TRIBUNE TRUST plc

ANNUAL REPORT

for the year ended 31st December, 2003

CONTENTS

A BRIEF HISTORY

The Company was incorporated in 1888 as the Argentine Land and Exploration Company Limited. For the first 70 years of its existence, the Company owned and managed rural properties in Argentina. In 1959, the Argentine assets were liquidated; the Company became an investment trust company and subsequently changed its name to Tribune Trust.

Since then, it has continued as an investment trust, seeking to provide its shareholders with long-term growth of both capital and income through selective investment in international stock markets.

In August 1998, in response to the changing requirements of some of its shareholders, the Company undertook a capital reconstruction which resulted in its assets being divided into two separate funds with distinct investment objectives (a Global Managed Fund and a UK Index Fund). Shareholders in each class of assets have the opportunity of switching into the other on 1st July each year and a letter is sent to shareholders several weeks before this date to remind them of this facility.

FORMAT OF ANNUAL REPORT

This Annual Report contains separate sections for the Global Managed Fund and the UK Index Fund. These provide details of their financial performance and include the investment managers' reports.

The UK Index Fund's pro-rata share of the debenture is neutralised through the purchase of a series of Abbey National notes. These notes match the future interest costs and the capital repayment of the UK Index Fund's share of the debenture. The Abbey National notes and the neutralised debenture form the Hedged Pool, as described on pages 61 and 62.

The financial statements of the Company, which appear in the final section of this Annual Report, comprise the aggregation of all the Global Managed Fund, the UK Index Fund and the Hedged Pool.

FINANCIAL HIGHLIGHTS

Global Managed Fund

Financial Highlights
Per Ordinary share

	2003	2002	% change
Net asset value ("NAV")	**513.8p**	*451.7p*	*+13.7*
Earnings	**8.89p**	*10.46p*	*(15.0)*
Dividends – interim and final	**9.75p**	*9.65p*	*+1.0*
Share price	**438.0p**	*432.0p*	*+1.4*
Expenses ratio (based on average monthly NAV)	**1.17%**	*0.83%*	

Performance
% change

	1 Year	3 Years	5 Years
Net asset value total return[(i)]	**115.9**	*70.0*	*84.9*
Share price total return[(i)]	**103.9**	*65.9*	*81.3*
Peer group* net asset value total return[(i)]	**122.8**	*77.6*	*99.6*
Benchmark total return[(ii)]	**120.8**	*78.2*	*94.8*

[(i)] *Source: Produced by Fundamental Data for the AITC (total return assumes net dividends re-invested).*
[(ii)] *Benchmark is a 50/50 composite of the FTSE All-Share Index and the FTSE World Index ex. UK.*
* *Global Growth sector.*

UK Index Fund

Financial Highlights
Per Index share

	2003	2002	% change
Net asset value ("NAV")	**489.5p**	*419.4p*	*+16.7*
Earnings	**13.31p**	*13.22p*	*+0.7*
Dividends – interim and final	**13.42p**	*13.19p*	*+1.7*
Share price	**445.5p**	*383.5p*	*+16.2*
Expenses ratio (based on average monthly NAV)	**0.47%**	*0.42%*	

Performance
% change

	1 Year	3 Years	5 Years
Net asset value total return[(i)]	**120.5**	*80.5*	*93.1*
Share price total return[(i)]	**120.1**	*81.0*	*90.3*
Benchmark total return[(ii)]	**120.9**	*81.0*	*94.7*

[(i)] *Source: Produced by Fundamental Data for the AITC (total return assumes net dividends re-invested).*
[(ii)] *Benchmark is the FTSE All-Share Index.*

COMPANY SUMMARY – GLOBAL MANAGED FUND

Objective	To maximise the total return from capital and income through selective investment in international markets.
Benchmark	50/50 composite of the FTSE All-Share Index and the FTSE World Index ex. UK.
Investment manager	The investment manager is Baring Asset Management Limited ("BAML") a subsidiary of Baring Asset Management Holdings Limited ("BAM").
Equity shareholders' funds	£82.6 million at 31st December, 2003.
Capital structure	Ordinary shares.
Management fee	The management fee paid to BAML is charged at the rate of 0.5% per annum on the value of the gross assets of the Global Managed Fund. Investments in BAM's own managed funds are excluded from the calculation of this fee and a rebate is also given in respect of underlying fees charged by these funds. In addition BAML is entitled to a performance-related management fee, calculated at the rate of 10% of the amount by which the change in the net asset value per share exceeds the performance of the Global Managed Fund's benchmark over the requisite period. This bonus is capped at 0.2% per annum of the gross assets of the Global Managed Fund (see note 3 on page 55).
ISA status	The Global Managed Fund's shares are eligible for Individual Savings Accounts.
AITC	Tribune Trust is a member of The Association of Investment Trust Companies.

COMPANY SUMMARY – UK INDEX FUND

Objective	To provide long-term growth of capital and income through investment in the UK market in line with the FTSE All-Share Index.
Benchmark	FTSE All-Share Index.
Investment manager	The investment manager is Barclays Global Investors Limited ("BGI").
Equity shareholders' funds	£165.9 million at 31st December, 2003.
Capital structure	Index shares.
Management fee	The management fee paid to BGI is charged at the rate of 0.125% per annum on the value of the gross assets of the UK Index Fund.
ISA status	The UK Index Fund's shares are eligible for Individual Savings Accounts.
AITC	Tribune Trust is a member of The Association of Investment Trust Companies.

DIRECTORS AND OFFICERS

Directors
C. G. Stobart
Chairman
G. M. Bagot, F.F.A., A.S.A.*
J. L. Callahan
J. J. C. Edwards*
I. S. Steers*
N. K. S. Wills, F.C.A.*
* *Members of the Audit Committee*

Secretary
M. J. Nokes, F.C.A.

Registered Office
155 Bishopsgate,
London EC2M 3XY
Telephone: 020 7628 6000

Company Number
27136

Investment Manager – Global Managed Fund
Baring Asset Management Limited,
155 Bishopsgate,
London EC2M 3XY

Investment Manager – UK Index Fund
Barclays Global Investors Limited,
1 Royal Mint Court,
London EC3N 4HH

Financial Adviser and Stockbroker
Close Brothers Securities,
The Atrium Building,
Cannon Bridge,
25 Dowgate Hill,
London EC4R 2GA

Solicitors
Slaughter and May,
One Bunhill Row,
London EC1Y 8YY

Auditors
PricewaterhouseCoopers LLP,
Southwark Towers,
32 London Bridge Street,
London SE1 9SY

Custodian
JP Morgan Investor Services,
Chaseside,
Bournemouth BH7 7DA

Registrars and Transfer Office
Capita Registrars,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU
Telephone: 0870 162 3100

A member of the Association of Investment Trust Companies

DIRECTORS' AND MANAGEMENT PROFILES

Christopher G. Stobart

Chairman (age 62) – has worked as a consultant to the mining and metals industries since 1976. He was previously a financial journalist on the Investors Chronicle. He is also a director of CRU International and Resource Strategies, providing economic research, and management consultancy services. Appointed a director of Tribune in 1977 and elected chairman in 1999.

Gordon M. Bagot

(age 58) – is a Vice President of the Faculty of Actuaries in Scotland and has worked for most of his career at Wood, Mackenzie & Co. Stockbrokers and then The WM Company. A former chairman of the FTSE World Index Committee, he is a director of Nuclear Generation Decommissioning Fund. Appointed as a director of Tribune in 1999.

J. Loughlin Callahan

(age 56) – is a consultant with the Investment Management Group of Ernst & Young LLP and also a director of the Association of Investment Trust Companies. Formerly he was a director of Mercury Asset Management plc, managing director of its Investment Trust Division and chairman of The European Technology and Income Company. Appointed a director of Tribune in 1999.

Jeremy J. C. Edwards

(age 67) – spent over 20 years with Henderson Administration (now Henderson Global Investors) progressing to group managing director. Currently a non-executive director of Liontrust First UK Trust and chairman of E. Jewson Services to Charities Limited. Appointed a director of Tribune in 1997.

Ian S. Steers

(age 75) – was a director of Wood Gundy (now CIBC World Markets plc) for 30 years (10 years of which were as vice chairman) and was chairman of Euro Clear Clearance System, IPMA, and ISRO. Currently a director of United Corporations, Cundill International and Bank of Nova Scotia International and a trustee of Fight for Sight. Appointed a director of Tribune in 1980.

Nicholas K. S. Wills

(age 62) – previously a former chief executive, and chairman, of British Electric Traction Co. Ltd., and a former director of both Globe Investment Trust and Drayton Consolidated Investment Trust. Currently chairman of the supervisory board of the National Mutual Life Assurance Society and a director of several other companies. Appointed a director of Tribune in 1992.

MANAGEMENT

Global Managed Fund

Andrew Stewart — **Chris Lees**

Baring Asset Management Ltd

UK Index Fund

Dan Nathanson — **Chris Sutton**

Barclays Global Investors Ltd

Secretary

Mike Nokes

International Fund Managers (UK) Ltd

FINANCIAL CALENDAR

Announcement of results	– half year	Late July
	– full year	Late February
Dividend payments	– interim	Mid September
	– final	Late April
Annual report posted		Early March
Interim report posted		Early August
Annual General Meeting held		Mid April
Conversion option		1st July

The prices of the Company's shares are quoted in the *Financial Times* and *The Daily Telegraph* and, for internet users, on the Company's website, *www.tribunetrust.com*.

SAVINGS SCHEME

A savings scheme is available for the purchase of the Company's Ordinary and Index shares on either a regular or an occasional basis. Full details of the scheme may be obtained from the Company Secretary and the Company's website, *www.tribunetrust.com*.

PEP/ISA STATUS

After 6th April, 1999 investors were no longer able to make further subscriptions to a PEP but they can continue to hold their PEP investments. Both the Company's Ordinary and Index shares qualify for an investment in a PEP and in its successor, an Individual Savings Account ("ISA").

An ISA (maxi and mini) is available for the purchase of the Company's Ordinary and Index shares on either a regular or an occasional basis. Full details of the scheme may be obtained from the Company Secretary and the Company's website, *www.tribunetrust.com*.

Additionally, Barclays Stockbrokers Limited provide a maxi ISA for UK residents which allows investment in Tribune's Ordinary and Index shares. Further information can be obtained from Barclays Stockbrokers (tel: 0845 601 5000). All 0845 calls are charged at local rates; you can only use this number if you are calling from the UK. For your security, calls are recorded and randomly monitored. Barclays Stockbrokers Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.

CHAIRMAN'S STATEMENT

The directors of Tribune Trust have developed over recent years a strategy designed to create for investors a cost-effective and versatile vehicle for long-term participation in the UK and global stock markets. The Tribune UK Index Fund is designed to replicate the performance of the FTSE All-Share Index. The Tribune Global Managed Fund offers an actively managed and concentrated portfolio of stocks selected on a global basis. This fund aims to out-perform a combined UK and global benchmark, by means of active stock selection rather than closely shadowing the benchmark.

The combination of the two funds with distinctive mandates, together with the tax-free annual option to convert from one to the other, constitutes an attractive package. It enables shareholders to select an investment that matches their appetite for risk, and for exposure to the UK or global markets.

UK Index Fund

The UK Index Fund met the objectives of our strategy in 2003. The UK stock market, as measured by the FTSE All-Share Index, recovered by 16.5% (capital only), after three consecutive years of decline. The net asset value of the UK Index Fund increased by 16.7% (capital only), which represents a positive tracking error of 0.2%. The fund has a better tracking record and also a lower management charge than virtually all unit trusts and OEICs that aim to replicate the FTSE All-Share Index. The fact that our fund traded at an average discount of 6.2% in 2003 can be attributed largely to ignorance of the fund's existence and mandate. We therefore intend to increase investor awareness of the fund in 2004.

Net earnings of the UK Index Fund amounted to 13.31p per share for the year 2003, which will be distributed in total, by means of a proposed final dividend of 5.99p per share, making make a total distribution of 13.42p per share for the year.

Global Managed Fund

The Global Managed Fund was less successful in meeting our strategic objectives in 2003. The fund's portfolio has now been concentrated into 73 quoted stocks and a small group of unquoted stocks, which is in line with our intention that it should be managed on the basis of stock selection.

The emphasis on stock selection inevitably implies potential deviation from the benchmark. During the majority of 2003, movement in the fund's net asset value was close to, or slightly above, the benchmark, but for a period in the third quarter the fund's performance was significantly weaker. For the year as a whole therefore, net asset value (capital only) increased by 13.7%, compared to an increase of 17.4% in the benchmark.

The discount averaged 11.2% during the year as a whole. However, it started the year at the exceptionally low level of 4.35%, and ended the year at 14.7%. Most of the improvement in net asset value was therefore dissipated by the increase in the discount, with the result that the share price appreciated by only 1.4% over the year as a whole.

The process of concentrating the portfolio is now complete, and its geographical balance has been changed recently to obtain a greater exposure to the Asian and Pacific region markets. We believe that equity investments with good growth prospects can be found there, without sacrificing yield (as explained in the manager's report).

I am glad to say that the performance of the fund recovered significantly in December 2003 and January 2004. The Board is confident that an emphasis on stock selection is the correct strategy for this fund, but we continue to keep the performance of the portfolio, and of the managers, under close review.

Earnings fell from 10.46p in 2002 to 8.89p per share in 2003. This fall reflected a combination of lower investment income and a higher level (on a per share basis) of management fees and other expenses. The management fee is geared to the value of the portfolio, and therefore increased as the asset value recovered. In addition, immediately after the annual conversion option, the basis of the fee temporarily moved to a minimum level set by the management contract, rather than a percentage of portfolio value. This minimum level has since been reduced with the agreement of the manager.

The directors recommend a final dividend of 7.00p per share, which, together with the interim dividend of 2.75p per share, makes a total of 9.75p per share, an increase of 1.04% for the year. In the current year the income of the Global Managed Fund is likely to be constrained by the

CHAIRMAN'S STATEMENT

continued

impact of the loss of assets through conversions to the UK Index Fund in 2003, by the reduced yield on a more globally diversified portfolio, and by the increased percentage of assets now represented by low-yielding unquoted investments. Therefore shareholders should expect at best only a small increase in the total dividend for 2004.

Corporate Governance and the Composition of the Board

The Board has given careful thought to the revised Combined Code and the AITC Code of Corporate Governance. A matter of particular importance is the composition and independence of the Board. We believe that it is essential that the entire board of an investment trust should be independent of the trust's manager (or managers, in our case). Therefore in future we will not appoint as a director anyone who has had any material professional connection with either manager. However, we disagree with the view that directors lose their quality of independence when they have served on the board for nine years. In our view, independence is determined by an individual's character and cast of mind, and not by length of service.

We do not propose therefore to limit the length of time that any director can serve on the Board. Instead, we have adopted the recommended practice of assessing the performance of directors (and of myself as chairman) annually. One of the criteria for this assessment is the ability and willingness to question the managers from an independent standpoint. I am satisfied that the Board meets this criterion in full. We also propose that any director who has reached the age of 70 should stand for re-election annually, rather than every three years.

However, one change in the composition of the Board is imminent. Nicholas Wills has served on the Board for nearly twelve years. He wishes to reduce his commitments and will therefore be retiring from the Board with effect from the forthcoming Annual General Meeting. I would like to thank him for his valuable contribution to the deliberations of the Board and the Audit Committee and wish him well for the future.

Three directors come up for re-election at the forthcoming Annual General Meeting. Jeremy Edwards brings to the Board long experience of the investment management industry, and makes a major contribution to the Company through the chairmanship of the audit and marketing committees. I value greatly his independent judgement and also his advice on matters of corporate governance. Gordon Bagot has introduced some innovative measurement techniques which have enabled us to understand and analyse the performance of our quoted and unquoted stocks much more accurately. He makes a valuable contribution to the supervision of investment performance. Ian Steers comes up for re-election under the 70-year rule mentioned above. He has immense experience as a successful investor and as a director of other investment companies. He is also the most independently minded and perceptive of directors in assessing the performance of our managers. I therefore recommend the re-election of all three.

Our Annual General Meeting will take place on Wednesday, 21st April 2004, at 11.30am at 155 Bishopsgate, London EC2. The formal business of the meeting will be followed by presentations from the managers of the Global Managed and UK Index Funds. Shareholders will have the opportunity to meet the directors and managers informally after the meeting. I hope to see as many shareholders as possible at the meeting. Shareholders who propose to attend should tick the appropriate box on the enclosed proxy card and return it to the Company's registrars.

C. G. Stobart
Chairman

23rd February, 2004

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STATEMENT OF TOTAL RETURN – GLOBAL MANAGED FUND

for the year ended 31st December, 2003

			2003 Revenue £000	2003 Capital £000	2003 Total £000	2002 Revenue £000	2002 Capital £000	2002 Total £000
Gains/(losses) on investments			–	11,082	11,082	–	(34,907)	(34,907)
Gains on foreign exchange			–	344	344	–	308	308
Amortisation of debenture stock premium			–	3	3	–	4	4
Income			2,660	–	2,660	3,257	–	3,257
Investment management fee			(318)	(318)	(636)	(314)	(315)	(629)
Other expenses			(312)	–	(312)	(257)	–	(257)
Net return before interest payable and taxation			2,030	11,111	13,141	2,686	(34,910)	(32,224)
Interest payable			(434)	(434)	(868)	(545)	(544)	(1,089)
Return on ordinary activities before taxation			1,596	10,677	12,273	2,141	(35,454)	(33,313)
Taxation			(74)	–	(74)	(63)	–	(63)
Return on ordinary activities after taxation			1,522	10,677	12,199	2,078	(35,454)	(33,376)
Dividends in respect of Ordinary shares:	2003	2002						
Interim	2.75p	2.65p	(500)	–	(500)	(553)	–	(553)
Final	7.00p	7.00p	(1,126)	–	(1,126)	(1,272)	–	(1,272)
	9.75p	9.65p	(1,626)	–	(1,626)	(1,825)	–	(1,825)
Transfers (from)/to reserves			(104)	10,677	10,573	253	(35,454)	(35,201)

	2003 Revenue	2003 Capital	2003 Total	2002 Revenue	2002 Capital	2002 Total
Return per Ordinary share†	8.89p	62.34p	71.23p	10.46p	(178.54p)	(168.08p)

† *Based on a weighted average of 17,125,829 (2002 – 19,857,953) shares in issue.*

This Statement does not form part of the financial statements of the Company. The financial statements comprise the aggregation of this Statement with similar information for the UK Index Fund and the Hedged Pool.

BALANCE SHEET - GLOBAL MANAGED FUND

at 31st December, 2003

	2003 £000	2002 £000
Fixed assets		
Investments	**94,466**	*98,771*
Current assets		
Debtors	**190**	*668*
Cash at bank and in hand	**241**	*1,072*
	431	*1,740*
Creditors: amounts falling due within one year	**(4,133)**	*(1,640)*
Net current (liabilities)/assets	**(3,702)**	*100*
Total assets less current liabilities	**90,764**	*98,871*
Creditors: amounts falling due after more than one year	**(8,127)**	*(16,789)*
Net assets	**82,637**	*82,082*
Capital and reserves		
Called up share capital	**3,563**	*4,026*
Capital reserve – realised	**59,660**	*71,502*
Capital reserve – unrealised	**15,183**	*1,821*
Redemption reserve – capital	**699**	*699*
Revenue reserve	**3,532**	*4,034*
Ordinary shareholders' funds	**82,637**	*82,082*
Net asset value per Ordinary share	**513.8p**	*451.7p*

This Balance Sheet does not form part of the financial statements of the Company. The financial statements comprise the aggregation of this Statement with similar information for the UK Index Fund and the Hedged Pool.

TEN YEAR RECORD – GLOBAL MANAGED FUND

STATEMENT OF ASSETS AND REVENUE

Year to 31st December	*Total Assets Less Current Liabilities £000*	*Shareholders' Funds £000*	*Net Asset Value, Pence per Share*	*Share Price, Pence per Share*	*Discount %*	*Revenue £000*	*Earnings for Shareholders, Pence per Share*	*Dividend Net, Pence per Share*
Company (pre-reconstruction):								
1993*	239,378	214,197	417.9	364.0	12.9	6,547	6.38	6.60
1994*	215,685	190,516	371.7	320.0	13.9	6,853	5.79	6.75
1995	256,659	221,908	433.0	364.0	15.9	8,472	6.49	7.20
1996	271,205	238,398	465.2	384.0	17.5	9,884	8.98	7.80
1997♦	315,155	282,977	552.2	468.5	15.2	9,497	11.50	8.20
Global Managed Fund:								
1998†	156,562	141,708	652.1	585.0	10.3	7,507	8.06	8.65
1999	204,394	183,929	846.4	714.0	15.6	3,361	8.14	8.90
2000	192,849	167,979	776.1	704.0	9.3	3,474	8.34	9.00
2001	147,658	130,502	625.4	547.5	12.5	3,692	9.94	9.35
2002	*98,871*	*82,082*	*451.7*	*432.0*	*4.4*	*3,257*	*10.46*	*9.65*
2003	**90,764**	**82,637**	**513.8**	**438.0**	**14.8**	**2,660**	**8.89**	**9.75**

** "Earnings for shareholders" for 1993 and 1994 have been stated on the basis of allocating the management fee equally between the revenue account and capital reserve.*

† The capital reconstruction in 1998 resulted in the Company being divided into the Global Managed Fund and the UK Index Fund as at 17th August, 1998. The "Revenue", "Earnings" and "Dividend" figures for 1998 reflect the whole Company for the period 1st January to 17th August together with the Global Managed Fund for the period 18th August to 31st December. "Total assets", "Shareholders' funds" and "Net asset value" are based on the Global Managed Fund only, as at 31st December, 1998.

♦ Following the capital reconstruction referred to above, the Board reviewed the accounting policies of both Funds in respect of management fees and financing costs (see notes 1d) and 1e) on pages 51 and 52). "Earnings for shareholders" from 1998 reflect the operation of these policies, and "Earnings for shareholders" for 1997 have been restated on this basis.

NET ASSET VALUE, SHARE PRICE AND DISCOUNT

at 31st December

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TEN YEAR RECORD – GLOBAL MANAGED FUND

ASSET GROWTH (%)

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DIVIDEND GROWTH (%)

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CLASSIFICATION OF INVESTMENTS – GLOBAL MANAGED FUND

CLASSIFICATION (%)

at 31st December, 2003

	United Kingdom	*North America*	*Continental Europe*	*Japan & Far East*	*Other Countries*	***Total 2003***	*Total 2002*
Resources							
Mining	1.3	–	–	–	–	1.3	*1.0*
Oil & Gas	5.7	0.9	1.4	1.2	1.2	10.4	*6.8*
	7.0	0.9	1.4	1.2	1.2	11.7	*7.8*
Basic Industries							
Chemicals	2.8	–	–	–	–	2.8	*3.1*
Construction & Building Materials	3.1	–	–	1.0	–	4.1	*3.9*
	5.9	–	–	1.0	–	6.9	*7.0*
General Industrials							
Aerospace & Defence	–	–	–	–	–	–	*2.9*
Diversified Industrials	–	–	–	–	–	–	*1.0*
Electronic & Electrical Equipment	–	–	–	–	1.0	1.0	*1.1*
Engineering & Machinery	1.1	–	–	1.1	–	2.2	*1.6*
	1.1	–	–	1.1	1.0	3.2	*6.6*
Cyclical Consumer Goods							
Automobiles & Parts	–	–	–	1.4	–	1.4	*1.1*
Household Goods & Textiles	–	–	–	–	–	–	*1.0*
	–	–	–	1.4	–	1.4	*2.1*
Non-Cyclical Consumer Goods							
Beverages	–	–	–	–	1.1	1.1	*1.2*
Health	–	0.7	–	–	–	0.7	*0.7*
Personal Care & Household Products	–	1.7	–	–	–	1.7	*0.7*
Pharmaceuticals & Biotechnology	–	4.0	2.7	–	–	6.7	*8.3*
	–	6.4	2.7	–	1.1	10.2	*10.9*
Cyclical Services							
General Retailers	1.2	–	–	–	–	1.2	*4.8*
Leisure & Hotels	1.9	2.1	–	–	–	4.0	*2.0*
Media & Entertainment	–	1.5	–	1.1	–	2.6	*2.7*
Support Services	–	–	–	–	–	–	*1.3*
Transport	–	–	–	1.2	–	1.2	*1.7*
	3.1	3.6	–	2.3	–	9.0	*12.5*
Non-Cyclical Services							
Food & Drug Retailers	1.6	–	–	–	–	1.6	*1.2*
Telecommunication Services	4.7	1.6	–	–	–	6.3	*7.9*
	6.3	1.6	–	–	–	7.9	*9.1*
Utilities							
Electricity	–	–	–	–	–	–	*1.9*
Utilities Other	1.5	–	–	–	–	1.5	*1.2*
	1.5	–	–	–	–	1.5	*3.1*
Financials							
Banks	6.8	1.9	4.0	4.6	–	17.3	*12.6*
Insurance	–	–	–	–	1.0	1.0	*4.2*
Life Assurance	3.2	–	–	–	–	3.2	*1.9*
Investment Companies	0.7	1.3	–	3.5	3.0	8.5	*10.0*
Real Estate	–	–	–	1.1	–	1.1	*0.8*
Speciality & Other Finance	1.6	1.0	–	1.2	–	3.8	*0.2*
	12.3	4.2	4.0	10.4	4.0	34.9	*29.7*
Information Technology							
Information Technology Hardware	–	4.2	1.1	2.0	–	7.3	*3.4*
Software & Computer Services	–	4.1	–	–	–	4.1	*5.2*
	–	8.3	1.1	2.0	–	11.4	*8.6*
Total Equities	37.2	25.0	9.2	19.4	7.3	98.1	*97.4*
Fixed Interest, Preference & Convertibles	1.9	–	–	–	–	1.9	*2.6*
Total Investment Portfolio: 2003	39.1	25.0	9.2	19.4	7.3	100.0	*100.0*
Total Investment Portfolio: 2002	*54.6*	*25.4*	*9.7*	*5.9*	*4.4*		*100.0*
Benchmark: 2003	50.0	30.9	10.2	8.0	0.9	100.0	

CLASSIFICATION OF ASSETS – GLOBAL MANAGED FUND

SECTOR DISTRIBUTION (%)

at 31st December

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GEOGRAPHICAL DISTRIBUTION (%)

at 31st December

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INVESTMENT PORTFOLIO – GLOBAL MANAGED FUND

at 31st December, 2003

	Stock	Sector	Country/Region	Market Value £000	% of Portfolio
1	Vodafone Group	Telecommunication Services	U.K.	4,434	4.6
2	BP	Oil & Gas	U.K.	3,216	3.4
3	Royal Bank of Scotland	Banks	U.K.	2,992	3.2
4	Baggeridge Brick	Construction & Building Materials	U.K.	2,928	3.1
5	Pfizer	Pharmaceuticals	North America	2,451	2.5
6#	Tennants Consolidated	Chemicals	U.K.	2,291	2.4
7	Shell Transport & Trading	Oil & Gas	U.K.	2,202	2.3
8	Microsoft	Software & Computer Services	North America	2,073	2.2
9	Barclays	Banks	U.K.	1,993	2.1
10	Anglo Irish Bank	Banks	Europe	1,915	2.0
11	Citigroup	Banks	North America	1,787	1.9
12	Cisco Systems	Information Technology Hardware	North America	1,760	1.9
13	Standard Chartered	Banks	U.K.	1,598	1.7
14	Prudential	Life Assurance	U.K.	1,558	1.6
15	Tesco	Food & Drug Retailers	U.K.	1,535	1.6
16*	Baring Asia Hedge Select Fund	Investment Companies	Japan & Far East	1,520	1.6
17	Aviva	Life Assurance	U.K.	1,484	1.6
18	American Movil	Telecommunication Services	North America	1,475	1.6
19	ICAP	Speciality & Other Finance	U.K.	1,471	1.6
20	Omnicom Group	Media & Entertainment	North America	1,415	1.5
21*	MW Japan Fund	Investment Companies	Japan & Far East	1,382	1.5
22	Roche Holdings	Pharmaceuticals	Europe	1,302	1.4
23	Amgen	Pharmaceuticals	North America	1,291	1.4
24	Total SA	Oil & Gas	Europe	1,287	1.4
25	Toyota Motor Corp	Automobiles & Parts	Japan & Far East	1,279	1.4
26	Hang Seng Bank	Banks	Japan & Far East	1,256	1.3
27	Royal Caribbean Cruises	Leisure & Hotels	North America	1,249	1.3
28	Alcon	Pharmaceuticals	Europe	1,219	1.3
29	Credit Suisse	Banks	Europe	1,193	1.3
30	Rio Tinto	Mining	U.K.	1,185	1.3
31	CNOOC	Oil & Gas	Japan & Far East	1,158	1.2
32	Petroleo Brasileiro	Oil & Gas	Others	1,117	1.2
33	Kingfisher	General Retailers	U.K.	1,115	1.2
34	Nomura Holdings	Speciality & Other Finance	Japan & Far East	1,103	1.2
35	Macquarie Infra	Transport	Japan & Far East	1,103	1.2
36	Singapore Press	Media & Entertainment	Japan & Far East	1,082	1.1
37	Sumitomo Mitsui	Banks	Japan & Far East	1,071	1.1
38	Bebidas	Beverages	Others	1,060	1.1
39*	New Russia Fund	Investment Companies	Others	1,054	1.1
40	Nokia	Information Technology Hardware	Europe	1,053	1.1
41	Cheung Kong	Real Estate	Japan & Far East	1,049	1.1
42	Mitsubishi Tokyo	Banks	Japan & Far East	1,046	1.1
43	Tomkins	Engineering & Machinery	U.K.	1,033	1.1
44	Net One Systems	Information Technology Hardware	Japan & Far East	1,032	1.1
45	Amada	Engineering & Machinery	Japan & Far East	1,024	1.1
46	DBS Group	Banks	Japan & Far East	996	1.1
47	Hon Hai Precision	Electronic & Electrical Equipment	Others	964	1.0
48	Asahi Glass	Construction & Building Materials	Japan & Far East	959	1.0
49*	Hiscox Insurance Portfolio	Insurance	Others	946	1.0
50	Goldman Sachs	Speciality & Other Finance	North America	908	1.0
51	National Grid	Utilities - Other	U.K.	888	0.9
52	Mercury Interactive	Software & Computer Services	North America	888	0.9
53*	SR Global Emerging Markets	Investment Companies	Others	877	0.9
54	Smith International	Oil & Gas	North America	875	0.9
55	Citrix Systems	Software & Computer Services	North America	871	0.9
56	Singapore Technologies	Information Technology Hardware	Japan & Far East	862	0.9

INVESTMENT PORTFOLIO – GLOBAL MANAGED FUND

continued

	Stock	Sector	Country/Region	Market Value £000	% of Portfolio
57#	The 1818 Mezzanine Fund	Investment Companies	North America	849	0.9
58	Gillette	Personal Care & Household Products	North America	807	0.9
59	Dell Computers	Information Technology Hardware	North America	807	0.9
60	Intel	Information Technology Hardware	North America	806	0.9
61	Colgate-Palmolive	Personal Care & Household Products	North America	780	0.8
62	Viacom	Leisure & Hotels	North America	744	0.8
63	BNP Paribas	Banks	Europe	703	0.7
64	Medtronic	Health	North America	679	0.7
65	BAA	Leisure & Hotels	U.K.	667	0.7
66	Hewlett Packard	Information Technology Hardware	North America	642	0.7
67	United Utilities	Utilities - Other	U.K.	571	0.6
68	HBOS 9.25% Non Cum Pref	Fixed Interest, Pref & Conv	U.K.	529	0.6
69	BAE Systems Conv Pref	Fixed Interest, Pref & Conv	U.K.	525	0.6
70	Carnival	Leisure & Hotels	U.K.	507	0.5
71	P&O Deferred	Leisure & Hotels	U.K.	501	0.5
72	Baring Emerging Europe	Investment Companies	Others	457	0.5
73#	Herald Ventures Partnership	Investment Companies	U.K.	451	0.5
74#	Putnam Lovell Equity Partners	Investment Companies	North America	383	0.4
75#	Baring Asia Private Equity Fund	Investment Companies	Japan & Far East	375	0.4
76	London Merchant Securities 10% Deb.	Fixed Interest, Pref & Conv	U.K.	351	0.4
77	BOC Group	Chemicals	U.K.	341	0.4
78#	Coller International Partnership (III)	Investment Companies	Others	304	0.3
79	General Accident 7.875% Pref	Fixed Interest, Pref & Conv	U.K.	213	0.2
80#	Coller International Partnership (IV)	Investment Companies	Others	167	0.2
81#	Tennants Consolidated 15.00% Pref	Fixed Interest, Pref & Conv	U.K.	134	0.1
82#	Bamboo	Investment Companies	U.K.	108	0.1
83#	Wadworth	Leisure & Hotels	U.K.	94	0.1
84#	Enterprise Plus Unit Trust (II)	Investment Companies	U.K.	58	0.1
85#	BC European Capital (V)	Investment Companies	Europe	36	0.0
86#	Wadworth 9.25% Cum Pref	Fixed Interest, Pref & Conv	U.K.	2	0.0
	Total Investment Portfolio			**94,466**	**100.0**

* *Unquoted holdings - realisable at holder's option.*

Unquoted holdings - other.

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

How is the Global Managed Fund Managed?

The Global Managed Fund is managed by Baring Asset Management Limited, a subsidiary of Baring Asset Management ("BAM"). During the year under review, the nominated managers were Andrew Stewart (Head of Investments, Private Clients) and Christopher Lees (Head of Global Stock Selection).The managers draw on the global investment resources of the BAM Group in managing a concentrated, stock specific global portfolio, benchmarked against an index of 50% FTSE All-Share and 50% FTSE World ex. UK. BAM manages investments in all the significant markets of the world and has principle overseas offices in Boston, Hong Kong and Tokyo. The investment style of BAM can broadly be categorised as GARP – "Growth at a Reasonable Price," although in managing the portfolio the managers have responsibility to ensure that the Global Managed Fund's specific investment objectives, including its dividend policy, are met. Where appropriate, the managers may invest in funds such as unit or investment trusts to gain exposure to interesting complementary investment areas.

Manager's Overview

During the first three months of the year, the FTSE All-Share and the FTSE World ex. UK Index fell by 8.3% and 3.4% respectively in Sterling terms, reflecting investors' concerns about the economy, corporate balance sheets, under-funded pension funds, SARS, and the war in Iraq.

Equity markets then rallied during the last nine months of the year, driven by a swift end to the war in Iraq, a commitment by the Federal Reserve to keep interest rates low, encouraging economic data, especially in the USA and China, and strong corporate profits growth. The FTSE All-Share and the FTSE World ex. UK Index rose by 30.2% and 24.3% over the last nine months of the year, to finish the year up 20.9% and 20.7% respectively.

With investors' appetite for risk increasing from March onwards, lower quality stocks outperformed higher quality stocks in most markets. The best performing stocks were those that had been on the verge of bankruptcy earlier in the year and which had been sold down accordingly. The best performing markets and sector were Emerging Markets and Technology respectively, as they were most highly geared to the improving global economic cycle.

Against this background, the Global Managed Fund reduced its weighting in the UK and increased its weighting in Asia, Japan and Emerging Markets, as evidence of a synchronised global recovery unfolded. During the year we focused on the cyclical sectors that are geared to the corporate capital spending cycle (Technology, Industrials and Materials) and were neutral or underweight in most of the defensive sectors (Consumer Staples, Healthcare and Utilities).

During the uncertain markets in January, net gearing was reduced from 16% to 3%. It was then increased throughout the year, finishing the year at 11.5% of net asset value. There were no significant changes to the unquoted securities in the portfolio, which represented 5.5% of the Fund's portfolio at the end of the year.

Performance

Performance for the year was disappointing on a relative basis. Even though the Fund's net asset value rose 13.7% during the period, this trailed the benchmark's rise of 17.5%, mainly due to our poor stock selection and market timing in Asia and Japan. Our reluctance to chase the rally in lower quality stocks in the USA was also detrimental. Details of performance attribution are given in the table on the next page.The first two columns show the asset allocation decisions, and the third column shows which of these added value.The fourth and fifth columns compare the Fund's return to the benchmark, and the sixth column shows the positive or negative effect of stock selection in each region.

Stock selection and market timing were poor in Asia and Japan. A combination of the SARS epidemic together with profit warnings from Samsung and Sony led to negative performance early in the year and most of the Asian stocks were subsequently sold.These proved to be poorly timed sales, as Asian/Japanese markets rallied strongly during the second half of the year.

Stock selection in the UK and Europe was positive,

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

continued

Manager's Overview *continued*

helped by holdings in *Baggeridge Brick*, *Anglo Irish Bank*, *Tomkins* and *Carnival*, all of whose share prices rose by more than 50% during the year. However stock selection in the USA was negative due to our focus on higher quality companies such as *Microsoft*, *Pfizer* and *Medtronic*, all of which significantly under-performed the market during the second half of the year.

The Fund's unquoted holdings made a negative contribution to performance, as valuations were marked down in response to the sharp setback in quoted stocks over the preceding twelve months. The weakness of the dollar was an additional negative influence. The strong rally seen in global equity markets since last March provides a more encouraging backdrop for the year ahead.

The holding in *Tennants Consolidated*, the chemical manufacturer and distributor, remained unchanged over the period and is carried at the same value as in the previous year. This value is significantly below the net tangible assets shown in the latest financial statements of which the major part was held in cash and securities. The earnings for the year to 31st December, 2002 were similar to those of the previous year and the dividend was held and covered 2.6 times by historic earnings.

Transactions

The Fund completed its strategic move to reduce the number of stocks and adopt a more concentrated, stock-specific, global style of management. The aggregate number of quoted holdings has declined from over 100 to a range of 60 - 75, where it is expected to stay.

In January 2003, the Fund significantly reduced its net gearing from 16% to 3% of net asset value, as much driven by the stocks we wanted to sell as by geopolitical or market concerns. This was done by selling several lower quality, less liquid leaders of the October to December 2002 market rally, and by taking profits in several stocks that had reached near term valuation targets (*3M, Phillips, Adidas, HSBC*). In April the overweight position in Asia was reduced, given the uncertainties surrounding the SARS epidemic and Chinese economic

IMPACT OF ASSET ALLOCATION AND STOCK SELECTION IN 2003

	Average Weight Fund	*Average Weight Benchmark*	*Attribution: Asset Allocation*	*Fund Return*	*Index Return*	*Attribution: Stock Selection*
Quoted Equities						
UK	47.3	50.0	(0.45)	22.6	20.9	0.64
Europe ex-UK	9.1	9.9	(0.01)	32.2	29.8	0.16
North America	29.5	31.9	(0.20)	16.0	16.4	(0.21)
Japan	4.3	4.5	(0.44)	4.3	23.0	(0.27)
Asia Pacific	5.0	1.9	0.04	(9.2)	31.4	(1.51)
Emerging & Other Markets	4.1	1.9	0.07	32.8	32.3	0.17
Total Quoted Equities	**99.4**	**100.0**	**(0.99)**	**18.6**	**20.8**	**(1.01)**
Total Unquoted Equities	6.5		(1.21)	(2.6)	20.8	
Total Equities (including Unquoted)	**105.8**	**100.0**	**(2.20)**	**17.1**	**20.8**	**(1.01)**
Total Bonds	3.7		(0.31)	14.3		
Total Cash (including Gearing)	(9.6)		0.57	0.7		
Total Portfolio (Total Return)	**100.0**	**100.0**	**(1.94)**	**17.7**	**20.8**	**(1.01)**
Net Asset Value (Capital Return)	n/a	n/a	n/a	13.7	17.5	n/a

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

continued

Manager's Overview *continued*

growth. The Fund increased its weighting in the Healthcare sector with the purchase of *Amgen*, the world's leading biotechnology company, and *Watson Pharmaceutical*, a generic pharmaceutical company.

In the Telecom sector, we sold *KPN*, the Dutch company, on valuation concerns and *Verizon*, the US company, on growth concerns. These were replaced with *America Movil*, a Latin American mobile telephony company. In June, the Fund was obliged to sell several stocks to finance the 2003 share conversion from the Global Managed Fund into the UK Index Fund. Sales included *Glaxo* and *Scottish and Southern Energy*. Most of these transactions proved beneficial to performance, especially the purchase of *America Movil*.

During the second half of the year, we sold *Bank of America*, *Amvescap* and *AOL TimeWarner* as the shares reached our price target and purchased *Citibank* and *Goldman Sachs*, two attractively valued growth stocks which offer the prospect of substantial dividend growth over the next several years. The Fund also reduced its holding in the *MW Japan Fund* and purchased *Asahi Glass* and *Amada*, two Japanese industrial stocks that should benefit from the global economic recovery. We also bought positions in the Hong Kong property company *Cheung Kong*, and the media group *Singapore Press*.

We then increased the net gearing to 11.5% with the purchase of several new stocks in Japan, Asia and Emerging Markets. We purchased two of Japan's leading banks, *Mitsibushi Tokyo Financial Group* and *Sumitomo Mitsui Financial Group*, after they had raised earnings estimates for the first time in many years. In Asia, we purchased *DBS* (a leading Singapore bank), *Hon Hai* (an attractively valued Taiwanese technology manufacturing company) and *Petrobras* (the Brazilian energy group). So far in 2004, most of these transactions are proving to be beneficial to performance.

Manager's Outlook and Strategy

Synchronised Global Recovery

The outlook seems set for good US economic growth again in 2004, supported by a third wave of tax cuts which could boost domestic demand by another US$50 billion. While we know that the USA has structural problems, these do not seem likely to have a decisive impact ahead of the election in November 2004, but the greatest implications from this probably lie outside the USA. If the USA is going to continue with a very easy monetary policy, with the implication that the US Dollar will fall further, then the pressure to reflate in the rest of the world will remain intense.

Asia/Emerging Markets Favoured

The economic outlook in Asia remains very positive, driven by exports to the West and to China (now the world's 6th largest economy). There are also some signs that consumer confidence and property prices should improve in Hong Kong. Asia will probably account for more than half of the world's total economic growth in 2004 and we intend to increase our overweight position in these markets on weakness. Asian and Emerging Markets valuations and dividend yields continue to look attractive relative to the western world. Asian holdings include the Singapore bank, *DBS Group*, the Hong Kong property group, *Cheung Kong Holdings Ltd*; Emerging Markets holdings include the Brazilian oil company *Petrobras*, as well as the *New Russia Fund* which is home to some of the world's most attractively valued resource companies.

Japan and the China Effect

Japan should benefit too, as the main exporter of capital equipment to the massive Chinese infrastructure spending. In 2003, China consumed 36% and 55% of the global steel and cement production respectively. Our favourite stock here is *Amada*, which is also in the midst of a massive profit maximising re-organisation. Domestic conditions are now showing some signs of improvement and the Tankan survey of business conditions again surprised on the upside. Meanwhile, the prompt rescue of yet another failed regional bank suggests that the Bank of Japan is determined to maintain the integrity of the financial system. All of this should benefit our holdings in *Mitsubishi Tokyo Financial Group* and *Sumitomo Mitsui Financial Group*.

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

continued

Manager's Outlook and Strategy *continued*

UK

Of the major global economies, the UK now looks the most uninteresting. Monetary policy is already tightening and government finances are now deteriorating fast in the face of the government's desperation to show some improvement in welfare delivery before the next election. For the rest of the economy, one has to be willing to believe that sand is a lubricant to have faith that the government's constant meddling and micro management will have a beneficial impact. The Fund retains a large holding in *Baggeridge Brick*, but is focusing more on international companies such as *Rio Tinto* in the materials sector, *Tomkins* in the industrial sector and *Standard Chartered* in the financial sector.

Europe

Europe is also beginning to feel the pressure from the USA through the inexorable rise in the Euro. Here the policy response is still inadequate, but at least the Growth and Stability Pact has now been scrapped and the Germans have managed to push through part of their tax-cutting package. Underlying growth is still feeble but the forward-looking indicators based on expectations are all up strongly. Over the coming months we think that there is scope for upside surprise because expectations are so low, and we are actively looking for new stocks to purchase.

Rising Bond Yields means Focus on Quality

It seems inevitable either that we will see short-term interest rates rising as Central Banks seek to calm inflationary fears in the bond market, or that the bond vigilantes will send long-dated yields significantly higher. This means that the ratings of equity markets as a whole will be constrained, so upward progress is likely to be conditional on the delivery of good corporate profits growth. We expect markets to shift from favouring the lower quality stocks that did so well in 2003 (as the threat of bankruptcy was averted) to companies that should produce real organic growth leading to significant dividend increases.

Sector and Stock Strategy

We maintain a pro-cyclical bias, favouring the industrial cyclical sectors (Technology, Industrials, Materials), rather than the consumer cyclical or defensive sectors. There will be a time to reverse this, but valuations and growth prospects suggest we are still some way off at present. At the stock specific level, very low interest rates have had the unintended consequence of keeping some marginal companies in business. These low quality companies have dominated the list of best performing shares over the last nine months, leaving them with little valuation support. We therefore suspect that our focus on the higher quality growth stocks will be rewarded in the current year.

Baring Asset Management Limited
Authorised and regulated by
the Financial Services Authority

23rd February, 2004

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STATEMENT OF TOTAL RETURN – UK INDEX FUND

for the year ended 31st December, 2003

			2003 Revenue £000	2003 Capital £000	2003 Total £000	2002 Revenue £000	2002 Capital £000	2002 Total £000
Gains/(losses) on investments			–	23,391	23,391	–	(42,367)	(42,367)
Income			5,085	–	5,085	4,653	–	4,653
Investment management fee			(187)	–	(187)	(214)	–	(214)
Other expenses			(493)	–	(493)	(409)	–	(409)
Net return before interest payable and taxation			4,405	23,391	27,796	4,030	(42,367)	(38,337)
Interest payable			–	–	–	–	–	–
Return on ordinary activities before taxation			4,405	23,391	27,796	4,030	(42,367)	(38,337)
Taxation			–	–	–	–	–	–
Return on ordinary activities after taxation			4,405	23,391	27,796	4,030	(42,367)	(38,337)
Dividends in respect of Index shares:	2003	2002						
Interim	7.43p	7.67p	(2,382)	–	(2,382)	(2,255)	–	(2,255)
Final	5.99p	5.52p	(2,030)	–	(2,030)	(1,775)	–	(1,775)
	13.42p	13.19p	(4,412)	–	(4,412)	(4,030)	–	(4,030)
Transfers (from)/to reserves			(7)	23,391	23,384	–	(42,367)	(42,367)

	2003 Revenue	2003 Capital	2003 Total	2002 Revenue	2002 Capital	2002 Total
Return per Index share*	13.31p	70.68p	83.99p	13.22p	(138.96p)	(125.74p)

* *Based on a weighted average of 33,095,104 (2002 – 30,487,983) shares in issue.*

This Statement does not form part of the financial statements of the Company. The financial statements comprise the aggregation of this Statement with similar information for the Global Managed Fund and the Hedged Pool.

BALANCE SHEET - UK INDEX FUND

at 31st December, 2003

	2003 £000	2002 £000
Fixed assets		
Investments	**165,845**	*134,794*
Current assets		
Debtors	**487**	*364*
Cash at bank and in hand	**1,783**	*1,713*
	2,270	*2,077*
Creditors: Amounts falling due within one year	**(2,164)**	*(2,002)*
Net current assets	**106**	*75*
Net assets	**165,951**	*134,869*
Capital and reserves		
Called up share capital	**7,074**	*6,711*
Capital reserve – realised	**142,321**	*137,522*
Capital reserve – unrealised	**15,078**	*(10,749)*
Redemption reserve – capital	**1,477**	*1,377*
Revenue reserve	**1**	*8*
Index shareholders' funds	**165,951**	*134,869*
Net asset value per Index share	**489.5p**	*419.4p*

This Balance Sheet does not form part of the financial statements of the Company. The financial statements comprise the aggregation of this Statement with similar information for the Global Managed Fund and the Hedged Pool.

STATISTICAL RECORD – UK INDEX FUND

STATEMENT OF ASSETS AND REVENUE

Period/Year to 31st December	*Shareholders' Funds £000*	*Net Asset Value, Pence per Share*	*Market Price, Pence per Share*	*Discount %*	*Revenue £000*	*Earnings for Shareholders, Pence per Share*	*Dividend Net, Pence per Share*
1998*	164,546	557.4	506.0	9.2	–	–	–
1998†	175,973	596.1	563.5	5.5	1,689	4.48	4.47
1999	213,055	721.7	678.0	6.1	5,465	16.91	16.90
2000	195,581	660.2	600.5	9.0	4,962	14.64	14.63
2001	164,984	559.2	522.5	6.6	4,481	12.89	12.93
2002	*134,869*	*419.4*	*383.5*	*8.5*	*4,653*	*13.22*	*13.19*
2003	**165,951**	**489.5**	**445.5**	**9.0**	**5,085**	**13.31**	**13.42**

* *Initial listing of Index shares 1st September, 1998.*

† *The revenue, earnings and dividend figures for 1998 are those for the period following the reconstruction of the Company as at 17th August, 1998.*

NET ASSET VALUE, SHARE PRICE AND DISCOUNT

at 31st December

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STATISTICAL RECORD – UK INDEX FUND

continued

ASSET GROWTH (%)

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DIVIDEND GROWTH (%)

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CLASSIFICATION OF INVESTMENTS – UK INDEX FUND

CLASSIFICATION (%)

at 31st December, 2003

United Kingdom	***2003***	*2002*
Resources		
Mining	**3.9**	*3.4*
Oil & Gas	**11.9**	*13.2*
	15.8	*16.6*
Basic Industries		
Chemicals	**0.8**	*0.9*
Construction & Building Materials	**2.6**	*2.2*
Steel & Other Metals	**0.1**	*0.1*
	3.5	*3.2*
General Industrials		
Aerospace & Defence	**1.1**	*1.1*
Diversified Industrials	**0.1**	–
Electronic & Electrical Equipment	**0.3**	*0.4*
Engineering & Machinery	**0.8**	*0.6*
	2.3	*2.1*
Cyclical Consumer Goods		
Automobiles & Parts	**0.3**	*0.2*
Household Goods & Textiles	**0.1**	*0.1*
	0.4	*0.3*
Non-Cyclical Consumer Goods		
Beverages	**2.8**	*3.1*
Food Producers & Processors	**2.3**	*2.8*
Health	**1.0**	*0.9*
Personal Care & Household Products	**0.7**	*0.7*
Pharmaceuticals & Biotechnology	**9.8**	*10.4*
Tobacco	**1.8**	*2.0*
	18.4	*19.9*
Cyclical Services		
General Retailers	**3.2**	*3.4*
Leisure & Hotels	**2.8**	*2.6*
Media & Entertainment	**4.2**	*4.3*
Support Services	**2.0**	*2.1*
Transport	**1.8**	*1.6*
	14.0	*14.0*

United Kingdom	***2003***	*2002*
Non-Cyclical Services		
Food & Drug Retailers	**2.4**	*2.2*
Telecommunication Services	**9.4**	*9.0*
	11.8	*11.2*
Utilities		
Electricity	**2.1**	*2.6*
Utilities Other	**1.5**	*1.5*
	3.6	*4.1*
Financials		
Banks	**19.9**	*18.7*
Insurance	**0.5**	*0.5*
Life Assurance	**2.6**	*2.8*
Investment Companies	**2.5**	*2.2*
Real Estate	**1.7**	*1.6*
Speciality & Other Finance	**1.5**	*1.4*
	28.7	*27.2*
Information Technology		
Information Technology Hardware	**0.4**	*0.1*
Software & Computer Services	**0.8**	*0.6*
	1.2	*0.7*
Total Equities	**99.7**	*99.3*
Other	**0.3**	*0.7*
Total Investment Portfolio	**100.0**	*100.0*

SECTOR DISTRIBUTION (%)

at 31st December

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TOP 50 HOLDINGS – UK INDEX FUND

at 31st December, 2003

	Companies Incorporated in the U.K. Unless Specified Otherwise	*Sector*	*Market Value £000*	*% of Portfolio*
1	BP	Oil & Gas	**12,721**	**7.8**
2	HSBC Holdings	Banks	**12,223**	**7.5**
3	Vodafone Group	Telecommunication Services	**11,946**	**7.3**
4	GlaxoSmithKline	Pharmaceuticals & Biotechnology	**9,693**	**5.9**
5	Royal Bank Of Scotland	Banks	**6,151**	**3.7**
6	AstraZeneca	Pharmaceuticals & Biotechnology	**5,825**	**3.5**
7	Shell Transport & Trading	Oil & Gas	**5,138**	**3.1**
8	Barclays	Banks	**4,153**	**2.5**
9	HBOS	Banks	**3,526**	**2.1**
10	Lloyds TSB Group	Banks	**3,167**	**1.9**
11	Diageo	Beverages	**2,898**	**1.7**
12	Tesco	Food & Drug Retailers	**2,395**	**1.4**
13	Anglo American	Mining	**2,250**	**1.4**
14	Rio Tinto	Mining	**2,086**	**1.3**
15	BT Group	Telecommunication Services	**2,073**	**1.2**
16	Unilever	Food Producers & Processors	**1,926**	**1.2**
17	National Grid Transco	Utilities Other	**1,574**	**0.9**
18	British American Tobacco	Tobacco	**1,547**	**0.9**
19	BHP Billiton	Mining	**1,538**	**0.9**
20	Aviva	Life Assurance	**1,401**	**0.8**
21	Standard Chartered	Banks	**1,372**	**0.8**
22	B Sky B	Media & Entertainment	**1,302**	**0.8**
23	BG Group	Oil & Gas	**1,282**	**0.8**
24	Prudential	Life Assurance	**1,205**	**0.7**
25	Centrica	Utilities Other	**1,134**	**0.7**
26	Reckitt Benckiser	Personal Care & Household Products	**1,127**	**0.7**
27	Cadbury Schweppes	Food & Drug Retailers	**1,072**	**0.6**
28	Compass Group	Leisure & Hotels	**1,062**	**0.6**
29	Imperial Tobacco	Tobacco	**1,019**	**0.6**
30	GUS	General Retailers	**997**	**0.6**
31	Abbey National	Banks	**985**	**0.6**
32	Scottish Power	Electricity	**881**	**0.5**
33	MMO2	Telecommunication Services	**853**	**0.5**
34	Legal & General	Life Assurance	**832**	**0.5**
35	Marks & Spencer	General Retailers	**829**	**0.5**
36	Kingfisher	General Retailers	**823**	**0.5**
37	WPP Group	Media & Entertainment	**816**	**0.5**
38	Reed International	Media & Entertainment	**754**	**0.5**
39	SAB Miller	Beverages	**738**	**0.4**
40	Scottish & Southern Energy	Electricity	**736**	**0.4**
41	Boots	General Retailers	**703**	**0.4**
42	Amersham	Health	**684**	**0.4**
43	BAA	Transport	**672**	**0.4**
44	BAE Systems	Aerospace & Defence	**653**	**0.4**
45	Pearson	Media & Entertainment	**631**	**0.4**
46	Allied Domecq	Beverages	**608**	**0.4**
47	Carnival	Leisure & Hotels	**596**	**0.4**
48	Land Securities	Real Estate	**587**	**0.4**
49	Wolseley	Construction & Building Materials	**578**	**0.3**
50	J Sainsbury	Food & Drug Retailers	**575**	**0.3**
			120,337	**72.6**
	667 other holdings		**45,508**	**27.4**
	Total Investment Portfolio		**165,845**	**100.0**

PORTFOLIO REVIEW - UK INDEX FUND

Investment Objective

The objective of the UK Index Fund is to maintain an investment portfolio that reflects as closely as possible the constituents of the FTSE All-Share Index.The portfolio is expected to be fully invested in UK equities at all times, not holding any bonds, overseas assets or significant amounts of cash.

What is Index Tracking?

Index tracking is a mathematical method of managing equity portfolios. Barclays Global Investors which manages the UK Index Fund, is the largest manager of funds of this type in the world. An index tracking portfolio is designed carefully to reflect the shares that make up the relevant index (in this case the FTSE All-Share Index).

Index tracking portfolios are passive in nature. Once established, portfolio changes should be required only when the make-up of the index changes, or because of cash flows into or out of the portfolio. This passive policy avoids the transaction costs (commissions, bid-offer spread and stamp duty) that more active portfolios suffer.

UK Stock Market Indices

The UK equity market is made up of a large number of shares issued by companies. The companies' shares are grouped, for the convenience of investors and their advisers, into indices and sub-indices. This provides a detailed structure for the analysis of market sectors, and facilitates the comparison of companies within sectors and sub-sectors, and across national boundaries.

FTSE Group is an independent company whose sole business is the creation and management of indices and associated data services of stock markets around the world. It has established ground rules to ensure that changes to the indices are transparent and predictable.

The following are the main indices and sub-indices into which UK shares are grouped:

FTSE All-Share Index
This index represents 98-99% of the UK market's capitalization. The FTSE All-Share Index is the aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap indices.

FTSE 100 Index
This index includes the 100 most highly capitalised UK companies, and represents about 80% of the market. It is used extensively as a basis for investment products, such as derivatives and exchange-traded funds.

FTSE 250 Index
This index is comprised of companies of mid-market size, not covered by the FTSE 100, and represents about 18% of total UK market capitalisation.

FTSE Small Cap
This is made up of companies of the smallest size, and represents approximately 2% of the total UK market capitalisation.

The FTSE Quarterly Review Committee meets once a quarter to discuss and agree which shares should be included in each sub-index, and indeed, whether a particular share should be included in the FTSE All-Share Index. As a result of its decisions shares are added to the relevant index or deleted from it.

PORTFOLIO REVIEW – UK INDEX FUND

continued

How is the UK Index Fund Managed?

The Tribune UK Index Fund is managed by BGI in the context of the FTSE All-Share Index and its sub-indices. Since early 2001 the portfolio has held every single component share in the FTSE All-Share Index (except for the Company's own shares) according to its respective weighting in the Index, and has continued to do so throughout 2002 and 2003. In practice, whatever changes to the Index that are decided by the FTSE Quarterly Review Committee are mirrored in the portfolio.

The number of holdings in the portfolio has, therefore, risen and fallen together with the number of shares that make up the Index, and totalled 717 individual shares at 31st December, 2003. Because it replicates the Index in full, the portfolio is able to achieve a performance that tracks the Index very closely.

Maintaining a fully replicated portfolio requires us to buy and sell shares according to the changes initiated by the FTSE Quarterly Review Committee. We have, therefore, bought and sold shares throughout the period in line with these changes in the composition of the Index. The most important of these changes are listed below.

Portfolio Activity During the Year

The offer for the acquisition of *T&S Stores* by *Tesco* became wholly unconditional on 6th January, with the compulsory acquisition of shares on 23rd January. *Minerva*, the real estate development company, acquired *Allders*, the retailer, and the offer became unconditional on 20th February.

There were no changes to the companies included in the FTSE All-Share Index as of the March 2003 FTSE Quarterly Review. Although *Guinness Peat* had initially qualified to enter the Index on a market capitalisation basis, FTSE excluded it from contention prior to the review because the liquidity of its shares was below the required threshold.

US company, *Household International* was acquired by *HSBC* after the close of business on 28th March. The index change to reflect this was effected at the close of business on 31st March. *HSBC* increased its weighting by 0.77% in the FTSE All-Share Index; we therefore purchased sufficient *HSBC* shares to reflect this change on the close of business on the last day of the month.

We asked for a meeting with FTSE towards the end of 2002 as a result of which they agreed to modify the way in which they apply changes in the issued share capital of companies to changes in those companies' shares as represented in the Index.

Until then, the practice was to implement immediately in the Index changes in issued share capital of more than one per cent. As from 31st March, 2003 such changes have been applied quarterly, and cumulative changes of more than 10% have been implemented between quarterly dates, but with four days notice. Index changes resulting from corporate actions will continue to be implemented with immediate effect, as before.

The new arrangement is intended to improve the transparency and predictability of share changes in the portfolio whilst reducing the frequency with which minor changes are made. This should reduce the costs of implementing minor changes in the Tribune UK Index Fund.

The second meeting of the year by the FTSE Quarterly Review Committee took place on 11th June. There were two new additions to the FTSE All-Share Index, *Gresham Computing* and *Imagination Technologies Group*, and no deletions.

The first implementation of the rule relating to cumulative one per cent changes in issued share capital occurred on 20th June. In total 72 UK stocks saw cumulative changes in excess of one per cent, but of these only six were sufficient to require any trading for the portfolio. This resulted in purchases of *HBOS*, *Royal Bank of Scotland* and *P&O Steam*, coupled with sales of *AstraZeneca*, *Kingfisher*, and *Diageo*.

PORTFOLIO REVIEW - UK INDEX FUND

continued

Portfolio Activity During the Year *continued*

Thistle Hotels was acquired by *BIL International* in a hostile bid that was finally declared unconditional on 1st May. We assented to the acquisition of *Fitness First* by *Moray* in a friendly bid that became wholly unconditional on 11th June. *Azlan Group* was taken over by US wholesaler and distributor, *Tech Data Corporation*.

Xstrata held a rights issue in order to facilitate its acquisition of Australian metals company, *MIM Holdings*. The Australian treasurer finally approved the acquisition on 28th May and the acquisition became effective on 24th June. We took up the rights in order to attain the increased Index holding required. We also took part during the quarter in rights issues for *SVB Holdings* and *Vernalis Group*.

Six Continents demerged into *Mitchells & Butler* and *Intercontinental Hotels Group* during April, and the associated share consolidation also involved a return of capital of 81p per share.

We elected to take stock rather than cash in the cases of several optional dividends during the quarter - most notably *HBOS*, *Royal Bank of Scotland* and *Kingfisher*.

The FTSE Quarterly Review Committee met on 10th September and announced changes to the FTSE indices that were implemented on 19th September.

Yell Group, following its Initial Public Offering in July, entered the FTSE All-Share Index and went directly into the FTSE 100 Index where it replaced *Kelda*, which then dropped in to the FTSE 250 Index. *Marconi Corporation*, along with *Benfield Group* and *Randgold Resources*, entered the FTSE All-Share Index as FTSE 250 constituents. A further six stocks were promoted to the FTSE All-Share Index as FTSE Small Cap constituents.

There were also on this date changes for nine FTSE All-Share Index constituents relating to "investibility". This concerns the percentage of a company's share capital that may be traded freely in the stock market and that is not considered by the FTSE Quarterly Review Committee to be held firmly outside the free market by e.g. a founding family, another company, or government. Of most note in this category was *Liberty International* which reduced its investibility during the third quarter by 25%.

During the third quarter Tribune's annual conversion process resulted in cash with a net value of about £9,624,000 being transferred from the Global Managed Fund to the UK Index Fund on 4th July, 2003. Our medium term objective was to distribute this amount between all of the shares in the FTSE All-Share Index. However, since there were practical constraints on acquiring shares in many of the smaller companies in a short period of time, we bought at the outset shares in about 340 companies. Over time this investment was spread more widely amongst the very small companies, as opportunities arose.

Other changes during the quarter were the acquisition of *Chubb* on 11th August by *United Technologies Corporation*, the acquisition of *Selfridges* by *Wittington Investments* on 12th August, and of *Powderject Pharmaceuticals* by *Chiron Corporation* on 21st July.

United Utilities announced a two-tier rights issue in July for which we raised cash to meet the initial call of £1.65 per share. The Index also reflected the entitlement to *United Utilities'* second tier rights issue via an 'A' line holding.

The decisions of the fourth Quarterly Index Review became effective on 19th December. Changes included those made to the FTSE Small Cap benchmark, a sub set of the FTSE All-Share Index. A total of 35 new companies were added to the Index, and 17 companies were deleted. Shares added accounted for 0.29% by value of the FTSE All-Share Index, and deleted shares accounted for 0.06%. The most significant of these was the inclusion of *Northumbrian Water Group* as a constituent of the FTSE 250 Index.

The most noteworthy amendment to the FTSE Small Cap benchmark was the inclusion of *Wolfson Microelectronics*, which was the largest addition made. Indeed, the company was subsequently promoted to the FTSE 250 Index prior to the year end.

PORTFOLIO REVIEW – UK INDEX FUND

continued

Portfolio Activity During the Year *continued*

Further amendments were made to the Index on 19th December as a result of the cumulative changes to shares in issue of 1% or more. A total of 106 UK stocks had cumulative changes in excess of 1%, but of these only two were sufficient to require significant trading for the Tribune UK Index Fund - notably purchases of *HSBC* and sales of *GlaxoSmithKline* shares.

The successful friendly cash and shares bid by *Taylor Woodrow* on 16th October for *Wilson Connolly Holdings*, and the takeover of *Debenhams* by *Laragrove* on 18th December were reflected in the Index during the quarter, as was the 21st November acquisition of *Intercare Group* by *Cardinal Health Inc.*

During the final quarter, we also participated in rights issues for *Regus Group*, *Intermediate Capital Group*, *Rexam*, *Corus Group* and *Royal & Sun Alliance*.

In the course of the year we bought back Tribune UK Index Fund shares for cancellation on six separate occasions with a view to maintaining a low discount to net asset value per share. The total number of shares repurchased during 2003 amounted to 450,000 for an aggregate consideration of £1.96 million. The weighted average discount to net asset value at which shares were repurchased after dealing costs was 5.06%.

TRIBUNE UK INDEX FUND: NET ASSET VALUE COMPARED TO THE FTSE ALL-SHARE INDEX

Month-end 2003	*Tribune UK Index Fund Capital Return*	*FTSE All-Share Index Capital Return*	*Difference*
January	-9.05%	-9.05%	0.00%
February	+2.15%	+2.14%	+0.01%
March	-1.28%	-1.33%	+0.05%
April	+8.99%	+8.98%	+0.01%
May	+4.07%	+4.09%	-0.02%
June	+0.14%	+0.12%	+0.02%
July	+3.81%	+3.78%	+0.03%
August	+0.93%	+0.93%	0.00%
September	-1.79%	-1.79%	0.00%
October	+4.85%	+4.83%	+0.02%
November	+1.02%	+1.01%	+0.01%
December	+2.84%	+2.83%	+0.01%
12 months to 31st December, 2003	**+16.77%**	**+16.57%**	**+0.20%**

PORTFOLIO REVIEW – UK INDEX FUND

continued

DISCOUNT TO NET ASSET VALUE

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Barclays Global Investors Limited
Authorised and regulated by the Financial Services Authority

23rd February, 2004

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REPORT OF THE DIRECTORS

for the year ended 31st December, 2003

The directors submit to the shareholders their Annual Report for the year ended 31st December, 2003 which was approved by the Board on 23rd February, 2004.

1 Business and Tax Status

Tribune Trust plc is registered as an investment company within the meaning of the Companies Act 1985.

The business of the Company is that of an investment trust and as such it has received specific approval from the Inland Revenue under Section 842 of the Income and Corporation Taxes Act 1988 for each accounting period up to 31st December, 2002. Approval for the year ended 31st December, 2002 is subject to there being no subsequent enquiry under Corporate Tax Self Assessment. In the opinion of the directors, the Company has subsequently directed its affairs so as to enable it to continue to seek such approval.

So far as is known, the "close company" provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

The Company has no employees.

2 Review of Activities

During the year, the Company followed the normal activities of an investment trust company.

The year's results, activities and the prospects for the future are set out more fully in the Chairman's Statement on pages 9 and 10 and the Portfolio Reviews for the Global Managed Fund on pages 20 to 23 and for the UK Index Fund on pages 32 to 36. Investment changes during the year are reflected in note 9 to the financial statements on page 59 and in the Classification of Investments, which for the Global Managed Fund is set out on pages 16 and 17, and for the UK Index Fund is on page 30.

3 Dividends

Global Managed Fund

The Board recommends a final dividend of 7.00p per Ordinary share which, together with the interim of 2.75p already paid, makes a total of 9.75p per Ordinary share for the year, compared with 9.65p for the previous year.

UK Index Fund

The Board recommends a final dividend of 5.99p per Index share which, together with the interim dividend of 7.43p already paid, makes a total of 13.42p per Index share for the year, compared with 13.19p for the previous year.

Subject to approval at the Annual General Meeting, the recommended final dividends will be paid on 30th April, 2004 to members on the register at the close of business on 26th March, 2004.

4 Directors

The present directors are listed below and on page 6. They are all non-executive, and have all served throughout the year.

In accordance with the articles of association, Mr. G. M. Bagot and Mr. J. J. C. Edwards retire by rotation and offer themselves for re-election. As explained in the Chairman's statement, Mr. I. S. Steers also offers himself for re-election at the Annual General Meeting.

The directors' interests in the Company's shares, as shown in the Register kept pursuant to section 325 of the Companies Act 1985, are stated in the following table:

REPORT OF THE DIRECTORS

continued

4 Directors *continued*

	31st December, 2003			*31st December, 2002*		
	Ordinary	*Index*	*Total*	*Ordinary*	*Index*	*Total*
Beneficial						
C. G. Stobart	**5,000**	**–**	**5,000**	*5,000*	–	*5,000*
G. M. Bagot	**–**	**–**	**–**	–	–	–
J. L. Callahan	**5,000**	**5,000**	**10,000**	*5,000*	*1,000*	*6,000*
J. J. C. Edwards	**2,500**	**–**	**2,500**	*2,500*	–	*2,500*
I. S. Steers	**20,000**	**–**	**20,000**	*20,000*	–	*20,000*
N. K. S. Wills	–	–	–	–	–	–
Non-beneficial						
I. S. Steers	**9,516**	**–**	**9,516**	*13,237*	–	*13,237*

There have been no changes in the above holdings between 31st December, 2003 and 23rd February, 2004.

There were no contracts or arrangements subsisting during or at the end of the financial year in which any director is or was materially interested.

5 Substantial Shareholders

At 23rd February, 2004 notification had been received of the following interests of 3% or more of the Company's share capital:

Ordinary shares		
The Trustees of the National Fund	1,450,000	9.0%
Barings Pension Trust Fund	1,080,000	6.7%
Merchant Investors Assurance Co Ltd	912,060	5.7%
Legal and General Group	591,000	3.7%
Index shares		
AXA SA and its Group Companies	6,381,250	18.8%
Barclays Bank PLC (for clients)	5,832,991	17.2%
Barings Pension Trust Fund	4,137,600	12.2%
Edinburgh Fund Managers	1,600,000	4.7%
Fidelity International Limited	1,270,760	3.7%

The Baring Asset Management Group have notified the Company of a holding of 6,533,182 Ordinary shares (40.6%) and 4,461,397 Index shares (13.2%), which they manage on behalf of clients. These figures include the holdings of Barings Pension Trust Fund and The Trustees of the National Fund which are already disclosed above.

6 Corporate Governance

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code"). Throughout the year under review the Code in force was that issued by the London Stock Exchange in 1998. A revised code was issued by the Financial Reporting Council in July 2003 and this will be effective for the Company in 2004. The Board is in the process of reviewing and applying the requirements of the new code and this statement is principally concerned with the code in force during the year.

Application of the Code's Principles

The Board is committed to high standards of corporate governance. It seeks to observe the principles of the Code and believes that the Company has complied with the Code's provisions in all material respects throughout the year under review. It should be noted that, as an investment trust, most of the Company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus not all the provisions of the Code are directly applicable to the Company.

REPORT OF THE DIRECTORS

continued

6 Corporate Governance *continued*

The Board

The Board currently consists of six non-executive directors all of whom are independent of Barclays Global Investors Limited and the ING Baring group. Their biographies are set out on page 7. Collectively the Board has the requisite range of business and financial experience which enables it to provide clear and effective leadership and proper stewardship of the Company.

The Chairman meets with each director once a year to evaluate his performance and contribution to the Board. The other directors meet collectively once a year to evaluate the performance of the Chairman.

The number of formal meetings of the Board, the Audit Committee and the Marketing Committee held during the financial year and the attendance of individual directors are shown below:

	Board	*Audit*	*Marketing*
Number of meetings in the year	*8*	*4*	*6*
Christopher Stobart	8	–	–
Gordon Bagot	8	4	–
Lough Callahan	8	–	6
Jeremy Edwards	8	4	6
Ian Steers	7	4	–
Nicholas Wills	7	4	–

The Board deals with the Company's affairs, including the setting of gearing and investment policy parameters, the monitoring of gearing and investment policy and the review of investment performance. The investment managers take decisions as to the utilisation of gearing, asset allocation and the purchase and sale of individual investments. The Chairman is responsible for ensuring that the Board operates in an effective manner and receives the requisite information and explanations that it requires to carry out its duties effectively. Key representatives of the investment managers attend the Board meetings, enabling directors to probe further or seek clarification on all matters, including those of concern.

Matters specifically reserved for discussion by the full Board have been defined and a procedure adopted for directors to take independent professional advice if necessary, at the Company's expense.

The Chairman of the Company is a non-executive director. A senior non-executive director has not been identified as the Board considers that all directors have different qualities and areas of expertise on which they may lead or advise when issues arise.

Appointments to the Board are considered by the whole Board and accordingly no separate nominations committee has been formed. Possible new directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every director is entitled to receive appropriate training.

In accordance with the Articles of Association new directors stand for election at the first Annual General Meeting following their appointment. The Articles require that one third of the directors retire by rotation each year and seek re-election at the Annual General Meeting. In addition, all directors are required to submit themselves for re-election at least every three years and any director who has reached the age of 70 will stand for re-election annually. The Board does not concur with the view that directors cease to be independent when they have served on the Board for more than nine years. There is therefore no policy on tenure. Directors are only proposed for re-election after an evaluation of their contribution to the Board.

There is an audit committee, comprising of Mr. Edwards, Mr. Bagot, Mr. Steers and Mr. Wills. Mr. Edwards is the Chairman of the audit committee. The audit committee meets at least four times each year and is responsible for review of the annual and interim reports, the regular review of key risks and monitoring of compliance controls, the terms of appointment of the auditors together with their remuneration as well as the non-audit services provided by the auditors.

REPORT OF THE DIRECTORS

continued

6 **Corporate Governance** *continued*

Remuneration

The Board as a whole considers directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company is an investment trust and all directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report on page 45.

Internal Controls

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The process is subject to regular review by the Board and accords with "Internal Control Guidance for Directors on the Combined Code" published in 1999 (" The Turnbull guidance").

The directors are responsible for the Company's system of internal control which is designed to safeguard shareholders' investment and the Company's assets. These systems of internal control are designed to provide reasonable but not absolute, assurance against material misstatement or loss.

The Turnbull guidance recommends a risk-based approach to the assessment of internal controls. The Board has completed a risk map for the Company and established procedures for the ongoing monitoring and review of the risks identified. The Board as a whole is primarily responsible for the monitoring and review of risks associated with investment matters and the Audit Committee is primarily responsible for other risks.

As the Board has contractually delegated to external third parties the investment management, the custodial services and the day to day accounting and company secretarial requirements, the Company significantly relies upon the internal controls operated by those companies. Investment management for the Global Managed Fund and administration services for the whole Company are provided by subsidiaries of ING Baring Holdings Limited ("ING Baring"), while investment management for the UK Index Fund is provided by Barclays Global Investors Limited ("BGI"). Details of the agreements with the investment managers are given in note 3 to the financial statements. The custodian is JPMorgan Investor Services.

The risk map has been considered at all regular meetings of the Board and Audit Committee. As part of the risk review process, regular reports are received from the investment managers on all investment related matters including compliance with the investment mandates, the performance of the portfolios compared to the benchmark for each Fund and compliance with investment trust status requirements.

The Board and Audit Committee also receive and review annual reports from the investment managers and the custodian on their internal controls and their operation. These reports are designed to provide details of the internal control procedures operated by the relevant entity and include a report by an independent reporting accountant.

The Board confirms that appropriate procedures to review the effectiveness of the Company's system of internal control have been in place during the year and up to the date of this report which cover all controls including financial, operational and compliance controls and risk management. In addition an annual assessment of internal control was completed at a Board Meeting on 18th February, 2004. This assessment included a review of the Company's risk map, an assessment of the quality of reports on internal control from the service providers and the effectiveness of the Company's reporting process.

Accountability and Audit

Set out on page 46 is a statement by the directors of their responsibilities in respect of the financial statements. The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements, as the assets of the Company consist mainly of securities which are readily realisable.

As noted earlier, an Audit Committee has been established consisting of independent directors. It regularly reviews the terms of the management and secretarial contracts.

REPORT OF THE DIRECTORS

continued

6 **Corporate Governance** *continued*

Relations with Shareholders

Communications with shareholders are important and monthly information sheets for both the funds on their performance are available to shareholders. The Company's investment managers, accompanied whenever possible by a director and the Company's financial advisors, meet at least annually with certain institutional shareholders and report to the Board. The Annual General Meeting ("AGM") is used as an opportunity to communicate with shareholders and provide shareholders with an opportunity to raise questions with the Board. Proxy voting figures are announced to shareholders at the meeting. The Notice of Annual General Meeting on page 73 sets out the business of the AGM and the special resolutions are explained more fully in this report.

Evaluation of Performance of Investment Managers

The investment performance of the two funds is reviewed at each regular Board meeting at which representatives of the investment managers are required to answer questions and provide explanations to any issues raised by the Board. The Board has instigated an annual formal review of the investment managers which includes consideration of:

- Performance compared to benchmark and peer group.
- Investment resources dedicated to Tribune.
- Investment management fee arrangements and notice period compared to peer group.
- Marketing effort and resources provided to Tribune.

Statement of Compliance

The Board considers that it has complied with all the material provisions set out in the Combined Code throughout the year. It did not, however, comply with the following provisions as explained above:

- no senior independent director has been identified; and
- separate nomination and remuneration committees have not been established.

7 **Conversion**

Following the re-organisation of the Company into two separate classes of assets in 1998, shareholders in each class have the opportunity of converting into the other at fixed annual intervals. The results of the share conversion which occurred on 1st July, 2003 were as follows:

Ordinary shares converting into Index shares: A total of 2,172,752 Ordinary shares were surrendered for conversion into Index shares. Based on a conversion ratio of 1.048, this gave rise to the creation of 2,277,044 Index shares.

Index shares converting into Ordinary shares: A total of 89,379 Index shares were surrendered for conversion into Ordinary shares. Based on a conversion ratio of 0.931, this gave rise to the creation of 83,212 Ordinary shares.

The next opportunity for shareholders to convert will be on 1st July, 2004. We will, of course, be writing to shareholders in good time to remind them of their options.

8 **Environmental Policy**

The Company seeks to conduct its own affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions.

9 **Exercise of Voting Powers**

The Company's investment managers will exercise proxy votes on behalf of the Company if they believe it is appropriate.

REPORT OF THE DIRECTORS

continued

10 Creditor Payment Policy

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. In general, the Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by these terms. As an authorised investment trust, the Company does not transact business of a trading nature.

11 Auditors

Our auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution for their re-appointment and remuneration will be proposed at the Annual General Meeting.

12 Annual General Meeting

There are four items of special business to be considered at the forthcoming Annual General Meeting:

Authority to Allot Shares and Disapplication of Pre-emption Rights

Under Resolution 9 (which will be proposed as an Ordinary Resolution), the directors are seeking general power from shareholders to allot shares up to an aggregate of £3,510,266 representing approximately 33% of the Company's issued share capital at 31st December, 2003.

Under Resolution 10 (which will be proposed as a Special Resolution), the directors are seeking authority to make allotments of shares for cash on a non pre-emptive basis up to the limits recommended by the Association of British Insurers (which is currently 5% of the issued ordinary share capital of a company as shown by its latest published annual accounts).

Although the directors do not have any intention of exercising these powers at present, they may choose to do so in the future and the authority conferred by these resolutions will provide the directors with the flexibility to act in the best interests of shareholders. These resolutions are substantially the same as those passed last year and effectively therefore simply renew the authorities which would otherwise lapse.

Authority to Make Market Purchases of the Company's Own Shares

At the Extraordinary General Meeting held on 23rd April, 2003, a Special Resolution was proposed and passed, giving the directors authority, until the conclusion of the 2004 Annual General Meeting, to make market purchases of the Company's own issued share capital for cancellation up to a maximum of 2,724,201 Ordinary shares and 4,820,987 Index shares (together representing 14.99% of the issued share capital as at 31st December, 2002). During the year ended 31st December, 2003, the Company has made market purchases for the cancellation of 450,000 Index shares of 20.8680934p each for an aggregate consideration of £1,926,000 representing 0.89% of the total issued share capital as at 31st December, 2002.

Under Resolution 11 (which will be proposed as a Special resolution), the directors are seeking shareholder approval that the existing authority to buy-back shares be renewed.

It is proposed that the Company be authorised to purchase from market intermediaries on the London Stock Exchange up to 2,410,979 Ordinary shares and 5,081,463 Index shares (together being 14.99% of the Company's total issued share capital as at the date of this document). Any such purchases will be completed by the delivery of shares by such market intermediaries to the Company which will then be cancelled immediately. Ordinary shares will only be repurchased utilising funds forming part of the Global Managed Fund and Index shares will only be repurchased utilising funds forming part of the UK Index Fund.

Under UK Listing Authority rules, the maximum price to be paid on any exercise of the authority must not exceed 105% of the average of the middle market quotations for the relevant class of shares for the five business days immediately preceeding the date of purchase.

Purchases of shares will be made within guidelines set from time to time by the Board, and will only be made in the market at prices below the prevailing net asset value of a share. In any event, the minimum price paid may not be below 25 pence per share.

REPORT OF THE DIRECTORS

continued

12 Annual General Meeting *continued*

Authority to Make Market Purchases of the Company's Own Shares *continued*

No shares will be purchased by the Company during prohibited periods imposed by the UK Listing Authority, unless a specific exemption has been obtained. These are currently (i) the period of two months immediately preceding the preliminary announcement of the Company's annual results (or from the year-end to the date of the announcement, if less than two months) and (ii) the period of one month immediately preceding the publication of the Company's half-yearly report (or from the half-year date to the date of the publication, if less than one month).

Any exercise by the Company of the authority to purchase shares will only occur when market conditions allow, with the aim of maximising the benefit to shareholders.

The authority to purchase shares will last until the Annual General Meeting of the Company in 2005, or 22nd October, 2005, whichever is the earlier. The authority may be renewed by shareholders at any time.

Purchases will be funded either by using available cash resources or by selling investments in the relevant portfolio.

Effect on shareholders

The principal effect of the implementation of this Proposal will be to enhance the net asset value of the remaining shares, as shares will only be acquired in the market for less than their underlying net asset value per share, and to manage any imbalance of supply and demand for the shares in the market.

City Code

For the purposes of the City Code, ING Group NV and its subsidiaries, including Baring Asset Management Limited, are treated as being in concert (in respect of shares held as principal or on behalf of discretionary clients) with the Board (the "Concert Party"). The Concert Party currently holds 24.25% of the issued share capital of the Company. If the Company were to purchase any of its shares under the proposal, the percentage holding of the Concert Party would increase proportionately. If the holding of the Concert Party were to exceed 30% of the issued share capital of the Company, it would be obliged under Rule 9 of the City Code to make a general offer to shareholders to acquire the shares. In order to avoid this obligation being triggered your Board will, if this proposal is accepted by shareholders, exercise its authority to purchase shares so as not to require a mandatory take-over offer to be made by the Concert Party.

Authority to Purchase the Company's Deferred shares

Holders of Ordinary shares may elect once a year to convert all or part of their holding into Index shares and holders of Index shares may elect to convert all or part of their holding into Ordinary shares. The Company will be writing to all shareholders with a reminder of the conversion rights (together with an explanation of how to exercise them) in early May.

Assuming that at least some holders of each class of share elect to convert their shares into the other class, the mechanics for effecting the conversion may give rise to a number of Deferred shares. These Deferred shares will have no economic value, and arise as a consequence of technical requirements of company law. However, the existence of these shares would be an administrative inconvenience, and accordingly Resolution 12 (which will be proposed as a Special Resolution) is proposed to enable the Board to purchase those Deferred shares for a nominal consideration. As a technical matter of company law, such a purchase would be an off market purchase (as the Deferred shares will not be listed on the London Stock Exchange) and can only be undertaken pursuant to a contract approved in advance by shareholders. Accordingly the Board intends to exercise its powers under the Articles to transfer all Deferred shares to Baring Asset Management Limited ("BAML") and thereafter purchase these Deferred shares from BAML on or before 1st April, 2005 for an aggregate consideration of £1 in accordance with the contract to be approved pursuant to Resolution 12.

By Order of the Board
M. J. Nokes
Secretary

23rd February, 2004

DIRECTORS' REMUNERATION REPORT

For the year ended 31st December, 2003

Non Auditable

As the Board of directors is comprised solely of non-executive directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the level of fees paid to directors, which are reviewed on a periodic basis, is dealt with by the whole Board.

The Company's Articles of Association limits the aggregate fees payable to the Board of directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of directors' fees having regard to fees payable to non-executive directors in the industry generally, the responsibilities of the Board, and the time committed to the Company's affairs. In addition to a basic fee, each director, other than the Chairman of the Board, is entitled to an attendance fee of £500 for each Board and Audit Committee meeting that they attend and £250 for certain other ad-hoc meetings.

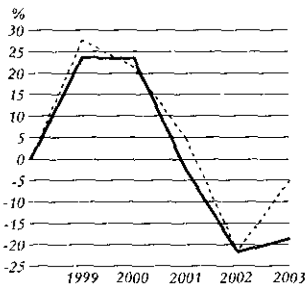
No director has a service contract with the Company.

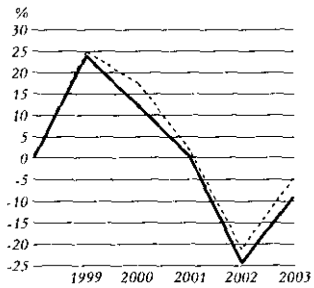
The performance of the Company's Global Managed Fund is measured against a benchmark which is a 50/50 composite of the FTSE All-Share Index and the FTSE World Index ex. UK. The performance of the UK Index Fund is measured against the FTSE All-Share Index. The graphs below show the five year share price performance of both funds against their respective benchmarks, on a total return basis (capital return with income re-invested).

GLOBAL MANAGED FUND

Global Managed Fund Share Price Total Return (Source: AITC)

Benchmark Total Return (Source: Datastream)





UK INDEX FUND

UK Index Fund Share Price Total Return (Source: AITC)

Benchmark Total Return (Source: Datastream)

Auditable

The fees paid to directors are set-out in the following table:

Name	*Basic Fee* £	*Attendance Fee* £	*2003 Total* £	*2002 Total* £
C. G. Stobart	**18,000**	**–**	**18,000**	*18,000*
G. M. Bagot	**6,000**	**7,000**	**13,000**	*12,500*
J. L. Callahan	**6,000**	**7,250**	**13,250**	*11,500*
J. J. C. Edwards	**6,000**	**10,250**	**16,250**	*15,000*
I. S. Steers	**6,000**	**5,500**	**11,500**	*11,250*
N. K. S. Wills	**6,000**	**5,500**	**11,500**	*11,750*
Total	**48,000**	**35,500**	**83,500**	*80,000*

The Company does not provide pension benefits, share options or long term incentive schemes for directors.

By Order of the Board
M. J. Nokes
Secretary

23rd February, 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 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, subject to any material departures disclosed and explained in the financial statements; 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 confirm that they have complied with the above requirements in preparing the financial statements.

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 1985. 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.

The financial statements are published on the *www.tribunetrust.com* website which is the responsibility of the directors. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

to the members of Tribune Trust plc

We have audited the financial statements which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement, and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Memorandum Fund Accounts, the Investment Managers' Portfolio Reviews, the Directors' Report (including the Corporate Governance Statement) and the unaudited part of the Directors' Remuneration Report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Basis of Audit 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 and the auditable part of the Directors' Remuneration Report. 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 and the auditable part of the Directors' Remuneration Report 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 at 31st December, 2003 and of its total return and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

23rd February, 2004

STATEMENT OF TOTAL RETURN

(incorporating the revenue account[1]) for the year ended 31st December, 2003

	Notes	2003 Revenue £000	2003 Capital £000	2003 Total £000	2002 (restated)[4] Revenue £000	2002 (restated)[4] Capital £000	2002 (restated)[4] Total £000
Gains/(losses) on investments	9	–	34,473	34,473	–	(77,274)	(77,274)
Gains on foreign exchange	10	–	344	344	–	308	308
Amortisation of debenture stock premium	13	–	10	10	–	9	9
Income	2	8,872	–	8,872	9,010	–	9,010
Investment management fee	3	(505)	(318)	(823)	(528)	(315)	(843)
Other expenses	4	(805)	–	(805)	(666)	–	(666)
Net return before interest payable and taxation		7,562	34,509	42,071	7,816	(77,272)	(69,456)
Interest payable	5	(1,926)	(434)	(2,360)	(1,909)	(544)	(2,453)
Return on ordinary activities before taxation		5,636	34,075	39,711	5,907	(77,816)	(71,909)
Taxation	6	(74)	–	(74)	(63)	–	(63)
Return on ordinary activities after taxation		5,562	34,075	39,637	5,844	(77,816)	(71,972)
Dividends	7	(6,038)	–	(6,038)	(5,855)	–	(5,855)
Transfers (from)/to reserves		(476)	34,075	33,599	(11)	(77,816)	(77,827)

		2003 Revenue	2003 Capital	2003 Total	2002 Revenue	2002 Capital	2002 Total
Return per Ordinary share[2]	8	8.89p	62.34p	71.23p	10.46p	(178.54)p	(168.08)p
Return per Index share[3]	8	13.31p	70.68p	83.99p	13.22p	(138.96)p	(125.74)p

[1] *The revenue column of this statement is the profit and loss account of the Company.*

[2] *Based on a weighted average of 17,125,829 (2002 – 19,857,953) Ordinary shares in issue.*

[3] *Based on a weighted average of 33,095,104 (2002 – 30,487,983) Index shares in issue.*

[4] *Restated for a change in classification, see note 1c.*

The return per the unlisted Deferred B share is shown in note 8.

The accompanying notes are an integral part of this statement.

All revenue and capital items in the above statement derive from continuing operations.

BALANCE SHEET

at 31st December, 2003

	Notes	**2003** **£000**	*2002* *£000*
Fixed assets			
Investments	9	**280,877**	*252,998*
Current assets			
Debtors	11	**677**	*933*
Cash at bank and in hand	20	**2,024**	*2,785*
		2,701	*3,718*
Creditors: Amounts falling due within one year	12	**(6,297)**	*(3,543)*
Net current (liabilities)/assets		**(3,596)**	*175*
Total assets less current liabilities		**277,281**	*253,173*
Creditors: Amounts falling due after more than one year	13	**(25,082)**	*(32,647)*
Net assets		**252,199**	*220,526*
Capital and reserves			
Called up share capital	15	**10,637**	*10,737*
Capital reserve – realised	16	**201,926**	*208,966*
Capital reserve – unrealised	16	**30,261**	*(8,928)*
Redemption reserve – capital	16	**2,176**	*2,076*
Redemption reserve – revenue	16	**3,666**	*3,633*
Revenue reserve	16	**3,533**	*4,042*
Total shareholders' funds	18	**252,199**	*220,526*
Net asset value per Ordinary share	17	**513.8p**	*451.7p*
Net asset value per Index share	17	**489.5p**	*419.4p*

The financial statements on pages 48 to 72 were approved by the Board on 23rd February, 2004 and were signed on its behalf by:

J. J. C. Edwards *Director*
I. S. Steers *Director*

The net asset value per the unlisted Deferred B share is shown in note 17.

The accompanying notes are an integral part of this balance sheet.

CASHFLOW STATEMENT

for the year ended 31st December, 2003

	Notes	**2003 £000**	*2002 £000*
Operating activities			
Investment income received		**8,799**	*9,357*
Deposit interest received		**169**	*70*
Underwriting commission and sundry income received		**–**	*3*
Investment management fees paid		**(797)**	*(933)*
Other cash payments		**(787)**	*(977)*
Net cash inflow from operating activities	*19*	**7,384**	*7,520*
Returns on investments and servicing of finance			
Interest paid		**(2,414)**	*(2,417)*
Taxation			
UK tax recovered		**8**	*156*
Overseas tax paid		**(63)**	*(60)*
Net cash (outflow)/inflow from taxation		**(55)**	*96*
Financial investment			
Purchases of investments		**(75,789)**	*(106,687)*
Sales of investments		**82,496**	*107,095*
Net cash inflow from financial investment		**6,707**	*408*
Equity dividends paid		**(5,929)**	*(5,776)*
Net cash inflow/(outflow) before financing		**5,693**	*(169)*
Financing			
New and additional loans		**–**	*3,385*
Repayment of loans		**(4,525)**	*(6,162)*
Buyback of Index shares		**(1,926)**	*(522)*
Net cash outflow from financing		**(6,451)**	*(3,299)*
Decrease in cash	*21*	**(758)**	*(3,468)*

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1 **Accounting Policies**

A summary of the principal accounting policies is set out below. These have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments.

The financial statements of the Company represent the aggregation of the net assets and results of the Global Managed Fund, the UK Index Fund, and the Hedged Pool.

The financial statements have been prepared in accordance with the Company's accounting policies, applicable accounting standards and with the Statement of Recommended Practice "Financial statements of investment trust companies" ("SORP") issued in January 2003 and in accordance with the Companies Act, 1985. The adoption by the Company of the recommendations contained in the January 2003 SORP has not resulted in any changes to accounting policies or the basis of any allocation of income, expense or tax, except as detailed in note 1c) below.

b) Valuation of investments

Quoted investments are valued at middle market prices. Unquoted investments, including unquoted investments realisable at holder's option, are valued by the Board after discussion with the investment managers on the basis of latest accounting and other relevant information.

As the Abbey National loan notes purchased by the Hedged Pool (see note 14) are being held long term to hedge future liabilities, these loan notes are valued by the Board at their amortised book cost rather than at their market valuation. The annual amortisation charge is offset against the redemption reserve established for this purpose.

Realised gains or losses on the disposal of investments are taken to capital reserve – realised. Unrealised gains or losses on the valuation of investments are taken to capital reserve – unrealised.

Year-end exchange rates are used to translate the value of investments which are denominated in foreign currencies. Exchange gains or losses are taken to capital reserve – unrealised.

c) Income

Dividends receivable from quoted equity investments and unquoted investments realisable at holders option are brought into account on the ex-dividend date, or where no ex-dividend date is specified, when the Company's right to receive payment is established.

Fixed returns on non-equity investments are recognised on a time apportionment basis. Fixed returns on debt securities are recognised on a time apportionment basis so as to reflect the effective yield from the date of purchase. The amortisation of any premium or discount is included in income. This is a change of classification from that adopted in previous years when such amortisation was included in expenses. The corresponding amount for the prior year has been adjusted to ensure comparability resulting in a £264,000 decrease in both income and other expenses.

Where the Company has elected to receive its dividends in the form of additional shares ("scrip") rather than in cash, the amount of the cash dividend is recognised as income with a corresponding addition to fixed asset investments. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserve – unrealised.

Interest receivable on deposits is accounted for on an accruals basis.

Underwriting commission is recognised as income on completion of the issue unless the Company is required to subscribe for the issue, in which case the commission is deducted from the book cost of the investment.

d) Expenses

All expenses are accounted for on an accruals basis and are charged as follows:

- investment management fees are allocated between income and capital for the two funds in a manner determined by the directors which reflects their expected long-term split of returns and industry practice;

NOTES TO THE FINANCIAL STATEMENTS

continued

1 **Accounting Policies** *continued*

d) Expenses *continued*

- any investment performance bonus is charged wholly to capital reserve – realised;
- dealing costs are charged wholly to capital;
- other expenses are charged wholly to revenue.

Wherever possible, fees and expenses attributable to the management of a fund will be allocated to that fund. Where this is not possible, they will be split pro-rata between the Global Managed Fund and the UK Index Fund based on the net asset values as at the six monthly accounting dates.

e) Interest payable

Interest payable is accounted for on an accruals basis, and is charged equally between the revenue account and capital reserve – realised for the Global Managed Fund. The interest cost arising on the Hedged Pool is charged wholly to revenue as this is hedged by the interest receivable on the Abbey National loan note.

f) Taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

The tax liability of the Company will be apportioned between each of the funds based on the respective estimated taxable profits of each fund.

g) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract.

Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve – unrealised.

h) Capital reserve – realised

The following are accounted for in this reserve:

- realised gains or losses on the disposal of investments;
- realised exchange differences on the disposal of foreign currency balances and forward foreign exchange contracts;
- 50% of investment management fee payable to BAML on the Global Managed Fund only;
- 100% of any investment performance bonus payable to BAML on the Global Managed Fund only;
- 50% of interest payable for the Global Managed Fund only.

i) Capital reserve – unrealised

The following are accounted for in this reserve:

- unrealised increases or decreases in the valuation of investments held at the year-end;
- unrealised exchange differences in the valuation of foreign currency balances and forward foreign exchange contracts in existence at the year-end.

NOTES TO THE FINANCIAL STATEMENTS

continued

2 Income	2003 £000	2002 (restated) £000
Income from investments		
UK franked investment income:		
Global Managed Fund	**1,855**	*2,194*
UK Index Fund	**4,820**	*4,546*
	6,675	*6,740*
UK unfranked investment income:		
Global Managed Fund	**–**	*64*
UK Index Fund	**–**	*–*
	–	*64*
UK interest:		
Global Managed Fund	**27**	*27*
UK Index Fund	**–**	*–*
	27	*27*
Overseas dividends:		
Global Managed Fund	**624**	*703*
UK Index Fund	**–**	*–*
	624	*703*
Overseas interest:		
Global Managed Fund	**–**	*168*
UK Index Fund	**–**	*–*
	–	*168*
Scrip dividends:		
Global Managed Fund	**–**	*47*
UK Index Fund	**247**	*92*
	247	*139*
	7,573	*7,841*
Other income		
Loan note interest – Hedged Pool	**1,127**	*1,100*
Deposit interest	**172**	*66*
Underwriting commission and sundry income	**–**	*3*
	1,299	*1,169*
Total income	**8,872**	*9,010*

NOTES TO THE FINANCIAL STATEMENTS

continued

2 Income *continued*	Managed £000	Index £000	2003 Total £000	Managed £000	Index £000	2002 (restated) Total £000
Total income comprises:						
Dividends	2,479	5,067	7,546	*3,008*	*4,638*	*7,646*
Interest from investments	27	–	27	*195*	–	*195*
Other income	154	18	172	*54*	*15*	*69*
	2,660	5,085	7,745	*3,257*	*4,653*	*7,910*
Other income – Hedged Pool			1,127			*1,100*
			8,872			*9,010*
Income from investments comprises:						
Quoted UK	1,804	5,067	6,871	*2,184*	*4,638*	*6,822*
Quoted Overseas	586	–	586	*871*	–	*871*
Unquoted	116	–	116	*148*	–	*148*
	2,506	5,067	7,573	*3,203*	*4,638*	*7,841*

3 Investment Management Fee	Managed £000	Index £000	2003 Total £000	Managed £000	Index £000	2002 Total £000
Charged to Revenue:						
Investment management fee	601	159	760	*580*	*182*	*762*
Irrecoverable VAT thereon	35	28	63	*49*	*32*	*81*
	636	187	823	*629*	*214*	*843*
Less transfer to capital reserve – realised	(318)	–	(318)	*(315)*	–	*(315)*
	318	187	505	*314*	*214*	*528*
Charged to Capital:						
Transfer from revenue (above)	318	–	318	*315*	–	*315*

Global Managed Fund

Baring Asset Management Limited ("BAML") acts as investment manager of the Global Managed Fund under an agreement determinable on not less than six months' notice.

BAML's investment management fee is charged each quarter at the rate of 0.5% per annum on the value of the gross assets of the Global Managed Fund. Investments in Baring's own managed funds are excluded from the calculation of this fee and a rebate is also given in respect of the underlying fees charged by those funds. In addition, where in respect of any year ended 30th June, the management fee paid and payable (including any performance bonus) is less than £250,000 *(30th June, 2003 – £625,000)*, the Company shall pay an amount equal to the shortfall. An additional fee of £171,196 was paid in respect of the year ended 30th June, 2003 *(2002 – £nil)*. As described in note 1h), 50% of the management fee is allocated to capital.

At 31st December, 2003, £129,000 of this fee remained outstanding *(2002 – £140,000)*.

NOTES TO THE FINANCIAL STATEMENTS

continued

3 **Investment Management Fee** *continued*

Global Managed Fund *continued*

A performance bonus will be payable to BAML at the rate of 10% of the amount by which the change in the net asset value per Ordinary share exceeds the performance of the benchmark over the requisite period. This bonus is capped at 0.2% per annum of the gross assets of the Global Managed Fund. Further, the base point of this calculation will be reset, on a three year rolling basis, at the highest point of outperformance against the benchmark for which the manager is paid a performance bonus. Accordingly underperformance by the Global Managed Fund against its benchmark will have to be made up before any further performance bonus will be paid in that three year period. Any such bonus is determined annually on 31st July. No performance bonus was paid in respect of the period 1st August, 2002 to 31st July, 2003 *(1st August, 2001 to 31st July, 2002 – £nil).* At 31st December, 2003 there was no liability in respect of the performance period to 31st July, 2004 *(31st December, 2002 – £nil).* Any such bonus is charged wholly to capital.

BAML is a subsidiary of Baring Asset Management Holdings Limited which is in turn a subsidiary of ING Baring Holdings Limited. ING Baring Holdings Limited is a wholly owned subsidiary of ING Group N.V.

UK Index Fund

Barclays Global Investors Limited ("BGI") acts as investment manager of the UK Index Fund under an agreement determinable on not less than six months' notice.

BGI's investment management fee is charged each quarter at the rate of 0.125% per annum on the value of investments and available cash. Since 1st January, 2002 all of this cost is allocated to the revenue account in accordance with industry practice for an indexed fund.

At 31st December, 2003, £97,000 of this fee remained outstanding *(2002 – £60,000).*

4 **Other Expenses**	**2003** Managed £000	**2003** Index £000	**2003** Total £000	*2002* Total £000
Administration expenses	**114**	**202**	**316**	*259*
Secretarial fee	**65**	**114**	**179**	*198*
Irrecoverable VAT	**53**	**54**	**107**	*22*
Directors' fees	**30**	**54**	**84**	*80*
Legal expenses	**22**	**38**	**60**	*3*
Auditors' remuneration for:				
– audit	**18**	**17**	**35**	*33*
– review of conversion	**5**	**7**	**12**	*25*
– other services	**2**	**3**	**5**	*11*
	25	**27**	**52**	*69*
Conversion costs (excluding auditors' review, above)	**3**	**4**	**7**	*35*
	312	**493**	**805**	*666*

Mr. M. J. Nokes, an employee of International Fund Managers UK Limited ("IFMUK"), acts as secretary to the Company under an agreement determinable on not less than 90 days notice.

The secretarial fee is charged each quarter at the rate of 0.07% per annum on the value of the Company's gross assets.

As at 31st December, 2003 £47,000 of this fee remained outstanding *(2002 – £50,000).*

IFMUK is a subsidiary of Baring Asset Management Holdings Limited which is in turn a subsidiary of ING Baring Holdings Limited. ING Baring Holdings Limited is a wholly owned subsidiary of ING Group N.V.

NOTES TO THE FINANCIAL STATEMENTS

continued

5 Interest Payable	2003 £000	2002 £000
Global Managed Fund:		
a) Repayable within 5 years, not by instalments:		
On Japanese yen 787,250,000 loan, repaid 04.03.2002	–	22
On Japanese yen 369,000,000 loan, repaid 31.07.2002	–	7
On Japanese yen 873,500,000 loan, repaid 31.01.2003	6	65
On US$4,802,638 loan, rolled over 04.03.2003	16	72
On US$4,802,638 loan, repayable 04.03.2004	41	–
Commitment fee on unused facility	15	4
On bank overdraft	1	2
	79	172
b) Repayable wholly or partly in more than 5 years:		
On £25,000,000 debenture stock repayable 30.06.2012	789	917
	868	1,089
Less charged to capital reserve – realised	(434)	(544)
Global Managed Fund interest charged to revenue	434	545
Hedged Pool: (see note 14)		
Repayable wholly or partly in more than 5 years:		
On £25,000,000 debenture stock repayable 30.06.2012	1,492	1,364
Total interest charged to revenue	1,926	1,909

As described in note 1e), 50% of the interest cost borne by the Global Managed Fund has been allocated to capital. No interest cost has been incurred by the UK Index Fund.

6 Taxation	2003 Revenue £000	2003 Capital £000	2003 Total £000	2002 Revenue £000	2002 Capital £000	2002 Total £000
a) Analysis of charge						
Overseas taxation	74	–	74	101	–	101
Adjustment in respect of prior year	–	–	–	(38)	–	(38)
	74	–	74	63	–	63
This is attributable as follows:						
– Global Managed Fund	74	–	74	63	–	63
– UK Index Fund	–	–	–	–	–	–
	74	–	74	63	–	63

NOTES TO THE FINANCIAL STATEMENTS

continued

6 Taxation *continued*

b) Factors affecting tax charge

The tax assessed for the period is different from the standard rate of corporation tax in the UK (30%) *(2002 – 30%)*.

The differences are explained below:

	2003 **£000**	*2002* *£000*
Revenue return on ordinary activities before tax	**5,636**	*5,907*
Revenue return on ordinary activities multiplied by the standard rate of corporation tax of 30% *(2002 – 30%)*	**1,691**	*1,772*
Effect of:		
Income not included for tax purposes	**(2,077)**	*(2,064)*
Management expenses not utilised in the period	**386**	*292*
Overseas taxation	**74**	*101*
Adjustment in respect of prior year	**–**	*(38)*
	74	*63*

The deferred tax asset of £2,975,401 in respect of unutilised expenses at 31st December, 2003 *(2002 – £2,453,000)* has not been recognised as it is unlikely that this asset will be utilised.

7 Dividends

	2003 **per share**	*2002* *per share*	**2003** **£000**	*2002* *£000*
Global Managed Fund:				
Interim dividend per Ordinary share – paid	**2.75p**	*2.65p*	**500**	*553*
Final dividend per Ordinary share – proposed	**7.00p**	*7.00p*	**1,126**	*1,272*
	9.75p	*9.65p*	**1,626**	*1,825*
UK Index Fund:				
Interim dividend per Index share – paid	**7.43p**	*7.67p*	**2,382**	*2,255*
Final dividend per Index share – proposed	**5.99p**	*5.52p*	**2,030**	*1,775*
	13.42p	*13.19p*	**4,412**	*4,030*
Total			**6,038**	*5,855*

NOTES TO THE FINANCIAL STATEMENTS

continued

8 Return Per Share

			2003			2002
	Revenue	***Capital***	***Total***	*Revenue*	*Capital*	*Total*
Global Managed Fund:						
Return per Ordinary share	**8.89p**	**62.34p**	**71.23p**	*10.46p*	*(178.54p)*	*(168.08p)*

Revenue return (earnings) per Ordinary share is based on the net revenue on ordinary activities after taxation of £1,522,000 *(2002 – £2,078,000).*

Capital return per Ordinary share is based on net capital gains for the financial year of £10,677,000 *(2002 – losses of £35,454,000).*

These calculations are based on a weighted average of 17,125,829 *(2002 – 19,857,953)* Ordinary shares in issue.

			2003			2002
	Revenue	***Capital***	***Total***	*Revenue*	*Capital*	*Total*
UK Index Fund:						
Return per Index share	**13.31p**	**70.68p**	**83.99p**	*13.22p*	*(138.96p)*	*(125.74p)*

Revenue return (earnings) per Index share is based on the net revenue on ordinary activities after taxation of £4,405,000 *(2002 – £4,030,000).*

Capital return per Index share is based on net capital gains for the financial year of £23,391,000 *(2002 – losses of £42,367,000).*

These calculations are based on a weighted average of 33,095,104 *(2002 – 30,487,983)* Index shares in issue.

			2003			2002
	Revenue	***Capital***	***Total***	*Revenue*	*Capital*	*Total*
Hedged Pool:						
Return per Deferred B share	**(£365,000)**	**£7,000**	**(£358,000)**	*(£264,000)*	*£5,000*	*(£259,000)*

Revenue return (deficit) in respect of the one unlisted Deferred B share reflects the amortisation of the premium on the Abbey National loan notes.

Capital return in respect of the one unlisted Deferred B share reflects the amortisation of the premium on the 9.125% debenture stock. See note 14 for further details.

NOTES TO THE FINANCIAL STATEMENTS

continued

9 **Investments**	**2003 £000**	*2002 £000*
a) Summary of valuation		
Investments quoted on a recognised investment exchange:		
UK – Global Managed Fund	**33,837**	*50,562*
UK – UK Index Fund	**165,845**	*134,794*
UK – Hedged Pool*	**20,566**	*19,433*
	220,248	*204,789*
Overseas – Global Managed Fund	**49,597**	*36,467*
Unquoted – Global Managed Fund†	**11,032**	*11,742*
	280,877	*252,998*

	Managed				*Index*	*Hedged**	
	Quoted UK £000	*Quoted Overseas £000*	*Unquoted† £000*	*Total £000*	*Quoted UK £000*	*Loan Notes £000*	*Total £000*
b) Movements in the year							
Book cost at beginning of year	38,662	46,864	12,253	97,779	145,543	19,433	262,755
Unrealised appreciation at beginning of year	11,900	(10,397)	(511)	992	(10,749)	–	(9,757)
Valuation at beginning of year	50,562	36,467	11,742	98,771	134,794	19,433	252,998
Purchases at cost	4,400	37,601	4,726	46,727	27,783	1,498	76,008
Sales							
– proceeds	(26,585)	(28,770)	(6,760)	(62,115)	(20,123)	–	(82,238)
– realised gains/(losses)	5,440	(7,523)	(325)	(2,408)	(2,436)	–	(4,844)
Amortisation of premium on debt securities	1	–	–	1	–	(365)	(364)
Movement in unrealised appreciation	19	11,822	1,649	13,490	25,827	–	39,317
Valuation at end of year	33,837	49,597	11,032	94,466	165,845	20,566	280,877

* *Refer to note 14 for explanation.*

† *Includes unlisted investments which are realisable at holders' option.*

	Managed £000	*Index £000*	*Hedged £000*	*2003 Total £000*	*2002 Total £000*
Comprising:					
Book cost at end of year	79,984	150,767	20,566	251,317	*262,755*
Unrealised appreciation at end of year	14,482	15,078	–	29,560	*(9,757)*
Valuation at end of year	94,466	165,845	20,566	280,877	*252,998*

NOTES TO THE FINANCIAL STATEMENTS

continued

9 Investments *continued*	Managed £000	Index £000	2003 Total £000	2002 Total £000
c) Gains/(losses) on investments				
Realised gains/(losses) based on historical cost	**(4,114)**	**(2,163)**	**(6,277)**	*6,495*
Less: amounts recognised as unrealised in previous years	**1,706**	**(273)**	**1,433**	*(10,691)*
Realised losses based on carrying value at previous balance sheet date	**(2,408)**	**(2,436)**	**(4,844)**	*(4,196)*
Movement in unrealised appreciation	**13,490**	**25,827**	**39,317**	*(73,078)*
Total gains/(losses) on investments	**11,082**	**23,391**	**34,473**	*(77,274)*

The investment portfolio of the Global Managed Fund is set out on pages 18 and 19 and the largest investments by market value of the UK Index Fund are shown on page 31. Geographical and industrial classifications appear on pages 16 and 17 (Global Managed Fund) and on page 30 (UK Index Fund).

d) Significant interests

Included in the investments held by the Global Managed Fund are the following holdings in a class of share which exceeded 3% of the issued shares of that class:

	Baggeridge Brick PLC	
2,026,180	Ordinary 25p	(4.93%)
	Tennants Consolidated Limited:	
188,901	Ordinary 25p	(3.78%)
70,517	15% Cumulative Preference £1	(3.34%)

These companies are incorporated in England.

10 Gains/(Losses) on Foreign Exchange	Managed £000	Index £000	2003 Total £000	2002 Total £000
Realised				
Foreign currency bank balances	**(3)**	**–**	**(3)**	*–*
Foreign currency loans	**475**	**–**	**475**	*1,088*
	472	**–**	**472**	*1,088*
Unrealised				
Foreign currency loans	**(128)**	**–**	**(128)**	*(780)*
	344	**–**	**344**	*308*

11 Debtors	Managed £000	Index £000	2003 Total £000	2002 Total £000
Amounts due from brokers	**–**	**–**	**–**	*258*
Prepayments and accrued income	**164**	**487**	**651**	*630*
Taxation recoverable:				
– UK income tax	**–**	**–**	**–**	*8*
– Overseas tax	**6**	**–**	**6**	*17*
Other debtors	**20**	**–**	**20**	*20*
	190	**487**	**677**	*933*

NOTES TO THE FINANCIAL STATEMENTS

continued

12 **Creditors:** amounts falling due within one year	*Managed £000*	*Index £000*	*2003 Total £000*	*2002 Total £000*
US$4.8m loan at 1.80625%, repayable 04.03.2004†	**2,683**	**–**	**2,683**	*–*
Proposed dividends	**1,126**	**2,030**	**3,156**	*3,047*
Amounts due to brokers	**–**	**–**	**–**	*28*
Other creditors	**324**	**134**	**458**	*468*
	4,133	**2,164**	**6,297**	*3,543*

† *The loan outstanding at the balance sheet date was drawn under an unsecured loan facility with ING Barings expiring on 27th September, 2004. Under this facility, the Company may draw up to a maximum principal amount of £10,000,000 or the foreign currency equivalent thereof in varying portions and currencies and for varying periods at prevailing interest rates. The aggregate sterling equivalent of the loan when drawn down was £3,385,000 (2002 – £8,385,000). See also note 13, below.*

13 **Creditors:** amounts falling due after more than one year	*Managed £000*	*Index £000*	*Hedged £000*	*2003 Total £000*	*2002 Total £000*
£25m 9.125% debenture stock, repayable 30.06.2012§	**9,234**	**–**	**15,858**	**25,092**	*25,101*
Transfer following annual conversion	**(1,104)**	**–**	**1,104**	**–**	*–*
Amortisation of premium	**(3)**	**–**	**(7)**	**(10)**	*(9)*
	8,127	**–**	**16,955**	**25,082**	*25,092*
Japanese yen 874m loan at 1.375%, repaid 31.01.2003†	**–**	**–**	**–**	**–**	*4,572*
US$4.8m loan at 2.855%, rolled over 04.03.2003†	**–**	**–**	**–**	**–**	*2,983*
	–	**–**	**–**	**–**	*7,555*
	8,127	**–**	**16,955**	**25,082**	*32,647*

§ *The debenture stock is secured by a floating charge on the assets of the whole Company. The net premium on the debenture is being amortised against capital reserve – realised on a straight line basis each year until repayment in 2012.*

† *See note 12, above.*

As explained in note 14, the UK Index Fund has neutralised its proportion of the payment obligations under the debenture loan through the purchase of medium term notes issued by Abbey National. As such, the UK Index Fund has not included any liability arising from the debenture in either its Statement of Total Return or Net Assets.

14 Hedged Pool

When the Company was restructured in 1998, the Board decided that the UK Index Fund should not be geared as this would affect its ability to track its benchmark index. It was decided to acquire Abbey National medium term loan notes ("the Hedged Asset") to produce cashflows to meet, and thereby neutralise, the proportion of the total future payment obligations for interest cost and capital repayments of the debenture stock which are attributable to the UK Index Fund ("the Hedged Liability"). The proportion of the debenture stock attributable to the UK Index Fund is based on its share of the net asset value of the Company at the time of restructuring in August 1998, together with any adjustments required as a result of subsequent annual conversions.

The Hedged Asset and the Hedged Liability were transferred from the UK Index Fund to the Hedged Pool at the time the Index shares were listed on the London Stock Exchange on 1st September, 1998. The rights to the Hedged Pool are attributed to the holders of the Deferred B Share, currently held jointly by the two investment managers. The Hedged Pool is separate from the Global Managed Fund and the UK Index Fund.

NOTES TO THE FINANCIAL STATEMENTS

continued

14 Hedged Pool *continued*

As a result of the annual conversion in July 2003, a further nominal amount of £1,100,000 of debenture stock was transferred to the Hedged Pool. This was matched by the purchase of additional medium term loan notes costing £1,398,100. The £398,100 premium was transferred to the redemption reserve, and the £3,816 share of the premium on the debenture has been transferred to capital reserve – realised.

As the Abbey National loan notes are being held for the long term to hedge future liabilities, they are being carried at their amortised book cost rather than at their market valuations. This means that part of each cash receipt on the loan notes is being treated as a repayment of the principal which is being apportioned on an effective yield basis.

The revenue account for the Hedged Pool for the year ended 31st December, 2003 is as follows:

	Notes	**2003 £000**	*2002 £000*
Income from Abbey National loan notes	*2*	**1,492**	*1,364*
Less: Amortisation element		**(365)**	*(264)*
		1,127	*1,100*
Interest payable	*5*	**(1,492)**	*(1,364)*
Loss for the period		**(365)**	*(264)*
Transferred from redemption reserve	*16*	**365**	*264*
Retained result for the period		**–**	*–*

Capital return in respect of the one unlisted Deferred B share reflects the amortisation of the premium amounting to £7,000 *(2002 – £5,000)* on the 9.125% debenture stock.

The balance sheet of the Hedged Pool at 31st December, 2003 is as follows:

	Notes	**2003 £000**	*2002 £000*
Fixed asset investments	*9*	**20,566**	*19,433*
9.125% debenture stock repayable 30.06.2012	*13*	**(16,900)**	*(15,800)*
Premium on debenture stock	*13*	**(55)**	*(58)*
		(16,955)	*(15,858)*
Net assets		**3,611**	*3,575*
Capital reserve – realised	*16*	**(55)**	*(58)*
Redemption reserve – revenue	*16*	**3,666**	*3,633*
Hedged Pool shareholders' funds		**3,611**	*3,575*

NOTES TO THE FINANCIAL STATEMENTS

continued

15 Share Capital	2003 Number of Shares	2002 Number of Shares	2003 £000	2002 £000
Authorised:				
Global Managed Fund				
Ordinary shares	**36,100,978**	37,838,643	**7,997**	8,383
Deferred shares	**–**	–	**–**	–
	36,100,978	37,838,643	**7,997**	8,383
UK Index Fund				
Index shares	**33,899,021**	32,161,356	**7,074**	6,711
Deferred shares	**–**	–	**–**	–
	33,899,021	32,161,356	**7,074**	6,711
Hedged Pool				
Deferred B shares	**25**	25	**–**	–
	70,000,024	70,000,024	**15,071**	15,094

	2003 Number of shares	2002 Number of shares	2003 £000	2002 £000
Allotted, issued and fully paid:				
Global Managed Fund				
Ordinary shares of 22.1531335p *(2002 – 22.1531335p)* each				
Beginning of year	**18,173,461**	20,866,688	**4,026**	4,999
Conversion to Index shares	**(2,089,540)**	(2,693,227)	**(463)**	(646)
Transfer to Deferred shares	**–**	–	**–**	(327)
End of year	**16,083,921**	18,173,461	**3,563**	4,026
Deferred shares				
Beginning of year	**–**	–	**–**	–
Transfer from Ordinary shares	**89,379***	18,121,219#	**–**	327
Purchase of Deferred shares for cancellation	**(89,379)***	(18,121,219)#	**–**	(327)
End of year	**–**	–	**–**	–
	16,083,921	18,173,461	**3,563**	4,026

* *Deferred shares of 0.2434800p each.*

\# *Deferred shares of 1.8057363p each.*

NOTES TO THE FINANCIAL STATEMENTS

continued

15 **Share Capital** *continued*	**2003 Number of Shares**	*2002 Number of Shares*	**2003 £000**	*2002 £000*
Allotted, issued and fully paid: *continued*				
UK Index Fund				
Index shares of 20.8680934p *(2002 – 20.8680934p)* each				
Beginning of year	**32,161,356**	*29,504,473*	**6,711**	*6,157*
Buy back of Index shares for cancellation	**(450,000)**	*(110,000)*	**(94)**	*(23)*
Converted from Ordinary shares	**2,187,665**	*2,766,883*	**463**	*646*
Transfer to Deferred shares	**–**	*–*	**(6)**	*(69)*
End of year	**33,899,021**	*32,161,356*	**7,074**	*6,711*
Deferred shares				
Beginning of year	**–**	*–*	**–**	*–*
Transfer from Index shares	**2,172,752***	*2,745,469#*	**(6)**	*69*
Purchase of Deferred shares for cancellation	**(2,172,752)***	*(2,745,469)#*	**6**	*(69)*
End of year	**–**	*–*	**–**	*–*
	33,899,021	*32,161,356*	**7,074**	*6,711*
Hedged Pool				
Deferred B shares of 1p each				
Beginning and end of year	**1**	*1*	**–**	*–*
	49,982,943	*50,334,818*	**10,637**	*10,737*

* *Deferred shares of 0.2833724p each.*

\# *Deferred shares of 2.5064708p each.*

Share buy backs

During the year, 450,000 Index shares *(2002 – 110,000 Index shares)* were bought back for cancellation at a cost of £1,926,000 *(2002 – £522,000).*

Conversion

The results of the share conversion which occurred on 1st July, 2003 were as follows:

Ordinary shares converting into Index shares: A total of 2,172,752 Ordinary shares were surrendered for conversion into Index shares. Based on a conversion ratio of 1.048, this gave rise to the creation of 2,277,044 Index shares.

Index shares converting into Ordinary shares: A total of 89,379 Index shares were surrendered for conversion into Ordinary shares. Based on a conversion ratio of 0.931, this gave rise to the creation of 83,212 Ordinary shares.

Deferred shares

As a result of the conversion, 89,379 Deferred shares of 0.2434800p each were created in the Global Managed Fund and 2,172,752 Deferred shares of 0.2833724p each were created in the UK Index Fund.

Holders of the Deferred shares are not entitled to any repayment of capital on a return of assets (except for the sum of £1 payable after the sum of £10,000 has been paid in respect of each Ordinary share and Index share) nor to receive notice of or attend or vote at any general meeting of the Company. All of these Deferred shares were redeemed and cancelled by the Company on 8th September, 2003 for an aggregate consideration of £1.

NOTES TO THE FINANCIAL STATEMENTS

continued

15 Share Capital *continued*

Ordinary and Index shares

Following the approval of the restructuring proposals at the Extraordinary General Meeting on 14th August, 1998, 29,520,005 Ordinary shares were re-classified as Index shares and were then admitted to listing on the London Stock Exchange on 1st September, 1998. The rights of each class of share are set out below.

a) The holders of the Ordinary shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the Global Managed Fund. The holders of the Index shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the UK Index Fund. In respect of any financial year, to the extent that there remain outstanding revenue profits of the Company attributable to the Global Managed Fund and accumulated revenue reserves of the Company as a whole, the Board may determine to distribute such profits and reserves by way of dividend to holders of Ordinary shares, provided that following any such distribution the Company shall have accumulated revenue reserves in an amount equal to at least the projected dividend payable to holders of Index shares, taking into account conversions of Index shares into Ordinary shares and Ordinary shares into Index shares, in such financial year based upon the distribution policy in relation to the Index shares. Whilst the Board determines that there remain arrears of dividends payable on any Index shares (which arrears shall constitute all such unpaid dividends as should have been paid apart from a shortfall in distributable profits arising from the management of the Global Managed Fund and the Hedged Pool) no dividends or other distributions (except a distribution of assets on a winding up) may be declared, paid or made on the Ordinary shares.

b) On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprised in the Global Managed Fund, after payment of all debts and satisfaction of all Global Managed Fund liabilities of the Company and any other liabilities, including without limitation the UK Index Fund liabilities and the Hedged Pool liabilities not otherwise paid and satisfied, shall be paid to the holders of the Ordinary shares (and distributed amongst such holders rateably according to the amounts paid up on the Ordinary shares held by them respectively). On a return of assets, on liquidation or otherwise, the surplus assets of the Company comprised in the UK Index Fund, after payment of all debts and satisfaction of all UK Index Fund liabilities of the Company and any other liabilities, including without limitation the Global Managed Fund liabilities and the Hedged Pool liabilities not otherwise paid and satisfied shall be paid to the holders of the Index shares (and distributed amongst such holders rateably according to the amounts paid up on the Index shares held by them respectively). If, in the course of the liquidation of the Company, an amount of a debt or liability which is attributable to one fund is met in whole or in part from assets attributable to the other fund, then assets of the first mentioned fund of a value (conclusively determined by the Board) equivalent to such amount shall (on such debt or liability being met) become attributed to the second mentioned fund.

c) The holders of each class of shares have the right to receive notice of and to attend and vote at any general meeting of the Company. Each share entitles the holder to one vote at the meeting. However, holders of one class of share may not vote on the declaration of a dividend on other classes of shares, nor on the appointment or dismissal of the investment manager for other funds.

d) The Ordinary shares will be convertible at the option of the holder into Index shares and the Index shares will be convertible at the option of the holder into Ordinary shares, in each case annually on 1st July. The conversion will be carried out on the basis of a ratio derived from the prevailing underlying net asset value of each class of shares, calculated as set out in the Articles of Association. The costs associated with any such conversion of either the Ordinary shares or the Index shares will be borne by the converting shareholders. The net asset value per share of the two funds will be unaffected by any such conversions. If on a conversion date the minimum size requirements of a fund would not be met, there will be an automatic conversion of that fund into the other fund. Such conversion would be final.

NOTES TO THE FINANCIAL STATEMENTS

continued

15 Share Capital *continued*

Deferred B share

On 14th August, 1998 one un-issued Ordinary share of 25p was re-classified as 25 Deferred B shares of 1p each. On the same date one Deferred B share was issued at par to the investment managers jointly.

The holders of the Deferred B share have the rights attributable to the Hedged Pool (see note 14 for further explanation). The Deferred B share shall be owned and held jointly by the investment managers from time to time of the Global Managed Fund and the UK Index Fund. The holders of the Deferred B share shall not be entitled to any repayment of capital on a return of assets (except for the sum of 1p after the sum of £10,000 has been paid in respect of each Ordinary share and Index share) nor to receive notice or attend or vote at any general meeting of the Company. Holders of the Deferred B share shall not be entitled to the payment of a dividend. Each Deferred B share shall be redeemable by the Company for an aggregate consideration of 1p for all the Deferred B shares so redeemed.

16 Reserves

a) Capital reserve – realised	*Managed* *£000*	*Index* *£000*	*Hedged* *£000*	*Total* *£000*
Beginning of year	71,502	137,522	(58)	208,966
Net loss on realisation of investments	(2,408)	(2,436)	–	(4,844)
Net gain on realisation of foreign currency	472	–	–	472
Amortisation of debenture stock premium	3	–	7	10
Management fee	(318)	–	–	(318)
Loan interest	(434)	–	–	(434)
Transfer re share conversion	(9,157)	9,161	(4)	–
Buyback of shares	–	(1,926)	–	(1,926)
End of year	59,660	142,321	(55)	201,926

b) Capital reserve – unrealised	*Managed* *£000*	*Index* *£000*	*Hedged* *£000*	*Total* *£000*
Beginning of year	1,821	(10,749)	–	(8,928)
Movement in unrealised appreciation on investments	13,490	25,827	–	39,317
Movement in unrealised appreciation of foreign currency	(128)	–	–	(128)
End of year	15,183	15,078	–	30,261

c) Redemption reserve – capital	*Managed* *£000*	*Index* *£000*	*Hedged* *£000*	*Total* *£000*
Beginning of year	699	1,377	–	2,076
Buyback of Ordinary shares	–	–	–	–
Buyback of Index shares	–	94	–	94
Cancellation of Deferred shares	–	6	–	6
End of year	699	1,477	–	2,176

d) Redemption reserve – revenue	*Managed* *£000*	*Index* *£000*	*Hedged* *£000*	*Total* *£000*
Beginning of year	–	–	3,633	3,633
Retained net deficit for the year	–	–	(365)	(365)
Transfer from revenue reserve	–	–	398	398
End of year	–	–	3,666	3,666

NOTES TO THE FINANCIAL STATEMENTS

continued

16 Reserves *continued*

e) Revenue reserve	*Managed* *£000*	*Index* *£000*	*Hedged* *£000*	*Total* *£000*
Beginning of year	4,034	8	–	4,042
Retained net deficit for the year	(104)	(7)	–	(111)
Transfer as a result of the conversion	(398)	398	–	–
Allocation to Hedged Pool redemption reserve	–	(398)	–	(398)
End of year	3,532	1	–	3,533

17 Net Asset Value Per Share

Total shareholders' funds and the net asset value per share attributable to the Ordinary and Index shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2003	*2002*
Total shareholders' funds (£000)		
– Global Managed Fund	**82,637**	*82,082*
– UK Index Fund	**165,951**	*134,869*
– Hedged Pool	**3,611**	*3,575*
	252,199	*220,526*
Net asset value *(pence per share)*		
– Global Managed Fund	**513.8p**	*451.7p*
– UK Index Fund	**489.5p**	*419.4p*

The net asset value per share is based on total shareholders' funds attributable to each fund as above, and on 16,083,921 *(2002 – 18,173,461)* Ordinary shares and 33,899,021 *(2002 – 32,161,356)* Index shares in issue at the year end.

The net asset value of the Hedged Pool for the one *(2002 – one)* Deferred B share is £3,611,000 *(2002 – £3,575,000)*.

18 Reconciliation of Movement in Shareholders' Funds

	Managed *£000*	*Index* *£000*	*Hedged* *£000*	*2003* *Total* *£000*	*2002* *Total* *£000*
Beginning of year	82,082	134,869	3,575	220,526	*298,875*
Total recognised gains/(losses) for the year	12,199	27,796	(358)	39,637	*(71,972)*
Dividends appropriated in the year	(1,626)	(4,412)	–	(6,038)	*(5,855)*
	10,573	23,384	(358)	33,599	*(77,827)*
Adjustment to share capital upon conversion	(463)	463	–	–	–
Transfer re share conversion	(9,555)	9,161	394	–	–
Buyback of shares	–	(1,926)	–	(1,926)	*(522)*
Shareholders' funds at end of year	82,637	165,951	3,611	252,199	*220,526*

Analysis of shareholders' funds	*2003* *£000*	*2002* *£000*
Equity	**248,588**	*216,951*
Non-equity	**3,611**	*3,575*
	252,199	*220,526*

NOTES TO THE FINANCIAL STATEMENTS

continued

19 Reconciliation of Net Revenue before Interest Payable and Tax to Net Cash Inflow from Operating Activities

	2003 £000	2002 £000
Net revenue before interest payable and taxation	7,562	7,816
(Increase)/decrease in accrued income	(21)	32
Increase/(decrease) in creditors	44	(232)
Decrease in debtors	–	95
Amortisation of premium on debt securities	364	263
Management fee charged to capital	(318)	(315)
Scrip dividends	(247)	(139)
Net cash inflow from operating activities	7,384	7,520

20 Analysis of Net Debt

	At 31st December 2002 £000	Cash Flow £000	Other Movements £000	At 31st December 2003 £000
Cash	2,785	(758)	(3)*	2,024
Debt – foreign currency loans	(7,555)	4,525	347*	(2,683)
– debenture stock	(25,092)	–	10†	(25,082)
	(32,647)	4,525	357	(27,765)
Total	(29,862)	3,767	354	(25,741)

* *Exchange differences.*
† *Amortisation of premium.*

21 Reconciliation of Net Cash Flow to Movement in Net Debt

	2003 £000	2002 £000
Decrease in cash	(758)	(3,468)
Decrease in debt	4,525	2,777
Currency translation adjustments	344	308
Amortisation of premium on debenture stock	10	9
Movement in net funds for the year	4,121	(374)
Net debt at beginning of year	(29,862)	(29,488)
Net debt at end of year	(25,741)	(29,862)

22 Contingencies, Guarantees and Financial Commitments

Contingencies, guarantees and financial commitments of the Company at the year-end, which have not been accrued, are as follows:

	2003 £000	2002 £000
Unpaid calls	3,552	5,018

NOTES TO THE FINANCIAL STATEMENTS

continued

23 Transactions with the Managers and their Related Parties

The Company is required to provide additional information concerning its relationship with the investment managers, Baring Asset Management Limited ("BAML"), and Barclays Global Investors Limited ("BGI") and other transactions with companies within the ING Barings and Barclays plc groups respectively.

The details relevant to the ING Barings group are set out below:

Details of the investment management fee payable to BAML are set out in note 3 and the secretarial fee is set out in note 4.

BAML carries out some of its dealing transactions through ING Barings Limited. These transactions are carried out at arms' length. The commission paid on such transactions during the year amounted to £5,000 *(2002 – £nil)*.

The Company has an unsecured loan facility with ING Barings, the terms of which are set out in note 12. The interest charge for the year is set out in note 5, of which £45,000 was outstanding at the year-end *(2002 – £99,000)*. A commitment fee of £14,000 *(2002 – £4,000)* was paid to ING Barings in respect of the undrawn portion of the facility.

The Company holds investments in funds managed by Baring Asset Management Limited and its subsidiaries. At 31st December, 2003 these were valued at £3,407,000 *(2002 – £3,023,000)* and represented 1.2% of the Company's investment portfolio *(2002 – 1.2%)*. During the year, the Company made purchases totalling £4,240,000 *(2002 – £1,760,000)* in such investments and sales totalling £4,490,000 *(2002 – £1,951,000)*. The investment income from these funds was £16,000 *(2002 – £62,000)*.

The only details relevant to the Barclays plc group relate to the investment management fee payable to BGI, and these are set out in note 3.

24 Risk Management and Financial Instruments

a) Management of risk

The Company's financial instruments comprise:

- equity shares, unlisted investments realisable at holder's option and fixed interest securities which are held in accordance with the Company's objectives set out on pages 4 and 5;
- cash and short term debtors and creditors that arise directly from the Company's operations (these are excluded from this disclosure);
- debenture loans and short and long term borrowings (known as gearing) to provide finance for the Company's operations.

The main risks associated with the Company's financial instruments are market price risk, liquidity risk, interest rate risk and foreign currency risk.

Market price risk

Market price risk arises mainly from uncertainty about future share prices and is managed through the investment mandates agreed by the Board and the investment managers. It is the Company's policy to hold an appropriate spread of investments to minimise this risk, but it is not the Company's policy to use derivative instruments to hedge the investment portfolio. However, the UK Index Fund does use exchange-traded equity index futures as a short-term management tool to achieve full investment in equities.

NOTES TO THE FINANCIAL STATEMENTS

continued

24 Risk Management and Financial Instruments *continued*

Liquidity risk

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding requirements if necessary. Further flexibility is achieved through the use of the Company's credit facilities.

Interest rate risk

The Company finances its operations by means of realised capital profits, retained revenue reserves, its debenture stock and credit facilities. The debenture stock and the loans drawn down under the credit facilities are at fixed rates of interest. The Board regularly reviews the amount drawn down under the credit facilities to ensure that gearing levels are appropriate to prevailing market conditions.

Foreign currency risk

The international nature of the investment activities of the Global Managed Fund gives rise to a foreign currency risk upon translating the currency of the countries in which investment has been made and liabilities undertaken into sterling. Such currency translation movements affect the revenue return, the total return and the net asset value of the Global Managed Fund. The investment manager mitigates individual currency risks through the international spread of investments. The Company's foreign currency risk is set out in the table on page 72.

b) Risk profile of financial assets

The majority of the Company's financial assets are equity shares, which neither pay interest nor have a stated maturity date.

The investment portfolio of the Global Managed Fund is set out on pages 18 and 19 and the largest investments by market value of the UK Index Fund are shown on page 31. Geographical and industrial classifications appear on pages 16 and 17 (Global Managed Fund) and on page 30 (UK Index Fund).

The interest rate risk profile of the Company's financial assets at 31st December, 2003 was:

			2003			*2002*
	Weighted Average Interest Rate	***Weighted Average Period Until Maturity***	***Total £000***	*Weighted Average Interest Rate*	*Weighted Average Period Until Maturity*	*Total £000*
Fixed rate investments:						
UK corporate bonds	**10.986%**	**14.3 years**	**351**	*11.057%*	*15.3 years*	*332*
Abbey National loan notes (attributable to Hedged Pool)	**6.976%**	**8.5 years**	**20,566**	*6.996%*	*9.5 years*	*19,433*
Floating rate investments:						
Cash	**1.13%**	**–**	**2,024**	*1.713%*	*–*	*2,785*

Cash deposits generally comprise call or short term money market deposits of less than one month.

NOTES TO THE FINANCIAL STATEMENTS

continued

24 Risk Management and Financial Instruments *continued*

c) Risk profile of financial liabilities

The Company's borrowing comprises:

- £25,000,000 debenture stock, repayable 30.06.2012, at a fixed interest rate of 9.125%; and
- *credit facilities with ING Barings as follows:*
  - £10,000,000 (or foreign currency equivalent) credit facility which the Company may draw down in varying portions and currencies, and for varying periods at interest rates prevailing at the time of draw down. This has been utilised by the Company as follows:
    - US dollars 4,802,638 loan (equivalent to £3,385,000 when drawn down) repayable 04.03.2004, at a fixed interest rate of 1.80625%;

Such borrowings increase the opportunity for capital growth in rising markets, but also increase the risk when markets fall. This risk may be reduced by increasing the level of cash balances and/or fixed interest securities held.

The interest rate risk profile of the Company's financial liabilities at 31st December, 2003 was:

			2003			*2002*
	Weighted Average Interest Rate	***Weighted Average Period for which Interest Rate is Fixed***	***Total £000***	*Weighted Average Interest Rate*	*Weighted Average Period for which Interest Rate is Fixed*	*Total £000*
Fixed rate financial liabilities:						
Sterling – debenture stock	**9.125%**	**8.5 years**	**25,082**	*9.125%*	*9.5 years*	*25,092*
US dollar – loan	**1.80625%**	**2 months**	**2,683**	*2.855%*	*2 months*	*2,983*
Japanese yen – loan	–	–	–	*1.375%*	*1 month*	*4,572*
			27,765			*32,647*

d) Maturity profile of financial liabilities

The maturity profile of the Company's financial liabilities at 31st December, 2003 was:

	2003 Total £000	*2002 Total £000*
In one year or less	**2,683**	–
In more than one year, but not more than five	–	*7,555*
In more than five years (average period 8.5 years)	**25,082**	*25,092*
	27,765	*32,647*

NOTES TO THE FINANCIAL STATEMENTS

continued

24 Risk Management and Financial Instruments *continued*

e) Fair value of financial assets and liabilities

Financial assets of the Company are held at fair value with the exception of the medium term Abbey National loan notes in the Hedged Pool, which are shown at their amortised book cost, as described in note 14. The fair value of these is £23,016,000 *(2002 – £20,879,000).*

Financial liabilities of the Company are held at fair value, except for the debenture stock and loans. The debenture stock is included in the accounts at its amortised book cost, in accordance with FRS 4. A comparison with fair value is as follows:

			2003			*2002*
	Nominal £000	**Book £000**	**Fair £000**	*Nominal £000*	*Book £000*	*Fair £000*
9.125% debenture stock, 30.06.2012	**25,000**	**25,082**	**29,876**	*25,000*	*25,092*	*30,600*

Deducting the debenture stock at fair value at 31st December, 2003 would have the effect of reducing the net asset value per Ordinary share from 513.8p to 504.1p *(2002 – 451.7p to 440.5p)*, and of the one Deferred B share from £3,611,000 to £370,000 *(2002 – £3,575,000 to £94,000)*. The fair values referred to above have been calculated by reference to pricing available from the markets for these or similar investments.

f) Foreign currency exposure

The foreign currency exposure of the Company as at 31st December, 2003 was:

			2003			*2002*
	Foreign Currency Financial Assets £000	**Foreign Currency Financial Liabilities £000**	**Net Foreign Currency Exposure £000**	*Foreign Currency Financial Assets £000*	*Foreign Currency Financial Liabilities £000*	*Net Foreign Currency Exposure £000*
US dollar	**32,058**	**(2,683)**	**29,375**	*31,630*	*(2,983)*	*28,647*
Euro	**4,994**	–	**4,994**	*7,372*	–	*7,372*
Swiss franc	**2,494**	–	**2,494**	*2,275*	–	*2,275*
Yen	**7,515**	–	**7,515**	*879*	*(4,572)*	*(3,693)*
Other non-sterling	**7,506**	–	**7,506**	*1,734*	–	*1,734*
Sub total	**54,567**	**(2,683)**	**51,884**	*43,890*	*(7,555)*	*36,335*
Sterling	**229,011**	**(28,696)**	**200,315**	*212,826*	*(28,635)*	*184,191*
Total	**283,578**	**(31,379)**	**252,199**	*256,716*	*(36,190)*	*220,526*

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Tribune Trust plc (the "Company") will be held at 155 Bishopsgate, London EC2 on Wednesday, 21st April, 2004 at 11.30am to consider and, if thought fit, pass the following resolutions:

Ordinary Business

1 To receive and adopt the Directors' Report and Financial Statements for the year ended 31st December, 2003.

2 To approve the Directors' Remuneration Report for the year ended 31st December, 2003.

3 To declare the final dividend in respect of the Global Managed Fund *(only Ordinary shareholders may vote on this resolution)*.

4 To declare the final dividend in respect of the UK Index Fund *(only Index shareholders may vote on this resolution)*.

5 To re-elect Mr. G. M. Bagot as a director of the Company.

6 To re-elect Mr. J. J. C. Edwards as a director of the Company.

7 To re-elect Mr. I. S. Steers, aged 75, as a director of the Company.

8 To re-appoint PricewaterhouseCoopers LLP, as auditors of the Company and to authorise the Board to determine their remuneration.

Special Business

9 To consider and, if thought fit, pass the following resolution as an **Ordinary Resolution**:

THAT, the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,510,266 (being approximately 33% of the issued share capital of the Company as at 31st December, 2003) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

10 To consider and, if thought fit, pass the following resolution as a **Special Resolution**:

THAT, subject to the passing of Resolution 9, the Board be and is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by Resolution 9 as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:

(a) to the allotment of equity securities in the Company whether by way of rights issue, open offer or otherwise to holders of the Ordinary shares and Index shares where the equity securities respectively attributable to the interest of all holders of Ordinary shares and Index shares are proportionate to the respective numbers of Ordinary shares and Index shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £531,859 (being 5% of the issued share capital as at 31st December, 2003) at a price not less than net asset value per Share at the close of business on the business day which is two business days immediately preceding the day on which the earlier of the agreement to allot such Share is made or such Share is allotted;

NOTICE OF ANNUAL GENERAL MEETING

continued

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

11 To consider and, if thought fit, pass the following resolution as a **Special Resolution**:

THAT, the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of Ordinary shares and of Index shares in the capital of the Company (together the "Shares"), provided that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 7,492,442 (comprising not more than 2,410,979 Ordinary shares and not more than 5,081,463 Index shares);

(b) the minimum price which may be paid for a Share is 25 pence;

(c) the maximum price which may be paid for a Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share or an Index Share, as the case may be, taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased;

(d) the authority hereby conferred shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2005 and 22nd October, 2005 unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Shares under the authority hereby conferred prior to expiry of such authority which will be or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

12 To consider and, if thought fit, pass the following resolution as a **Special Resolution**:

THAT, the proposed Deferred share purchase contract between Baring Asset Management Limited and the Company providing for the Company to purchase all of the Deferred shares in the capital of the Company held by Baring Asset Management Limited on or before 1st April, 2005 for a consideration of £1, in the form produced at the meeting, and initialled by the Chairman, be and is hereby approved and the Company be and is hereby authorised to enter into and perform such contract, but so that the approval and authority conferred by this resolution shall expire on 1st April, 2005.

Registered Office:
155 Bishopsgate,
London EC2M 3XY

By Order of the Board
M. J. Nokes
Secretary

23rd February, 2004

NOTICE OF ANNUAL GENERAL MEETING

continued

Notes:

1 A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.

2 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the register of members of the Company at the close of business on Monday, 19th April, 2004 will be entitled to attend and vote at the aforesaid meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

3 To be effective, the form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the offices of the Company's registrars, Capita Registrars, P. O. Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4 The completion and return of a form of proxy will not preclude a member entitled to attend and vote at the meeting from doing so if he/she wishes.

5 The register of interests of the directors and connected persons in the share capital of the Company, giving details of all transactions of each director and his family interests in the Ordinary and Index shares of the Company, will be available for inspection at 155 Bishopsgate, London EC2M 3XY during usual business hours on any weekday (Saturdays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.

6 No director has any contract of service with the Company.

7 Subject to approval at the Annual General Meeting, the final dividends in respect of the year ended 31st December, 2003 will be paid on 30th April, 2004 to members on the register at the close of business on 26th March, 2004.

CAPITAL GAINS TAX

The Company itself pays no capital gains tax. Individual shareholders, however, may have a liability to capital gains tax on disposal of their shares.

Shareholders who acquired their Ordinary shares on or before 31st March, 1982 may choose to substitute the market value of the shares at that date for the original purchase cost if this helps to reduce their capital gains tax liability. For this purpose, the adjusted price of the Company's Ordinary shares on 31st March, 1982 was 46.75p.

Shareholders who elected at the reconstruction of the Company to receive a mixture of Ordinary shares and Index shares and who at any time dispose of only part of their composite holding of Ordinary and Index shares are required to apportion the capital gains tax base cost of their original holding of shares in the Company for the purposes of computing the capital gain (or loss) arising on that disposal. That apportionment is based on the relative share prices of the Ordinary shares and the Index shares on the first day on which they were listed separately, which was 1st September, 1998. The price to be used is the lower of either:

a) halfway between the highest and lowest prices at which bargains were transacted on 1st September, 1998; and

b) the lower of the two closing prices plus a quarter of the difference in the spread on that day.

The prices were as follows:

Class of Share	*Closing Bid Price*	*Closing Offer Price*	*Bid Plus 25%*	*Mid Price**
Ordinary shares	445p	525p	465p	485p
Index shares	501p	511p	503.5p	496p

* Mid Price is halfway between the highest and lowest prices on 1st September, 1998 (a) above).

Based on the above, 465p (the bid price plus 25%) should be used for the Ordinary shares and 496p (the mid price) for the Index shares.

An example of the calculation to apportion the base cost is as follows:

Original holding – 100 shares which cost £200
Election – 50 Ordinary shares and 50 Index shares

	Value £	*Proportion %*
50 Ordinary shares at 465p	232.50	48.38
50 Index shares at 496p	248.00	51.62
	480.50	100.00

The base cost of £200 would therefore be apportioned as follows:

50 Ordinary shares – £200 x 48.38 % = £96.76
50 Index shares – £200 x 51.62 % = £103.24

The comments set out above are for general guidance and information only. They do not constitute tax or other legal advice to any shareholder and may not apply to certain types of shareholder, such as non-residents and dealers in securities. Any shareholder who is in any doubt as to his or her tax position should consult his or her own independent professional adviser.

Conversions

The Company has been advised that under current law, any conversion of Ordinary shares into Index shares (or *vice versa*) will not constitute a disposal for the purposes of UK taxation of chargeable gains.