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TR High Income Trust PLC

REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

HENDERSON TOUCHE REMNANT

1995

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TR HIGH INCOME TRUST PLC

Objectives

To obtain a gross revenue substantially in excess of the gross dividend yield on the FT-SE Actuaries All-Share Index and to achieve a total return in excess of that on the FT-SE Actuaries All-Share Index and significantly in excess of Building Society rates and fixed return savings.

Results for the Year

		31 December 1995	31 December 1994	% Change
Revenue				
Gross revenue		**£2,262,000**	£2,205,000	+2.6
Earnings per ordinary share		**6.61p**	6.28p	+5.3
Dividends per ordinary share:				
Paid and payable		**6.40p**	6.10p	+4.9
Tax credits		**1.60p**	1.52p	
Total gross dividends		**8.00p**	7.62p	
Assets				
Total net assets		**£32,686,000**	£28,738,000	+13.7
Number of ordinary shares in issue		**24,076,341**	23,261,470	
Net asset value (undiluted)		**135.8p**	123.5p	+10.0
Net asset value (fully diluted)		**131.0p**	119.7p	+9.4
Ordinary share price		**126.0p**	120.0p	+5.0
(Discount)	(undiluted)	**(7.2%)**	(2.8%)	
(Discount)/Premium	(fully diluted)	**(3.8%)**	0.3%	

Fully diluted assumes the conversion of all outstanding subscription shares.

Performance	One year to 31 December 1995	Five years to 31 December 1995
Net asset value total return per ordinary share	**+15.4%**	**+103.5%**
FT-SE Actuaries All-Share Index total return	**+22.3%**	**+105.9%**

Total return assumes net dividends are re-invested and excludes transaction costs.
(Source: AITC Services Limited)

Directors and Managers

Sir Anthony Beaumont-Dark (Chairman) is a consultant to Brewin Dolphin (Birmingham) and Deputy Chairman of J Saville Gordon plc. He joined the Board in 1989 and is Chairman of the Audit Committee and the Management Engagement Committee.

J S Curtis is a divisional director of Henderson Touche Remnant Investment Trust Management and was the Company's Portfolio Manager from 1989 to 1995.

C Dunkerley joined the Board in 1989 and is a member of the Audit Committee and the Management Engagement Committee.

W D Eason is a senior member of the Laing & Cruickshank Investment Management team. He joined the Board in 1989 and is a member of the Audit Committee and the Management Engagement Committee.

L R Maclean heads the private client division of Henderson Administration Group plc. He joined the Board in 1989.

Management
Kate Murphy (centre) is Portfolio Manager.
Alex Crooke (left) is Deputy Portfolio Manager.
Geoffrey Rice (right), a director of Henderson Secretarial Services Limited, acts as the Company Secretary.

Chairman's Statement

Assets

Over the last year our net asset value total return was 15.4%. This was a good result and places us third out of eleven investment trusts in the AITC High Income sector. Our return was lower than the FT-SE-A All-Share Index as higher yielding shares underperformed because investors worried about an economic slowdown and preferred large capitalisation growth stocks which typically have a lower dividend yield.

Earnings and Dividends

Following a year of strong dividend growth, our earnings per share have risen by 5.3% from 6.28p to 6.61p.

We have benefited from the recovery of UK corporate earnings, allowing companies to raise dividends and pay special dividends in certain cases. Corporate profits growth and hence dividend growth is not expected to be so strong in 1996; however, we feel optimistic that dividends from our investments should continue to rise faster than the underlying inflation rate.

We are pleased to have increased the total net dividend for 1995 to 6.4p from 6.1p in 1994, an increase of 4.9%. In the current year the revenue that is generated by the Company's investments will need to be spread over more ordinary shares, as all the outstanding subscription shares are expected to convert into ordinary shares in May. The conversion will limit dividend growth this year but the board intends to maintain its policy of dividend growth in future years.

Corporate Governance

We have in the past commented on our concerns regarding executive remuneration and contracts. The three year rolling contract has now been recognised as excessive and the majority of companies have reverted to one year rolling contracts for directors. For companies we invest in, we will continue to monitor the relationship between the company's earnings per share growth and its executive remuneration. We feel that some boards must adopt a more realistic and demanding executive reward scheme linked to the growing profitability of their company.

Prospects

The UK equity market indices are currently at all time highs reflecting corporate earnings growth, takeover activity and the continuing low inflation environment. We expect these conditions to be maintained in the coming year. Further interest rate cuts are possible and the inflation outlook should be supportive of the gilt market. We feel that higher yielding equities currently offer excellent value with many yielding in excess of short term interest rates and promising moderate dividend growth.

Share Plan and the Issue of Shares

Authority was granted at last year's Annual General Meeting to issue new shares to participants in the Henderson Touche Remnant Investment Trust Share Plan or in PEPs managed by Henderson. In fact, only 25,919 shares were issued during the year under this authority.

The board is seeking to renew the authority and a special resolution to this effect will be proposed at the Annual General Meeting. Shares will be issued to participants in the Share Plan or PEPs only when the share price exceeds the net asset value per share. The directors will not make any such issues unless they believe it to be to the advantage of existing shareholders to do so. Further details are given on page 9.

Annual General Meeting

I should like to remind shareholders that the Annual General Meeting will be held at 3 Finsbury Avenue on Wednesday 24 April 1996 at 12.30pm, followed by light refreshments and an opportunity to speak with the directors and managers. It would be helpful if you would indicate on your proxy card whether you expect to attend.

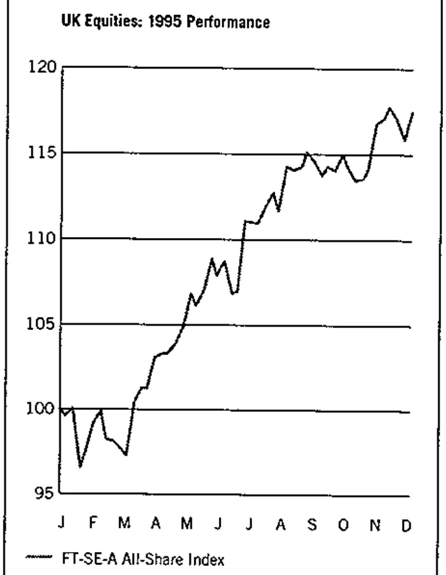
Sir Anthony Beaumont-Dark
22 February 1996

Investment Review

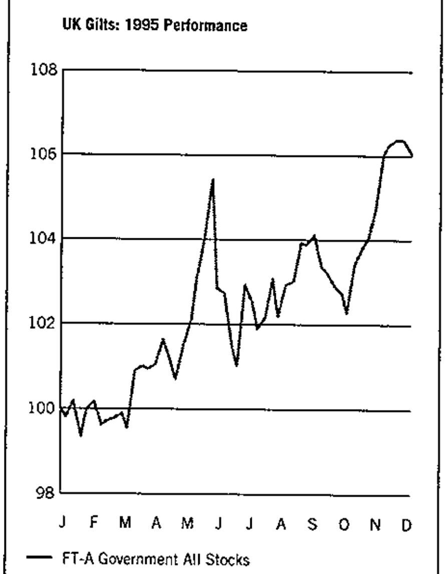
Equities

Equities performed strongly all year driven by the prospect of interest rate cuts and a favourable economic background. The FT-SE-A All-Share Index produced a total return of 22.3% last year, breaking levels last seen in early 1994. This strength was confined to the larger capitalisation stocks; smaller companies suffered from continual profit downgrades during the period. Higher yielding stocks underperformed the general market during the second half of the year due to a clear preference for dependable growth stocks by investors. This bias ceased in late December and higher yielding equities have appreciated following the recent interest rate cuts. One key feature of the year under review was the unprecedented level of corporate take-overs, particularly in the electricity sector. We have benefited from the large amount of bid activity, as five of our holdings were subject to take-overs during the year. We expect this level of activity to continue during 1996.

In late 1994 we reduced our exposure to utilities which proved a fortuitous move as the sector fell sharply in early 1995 following a further regulatory review. We have used the opportunity of lower prices to purchase new holdings in Northern Ireland Electricity, National Power and South Wales Electricity (which was recently bid for by Welsh Water). Further electricity holdings were purchased later in the year as the remaining companies restructured to allow the payment of higher dividends.



Source: Datastream



Source: Datastream

Changes in Investments

	Valuation at 31 December 1994 £'000	Purchases £'000	Sales £'000	Appreciation £'000	**Valuation at 31 December 1995 £'000**
United Kingdom:					
Fixed Interest	7,532	1,522	1,973	345	**7,426**
Convertibles	2,044	811	129	277	**3,003**
Equities	19,658	5,204	5,209	2,540	**22,193**
	29,234	7,537	7,311	3,162	**32,622**

Investment Review
continued

Consumer spending should benefit from the recent tax and interest rate cuts and therefore we have increased the portfolio exposure to consumer related stocks. Financial companies continue to offer dividend growth well in excess of the market and we have increased weightings in these sectors recently. New purchases have included Boots, W.H. Smith, HSBC Holdings, Royal Bank of Scotland and Sirdar. Our weighting in convertible stocks was increased by purchasing issues from Legal and General, Airtours and Greenalls.

Fixed Interest
Sterling fixed interest securities recovered from their oversold position during 1995, gaining support from a strong recovery in gilts. The prospects for inflation remain subdued allowing further interest rate cuts at the end of the year.

During recent years we have reduced the portfolio's exposure to fixed interest securities when the revenue account allows. This year issues from Alliance and Leicester, Hanson and Royal Insurance were sold to leave 23% of the portfolio in fixed interest securities. This level will be maintained at least until the subscription shares convert, in order to maintain an adequate level of income. Within the fixed interest section we have switched some money from corporate bonds to preference shares to promise more tax efficient income.

Kate Murphy, Alex Crooke
5 February 1996

Investments: Fixed Interest and Convertibles
Valuations at 31 December 1995

FIXED INTEREST	£'000
Preference Shares	
Commercial Union 8¾%	461
National Westminster 9%	448
Abbey National 10⅜%	448
Bank of Scotland 9¾%	441
Welsh Water £1	436
General Accident 8⅞%	349
Sun Alliance 7⅜%	346
Standard Chartered 7⅜%	338
Co-operative Bank 9¼%	320
H.P. Bulmer 8¾%	283
Total Preference Shares	**3,870**
Others	
Halifax BS 11% 2014	601
Land Securities 9½% 2007	538
Blue Circle Industries 10¾% 2013	411
Pearson 10½% 2008	405
Lucas Industries 10⅞% 2020	292
Royal Bank of Scotland 10½% 2013	282
Woolwich BS 10⅛% 2017	277
Scottish Amicable 8½% undated	268
Royal Insurance 9⅝% 2003	247
Associated British Ports 10⅞% 2015	235
Total Others	**3,556**
TOTAL FIXED INTEREST	**7,426**

CONVERTIBLES	£'000
Legal & General 6¾% Conv. Sub. Bd. 2008	417
Blue Circle 7⅝% Conv. Cum. Pref.	351
BBA 6.75% Conv. Cum. Red. Pref.	335
MAI 5.9p Conv. Cum. Pref.	227
Rank Organisation 8¼p Conv. Cum. Red. Pref.	222
Greenalls Group 7% Conv. Sub. Bd. 2003	204
Dixons Group 5p Conv. Cum. Red. Pref	191
Airtours 6.375p Conv. Cum. Pref.	152
Carlton Comm. 6.5p Conv. Cum. Red. Pref.	146
REXAM 7.75% Conv. Cum. Pref.	140
British Aerospace 7.75p Conv. Cum. Red. Pref.	131
Williams Hldgs. 8p Conv. Cum. Red. Pref.	130
John Laing 6.4% Conv. Cum. Pref.	120
AMEC 6.5p Conv. Cum. Red. Pref.	119
Slough Estates 8.25p Conv. Cum. Red. Pref.	118
TOTAL CONVERTIBLES	**3,003**

Investments: Equities

Valuations at 31 December 1995

MINERAL EXTRACTION	£'000
Extractive Industries	
English China Clays	159
Oil, Integrated	
Shell Transport & Trading	426
Total Mineral Extraction	**585**
GENERAL INDUSTRIALS	
Building Materials & Merchants	
Hepworth	239
Redland	194
CAMAS	111
Diversified Industrials	
Hanson	722
BTR	493
Harrisons & Crosfield	320
Tomkins	211
Powell Duffryn	186
Staveley Industries	100
Suter	82
Adwest	73
Electronic & Electrical Equipment	
Volex	208
BICC	193
General Electric	177
Peek	124
Graseby	78
Engineering	
British Steel	163
BI Group	152
Hunting	148
Engineering, Vehicles	
B.S.G. International	87
Paper, Packaging & Printing	
John Waddington	100
Textiles & Apparel	
Sirdar	102
William Baird	87
Total General Industrials	**4,350**
CONSUMER GOODS	
Breweries	
Bass	431
Spirits, Wines & Ciders	
Allied Domecq	368
Food Producers	
Hillsdown	262
Booker	215
Unigate	206
Dalgety	203
United Biscuits	192
Albert Fisher	140
Northern Foods	128
Household Goods	
Reckitt & Colman	214
Pharmaceuticals	
Glaxo Wellcome	549
Tobacco	
B.A.T Industries	1,475
Total Consumer Goods	**4,383**

SERVICES	£'000
Distributors	
Brammer	258
Inchcape	100
Leisure & Hotels	
London Clubs International	212
Rank Organisation	116
Media	
United News & Media	277
Retailers, Food	
Argyll	680
Retailers, General	
W H Smith	178
Boots	147
Transport	
Ocean	388
P & O	238
Total Services	**2,594**
UTILITIES	
Electricity	
London	430
Yorkshire	293
Southern	181
National Grid	179
National Power	116
Scottish Hydro	108
Northern Ireland	87
Gas Distribution	
British Gas	760
Calor	307
Telecommunications	
British Telecommunications	1,131
Water	
Thames	1,124
Severn Trent	688
Southern	550
Total Utilities	**5,954**
FINANCIALS	
Banks, Retail	
National Westminster	649
HSBC	503
Royal Bank of Scotland	469
Lloyds TSB	448
Insurance	
Sun Alliance	336
General Accident	325
Royal Insurance	191
Life Assurance	
Prudential	208
London & Manchester	206
Lloyds Abbey Life	112
Other Financial	
Cater Allen	141
ED & F Man	140
Exco	48
Property	
Land Securities	309
MEPC	138
Great Portland Estates	104
Total Financials	**4,327**
TOTAL EQUITIES	**22,193**

Classification of Investments

at 31 December 1995

UNITED KINGDOM:

	1995 %	1994 %
FIXED INTEREST		
Preference Shares	**11.9**	8.3
Others	**10.9**	17.5
	22.8	25.8
CONVERTIBLES	**9.2**	7.0
EQUITIES		
Mineral Extraction		
Extractive Industries	**0.5**	0.6
Oil, Integrated	**1.3**	0.6
	1.8	1.2
General Industrials		
Building Materials & Merchants	**1.7**	2.8
Chemicals	–	0.3
Diversified Industrials	**6.7**	7.1
Electronic & Electrical Equipment	**2.4**	2.6
Engineering	**1.4**	1.5
Engineering, Vehicles	**0.3**	0.3
Paper, Packaging & Printing	**0.3**	0.4
Textiles & Apparel	**0.6**	0.4
	13.4	15.4

	1995 %	1994 %
Consumer Goods		
Breweries	**1.3**	1.0
Spirits, Wines & Ciders	**1.1**	1.3
Food Producers	**4.1**	5.9
Household Goods	**0.7**	–
Pharmaceuticals	**1.7**	2.3
Tobacco	**4.5**	3.8
	13.4	14.3
Services		
Distributors	**1.1**	0.7
Leisure & Hotels	**1.0**	0.5
Media	**0.8**	0.8
Retailers, Food	**2.1**	1.8
Retailers, General	**1.0**	–
Support Services	–	0.3
Transport	**1.9**	2.0
	7.9	6.1
Utilities		
Electricity	**4.3**	1.9
Gas Distribution	**3.3**	4.8
Telecommunications	**3.5**	3.9
Water	**7.2**	8.3
	18.3	18.9
Financials		
Banks, Retail	**6.3**	2.7
Banks, Merchant	–	0.3
Insurance	**2.6**	1.7
Life Assurance	**1.6**	3.6
Other Financial	**1.0**	1.1
Property	**1.7**	1.9
	13.2	11.3
TOTALS	**100.0**	100.0

Report of the Directors

The directors present the audited accounts of the Company for the year ended 31 December 1995.

Activities and Business Review
A review of the business is given in the Chairman's Statement and in the Investment Review.

Status
The Company is an investment company as defined in Section 266 of the Companies Act 1985 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 1994 and the Company has subsequently directed its affairs so as to enable it to continue to obtain such approval. The 'close company' provisions of the 1988 Act do not apply to the Company.

The Company intends to continue as a fully qualifying investment trust company under the Personal Equity Plan Regulations.

Revenue and Dividend
Earnings per ordinary share amounted to 6.61p. Three quarterly interim dividends of 1.60p each have been paid and a fourth interim dividend of 1.60p will be paid on 30 April 1996, making a total of 6.40p for the year. This is an increase of 4.9% on the amount paid in respect of the year ended 31 December 1994. Retained revenue for the year of £28,000 has been transferred to the revenue reserve.

Assets
Total net assets at 31 December 1995 amounted to £32,686,000, compared with £28,738,000 at 31 December 1994. The fully diluted net asset value of the ordinary shares rose by 9.4% during the year from 119.7p to 131.0p.

Substantial Share Interests
As at 22 February 1996, the following notifiable interests in the Company's issued ordinary share capital had been declared to the Company:
- Laing & Cruickshank Investment Management Limited on behalf of discretionary clients (a non-material interest): 15.7%
- Henderson Administration Group plc and its subsidiaries on behalf of discretionary clients (a non-material interest): 12.0%

Directors
The directors retiring by rotation are Sir Anthony Beaumont-Dark and Mr C Dunkerley who, being eligible, offer themselves for re-election.

The directors of the Company throughout the year, and their interests in the capital of the Company, were as set out in the following table:

	31.12.95	01.01.95
	Ordinary shares	
With beneficial interest:		
Sir Anthony Beaumont-Dark	**12,500**	12,500
J S Curtis	**12,000**	12,000
C Dunkerley	**3,989**	3,686
W D Eason	**8,000**	8,000
L R Maclean	**3,940**	3,693
	Subscription shares	
With beneficial interest:		
Sir Anthony Beaumont-Dark	**5,000**	5,000
J S Curtis	**Nil**	Nil
C Dunkerley	**640**	640
W D Eason	**1,600**	1,600
L R Maclean	**640**	640

Since 31 December 1995 Mr Maclean has become interested in a further 58 ordinary shares as a result of the reinvestment in his Personal Equity Plan of dividends and the associated tax credits. There have been no other changes in the above holdings since the end of the financial year.

Mr Curtis and Mr Maclean are employees of the management company. The other three directors, who form the majority, are wholly independent of it. Mr Eason is employed by a subsidiary of Credit Lyonnais but has no involvement with Credit Lyonnais Laing, the Company's stockbrokers.

Report of the Directors
continued

There were no contracts during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No director has a contract of service with the Company.

Corporate Governance
A formal statement on Corporate Governance is set out on page 21.

Auditors
The auditors, who since 1 February 1996 have practised as Deloitte & Touche, have expressed their willingness to continue in office. A resolution to re-appoint them and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

Management Company
Investment management, accounting, secretarial, administrative and UK custody services are provided to the Company by subsidiaries of Henderson Administration Group plc ("Henderson").

The management agreement between the Company and Henderson provides for the payment of an annual management fee, calculated as a percentage of the average value of assets under management on the last day of each of the two years preceding the calendar year in respect of which the calculation is made. The percentage applicable in the year ended 31 December 1995 was 0.50%. Additional funds raised by the Company by way of an issue of securities are subject to a supplemental fee from the date on which the net proceeds are received and are added to the value of assets at the 31 December preceding such fund-raising for the purpose of calculating the following year's management fee. Investments in any funds managed by Henderson are wholly excluded from charge. The management fee is payable quarterly in advance.

Normally the percentage is reviewed every three years. With effect from 1 January 1995, the two year rolling average basis was adopted in place of the three year rolling average used thitherto. In 1995 the fee rate was 0.50%, the same as in 1994. The fee rate for 1996 is 0.55% and the fee rate for 1997 will be 0.60%.

The management agreement may be terminated by either party but in certain events the Company may be required to pay compensation to Henderson of an amount of up to two years' management charges. Compensation is not payable if two or more years' notice of termination is given. In the event that a resolution to approve the continuation of the Company is not passed, the compensation payable to Henderson is equal to one quarter of the relevant annual management charge.

Issues of New Shares
The directors consider that the authority granted at the 1995 Annual General Meeting to issue new shares for cash, up to the equivalent of 5% of the issued ordinary share capital, should be renewed.

If new ordinary shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered first to existing shareholders in proportion to their existing holdings of ordinary shares. This entitlement is known as a "pre-emption right".

In certain circumstances it is beneficial for the directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 1985 provides for shareholders to give such power to the directors by waiving their pre-emption rights. Therefore, a special resolution will be proposed at the Annual General Meeting which, if passed, will give the directors power to allot ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £300,954 (equivalent to 1,203,816 ordinary shares

Report of the Directors
continued

of 25p or 5% of the Company's existing issued ordinary share capital), as if Section 89(1) of the Companies Act 1985 did not apply. This authority will lapse unless renewed at the Company's Annual General Meeting in 1997.

As indicated in the Chairman's Statement, the directors intend to use this authority to issue new shares to participants in the Henderson Touche Remnant Investment Trust Share Plan and to participants in PEPs managed by Henderson whenever they believe it is advantageous both to those participants and to the Company's existing shareholders to do so. During the year a total of £33,176 was received by the allotment of 25,919 new ordinary shares. New shares are allotted only at a premium to net asset value.

Subscription Shares

The subscription shares of 0.01p each carry the right to receive a dividend of 1.50p per share each year, subject to available profits, in priority to dividend payments to the ordinary shareholders, until 31 July 1996 or until conversion of the subscription shares, if earlier.

The holders of the subscription shares do not have the right to attend or receive notice of general meetings of the Company and may not vote at such meetings. On a winding-up of the Company, the subscription shares rank pari passu with the ordinary shares for the distribution of assets, if all subscription shares then remaining in issue would be converted and the full subscription price paid to the Company.

Under the terms for conversion of the subscription shares, each subscription share of 0.01p carries the right, at the option of the holder and upon payment of the subscription price of 100p per share, during the period of 30 days after the date of the Annual General Meeting in each of the years up to and including 1996, to subscribe for ordinary shares of 25p each in the Company.

In accordance with its Articles of Association, the Company may redeem any subscription shares which remain outstanding after the final date for their conversion in 1996.

By order of the Board
Henderson Secretarial Services Limited, Secretary
22 February 1996

Statement of Directors' Responsibilities in respect of the Accounts

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts 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.

Report of the Auditors

to the members of TR High Income Trust PLC

We have audited the accounts on pages 12 to 20, which have been prepared under the historical cost convention, as modified by the revaluation of investments, and the accounting policies set out on page 16.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 1995 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
22 February 1996

Revenue Account

for the year ended 31 December 1995

				1995 £'000	1994 £'000
Note 2	**Income from fixed asset investments**				
	Franked			**1,724**	1,497
	Unfranked			**498**	686
				2,222	2,183
	Other interest receivable and similar income				
	Bank interest			**18**	8
	Other income			**22**	14
	Gross revenue			**2,262**	2,205
Note 4	**Administrative expenses**			**192**	174
	Net revenue before interest payable and taxation			**2,070**	2,031
Note 3	**Interest payable**			**12**	57
	Net revenue on ordinary activities before taxation			**2,058**	1,974
Note 5	**Taxation on net revenue on ordinary activities**			**433**	448
	Net revenue on ordinary activities after taxation			**1,625**	1,526
	Dividends:				
	Subscription shares				
	Annual at 1.50p			**56**	67
	Available for ordinary shareholders			**1,569**	1,459
	Dividends:				
	Ordinary shares	1995	1994		
	1st interim paid	**1.60p**	1.50p	**385**	349
	2nd interim paid	**1.60p**	1.50p	**385**	349
	3rd interim declared	**1.60p**	1.50p	**385**	349
	4th interim proposed	**1.60p**	1.60p	**386**	372
		6.40p	6.10p	**1,541**	1,419
	Tax credits	**1.60p**	1.52p		
	Total gross dividends for the year	**8.00p**	7.62p		
Note 14	**Net retained revenue for the year**			**28**	40
Note 6	**Earnings per ordinary share**			**6.61p**	6.28p

The notes on pages 16 to 20 form part of these accounts.

Balance Sheet

as at 31 December 1995

		1995 £'000	1994 £'000
	Fixed asset investments		
Note 7	Listed at market value in Great Britain	**32,622**	29,234
	Current assets		
Note 8	Debtors	**647**	1,324
	Cash at bank and short term deposits	**326**	138
		973	1,462
Note 9	**Creditors:** amounts falling due within one year	**837**	1,850
	Net current assets/(liabilities)	**136**	(388)
	Total assets less current liabilities	**32,758**	28,846
	Provisions for liabilities and charges		
Note 10	Deferred taxation	**72**	108
	Total net assets	**32,686**	28,738
	Capital and reserves		
Note 11	Called up share capital	**6,019**	5,816
Note 12	Share premium account	**18,074**	17,455
Note 13	Other non-distributable reserves	**8,322**	5,224
Note 14	Revenue reserve	**271**	243
Note 12	**Shareholders' funds** (including non-equity interests of £693,000 (1994: £840,000))	**32,686**	28,738

Sir Anthony Beaumont-Dark
Job Curtis
} Directors

The accounts were approved by the directors on 22 February 1996

The notes on pages 16 to 20 form part of these accounts.

Statement of Total Recognised Gains and Losses

for the year ended 31 December 1995

	1995 £'000	1994 £'000
Non-distributable profits		
Net realised gains on fixed asset investments	**1,452**	2,632
Net unrealised appreciation/(depreciation) on fixed asset investments	**1,710**	(7,475)
Management fee charged to capital, net of tax relief	**(64)**	(54)
Transfer to/(from) non-distributable reserves	**3,098**	(4,897)
Distributable profits		
Net revenue on ordinary activities after taxation	**1,625**	1,526
Total recognised gains/(losses) for the year	**4,723**	(3,371)

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 1995

	1995 £'000	1994 £'000
Net revenue on ordinary activities after taxation	**1,625**	1,526
Dividends paid and payable	**(1,597)**	(1,486)
	28	40
Proceeds from conversion of subscription shares	**789**	53
Proceeds from share allotments	**33**	–
Increase/(decrease) in non-distributable reserves	**3,098**	(4,897)
Net addition to/(reduction in) shareholders' funds	**3,948**	(4,804)
Shareholders' funds at 1 January	**28,738**	33,542
Shareholders' funds at 31 December	**32,686**	28,738

Historical Cost Profits and Losses

There are no differences between the amounts reported in the Revenue Account and their historical cost equivalents.

The notes on pages 16 to 20 form part of these accounts.

Cash Flow Statement

for the year ended 31 December 1995

		1995 £'000	1995 £'000	1994 £'000	1994 £'000
Note 15	**Operating activities**				
	Cash received from investments	**1,777**		1,813	
	Interest and commission received	**35**		19	
	Investment management fees paid	**(186)**		(162)	
	Cash paid to and on behalf of directors	**(26)**		(28)	
	Other cash payments	**(70)**		(90)	
	Net cash inflow from operating activities		**1,530**		1,552
	Servicing of finance				
	Interest paid	**(12)**		(67)	
	Dividends paid	**(1,547)**		(1,462)	
	Net cash outflow from servicing of finance		**(1,559)**		(1,529)
	Taxation				
	UK corporation tax paid (including ACT)	**(116)**		(90)	
	UK income tax recovered	**174**		149	
	Net tax recovered		**58**		59
	Investing activities				
	Purchases of investments	**(7,800)**		(9,275)	
	Sales of investments	**7,621**		10,600	
	Net cash (outflow)/inflow from investing activities		**(179)**		1,325
	Net cash (outflow)/inflow before financing		**(150)**		1,407
Note 16	**Financing**				
	Proceeds of conversion of subscription shares	**789**		53	
	Proceeds of share allotments	**33**		–	
			822		53
Note 17	**Increase in cash and cash equivalents**		**672**		1,460

The notes on pages 16 to 20 form part of these accounts.

1995

Notes to the Accounts

1 Accounting policies

a The accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of investments, and in accordance with applicable accounting standards. All of the Company's operations are of a continuing nature.

b Income from investments, including the imputed tax credits, is taken to the revenue account on an ex-dividend basis. Interest from fixed interest securities, other income and expenses are accounted for on an accruals basis.

c One half of the management fee for the year is charged to the revenue account and the other half, inclusive of related irrecoverable value added tax and net of any tax relief, is charged to other non-distributable reserves.

d Realised and unrealised capital gains and losses are dealt with in the non-distributable reserves.

e Listed investments are valued at middle market prices for those listed in Great Britain. There are currently no overseas investments or unlisted investments.

f Deferred tax is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. A deferred tax asset or provision is established to the extent that it is probable that an asset or liability will crystallise in the future.

2 **Income from fixed asset investments**	1995 £'000	1994 £'000
Franked:		
Listed investments	**1,724**	1,497
Unfranked:		
Interest on fixed interest securities	**440**	644
Foreign income dividends	**58**	42
	498	686

3 **Interest payable**	1995 £'000	1994 £'000
On bank loans and overdrafts repayable within one year	**12**	57

Notes to the Accounts

continued

4	Administrative expenses	1995 £'000	1994 £'000
	Management fee inclusive of irrecoverable value added tax	**189**	162
	Less: charged to other non-distributable reserves	**(95)**	(81)
		94	81
	Directors' emoluments:		
	Fees for services to the Company	**26**	27
	General expenses	**66**	61
	Auditors' remuneration:		
	For audit services	**6**	5
		192	174

Directors' emoluments

One director of the Company received emoluments from Henderson Administration Group plc and its subsidiaries ("Henderson") in the provision of services to TR High Income Trust PLC. Under company law it is necessary to include in this note the proportion of the emoluments he receives from Henderson which relate to the management of the Company, even though the Company does not pay these emoluments and is not involved in their determination. The Company has been informed that the applicable proportion of these emoluments (including pension contributions) was £6,000 (1994: £8,000). This amount, together with the amounts paid directly by the Company to certain non-executive directors, is included in the analysis of directors' emoluments as set out below: 1995

	1995 £'000	1994 £'000
Fees	**20**	18
Salary and other benefits	**4**	7
Performance related bonus	**2**	–
Pension scheme	**1**	1
Total emoluments excluding amounts paid to third parties	**27**	26
Fees paid to third parties (including Henderson)	**6**	9
	33	35

The fees paid to the Chairman amounted to £9,000 (1994: the fees paid in respect of the two Chairmen totalled £8,000).

In 1995 the Chairman was the highest paid director (1994: the emoluments of the highest paid director (excluding pension contributions and amounts paid to third parties) amounted to £7,000).

The directors' emoluments, excluding amounts paid to third parties (including Henderson) and excluding pension contributions, fell within the following bands:

	1995 Number	1994 Number
£0 – £5,000	**1**	2
£5,001 – £10,000	**4**	4

Notes to the Accounts

continued

5	Taxation on ordinary activities	1995 £'000	1994 £'000
	Imputed tax credits on franked investment income	**345**	300
	Corporation tax at 33% (1994: 33%)	**93**	152
	Transfer from deferred taxation account	**(36)**	(32)
	Tax on management fee relieved in other non-distributable reserves	**31**	27
	Underprovision in prior year	–	1
		433	448

6 Earnings per ordinary share

The earnings per ordinary share are calculated by dividing the net revenue available for ordinary shareholders of £1,569,000 (1994: £1,459,000) by the weighted average number of ordinary shares in issue during the year of 23,728,691 (1994: 23,239,928).

7	Fixed asset investments	£'000
	Valuation at 1 January 1995	**29,234**
	Unrealised appreciation	**(2,382)**
	Cost at 1 January 1995	**26,852**
	Additions at cost	**7,537**
	Disposals at cost	**(5,859)**
	Cost at 31 December 1995	**28,530**
	Unrealised appreciation	**4,092**
	Valuation at 31 December 1995	**32,622**

8	Debtors	1995 £'000	1994 £'000
	Sales for future settlement	–	310
	Taxation recoverable	**96**	452
	Prepayments and accrued income	**551**	562
		647	1,324

9	**Creditors:** amounts falling due within one year	1995 £'000	1994 £'000
	Bank loans	–	484
	Purchases for future settlement	–	347
	Taxation payable	**25**	258
	Dividends on the ordinary shares	**771**	721
	Accruals	**41**	40
		837	1,850

Notes to the Accounts
continued

10 Deferred taxation

	1995 £'000	1994 £'000
Balance at 1 January	**108**	140
Transfer to revenue account	**(36)**	(32)
Balance at 31 December	**72**	108

11 Called up share capital

	1995 £	1994 £
Non-equity share capital		
Authorised: 4,960,000 (1994: same) subscription shares of 0.01p each	**496**	496
Allotted and fully paid: 3,705,630 (4,494,582) subscription shares of 0.01p each	**371**	449
Equity share capital		
Authorised: 34,998,016 (1994: same) ordinary shares of 25p each	**8,749,504**	8,749,504
Allotted and fully paid: 24,076,341 (23,261,470) ordinary shares of 25p each	**6,019,085**	5,815,368

On 7 June 1995, in accordance with the conversion rights, 788,952 subscription shares of 0.01p each were converted into ordinary shares of 25p each. 1995

In addition the Company issued 25,919 ordinary shares of 25p each (with a total nominal value of £6,480) for an aggregate consideration of £33,176. These shares were allotted to Henderson Nominees Limited, in respect of participants in Personal Equity Plans.

12 Share premium account

	Non-equity: subscription share reserve £'000	Equity: ordinary share reserve £'000	Total £'000
At 1 January 1995	840	16,615	**17,455**
Premium received on conversion of subscription shares	–	592	**592**
Premium received on issue of ordinary shares	–	27	**27**
Transfer on conversion of subscription shares	(147)	147	**-**
At 31 December 1995	**693**	**17,381**	**18,074**

Non-equity interests

The non-equity interests of £693,000 relate to the subscription shares of 0.01p each. The rights, including the conversion rights, attaching to these shares are detailed on page 10, in the Report of the Directors.

13 Other non-distributable reserves

	Unrealised appreciation of fixed asset investments £'000	Other reserves £'000	Total £'000
At 1 January 1995	2,382	2,842	**5,224**
Unrealised appreciation of fixed asset investments	1,710	–	**1,710**
Net realised gains on fixed asset investments	–	1,452	**1,452**
Management fee (including irrecoverable VAT)	–	(95)	**(95)**
Corporation tax relief thereon	–	31	**31**
At 31 December 1995	**4,092**	**4,230**	**8,322**

Notes to the Accounts

continued

14 Revenue reserve

	£'000
At 1 January 1995	**243**
Retained revenue for the year	**28**
At 31 December 1995	**271**

15 Reconciliation of operating revenue to net cash inflow from operating activities

	1995 £'000	1994 £'000
Net revenue before interest payable and taxation	**2,070**	2,031
(Increase)/decrease in accrued income	**(12)**	68
(Increase) in other debtors	**–**	(3)
Increase/(decrease) in creditors	**1**	(25)
Tax on investment income included within income from UK companies	**(434)**	(438)
Management fee charged to capital	**(95)**	(81)
Net cash inflow from operating activities	**1,530**	1,552

16 Analysis of changes in financing during the year

	1995 £'000	1994 £'000
Share capital (including share premium):		
Balance at 1 January	**23,271**	23,218
Cash inflow from subscription shares conversion	**789**	53
Cash inflow from share allotments	**33**	–
Balance at 31 December	**24,093**	23,271

17 Analysis of changes in cash and cash equivalents during the year

	1995 £'000	1994 £'000
Balance at 1 January	**(346)**	(1,806)
Net cash inflow	**672**	1,460
Balance at 31 December	**326**	(346)
Represented by:		
Cash at bank and short term deposits	**326**	138
Bank loans – repayable within one year	–	(484)
	326	(346)

18 Contingent liabilities

As at 31 December 1995 there were contingent liabilities in respect of underwriting commitments of £150,000 (1994: £252,000).

Corporate Governance

The directors consider that during the year the Company has complied fully with The Code of Best Practice ("the Code") issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

The Board and Committees

The board comprises wholly non-executive directors and meets regularly throughout the year. A majority of the directors is independent of the Company's investment manager. The board has established audit and management engagement committees with specific terms of reference and details of the membership of these committees are set out on page 2. Matters specifically reserved for decision by the full board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Internal Financial Controls

The directors are responsible for the internal financial control systems of the Company and for monitoring their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. The financial controls operated by the board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. The board has contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which includes the safeguarding of the assets) the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the board of the quality and cost of services offered, including the financial control systems in operation, in so far as they relate to the affairs of the Company. The investment manager has established an internal control framework to provide reasonable assurance on the effectiveness of financial internal controls operated on behalf of its clients. The effectiveness of the internal financial controls is assessed by the investment manager's compliance and internal audit departments on a continuing basis.

The Company's Audit Committee meets with representatives of the investment manager and receives reports upon the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. It reviews the annual accounts and reviews the nature and scope of the Company's statutory audit and the findings therefrom.

These systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. By the procedures set out above the directors have kept under review the effectiveness of the internal financial controls throughout the period.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Reporting

Our auditors, Deloitte & Touche, have reported to the Company that in their opinion the directors' comments above on internal financial controls and on going concern provide the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance) and are not inconsistent with the information of which they are aware from their audit work on the accounts, and the statements above appropriately reflect the Company's compliance with the other paragraphs of the Code specified by the London Stock Exchange for their review. They have not carried out the additional work necessary to, and do not, express any opinion on the effectiveness of either the Company's systems of internal control or its corporate governance procedures, nor the ability of the Company to continue in operational existence.

Notice of Meeting

Notice is hereby given that the seventh Annual General Meeting of TR High Income Trust PLC will be held at 3 Finsbury Avenue, London EC2M 2PA on Wednesday 24 April 1996 at 12.30 pm for the transaction of the following business:

Ordinary Business

1 To receive the report of the directors and the audited accounts for the year ended 31 December 1995.

2 To re-elect Sir Anthony Beaumont-Dark as a director of the Company.

3 To re-elect Mr C Dunkerley as a director of the Company.

4 To re-appoint the auditors, Deloitte & Touche, and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following as a special resolution:

5 THAT

(a) the directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to exercise for the period commencing on the date of the passing of this resolution and ending on the date of the Company's next Annual General Meeting or 24 July 1997, whichever is the earlier, all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the said Act) up to an aggregate nominal amount of £300,954;

(b) in exercise of such authority the directors be and they are hereby empowered to allot equity securities (as defined in Section 94(2) of the said Act) wholly for cash generally up to an aggregate nominal amount of £300,954 as if Section 89(1) of the said Act did not apply to any such allotment; and

(c) the Company may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

By order of the Board

Henderson Secretarial Services Limited,
Secretary
22 February 1996

Notes

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

2 A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than forty-eight hours before the time fixed for the meeting.

3 This notice is sent for information only to holders of the subscription shares who are not entitled to attend or vote at the meeting.

4 The register of directors' interests, kept by the Company in accordance with Section 325 of the Companies Act 1985, will be open for inspection at the Annual General Meeting.

5 No director has a contract of service with the Company.

Analysis of Ordinary Shareholders

at 31 December 1995

	Number of Holders	%	Number of Shares Held	%
*Individual Holders	2,037	66.8	8,197,173	34.0
**Institutional Holders	1,012	33.2	15,879,168	66.0
	3,049	100.0	24,076,341	100.0

*Individual Holders include 827 participants in the Henderson Touche Remnant Investment Trust Share Plan.

**Institutional Holders include nominee and other companies which hold shares on behalf of individual investors, including PEP participants.

Financial Calendar

Results

Half-year results are announced at the end of August.

Full year results are announced at the end of February or early in March.

The Annual General Meeting is held in London at the end of April.

Dividend Payments

Ordinary shares:	Years up to 1993	Years from 1994
first interim payable	30 April	31 July
second interim payable	31 July	31 October
third interim payable	31 October	31 January
fourth interim payable	31 January	30 April
fifth interim payable	30 April	–
Subscription shares:		
annual payment	31 July	31 July

Information

The market price of the Company's ordinary shares is published daily in The Financial Times and in other leading newspapers. The Financial Times also shows figures for the estimated net asset value and the discount or premium on the ordinary shares and gives the market price of the subscription shares.

Capital Gains Tax

For those shareholders who have purchased shares through an investment trust savings scheme on a monthly basis, the Inland Revenue has rules for calculating the capital gains tax liability (if any) on any sale of such shares. In addition to the normal statutory basis for calculating the capital gains tax liability, an optional basis allows taxpayers to aggregate the cost of the shares purchased through the savings scheme during the company's accounting year and treat them as if they were a single investment made in the seventh month of that year, which in this Company's case would be July. In this respect shareholders are advised to keep a separate note of purchases made through the savings scheme since other purchases will not be eligible for the optional basis. Guidance notes prepared by the Association of Investment Trust Companies, which include a question and answer brief, should be read before you make a decision as to whether to opt for the optional basis and copies are available free of charge from the Company Secretary at the Registered Office.

Directors, Officers and Other Information

Directors
Sir Anthony Beaumont-Dark (Chairman)
J S Curtis
C Dunkerley
W D Eason
L R Maclean

Investment Manager
Henderson Financial Management Limited (a wholly owned subsidiary of Henderson Administration Group plc) regulated by IMRO and the Personal Investment Authority, represented by Mrs C S E Murphy and A A Crooke

Secretary
Henderson Secretarial Services Limited, represented by G S Rice ACIS

Registered Office
3 Finsbury Avenue
London EC2M 2PA
Telephone: BT: 0171 638 5757
Mercury: 0171 410 4100
Fax: 0171 377 5742

Registered Number
Registered as an investment company in England No. 2422514

Registrar
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0181 650 4866

Registered Auditors
Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Bankers
Chemical Bank
125 London Wall
London EC2Y 2AX

Stockbrokers
Credit Lyonnais Laing
Broadwalk House
5 Appold Street
London EC2A 2DA

Life of the Company

The Company's Articles of Association provide that at the Annual General Meeting in 1997, and thereafter at five-year intervals, an ordinary resolution to continue the Company will be proposed. If this is not approved, proposals for the Company's liquidation or reconstruction will be put to shareholders within three months.

AI TC A member of The Association of Investment Trust Companies.

Henderson Touche Remnant Investment Trust Share Plan

The Henderson Touche Remnant Investment Trust Share Plan provides a simple and cost effective way of investing in the ordinary shares of TR High Income Trust PLC.
The following facilities are offered:

- regular savings from £50 a month or quarter
- lump sum investments from £500
- a Share Exchange Service whereby existing UK securities can be sold for reinvestment in the Share Plan
- the reinvestment of dividends; alternatively, dividends can be paid to an investor's bank or building society account
- half-yearly statements and consolidated tax certificate.

HTR Selection PEP

The HTR Selection PEP offers a simple and cost effective way of investing in TR High Income Trust PLC, within a personal equity plan, and includes the following facilities:

- monthly savings or lump sum investments
- the reinvestment of dividends and tax credits; alternatively, income can be withdrawn quarterly and paid to an investor's bank or building society account.

Further Information

For a full information pack about the Share Plan and the HTR Selection PEP, please write to:

HTR Investor Services Department
Henderson Touche Remnant Investment Trust Management
FREEPOST (KE 5906)
London EC2B 2TR

No stamp is required. Alternatively, please contact your Professional Adviser for further information or call the HTR Investor Services Department at local rate on **0345 212 256**, quoting the reference **Report**. (Please call +44 171 410 4410 if telephoning from abroad.)

Please remember that the value of an investment and the income from it can fall as well as rise and an investor may not get back the amount originally invested. Tax assumptions may change if the law changes and the value of tax relief will depend on the individual circumstances of the investor.

Henderson Touche Remnant products and services are offered by Henderson Touche Remnant Investment Trust Management, a division of Henderson Financial Management Limited, registered in England No. 906355. The company is regulated by IMRO and the Personal Investment Authority and has as its registered office 3 Finsbury Avenue, London EC2M 2PA. Telephone: 0171 410 4100.

7th Proof: 11/3/96

Henderson Financial Management Limited
3 Finsbury Avenue, London EC2M 2PA
Telephone 0171 638 5757