Agent for service of process

- Company secretarial services, including provision of directors

- Investor services administration

Financial summary of The Law Debenture Corporation p.l.c.

Highlights

	At 30 June 2004	At 30 June 2003	At 31 December 2003
Share price (p)	210.00	197.00	221.75
NAV per share (p)	213.62	182.20	206.10
Discount / (Premium) (%)	1.72	(7.51)	(7.06)
Earnings per share (p)	4.53	4.00	6.91
Dividends per share (p)	2.80	2.66	6.90

Performance to 30 June 2004

	6 months %	12 months %
Share price	(5.30)	6.60
NAV total return	5.00	20.37
FTSE All Share total return	2.83	16.89

Management commentary

Performance

Over the six months to 30 June 2004, our net asset value total return was 5.00% compared to the FTSE Actuaries All-Share Index total return of 2.83%.

Earnings and dividends

Earnings per share for the six months rose by 13.25%, a rate of increase which is unlikely to be sustained over the full year. The board has declared an interim dividend of 2.80p per share, which is an increase of 5.26% over the previous interim dividend of 2.66p. This dividend is payable on 8 September 2004 to shareholders on the register on 6 August 2004. Barring unforeseen circumstances, the directors expect to recommend that the final dividend will at least equal that paid in respect of 2003.

Investment trust

The first half of the company's year was marked by investment markets encountering a higher interest rate environment. The effect was for the index of share prices to trade in a narrow range. Globally, interest rates moved up as the fear of deflation receded. In the UK, short interest rates rose from 3.75% to 4.5% as the Bank of England responded to the buoyant housing market, which is responsible for the significant increase in personal indebtedness. After the period end, the Federal Reserve began to raise rates in the USA.

In the UK, many companies have been benefiting from economic growth. Dividend growth has been better than expected and dividend cover has increased. Corporate debt has fallen as better profits have come through. Operating margins for many have improved. In Continental Europe, however, corporate profit performance has been less strong and our exposure to this area has been marginally reduced.

Overall equity valuations appear undemanding, but problems associated with high levels of consumer debt have yet to be resolved.

Management commentary

Trustee and related services

Trustee and related services revenue rose by 9.3% benefiting from a rise in special fees, particularly in New York. Profit before tax was £2,191,000 compared with £1,627,000 for the previous half year, an increase of 34.7%, helped by the reorganisation of our UK operations in 2003.

Although the market for commercial trust services remains extremely competitive, Law Debenture continues to secure prominent appointments. These include our appointment as note and security trustee for the £1.6 billion securitisation by Tubelines, which owns the concession to manage and update parts of the London Underground, and as common representative for the first securitisation by the Portuguese government.

We are also the security trustee for the recently launched pan-European lottery, which is a partnership between Camelot, the Spanish state lottery company Loterías y Apuestas del Estado and the French company La Française des Jeux, which is predominantly state owned.

Our corporate services business, which is complementary to our trustee business, continues to develop strongly. Our expertise in managing complex voting structures is recognised by the market. New business this year has exceeded our expectations.

The uncertainties surrounding company pension schemes continue to provide opportunities for our pension trustee business and we expect the business to grow in response to concerns regarding the security of pension scheme benefits. We have had a strong flow of enquiries in the current year. Our recent appointments have included the pension scheme of a speciality engineering company with scheme assets of over £1 billion.

Overseas our New York office has had a very good six months because of its role as successor trustee in respect of corporate bankruptcies, including MCI WorldCom. The growing sophistication of capital markets in Asia has boosted demand for innovative products and our Hong Kong office continues to see an encouraging flow of enquiries.

Group statement of total return

for the six months to 30 June 2004 (unaudited)

	Six months to 30 June 2004			Six months to 30 June 2003		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Total capital gains from						
investments.....	-	6,696	6,696	-	12,157	12,157
UK dividends.....	4,274	-	4,274	3,936	-	3,936
Special dividends.....	25	-	25	-	-	-
Overseas dividends.....	1,039	-	1,039	1,089	-	1,089
Interest from securities.....	168	-	168	123	-	123
Total	5,506	6,696	12,202	5,148	12,157	17,305
Bank deposit interest.....	211	-	211	311	-	311
Trustee and other fees	7,351	-	7,351	6,724	-	6,724
Other income.....	66	-	66	141	-	141
Gross revenue and capital gains	13,134	6,696	19,830	12,324	12,157	24,481
Administrative expenses.....	(6,077)	-	(6,077)	(5,921)	-	(5,921)
Return, including profit on ordinary activities before interest payable and taxation	7,057	6,696	13,753	6,403	12,157	18,560
Interest payable	(1,225)	-	(1,225)	(1,226)	-	(1,226)
Return, including profit on ordinary activities before taxation	5,832	6,696	12,528	5,177	12,157	17,334
Taxation.....	(531)	-	(531)	(534)	-	(534)
Return, including profit attributable to ordinary shareholders	5,301	6,696	11,997	4,643	12,157	16,800
Dividends on ordinary shares.....	(3,281)	-	(3,281)	(3,114)	-	(3,114)
Transfer to reserves.....	2,020	6,696	8,716	1,529	12,157	13,686
Earnings per ordinary share.....	4.5p	5.7p	10.2p	4.0p	10.4p	14.4p

Group net assets

	30 June 2004 (unaudited) £000	30 June 2003* (unaudited) £000	31 December 2003* (audited) £000
Fixed assets			
Tangible	1,198	1,397	1,327
Investments	284,952	244,024	280,573
	<u>286,150</u>	<u>245,421</u>	<u>281,900</u>
Current assets			
Debtors	8,584	8,912	8,461
Short term cash investments	12,235	12,969	3,167
Bank balances and short term deposits.	5,881	6,609	11,099
	<u>26,700</u>	<u>28,490</u>	<u>22,727</u>
Current liabilities	(14,167)	(12,195)	(14,516)
Net current assets	<u>12,533</u>	<u>16,295</u>	<u>8,211</u>
Total assets less current liabilities	298,683	261,716	290,111
Long term liabilities	(48,707)	(48,966)	(48,991)
Net assets.....	<u>249,976</u>	<u>212,750</u>	<u>241,120</u>
Net asset value per share	213.6p	182.2p	206.1p

Notes

1. These are not statutory accounts in terms of section 240 of the Companies Act and are unaudited. The figures and financial information for the year ended 31 December 2003 have been extracted from the 2003 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 revenue returns are based on:

NAV: actual shares in issue at period end117,018,396 (2003: 117,071,660)

Revenue: average shares in issue during the period ...117,097,964 (2003: 117,052,619)

* Restated to reflect implementation of UITF38 (ESOT shares)

Group cash flow statement

for the six months to 30 June 2004 (unaudited)

	30 June 2004		30 June 2003	
	£000	£000	£000	£000
Net cash inflow from operating activities		7,444		6,503
Servicing of finance				
Debenture interest paid	(1,224)		(1,225)	
Bank interest paid	—		(1)	
		(1,224)		(1,226)
Taxation		31		(13)
Financial investment				
Purchase of own shares	(369)		—	
Purchases of investments.....	(23,844)		(21,110)	
Sales of investments.....	26,197		21,104	
		1,984		(6)
Fixed assets				
Purchases		(36)		(263)
Payment of ordinary dividend		(4,961)		(4,960)
Management of liquid resources				
Decrease in short term deposits and investments		(9,066)		(2,479)
Financing				
Proceeds of increase in share capital		508		63
Decrease in cash for period		(5,320)		(2,381)

Analysis of the investment portfolio

by geographical location

	United Kingdom £000	North America £000	Europe £000	Japan £000	Pacific £000	Total £000
Investments 1 Jan	197,740	19,349	35,171	8,795	19,518	280,573
Purchases	9,685	9,160	4,998	–	–	23,843
Sales	(7,898)	(9,132)	(9,167)	–	–	(26,197)
Appreciation	<u>8,765</u>	<u>149</u>	<u>(1,424)</u>	<u>1,319</u>	<u>(2,076)</u>	<u>6,733</u>
Valuation						
30 June	<u>208,292</u>	<u>19,526</u>	<u>29,578</u>	<u>10,114</u>	<u>17,442</u>	<u>284,952</u>
% of total	<u>73.1</u>	<u>6.9</u>	<u>10.4</u>	<u>3.5</u>	<u>6.1</u>	<u>100.0</u>

by sector (excluding cash)

	As at 30 June 2004 %	As at 31 Dec 2003 %
Resources	11.3	11.7
Basic industries	8.4	7.2
General industrials	5.4	5.5
Cyclical consumer goods	0.3	0.9
Non-cyclical consumer goods	16.1	14.2
Cyclical services	15.7	14.6
Non-cyclical services	5.1	5.6
Utilities	2.8	2.7
Information technology	1.1	1.7
Financials	<u>33.8</u>	<u>35.9</u>
	<u>100.0</u>	<u>100.0</u>

Valuation of investments as at 30 June 2004

(UK unless otherwise stated)

Holdings shown in italics were acquired after 31 December 2003

	£000	%		£000	%
Resources			Cyclical Consumer Goods		
Mining			Automobiles & Parts		
BHP Billiton	1,914	0.67	GKN	1,002	0.35
Anglo American	1,861	0.65			
Rio Tinto	1,326	0.47	Non-Cyclical Consumer Goods		
Oil & Gas			Beverages		
BP	12,662	4.44	Diageo	3,569	1.25
Shell Transport & Trading	8,090	2.84	Scottish & Newcastle	2,171	0.76
Total (Fra)	2,457	0.86	Allied Domecq	1,552	0.54
BG	1,630	0.57	Food Producers & Processors		
Exxon Mobil (USA)	1,129	0.40	Unilever	2,489	0.87
<i>Duke Energy (USA)</i>	1,057	0.37	Nestlé (Switz)	2,348	0.82
			Cadbury Schweppes	1,736	0.61
Basic Industries			<i>Tate & Lyle</i>	1,650	0.58
Chemicals			<i>Conagra Foods (USA)</i>	570	0.20
BOC	1,846	0.65	Health		
ICI	1,613	0.57	Smith & Nephew	2,789	0.98
Bayer (Ger)	954	0.33	Fresenius (Ger)	1,867	0.66
Construction & Building Materials			<i>Bard (USA)</i>	1,083	0.38
McAlpine (A)	4,680	1.64	<i>Medtronic (USA)</i>	949	0.33
<i>Aggregate Industries</i>	2,460	0.86	Abbott Laboratories (USA)	567	0.20
Hanson	1,706	0.60	Guidant (USA)	511	0.19
BPB	1,635	0.57	Personal Care & Household Products		
RMC	1,517	0.53	Reckitt Benckiser	3,434	1.21
<i>ACS Actividades Construcción (Spain)</i>	1,394	0.49	<i>Kimberly Clark (USA)</i>	576	0.20
Wolseley	1,282	0.45	<i>Procter & Gamble (USA)</i>	388	0.14
Persimmon	1,264	0.44	Pharmaceuticals & Biotech		
<i>CRH (Ireland)</i>	582	0.20	GlaxoSmithKline	8,147	2.86
<i>Wimpey (George)</i>	343	0.12	Novartis (Switz)	1,508	0.53
Forestry & Paper			Pfizer (USA)	851	0.30
David S. Smith	1,944	0.68	Tobacco		
Steel & Other Metals			British American Tobacco	5,042	1.77
Alcan (Canada)	795	0.28	Gallaher	1,933	0.68
			Cyclical Services		
General Industrials			General Retailers		
Aerospace & Defence			GUS	2,537	0.89
Rolls Royce	2,518	0.88	Boots	1,651	0.58
Smiths	1,493	0.52	Marks & Spencer	1,451	0.51
Electronic & Electrical Equipment			Dixons	1,124	0.39
TT Electronics	2,558	0.90	W.H. Smith	948	0.33
Philips (Neth)	1,752	0.61	CVS (USA)	875	0.31
Tyco (USA)	884	0.31	<i>Avon Products (USA)</i>	400	0.14
<i>Waters (USA)</i>	384	0.13	Leisure & Hotels		
Engineering & Machinery			Greene King	2,436	0.85
Renold	1,722	0.60	Hilton	2,318	0.81
Tomkins	1,647	0.58	Carnival	1,443	0.51
Sandvik (Swed)	941	0.33	Intercontinental Hotels	1,283	0.45
<i>Senior</i>	780	0.27	Carnival (USA)	939	0.33
Morgan Crucible	756	0.27	MyTravel 7% Conv Bond	234	0.08
			MyTravel	36	0.01

Valuation of investments *continued*

	£000	%		£000	%
Cyclical Services			Software & Computer Services		
Media & Entertainment			Microsoft (USA)	858	0.30
EMI	2,438	0.86	Novell (USA)	649	0.23
Reed Elsevier	2,358	0.83	Financials		
Johnston Press	2,266	0.80	Banks		
Reuters	2,038	0.72	HSBC	9,074	3.19
BSkyB	1,244	0.44	Royal Bank of Scotland	6,511	2.28
Time Warner (USA)	480	0.17	Barclays	4,698	1.65
Support Services			HBOS	4,232	1.48
Johnson Service	2,008	0.70	Lloyds TSB	3,886	1.36
Deutsche Post (Ger)	1,402	0.49	BNP Paribas (Fra)	1,628	0.57
<i>Adecco (Switz)</i>	<i>1,154</i>	<i>0.40</i>	Standard Chartered	1,616	0.57
ISS International (Den)	1,145	0.40	Abbey National	1,540	0.54
Rentokil	997	0.35	Alliance & Leicester	1,522	0.53
Compass	909	0.32	ABN Amro (Neth)	1,423	0.50
Leach (USA)	79	0.03	Fortis (Neth)	1,339	0.47
Transport			Citigroup (USA)	1,086	0.38
BAA	1,494	0.52	Goldman Sachs (USA)	851	0.30
<i>AP Moller-Maersk (Den)</i>	<i>1,251</i>	<i>0.44</i>	<i>Deutsche Postbank (Ger)</i>	<i>136</i>	<i>0.06</i>
Wincanton	1,128	0.40	Insurance		
P & O	1,100	0.39	Hiscox	1,638	0.57
Mersey Docks & Harbour	1,026	0.36	Wellington Underwriting	1,624	0.57
Avis Europe	925	0.32	Life Assurance		
Fedex (USA)	851	0.30	Aviva	2,333	0.82
Exel	614	0.22	Prudential	1,803	0.63
Non-Cyclical Services			Legal & General	1,710	0.60
Food & Drug Retailers			Old Mutual	1,676	0.59
Tesco	3,195	1.12	Aegon (Neth)	1,397	0.49
<i>Sainsbury</i>	<i>712</i>	<i>0.25</i>	Alleanza Assicurazioni (Ita)	1,257	0.44
Telecommunications Services			Friends Provident	1,174	0.41
Vodafone	4,830	1.70	Britannic	997	0.36
BT	2,581	0.91	Investment Companies		
Colt Telecom 7.625% 15 Dec 2009	1,339	0.47	Henderson Pacific Capital Growth	17,336	6.09
Colt Telecom 7.625% 31 Jul 2008	868	0.30	Henderson Japan Capital Growth	10,114	3.56
Avaya (USA)	702	0.25	International Inc Fund	32	0.01
Nextel Communications (USA)	292	0.10	Real Estate		
Utilities			Land Securities	2,898	1.02
Electricity			Hammerson	2,786	0.98
National Grid Transco	1,574	0.55	Slough Estates	2,468	0.87
Scottish & Southern Energy	1,363	0.48	Unibail (Fra)	1,996	0.70
Scottish Power	1,236	0.43	Speciality & Other Finance		
Utilities, other			Provident Financial	1,801	0.63
Severn Trent	1,831	0.64	Deutsche Börse (Ger)	1,604	0.56
United Utilities	1,374	0.48			
United Utilities A shares	490	0.17			
Information Technology					
Information Technology Hardware					
Apple Computer (USA)	920	0.32			
Cisco Systems (USA)	800	0.28			

www.lawdeb.com

The Law Debenture Corporation p.l.c

Registered Office:

Fifth Floor

100 Wood Street

London EC2V 7EX

Telephone: 020 7606 5451

Fax: 020 7606 0643

Registered as an investment company
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A member of the Association
of Investment Trust Companies