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ANNUAL REPORT

Tribune Trust plc

For the year ended
31st December 2004

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 63 and 64.

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

	2004	2003	% change
Net asset value ("NAV")	**559.1p**	*513.8p*	*+8.8*
Earnings	**11.47p**	*8.89p*	*+29.0*
Dividends – interim and final	**10.10p**	*9.75p*	*+3.6*
Share price	**476.5p**	*438.0p*	*+8.8*
Expenses ratio (based on average monthly NAV)	**0.90%**	*1.17%*	

Performance

% change

	1 Year	3 Years	5 Years
Net asset value total return[(i)]	**110.9**	*94.8*	*71.6*
Share price total return[(i)]	**111.2**	*92.8*	*73.1*
Peer group* net asset value total return[(i)]	**112.4**	*102.7*	*83.9*
Benchmark total return[(ii)]	**110.3**	*100.0*	*82.0*

[(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

	2004	2003	% change
Net asset value ("NAV")	**537.6p**	*489.5p*	*+9.83*
Earnings	**14.63p**	*13.31p*	*+9.9*
Dividends – interim and final	**13.98p**	*13.42p*	*+4.2*
Share price	**503.0p**	*445.5p*	*+12.9*
Expenses ratio (based on average monthly NAV)	**0.48%**	*0.47%*	

Performance

% change

	1 Year	3 Years	5 Years
Net asset value total return[(i)]	**113.0**	*104.7*	*84.9*
Share price total return[(i)]	**116.4**	*105.4*	*85.4*
Benchmark total return[(ii)]	**112.8**	*105.4*	*86.0*

[(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	£77.5 million at 31st December, 2004.
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 56).
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	£181.7 million at 31st December, 2004.
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. *(retired 21st April, 2004)*
C. T. B. Purvis, C.B.E.* *(appointed 21st July, 2004)*
* *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
JPMorgan Investor Services,
Chaseside,
Bournemouth BH7 7DA

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

AI TC A member of the Association of Investment Trust Companies

DIRECTORS' AND MANAGEMENT PROFILES

Christopher G. Stobart
Chairman (age 63) – 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 59) – 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 57) – 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 68) – spent over 20 years with Henderson Administration (now Henderson Global Investors) progressing to group managing director. Currently the chairman of E. Jewson Services to Charities Limited. Appointed a director of Tribune in 1997.

Ian S. Steers
(age 76) – 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 Cundill International and Bank of Nova Scotia International and a trustee of Fight for Sight. Appointed a director of Tribune in 1980.

Christopher T. B. Purvis
(age 53) – is the chairman of F&C Pacific Investment Trust PLC and a director of Martin Currie Japan Investment Trust PLC. He is an adviser to UBS Investment Bank, whose predecessor company, S.G. Warburg, he joined in 1974. He is also on the boards of a number of charitable companies and trusts. Appointed a director of Tribune in 2004.

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 major stock markets of the world generally made small overall gains in 2004 and the two funds that constitute Tribune Trust also made modest upward progress, both in absolute terms and in relation to their respective benchmarks.

Global Managed Fund

The Global Managed Fund achieved an 8.8% increase in net asset value, compared to a 7.5% rise in its benchmark. On a total return basis, the fund returned 10.7% compared with the benchmark's return of 10.3%. The discount was virtually unchanged over the year, so this performance translated into an improvement of 8.8% in the share price. Our fund manager continues to implement an investment strategy based on stock selection within a highly concentrated portfolio, which now contains only 65 quoted stocks.

The major investment theme that the fund has followed has been a preference for exposure to the Asian economies and other emerging markets, and a reduction in the proportion of the portfolio invested in North America. Asset allocation decisions on balance were successful, and contributed 1.5 percentage points of out-performance compared to the benchmark, but stock selection was less good, and contributed a 1.1% under-performance. The major weakness in stock selection was in North America – a weakness that we hope may be corrected following the forthcoming change in ownership of the investment manager.

Despite the past year's modest out-performance, the Global Managed Fund has not yet succeeded in differentiating itself from the rest of the international growth investment trusts in the perception of the market. The discount remains close to the average discount of the fund's peer group. The differential between the discounts of our two funds appears to have again been the main motive for net conversions of 2.13m shares from the Global Managed Fund to the UK Index Fund, a trend that the board is taking into account in its strategic consideration of the future of the company.

Earnings for the year available for distribution were unexpectedly strong, at 11.47p per share. Dividend income was boosted by a large special dividend declared by Microsoft, one of our largest holdings, which is unlikely to be repeated in the current year. As a result, the board is able to recommend a final dividend of 7.35p per share, making a total of 10.10p per share for the year, an increase of 3.6% over the previous year.

UK Index Fund

The asset value of the UK Index Fund rose by 9.8%, slightly in excess of the rise of 9.2% in its benchmark. The fund's manager, Barclays Global Investors, has now shown over a five year period that it can track the movement of the FTSE All-Share Index very accurately month by month, and that any small deviations in tracking are likely to be in shareholders' favour.

The discount on the UK Index Fund started the year at 9% but showed an improving trend in the second half of the year, to finish at 6.4%. The share price therefore rose by 12.9% over the year as a whole.

Earnings also increased and are distributed in full, in accordance with the company's policy. The recommended final dividend of 5.99p per share brings the total distribution for the year to 13.98p per share, an increase of 4.2%.

Investment Management

ING Group announced in January 2005 that it had agreed to sell the investment management group of Baring Asset Management ("BAM") to Massachusetts Mutual, and the financial services group (which provides company secretarial and administration services to Tribune Trust) to Northern Trust. The personnel responsible for supplying investment management and secretarial services to Tribune Trust will remain unchanged, although the two groups will in future be under separate ownership.

The investment management group of BAM expects the change of ownership to strengthen their resources, particularly in North America, where the Global Managed Fund's stock selection has been weak.

Board Composition

Following the retirement of Nicholas Wills, Christopher Purvis has been appointed to the board. He brings to our deliberations valuable experience in three areas. As a director of two other investment trusts, he has useful experience of the investment trust sector; he has worked in the international banking industry for many years, and

CHAIRMAN'S STATEMENT

continued

remains an adviser to UBS Investment Bank; and he has particular knowledge of the economy and culture of Japan. He has already proved a valuable colleague, and I recommend his re-election to the board.

Ian Steers, by virtue of his age, comes up for annual re-election, and again I recommend his re-election. He continues, as always, to provide valuable advice and independent scrutiny of the management of the company. I will also offer myself for re-election to the board.

Directors' Fees

The board has recently reviewed the level of directors' fees, which had remained unchanged since 1999. During that period the responsibilities of directors have become more onerous, which has been reflected in an increase in the general level of fees in the investment trust industry. With effect from January 2005, directors' fees have therefore been set at a basic level of £14,000 per year; members of the Audit Committee will receive £16,000 and the chairman of the Audit Committee will receive £17,000. The chairman's fee has been raised to £25,000 per year. This simplified fee structure replaces the previous structure which combined a basic fee for directors plus attendance fee.

C. G. Stobart
Chairman

28th February, 2005

STATEMENT OF TOTAL RETURN – GLOBAL MANAGED FUND

for the year ended 31st December, 2004

			2004			2003
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments	–	6,673	6,673	–	11,082	11,082
Gains on foreign exchange	–	182	182	–	344	344
Amortisation of debenture stock premium	–	3	3	–	3	3
Income	2,666	–	2,666	2,660	–	2,660
Investment management fee	(232)	(232)	(464)	(318)	(318)	(636)
Other expenses	(246)	–	(246)	(312)	–	(312)
Net return before interest payable and taxation	2,188	6,626	8,814	2,030	11,111	13,141
Interest payable	(377)	(377)	(754)	(434)	(434)	(868)
Return on ordinary activities before taxation	1,811	6,249	8,060	1,596	10,677	12,273
Taxation	(93)	–	(93)	(74)	–	(74)
Return on ordinary activities after taxation	1,718	6,249	7,967	1,522	10,677	12,199

Dividends in respect of Ordinary shares:

	2004	2003	Revenue £000 (2004)	Capital £000 (2004)	Total £000 (2004)	Revenue £000 (2003)	Capital £000 (2003)	Total £000 (2003)
Interim	2.75p	2.75p	(442)	–	(442)	(500)	–	(500)
Final	7.35p	7.00p	(1,020)	–	(1.020)	(1,126)	–	(1,126)
	10.10p	9.75p	(1,462)	–	(1,462)	(1,626)	–	(1,626)
Transfers to/(from) reserves			256	6,249	6,505	(104)	10,677	10,573

			2004			2003
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary share†	11.47p	41.73p	53.20p	8.89p	62.34p	71.23p

† *Based on a weighted average of 14,976,120 (2003 – 17,125,829) 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, 2004

	2004 £000	2003 £000
Fixed assets		
Investments	87,194	94,466
Current assets		
Debtors	261	190
Cash at bank and in hand	915	241
	1,176	431
Creditors: amounts falling due within one year	(3,834)	(4,133)
Net current liabilities	(2,658)	(3,702)
Total assets less current liabilities	84,536	90,764
Creditors: amounts falling due after more than one year	(7,020)	(8,127)
Net assets	77,516	82,637
Capital and reserves		
Called up share capital	3,071	3,563
Capital reserve – realised	54,645	59,660
Capital reserve – unrealised	15,558	15,183
Redemption reserve – capital	719	699
Revenue reserve	3,523	3,532
Ordinary shareholders' funds	77,516	82,637
Net asset value per Ordinary share	559.1p	513.8p

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):								
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*
2004	**84,536**	**77,516**	**559.1**	**476.5**	**14.8**	**2,666**	**11.47**	**10.10**

**"Earnings for shareholders" for 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 53 and 54). "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, 2004

	United Kingdom	*North America*	*Continental Europe*	*Japan & Far East*	*Other Countries*	**Total 2004**	*Total 2003*
Resources							
Mining	1.3	1.2	–	–	–	2.5	*1.3*
Oil & Gas	4.1	2.4	1.6	–	1.6	9.7	*10.4*
	5.4	3.6	1.6	–	1.6	12.2	*11.7*
Basic Industries							
Chemicals	2.6	–	–	–	–	2.6	*2.8*
Construction & Building Materials	1.6	1.2	–	1.2	–	4.0	*4.1*
	4.2	1.2	–	1.2	–	6.6	*6.9*
General Industrials							
Aerospace & Defence	1.2	–	–	–	–	1.2	–
Electronic & Electrical Equipment	–	–	1.1	1.0	–	2.1	*1.0*
Engineering & Machinery	2.3	–	–	–	–	2.3	*2.2*
	3.5	–	1.1	1.0	–	5.6	*3.2*
Cyclical Consumer Goods							
Automobiles & Parts	1.1	–	1.1	2.6	–	4.8	*1.4*
	1.1	–	1.1	2.6	–	4.8	*1.4*
Non-Cyclical Consumer Goods							
Beverages	1.7	–	–	–	–	1.7	*1.1*
Health	–	–	–	–	–	–	*0.7*
Personal Care & Household Products	–	–	–	–	–	–	*1.7*
Pharmaceuticals & Biotechnology	–	–	–	–	–	–	*6.7*
	1.7	–	–	–	–	1.7	*10.2*
Cyclical Services							
General Retailers	–	–	1.3	3.4	–	4.7	*1.2*
Leisure & Hotels	0.1	2.1	–	–	–	2.2	*4.0*
Media & Entertainment	–	0.7	–	–	1.0	1.7	*2.6*
Transport	1.6	–	–	1.1	–	2.7	*1.2*
	1.7	2.8	1.3	4.5	1.0	11.3	*9.0*
Non-Cyclical Services							
Food & Drug Retailers	–	–	–	–	–	–	*1.6*
Telecommunication Services	5.2	3.2	–	2.1	2.6	13.1	*6.3*
	5.2	3.2	–	2.1	2.6	13.1	*7.9*
Utilities							
Utilities Other	3.4	–	–	–	–	3.4	*1.5*
	3.4	–	–	–	–	3.4	*1.5*
Financials							
Banks	11.7	2.1	1.7	4.1	1.0	20.5	*17.3*
Insurance	2.2	–	2.5	–	–	4.7	*1.0*
Life Assurance	3.2	–	–	–	–	3.2	*3.2*
Investment Companies	1.1	1.5	–	0.3	0.8	3.7	*8.5*
Real Estate	–	–	–	2.6	–	2.6	*1.1*
Speciality & Other Finance	–	1.0	–	1.3	–	2.3	*3.8*
	18.2	4.6	4.2	8.2	1.8	37.0	*34.9*
Information Technology							
Information Technology Hardware	–	0.6	–	–	–	0.6	*7.3*
Software & Computer Services	–	2.2	–	–	–	2.2	*4.1*
	–	2.8	–	–	–	2.8	*11.4*
Total Equities	44.4	18.2	9.3	19.6	7.0	98.5	*98.1*
Fixed Interest, Preference & Convertibles	1.5	–	–	–	–	1.5	*1.9*
Total Investment Portfolio: 2004	45.9	18.2	9.3	19.6	7.0	100.0	*100.0*
Total Investment Portfolio: 2003	*39.1*	*25.0*	*9.2*	*19.4*	*7.3*		*100.0*
Benchmark: 2004	50.0	30.1	10.7	8.2	1.0	100.0	

CLASSIFICATION OF INVESTMENTS – 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, 2004

	Stock	*Sector*	*Country/Region*	*Market Value £000*	*% of Portfolio*
1	Vodafone Group	Telecommunication Services	U.K.	4,523	5.1
2	BP	Oil & Gas	U.K.	3,608	4.1
3	Royal Bank of Scotland	Banks	U.K.	3,182	3.6
4	HSBC	Banks	U.K.	2,938	3.4
5	Prudential	Life Assurance	U.K.	2,793	3.2
6	Barclays	Banks	U.K.	2,344	2.7
7#	Tennants Consolidated	Chemicals	U.K.	2,291	2.6
8	Aviva	Life Assurance	U.K.	1,901	2.2
9	Microsoft	Software & Computer Services	North America	1,887	2.2
10	United Utilities	Utilities - Other	U.K.	1,871	2.1
11	Royal Caribbean Cruises	Leisure & Hotels	North America	1,822	2.1
12	Standard Chartered	Banks	U.K.	1,677	1.9
13	Citigroup	Banks	North America	1,654	1.9
14	SABMiller	Beverages	U.K.	1,440	1.7
15	Toyota Motor Corp	Automobiles & Parts	Japan & Far East	1,437	1.7
16	Baggeridge Brick	Construction & Building Materials	U.K.	1,434	1.7
17	Petroleo Brasileiro	Oil & Gas	Emerging Markets	1,417	1.6
18	Total SA	Oil & Gas	Europe	1,410	1.6
19	Sumitomo Mitsui	Banks	Japan & Far East	1,363	1.6
20	American Movil	Telecommunication Services	North America	1,339	1.5
21	Mitsubishi Tokyo	Banks	Japan & Far East	1,269	1.5
22	Cheung Kong	Real Estate	Japan & Far East	1,226	1.4
23	Converium	Insurance	Europe	1,193	1.4
24	Rio Tinto	Mining	U.K.	1,177	1.3
25	Metro	General Retailers	Europe	1,174	1.3
26	Transocean	Oil & Gas	North America	1,162	1.3
27	OMC Card	Speciality & Other Finance	Japan & Far East	1,104	1.3
28	National Grid	Utilities - Other	U.K.	1,100	1.3
29	Orica	Mining	Japan & Far East	1,081	1.2
30	Alcan Aluminium	Mining	North America	1,058	1.2
31	IMI	Engineering & Machinery	U.K.	1,054	1.2
32	Rolls Royce	Aerospace & Defence	U.K.	1,040	1.2
33	Caterpillar	Construction & Mining Machines	North America	1,021	1.2
34	Fast Retailing	General Retailers	Japan & Far East	1,019	1.2
35	Verizon	Telecommunications Services	North America	1,014	1.2
36	City Developments	Real Estate	Japan & Far East	999	1.1
37	Zurich	Insurance	Europe	999	1.1
38	ITO - Yokoda	General Retailers	Japan & Far East	995	1.1
39	Continental	Automobiles & Parts	Europe	992	1.1
40	Tomkins	Engineering & Machinery	U.K.	982	1.1
41	Giordano International	General Retailers	Japan & Far East	981	1.1
42	Telecom Corp. of New Zealand	Telecommunications Services	Japan & Far East	953	1.1
43	Philips	Electronic & Electrical Equipment	Europe	953	1.1
44	Baker Hughes	Oil & Gas	North America	936	1.1
45	Inchcape	Automobiles & Parts	U.K.	934	1.1
46	Singapore Airlines	Transport	Japan & Far East	928	1.1
47#	The 1818 Mezzanine Fund	Investment Companies	North America	924	1.1
48	Anritsu	Electronic & Electrical Equipment	Japan & Far East	902	1.1
49	Shin Corporation	Telecommunications Services	Emerging Markets	901	1.1
50	Goldman Sachs	Speciality & Other Finance	North America	892	1.0
51	Grupo Televisa	Media	Emerging Markets	892	1.0
52	Sime Darby	Automobiles & Parts	Japan & Far East.	888	1.0
53	United O/S Bank	Banks	Japan & Far East	885	1.0
54	Juniper Networks	Telecommunications Equipment	North America	872	1.0
55	Telekom Malaysia	Telecommunications Services	Japan & Far East	862	1.0
56	Corning	Telecommunications Equipment	North America	861	1.0

INVESTMENT PORTFOLIO – GLOBAL MANAGED FUND

continued

	Stock	*Sector*	*Country/Region*	*Market Value £000*	*% of Portfolio*
57	Kasikornbank	Banks	Emerging Markets	**851**	**1.0**
58	BAA	Transport	U.K	**785**	**0.9**
59	BNP Paribas	Banks	Europe	**755**	**0.9**
60	Anglo Irish Bank	Banks	Europe	**741**	**0.8**
61#	Herald Ventures Partnership	Investment Companies	Emerging Markets	**694**	**0.8**
62	P&O Deferred	Leisure & Hotels	U.K.	**648**	**0.7**
63	HBOS 9.25% Non Cum. Pref.	Fixed Interest, Pref. & Conv.	U.K.	**593**	**0.7**
64	Viacom	Media	North America	**569**	**0.7**
65	Intel	Software & Computer Services	North America	**548**	**0.6**
66#	Coller International Partnership (IV)	Investment Companies	Emerging Markets	**424**	**0.5**
67#	Putnam Lovell Equity Partners	Investment Companies	North America	**391**	**0.4**
68	London Merchant Securities 10% Deb.	Fixed Interest, Pref. & Conv.	U.K.	**354**	**0.4**
69#	Baring Asia Private Equity Fund	Investment Companies	Japan & Far East	**305**	**0.3**
70	Coller International Partnership (III)	Investment Companies	Emerging Markets	**249**	**0.3**
71	General Accident 7.875% Pref.	Fixed Interest, Pref. & Conv.	U.K.	**239**	**0.3**
72#	Bamboo	Investment Companies	U.K.	**180**	**0.2**
73#	Tennants Consolidated 15.00% Pref.	Fixed Interest, Pref. & Conv.	U.K.	**134**	**0.2**
74#	Wadworth	Leisure & Hotels	U.K.	**101**	**0.1**
75#	Enterprise Plus Unit Trust (II)	Investment Companies	U.K.	**50**	**0.1**
76#	BC European Capital (V)	Investment Companies	Europe	**27**	**0.0**
77#	Wadworth 9.25% Cum. Pref.	Fixed Interest, Pref. & Conv.	U.K.	**2**	**0.0**
	Total Investment Portfolio			**87,194**	**100.0**

Unquoted holdings.

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

How is the Global Managed Fund Managed?

The Global Managed Fund is managed by Baring Asset Management Limited ("BAM"). During the year under review, the nominated managers were Andrew Stewart (Head of Investments, Private Clients) and Chris 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 principal 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

Market Summary

Global equity markets produced positive but volatile returns during the period, with the FTSE All-Share Index returning 12.8% and the FTSE World ex. UK Index returning 7.8% (total return in Sterling terms). After a reasonably buoyant first quarter, world equity markets suffered from significant turbulence during April and May due to fears over likely tightening of US monetary policy, rising oil prices and evidence of aggressive efforts to slow growth in China. During this period Western markets held up better than riskier asset classes, such as Emerging Markets and the Pacific Basin area.

Most major equity markets gradually recovered their poise during the summer months, as investors got used to the idea that US interest rates would rise. The US market rallied strongly after the Presidential election in early November. During the second half of the year, Emerging Markets and the Pacific Basin area were the best performing markets, recovering from their earlier falls. Over the year, Energy was the best performing global sector and Technology the worst.

Performance

Against this background the Net Asset Value (total return) of your portfolio out-performed its benchmark (8.8% versus 7.5%). Asset allocation was positive, and stock selection was positive in most regions except the USA. The major positive contributions came from our relative underweight positions in USA and our overweight exposure to Emerging Markets and Asia.

Our optimism for Japan proved more than justified, as evidence built up that the export-led recovery had begun to feed through to domestic demand. The market rally was led by domestic stocks in the banking, retail and property sectors and your portfolio was correctly positioned to take advantage. For example, Sumitomo Realty and Mitsubishi Tokyo Financial Group both rose by more than 20% during the year.

Elsewhere in the portfolio, positive stock selection in the UK and Europe was offset by negative stock selection in the USA. UK and European holdings Rolls Royce, SABMiller, Aviva, Carnival, Peninsular & Orient Steam Navigation (P&O), Anglo Irish Bank and Continental all rose by more than 30%. However, USA holdings Intel, Pfizer, and Viacom all fell by more than 20% during the period. Poor operating performances of these latter companies, together with a weak US dollar, led to very disappointing returns in sterling terms.

The Fund's unquoted holdings represented approximately 7% of the portfolio at year end and made a positive contribution to performance. The recovery in the global economy accompanied by a modest advance in equity markets has provided a good backdrop for private equity managers and investors alike. Deal flow continues to be very strong in Europe and the USA especially, as the sale of non-core and distressed assets by public companies continues apace. Plentiful liquidity among private equity managers has raised concerns over future pricing – although the inflows are still substantially below the levels seen in the bubble years of 1999 and 2000. The offset is

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

continued

Manager's Overview *continued*

that the exit routes, through IPO's, secondary offerings, sales and recapitalisations, have become increasingly accommodating.

As highlighted in last year's annual report the long term objective of the Board is to reduce the allocation to this illiquid asset class – but the mid-year switch from the Global Managed Fund to the UK Index Fund resulted in a small increase in the overall exposure. There are still some outstanding capital calls due, from Coller IV and the The 1818 Mezzanine Fund in particular, but generally the portfolio is pretty mature and we would expect distributions to at least match these calls over the next twelve months. The Board have maintained their conservative approach in valuing Tennants – the largest unquoted investment held – with the price held at the December 2003 valuation. The position will be reviewed again following publication of the annual report.

Strategy and Transactions

Early in the year we correctly reduced the overweight in Asian and Emerging equities as investors began to worry about rising US interest rates, increasing oil prices and slowing Chinese growth. We sold the entire position in CNOOC, the Chinese energy company and Hang Seng Bank in Hong Kong. We also booked significant profits by selling our entire positions in Baring Emerging Europe, SR Global Emerging Markets Fund and New Russia Fund. During this period, gearing was tactically reduced from 11% to 0% of Net Asset Value.

Throughout the year we retained a modest cyclical bias, but scaled back your Technology exposure to an underweight position. We trimmed several Technology holdings and sold the entire positions in both Cisco and Dell as they approached our share price targets. We maintained the overweight exposure to Japan, focusing on companies with domestic economic reliance. This

IMPACT OF ASSET ALLOCATION AND STOCK SELECTION IN 2004

	Average Weight Fund	*Average Weight Benchmark*	*Attribution: Asset Allocation*	*Fund Return*	*Index Return*	*Attribution: Stock Selection*
Quoted Equities						
United Kingdom	38.9	50.0	(0.2)	13.5	12.8	0.2
North America	15.8	30.6	0.8	(4.4)	4.0	(1.4)
Europe ex-UK	9.0	10.2	(0.1)	17.5	13.8	0.4
Japan	8.2	5.0	0.1	12.7	7.9	0.5
Asia Pacific	8.3	3.2	0.6	10.1	17.1	(0.7)
Emerging Markets	5.2	1.0	0.7	34.2	37.4	–
Total Quoted Equities	**85.4**	**100.0**	**1.9**	**11.0**	**10.3**	**(1.1)**
Total Unquoted Equities	5.9			11.2		
Total Equities (including Unquoted)	**91.3**	**100.0**	**1.9**	**11.0**	**10.3**	**(1.1)**
Total Bonds	1.2		0.1	16.1		
Total Cash (including Gearing)	7.4		(0.5)	(5.5)		
Total Portfolio (Total Return)	**100.0**	**100.0**	**1.5**	**10.7**	**10.3**	**(1.1)**
Net Asset Value (Total Return)	n/a	n/a	n/a	8.8	7.5	n/a

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

continued

Manager's Overview *continued*

entailed the purchase of new positions in Sumitomo Realty (a major beneficiary of increasing property prices in Tokyo), Fast Retailing and the credit card company, OMC Card. To fund some of this, we sold the long held holding in MW Japan Fund, again booking significant profits.

In June, the Fund sold several holdings in order to finance the 2004 share conversion from the Tribune Global Managed Fund into the Tribune UK Index Fund. Sales included part of the Fund's large position in Baggeridge Brick (taking profits as the company continues to exceed market expectations) and all of our position in both Carnival and Tesco, as they too reached our price targets.

We purchased several new stocks in the UK, including Rolls Royce, SABMiller and United Utilities. Much to the disbelief of many, Rolls Royce has successfully ridden the storm of the viscous downturn in the civil aerospace industry and is now poised to reap the revenue and earnings benefits of engine deliveries from the previous cycle. We purchased SABMiller, one of the most attractively valued and fastest growing global brewers, after the stock had fallen during the Emerging Markets sell-off. The purchase proved timely as the stock subsequently rallied after they announced excellent results. United Utilities proved a successful investment with its combination of an 8% yield and a friendly regulatory review.

Later in the year, we started to increase the focus on Asia and Emerging Markets telecoms, with the purchase of Shin Corp, the leading wireless phone company in Thailand, Telekom Malaysia and Telecom New Zealand – the latter made more attractive with its 7% yield. On November 3rd, the day the US election result was declared, we positioned the portfolio for a "relief rally". We increased the gearing, sold defensive USA holdings, Pfizer and Colgate in order to buy Caterpillar and Juniper Networks. In order to increase our focus on the growth in Asian consumer expenditure, we also purchased Ito-Yokado, Giordano and Singapore Airways. At year-end the net gearing stood at 10% of Net Asset Value.

Manager's Outlook and Strategy

Outlook

We still prefer the East over the West and will buy the dips in most Eastern markets. Growth rates are higher in Asia and Emerging Markets, yet valuations and debt levels are generally lower. Asian currencies are one of the few fundamentally cheap assets we can find anywhere in the world, and we expect them to be gradually revalued over the next few years. Over the next several years this should give the Sterling based investor a potential triple advantage of faster earnings growth, rising valuations and appreciating currencies.

Stable mid cycle growth for 2005

In the USA, we expect economic growth to continue to expand at around its trend GDP rate of 3.0% to 3.5% during the coming year. We believe the Federal Reserve will continue to tighten policy at a "measured" pace. However, the risk to this central and benign scenario comes from the potential destabilisation caused by a crisis in the US dollar, or a spontaneous rise in the personal savings rate. Nevertheless, at this time we do not rate either of these as particularly high probabilities. First, it is in the interest of China, Japan and the rest of the Asian central banks to continue to recycle their export earnings back into the US currency via the US bond market. As long as they do this, the dollar will not fall sharply and trigger a recession in their own countries. However, a modest upward revaluation of the Chinese renminbi is a strong likelihood at some stage during the year.

China back on a growth track

Growth in the Far East looks set to remain at robust levels now that China has succeeded in bringing those overheated sectors of its economy back under control. The latest inflation data shows consumer price inflation has fallen back to only 2.8%, from over 5% a few months ago. This should allow the authorities to start taking the brakes off the economy, which in turn suggests GDP growth could be sustained at about 8% over the next

PORTFOLIO REVIEW – GLOBAL MANAGED FUND

continued

Manager's Overview *continued*

twelve months. The knock-on benefits to the rest of the region are clear. Capital goods manufacturing countries, like Japan and Korea, should see an improvement in their exports, while shopping and entertainment centres, such as Hong Kong, will see continued growth in tourist arrivals.

Geographic positioning

The two larger Anglo-Saxon markets are both less interesting to us at present. The UK market is relatively cheap and has a good dividend yield and the mid-cap sector will benefit from merger and acquisition activity. However, the larger capitalisation end of the market is suffering from its heavy exposure to US dollar earnings, which are impacted by the weakness of that currency. At some point later in the year, if UK interest rates start to fall and Sterling gives up ground, this headwind will reverse, but the first half could prove difficult.

The US market is still more expensive than the rest of the world. The large pharmaceutical sector is under pressure from product recalls, litigation and competition from generic producers. The financial sector is also disaffected by rising short term interest rates and a gradual slowing in consumer credit demand. The one potential bright spot might be the technology sector, which has been under a cloud for much of the past year, but even here we find valuations still rather expensive and would look for lower entry points. As a whole, therefore, we remain underweight in the US.

Europe is hardly an exciting place given the continued sluggishness of the hinterland economies, but we are looking for opportunities in the consumer related areas which should benefit from easier credit availability. However, again the headwind from the strength of the euro leads us to a cautious stance and we remain largely neutral to Europe as a whole from a geographical perspective.

Asia still offers the best growth potential and this may become more marked in the year ahead as investors become more relaxed about the outlook for China. Indeed, with super-easy monetary policy no longer the order of the day in the West and growth moving back towards trend, the higher growth rates in Asia will be thrown into starker relief. We therefore continue to favour countries around the Pacific Rim that will benefit most from China's industrialisation. There is the added potential bonus of a Chinese currency revaluation at some point this year. Japan could well be a major beneficiary of this once their capital goods exports start to pick up again, as too should Australian commodity producers and exporters.

Stock and Sector Strategy

We continue to focus on mid to late cycle sectors and higher quality sustainable growth stocks where the valuation is attractive. A major decision for this year is Healthcare and Consumer Staples versus Materials and Energy (i.e. commodity related). Interestingly, 2004 was the first year in over a decade that many commodity related stocks have created shareholder value and many Healthcare stocks did not. At current valuations, the market is obviously pricing in some structural changes in the commodity sectors versus others. However, our quantitative work and longer term data supports the case that commodity related stocks are several years away from peak valuations on peak earnings. In other words, we believe that there is more upside potential in the sector.

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

28th February, 2005

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STATEMENT OF TOTAL RETURN – UK INDEX FUND

for the year ended 31st December, 2004

			2004			2003
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments	–	15,046	15,046	–	23,391	23,391
Income	5,516	–	5,516	5,085	–	5,085
Investment management fee	(269)	–	(269)	(187)	–	(187)
Other expenses	(545)	–	(545)	(493)	–	(493)
Net return before interest payable and taxation	4,702	15,046	19,748	4,405	23,391	27,796
Interest payable	–	–	–	–	–	–
Return on ordinary activities before taxation	4,702	15,046	19,748	4,405	23,391	27,796
Taxation	–	–	–	–	–	–
Return on ordinary activities after taxation	4,702	15,046	19,748	4,405	23,391	27,796
Dividends in respect of Index shares: 2004 / 2003						
Interim 7.99p / 7.43p	(2,677)	–	(2,677)	(2,382)	–	(2,382)
Final 5.99p / 5.99p	(2,024)	–	(2,024)	(2,030)	–	(2,030)
13.98p / 13.42p	(4,701)	–	(4,701)	(4,412)	–	(4,412)
Transfers (from)/to reserves	1	15,046	15,047	(7)	23,391	23,384

			2004			2003
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Index share*	14.63p	46.82p	61.45p	13.31p	70.68p	83.99p

* *Based on a weighted average of 32,134,205 (2003 – 33,095,104) 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, 2004

	2004 £000	2003 £000
Fixed assets		
Investments	**181,572**	*165,845*
Current assets		
Debtors	**578**	*487*
Cash at bank and in hand	**1,730**	*1,783*
	2,308	*2,270*
Creditors: Amounts falling due within one year	**(2,188)**	*(2,164)*
Net current assets	**120**	*106*
Net assets	**181,692**	*165,951*
Capital and reserves		
Called up share capital	**7,065**	*7,074*
Capital reserve – realised	**143,141**	*142,321*
Capital reserve – unrealised	**29,526**	*15,078*
Redemption reserve – capital	**1,958**	*1,477*
Revenue reserve	**2**	*1*
Index shareholders' funds	**181,692**	*165,951*
Net asset value per Index share	**537.6p**	*489.5p*

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*
2004	**181,692**	**537.6**	**503.0**	**6.4**	**5,516**	**14.63**	**13.98**

* *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, 2004

United Kingdom	*2004*	*2003*
Resources		
Mining	4.0	3.9
Oil & Gas	12.2	11.9
	16.2	15.8
Basic Industries		
Chemicals	0.8	0.8
Construction & Building Materials	2.7	2.6
Steel & Other Metals	0.2	0.1
	3.7	3.5
General Industrials		
Aerospace & Defence	1.4	1.1
Diversified Industrials	0.1	0.1
Electronic & Electrical Equipment	0.3	0.3
Engineering & Machinery	0.9	0.8
	2.7	2.3
Cyclical Consumer Goods		
Automobiles & Parts	0.3	0.3
Household Goods & Textiles	0.1	0.1
	0.4	0.4
Non-Cyclical Consumer Goods		
Beverages	2.9	2.8
Food Producers & Processors	2.4	2.3
Health	0.6	1.0
Personal Care & Household Products	0.8	0.7
Pharmaceuticals & Biotechnology	7.8	9.8
Tobacco	2.1	1.8
	16.6	18.4
Cyclical Services		
Distributors	0.1	–
General Retailers	3.3	3.2
Leisure & Hotels	2.2	2.8
Media & Entertainment	4.2	4.2
Restaurants, Pubs & Breweries	0.3	–
Support Services	2.3	2.0
Transport	1.8	1.8
	14.2	14.0

United Kingdom	*2004*	*2003*
Non-Cyclical Services		
Food & Drug Retailers	2.5	2.4
Telecommunication Services	8.8	9.4
	11.3	11.8
Utilities		
Electricity	2.4	2.1
Gas Distribution	0.6	–
Utilities Other	–	1.5
Water	1.0	–
	4.0	3.6
Financials		
Banks	19.3	19.9
Insurance	0.7	0.5
Life Assurance	2,9	2.6
Investment Companies	2.6	2.5
Real Estate	2.1	1.7
Speciality & Other Finance	1.5	1.5
	29.1	28.7
Information Technology		
Information Technology Hardware	0.3	0.4
Software & Computer Services	0.7	0.8
	1.0	1.2
Total Equities	99.2	99.7
Other	0.8	0.3
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, 2004

	Companies Incorporated in the U.K. Unless Specified Otherwise	*Sector*	*Market Value £000*	*% of Portfolio*
1	BP	Oil & Gas	14,058	7.7
2	HSBC Holdings	Banks	12,493	6.9
3	Vodafone Group	Telecommunication Services	11,931	6.6
4	GlaxoSmithKline	Pharmaceuticals & Biotechnology	9,244	5.1
5	Royal Bank of Scotland	Banks	7,103	3.9
6	Shell Transport & Trading	Oil & Gas	5,491	3.0
7	Barclays	Banks	4,869	2.7
8	HBOS	Banks	4,240	2.3
9	AstraZeneca	Pharmaceuticals & Biotechnology	4,044	2.2
10	Lloyds TSB Group	Banks	3,389	1.9
11	Tesco	Food & Drug Retailers	3,182	1.8
12	Diageo	Beverages	2,871	1.6
13	Anglo American	Mining	2,357	1.3
14	BT Group	Telecommunication Services	2,220	1.2
15	Rio Tinto	Mining	2,109	1.2
16	National Grid	Electricity	1,985	1.1
17	BHP Billiton	Mining	1,925	1.0
18	Unilever	Food Producers & Processors	1,902	1.0
19	British American Tobacco	Tobacco	1,873	1.0
20	Aviva	Life Assurance	1,837	1.0
21	BG Group	Oil & Gas	1,610	0.9
22	Standard Chartered	Banks	1,465	0.8
23	Reckitt Benckiser	Personal Care & Household Products	1,404	0.8
24	Prudential	Life Assurance	1,383	0.8
25	MMO2	Telecommunication Services	1,359	0.7
26	Imperial Tobacco	Tobacco	1,329	0.7
27	Cadbury Schweppes	Food & Drug Retailers	1,274	0.7
28	GUS	General Retailers	1,206	0.7
29	Centrica	Utilities Other	1,143	0.6
30	SABMiller	Beverages	1,128	0.6
31	British Sky Broadcasting	Media & Entertainment	1,068	0.6
32	Scottish & Southern Energy	Electricity	954	0.5
33	Scottish Power	Electricity	952	0.5
34	Kingfisher	General Retailers	917	0.5
35	Legal & General	Life Assurance	911	0.5
36	BAE Systems	Aerospace & Defence	895	0.5
37	WPP Group	Media & Entertainment	863	0.5
38	Carnival	Leisure & Hotels	853	0.5
39	Land Securities	Real Estate	832	0.5
40	BAA	Transport	791	0.4
41	Reed International	Media & Entertainment	774	0.4
42	Allied Domecq	Beverages	725	0.4
43	Wolseley	Construction & Building Materials	722	0.4
44	Marks & Spencer	General Retailers	722	0.4
45	Morrison, William	Food & Drug Retailers	701	0.4
46	Reuters Group	Banks	689	0.4
47	Compass Group	Leisure & Hotels	679	0.4
48	Gallaher Group	Tobacco	656	0.4
49	Old Mutual	Life Assurance	649	0.4
50	Boots	General Retailers	643	0.4
			128,420	70.8
	670 other holdings		53,152	29.2
	Total Investment Portfolio		181,572	100.0

PORTFOLIO REVIEW - UK INDEX FUND

Investment Objective

The objective of the UK Indexed 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 Indexed 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 capitalisation. 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

Management of the Index Fund

The 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 according to its respective weighting in the Index, and has continued to do so since then. In practice, whatever changes to the Index are decided by the FTSE International 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. In addition to holdings in the Index constituents the portfolio includes holdings in FTSE Futures and a BGI Liquidity Fund, but excludes Tribune's own shares, bringing the total to 720 individual holdings at 31 December 2004. By maintaining in this way a "fully replicated portfolio" 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 International 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

Corporate activity was extremely quiet during January with *Jarvis Hotels'* management buyout being the only activity of note.

In February *Carlton* and *Granada* announced an agreed merger, the details of which were complex, but which paved the way for a fully consolidated *ITV* group. In essence *Granada* shareholders received 68% of the ordinary capital of the merged group and £200 million of cash upon completion. *Carlton* ordinary shareholders received 32% of the ordinary share capital of the merged group, with an element of convertible shares that would on conversion in 2006 bring the stake to 34%. Given the uncertain value of the convertible shares we sold them at a premium at the earliest opportunity.

The FTSE International Quarterly Review Committee met on Wednesday, 10th March and announced changes to the FTSE indices. These included *Enterprise Inns*, which was promoted to the FTSE 100 Index, while *Foreign & Colonial Investment Trust* was demoted to the FTSE 250 Index.

New stocks *HHG*, *Vedanta* and *Alea Group Holdings*, launched by way of an Initial Public Offering, went straight into the FTSE 250 Index, with *Burren Energy* entering the FTSE Small Cap Index with effect from the close of business on Friday, 19th March.

Safeways was taken over by *Morrisons* with a cash and stock offer that entitled *Safeways* shareholders to a mixture of *Morrisons* shares and cash. *Jarvis Hotels* was taken over by *Kayterm*. During the month we also took up rights on *Invensys* and paid calls on *Morgan Crucible*, *BTG* and *DS Smith*.

In April corporate activity remained relatively quiet. *Alvis* was taken over by *General Dynamics* and *Peterhouse Group* was taken over by *Babcock International*. We also took up the rights to buy new shares in *London Clubs International*.

In May *Thistle Hotels* was taken over by *BIL (UK) Limited*, *Oxford Glycosciences* by *Celltech*, *Bett* by *Gladedale Holdings* and *Amey* by *Grupo Ferrovial SA*. *Laura Ashley* and *Xstrata* both issued new stock through rights issues.

The FTSE International Quarterly Review Committee met again on 9th June and announced changes to the FTSE indices which were implemented on 18th June. There were five new additions to the FTSE All-Share Index. *Catlin Group* and *CSR* entered the FTSE All-Share Index as FTSE 250 constituents; *Ark Therapeutics Group*, *Dignity* and *JKX Oil & Gas* were all promoted to the FTSE All-Share Index as FTSE Small Cap constituents. *Telewest Communications* was deleted from the FTSE All-Share Index.

PORTFOLIO REVIEW – UK INDEX FUND

continued

Portfolio Activity During the Year *continued*

During the quarter *Securitas AB* acquired *Bell Group*. We assented to the acquisition of *Peterhouse Group* by *Babcock International* for a mixture of cash and new shares in *Babcock International*. *Celltech* was taken over by *UCB SA*. We also took part in a rights issue by *Nord Anglia Education*, and a share buy back by *Caledonia Investments*.

At the beginning of July changes in the issued share capital of several companies required us to trade shares in the market. Firstly *Vodafone* experienced a decrease in its index weighting which called for a sale of about 0.10% of the portfolio. In contrast, a small increase in outstanding shares issued by *Friends Provident* called for a purchase of additional *Friends Provident* shares to value of about 0.02% of the portfolio.

We assented to three acquisitions in July: *Tibbett & Britten Group* by *Exel*, *Yates* by *Thorium*, and *Alvis* by *BAE Systems*. We also took part in a share buy back by *Electra Investment Trust*, and a scheme to repay capital by *Great Portland Estates*.

In July, 2004 *Marks & Spencer* announced its intention to return capital to shareholders. It planned to return £2.3 billion to shareholders by way of a tender offer. The details of this tender offer were released on 21st September, 2004.

During the third quarter we accepted the takeover for cash of *Synstar* by *Hewlett Packard*, and also took up shares in a rights issue by *International Power*.

Shareholders approved the *Marks & Spencer* tender offer at an Extraordinary General Meeting on 22nd October, 2004. On 25th October the strike price was confirmed as 362p and *Marks & Spencer* successfully bought back 27.9% of the shares in issue. After careful evaluation of the risk and return, we entered into the tender process a portion of the shares that we forecast would need to be sold in order to maintain the correct index weighting after the tender. The residual stock not tendered was then sold in the market at the prevailing price on the index change date for FTSE All-Share Index.

Also in October, we accepted cash for the takeover offer of *DFS Furniture Company*.

The FTSE International Quarterly Review Committee met on Wednesday 8th December and announced a number of changes to the FTSE indices. The FTSE Small Cap Index, a sub set of the FTSE All-Share Index, saw a total of 32 new additions and 17 exclusions. The most significant were the inclusion of *Admiral Group* and *East Surrey Holdings* entering the FTSE All-Share Index as constituents of the FTSE 350 Index. Other new issues to the Small Cap Index included *Enterprise*, *Paypoint*, *Jessops*, *Erinaceous Group*, and *Invesco UK Property Income Trust*. Excluded were *Rutland Trust*, *Private Equity Investor*, *Sportech*, *Gartmore Growth Opportunities* and *NXT*.

These changes took effect from close of business on Friday, 17th December.

PORTFOLIO REVIEW – UK INDEX FUND

continued

Portfolio Activity During the Year *continued*

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

Month-end 2004	*Tribune UK Index Fund Capital Return*	*FTSE All-Share Index Capital Return*	*Difference*
January	-9.2%	-9.2%	0.00%
February	+2.58%	+2.57%	+0.01%
March	-2.08%	-2.07%	-0.01%
April	+1.89%	+1.84%	+0.05%
May	-1.56%	-1.59%	+0.03%
June	+1.24%	+1.22%	+0.02%
July	-1.19%	-1.64%	+0.45%
August	+1.00%	+1.00%	0.00%
September	+2.59%	+2.60%	-0.01%
October	+1.16%	+1.14%	+0.02%
November	+2.05%	+2.07%	-0.02%
December	+2.80%	+2.80%	0.00%
1 year to December, 2004	**+9.81%**	**+9.21%**	**+0.60%**
3 years to December, 2004	**-3.83%**	**-4.47%**	**+0.64%**
5 years to December, 2004	**-25.12%**	**-25.63%**	**+0.51%**

DISCOUNT TO NET ASSET VALUE

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Barclays Global Investors Limited

Authorised and regulated by the Financial Services Authority

28th February, 2005

REPORT OF THE DIRECTORS

for the year ended 31st December, 2004

The directors submit to the shareholders their Annual Report for the year ended 31st December, 2004 which was approved by the Board on 28th February, 2005.

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, 2003. 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 35. Investment changes during the year are reflected in note 9 to the financial statements on page 61 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 7.35p per Ordinary share which, together with the interim of 2.75p already paid, makes a total of 10.10p per Ordinary share for the year, compared with 9.75p 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 7.99p already paid, makes a total of 13.98p per Index share for the year, compared with 13.42p for the previous year.

Subject to approval at the Annual General Meeting, the recommended final dividends will be paid on 29th April, 2005 to members on the register at the close of business on 29th March, 2005.

4 Directors

The present directors are listed below and on page 6. They are all non-executive, and have all served throughout the year, with the exception of Mr. C. T. B. Purvis who was appointed on 21st July, 2004. Mr. N. K. S. Wills retired from the Board on 21st April, 2004.

In accordance with the articles of association, Mr. C. T. B. Purvis retires following his appointment since the last Annual General Meeting, whilst both Mr. C. G. Stobart and Mr. I. S. Steers retire by rotation. They offer themselves 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, 2004			31st December, 2003		
	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*	*5,000*	*10,000*
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	**–**	**–**	**–**	–	–	–
C. T. B. Purvis	**3,000**	**3,000**	**6,000**	–	–	–
Non-beneficial						
I. S. Steers	**6,702**	**–**	**6,702**	*9,516*	–	*9,516*

There have been no changes in the above holdings between 31st December, 2004 and 28th February, 2005.

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 28th February, 2005 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	10.5%
Barings Pension Trust Fund	1,080,000	8.0%
Legal and General Group	627,004	4.5%
Index shares		
AXA SA and its Group Companies	6,387,174	18.9%
Barclays Bank PLC (for clients)	5,832,991	17.3%
Barings Pension Trust Fund	4,137,600	12.2%
Edinburgh Fund Managers	1,600,000	4.7%
Fidelity International Limited	1,270,760	3.8%

The Baring Asset Management Group have notified the Company of a holding of 6,259,217 Ordinary shares (45.1%) and 4,585,866 Index shares (13.6%), 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

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in July 2003 have been applied to the affairs of the Company. In applying the principles of the code, the directors have also taken account of the Code of Corporate Governance published by the Association of Investment Trust Companies ("the AITC Code"), which established a framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AITC Code is more flexible.

REPORT OF THE DIRECTORS

continued

6 Corporate Governance *continued*

The directors believe that during the year under review they have complied with all the material provisions of the Code, insofar as they apply to the Company's business, and with the provisions of the AITC Code. It did not, however, comply with the following provisions as explained below:

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

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.

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 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	*9*	*4*	*6*
Christopher Stobart	9	–	–
Gordon Bagot	8	2	–
Lough Callahan	9	2	4
Jeremy Edwards	9	4	6
Ian Steers	7	3	–
Christopher Purvis (appointed 21 July 2004)	5	–	–
Nicholas Wills (retired 21 April 2004)	3	1	–

The Board has a formal schedule of matters specifically reserved for its decision and has identified a number of items to be covered at individual meetings during the year. A procedure has been adopted for the directors to take independent professional advice if necessary at the Company's expense.

The Board deals with the Company's affairs, including the consideration of overall strategy, the structure of the Company, financial reporting, internal controls, share price discount, the setting of gearing and investment policy parameters, the monitoring of gearing and investment policy and the review of investment performance.

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.

REPORT OF THE DIRECTORS

continued

6 Corporate Governance *continued*

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.

During the year a decision was made to appoint a new director to replace Mr. Wills who retired at the AGM in April 2004. The Board considered the option of using an external recruitment consultant to assist with identifying suitable candidates but concluded that this would not provide any meaningful advantage over the internal process that has been adopted. A number of candidates were identified and a short list of three were interviewed by a panel of the Board. Following these interviews, it was agreed to appoint Mr. Purvis in July 2004.

When a new director is appointed they are offered a training seminar with the investment managers. In addition, individual directors attend external training and industry seminars including those run by the Association of Investment Trust Companies.

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.

An appraisal process has been established in order to review the effectiveness of the Board, the Committees and individual directors. As part of this process the Chairman meets with each director once a year to evaluate his performance and contribution to the Board and the other directors meet collectively once a year to evaluate the performance of the Chairman. As a result of this evaluation the Board recommends that Mr. Purvis, who was appointed during the year, Mr. Steers, who has reached the age of 76, and the Chairman, who retires by rotation, should all be re-elected to the Board. The performance of the company is considered in detail at each Board meeting.

During the year the Company has maintained insurance cover in respect of legal action against the directors.

There is an audit committee, comprising of Mr. Edwards, Mr. Bagot, Mr. Steers, Mr. Callahan and Mr. Purvis. Mr. Edwards is the Chairman of the audit committee. All the members served throughout the year with the exceptions of Mr. Callahan who was appointed on 21st April, 2004 and Mr. Purvis who was appointed on 21st January, 2005. The Board has satisfied itself that collectively the audit committee members have recent and relevant financial experience. The audit committee has written terms of reference, which clearly define its responsibilities and duties. The audit committee meets at least four times each year and is responsible for the review of the annual and interim reports to shareholders, the review of the Company's accounting policies and the regular review of key risks and monitoring and compliance controls. It also regularly reviews the terms of the investment management and secretarial contracts. In addition, it reviews the auditors' independence, objectivity and effectiveness, appointment and remuneration and the quality of services of the service providers to the Company. The Company's auditors also attend this committee at its request and report on their findings in relation to the Company's statutory audit. The Chairman of the audit committee will be available at the Annual General Meeting to deal with questions relating to the financial statements.

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 46.

REPORT OF THE DIRECTORS

continued

6 Corporate Governance *continued*

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. Therefore the directors have concluded that the Company should not establish its own internal audit function. 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 accountants.

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 16 February, 2005. 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.

Financial Reporting

Set out on page 47 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.

Relations with Shareholders

Communications with shareholders are important and monthly information sheets for both the funds which include performance statistics are available to shareholders. The Company's investment managers, accompanied whenever possible by a director, offers to meet at least annually with the Company's major 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 75 sets out the business of the AGM and the special resolutions are explained more fully in this report.

REPORT OF THE DIRECTORS

continued

6 Corporate Governance *continued*

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.

The Board believes that the investment managers have served the Company well and has no hesitation in continuing their appointment.

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, 2004 were as follows:

Ordinary shares converting into Index shares:

A total of 2,180,272 Ordinary shares were surrendered for conversion into Index shares. Based on a conversion ratio of 1.034, this gave rise to the creation of 2,254,401 Index shares.

Index shares converting into Ordinary shares:

A total of 51,809 Index shares were surrendered for conversion into Ordinary shares. Based on a conversion ratio of 0.958, this gave rise to the creation of 49,633 Ordinary shares.

The next opportunity for shareholders to convert will be on 1st July, 2005. 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.

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.

REPORT OF THE DIRECTORS

continued

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 £3,345,063 representing approximately 33% of the Company's issued share capital at the date of this document.

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 21st April, 2004, a Special Resolution was proposed and passed, giving the directors authority, until the conclusion of the 2005 Annual General Meeting, to make market purchases of the Company's own issued share capital for cancellation up to a maximum of 2,410,979 Ordinary shares and 5,081,463 Index shares (together representing 14.99% of the issued share capital as at 31st December, 2003). During the year ended 31st December, 2004, the Company has made market purchases for the cancellation of 2,305,800 Index shares of 20.8680934p each for an aggregate consideration of £10,286,000 representing 4.61% of the total issued share capital as at the date of this document.

During the year ended 31st December, 2004, the Company has made market purchases for the cancellation of 90,000 Global Managed Fund shares of 22.1531335p each for an aggregate consideration of £385,000 representing 0.18% of the total issued share capital as at the date of this document.

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 2,078,106 Ordinary shares and 5,066,111 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 preceding 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.

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).

REPORT OF THE DIRECTORS

continued

12 Annual General Meeting *continued*

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

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 2006, or 23rd October, 2006, 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 22.9% 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, 2006 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

28th February, 2005

DIRECTORS' REMUNERATION REPORT

For the year ended 31st December, 2004

Non Auditable

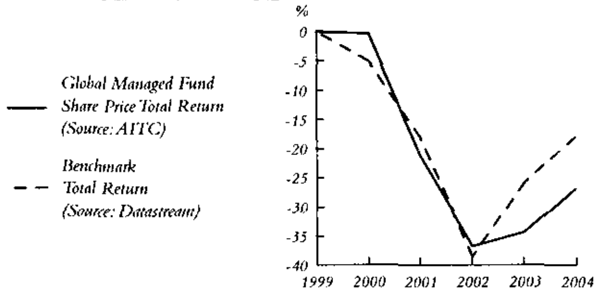
As the Board of directors is comprised solely of non-executive directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the level of fees paid to directors, which are reviewed on a periodic basis, is dealt with by the whole Board.

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.

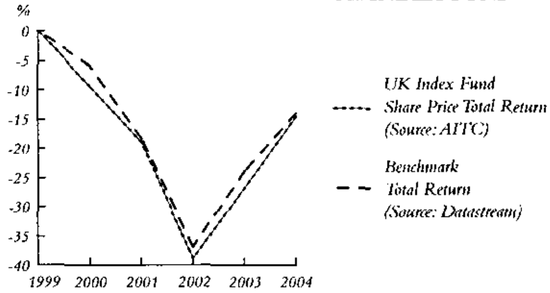
No director has a service contract with the Company.

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



UK INDEX FUND



Auditable

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

Name	***Basic Fee £***	***Attendance Fee £***	***2004 Total £***	*2003 Total £*
C. G. Stobart	**18,000**	**–**	**18,000**	*18,000*
G. M. Bagot	**6,000**	**5,000**	**11,000**	*13,000*
J. L. Callahan	**6,000**	**7,250**	**13,250**	*13,250*
J. J. C. Edwards	**6,000**	**11,500**	**17,500**	*16,250*
I. S. Steers	**6,000**	**5,000**	**11,000**	*11,500*
N. K. S. Wills	**1,846**	**2,000**	**3,846**	*11,500*
C. T. B. Purvis	**2,674**	**2,750**	**5,424**	–
Total	**46,520**	**33,500**	**80,020**	*83,500*

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

28th February, 2005

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 nine provisions of the 2003 FRC 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.

INDEPENDENT AUDITORS' REPORT

to the members of Tribune Trust plc

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs at 31st December, 2004 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

28th February, 2005

STATEMENT OF TOTAL RETURN

(incorporating the revenue account[1]) for the year ended 31st December, 2004

	Notes	2004 Revenue £000	2004 Capital £000	2004 Total £000	2003 Revenue £000	2003 Capital £000	2003 Total £000
Gains on investments	9	–	21,719	21,719	–	34,473	34,473
Gains on foreign exchange	10	–	182	182	–	344	344
Amortisation of debenture stock premium	13	–	10	10	–	10	10
Income	2	9,396	–	9,396	8,872	–	8,872
Investment management fee	3	(501)	(232)	(733)	(505)	(318)	(823)
Other expenses	4	(791)	–	(791)	(805)	–	(805)
Net return before interest payable and taxation		8,104	21,679	29,783	7,562	34,509	42,071
Interest payable	5	(1,970)	(377)	(2,347)	(1,926)	(434)	(2,360)
Return on ordinary activities before taxation		6,134	21,302	27,436	5,636	34,075	39,711
Taxation	6	(93)	–	(93)	(74)	–	(74)
Return on ordinary activities after taxation		6,041	21,302	27,343	5,562	34,075	39,637
Dividends	7	(6,163)	–	(6,163)	(6,038)	–	(6,038)
Transfers (from)/to reserves		(122)	21,302	21,180	(476)	34,075	33,599

		2004 Revenue	2004 Capital	2004 Total	2003 Revenue	2003 Capital	2003 Total
Return per Ordinary share[2]	8	11.47p	41.73p	53.20p	8.89p	62.34p	71.23p
Return per Index share[3]	8	14.63p	46.82p	61.45p	13.31p	70.68p	83.99p

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

[2] *Based on a weighted average of 14,976,120 (2003 – 17,125,829) Ordinary shares in issue.*

[3] *Based on a weighted average of 32,134,205 (2003 – 33,095,104) Index shares in issue.*

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, 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Investments	9	**290,318**	*280,877*
Current assets			
Debtors	11	**839**	*677*
Cash at bank and in hand	20	**2,645**	*2,024*
		3,484	*2,701*
Creditors: Amounts falling due within one year	12	**(6,022)**	*(6,297)*
Net current liabilities		**(2,538)**	*(3,596)*
Total assets less current liabilities		**287,780**	*277,281*
Creditors: Amounts falling due after more than one year	13	**(25,072)**	*(25,082)*
Net assets		**262,708**	*252,199*
Capital and reserves			
Called up share capital	15	**10,136**	*10,637*
Capital reserve – realised	16	**197,734**	*201,926*
Capital reserve – unrealised	16	**45,084**	*30,261*
Redemption reserve – capital	16	**2,677**	*2,176*
Redemption reserve – revenue	16	**3,552**	*3,666*
Revenue reserve	16	**3,525**	*3,533*
Total shareholders' funds	18	**262,708**	*252,199*
Net asset value per Ordinary share	17	**559.1p**	*513.8p*
Net asset value per Index share	17	**537.6p**	*489.5p*

The financial statements on pages 50 to 74 were approved by the Board on 28th February, 2005 and were signed on its behalf by:

C. G. Stobart *Director* C. G. Stobart
I. S. Steers *Director* I. S. Steers

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, 2004

	Notes	2004 £000	2003 £000
Operating activities			
Investment income received		9,314	8,799
Deposit interest received		256	169
Investment management fees paid		(708)	(797)
Other cash payments		(807)	(787)
Net cash inflow from operating activities	19	8,055	7,384
Returns on investments and servicing of finance			
Interest paid		(2,350)	(2,414)
Taxation			
UK tax recovered		–	8
Overseas tax paid		(87)	(63)
Net cash outflow from taxation		(87)	(55)
Financial investment			
Purchases of investments		(80,521)	(75,789)
Sales of investments		92,470	82,496
Net cash inflow from financial investment		11,949	6,707
Equity dividends paid		(6,275)	(5,929)
Net cash inflow before financing		11,292	5,693
Financing			
Repayment of loans		–	(4,525)
Buyback of Index shares		(10,671)	(1,926)
Net cash outflow from financing		(10,671)	(6,451)
Increase/(decrease) in cash	21	621	(758)

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.

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.

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;
- 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1 Accounting Policies *continued*

d) Expenses

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	2004 £000	2003 £000
Income from investments		
UK franked investment income:		
Global Managed Fund	1,474	1,855
UK Index Fund	5,454	4,820
	6,928	6,675
UK interest:		
Global Managed Fund	27	27
UK Index Fund	–	–
	27	27
Overseas dividends:		
Global Managed Fund	920	624
UK Index Fund	–	–
	920	624
Scrip dividends:		
Global Managed Fund	–	–
UK Index Fund	50	247
	50	247
	7,925	7,573
Other income		
Loan note interest – Hedged Pool	1,214	1,127
Deposit interest	257	172
	1,471	1,299
Total income	9,396	8,872

NOTES TO THE FINANCIAL STATEMENTS

continued

2 **Income** *continued*	**Managed £000** (2004)	**Index £000** (2004)	**Total £000** (2004)	*Managed £000* (2003)	*Index £000* (2003)	*Total £000* (2003)
Total income comprises:						
Dividends	2,394	5,504	7,898	*2,479*	*5,067*	*7,546*
Interest from investments	27	–	27	*27*	–	*27*
Other income	245	12	257	*154*	*18*	*172*
	2,666	5,516	8,182	*2,660*	*5,085*	*7,745*
Other income – Hedged Pool			1,214			*1,127*
			9,396			*8,872*
Income from investments comprises:						
Quoted UK	1,423	5,504	6,927	*1,804*	*5,067*	*6,871*
Quoted Overseas	909	–	909	*586*	–	*586*
Unquoted	89	–	89	*116*	–	*116*
	2,421	5,504	7,925	*2,506*	*5,067*	*7,573*

3 **Investment Management Fee**	**Managed £000** (2004)	**Index £000** (2004)	**Total £000** (2004)	*Managed £000* (2003)	*Index £000* (2003)	*Total £000* (2003)
Charged to Revenue:						
Investment management fee	440	229	669	*601*	*159*	*760*
Irrecoverable VAT thereon	24	40	64	*35*	*28*	*63*
	464	269	733	*636*	*187*	*823*
Less transfer to capital reserve – realised	(232)	–	(232)	*(318)*	–	*(318)*
	232	269	501	*318*	*187*	*505*
Charged to Capital:						
Transfer from revenue (above)	232	–	232	*318*	–	*318*

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 investment 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 £nil was paid in respect of the year ended 30th June, 2004 *(2003 – £171,196)*. As described in note 1h), 50% of the investment management fee is allocated to capital.

At 31st December, 2004, £146,000 of this fee remained outstanding *(2003 – £129,000)*.

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, 2003 to 31st July, 2004 *(1st August, 2002 to 31st July, 2003 – £nil)*. At 31st December, 2004 there was no liability in respect of the performance period to 31st July, 2005 *(31st December, 2003 – £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 three 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, 2003 all of this cost is allocated to the revenue account in accordance with industry practice for an indexed fund.

At 31st December, 2004, £105,000 of this fee remained outstanding *(2003 – £97,000)*.

4 Other Expenses	Managed £000	Index £000	2004 Total £000	2003 Total £000
Administration expenses	**107**	**264**	**371**	*316*
Secretarial fee	**63**	**147**	**210**	*179*
Irrecoverable VAT	**24**	**40**	**64**	*107*
Directors' fees	**25**	**55**	**80**	*84*
Legal expenses	**1**	**4**	**5**	*60*
Auditors' remuneration for:				
– audit	**16**	**18**	**34**	*35*
– review of conversion	**5**	**9**	**14**	*12*
– other services	**2**	**3**	**5**	*5*
	23	**30**	**53**	*52*
Conversion costs (excluding auditors' review, above)	**3**	**5**	**8**	*7*
	246	**545**	**791**	*805*

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, 2004 £38,000 of this fee remained outstanding *(2003 – £47,000)*.

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	2004 £000	2003 £000
Global Managed Fund:		
a) Repayable within 5 years, not by instalments:		
On Japanese yen 873,500,000 loan, repaid 31.01.2003	–	6
On US$4,802,638 loan, rolled over 04.03.2004	7	16
On US$4,802,638 loan, rolled over 04.03.2005	44	41
Commitment fee on unused facility	14	15
On bank overdraft	1	1
	66	79
b) Repayable wholly or partly in more than 5 years:		
On £25,000,000 debenture stock repayable 30.06.2012	688	789
	754	868
Less charged to capital reserve – realised	(377)	(434)
Global Managed Fund interest charged to revenue	377	434
Hedged Pool: (see note 14)		
Repayable wholly or partly in more than 5 years:		
On £25,000,000 debenture stock repayable 30.06.2012	1,593	1,492
Total interest charged to revenue	1,970	1,926

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.

	2004			2003		
6 Taxation	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
a) Analysis of charge						
Overseas taxation	93	–	93	74	–	74
	93	–	93	74	–	74
This is attributable as follows:						
– Global Managed Fund	93	–	93	74	–	74
– UK Index Fund	–	–	–	–	–	–
	93	–	93	74	–	74

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%) *(2003 – 30%)*.

The differences are explained below:

	2004 £000	*2003 £000*
Revenue return on ordinary activities before tax	**6,134**	*5,636*
Revenue return on ordinary activities multiplied by the standard rate of corporation tax of 30% *(2003 – 30%)*	**1,840**	*1,691*
Effect of:		
Income not included for tax purposes	**(2,094)**	*(2,077)*
Management expenses not utilised in the period	**347**	*386*
Overseas taxation	**–**	*74*
	93	*74*

The deferred tax asset of £3,306,719 in respect of unutilised expenses at 31st December, 2004 *(2003 – £2,975,401)* has not been recognised as it is unlikely that this asset will be utilised.

7 Dividends

	2004 per share	*2003 per share*	2004 £000	*2003 £000*
Global Managed Fund:				
Interim dividend per Ordinary share				
– paid	**2.75p**	*2.75p*	**442**	*500*
Final dividend per Ordinary share				
– proposed	**7.35p**	*7.00p*	**1,020**	*1,126*
	10.10p	*9.75p*	**1,462**	*1,626*
UK Index Fund:				
Interim dividend per Index share				
– paid	**7.99p**	*7.43p*	**2,677**	*2,382*
Final dividend per Index share				
– proposed	**5.99p**	*5.99p*	**2,024**	*2,030*
	13.98p	*13.42p*	**4,701**	*4,412*
Total			**6,163**	*6,038*

NOTES TO THE FINANCIAL STATEMENTS

continued

8 Return Per Share

	2004 Revenue	2004 Capital	2004 Total	2003 Revenue	2003 Capital	2003 Total
Global Managed Fund:						
Return per Ordinary share	**11.47p**	**41.73p**	**53.20p**	*8.89p*	*62.34p*	*71.23p*

Revenue return (earnings) per Ordinary share is based on the net revenue on ordinary activities after taxation of £1,718,000 *(2003 – £1,522,000).*

Capital return per Ordinary share is based on net capital gains for the financial year of £6,249,000 *(2003 – £10,677,000).*

These calculations are based on a weighted average of 14,976,120 *(2003 – 17,125,829)* Ordinary shares in issue.

	2004 Revenue	2004 Capital	2004 Total	2003 Revenue	2003 Capital	2003 Total
UK Index Fund:						
Return per Index share	**14.63p**	**46.82p**	**61.45p**	*13.31p*	*70.68p*	*83.99p*

Revenue return (earnings) per Index share is based on the net revenue on ordinary activities after taxation of £4,702,000 *(2003 – £4,405,000).*

Capital return per Index share is based on net capital gains for the financial year of £15,046,000 *(2003 – £23,391,000).*

These calculations are based on a weighted average of 32,134,205 *(2003 – 33,095,104)* Index shares in issue.

	2004 Revenue	2004 Capital	2004 Total	2003 Revenue	2003 Capital	2003 Total
Hedged Pool:						
Return per Deferred B share	**(£379,000)**	**£7,000**	**(£372,000)**	*(£365,000)*	*£7,000*	*(£358,000)*

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**	2004 £000	2003 £000
a) Summary of valuation		
Investments quoted on a recognised investment exchange:		
UK – Global Managed Fund	36,618	33,837
UK – UK Index Fund	181,572	165,845
UK – Hedged Pool*	21,552	20,566
	239,742	220,248
Overseas – Global Managed Fund	44,805	49,597
Unquoted – Global Managed Fund†	5,771	11,032
	290,318	280,877

	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	21,918	48,172	9,894	79,984	150,767	20,566	251,317
Unrealised appreciation at beginning of year	11,919	1,425	1,138	14,482	15,078	–	29,560
Valuation at beginning of year	33,837	49,597	11,032	94,466	165,845	20,566	280,877
Purchases at cost	10,145	30,239	(13)	40,371	38,835	1,365	80,571
Sales							
– proceeds	(13,319)	(34,314)	(6,683)	(54,316)	(38,154)	–	(92,470)
– realised gains	4,681	306	1,493	6,480	598	–	7,078
Amortisation of premium on debt securities	–	–	–	–	–	(379)	(379)
Movement in unrealised appreciation	1,274	(1,023)	(58)	193	14,448	–	14,641
Valuation at end of year	36,618	44,805	5,771	87,194	181,572	21,552	290,318

* *Refer to note 14 for explanation.*

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

	Managed £000	Index £000	Hedged £000	2004 Total £000	2003 Total £000
Comprising:					
Book cost at end of year	72,519	152,046	21,552	246,117	251,317
Unrealised appreciation at end of year	14,675	29,526	–	44,201	29,560
Valuation at end of year	87,194	181,572	21,552	290,318	280,877

NOTES TO THE FINANCIAL STATEMENTS

continued

9 **Investments** *continued*	Managed £000	Index £000	2004 Total £000	2003 Total £000
c) Gains/(losses) on investments				
Realised gains/(losses) based on historical cost	7,628	434	8,062	(6,277)
Less: amounts recognised as unrealised in previous years	(1,148)	164	(984)	1,433
Realised gains/(losses) based on carrying value at previous balance sheet date	6,480	598	7,078	(4,844)
Movement in unrealised appreciation	193	14,448	14,641	39,317
Total gains on investments	6,673	15,046	21,719	34,473

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:

	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	2004 Total £000	2003 Total £000
Realised				
Foreign currency bank balances	–	–	–	(3)
Foreign currency loans	–	–	–	475
	–	–	–	472
Unrealised				
Foreign currency loans	182	–	182	(128)
	182	–	182	344

11 **Debtors**	Managed £000	Index £000	2004 Total £000	2003 Total £000
Prepayments and accrued income	228	578	806	651
Taxation recoverable:				
– UK income tax	–	–	–	–
– Overseas tax	–	–	–	6
Other debtors	33	–	33	20
	261	578	839	677

NOTES TO THE FINANCIAL STATEMENTS

continued

12 Creditors: amounts falling due within one year	*Managed £000*	*Index £000*	*2004 Total £000*	*2003 Total £000*
US$4.8m loan at 2.62%, rolled over 23.8.2005†	**2,502**	**–**	**2,502**	*2,683*
Proposed dividends	**1,020**	**2,024**	**3,044**	*3,156*
Other creditors	**312**	**164**	**476**	*458*
	3,834	**2,188**	**6,022**	*6,297*

† *The loan outstanding at the balance sheet date was drawn under an unsecured loan facility with ING Barings expiring on 23rd August, 2005. Under this facility, the Company may draw up to a maximum principal amount of £7,500,000 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 (2003 – £3,385,000). See also note 13, below.*

13 Creditors: amounts falling due after more than one year	*Managed £000*	*Index £000*	*Hedged £000*	*2004 Total £000*	*2003 Total £000*
£25m 9.125% debenture stock, repayable 30.06.2012*	**8,126**	**–**	**16,956**	**25,082**	*25,092*
Transfer following annual conversion	**(1,103)**	**–**	**1,103**	**–**	*–*
Amortisation of premium	**(3)**	**–**	**(7)**	**(10)**	*(10)*
	7,020	**–**	**18,052**	**25,072**	*25,082*

* *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.*

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 2004, 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 £1,365,000. The £265,000 premium was transferred to the redemption reserve, and the £3,392 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, 2004 is as follows:

	Notes	**2004** **£000**	*2003* *£000*
Income from Abbey National loan notes	2	**1,593**	*1,492*
Less: Amortisation element		**(379)**	*(365)*
		1,214	*1,127*
Interest payable	5	**(1,593)**	*(1,492)*
Loss for the period		**(379)**	*(365)*
Transferred from redemption reserve	16	**379**	*365*
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 *(2003 – £7,000)* on the 9.125% debenture stock.

The balance sheet of the Hedged Pool at 31st December, 2004 is as follows:

	Notes	**2004** **£000**	*2003* *£000*
Fixed asset investments	9	**21,552**	*20,566*
9.125% debenture stock repayable 30.06.2012	13	**(18,000)**	*(16,900)*
Premium on debenture stock	13	**(52)**	*(55)*
		(18,052)	*(16,955)*
Net assets		**3,500**	*3,611*
Capital reserve – realised	16	**(52)**	*(55)*
Redemption reserve – revenue	16	**3,552**	*3,666*
Hedged Pool shareholders' funds		**3,500**	*3,611*

NOTES TO THE FINANCIAL STATEMENTS

continued

15 Share Capital	2004 Number of Shares	2003 Number of Shares	2004 £000	2003 £000
Authorised:				
Global Managed Fund				
Ordinary shares	36,203,386	36,100,978	7,886	7,997
Deferred shares	13,903,649	–	51	–
	50,107,035	36,100,978	7,937	7,997
UK Index Fund				
Index shares	33,796,613	33,899,021	7,052	7,074
Deferred shares	2,180,272	–	13	–
	35,976,885	33,899,021	7,065	7,074
Hedged Pool				
Deferred B shares	25	25	–	–
	86,083,945	70,000,024	15,002	15,071

	2004 Number of shares	2003 Number of shares	2004 £000	2003 £000
Allotted, issued and fully paid:				
Global Managed Fund				
Ordinary shares of 21.7829871p *(2003 – 22.1531335p)* each				
Beginning of year	16,083,921	18,173,461	3,563	4,026
Buyback of Ordinary shares for cancellation	(90,000)	–	(20)	–
Conversion to Index shares	(2,130,639)	(2,089,540)	(472)	(463)
Transfer to Deferred shares	–	–	(51)	–
End of year	13,863,282	16,083,921	3,020	3,563
Deferred shares				
Beginning of year	–	–	–	–
Transfer from Ordinary shares	13,903,649#	89,379*	51	–
Purchase of Deferred shares for cancellation	–	(89,379)*	–	–
End of year	13,903,649	–	51	–
	27,776,931	16,083,921	3,071	3,563

Deferred shares of 0.3701464p each.

* *Deferred shares of 0.2434800p each.*

NOTES TO THE FINANCIAL STATEMENTS

continued

15 **Share Capital** *continued*	**2004 Number of Shares**	*2003 Number of Shares*	**2004 £000**	*2003 £000*
Allotted, issued and fully paid: *continued*				
UK Index Fund				
Index shares of 20.8680934p *(2003 – 20.8680934p)* each				
Beginning of year	**33,899,021**	*32,161,356*	**7,074**	*6,711*
Buy back of Index shares for cancellation	**(2,305,000)**	*(450,000)*	**(481)**	*(94)*
Converted from Ordinary shares	**2,202,592**	*2,187,665*	**472**	*463*
Transfer to Deferred shares	**–**	*–*	**(13)**	*(6)*
End of year	**33,796,613**	*33,899,021*	**7,052**	*7,074*
Deferred shares				
Beginning of year	**–**	*–*	**–**	*–*
Transfer from Index shares	**2,180,272#**	*2,172,752**	**13**	*(6)*
Purchase of Deferred shares for cancellation	**–**	*(2,172,752)**	**–**	*6*
End of year	**2,180,272**	*–*	**13**	*–*
	35,976,885	*33,899,021*	**7,065**	*7,074*

 # Deferred shares of 0.57552273p each.

** Deferred shares of 0.2833724p each.*

Hedged Pool				
Deferred B shares of 1p each				
Beginning and end of year	**1**	*1*	**–**	*–*
	63,753,817	*49,982,943*	**10,136**	*10,637*

Share buy backs

During the year, 2,305,000 Index shares *(2003 – 450,000 Index shares)* were bought back for cancellation at a cost of £10,286,000 *(2003 – £1,926,000).*

During the year, 90,000 Ordinary shares *(2003 – nil Ordinary shares)* were bought back for cancellation at a cost of £385,000 *(2003 – £nil).*

Conversion

The results of the share conversion which occurred on 1st July, 2004 were as follows:

Ordinary shares converting into Index shares: A total of 2,180,272 Ordinary shares were surrendered for conversion into Index shares. Based on a conversion ratio of 1.034, this gave rise to the creation of 2,254,401 Index shares.

Index shares converting into Ordinary shares: A total of 51,809 Index shares were surrendered for conversion into Ordinary shares. Based on a conversion ratio of 0.958, this gave rise to the creation of 49,633 Ordinary shares.

Deferred shares

As a result of the conversion, 13,903,649 Deferred shares of 0.3701464p each were created in the Global Managed Fund and 2,180,272 Deferred shares of 0.57552273p 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 are to be redeemed and cancelled by the Company post year end 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	59,660	142,321	(55)	201,926
Net profit on realisation of investments	6,480	598	–	7,078
Amortisation of debenture stock premium	3	–	7	10
Management fee	(232)	–	–	(232)
Loan interest	(377)	–	–	(377)
Transfer re share conversion	(10,504)	10,508	(4)	–
Buyback of shares	(385)	(10,286)	–	(10,671)
End of year	54,645	143,141	(52)	197,734

b) Capital reserve – unrealised	*Managed £000*	*Index £000*	*Hedged £000*	*Total £000*
Beginning of year	15,183	15,078	–	30,261
Movement in unrealised appreciation on investments	193	14,448	–	14,641
Movement in unrealised appreciation of foreign currency	182	–	–	182
End of year	15,558	29,526	–	45,084

c) Redemption reserve – capital	*Managed £000*	*Index £000*	*Hedged £000*	*Total £000*
Beginning of year	699	1,477	–	2,176
Buyback of Ordinary shares	20	–	–	20
Buyback of Index shares	–	481	–	481
Cancellation of Deferred shares	–	–	–	–
End of year	719	1,958	–	2,677

d) Redemption reserve – revenue	*Managed £000*	*Index £000*	*Hedged £000*	*Total £000*
Beginning of year	–	–	3,666	3,666
Retained net deficit for the year	–	–	(379)	(379)
Transfer from revenue reserve	–	–	265	265
End of year	–	–	3,552	3,552

NOTES TO THE FINANCIAL STATEMENTS

continued

16 Reserves *continued*

e) Revenue reserve	*Managed* £000	*Index* £000	*Hedged* £000	*Total* £000
Beginning of year	3,532	1	–	3,533
Retained net surplus for the year	256	1	–	257
Transfer as a result of the conversion	(265)	265	–	–
Allocation to Hedged Pool redemption reserve	–	(265)	–	(265)
End of year	3,523	2	–	3,525

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:

	2004	*2003*
Total shareholders' funds (£000)		
– Global Managed Fund	**77,516**	*82,637*
– UK Index Fund	**181,692**	*165,951*
– Hedged Pool	**3,500**	*3,611*
	262,708	*252,199*
Net asset value (pence per share)		
– Global Managed Fund	**559.1p**	*513.8p*
– UK Index Fund	**537.6p**	*489.5p*

The net asset value per share is based on total shareholders' funds attributable to each fund as above, and on 13,863,282 *(2003 – 16,083,921)* Ordinary shares and 33,796,613 *(2003 – 33,899,021)* Index shares in issue at the year end.

The net asset value of the Hedged Pool for the one *(2003 – one)* Deferred B share is £3,500,000 *(2003 – £3,611,000)*.

18 Reconciliation of Movement in Shareholders' Funds

	Managed £000	*Index* £000	*Hedged* £000	**2004** *Total* £000	*2003* *Total* £000
Beginning of year	82,637	165,951	3,611	252,199	*220,526*
Total recognised gains/(losses) for the year	7,967	19,748	(372)	27,318	*39,637*
Dividends appropriated in the year	(1,462)	(4,701)	–	(6,163)	*(6,038)*
	6,505	15,047	(372)	21,180	*33,599*
Adjustment to share capital upon conversion	(472)	472	–	–	–
Transfer re share conversion	(10,769)	10,508	261	–	–
Buyback of shares	(385)	(10,286)	–	(10,671)	*(1,926)*
Shareholders' funds at end of year	77,516	181,692	3,500	262,708	*252,199*

Analysis of shareholders' funds	**2004** £000	*2003* £000
Equity	**259,208**	*248,588*
Non-equity	**3,500**	*3,611*
	262,708	*252,199*

NOTES TO THE FINANCIAL STATEMENTS

continued

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

	2004 £000	2003 £000
Net revenue before interest payable and taxation	8,104	7,562
Increase in accrued income	(155)	(21)
Increase in creditors	22	44
Decrease in debtors	(13)	–
Amortisation of premium on debt securities	379	364
Management fee charged to capital	(232)	(318)
Scrip dividends	(50)	(247)
Net cash inflow from operating activities	8,055	7,384

20 Analysis of Net Debt

	At 31st December 2003 £000	Cash Flow £000	Other Movements £000	At 31st December 2004 £000
Cash	2,024	621	–	2,645
Debt – foreign currency loans	(2,683)	–	182*	(2,501)
– debenture stock	(25,082)	–	10†	(25,072)
	(27,765)	621	192	(27,573)
Total	(25,741)	621	192	(24,928)

* *Exchange differences.*

† *Amortisation of premium.*

21 Reconciliation of Net Cash Flow to Movement in Net Debt

	2004 £000	2003 £000
Increase/(decrease) in cash	621	(758)
Decrease in debt	–	4,525
Currency translation adjustments	182	344
Amortisation of premium on debenture stock	10	10
Movement in net funds for the year	813	4,121
Net debt at beginning of year	(25,741)	(29,862)
Net debt at end of year	(24,928)	(25,741)

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:

	2004 £000	2003 £000
Unpaid calls	2,366	3,552

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 may carry out some of its dealing transactions through ING Barings Limited. These transactions are carried out at arms' length. There were no transactions during the year. Commission paid on such transactions during 2003 amounted to £5,000.

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 £44,000 was outstanding at the year-end *(2003 – £45,000)*. A commitment fee of £13,000 *(2003 – £14,000)* 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, 2004 these were valued at £306,000 *(2003 – £3,407,000)* and represented 0.3% of the Company's investment portfolio *(2003 – 1.2%)*. During the year, the Company made purchases totalling £nil *(2003 – £4,240,000)* in such investments and sales totalling £2,107,000 *(2003 – £4,490,000)*. The investment income from these funds was £2,000 *(2003 – £16,000)*.

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, unquoted 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 74.

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, 2004 was:

			2004			*2003*
	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	**10.847%**	**13.3 years**	**354**	*10.986%*	*14.3 years*	*351*
Abbey National loan notes (attributable to Hedged Pool)	**6.998%**	**7.5 years**	**21,552**	*6.976%*	*8.5 years*	*20,566*
Floating rate investments:						
Cash	**2.213%**	**–**	**2,645**	*1.13%*	*–*	*2,024*

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:
  - £7,500,000 (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 23.8.2005, at a fixed interest rate of 2.62%;

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, 2004 was:

	2004			2003		
	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%**	**7.5 years**	**25,072**	*9.125%*	*8.5 years*	*25,082*
US dollar – loan	**2.62%**	**2 months**	**2,502**	*1.80625%*	*2 months*	*2,683*
			27,574			*27,765*

d) Maturity profile of financial liabilities

The maturity profile of the Company's financial liabilities at 31st December, 2004 was:

	2004 Total £000	*2003 Total £000*
In one year or less	**2,502**	*2,683*
In more than one year, but not more than five	**–**	*–*
In more than five years (average period 7.5 years)	**25,072**	*25,082*
	27,574	*27,765*

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 £22,336,000 *(2003 – £23,016,000).*

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:

	2004 Nominal £000	2004 Book £000	2004 Fair £000	*2003 Nominal £000*	*2003 Book £000*	*2003 Fair £000*
9.125% debenture stock, 30.06.2012	**25,000**	**25,072**	**30,311**	*25,000*	*25,082*	*29,876*

Deducting the debenture stock at fair value at 31st December, 2004 would have the effect of reducing the net asset value per Ordinary share from 559.1p to 553.8p *(2003 – 513.8p to 504.1p)*, and of the one Deferred B share from £3,500,000 to £272,000 *(2003 – £3,611,000 to £370,000).* 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, 2004 was:

	2004 Foreign Currency Financial Assets £000	2004 Foreign Currency Financial Liabilities £000	2004 Net Foreign Currency Exposure £000	*2003 Foreign Currency Financial Assets £000*	*2003 Foreign Currency Financial Liabilities £000*	*2003 Net Foreign Currency Exposure £000*
US dollar	**20,238**	**(2,502)**	**17,736**	*32,058*	*(2,683)*	*29,375*
Euro	**6,051**	**–**	**6,051**	*4,994*	*–*	*4,994*
Swiss franc	**2,192**	**–**	**2,192**	*2,494*	*–*	*2,494*
Yen	**8,089**	**–**	**8,089**	*7,515*	*–*	*7,515*
Other non-sterling	**10,554**	**–**	**10,554**	*7,506*	*–*	*7,506*
Sub total	**47,124**	**(2,502)**	**44,622**	*54,567*	*(2,683)*	*51,884*
Sterling	**246,639**	**(28,544)**	**218,095**	*229,011*	*(28,696)*	*200,315*
Total	**293,763**	**(31,046)**	**262,717**	*283,578*	*(31,379)*	*252,199*

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 Friday, 22nd April, 2005 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, 2004.

2 To approve the Directors' Remuneration Report for the year ended 31st December, 2004.

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. C. T. B. Purvis as a director of the Company.

6 To re-elect Mr. C. G. Stobart as a director of the Company.

7 To re-elect Mr. I. S. Steers, aged 76, 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 £3,345,063 (being approximately 33% of the issued share capital of the Company as at 31st December, 2004) 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 £506,826 (being 5% of the issued share capital as at 31st December, 2004) 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 7,144,217 (comprising not more than 2,078,106 Ordinary shares and not more than 5,066,111 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 2006 and 23rd October, 2006 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, 2006 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, 2006.

Registered Office:
155 Bishopsgate,
London EC2M 3XY

28th February, 2005

By Order of the Board
M. J. Nokes
Secretary

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 Wednesday, 20th April, 2005 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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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, 2004 will be paid on 29th April, 2005 to members on the register at the close of business on 29th March, 2005.

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 share – £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.