

TRG ESOT LIMITED

Report and Financial Statements

31 March 2004



TRG ESOT LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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TRG ESOT LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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 2004.

RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £3,419 (2003: £617).

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 Ltd 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 shares	
	At 31 March 2004	At 31 March 2003
E Lindsay	13,668	13,109
D C Hamilton	30,082	27,468
G D Miller	19,048	16,434
R Brindley	22,383	32,783
R G Adam	6,285	8,551

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.

G Ridley resigned as a director on 26 June 2003 and R G Adam was appointed on that date. C Marshall resigned as a director on 27 November 2003 and E Lindsay was appointed on that date.

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. 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

6 July 2004

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;
- state whether applicable accounting standards have been followed; 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 to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible 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 2004 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 contained in the directors' report, 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 group 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section 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 2004 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 2004

TRG ESOT LIMITED

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2004

	2004 £	2003 £
INCOME : continuing operations		
Bank interest received	3,419	617
	<u>3,419</u>	<u>617</u>
EXPENDITURE: continuing operations		
Bank interest payable	-	-
	<u>-</u>	<u>-</u>
SURPLUS FOR YEAR	3,419	617
	<u>3,419</u>	<u>617</u>
Taxation	-	-
	<u>-</u>	<u>-</u>
RETAINED SURPLUS FOR YEAR	<u>3,419</u>	<u>617</u>

There are no recognised gains or losses or movements in shareholders' funds for the current year financial year and preceding financial year other than those disclosed in the profit and loss account. Accordingly, no statement of recognised gains and losses and no reconciliation of movement in shareholders' funds are given.

TRG ESOT LIMITED

BALANCE SHEET As at 31 March 2004

	Note	2004 £	2003 £
CURRENT ASSETS			
Cash at bank		208,085	134,682
CREDITORS: amounts falling due within one year			
Amounts due to the Trusts		(204,047)	(134,063)
NET ASSETS		<u>4,038</u>	<u>619</u>
CAPITAL AND RESERVES			
Called up share capital	3	2	2
Income and expenditure account		<u>4,036</u>	<u>617</u>
		<u>4,038</u>	<u>619</u>

These financial statements were approved by the Board of Directors on 6 July 2004.

Signed on behalf of the Board of Directors


C A G Parr
Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable 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 £2,400) are borne by Tullis Russell Group Limited.

3. SHARE CAPITAL

	2004	2003
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

4. PARENT UNDERTAKING

The company's 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 are related parties as set out on page 2. The Trusts have been advanced funds by the company amounting to £69,984 (2003: £55,763). At the year end the balance due to the Trusts amounted to £204,047 (2003: £134,063).

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

Year ended 31 March 2004

	2004 £	2003 £
INCOME : continuing operations		
Bank interest received	3,419	623
Gain on sale of investments	61,234	-
	<u>64,653</u>	<u>623</u>
EXPENDITURE: continuing operations		
Loss on sale of investments	-	(1,553,864)
	<u>-</u>	<u>(1,553,864)</u>
SURPLUS/(DEFICIT) FOR YEAR	64,653	(1,553,241)
Taxation	-	-
RETAINED SURPLUS/(DEFICIT) FOR YEAR	<u>64,653</u>	<u>(1,553,241)</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 2004

	2004 £	2003 £
Surplus/(deficit) for the financial year	64,653	(1,553,241)
Surplus arising on revaluation of investments	1,706,519	3,632,364
Total recognised gains and losses relating to the year	<u>1,771,172</u>	<u>2,079,123</u>

TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

CONSOLIDATED BALANCE SHEET 31 March 2004

	Note	2004 £	2003 £
CURRENT ASSETS			
Investments	2	5,577,680	4,219,582
Amount due from parent undertaking		1,228,968	805,347
Bank		208,085	134,682
		<u>7,014,733</u>	<u>5,159,611</u>
CREDITORS: amounts falling due within one year			
Amounts due to fellow subsidiary		(56,791)	-
Other creditors		<u>(144,321)</u>	<u>(117,163)</u>
		<u>(201,112)</u>	<u>(117,163)</u>
NET ASSETS		<u>6,813,621</u>	<u>5,042,448</u>
CAPITAL AND RESERVES			
Called up share capital		2	2
Income and expenditure account	3	6,381,227	6,316,573
Revaluation reserve	3	<u>432,392</u>	<u>(1,274,127)</u>
		<u>6,813,621</u>	<u>5,042,448</u>

TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

NOTES TO THE CONSOLIDATED STATEMENTS

31 March 2004

1. ACCOUNTING POLICIES

Basis of consolidation

The accounts 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 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

Tullis Russell Group Second Employees Share Ownership Trust **Ordinary shares of 10p each in Tullis Russell Group at cost**

	Number	Value
At 1 April 2003	7,402,775	5,493,709
Shares transferred	(600,726)	(348,421)
At 31 March 2004	<u>6,802,049</u>	<u>5,145,288</u>
Shares at market value		
At 31 March 2004	<u>6,802,049</u>	<u>5,577,680</u>

The Ordinary Shares were valued at £0.82 per share in January 2004. The January valuation was the latest valuation calculated using a formula consistent with that applied each year in arriving at an approved valuation by the Inland Revenue. The January 2004 valuation was for information purposes and was not approved by the Inland Revenue. 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 £148,000 (2003: £141,000).

TULLIS RUSSELL GROUP EMPLOYEE SHARE OWNERSHIP TRUSTS

NOTES TO THE CONSOLIDATED STATEMENTS

31 March 2004

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:

Tullis Russell Group Limited Employee Share Ownership Plan Awarded ordinary shares of 10p each in Tullis Russell Group at cost	Number	Value £
At 1 April 2003	4,051,813	1,462,879
Shares awarded	676,447	466,446
Shares sold by beneficiaries	(337,105)	(127,220)
	<u>4,391,155</u>	<u>1,802,105</u>
At 31 March 2004	4,391,155	1,802,105
Shares at market value At 31 March 2004	<u>4,391,155</u>	<u>3,600,747</u>

3. RESERVES

	Income and Expenditure Account £	Revaluation Reserve £
At 1 April 2003	6,316,573	(1,274,127)
Retained surplus for year	64,654	-
Surplus arising on revaluation of investments	-	1,706,519
	<u>6,381,227</u>	<u>432,392</u>
At 31 March 2004	6,381,227	432,392

TULLIS RUSSELL GROUP LIMITED EMPLOYEE SHARE OWNERSHIP PLAN

INCOME AND EXPENDITURE ACCOUNT **Year ended 31 March 2004**

	2004 £	2003 £
INCOME		
Gain on sale of investments	61,234	-
	<u>61,234</u>	<u>-</u>
EXPENDITURE		
Loss on sale of investments	-	(1,553,864)
	<u>-</u>	<u>(1,553,864)</u>
Net "new money"	<u>61,234</u>	<u>(1,553,864)</u>

FUND ACCOUNT **Year ended 31 March 2004**

	2004 £	2003 £
At 1 April 2003	832,240	1,470,558
Net "new money"	61,234	(1,553,864)
Unrealised loss in value of investments:		
At end of year	-	-
At start of year	<u>-</u>	<u>(915,546)</u>
Unrealised gain in value of investments in year	<u>-</u>	<u>915,546</u>
At 31 March 2004	<u>893,474</u>	<u>832,240</u>

NET ASSETS STATEMENTS **at 31 March 2004**

	2004 £	2003 £
CURRENT ASSETS/(LIABILITIES)		
Amount due to TRG ESOT Limited	(335,494)	26,893
Amount due by Tullis Russell Group Limited	<u>1,228,968</u>	<u>805,347</u>
	<u>893,474</u>	<u>832,240</u>

TULLIS RUSSELL GROUP EMPLOYEE SECOND SHARE OWNERSHIP TRUST

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2004

There was no income and expenditure during the years ended 31 March 2004 and 31 March 2003.

FUND ACCOUNT

Year ended 31 March 2004

	2004 £	2003 £
At 1 April 2003	4,209,589	1,492,771
Net "new money"	-	-
Unrealised gain/(loss) in value of investments:		
At end of year	432,392	(1,274,127)
At start of year	(1,274,127)	(3,990,945)
Increase in year	<u>1,706,519</u>	<u>2,716,818</u>
At 31 March 2004	<u><u>5,916,108</u></u>	<u><u>4,209,589</u></u>

NET ASSETS STATEMENTS

at 31 March 2004

	2004 £	2003 £
INVESTMENTS	5,577,680	4,219,582
CURRENT ASSETS/(LIABILITIES)		
Amount due by/(to) TRG ESOT Limited	<u>338,428</u>	<u>(9,993)</u>
	<u><u>5,916,108</u></u>	<u><u>4,209,589</u></u>