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The Law Debenture Corporation p.l.c.

LAW DEBENTURE

Annual Report 1995



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COMPANIES HOUSE 17/04/96

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Corporate objectives

COMPANIES HOUSE 03/04/98

The Corporation's objectives are:

to achieve long term capital growth in real terms, and steadily increasing income through investing in and maintaining a high quality portfolio of investments spread both geographically and by industry; and
to continue to develop profitably the trustee and related activities.

Performance summary

	1995	1994	% change
Assets as at 31 December			
Assets attributable to ordinary shareholders (£'000)	£169,012	£139,144	+21.5
Net asset value per ordinary share	744.9p	613.5p	+21.4
Profit & dividends for the year ended 31 December			
Profit attributable to ordinary shareholders after tax (£'000)	£6,148	£5,325	+15.5
Earnings per ordinary share	27.10p	23.48p	+15.4
Dividends per ordinary share	22.25p	20.50p	+8.5
Share price as at 31 December			
Ordinary share price (mid market)	942p	731p	+28.9
Indices as at 31 December			
FT – SE Actuaries All Share Index	1,802.56	1,521.44	+18.5
Standard and Poor's Composite Index	615.93	459.27	+34.1
Standard and Poor's Composite Index sterling adjusted	396.71	293.56	+35.1
FT – Actuaries World Index sterling adjusted	193.17	164.01	+17.8
US dollar/sterling exchange rate	1.5526	1.5645	

Chairman's statement

Dividends

After tax income for the year to 31 December 1995 increased 15.5% on the year to 31 December 1994 to £6,148,000 or 27.10p per ordinary share (1994:23.48p), which represents an encouraging result. Your board feels able to recommend an increase in the final dividend of 1.00p per ordinary share from 13.75p last year to 14.75p. This would give a total dividend for the year of 22.25p per ordinary share, representing an increase of 8.5% on last year's total of 20.50p.

Assets

Net asset value per ordinary share increased from 613.5p to 744.9p per ordinary share, an increase of 21.4%; this compares with an 18.5% increase in the FT-SE Actuaries All Share Index for the same period and a 17.8% increase in the sterling value of the FT-Actuaries World Index.

Shareholders

The Share Savings Scheme and Personal Equity Plan introduced in 1991 continue to attract substantial interest. We now have over 8,500 shareholders which represents an increase of 19.1% compared with a year ago.

It has been advantageous to shareholders for shares acquired under the Share Savings Scheme and Personal Equity Plan to be allotted under the authorities which were granted to the board at last year's annual general meeting. Shareholders will be asked to consider a resolution renewing these authorities at this year's annual general meeting.

Corporate governance

The board supports the principles of corporate governance outlined in the Codes of Best Practice produced by the Cadbury and Greenbury Committees. Accordingly, this year's directors' report comments on the Corporation's system of internal financial control and there is an additional report by the remuneration committee on directors' remuneration.

Chairman's Statement (continued)

Staff

I am sure that you will wish to join with the directors in thanking the staff for again achieving very satisfactory results from the provision of our trustee and related services. The environment in which we provide these services has been fiercely competitive for some years and we can only prosper if we deliver a highly professional and efficient service. We are lucky to have staff who do just that.

A handwritten signature in black ink, appearing to read "J. M. Kennedy". The signature is written in a cursive style with a prominent initial "J" and "K".

J. M. Kennedy

Chairman

19 March 1996

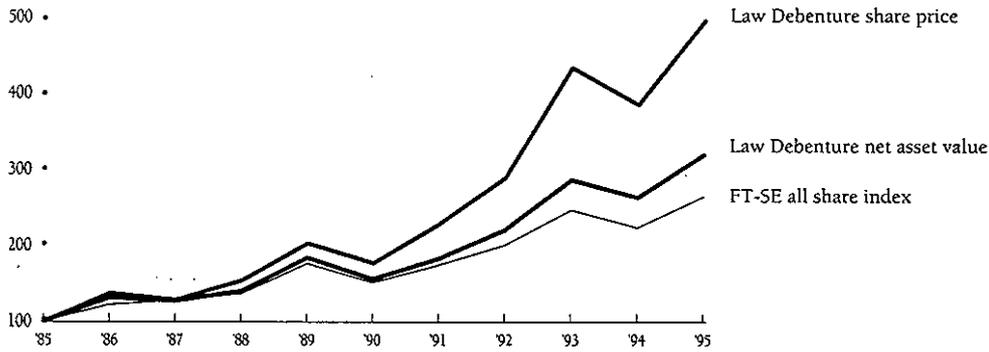
Ten year record

	Group Revenue £000	Profit on ordinary activities after taxation £000	Earnings per share p	Net dividend per share p	Net asset value per share p	Share price p
1986.....	4,951	*2,302	*10.1	7.50	*305.9	260
1987.....	5,879	2,440	10.7	8.50	295.4	243
1988.....	6,459	2,785	12.2	10.25	326.5	292
1989.....	8,035	3,514	15.4	13.50	428.7	385
1990.....	9,222	4,006	17.6	16.00	363.4	336
1991.....	10,191	4,304	18.9	17.50	426.3	433
1992.....	11,302	4,566	20.1	18.25	514.0	549
1993.....	11,725	4,982	21.9	19.25	667.3	823
1994.....	12,592	5,338	23.5	20.50	613.5	731
1995.....	14,332	6,161	27.1	22.25	744.9	942

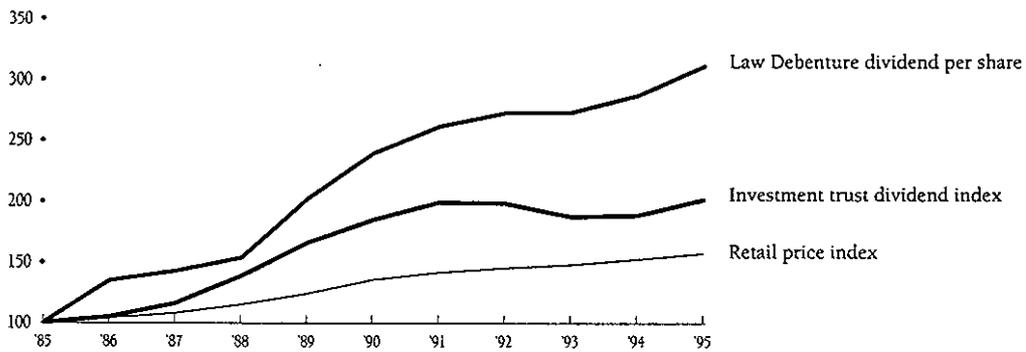
*Restated to reflect changes in accounting policies

Performance graphs

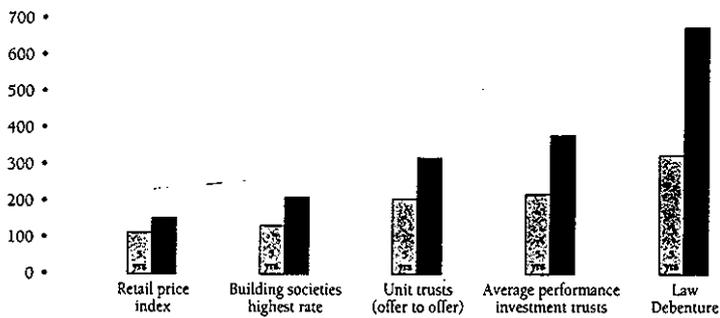
Growth in share price and net asset value
for the ten years to 31 December 1995, 1985 = 100



Gross dividend performance
31 December 1985 = 100



Value of £100 with net income reinvested over 5 years and 10 years
to 31 December 1995, £'s



Management review

The results for 1995 were most encouraging. The decline in net asset value experienced in 1994 was reversed with a 21.5% increase in net asset value and in addition we saw a strong growth in income and profits. Many factors contributed to this result.

Investment trust

The returns for the year were very satisfactory in terms of both capital and income; stock markets at home and overseas were sustained by lower interest rates as the threatened inflation failed to materialise and dividend declarations exceeded most expectations.

The performance of the US market was the outstanding feature, rising 35% on the back of falling bond yields and surplus liquidity. An increase of such a magnitude in the world's largest financial market is a rare event, the last occasion being in 1975 and prior to that 1958. Law Debenture's significant weighting in the US enabled it to take advantage of this.

The UK equity market could not match the returns being earned on Wall Street, but nevertheless achieved a 19% rise which is particularly good when viewed in the light of a 3% per annum rate of inflation and an economy which had slowed to a growth rate of only 1½% per annum by the end of the year. Falling bond yields kept the market on an upward trend despite the growing frequency of profit downgrades as companies found it difficult to adjust to the slow growth of the economy. The rise in the U.K. market was characterised by large upward movements in a relatively few large capitalisation stocks. It was therefore difficult for a broadly spread portfolio such as ours to match this. Nevertheless, we benefitted from these increases.

In Europe, the markets showed no consistent direction; in France the structural problems of an over-valued currency, an inflexible labour force and a poor financial system left equities flat; Germany, which tends to reward bondholders more than shareholders, was also a disappointment. Against this, Switzerland and the Netherlands, which rose by 26% and 16% respectively, provided some consolation.

Japan declined 23% in the first half year, caused by a continued slump, asset deflation, the Kobe earthquake and a banking system in severe difficulty. Moreover, Japan was being priced out of all world markets through the constant appreciation of the Yen. To counter this, the Japanese cut short term interest rates to one half of one percent. The second half of the year saw an equally

Management review continued

spectacular rise in the Japanese stock market which recovered to end 2% above where it started the year. Your company raised its exposure to the Japanese market progressively over the second half of the year, hedging the currency risk by matching it with Yen borrowings. By the year end these amounted to ¥957.4 million (approximately £6.0 million) at an average rate of interest of 0.81% per annum.

Our other international exposures were limited to Australia and Hong Kong which rose 15% and 19% respectively over the financial year. The smaller and emerging markets, which had been popular with global investors in the first half of the 1990's, did not perform well. We have avoided these markets.

Dividends received increased by 20.6% in the year. This was assisted by "special dividends" which were additional distributions by certain companies which may not recur. These amounts have been taken to income in the year and are thus distributable.

The balance sheet as at 31st December shows gross borrowings of £11,440,000 and cash balances of £11,382,000 which are largely held in sterling. This compares with gross borrowings of £4,976,000 and cash balances of £3,251,000 at the end of 1994. The increase in debt was principally due to Yen borrowings which were used to match the Japanese investments, whilst minimising the cost to the profit and loss account. The increase in cash held at the year end resulted in a neutral gearing position and will enable us to take advantage of good buying opportunities.

Fees under the investment management agreement with Henderson Financial Management Limited increased in line with the rise in the value of the assets under management.

Trustee services

In 1995, the international capital markets got off to a slow start and this had a corresponding impact upon loan capital trustee fees. However the momentum gathered pace as the year progressed, and enabled us to go forward into 1996 with a strong position on trustee income. As trustees to the debt issues by Barings group companies, we were involved in the proceedings which led up to the sale to ING and then subsequently working with bondholder groups to establish their respective legal positions through the courts. The recoverable expenses of these proceedings were inevitably considerable and account for the significant rise in current debtors and creditors on the balance sheet. As mentioned in the interim statement, trustee services also benefitted from unusually large fees in the first half of the year. The portfolio of active pension fund trusteeships continued to expand.

Management review continued**Office premises**

Our offices in Gresham Street were refurbished during the year, new cabling systems and air conditioning were installed, greatly enhancing the working conditions for our staff. The refurbishment costs, in accordance with our accounting policies, will be depreciated over the remaining life of our lease and account for the rise in tangible fixed assets on the balance sheet. Furthermore, a sub-lease on part of our space, surplus to requirements, ends on 25 December 1996, and the decision has been taken this year to provide for the difference between the contractual rent and the estimated rent receivable over the remainder of the lease. This is similar to the exercise carried out in 1992 and also results in an increase in the deferred tax liability disclosed under provision for liabilities and charges in note 16 to the accounts.

Corporate affairs

As has been mentioned in the Chairman's statement, use was made of the authority to issue new shares under the Share Savings Scheme and Personal Equity Plan. 78,345 shares were issued during the year at an average price of 946p per share which represents a premium on both the net asset value and the par value of 25p per share. The premium over par has been taken to share premium account.

Outlook

The outlook for the current year is always difficult to predict at this stage in the year. The dividend increases in the U.K. have been maintained in the first months of 1996, but it is unlikely that this level will be sustained throughout the year. Trustee services are as ever subject to capital markets activity.

Directors and other information

J. M. Kennedy (Chairman) (61). A former senior partner of Allen & Overy. A director of The Securities and Investments Board. Chairman of the audit and remuneration committees.

***C. C. B. Duffett** (Managing) (52). Appointed managing director in April 1988.

R. L. Bristow (66). A former executive director of CS First Boston Limited. Member of the audit and remuneration committees.

K. W. B. Inglis (52). Chairman of Fleming Investment Management Limited and a director of a number of other investment management companies. Member of the audit committee.

J. A. Morrell (68). A chairman and director of a number of investment trust companies.

H. D. Osborne, O.B.E. (68). A former managing director of Law Debenture. Member of the remuneration committee.

***R. J. Williams** (47). A former partner of Linklaters & Paines and a director of a number of investment trust companies.

*Executive

Secretary
John Howell

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London EC2V 7LY

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Fax: 0171 606 0643

(Registered in England and Wales number 30397)

Investment portfolio manager

Henderson Financial Management Limited

3 Finsbury Avenue

London EC2M 2PA

Stockbrokers

Cazenove & Co.

12 Tokenhouse Yard

London EC2R 7AN

Auditors

Price Waterhouse

Southwark Towers

32 London Bridge Street

London SE1 9SY

Bankers

Lloyds Bank Plc

National Westminster Bank Plc

The Royal Bank of Scotland plc

Global custodians

The Royal Bank of Scotland plc

Registrar and transfer office

The Royal Bank of Scotland plc

Registrar's Department

PO Box 82, Caxton House

Redcliffe Way, Bristol BS99 7NH

Telephone: 0117 930 6509

IMRO

Regulated by the Investment Management
Regulatory Organisation Limited



A member of the Association of
Investment Trust Companies

Report of the directors

The directors present to the shareholders their report and the accounts of the Corporation and the Group (the Corporation and its subsidiaries) for the year ended 31 December 1995.

Principal activities and business review

The Corporation carries on business as an investment trust company. The Corporation and certain of its subsidiaries are also trust corporations and act as trustees for issues of loan capital and other instruments by domestic and foreign issuers as well as acting as a trustee of pension funds. Other trustee services are also provided.

Business activities are reviewed in the chairman's statement and the management review.

Investments

A list of each investment as at 31 December 1995 with a market value in excess of £100,000 is shown on pages 40 & 41 and an analysis of the changes in the investments during the year is shown on page 42. The classification of investments is shown on page 43.

The assets attributable to ordinary shareholders increased during the year by 21.5% from £139,144,000 to £169,012,000, as compared with an increase of 18.5% in the FT-SE Actuaries All Share Index.

Revenue and dividends

The profit after taxation for the year ended 31 December 1995 was £6,161,000 compared with £5,338,000 for the previous year. The directors recommend a final dividend of 14.75p per ordinary share which, together with the interim dividend of 7.50p paid in October 1995, will make 22.25p in total (1994: 20.50p). An amount of £1,075,000 (1994: £675,000) has been transferred to consolidated revenue reserves after deducting ordinary dividends of £5,073,000 and preference dividends of £13,000.

Directors

The names of the directors at the date of this report are shown on page 9. Mr F. F. H. Charlton retired from the board on 25 April 1995. Mr K. W. B. Inglis was appointed a non executive director on 24 March 1995. All other directors held office throughout the year.

Report of the directors continued

In accordance with the articles of association, Mr H. D. Osborne and Mr R. J. Williams retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director has a service contract with any member of the Group in excess of one year or was materially interested in any other contract with any member of the Group.

During the year, the Corporation maintained liability insurance for the benefit of directors and other officers.

Directors' shareholdings

Beneficial interests in ordinary shares as at:

<u>Name of director</u>	<u>31 December 1995</u>	<u>1 January 1995</u>
R. L. Bristow.....	1,000	1,000
C. C. B. Duffett	9,204	8,200
K. W. B. Inglis	NIL	NIL
J. M. Kennedy	NIL	NIL
J. A. Morrell	1,000	1,000
H. D. Osborne	1,000	1,000
R. J. Williams	5,063	NIL

The above shareholdings include ordinary shares held on behalf of any director by the trustee of The Law Debenture Profit Sharing Plan.

No director has a beneficial interest in the shares of any subsidiary company, nor in the preference shares or debenture stock issued by the Corporation.

There has been no change in the directors' interests since the end of the financial year.

Employee participation

Employees are informed of the financial aspects of the Group's performance through management meetings. Copies of the annual and interim reports are made available to all employees.

The Corporation operates a profit sharing plan which enables employees to participate in the growth of profits earned from its trustee activities. The profit share is based on the performance of the trustee activity over a rolling two year period. All full time members of staff are eligible to participate in the plan after a minimum service requirement. The plan, which is approved under

Report of the directors continued

the Income and Corporation Taxes Act 1988, provides for employees to use their profit share to acquire shares in the Corporation bought in the market by the plan trustee.

The Corporation operates an SAYE scheme. Under the scheme, employees enter into a contract by which they undertake to save with National Westminster Bank Plc over a period of five years; they are then entitled to the total amount saved, plus a tax-free bonus. Options to subscribe for shares of the Corporation are granted at the outset of the savings contract at a price fixed at that time. At the end of five years employees may use the proceeds of their savings contract to subscribe for shares over which options have been granted. The monies may, alternatively, be held on deposit or withdrawn. The number of shares over which options were granted in May 1995 was 14,827 at an option price of 658p. All employees are eligible to participate in the scheme after completing a minimum service requirement. The scheme is approved under the Income and Corporation Taxes Act 1988.

The Corporation also operates an Executive Share Option Scheme which enables key executives who are responsible for the trustee business to be granted options to acquire ordinary shares of the Corporation. These incentives have been designed to foster a community of interest within the Group and are linked to long term employment. The scheme is approved under the Income and Corporation Taxes Act 1988. 75,000 options were granted in May 1995 at an option price of 813p. These arrangements will be reviewed in the light of the 1996 Finance Act.

Corporate governance

The Corporation complies with all of the provisions of the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance ("Cadbury").

The directors are of the view that it is appropriate to continue to adopt the going concern basis in preparing the accounts, as they believe that there are adequate resources available.

Report of the directors continued

Internal financial control

The board of directors has overall responsibility for the Group's system of internal financial control. These financial controls are established in order to safeguard Group assets, to ensure proper accounting records are maintained and that financial information used within the business or published is reliable. The systems of internal financial control are designed to provide reasonable but not absolute assurance against material misstatement or loss.

Key features of the Group's system of internal financial control are as follows:

- i) a comprehensive budgeting system of revenue and expenditure with an annual budget approved by the board;
- ii) a monthly comparison of actual results against budget and a quarterly comparison of forecasts against budget;
- iii) the control of key financial risks through clearly laid down authorisation levels and segregation of duties;
- iv) semi-annual external reporting to shareholders of the Group's performance;
- v) regular reporting to the board on legal, pension and insurance matters;
- vi) regular reporting to the board on cash management, taxation and accounting matters;
- vii) defined procedures for the budgeting, approval, control and review of capital expenditure;

In relation to the Group's investment activities, the manager, Henderson Financial Management Limited provides investment management services to the Corporation in accordance with the terms of the investment management agreement; custody of the Corporation's securities is provided by The Royal Bank of Scotland plc through a separate custody agreement.

As part of their procedures, the board monitors investment activities, in particular:

- by the establishment and maintenance of clearly defined investment guidelines;
- by ensuring the continuing appropriateness of the investment management and custody agreements;
- by the review of all investment transactions at each board meeting;
- by the regular reconciliation between the records of the global custodian and those of the Corporation.

The control systems of the Group address key business and financial risks. The directors, through the audit committee, have reviewed the effectiveness of the Group's system of internal financial control.

Report of the directors continued**Substantial holdings**

The following shareholders have notified the Corporation of their interests comprising 3% or more of the Corporation's ordinary share capital as at 19 March 1996.

Funds managed or advised by:

The Merchant Navy Officers Pension Fund	6.9%
M I Group	5.2%

Investment management

The investment portfolio is managed by Henderson Financial Management Limited, a subsidiary of Henderson Administration Group plc (Henderson), who were paid a fee during the year of £298,000 (1994: £247,000) under an agreement which is terminable by either party at 12 months' notice. The fee in 1995 was 0.2% (1994: 0.2%) of the average value of the investments under management over the preceding year.

Mr Morrell is a director of an investment trust which is managed by Henderson and which holds shares in Henderson. The Corporation holds no shares in Henderson, nor has it been notified that Henderson or funds managed by Henderson hold any shares in the Corporation.

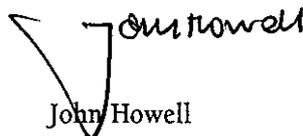
Charitable donations

During the year the Corporation made charitable donations of £8,000 (1994: £8,000).

Auditors

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed and, in accordance with Section 385 of the Companies Act 1985, a resolution will be proposed at the annual general meeting for their re-election and for their remuneration to be fixed by the directors.

By order of the board



John Howell

Secretary

19 March 1996

Report of the remuneration committee

Compliance

The board has adopted all of the provisions of the Code of Best Practice issued by the Study Group on Directors' Remuneration ("Greenbury") including where possible those which formally take effect only for accounting periods beginning on or after 31 December 1995.

The constitution and operation of the remuneration committee are in compliance with the principles of Greenbury which are now incorporated in Section A of the best practice provisions annexed to the Stock Exchange's Listing Rules.

The committee also confirms that full consideration has been given to the best practice provisions set out in Section B, annexed to the Listing Rules, in determining remuneration packages for executive directors.

Policy on remuneration of executive directors

(i) **Total remuneration:** the remuneration committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre.

(ii) **The main components:** the main components of executive directors' remuneration packages are:

Basic salary

Basic salary for each executive director is determined by the remuneration committee taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

Profit sharing

Qualifying executive directors participate annually on the same basis as members of staff in the growth of profits earned from the Group's trustee activities. The Law Debenture Profit Sharing Plan under which these benefits are provided is based on share, rather than cash benefits, to emphasise the alignment of interest between the participants and the Corporation's shareholders.

Executive share options

The board believes that share ownership by qualifying executive directors strengthens the link between their personal interests and those of shareholders. Grants of options under the Corporation's Executive Share Option Scheme are phased in over a period of years.

Report of the remuneration committee continued

(iii) Companies used for comparison: in assessing executive directors' pay and benefits, the committee compares the packages offered by comparable companies. These companies are chosen having regard to:

- a. the size of the company - its turnover, profits and number of people employed
- b. the diversity and complexity of its business; and
- c. the geographical spread of its business.

(iv) Policy on contracts of service: no executive director has a service contract with any member of the Group in excess of one year.

(v) Pensions policy: subject to eligibility, executive directors participate in the Law Debenture Pension Plan ("the Plan") on the same basis as members of staff.

The Plan is a funded, Inland Revenue approved, final salary, occupational pension scheme. Its main features are:

- a. a normal retirement age of 60
- b. pension at normal retirement age based on one forty fifth of final pensionable salary for each complete year of service, subject to a maximum of 30 years' service.
- c. life assurance cover of four times pensionable salary; and
- d. a surviving spouse's pension equal to 50% of the member's pension.

Pensionable salary is the member's basic salary, excluding all other benefits.

All Plan benefits are subject to Inland Revenue limits.

Directors' emoluments

The figures opposite represent emoluments earned as directors of the Corporation and its subsidiaries during the relevant financial year.

Benefits incorporate all benefits arising from employment by the Corporation which are assessable to income tax and are stated at the amounts so assessed.

Until detailed guidance is available from the Institute of Actuaries under Greenbury, the figures for pensions shown opposite are the contributions paid by the Corporation.

An ex-gratia payment of £8,500 was made to a former director in 1994.

Report of the remuneration committee continued

Name of director	Basic salary/ Fees £'000	Profit Share/ Bonus £'000	Benefits £'000	Total emoluments excluding pensions		Pensions	
				1995	1994	1995	1994
				£'000	£'000	£'000	£'000
Executive							
C.C.B.Duffett.....	137	15	8	160	156	33	33
R.J.Williams.....	29	4	8	41	38	-	-
Non executive							
R.L.Bristow	15	-	-	15	6	-	-
F.F.H. Charlton.....	5	-	-	5	6	-	-
K.W.B.Inglis.....	12	-	-	12	-	-	-
J.M.Kennedy	25	-	-	25	10	-	-
J.A.Morrell.....	15	-	-	15	6	-	-
H.D.Osborne	15	-	-	15	7	-	-
Total 1995	253	19	16	288	-	33	-
Total 1994	196	18	15	-	229	-	33

Directors' options

Options are held under the Corporation's Executive Share Option Scheme (EXSOS) and Save As You Earn Scheme (SAYE), as follows:-

Name of director	Ordinary shares under option					
	31 December 1994		Granted during year		31 December 1995	
	SAYE	EXSOS	SAYE	EXSOS	SAYE	EXSOS
C.C.B.Duffett.....	4,194	40,000	-	10,000	4,194	50,000
R.J.Williams.....	-	-	2,621	-	2,621	-

No other director of the Corporation in office at the date of this report held EXSOS or SAYE options at any time during the financial year. No share options held at the year end are yet exercisable.

SAYE options held by Mr Duffett are exercisable in 1997 at a price of 447p and those held by Mr Williams are exercisable in 2000 at a price of 658p. The EXSOS options granted during the year to Mr Duffett are exercisable at a price of 813p. At the year end Mr Duffett also held 30,000 EXSOS options granted in 1993 at a price of 625p and 10,000 EXSOS options granted in 1994 at a price of 742p. Options granted under the EXSOS are exercisable between three and ten years

Report of the remuneration committee continued

from the date of grant. Option prices are all lower than the middle market price on 31 December 1995, which was 942p, and the range during the year which was 719p to 994p. Full details of directors' shareholdings and options to subscribe are contained in the Corporation's register of directors' interests.



J.M. Kennedy

Chairman of the remuneration committee

19 March 1996

Directors' statement of responsibilities in relation to the accounts

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Corporation and the Group at the end of the financial year and of the profit or loss for the financial year.

The directors consider that, in preparing the financial statements on pages 22 to 39, the Corporation has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Corporation keeps accounting records which disclose with reasonable accuracy the financial position of the Corporation and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the auditors
to the members of The Law Debenture Corporation p.l.c.

Southwark Towers
32 London Bridge Street
London SE1 9SY



19 March 1996

We have audited the financial statements on pages 22 to 39 which have been prepared under the historical cost convention as modified by the revaluation of investments, and the accounting policies set out on page 26.

Respective responsibilities of directors and auditors

As described on page 19, the Corporation's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Corporation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Corporation and of the Group at 31 December 1995 and of the profit and total recognised gains and losses and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Rice Waterhouse
Price Waterhouse
Chartered Accountants and Registered Auditors

Report of the auditors

to the directors of The Law Debenture Corporation p.l.c. on corporate governance matters.

Southwark Towers
32 London Bridge Street
London SE1 9SY



19 March 1996

In addition to our audit of the financial statements, we have reviewed your statements on pages 12 to 13 on the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practising Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

In our opinion, your statements on internal financial controls on page 13 and on going concern on page 12, have provided the disclosures required by paragraphs 4.5 and 4.6 of the code (as supplemented by the related guidance for directors) and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the company and examination of relevant documents, your statement on page 13 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse

Price Waterhouse
Chartered Accountants

Group revenue account
for the year ended 31 December

	Notes	1995 £'000	1994 £'000
Group revenue			
Income from investments and deposits:	2		
Franked.....		4,778	3,971
Unfranked.....		2,331	1,923
		<u>7,109</u>	<u>5,894</u>
Trustee and other fees.....	3	7,163	6,602
Underwriting commission and other income		60	96
Gross revenue		<u>14,332</u>	<u>12,592</u>
Expenses and interest			
Administration expenses	4&5	(5,917)	(5,270)
Debenture stock interest.....		(20)	(20)
Bank loan interest.....		(243)	(194)
		<u>8,152</u>	<u>7,108</u>
Profit on ordinary activities before taxation	6	8,152	7,108
Taxation.....	7	(1,991)	(1,770)
		<u>6,161</u>	<u>5,338</u>
Profit on ordinary activities after taxation	8	6,161	5,338
Dividends on preference shares		(13)	(13)
		<u>6,148</u>	<u>5,325</u>
Profit attributable to ordinary shareholders		6,148	5,325
Dividends on ordinary shares.....	9	(5,073)	(4,650)
		<u>1,075</u>	<u>675</u>
Retained profit for the year	19	1,075	675
Earnings per ordinary share.....	10	27.10p	23.48p

There are no differences between the amounts reported in the Group revenue account and their unmodified historical cost equivalents.

The annexed notes form part of these accounts.

Statement of total recognised gains & losses

for the year ended 31 December

	1995 £'000	1994 £'000
Gains and losses on investments		
Realised gains and losses	8,546	9,878
Unrealised gains/(losses)	19,520	(22,756)
Capital surplus/(deficit) for the year	28,066	(12,878)
Revenue profit available for distribution	6,161	5,338
Total recognised gains/(losses) for the year	34,227	(7,540)

Reconciliation of movement in shareholders' funds

for the year ended 31 December

	1995 £'000	1994 £'000
Distributable profits		
Revenue profit available for distribution	6,161	5,338
Dividends	(5,086)	(4,663)
Transfer to distributable reserves	1,075	675
Increase/(decrease) in non-distributable reserves	28,066	(12,878)
Proceeds of issue of ordinary shares	727	-
Net addition/(reduction) in shareholders' funds	29,868	(12,203)
Shareholders' funds at 1 January	139,494	151,697
Shareholders' funds at 31 December	169,362	139,494

The annexed notes form part of these accounts.

Balance sheets

as at 31 December

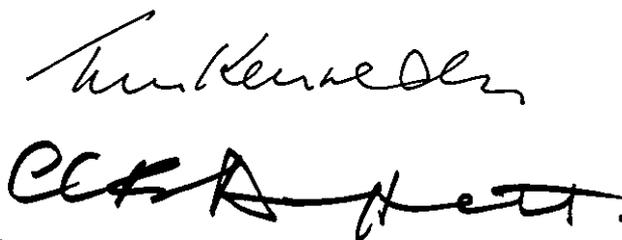
	Notes	Group		Corporation	
		1995 £'000	1994 £'000	1995 £'000	1994 £'000
Fixed assets					
Tangible.....	11	1,022	510	-	-
Investments.....	12	172,328	146,478	170,367	144,988
		<u>173,350</u>	<u>146,988</u>	<u>170,367</u>	<u>144,988</u>
Current assets					
Debtors.....	13	10,433	6,438	4,677	2,786
Bank balances and short term deposits.....		11,382	3,251	5,902	455
		<u>21,815</u>	<u>9,689</u>	<u>10,579</u>	<u>3,241</u>
Creditors					
Amounts falling due within one year.....	14	(19,746)	(11,504)	(14,542)	(10,262)
Net current assets/(liabilities)		<u>2,069</u>	<u>(1,815)</u>	<u>(3,963)</u>	<u>(7,021)</u>
Total assets less current liabilities		<u>175,419</u>	<u>145,173</u>	<u>166,404</u>	<u>137,967</u>
Creditors					
Amounts falling due after more than one year.....	15	(5,326)	(5,168)	(3,675)	(3,656)
Provision for liabilities and charges.....	16	(731)	(511)	-	-
Net assets		<u>169,362</u>	<u>139,494</u>	<u>162,729</u>	<u>134,311</u>
Capital and reserves					
Called-up share capital					
Preference shares.....	17	350	350	350	350
Ordinary shares.....	17	5,690	5,670	5,690	5,670
Share premium.....	17	711	4	711	4
Capital reserves.....	18	155,348	127,282	154,053	126,428
Revenue reserves.....	19	7,263	6,188	1,925	1,859
Shareholders' funds	20	<u>169,362</u>	<u>139,494</u>	<u>162,729</u>	<u>134,311</u>
(including non equity interests)					

Approved by the board on 19 March 1996
and signed on its behalf by

J. M. Kennedy

C. C. B. Duffett

} Directors



The annexed notes form part of these accounts.

Group cash flow statement
for the year ended 31 December

	Notes	1995		1994	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		6,999		6,348
Servicing of finance					
Debenture interest paid.....		(20)		(20)	
Bank interest paid		(243)		(194)	
Dividends paid:					
Preference shares		(13)		(13)	
Ordinary shares		(4,820)		(4,423)	
Net cash (outflow) from servicing of finance			(5,096)		(4,650)
Taxation					
UK corporation tax paid (including ACT)			(1,095)		(376)
Investing activities					
Purchase of tangible fixed assets		(788)		(310)	
Purchase of investments.....		(23,487)		(28,451)	
Sale of tangible fixed assets.....		49		92	
Sale of investments		24,090		23,835	
Net cash (outflow) from investing activities			(136)		(4,834)
Net cash inflow/(outflow) before financing			672		(3,512)
Financing					
Bank loan.....			(4,889)		(1,089)
Proceeds of issue of ordinary shares.....			(727)		-
Increase/(decrease) in cash	22		6,288		(2,423)
			672		(3,512)

The annexed notes form part of these accounts

Notes to the accounts

1 Statement of accounting policies

(i) **Convention:** The accounts have been prepared in accordance with the historical cost convention modified to incorporate the revaluation of investments and in accordance with applicable Accounting Standards.

(ii) **Basis of consolidation:** The Group accounts incorporate the accounts of The Law Debenture Corporation p.l.c. and its subsidiaries made up to the end of the financial year.

(iii) **Recognition of income and expenses:** Income from dividends and interest is included in gross revenue to the extent that it is receivable within the financial year. Any related tax credit or withholding tax deducted at source has been added back. Recurring fees receivable, administration expenses and interest charges are accounted for on an accruals basis. Non-recurring fees are recognised on a receipts basis. Where trustee expenses are recoverable from third parties, the recoveries and expenses are not included as income or expenses.

(iv) **Goodwill:** Goodwill, representing the excess of cost over fair value of assets acquired, is written off in the year of acquisition.

(v) **Tangible fixed assets:** Tangible fixed assets are recorded at historic purchase cost less accumulated depreciation. Depreciation has been calculated to write off the cost of all tangible fixed assets over the estimated useful lives of the relevant assets as follows:

Leasehold improvements	over the lease period
Office furniture and equipment	3 – 5 years
Motor vehicles	5 years

(vi) **Listed investments:** The market valuation of listed investments is based on middle market prices for those listed in the United Kingdom and at closing bid prices for those listed overseas. No taxation or expenses which might result from a sale of the investments at the balance sheet date have been taken into account.

(vii) **Unlisted investments:** Unlisted investments are valued by the directors at cost or where appropriate at directors' valuation.

(viii) **Deferred income:** Trustee fees received in respect of periods subsequent to the balance sheet date are carried forward as deferred income.

(ix) **Capital reserves:** Realised and unrealised capital gains and losses, together with exchange differences arising on the translation of foreign currency assets and liabilities, are reflected through capital reserves. Exchange differences arising on the translation of net assets of overseas subsidiaries are also taken to capital reserves.

(x) **Foreign currencies:** Transactions recorded in foreign currencies during the year are translated into sterling at the appropriate daily exchange rate. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date.

(xi) **Pension plan:** Contributions to the Corporation's pension plan are charged to the revenue account so as to spread the cost of pension benefits over employees' expected working lives with the Corporation.

(xii) **Deferred taxation:** This is calculated using the liability method in respect of timing differences arising between the accounting and tax treatments to the extent that it is probable that the asset will crystallise.

Notes to the accounts continued

2 Income from investments and deposits

	1995		1994	
	£000	£000	£000	£000
Income from investments and deposits arose from the following sources:				
(i) Franked income: listed		4,778		3,971
(ii) Unfranked income:				
(a) UK bank deposits	467		197	
Overseas bank deposits	56		42	
		523		239
(b) Listed equities	1,771		1,626	
Unlisted equities	37		58	
		1,808		1,684
Total unfranked		2,331		1,923
(iii) Total franked and unfranked		7,109		5,894

Special dividends of £217,000 (1994: £NIL) have been included in franked income.

Foreign income dividends of £186,000 (1994: £108,000) have been included in unfranked income.

In 1995, enhanced scrip dividends of £31,000 (1994: £NIL) were included in unfranked income. An amount equivalent to the cash dividend was taken to income, the enhanced element being credited to unrealised capital reserves.

3 Trustee and other fee income

	1995	1994
	£000	£000
Geographical analysis		
United Kingdom.....	4,787	4,055
Europe and the rest of the world.....	2,376	2,547
	7,163	6,602

Notes to the accounts continued

4 Administration expenses

	1995 £'000	1994 £'000
Administration expenses include:		
Salaries and directors' fees.....	1,927	1,846
Social security costs.....	178	170
Other pension costs.....	477	479
Employee profit sharing plan	190	199
Investment management fee	298	247
Depreciation	238	197
Provision for future rent	295	88
Office rent	402	380
*Auditors' remuneration	50	44
*(including the Corporation £17,000 (1994: £14,000))		

During the year, the Corporation employed an average of 57 staff (1994: 60).

Other fees paid to the auditors during the year amounted to £56,000 (1994: £70,000) in respect of taxation and other services. These figures do not include fees receivable by the auditors for work undertaken in connection with trusts where a member of the Group is a trustee.

Expenses are substantially all incurred within the UK.

5 Remuneration of directors

	1995 £'000	1994 £'000
Directors' emoluments, which comprise the following, are included in administration expenses.		
Directors' fees	87	35
Management remuneration.....	201	194
Pension contributions.....	33	33
	321	262

The total emoluments of the chairman were £25,000 (1994: £10,000). The emoluments of the highest paid director, which include an amount of £15,470 (1994: £15,314) accrued under the terms of the employee profit sharing plan, were as follows:

	1995 £'000	1994 £'000
Including pension contributions	192,698	188,423
Management remuneration.....	159,658	155,697

Notes to the accounts continued

5 Remuneration of directors continued

The number of directors whose emoluments, excluding pension contributions, fell within the following bands were as follows:

	1995 £'000	1994 £'000
£5,001 to £10,000.....	1	5
£10,001 to £15,000.....	4	-
£20,001 to £25,000.....	1	-
£35,001 to £40,000.....	-	1
£40,001 to £45,000.....	1	-
£155,001 to £160,000.....	1	1
	8	7

An analysis of each director's emoluments is shown in the table contained in the Report of the Remuneration Committee on page 17.

6 Analysis of profit on ordinary activities before taxation

	1995 £'000	1994 £'000
Investment trust activities	5,645	4,729
Trustee services	2,507	2,379
	8,152	7,108

All the profits of the Group arise from continuing activities.

7 Taxation

	1995 £'000	1994 £'000
Taxation, based on revenue for the year, comprises:		
UK corporation tax at 33% (1994: 33%)	1,108	981
Deferred taxation (note 16)	(73)	(5)
Less: relief for overseas withholding tax	(185)	(178)
	850	798
Tax on franked investment income	956	794
Overseas tax	185	178
	1,991	1,770

8 Profit on ordinary activities after taxation

The profit on ordinary activities after taxation includes £5,152,000 (1994: £4,566,000) dealt with in the accounts of the Corporation.

Notes to the accounts continued

9 Dividends on ordinary shares

	1995 £'000	1994 £'000
Dividends on ordinary shares comprise the following:		
Interim 7.50p (1994: 6.75p)	1,701	1,531
Proposed final 14.75p (1994: 13.75p)	3,372	3,119
Total for the year 22.25p (1994: 20.50p)	5,073	4,650

10 Earnings per ordinary share

Earnings per ordinary share are based on the profit attributable to ordinary shareholders of £6,148,000 (1994: £5,325,000) and on 22,689,246 (1994: 22,681,103) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

11 Tangible fixed assets

	Group			Total £'000
	Leasehold improvements £'000	Office furniture & equipment £'000	Motor vehicles £'000	
Cost				
Balance at 1 January 1995	372	467	356	1,195
Additions at cost	528	172	88	788
Disposals at cost	-	(20)	(86)	(106)
At 31 December 1995	900	619	358	1,877
Accumulated depreciation				
Balance at 1 January 1995	268	325	92	685
Provision for the year	68	99	71	238
Disposals	-	(20)	(48)	(68)
At 31 December 1995	336	404	115	855
Net book value at 31 December 1995	564	215	243	1,022
Net book value at 31 December 1994	104	142	264	510

The Corporation holds no tangible fixed assets.

Notes to the accounts continued

12 Investments

	Group		Corporation	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Summary				
Listed on recognised stock exchanges at market value:				
In United Kingdom	112,671	97,561	112,704	96,404
Overseas	59,130	48,131	57,126	47,763
Total listed.....	171,801	145,692	169,830	144,167
Unlisted at directors' valuation	527	786	447	731
	172,328	146,478	170,277	144,898
Shares in subsidiary undertakings at cost	-	-	90	90
Total investments	172,328	146,478	170,367	144,988
	Group £'000		Corporation £'000	
Changes in investments				
Market value of investments at 1 January 1995.....	146,478		144,898	
Unrealised net appreciation at 1 January 1995	(41,407)		(39,827)	
Cost of investments at 1 January 1995	105,071		105,071	
Currency translation differences	4		-	
Additions at cost	23,519		23,340	
Disposals at cost	(16,921)		(16,921)	
Cost of investments at 31 December 1995	111,673		111,490	
Unrealised net appreciation at 31 December 1995.....	60,655		58,787	
Market value of investments at 31 December 1995	172,328		170,277	

Included in investments in the Group balance sheet is a subsidiary undertaking, which is held in connection with the Corporation's trustee business and in which the Group holds voting rights. This undertaking has not been included in the Group consolidation as the Corporation's ability to exercise its rights as a parent company over the assets and management of this undertaking is severely restricted by contractual agreements with other parties. The Corporation received only a fixed trustee fee of £1,055 (1994: £838) in respect of this undertaking. There were no amounts owed at the year end (1994: £NIL).

Notes to the accounts continued

12 Investments continued

The Corporation, or a subsidiary thereof, owns all the issued share capital of the following principal subsidiaries, each of which is engaged in providing trustee services. All subsidiaries are registered in England and Wales unless otherwise stated. All of the subsidiaries listed below are included in the consolidated financial statements.

L.D.C. Trust Management Limited

Law Debenture Overseas Limited

The Law Debenture Corporation (H.K.) Limited (incorporated in Hong Kong)

The Law Debenture Trust Corporation (Cayman) Limited (incorporated in the Cayman Islands)

†The Law Debenture Trust Corporation (Channel Islands) Limited (incorporated in Jersey)

†The Law Debenture Intermediary Corporation p.l.c.

†The Law Debenture Trust Corporation p.l.c.

†L.D.C. Trustees Limited

†ICI Pensions Trustee Limited

†Zeneca Pensions Trustee Limited

†Shares held by a subsidiary

All the above mentioned subsidiaries operate in the United Kingdom with the exception of those subsidiaries incorporated overseas which operate in their country of incorporation.

Details of all subsidiary undertakings will be provided in the Corporation's annual return.

Associate undertakings:

SPV Management Limited

Due to the size of this holding, the investment has been accounted for at cost.

13 Debtors

	Group		Corporation	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
(a) Due within one year:				
Investments sold for future settlement	2,636	1,259	2,636	1,259
Corporation and other taxes recoverable.....	782	227	782	227
Amounts due from subsidiary undertakings	-	-	593	718
Other debtors	121	106	121	106
Trustee expenses recoverable	4,176	2,395	44	38
Prepayments and accrued income	2,450	2,251	474	406
Deferred taxation	44	25	-	-
	<u>10,209</u>	<u>6,263</u>	<u>4,650</u>	<u>2,754</u>
(b) Due after more than one year:				
Prepayments	27	32	27	32
Deferred taxation	197	143	-	-
	<u>10,433</u>	<u>6,438</u>	<u>4,677</u>	<u>2,786</u>

Notes to the accounts continued

14 Creditors: amounts falling due within one year

	Group		Corporation	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Borrowings (note 24)	7,770	1,330	5,978	1,089
Investments bought for future settlement	1,935	1,903	1,935	1,903
Amounts owed to subsidiary undertakings	-	-	2,511	3,367
Corporation and other taxes	950	706	82	282
Other creditors	222	178	43	18
Trustee expenses payable	3,574	2,736	17	15
Accruals	738	552	582	456
Deferred income	1,178	973	15	6
Final dividend (preference shares).....	7	7	7	7
Proposed final dividend (ordinary shares).....	3,372	3,119	3,372	3,119
	<u>19,746</u>	<u>11,504</u>	<u>14,542</u>	<u>10,262</u>

15 Creditors: amounts falling due after more than one year

	Group		Corporation	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Borrowings (note 24)	3,670	3,646	3,670	3,646
Deferred income	1,656	1,522	5	10
	<u>5,326</u>	<u>5,168</u>	<u>3,675</u>	<u>3,656</u>

16 Provision for liabilities and charges

	1995 £'000	1994 £'000
As at 1 January	511	496
Provision for the year	295	88
Utilisation in the year	(75)	(73)
As at 31 December	<u>731</u>	<u>511</u>

The additional provision in the year relates to the difference between the contractual and estimated rent receivable on surplus office space. This provision will be amortised over the term of the lease, six years.

Deferred tax

A deferred tax asset was originally established in 1992 to reflect the future tax benefit which will arise as the above payments are made.

	1995 £'000	1994 £'000
As at 1 January	(168)	(163)
Provision for the year	(98)	(29)
Utilisation in the year	25	24
As at 31 December	<u>(241)</u>	<u>(168)</u>

Notes to the accounts continued

17 Share capital

	1995 £'000	1994 £'000
Authorised share capital		
26,600,000 ordinary shares of 25p each.....	6,650	6,650
350,000 3.85% cumulative preference shares of £1 each.....	350	350
	7,000	7,000
Issued and fully paid share capital		
22,759,448 (1994: 22,681,103) ordinary shares of 25p each.....	5,690	5,670
350,000 3.85% cumulative preference shares of £1 each	350	350
	6,040	6,020

During the year to 31 December 1995, 78,345 Shares (1994: Nil) were allotted under the Share Savings Scheme and the Personal Equity Plan for a total consideration of £727,000 which includes a premium of £707,000.

During the year, 89,827 options were granted under the Corporation's executive and savings related share option schemes. At 31 December 1995, options under the schemes exercisable between 1996 and 2005 at prices ranging from 447p to 813p per share were outstanding in respect of 399,120 ordinary shares (1994: 323,148). During 1995, 13,855 options lapsed or were cancelled.

Executive Share Option Scheme

This scheme was introduced in 1993 as an incentive to key executives who are responsible for the Corporation's trustee business. The options granted under the scheme are normally exercisable between the third and tenth anniversaries of the option grant date. An analysis of options outstanding on 31 December 1995 is set out below:-

Date of grant	Number of options	Ordinary shares under option	Exercise price
4 August 1993.....	26	232,500	625p
17 May 1994.....	4	35,000	742p
25 May 1995.....	11	75,000	813p

Savings Related Share Option Scheme

This scheme was introduced in 1992 to enable employees to make regular savings in conjunction with an option for ordinary shares in the Corporation. Options are normally exercisable for a period of six months after the completion of the five year savings period. An analysis of the options outstanding at 31 December 1995 is set out below:

Date of grant	Number of options	Ordinary shares under option	Exercise price
3 June 1992.....	33	47,797	447p
2 April 1993.....	20	10,593	537p
26 May 1994.....	19	9,016	616p
26 May 1995.....	20	14,827	658p

Notes to the accounts continued

18 Capital reserves

	Group		Corporation	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Unrealised appreciation				
Balance at 1 January	40,963	63,719	39,728	61,675
Currency translation differences	272	12	260	184
Increase/(decrease) in unrealised surplus on investments.....	19,248	(22,768)	18,960	(22,131)
Balance at 31 December	60,483	40,963	58,948	39,728
Realised capital reserves				
Balance at 1 January	86,319	76,441	86,700	76,947
Net surplus on realisation of investments	8,546	9,878	8,405	9,753
Balance at 31 December	94,865	86,319	95,105	86,700
Total	155,348	127,282	154,053	126,428

Cumulative goodwill of £325,000, relating to companies presently within the Group, was written off directly to capital reserves in 1989.

19 Revenue reserves

	Group £'000	Corporation £'000
Balance at 1 January 1995	6,188	1,859
Retained profits for the year	1,075	66
Retained profits at 31 December 1995	7,263	1,925

20 Non-equity interests

Shareholders' funds include £350,000 in respect of non-equity interests. These interests relate to the following stock:

	1995 £'000	1994 £'000
£350,000 3.85% cumulative preference shares of £1 each	350	350

The cumulative preference shares, which are undated, constitute a single class and confer on the holders priority to holders of any other class of share in the payment of dividends and repayments of capital. The cumulative preference shareholders are not entitled to attend and vote at general meetings of the Corporation.

Notes to the accounts continued

21 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £'000	1994 £'000
Net revenue before interest payable and taxation.....	8,415	7,322
Depreciation charge.....	238	197
Profit on sale of tangible assets.....	(11)	(41)
Increase in debtors.....	(1,990)	(732)
Increase in creditors.....	1,627	708
Tax on franked investment income.....	(956)	(794)
UK and overseas withholding tax deducted at source.....	(324)	(312)
Net cash inflow from operating activities.....	<u>6,999</u>	<u>6,348</u>

22 Analysis of changes in cash and cash equivalents

	1995 £'000	1994 £'000
Cash balance at 1 January.....	3,010	5,433
Net cash inflow/(outflow).....	6,288	(2,423)
Effect of foreign exchange rate movements.....	292	-
Cash balance at 31 December.....	<u>9,590</u>	<u>3,010</u>

23 Analysis of balances of cash as shown in the balance sheet

	1995 £'000	1994 £'000	Change in the year £'000
Cash at bank and short term deposits.....	11,382	3,251	8,131
Less: Bank overdraft.....	(1,792)	(241)	(1,551)
	<u>9,590</u>	<u>3,010</u>	<u>6,580</u>

Notes to the accounts continued

24 Borrowings

The Group's borrowings have been classified by the earliest date on which repayment can be required as follows:

	Group		Corporation	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Borrowings falling due within one year:				
Unsecured multicurrency bank loans				
Drawn for 90 days or less.....	3,965	1,089	3,965	1,089
Drawn for between 90 and 180 days	2,013	-	2,013	-
Unsecured overdrafts				
Drawn for 90 days or less.....	1,792	241	-	-
Total (see note 14)	<u>7,770</u>	<u>1,330</u>	<u>5,978</u>	<u>1,089</u>
Borrowings falling due after more than one year:				
Unsecured multicurrency bank loans				
Between 2 and 5 years	3,220	3,196	3,220	3,196
Secured - other loans				
4.5% debenture stock.....	450	450	450	450
Total (see note 15)	<u>3,670</u>	<u>3,646</u>	<u>3,670</u>	<u>3,646</u>
Total borrowings.....	<u>11,440</u>	<u>4,976</u>	<u>9,648</u>	<u>4,735</u>

The bank overdrafts have been incurred in connection with the trustee business.

The 4.5% debenture stock, which is undated, is redeemable at par on 6 months notice at the discretion of the Corporation and is secured by a floating charge on the undertaking and assets of the Corporation.

The Corporation had unsecured multicurrency bank loans at varying rates of interest as follows:

- (i) *US Dollars*: US\$5.0 million (1994: US\$5.0 million) repayable in 1998, at fixed rates averaging 5.85%.
- (ii) *Japanese Yen*: Yen 957.3 million (1994: Yen 170.0 million) repayable in 1996 at various rates averaging 0.81%.

Notes to the accounts continued

24 Borrowings continued

	Group		Corporation	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Analysis of borrowings				
Unsecured				
Multicurrency bank loans	9,198	4,285	9,198	4,285
Overdraft	1,792	241	-	-
	<u>10,990</u>	<u>4,526</u>	<u>9,198</u>	<u>4,285</u>
Secured				
4.5% Debenture Stock	450	450	450	450
Total borrowings.....	<u>11,440</u>	<u>4,976</u>	<u>9,648</u>	<u>4,735</u>

25 Lease commitments

The Group had gross lease commitments of £565,000 for 1995 (1994: £565,000) in respect of property rental agreements expiring in more than five years.

26 Pension commitments

The Corporation operates a non-contributory pension plan providing benefits based on final salary. The assets of the plan are held separately from those of the Corporation and are invested in a managed fund operated by an insurance company.

The contributions of the Corporation to the plan are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 July 1994. The assumptions which had the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8% p.a., that salary increases would average 6½% p.a. and that present and future pensions would increase at the rate of 4% p.a. The valuation showed that the market value of the plan's assets at 1 July 1994 was £4,819,000 and that the actuarial value of those assets represented 100% of the benefits that had accrued to members, after allowing for expected future increases in salaries. The plan was fully funded on a discontinuance basis. The annual contributions of the Corporation for retirement benefits are 23.3% of salaries. In addition the Corporation pays the cost of death-in-service benefits amounting to approximately 1.1% of salaries.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the Corporation. The pension charge for the period was £477,000 (1994: £479,000).

Notes to the accounts continued

27 Contingent liabilities and capital commitments

In the normal course of business, the Corporation has contingent liabilities in respect of sub-underwriting commitments and uncalled capital on quoted, partly paid shares.

The Group has capital commitments, authorised but not contracted, of £NIL (1994: £370,000) in respect of office refurbishment costs.

Valuation of investments

(Holdings valued over £100,000 as at 31 December 1995)

The 133 (1994: 131) investments shown below represent 99.7% (1994: 99.9%) of the value of the Group's investment portfolio at 31 December 1995. Investments were held in 145 different companies (1994: 142).

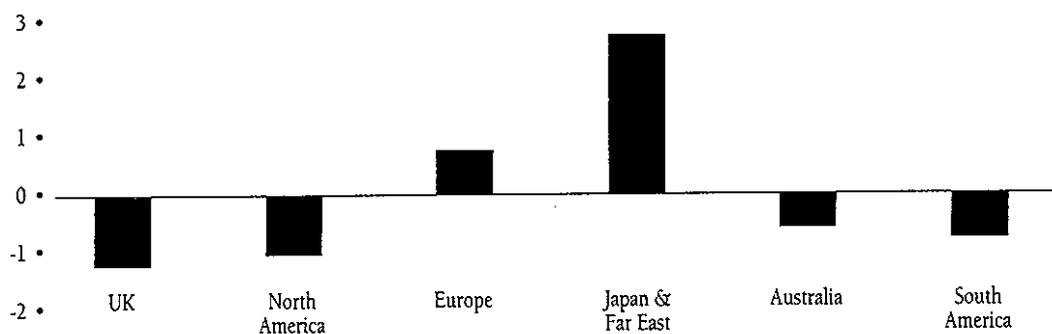
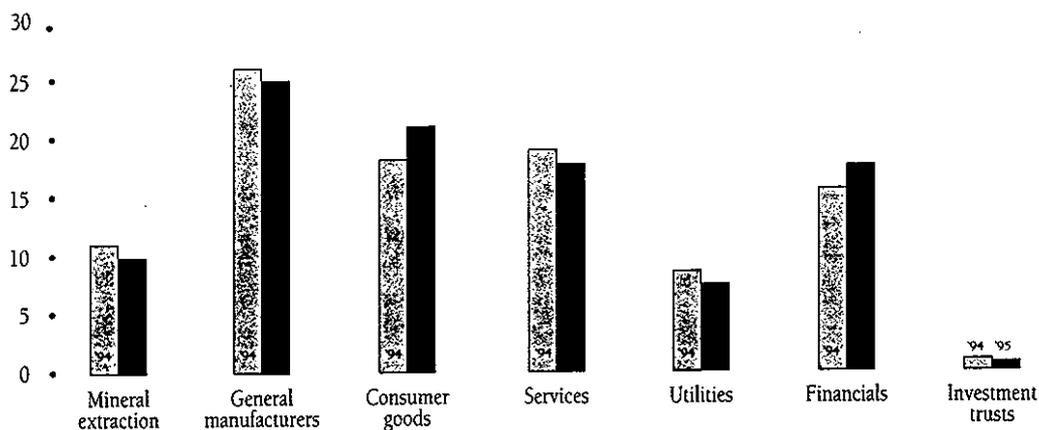
Mineral extraction	£'000	%		£'000	%
Extractive industries			Kyocera (Japan).....	1,197	0.69
WMC (Aust).....	1,656	0.96	Philips Elec (Neth).....	1,165	0.68
Rio Tinto Zinc Group.....	1,590	0.92	BICC.....	673	0.39
Broken Hill (Aust).....	1,274	0.74	Engineering		
English China Clays.....	951	0.55	British Aerospace.....	1,782	1.03
Oil integrated			Illinois Toolworks (USA).....	1,216	0.71
Shell T & T.....	4,090	2.37	Morgan Crucible.....	1,175	0.68
British Petroleum.....	2,338	1.36	APV.....	295	0.17
Elf Aquitaine (Fra).....	1,378	0.80	Engineering, vehicles		
Atlantic Richfield (USA).....	1,284	0.75	Pep Boys (USA).....	1,221	0.71
Chevron (USA).....	1,248	0.72	Lucas Inds.....	936	0.54
Oil exploration & production			Paper, packaging & printing		
Schlumberger (USA).....	1,338	0.78	David S. Smith.....	1,146	0.67
General Industrials			De La Rue.....	858	0.50
Buildings materials & merchants			Textiles & apparel		
Pilkington.....	1,263	0.73	Readicut.....	914	0.53
Redland.....	1,088	0.63	Consumer goods		
Boral (Aust).....	375	0.22	Alcoholic beverages		
Chemicals			Grand Metropolitan.....	1,995	1.16
Bayer A.G. (Ger).....	1,714	0.99	Allied Domecq.....	1,511	0.88
Fuji Photo Film (Japan).....	1,303	0.76	Guinness.....	1,421	0.82
BOC Group.....	1,101	0.64	Food producers		
I.C.I.....	915	0.53	Nestlé (Swiss).....	2,748	1.59
Croda.....	850	0.49	Coca Cola Amatil (Aust).....	1,542	0.89
Courtaulds.....	825	0.48	Cadbury Schweppes.....	1,330	0.77
Diversified industrials			Unigate.....	1,300	0.75
BTR.....	2,040	1.18	Pepsico (USA).....	1,296	0.75
Hanson.....	1,668	0.97	Booker.....	1,101	0.64
3M (USA).....	1,411	0.82	Burns Philp (Aust).....	1,082	0.63
Cookson Group.....	1,408	0.82	Albert Fisher.....	882	0.51
Tomkins.....	1,382	0.80	United Biscuits.....	443	0.26
TT Group.....	1,206	0.70	Household goods		
Swire Pacific (HK).....	1,125	0.65	Reckitt & Colman.....	1,589	0.92
Williams Holdings.....	1,115	0.65	KAO (Japan).....	1,119	0.65
Harsco (USA).....	1,011	0.59	Rubbermaid (USA).....	1,018	0.59
Harrisons & Crosfield.....	960	0.56	Health care		
Powell Duffryn.....	907	0.53	Baxter International (USA).....	1,349	0.78
Electronic & electrical equipment			Smith & Nephew.....	1,339	0.78
Siemens A.G. (Ger).....	1,667	0.97	Pharmaceuticals		
General Electric.....	1,469	0.85	Glaxo Wellcome.....	3,386	1.96
Grainger W.W. (USA).....	1,365	0.79	Smithkline Beecham.....	1,954	1.13
Hitachi (Japan).....	1,299	0.75			
GoldPeak Ind (HK).....	1,211	0.70			

Valuation of investments continued

	£'000	%		£'000	%
American Home (USA).....	1,624	0.94	Telecommunications		
Takeda Chemical (Japan).....	1,274	0.74	British Telecom.....	3,592	2.08
Zeneca.....	1,246	0.72	Cable & Wireless.....	1,251	0.73
Tobacco			Tele Danmark (Den).....	1,058	0.61
B.A.T. Industries.....	2,374	1.38	NTT (Japan).....	1,006	0.58
Philip Morris (USA).....	1,511	0.88	B.C.E. (Can).....	960	0.55
Services			Water		
Leisure & hotels			Severn Trent.....	1,539	0.89
Thorn EMI.....	1,669	0.97	Financial group		
Forte.....	1,485	0.86	Banks, retail		
Ladbroke Group.....	803	0.47	Lloyds TSB Group.....	2,155	1.25
Media			Standard Chartered.....	1,973	1.14
Reed International.....	1,472	0.85	Nat West Bank.....	1,947	1.13
Dun & Bradstreet (USA).....	1,376	0.80	U.B.S. (Swiss).....	1,732	1.00
United News & Media.....	1,109	0.64	HSBC.....	1,635	0.95
Retailers, food			Barclays.....	1,626	0.94
Sainsbury J.....	1,192	0.69	ABN Amro Bank (Neth).....	1,351	0.78
Tesco.....	1,084	0.63	Citicorp (USA).....	1,040	0.60
Kwik Save.....	939	0.54	National Australia (Aust).....	986	0.57
Retailers, general			Deutsche Bank (Ger).....	738	0.43
G.U.S.	1,917	1.11	Insurance		
Boots.....	1,542	0.89	GRE.....	1,399	0.81
Walgreen (USA).....	1,347	0.78	Cincinnati Financial (USA).....	1,324	0.77
W.H. Smith Group.....	1,272	0.74	Sun Alliance.....	1,119	0.65
Sears Holdings.....	1,139	0.66	General Accident.....	996	0.58
Cash America (USA).....	921	0.53	Sedgwick Group.....	968	0.56
Breweries, pubs & restaurants			Willis Corroon.....	386	0.22
Bass.....	1,846	1.07	Life assurance		
Scottish & Newcastle.....	1,410	0.82	Prudential Corp.....	1,411	0.82
Anheuser Busch (USA).....	1,292	0.75	London & Manchester.....	1,236	0.72
Support services			Other financial		
Service Corp Int (USA).....	1,417	0.82	M & G Group.....	1,153	0.66
PHH Group (USA).....	1,204	0.70	Gerrard & National.....	1,021	0.59
B.E.T.....	1,159	0.67	Man E.D. & F.....	728	0.42
Transport			Property		
Ocean Group.....	1,358	0.79	Land Securities.....	1,189	0.69
Transport Dev Group.....	935	0.54	Slough Estates.....	1,093	0.63
P & O.....	809	0.47	New World Dev (HK).....	983	0.57
Utilities			Hong Kong Land (HK).....	115	0.07
Electricity			Investment Trusts		
Scottish Hydro.....	1,364	0.79	Wigmore Property.....	761	0.46
London Electricity.....	402	0.23	Atlantic Income Fund (USA).....	374	0.22
Yorkshire Electricity.....	267	0.15	J.F. Five Arrows (Japan).....	120	0.05
Gas distribution					
British Gas.....	1,496	0.87			

Change in investments

	Valuation 31 Dec 1994 £'000	Purchases £'000	Sales Proceeds £'000	Appreciation/ (Depreciation) £'000	Valuation 31 Dec 1995 £'000
United Kingdom	97,583	12,212	(13,298)	16,240	112,737
North America	25,508	4,046	(8,786)	7,459	28,227
Europe	10,422	971	-	2,221	13,614
Japan & Far East	5,197	4,930	(441)	1,152	10,838
Australia	6,677	1,360	(1,856)	731	6,912
South America	1,091	-	(1,086)	(5)	-
	<u>146,478</u>	<u>23,519</u>	<u>(25,467)</u>	<u>27,798</u>	<u>172,328</u>

Changes in investment allocation – by region
per cent 1994-95Classification of investments – by sector
per cent

Classification of investments

based on market values at 31 December 1995

	United Kingdom %	North America %	Europe %	Japan & Far East %	Australia %	South America %	Total 1995 £'000	1995 %	Total 1994 £'000	1994 %
Mineral extraction										
Extractive industries	1.47				1.70		5,472	3.17	5,617	3.83
Oil integrated.....	3.73	1.47	0.80				10,338	6.00	8,596	5.87
Oil exploration & production.....		0.78					1,338	0.78	2,059	1.41
	<u>5.20</u>	<u>2.25</u>	<u>0.80</u>	<u>0.00</u>	<u>1.70</u>	<u>0.00</u>	<u>17,148</u>	<u>9.95</u>	<u>16,272</u>	<u>11.11</u>
General manufacturers										
Building mats & merchants	1.36				0.22		2,725	1.58	2,954	2.02
Chemicals	2.14		0.99	0.76			6,707	3.89	6,089	4.16
Diversified industrials	6.22	1.40		0.65			14,233	8.27	11,566	7.89
Electronic & elect equip	1.26	0.79	1.65	2.14			10,047	5.84	6,506	4.45
Engineering	1.88	0.71					4,470	2.59	4,692	3.21
Engineering - vehicles	0.54	0.71					2,157	1.25	2,014	1.37
Printing paper & packaging	1.17						2,004	1.17	3,708	2.53
Textiles & apparel	0.53						915	0.53	797	0.54
	<u>15.10</u>	<u>3.61</u>	<u>2.64</u>	<u>3.55</u>	<u>0.22</u>	<u>0.00</u>	<u>43,258</u>	<u>25.12</u>	<u>38,326</u>	<u>26.17</u>
Consumer goods										
Alcoholic beverages.....	2.86						4,927	2.86	3,356	2.30
Food producers	2.93	0.75	1.59		1.52		11,723	6.79	10,553	7.21
Household goods.....	0.91	0.59		0.67			3,726	2.17	1,233	0.84
Health care.....	0.78	0.78					2,688	1.56	2,398	1.64
Pharmaceuticals.....	3.86	0.94		0.70			9,483	5.50	6,458	4.41
Tobacco	1.38	0.88					3,885	2.26	2,768	1.89
	<u>12.72</u>	<u>3.94</u>	<u>1.59</u>	<u>1.37</u>	<u>1.52</u>	<u>0.00</u>	<u>36,432</u>	<u>21.14</u>	<u>26,766</u>	<u>18.29</u>
Services										
Leisure & hotels	2.30						3,957	2.30	3,277	2.24
Media.....	1.45	0.85					3,956	2.30	3,218	2.19
Retailers food.....	1.86						3,215	1.86	3,216	2.20
Retailers general	3.44	1.27					8,137	4.71	7,942	5.42
Breweries, pubs & restaurants	1.89	0.75					4,548	2.64	4,438	3.03
Support services	0.67	1.52					3,778	2.19	3,108	2.13
Transport.....	1.80	0.04					3,166	1.84	2,788	1.90
	<u>13.41</u>	<u>4.43</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>30,757</u>	<u>17.84</u>	<u>27,987</u>	<u>19.11</u>
Utilities										
Electricity	1.17						2,033	1.17	2,246	1.53
Gas distribution.....	0.87						1,496	0.87	1,850	1.26
Telecommunications	2.81	0.55	0.61	0.60			7,867	4.57	7,404	5.05
Water	0.89						1,539	0.89	1,189	0.81
	<u>5.74</u>	<u>0.55</u>	<u>0.61</u>	<u>0.60</u>	<u>0.00</u>	<u>0.00</u>	<u>12,935</u>	<u>7.50</u>	<u>12,689</u>	<u>8.65</u>
Financials										
Banks (Retail)	5.42	0.60	2.21		0.57		15,181	8.80	10,538	7.19
Insurance	2.82	0.77					6,192	3.59	4,056	2.76
Life assurance	1.54						2,647	1.54	2,566	1.75
Other financial.....	1.69		0.02	0.08			3,084	1.79	2,605	1.79
Property.....	1.32			0.64			3,379	1.96	3,182	2.17
	<u>12.79</u>	<u>1.37</u>	<u>2.23</u>	<u>0.72</u>	<u>0.57</u>	<u>0.00</u>	<u>30,483</u>	<u>17.68</u>	<u>22,947</u>	<u>15.66</u>
Investment trusts										
	0.46	0.23	0.03	0.05			1,315	0.77	1,491	1.01
Total 1995	<u>65.42</u>	<u>16.38</u>	<u>7.90</u>	<u>6.29</u>	<u>4.01</u>	<u>0.00</u>	<u>172,328</u>	<u>100.0</u>	-	-
Total 1994	<u>66.62</u>	<u>17.40</u>	<u>7.12</u>	<u>3.54</u>	<u>4.57</u>	<u>0.75</u>	-	-	<u>146,478</u>	<u>100.0</u>

(The above table excludes bank balances and short term deposits.)

Shareholder information

History and principal activities

The Corporation was incorporated in London as a financial trust on 12 December 1889; its share and loan capital is widely held and has always been listed on the London Stock Exchange. In 1975 the Corporation became an authorised investment trust. The Corporation's investments are managed by independent fund managers, presently Henderson Financial Management Limited.

For over 100 years the Group has acted as corporate trustee for issues of loan capital by corporate, institutional and sovereign borrowers both in the United Kingdom and overseas. Today the Group is the leading independent corporate trustee in the City of London, and acts as trustee of debenture stocks, unsecured loan stocks, eurobonds, pension funds, project financing, repackaging and a wide variety of other types of security. It also acts as a service of process agent for overseas companies.

Investment trust status

The Corporation carries on business as an investment trust company as defined in section 842(1) of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Corporation's status has been obtained for the year to 31 December 1994 and the Corporation has subsequently directed its affairs so as to enable it to continue to obtain such approval. So far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Corporation.

Capital gains tax

To help holders of shares and stocks in the Corporation to calculate their capital gains tax position, the prices of the Corporation's shares and stocks on 31 March 1982, the start of indexation allowance for inflation, were as follows:

	*Ordinary shares	3.85% cumulative preference shares	41/2% debenture stock
31 March 1982.....	77.3p	34.5p	29.25%
31 December 1994.....	731.0p	58.0p	50.00%
31 December 1995.....	942.0p	60.0p	52.00%

*Adjusted to reflect a 1 for 1 capitalisation issue in 1982.

Shareholder information continued

For those shareholders who have purchased shares through the Law Debenture Share Savings Scheme on a monthly basis, the Inland Revenue has rules for calculating the capital gains tax liability (if any) on the sale of such shares. In addition to the normal statutory basis for calculating the capital gains tax liability, an optional basis has been introduced. The optional basis allows taxpayers to aggregate the cost of the shares purchased monthly through the savings scheme during the Corporation's accounting year and treat them as if they were a single investment made in the seventh month of that year, which in the Corporation's case would be July. In this respect you are advised to keep a separate note of purchases made through the savings scheme since other purchases will not be eligible for the optional basis. Guidance notes prepared by the Association of Investment Trust Companies, which include a question and answer brief, should be read before you make a decision as to whether to choose the optional basis and these are available free of charge from the company secretary at the registered office.

Share price information

The market price of the ordinary shares is quoted daily in the Financial Times, The Times, The Daily Telegraph, The Guardian, The Independent and the Daily Mail. The Financial Times also provides a daily estimate of net asset value and the discount/premium.

For up-to-date share price information on the Corporation, ring Citycall in the UK on 0891 222 322.

Crest

CREST is the new settlement system for shares being developed by the Bank of England which is expected to become operational in July 1996. It is a voluntary system which will enable shareholders to hold and transfer their shares in electronic form rather than paper if they wish. Shareholders who wish to retain their share certificates will be able to do so. The development of CREST is being kept under review.

Shareholder information continued

Analysis of ordinary shareholdings

(a) By size of holding

Number of accounts	Per cent of total number of accounts	Size of holding shares	Number of shares	Per cent of ordinary capital
2,686	31.46	1-500	761,045	3.34
2,636	30.87	501-1,000	1,991,092	8.75
2,821	33.03	1,001-5,000	5,848,860	25.69
351	4.11	5,001-50,000	3,866,870	16.99
21	0.25	50,001-100,000	1,535,220	6.75
20	0.23	100,001-500,000	4,331,146	19.03
1	0.01	500,001-1,000,000	604,592	2.66
3	0.04	over 1,000,000	3,820,623	16.79
<u>8,539</u>	<u>100.0</u>		<u>22,759,448</u>	<u>100.0</u>

The above table is derived from the registrar's records at 31 December 1995.

(b) By category of shareholder

	Number of shares	Per cent of ordinary capital
Individuals	13,580,675	59.67
Bank nominees & other	3,270,158	14.37
Insurance companies	2,789,730	12.26
Pension funds.....	2,015,908	8.86
Trust companies.....	831,700	3.65
Public bodies.....	136,568	0.60
Investment companies.....	134,709	0.59
	<u>22,759,448</u>	<u>100.0</u>

Investment services to shareholders

The Corporation, in conjunction with the NatWest Group and The Royal Bank of Scotland plc, has designed a package of services to enable investors to build ordinary shareholdings conveniently and economically. Three separate methods of investment are available through National Westminster Bank Plc and The Royal Bank of Scotland plc.

- **A personal equity plan**

For investors seeking a tax efficient method of investing in the shares of the Corporation. The Plan Manager is National Westminster Bank Plc and can be contacted at:

National Westminster Bank Plc, NatWest PEP Office, FREEPOST, 55 Mansell Street, London E1 8BR.
Tel No: 0171 895 5600

- **A monthly share savings scheme**

Monthly savings from as little as £50 a month with a dividend reinvestment facility through the Administrator, The Royal Bank of Scotland plc. They can be contacted at:

The Administrator, The Law Debenture Corporation p.l.c., Share Savings Scheme, FREEPOST
EH3569, Edinburgh EG11 0FL. Tel No: 0131 523 6137

- **A postal share dealing service**

Regular dealings for lump sum investments or sales on preferential commission terms through NatWest Stockbrokers Limited. They can be contacted at:

National Westminster Bank Plc, Corporate and Banking Services, FREEPOST, 55 Mansell Street,
London E1 8BR. Tel No: 0171 895 5448

References to services provided by members of the NatWest Group have been approved for the purposes of section 57 of the Financial Services Act 1986 by National Westminster Bank Plc which is regulated by the Personal Investment Authority and IMRO.

The Royal Bank of Scotland plc is regulated by IMRO, The Securities and Futures Authority and the Personal Investment Authority.

NatWest Stockbrokers Limited is a member of the London Stock Exchange and regulated by the Securities and Futures Authority.

Please remember that the value of shares and the income from them, can fall as well as rise, and that you may not recover the amount originally invested. This is not a recommendation to buy, hold or sell shares in The Law Debenture Corporation p.l.c. If you require any advice, you should consult a professional adviser who is duly authorised under the Financial Services Act 1986.

Statements about taxation are based on current legislation and Inland Revenue practice, which may change. The availability and value of any tax reliefs depend on your personal circumstances.

Trustee services

The Law Debenture Trust Corporation p.l.c.

Directors

J. M. Kennedy (Chairman)
C. C. B. Duffett (Managing Director)*
Denyse M. Anderson*
R. L. Bristow
K. W. B. Inglis
G. I. Lane*
J. R. Mason-Jebb*
B. J. McNess*
J. A. Morrell
D. F. Norris*
H. D. Osborne O.B.E.
R. F. Thomas*
R. J. Williams*

*Executive

Company Secretary

J. K. Howell

Chief Accountant

M. A. Caldicott

Loan Capital Trusteeships

New Business

J. R. Mason-Jebb
Denyse M. Anderson
C. L. C. Rakestrow

Administration

D. F. Norris
Abigail Holladay

Structured Finance

N. G. Rice
W. J. Rowland

Project Finance and Money Trusts

G. N. J. Copson

Pension Scheme Trusteeships

R. F. Thomas
B. J. McNess

Service of Process

J. Clements
Anne L. Hills

Financial calendar

Dividend and interest payments

Ordinary shares

Interim announced August

paid October

Final announced March

paid May

Preference shares

paid 1 February and 1 August

4½% debenture stock

paid 1 June and 1 December

Group results

Half year results

Announced in July

Full year results

Announced in March

Report and accounts

Published in March

Annual general meeting

Held in London in April

Payment methods for dividends

Dividends and interest can be paid to shareholders by means of BACS (Bankers Automated Clearing System). Mandate forms for this purpose are available on request from the Corporations' Registrars (see page 9).