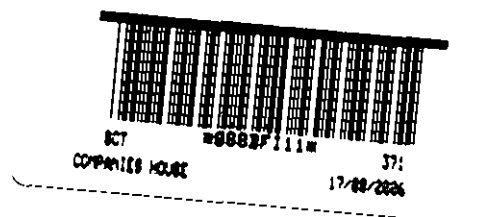


**TRG ESOT LIMITED**

**Report and Financial Statements**

**31 March 2006**



**REPORT AND FINANCIAL STATEMENTS 2006**

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**REPORT AND FINANCIAL STATEMENTS 2006**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R G Adam  
F A W Bowden  
R Brindley  
J M Christie  
D C Hamilton (Resigned 25 November 2005)  
S R Klein (Resigned 31 May 2005)  
E Lindsay  
G D Miller  
J A Mowbray (Appointed 25 November 2005)  
D C Munro (Appointed 31 May 2005)  
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 LLP  
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 2006.

### RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £7,776 (2005 £6,230).

### 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, the parent undertaking, 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 2006	At 31 March 2005
	Number	Number
E Lindsay	14,600	14,116
J A Mowbray	15,595	17,487
G D Miller	25,676	23,496
R Brindley	25,011	22,831
R G Adam	7,691	6,733

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

### AUDIT INFORMATION

In the case of each of the persons who are directors of the company at the date when this report was approved:-

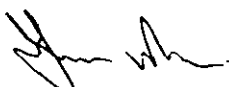
- so far as each of the directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

### 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

4 July 2006

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed; and
- (d) 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 1985. 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 2006 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its surplus for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Edinburgh

11 July 2006

**INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 March 2006**

	2006 £	2005 £
<b>INCOME : continuing operations</b>		
Bank interest received	7,776	6,230
	<hr/>	<hr/>
<b>SURPLUS FOR YEAR</b>	7,776	6,230
	<hr/>	<hr/>
Taxation	-	-
	<hr/>	<hr/>
<b>RETAINED SURPLUS FOR YEAR</b>	7,776	6,230
	<hr/>	<hr/>
Surplus at the start of the year	10,266	4,036
	<hr/>	<hr/>
<b>SURPLUS AT THE END OF THE YEAR</b>	<u>18,042</u>	<u>10,266</u>

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.

**BALANCE SHEET**  
**31 March 2006**

	Note	2006 £	2005 £
<b>CURRENT ASSETS</b>			
Cash at bank		335,341	274,304
<b>CREDITORS: amounts falling due within one year</b>			
Amounts due to the Trusts		(317,297)	(264,036)
<b>NET ASSETS</b>		<u>18,044</u>	<u>10,268</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	3	2	2
Income and expenditure account		18,042	10,266
<b>SHAREHOLDERS' FUNDS</b>		<u>18,044</u>	<u>10,268</u>

These financial statements were approved by the Board of Directors on 4 July 2006

Signed on behalf of the Board of Directors



C A G Parr  
Director



## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2006

#### 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 £2,345 (2005: £2,300)) are borne by Tullis Russell Group Limited.

The company has not paid its directors any remuneration in the current or previous years. There were no employees, other than directors, in either year.

#### 3. SHARE CAPITAL

	2006 £	2005 £
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid:</b>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

#### 4. PARENT UNDERTAKING

The immediate and ultimate parent undertaking and ultimate controlling party is Tullis Russell Group Limited. The only group into which the results of this company are consolidated is headed by Tullis Russell Group Limited. Copies of the financial statements of Tullis Russell Group Limited 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 of the company. The Trusts have advanced funds to the company during the year amounting to £53,261 (2005: £59,989). At the year end the balance due to the Trusts amounted to £317,297 (2005: £264,036).

## **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 financial statements of the trustee company. This is non-statutory information and does not form part of the audited financial statements of the company.

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<b>Consolidated income and expenditure account</b>	<b>9</b>
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<b>Notes to the consolidated information</b>	<b>11</b>
<b>Tullis Russell Group Employee Share Ownership Plan</b>	<b>13</b>
<b>Tullis Russell Group Employee Second Share Ownership Trust</b>	<b>14</b>

# TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2006

	2006 £	2005 £
<b>INCOME : continuing operations</b>		
Bank interest received	7,776	6,230
Gain on sale of investments	61,797	51,393
	<hr/>	<hr/>
<b>SURPLUS FOR YEAR</b>	69,573	57,623
	<hr/>	<hr/>
Taxation	(5,490)	(1,744)
	<hr/>	<hr/>
<b>RETAINED SURPLUS FOR YEAR</b>	64,083	55,879
	<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2006

	2006 £	2005 £
Surplus for the financial year	64,083	55,879
Surplus/(deficit) arising on revaluation of investments	254,933	(1,062,378)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	319,016	(1,006,499)
	<hr/>	<hr/>

# TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

## CONSOLIDATED BALANCE SHEET 31 March 2006

	Note	2006 £	2005 £
<b>CURRENT ASSETS</b>			
Investments	2	4,243,098	4,244,180
Amount due from parent undertaking		1,836,655	1,509,753
Bank		335,341	274,304
		<u>6,415,094</u>	<u>6,028,237</u>
<b>CREDITORS: amounts falling due within one year</b>			
Amounts due to fellow subsidiary		(188,148)	(136,607)
Other creditors		(100,808)	(84,508)
		<u>(288,956)</u>	<u>(221,115)</u>
<b>NET ASSETS</b>		<u>6,126,138</u>	<u>5,807,122</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		2	2
Income and expenditure account	3	6,501,189	6,437,106
Revaluation reserve	3	(375,053)	(629,986)
<b>SHAREHOLDERS' FUNDS</b>		<u>6,126,138</u>	<u>5,807,122</u>

**NOTES TO THE CONSOLIDATED INFORMATION**

**Year ended 31 March 2006**

**1. ACCOUNTING POLICIES**

**Basis of consolidation**

The information on pages 9 to 12 consolidate the accounts of TRG ESO1 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>Value</b>
<b>Ordinary shares of 10p each in Tullis Russell Group Limited at cost</b>	<b>Number</b>	<b>£</b>
At 1 April 2005	6,334,597	4,874,166
Shares transferred	(441,406)	(256,016)
At 31 March 2006	<u>5,893,191</u>	<u>4,618,150</u>
Shares at market value		
At 31 March 2006	<u>5,893,191</u>	<u>4,243,098</u>

The Ordinary Shares were valued at £0.72 per share in July 2005. 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 £118,000 (2005: £136,000).

**NOTES TO THE CONSOLIDATED INFORMATION**  
**Year ended 31 March 2006**

**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 2005	4,547,948	2,033,482
Shares awarded	518,332	369,353
Shares sold by beneficiaries	(1,229,864)	(482,356)
At 31 March 2006	<u>3,836,416</u>	<u>1,920,479</u>
Shares at market value At 31 March 2006	<u>3,836,416</u>	<u>2,762,220</u>

**3. RESERVES**

	<b>Income and Expenditure Account £</b>	<b>Revaluation Reserve £</b>
At 1 April 2005	6,437,106	(629,986)
Retained surplus for year	64,083	-
Surplus arising on revaluation of investments	-	254,933
At 31 March 2006	<u>6,501,189</u>	<u>(375,053)</u>

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

## **INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2006**

	2006 £	2005 £
<b>INCOME</b>		
Gain on sale of investments	61,797	51,393
	<u>61,797</u>	<u>51,393</u>
<b>EXPENDITURE</b>		
Income tax	(5,490)	(1,744)
	<u>(5,490)</u>	<u>(1,744)</u>
Net "new money"	<u>56,307</u>	<u>49,649</u>

## **FUND ACCOUNT**

**For the year ended 31 March 2006**

	2006 £	2005 £
At 1 April 2005	943,123	893,474
Net "new money"	<u>56,307</u>	<u>49,649</u>
At 31 March 2006	<u>999,430</u>	<u>943,123</u>

## **NET ASSETS STATEMENT**

**31 March 2006**

	2006 £	2005 £
<b>CURRENT ASSETS/(LIABILITIES)</b>		
Amount due to TRG ESOT Limited	(548,269)	(345,514)
Amount due by Tullis Russell Group Limited	1,836,655	1,509,753
Amount due to TR (1987) Employee Benefits Trust	(188,148)	(136,608)
Other creditors	(98,475)	(84,508)
Corporation tax payable	<u>(2,333)</u>	<u>-</u>
	<u>999,430</u>	<u>943,123</u>

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

## **INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2006**

There was no income and expenditure during the years ended 31 March 2006 and 31 March 2005

## **FUND ACCOUNT**

**Year ended 31 March 2006**

	2006 £	2005 £
At 1 April 2005	4,853,730	5,916,108
Unrealised loss in value of investments		
At end of year	(375,053)	(629,986)
At start of year	(629,986)	432,392
Decrease/(increase) in year	<u>254,933</u>	<u>(1,062,378)</u>
At 31 March 2006	<u><u>5,108,663</u></u>	<u><u>4,853,730</u></u>

## **NET ASSETS STATEMENTS**

**31 March 2006**

	2006 £	2005 £
<b>INVESTMENTS</b>	4,243,098	4,244,180
<b>CURRENT ASSETS</b>		
Amount due by TRG ESOT Limited	<u>865,565</u>	<u>609,550</u>
	<u><u>5,108,663</u></u>	<u><u>4,853,730</u></u>