

**TRG ESOT LIMITED**

**Report and Financial Statements**

**31 March 2005**



# **TRG ESOT LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# **TRG ESOT LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R G Adam  
F A W Bowden  
R Brindley  
J M Christie  
D C Hamilton  
S R Klein  
E Lindsay  
G D Miller  
C A G Parr

#### **SECRETARY**

G D Miller

#### **REGISTERED OFFICE**

Markinch  
Glenrothes  
Fife  
KY7 6PB

#### **BANKERS**

The Royal Bank of Scotland plc  
18 Crossgate  
Cupar  
Fife  
KY15 5HH

#### **SOLICITORS**

Dundas & Wilson CS  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN

#### **AUDITORS**

Deloitte & Touche LLP  
Edinburgh

# TRG ESOT LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

## RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £6,230 (2004: £3,419).

## PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENTS

The company is non-trading and acts as the sole corporate Trustee of the Tullis Russell Group Employee Share Ownership Trust, the Tullis Russell Group Second Employee Share Ownership Trust and the Tullis Russell Group Limited Employee Share Ownership Plan ("the Trusts"). The Trusts are part of an Employee Share Ownership Plan (ESOP) set up for the benefit of the employees of the parent undertaking and its subsidiaries.

A non-statutory consolidated income and expenditure account and a consolidated balance sheet for TRG ESOT Limited and the Trusts are presented on pages 9 and 10.

The Trusts acquired shares in Tullis Russell Group Limited following their conversion from loan stock. Shares were also sold to the Tullis Russell Group Employee Profit Sharing Share Scheme for distribution to employees.

## DIRECTORS

The present membership of the Board is set out on page 1.

Directors' interests in the share capital of the parent undertaking, except for those directors who were also directors of the parent undertaking, were as follows:-

	Ordinary 10p shares	
	At 31 March	At 31 March
	2005 Number	2004 Number
E Lindsay	14,116	13,668
D C Hamilton	34,530	30,082
G D Miller	23,496	19,048
R Brindley	22,831	22,383
R G Adam	6,733	6,285

The relevant interests in share capital for directors who were directors of Tullis Russell Group Limited are disclosed in the annual report of Tullis Russell Group Limited.

## AUDITORS

A resolution for the reappointment of Deloitte & Touche LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board



G D Miller  
Secretary

5 July 2005

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRG ESOT LIMITED**

We have audited the financial statements of TRG ESOT Limited for the year ended 31 March 2005 which comprise the income and expenditure account, the balance sheet and the related notes 1 to 5. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely for the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 company'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 the company's affairs as at 31 March 2005 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

6 July 2005

# TRG ESOT LIMITED

## INCOME AND EXPENDITURE ACCOUNT For the year ended 31 March 2005

	2005 £	2004 £
<b>INCOME : continuing operations</b>		
Bank interest received	6,230	3,419
<b>SURPLUS FOR YEAR</b>	6,230	3,419
Taxation	-	-
<b>RETAINED SURPLUS FOR YEAR</b>	6,230	3,419

There are no recognised gains or losses for the current or preceding financial year other than those disclosed in the Income and Expenditure Account above. Accordingly, no Statement of Total Recognised Gains and Losses is given.

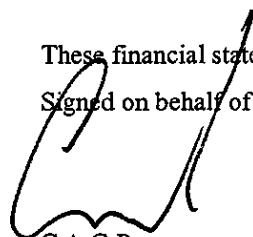
# TRG ESOT LIMITED

## BALANCE SHEET 31 March 2005

	Note	2005 £	2004 £
<b>CURRENT ASSETS</b>			
Cash at bank		274,304	208,085
<b>CREDITORS: amounts falling due within one year</b>			
Amounts due to the Trusts		(264,036)	(204,047)
<b>NET ASSETS</b>		<u>10,268</u>	<u>4,038</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	3	2	2
Income and expenditure account		<u>10,266</u>	<u>4,036</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>10,268</u>	<u>4,038</u>

These financial statements were approved by the Board of Directors on 5 July 2005.

Signed on behalf of the Board of Directors



C A G Parr  
Director



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2005**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The accounts are prepared under the historical cost convention.

**Accounts Format**

The directors have taken advantage of paragraph 3 (3) of Schedule 4 of the Companies Act 1985 to adapt the Income and Expenditure Account from the prescribed formats of Schedule 4. The revised format in their opinion better reflects the nature of the company's activities.

**2. ADMINISTRATIVE EXPENSES**

Certain administrative expenses (including Auditors' remuneration of £2,300 (2004: £2,300)) are borne by Tullis Russell Group Limited.

The company has not paid its directors any remuneration in the current or previous years.

**3. SHARE CAPITAL**

	2005 £	2004 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

**4. PARENT UNDERTAKING**

The company's immediate and ultimate parent undertaking is Tullis Russell Group Limited. Copies of the financial statements may be obtained from Companies House, 27 Castle Terrace, Edinburgh, EH7 2EB.

**5. RELATED PARTY TRANSACTIONS**

The Trusts (as set out on page 2) are related parties to the company. The Trusts have advanced funds to the company amounting to £59,989 (2004: £69,984). At the year end the balance due to the Trusts amounted to £264,036 (2004: £204,047).

# **TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS**

## **ADDITIONAL INFORMATION**

The following pages provide financial information on the Tullis Russell Group Employee Share Ownership Trusts both as individual entities and consolidated with the accounts of the trustee company. This is non-statutory information and does not form part of the audited accounts of the company.

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# TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2005

	2005 £	2004 £
<b>INCOME : continuing operations</b>		
Bank interest received	6,230	3,419
Gain on sale of investments	51,393	61,234
	<u>57,623</u>	<u>64,653</u>
<b>SURPLUS FOR YEAR</b>		
Taxation	(1,744)	-
	<u>55,879</u>	<u>64,653</u>
<b>RETAINED SURPLUS FOR YEAR</b>		

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2005

	2005 £	2004 £
Surplus for the financial year	55,879	64,653
(Deficit)/surplus arising on revaluation of investments	(1,062,378)	1,706,519
	<u>(1,006,499)</u>	<u>1,771,172</u>
<b>Total recognised gains and losses relating to the year</b>		

# TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

## CONSOLIDATED BALANCE SHEET 31 March 2005

	Note	2005 £	2004 £
<b>CURRENT ASSETS</b>			
Investments	2	4,244,180	5,577,680
Amount due from parent undertaking		1,509,753	1,228,968
Bank		274,304	208,085
		<u>6,028,237</u>	<u>7,014,733</u>
<b>CREDITORS: amounts falling due within one year</b>			
Amounts due to fellow subsidiary		(136,607)	(56,791)
Other creditors		<u>(84,508)</u>	<u>(144,321)</u>
		<u>(221,115)</u>	<u>(201,112)</u>
<b>NET ASSETS</b>		<u>5,807,122</u>	<u>6,813,621</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		2	2
Income and expenditure account	3	6,437,106	6,381,227
Revaluation reserve	3	<u>(629,986)</u>	<u>432,392</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>5,807,122</u>	<u>6,813,621</u>

# TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

## NOTES TO THE CONSOLIDATED STATEMENTS

31 March 2005

### 1. ACCOUNTING POLICIES

#### Basis of consolidation

The information on pages 9 to 12 consolidate the accounts of TRG ESOT Limited with the Tullis Russell Employee First Share Ownership Trust, the Tullis Russell Group Employee Second Share Ownership Trust and the Tullis Russell Group Limited Employee Share Ownership Plan (the "Trusts") for which it acts as sole corporate Trustee. The Trusts are part of an Employee Share Ownership Plan (ESOP) set up for the benefit of the employees of the parent undertaking and its subsidiaries.

#### Investments

Investments are stated at current value based on the latest share valuation carried out prior to the balance sheet date. The sale and purchase of shares can only take place during an annual "share window" and transactions during that period are matched, with a balancing increase or decrease in shares held. Where there is a net decrease the gain or loss is calculated by reference to original cost on a last in first out basis.

### 2. INVESTMENTS

<b>Tullis Russell Group Second Employees Share Ownership Trust</b>		
<b>Ordinary shares of 10p each in Tullis Russell Group Limited at cost</b>	<b>Number</b>	<b>Value £</b>
At 1 April 2004	6,802,049	5,145,288
Shares transferred	(467,452)	(271,122)
At 31 March 2005	<u>6,334,597</u>	<u>4,874,166</u>
Shares at market value		
At 31 March 2005	<u>6,334,597</u>	<u>4,244,180</u>

The Ordinary Shares were valued at £0.67 per share in July 2004. The valuation is done on the basis that Tullis Russell Group Limited remains as a going concern and that any sales are between a willing buyer and a willing seller.

The Trust has waived entitlement to dividends totalling £136,000 (2004: £148,000).

# TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

## NOTES TO THE CONSOLIDATED STATEMENTS

31 March 2005

### 2. INVESTMENT (CONTINUED)

In addition to the above holdings, shares which have been awarded to beneficiaries under the Tullis Russell Group Limited Employee Share Ownership Plan are held by the trustees as follows:

<b>Tullis Russell Group Limited Employee Share Ownership Plan Awarded ordinary shares of 10p each in Tullis Russell Group at cost</b>	<b>Number</b>	<b>Value £</b>
At 1 April 2004	4,391,155	1,802,105
Shares awarded	583,979	400,588
Shares sold by beneficiaries	(427,186)	(169,211)
At 31 March 2005	4,547,948	2,033,482
Shares at market value At 31 March 2005	4,547,948	3,047,125

### 3. RESERVES

	<b>Income and Expenditure Account £</b>	<b>Revaluation Reserve £</b>
At 1 April 2004	6,381,227	432,392
Retained surplus for year	55,879	-
(Deficit)/surplus arising on revaluation of investments	-	(1,062,378)
At 31 March 2005	6,437,106	(629,986)

# **TULLIS RUSSELL GROUP LIMITED EMPLOYEE SHARE OWNERSHIP PLAN**

## **INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2005**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>INCOME</b>		
Gain on sale of investments	51,393	61,234
	<u>51,393</u>	<u>61,234</u>
<b>EXPENDITURE</b>		
Income tax	(1,744)	-
	<u>(1,744)</u>	<u>-</u>
Net "new money"	<u>49,649</u>	<u>61,234</u>

## **FUND ACCOUNT**

**For the year ended 31 March 2005**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
At 1 April 2004	893,474	832,240
Net "new money"	49,649	61,234
At 31 March 2005	<u>943,123</u>	<u>893,474</u>

## **NET ASSETS STATEMENTS**

**31 March 2005**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>CURRENT ASSETS/(LIABILITIES)</b>		
Amount due to TRG ESOT Limited	(566,630)	(335,494)
Amount due by Tullis Russell Group Limited	1,509,753	1,228,968
	<u>943,123</u>	<u>893,474</u>

# **TULLIS RUSSELL GROUP EMPLOYEE SECOND SHARE OWNERSHIP TRUST**

## **INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2005**

There was no income and expenditure during the years ended 31 March 2005 and 31 March 2004.

## **FUND ACCOUNT**

**Year ended 31 March 2005**

	2005 £	2004 £
At 1 April 2004	5,916,108	4,209,589
Net "new money"	-	-
Unrealised gain/(loss) in value of investments:		
At end of year	(629,986)	432,392
At start of year	432,392	(1,274,127)
	<u>(1,062,378)</u>	<u>1,706,519</u>
Increase in year	(1,062,378)	1,706,519
At 31 March 2005	<u>4,853,730</u>	<u>5,916,108</u>

## **NET ASSETS STATEMENTS**

**31 March 2005**

	2005 £	2004 £
<b>INVESTMENTS</b>	4,244,180	5,577,680
<b>CURRENT ASSETS</b>		
Amount due by TRG ESOT Limited	<u>609,550</u>	<u>338,428</u>
	<u>4,853,730</u>	<u>5,916,108</u>