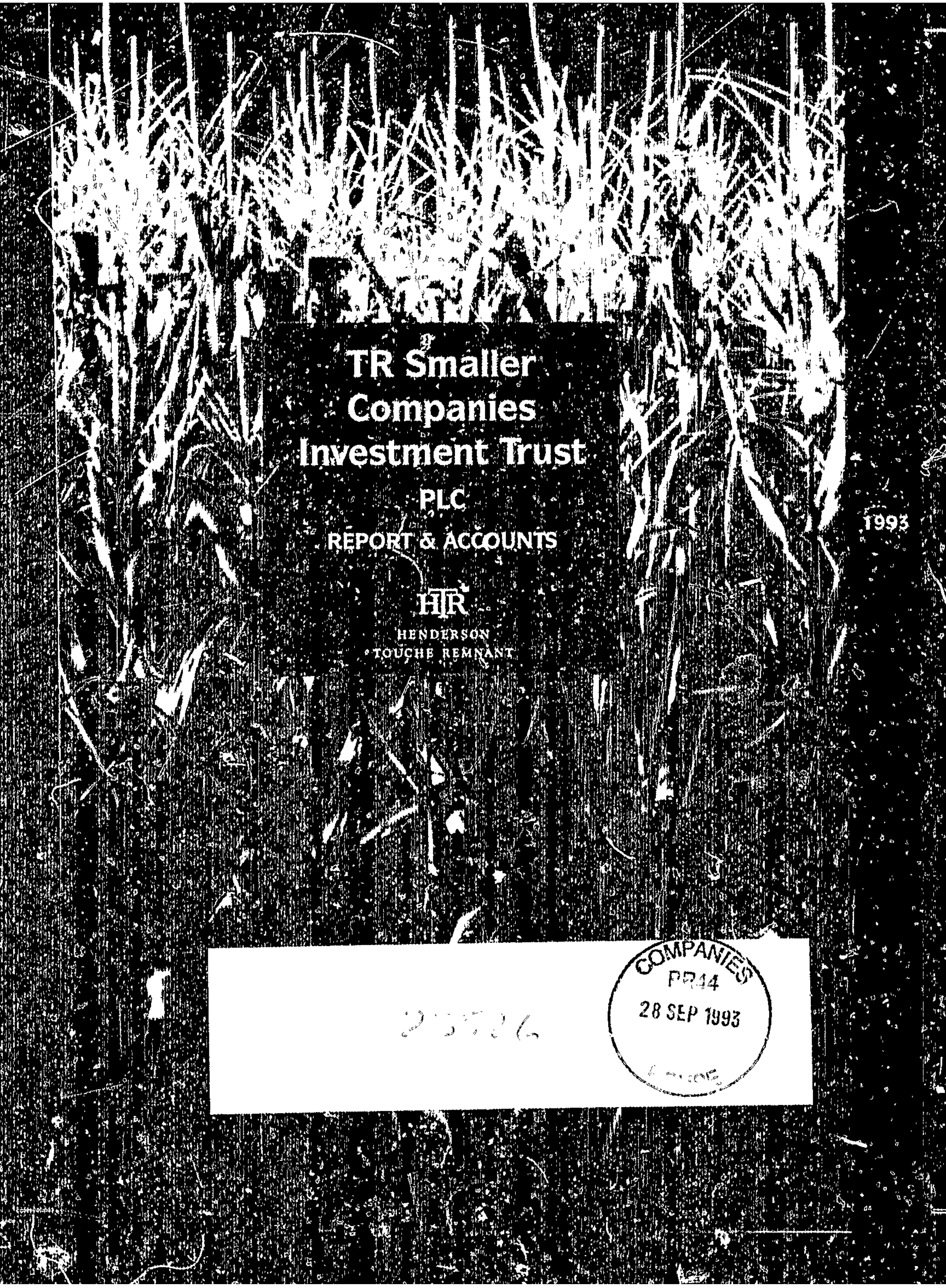


TR Smaller Companies Investment Trust PLC

REPORT & ACCOUNTS

1993

HENDERSON TOUCHE REMNANT

COMPANIES
RR44
28 SEP 1993

Contents

TR Smaller Companies Investment Trust PEP

Henderson Touche Remnant Investment Trust Management Limited offer a PEP linked to the ordinary shares of TR Smaller Companies Investment Trust PLC. It is

THE PEP WITH A BIG DIFFERENCE – NO CHARGES

- No initial charge
- No transaction charge
- No management charge
- No withdrawal charge
- No Government stamp duty is paid by you the investor

OTHER ADVANTAGES INCLUDE:

- All of your investment is used to buy shares in the PEP
- Dividend income received in full
- A maximum investment for the year ending 5 April 1994 of £6,000
- Investment may be by lump sum or regular savings provided the initial investment is not less than £1,000; regular savings are £50 or more per month

Henderson Touche Remnant Investment Trust Share Plan

Henderson Touche Remnant Investment Trust Management Limited offer a simple and inexpensive way of investing in your Company – the Henderson Touche Remnant Investment Trust Share Plan.

THE SHARE PLAN OFFERS THE FOLLOWING FACILITIES:

- Monthly savings from as little as £25 a month.
- Weekly dealing for lump sum investments of less than £5,000 (minimum investment of £250).
- A daily premium dealing facility for lump sum investments of £5,000 or more.
- Income reinvestment including income from other quoted UK securities.
- A selling facility for shares held through the Plan.
- Paperwork and documentation simplified and reduced to a minimum.

FOR FURTHER INFORMATION

If you would like to receive information about the PEP or the Henderson Touche Remnant Investment Trust Share Plan please call Charles Hedgeland on 071 410 4410
Alternatively, please write to
Investor Services Department
Henderson Touche Remnant Investment Trust Management Limited
3 Finsbury Avenue, London EC2M 2PA

Henderson Touche Remnant Investment Trust Management Limited is an Appointed Representative of Henderson Financial Management Limited and of Touche, Remnant & Co., members of IMRO

Objectives

The policy of the Company is to invest in situations offering capital and income growth with the emphasis being on smaller companies.

The principal areas of investment are the United Kingdom, the United States of America and Japan.

Performance

- Share price total return up 19.9% over one year and up 65.4% over five years.
- Net asset value total return up 20.8% over one year and up 43.6% over five years.
- Annual dividend up 2.7% over one year and up 65.2% over five years.

*Source AITC Services Limited. Total return assumes net dividends are reinvested.

Highlights of the Year

	31 May 1993	31 May 1992	% Change
Revenue			
Gross revenue	£14,200,000	£13,198,000	+7.6
Net revenue before taxation	£10,226,0[illegible]	£8,512,000	+20.1
Earnings per ordinary share	4.3[illegible]	3.49p	+23.[illegible]
Dividend per ordinary share			
Paid and payable	3.80p	3.70p	
Imputed tax	1.07p	1.23p	
Total including imputed tax	4.87p	4.93p	

Assets			
Total assets less current liabilities	£346,255,000	£297,726,000	
Long term liabilities and preference stock	£20,875,000	£20,875,000	
Net assets attributable to ordinary shareholders	£325,380,000	£276,851,000	
Net asset value per ordinary share	182.6p	155.4p	+17.5
Ordinary shares mid-market price	170.5p	146.5p	+16.4

Indices			
FT-A All-Share Index	1,403.42	1,311.79	+7.0
Hoare Govett Smaller Companies Index	1,424.63	1,303.40	+9.3
FT-A USA Index	174.83	137.37	+27.3*
Nasdaq Composite Index	448.51	320.02	+40.2*
FT-A Japan Index	143.11	85.84	+66.7*
TSE I	9.809	5.890	+66.5*
TSE II	14.197	8.730	+62.6*

* These indices have been adjusted to allow for changes in the exchange rates

Directors and Management

* **Peter Cadbury,** (Chairman) is Deputy Chairman of Morgan Grenfell & Co Limited and a director of Cannon Lincoln Group. He is 50 and joined the board in 1989.

* **Eric Elstob,** (Deputy Chairman) is Joint Managing Director of Foreign and Colonial Investment Trust PLC. He is a specialist in Japanese and European investment. He is 50 and joined the board in 1973.

John Alexander, was appointed Manager of the Company in 1987 and is a director of Henderson Investment Management Limited. He is 34 and joined the board in 1988.

Paul Manduca, is Deputy Group Managing Director of Henderson Administration Group plc, Chairman of TR High Income Trust PLC and is Chairman of the AITC. He is 41 and joined the board in 1987.

* **Michael Meyer, FCIS,** is Chairman and Chief Executive of Emess PLC and a director of Walker Greenbank PLC. He is 43 and joined the board in 1990.

* **Derrick Pease, FCA,** is Chairman of National Mutual Life Assurance Society and a Director of Sphere Investment Trust PLC. He is 66 and joined the board in 1983.

Keith Lindsey, FCA, acted as company secretary and was a director of Henderson Secretarial Services Limited, the corporate company secretary, until 30 June 1993. On 1 July 1993, **Ruth Saunders, FCIS,** also a director of Henderson Secretarial Services Limited, was appointed to act in his place.

John Alexander is assisted in the management of the portfolio by **Christopher Galleymore** who handles the North American portfolio and by **William Garnett** who is responsible for investment in Japan.

* member of the Audit Committee and Management Engagement Committee

Chairman's Statement

Assets

This has been a more rewarding year for your Company after a difficult first half. In the first six months, the net asset value of the Group fell by 6.4% but strongly recovered in the second half to show a gain in the year of 17.5%. At 31 May 1993, 70% of the investments were in the UK compared with 73% at the end of the previous year, 19% (19%) in the USA, and 10% (7%) in Japan. The total holdings held by the Company have reduced from 367 to 334, with unquoted investments now representing around 3% of the total portfolio valuation. Over the past year the effective gearing of the Company has been reduced from 11% to 5% which included the redemption of £1.5 million of debenture stocks.

The Company's practice of concentrating its UK investments in companies with market capitalisations below £200 million, coupled with its exposure to the US dollar and Japanese yen has worked in the Company's favour since the devaluation of sterling last September, when the UK came out of the ERM. Since then there has been a marked stock market recovery in UK smaller companies, and a substantial strengthening of both the US dollar and Japanese yen, together with a recovery in the Japanese stock market.

Revenue and Dividends

The much publicised reduction in dividends paid by many quoted companies has affected many UK smaller companies. Such companies have been keen to conserve cash and rebuild their balance sheets, and forecasting dividend income for the current year continues to be difficult for them, although the Board now believes that we are through "the worst". After maintaining the interim dividend at 1.5p, the directors are proposing an increased final dividend of 2.3p making a total dividend for the year of 3.8p, compared with 3.7p for last year. The receipt of exceptional dividends from TV-am and a good performance by the Company's dealing subsidiary enabled the Group to transfer £907,000 to revenue reserves leaving them at £7.2 million as at 31 May 1993. By having reserves greater than this year's total dividend, we are unlike many of the newly formed trusts, and able to adopt a measured dividend policy which is less affected by any volatility in the dividend flow received from our underlying investments.

Prospects

The lower interest rate environment saw the UK recovery off to a strong start in the first quarter of 1993, but this has been much more subdued in the second quarter. The US economic recovery should continue once uncertainty over tax rates clears and the US dollar is expected to remain a strong currency. There are now signs that business sentiment is starting to improve in Japan, and investors are returning to the stock market. It is anticipated that inflation and interest rates will remain low in all these areas. Against this low growth, low inflation background, the fund managers will concentrate their investment policy on well managed smaller companies which have superior profits growth potential. We believe that the overall prospects for smaller companies in our main markets continue to be good.

Launch of First Ever Personal Equity Plan (PEP) with no Charges

The Company will continue to conduct its investment policy so as to comply with the 50% EC equities rule as required under PEP regulations. The Company will remain a qualifying investment eligible for investment as a PEP up to the investment trust maximum of £6,000. Last year I referred to the launch by us of the first ever PEP which is completely free of charges to the Plan holders. I am pleased to report that this has been well received by private investors and we intend to

Chairman's Statement

continued

continue with the Scheme in the current year. I extend a warm welcome to all of you who have become shareholders through our PEP offer.

Authority to Issue New Shares
In recent months your Company's ordinary shares have traded much closer to their net asset value. Your directors consider that it would be prudent if the Company could have the authority in certain circumstances, to issue new shares at their mid-market price or higher. It is the Board's intention to issue new shares only if this did not result in any dilution of net assets per share, and also only where the Directors believe it would be to the advantage of the Company to do so. The ordinary and special resolutions enabling a maximum of 5% of the Company's issued ordinary share capital to be issued in this way are set out in the Notice of the Annual General Meeting.

Annual General Meeting (AGM)
I would like to remind shareholders that the AGM will be held at 11.30 am on Wednesday 22 September 1993 at 3 Finsbury Avenue, London EC2. The directors look forward to meeting shareholders and answering any questions they may have.

Peter H G Cadbury

Peter H G Cadbury
Chairman
17 August 1993

Largest Investments

at [illegible] May 1993

The 50 largest equity investments (convertibles and all classes of equity in any one company being treated as one investment) were as follows.

	Valuation at [illegible] May 1993 £'000		Valuation at [illegible] May 1993 £'000
* National Parking Corporation	6,075	BBA Group	2,461
Merrydown	5,783	Leeds Group	2,448
Park Food	5,096	† Asprey	2,408
Senior Engineering	4,683	Warner Estate Holdings	2,378
Brown & Jackson	4,205	ASW Holdings	2,365
Davis Service Group	4,044	Molins	2,320
Trinity International Holdings	3,910	Dunhill Holdings	2,304
† Porvair	3,763	Staveley Industries	2,252
Cray Electronic Holdings	3,716	Heywood Williams	2,240
Claremont Garments	3,430	Volex Group	2,216
† United Friendly Group	3,240	Whatman	2,178
Alumasc Group	3,234	RJB Mining	2,100
Wolseley	3,168	Avonside Group	2,072
FII Group	3,003	More O'Ferrall	2,063
Stirling Group	2,975	Trinity Holdings	2,014
Hicking Pentecost	2,879	Wickes	1,999
Morrison (W)	2,753	Baird (William)	1,894
Morgan Crucible	2,699	Brown (N) Group	1,875
TT Group	2,685	Norcros	1,859
Emess	2,669	Frogmore Estates	1,806
Manders (Holdings)	2,667	EIS Group	1,800
Hickson International	2,611	American Freightways	1,767
Suter	2,584	Pacific Gas & Electric	1,761
Bespak	2,575	† Albrighton	1,750
† Mayborn Group	2,516	Smith (D.S.) Holdings	1,748

These investments total £139,041,000 or 40.7% of the portfolio.

† USM investments
* Unquoted investments

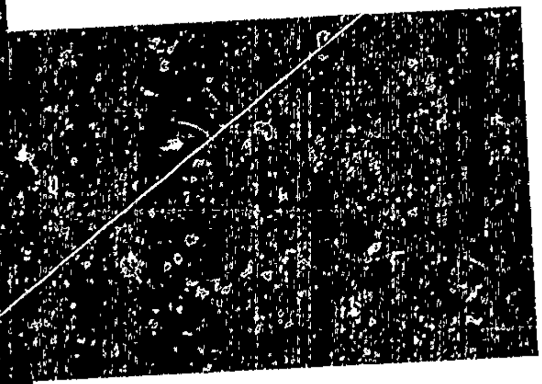
Classification of Investments

at 31 May 1993

Equities	UK %	USA %	Japan %	Other %	Total 1993 %	Total 1992 %
1 Capital Goods	27.5	5.2	[illegible]	1.1	39.2	37.[illegible]
Building materials	4.0	–	–		4.0	4.3
Contracting, construction	1.3	0.2	1.8	0.2	4.0	4.3
Electricals	2.9	0.4	0.7		4.0	2.9
Electronics	3.1	1.6	0.7	–	5.4	4.0
Engineering – aerospace	0.1	0.2	–	–	0.3	0.2
Engineering – general	7.6	2.1	1.1	0.2	11.0	10.9
Metals and metal forming	0.8	0.7	0.5	0.4	2.4	1.6
Motors	2.6	–	0.4	0.3	3.3	3.3
Other industrial materials	4.6	–	0.2	–	4.8	5.7
2 Consumer Group	25.3	5.0	1.2	0.2	31.7	35.8
Brewers and distillers	2.0	–	–	–	2.0	2.7
Food manufacturing	0.2	–	0.4	–	0.6	1.1
Food retailing	3.6	–	0.1	–	3.7	4.1
Health and household products	2.1	1.4	–	–	3.5	5.0
Hotels and leisure	2.0	0.2	0.1	0.2	2.5	4.2
Media	2.6	0.6	–	–	3.2	2.9
Packaging, paper and printing	2.7	0.5	–	–	3.2	3.6
Stores	5.5	1.8	0.4	–	7.7	7.0
Textiles	4.6	0.5	0.2	–	5.3	5.2
3 Other Groups	9.4	4.1	1.7	–	15.2	14.6
Business services	2.4	1.1	0.2	–	3.7	3.9
Chemicals	1.7	0.4	0.5	–	2.6	2.6
Conglomerates	2.1	0.4	–	–	2.5	2.1
Transport	0.5	0.7	–	–	1.2	0.4
Electricity	–	1.0	–	–	1.0	1.4
Telephone networks	–	0.5	–	–	0.5	0.5
Miscellaneous	2.7	–	1.0	–	3.7	3.7
4 Industrial Group	0.4	0.9	–	–	1.3	1.8
Oil and gas	0.4	0.9	–	–	1.3	1.8
5 Financial Group	7.3	3.8	1.5	–	12.6	10.6
Banks	–	1.4	0.6	–	2.0	1.5
Insurance (life)	1.1	0.4	–	–	1.5	0.6
Insurance (composite)	–	0.7	0.2	–	0.9	1.1
Merchant banks	0.3	–	–	–	0.3	0.3
Property	4.3	0.4	–	–	4.7	4.2
Other financial	1.4	0.5	0.7	–	2.6	2.4
Investment trusts	0.2	0.4	–	–	0.6	0.5
Total for 1993 (including Convertibles 4.1%)	69.9	19.0	9.8	1.3	100.0	
Total for 1992 (including Convertibles 4.2%)	72.8	18.5	7.1	1.6		100.0

United Kingdom Portfolio Review

[illegible] 31 May 1993 [illegible] £1,000,000



- Mounting evidence that economic recovery is now under way against a background of lower interest rates and subdued inflation.
- This recovery is likely to be a slow and uneven process.
- Investor sentiment has turned in favour of UK smaller companies after four years of underperformance.

The first half of 1993 has produced a performance that illustrates just how much of a transformation of the general view has taken place amongst investors on the subject of smaller companies. During this period the Smaller Companies Index rose by 22% compared with a rise of 5% in the FT-All-Share Index. The smaller companies index has now risen for ten consecutive months.

"Black Wednesday", devaluation day, last September was in fact "White Wednesday" for smaller companies. It should not have come as a surprise that the reduction in interest rates and the prospect of recovery which became more of a reality took several months to be reflected in the prices of smaller companies, since investor interest was

CAPITAL GOODS	
Building Materials	
Wolseley	3,2[illegible]
Manders (Holdings)	2,66[illegible]
Heywood Williams	2,240
Wickes	1,999
† Albrighton	1,750
Contracting, Construction	
Avonside Group	2,072
Amec	1,207
Electricals	
Emess	2,669
Volex Group	2,216
Bea es Hunter	1,375
Alba	1,275
Wholesale Fittings	1,265
Electronics	
Cray Electronic Holdings	3,716
Diploma	1,466
Control Techniques	1,384
† Vistec	1,173
Engineering – General	
Senior Engineering	4,683
Alumasc Group	3,234
TT Group	2,685
Molins	2,320
EIS Group	1,800
David Brown Group	1,680
Adwest Group	1,640
Bullough	1,635
Brammer	1,255
Ransomes	1,217
Ricardo Group Engineering	1,123
Metals and Metal Forming	
ASW Holdings	2,365
Motors	
BBA Group	2,461
Trinity Holdings	2,014
Bletchley Motor Group	1,620
Other Industrial Materials	
† Porvair	3,763
Morgan Crucible	2,699
Suter	2,584
Stavely Industries	2,25[illegible]
Norcros	1,859
Scapa Group	1,381
Total Largest Investments	77,912
Total Capital Goods	93,973

† USM investments

United Kingdom Portfolio Review

continued

Valuations at 31 May 1993 – investments shown are in excess of £1,000,000

initially concentrated in the larger companies. Statistics show that smaller companies have tended to outperform larger companies when UK Gross Domestic Product (GDP) is growing, and underperform when UK GDP is falling. The Government has made a fundamental shift in policy and is now determined to get the economy back into a growth phase, rather than concentrating exclusively on the fight against inflation. There is now plenty of evidence that the UK economy is recovering amidst talk of "green shoots". The fourth consecutive monthly fall in unemployment has confounded City expectations and GDP data has shown the first convincing rise for two and a half years. Manufacturing output has been growing faster than at any time since May 1989, with UK car production jumping 24% in May to reach the highest monthly total for the month for sixteen years. The level of retail sales has been more encouraging and there have been definite signs of recovery in the housing market. Following very strong gains in the first quarter, manufacturing production and retail sales have slowed in the past few weeks, suggesting that growth may average no more than 2-2.5% over the next year. The unemployment and debt overhang remains substantial notwithstanding the recent upturn in house prices and downturn in unemployment. A fast recovery in consumption could be hampered next year by potential tax increases, a bottoming in interest rates and a rise in inflation. As for the trade position, the recession in Europe and the recent strength in sterling are likely to offset much of the benefit from sterling's devaluation. This short term slowdown in the pace of recovery may give the authorities the chance to lower interest rates further, against the background of a strong pound, subdued inflation and falling interest rates in Continental Europe.

CONSUMER GROUPS	
Breweries and Distilleries	
Merrydown	5,783
Highland Distilleries	1,180
Food Retailing	
Park Food	5,096
Morrison (W)	2,[illegible]53
Low (Wm.)	1,452
Nurdin & Peacock	1,239
Health and Household Products	
Bespak	2,575
† Mayborn Group	2,516
† Le Creuset	1,069
Hotels and Leisure	
City Centre Restaurants	1,530
Kunick	1,383
Rank Organisation	1,280
Media	
Trinity International Holdings	3,910
More O'Ferrall	2,063
Euromoney Publications	1,119
Packaging, Paper and Printing	
Whatman	2,175
Smith (D.S.) Holdings	1,748
Ferguson International Holdings	1,451
Waddington (J)	1,284
Blagden Industries	1,081
Stores	
Brown & Jackson	4,205
† Asprey	[illegible],408
Dunhill Holdings	2,304
Brown (N) Group	1,875
Scholl	1,570
Menzies (John)	1,245
Rosebys	1,207
Prontaprint	1,175
Textiles	
Claremont Garments	3,430
Stirling Group	2,975
Hicking Pentecost	2,879
Leeds Group	2,448
Baird (William)	1,894
Worthington (A.J.)	1,202
Total Largest Investments	**73,507**
Total Consumer Group	**86,294**

† [illegible]

United Kingdom Portfolio Review

continued

Valuations as at 31 May 1993 – investments shown are in excess of £1,000,000

The latest inflation figures have been encouraging. May saw a 1.3% increase in the Retail Prices Index, the lowest twelve month rate since February 1964. Retail price inflation excluding food fell to a 3½ year low in May. Meanwhile average earnings, up 4% in the year to April, recorded their lowest annual increase for 25 years. Manufacturing output per head rose 8% in the year to April. However, inflation is likely to move back up as firms take advantage of the pick up in demand to pass on some of the 8% year on year rise in raw material prices to the consumer.

Now that the economy has stopped contracting and is set to grow again there is no reason why the long term factors which have produced faster growth amongst smaller companies should not reappear. The majority of smaller companies are very reliant on the domestic economy since in most cases they do not have the resources or know how to venture overseas. The managements of smaller companies have worked hard to reduce the absolute level of borrowings and there has been greater emphasis on cash management with a tight control over working capital and capital expenditure and a more cautious attitude to debtors. Many smaller companies have now lowered overheads to such an extent that any stabilisation in demand should be reflected in some margin expansion at the operating level, while any pick up in turnover would result in a disproportionate increase in earnings per share. On the other hand, the case for further sharp cuts in UK base rates has begun to recede, so the stock market is in danger of losing one of the main driving forces behind its advance through last autumn, namely falling base rates. The big question is whether the news about a continuing recovery will be enough on its own to take the place of rapidly falling short term rates.

OTHER GROUPS	
Business Services	
Davis Service Group	4,044
Penna	1,029
Chemicals	
Hickson International	2,611
Croda International	1,650
Conglomerates	
Bibby (J) & Sons	1,265
Porter Chadburn	1,175
600 Group	1,013
Transport	
National Express	1,646
Miscellaneous	
FII Group	3,003
Young (H) Holdings	1,260
Lambert Howarth	1,069
Total Largest Investments	**19,765**
Total Other Groups	**32,002**
INDUSTRIAL GROUP	
Oil and Gas	
Brit-Borneo Petroleum	1,275
Total Industrial Group	**1,356**
FINANCIAL GROUP	
Insurance (Life)	
† United Friendly Group	3,240
Property	
* National Parking Corporation	6,075
Warner Estate Holdings	2,378
Frogmore Estates	1,806
Bradford Property Trust	1,319
Grainger Trust	1,160
Other Financial	
MAI	1,358
Rutland Trust	1,290
Mining and Mining Finance	
RJB Mining	2,100
Total Largest Investments	**20,726**
Total Financial Group	**25,073**
Total United Kingdom	**238,698**

† USM investments
* Unquoted investment

United Kingdom Portfolio Review

continued

and push the market significantly higher.

It has been difficult in recent months not to be impressed by the resilience of the smaller companies sector performance. This relative strength has led to large inflows of investment from both main funds and from private investors, leading to a flurry of new issues and fundraising. The main worry is that profit expectations are assuming that there is a major recovery although this may take longer to come through than current share prices suggest. The latest spate of profits warnings and trading statements is a clear indication that this is the case. In the very short term a period of consolidation is due in the performance of the UK smaller company sector.

Sector weightings are very different in the smaller company area compared with the bulk of the UK economy. Some 30% of the index is invested in capital goods, more than double the proportion for the FT-All-Share. A number of industries are heavily over represented in the smaller companies index, for example, engineering, construction, property and textiles, all of which are at the sharp end of UK economic activity. These are the areas in which your fund has been particularly heavily invested and which in overall stock market terms have seen the best performance over the last six months, as investors have sought out investments in cyclical sectors which would benefit most from any recovery in the economy. Similarly, the defensive sectors like telephone, utilities and health and household are heavily underweighted in the smaller company area.

The medium term attractions of investing in smaller companies are still very much intact. Individual stock selection is of paramount importance, with a particular emphasis on the quality of management and financial controls.

John Alexander

Japanese Portfolio Review

Valuations as at 31 May 1993 – investments shown are in excess of £400,000

- **Government fiscal boost to economy taking effect.**
- **Economic indicators suggest that the worst is over.**
- **Stock market recovery will help boost confidence and ease the problems of the banks.**

Stock prices and sentiment have seesawed through the year as the Japanese economy experienced one of the worst slowdowns in the post-war period. Until the August 1992 announcement that the Government would implement a supplementary budget and a variety of measures designed to help financial institutions, stock prices continued to fall. However, it was not until March 1993 that smaller company share prices made a sustained rally. This was followed by the news that a second fiscal package would be implemented. It was only at that point that investors began to have confidence that the economy would bottom out and recovery ensue. Over the year the Second Section Index rose by 16%. In sterling terms the index rose by 63% as the yen appreciated against the pound.

It seems likely that the economy has seen the worst and that a mild recovery will come through. However, any meaningful upturn will not show through until 1994 as it will only be by then that the full impact of the two supplementary packages and of the historically low interest rates will filter through to the economy. By early next year the inventory adjustment process will also have run its course, and therefore any improvement in demand should result in rising production.

Small companies' share prices should do well in this environment. The portfolio has raised its exposure to companies which will benefit from the improved economic outlook and away from the more defensive areas such as pharmaceutical companies and beneficiaries of government spending.

William Garnett

	£
CAPITAL GOODS	
Keyence	1,063
Tsudakoma	1,019
Koito Industries	988
Sanyo Special Steel	979
Sanyo Engineering and Construction	941
Hirose Electronics	938
Wakita	923
Yurtec Corp	901
Dai Nippon Construction	822
Matsumara Gumi	762
SXL Corp	761
Mitsumi Electric	753
Taisei Prefab Construction	734
Hino Auto Body	731
Kyokuto Kaihatsu	715
Yamato Kogyo	667
NGK Spark Plug	661
Kyocera	661
Matsui Construction	628
USC Corp	577
Tsuken Corp	536
Ushio Inc	471
Total Largest Investments	**17,231**
Total Capital Goods	**18,353**
CONSUMER GROUP	
Kikkoman Corp	815
Shoei Foods	716
Tokyo Style	560
Maruwa Co	456
Chain Store Okuwa	453
Home Wide Corp	438
Total Largest Investments	**3,438**
Total Consumer Group	**4,126**
OTHER GROUPS	
Fuso Pharmaceutical	937
Takara Standard	791
Sega Enterprises	705
Kurogane Kosakusho	670
Kokura Enterprise	662
Oliver	655
Hitachi Information Systems	610
Total Largest Investments	**5,030**
Total Other Groups	**5,819**
FINANCIAL GROUPS	
Wako Securities	1,278
Japan Associated Finance	790
Yamaguchi Bank	688
Eighteenth Bank	617
Bank of Fukuoka	605
Koa Fire & Marine	551
Nichiei	482
Total Largest Investments	**5,011**
Total Financial Groups	**5,011**
Total Japan	**33,311**

United States Portfolio Review

[illegible]

- Modest economic recovery should continue once uncertainty over tax rates clears.
- Limited risk in the stock market while inflation and interest rates remain low.
- Small companies have superior profits growth potential.

The pace of economic recovery picked up in the second half of 1992, but it did not become apparent in time to save President Bush from being defeated by Bill Clinton last November. After a sharp improvement in consumer confidence early this year, the realities of low wage increases and the threat of higher taxation have brought consumer spending patterns back down to earth. The prospects remain for a modest and sustainable pace of economic recovery led by investment and export demand rather than consumer spending.

Inflation has fallen steadily since the Gulf War induced a spike in oil prices, and has stabilised at around 3-3.5% p.a. in consumer prices. Whilst the pace of economic recovery remains around 3% p.a., the risk of inflation picking up again is limited, although it now seems unlikely that it will decline further. This is

CAPITAL GOODS	
Contracting, Construction	
Pope & Talbot	604
Electricals	
Juno Lighting	1,184
Electronics	
Newbridge Networks	1,10[illegible]
Crosscomm	742
Envoy Corp	639
Sterling Software	631
GTech Holdings	623
Structural Dynamics	616
Engineering – Aerospace	
BE Aerospace	784
Engineering – General	
Fastenal	1,242
Amcast Industrial	1,074
Smith (A O) Corp	1,031
Federal Signal Corp	920
Brady (W H)	896
Metals and Metal Forming	
National Steel	829
Freeport McMoran	773
Hayes Wheels	664
Total Largest Investments	**14,369**
Total Capital Goods Group	**17,730**
CONSUMER GROUPS	
Health and Household	
Vencor	916
Preferred Health Care	858
Foundation Health	786
Nutramax Production	743
Sci-Med Life Systems	679
Media	
BHC Communications	906
Nelson (Thomas)	640
Western Publishing Group	619
Packaging Paper and Printing	
Engraph	607
Stores	
CUC International	1,469
Catherines Stores	1,037
Edison Brothers Stores	739
TJX	687
Textiles	
Shaw Industries	1,044
Burlington Industries	700
Total Largest Investments	**12,430**
Total Consumer Group	**17,094**

United States Portfolio Review

(continued)

As at 31st May 1993 – Investments shown are in excess of £650,000

a very favourable environment for the bond market, and over the past year the yield on 30 year US Treasury bonds has declined from 7.8% to under 7%. This in turn has helped to support the valuation of the equity market which hit new all time highs in March of this year. For the second year running, smaller stocks outperformed larger stocks in the US.

Leadership has swung in favour of the more cyclical manufacturing sectors of the market and away from the consumer sectors, particularly the brand name consumer products companies which had reached the limits of their ability to raise prices faster than inflation. The health care sector was particularly badly hit both by profits disappointments and fears of the impending healthcare reform programmes due to be proposed soon by Hilary Clinton. We made substantial reductions in our holdings in this sector last year with the sales of Tokos Medical, Cygnus Therapeutic and several other names and retained only those healthcare companies which are able to demonstrate continuing profits growth in the current environment.

Purchases have continued to focus on raising the cyclical exposure of the portfolio, whilst trying to stay with higher quality growth companies. This has led to an increase in the technology sector, particularly in telecommunications and computer networking, with Newbridge Networks and Crosscomm. Elsewhere purchases have been in a wide range of industries including Wisconsin Central, the regional railroad operating only within Wisconsin and using only non-union employees, National Steel and Hayes Wheels, one of the leading outsourcing suppliers of steel and aluminium car wheels.

The other main area of portfolio activity has been within the financial sector where a number of specialty insurance companies have been bought. Purchases have included American Re in the general reinsurance market, Life Re in

OTHER GROUPS	
Business Services	
Foote, Cone & Belding	868
Tetra Technologies	864
De VRY	776
Insurance Autos Auctions	608
Chemicals	
Lawter International	968
Conglomerates	
Thermo Electron	1,452
Shipping and Transport	
American Freightways	1,767
Wisconsin Central	628
Electricity	
Pacific Gas & Electric	1,761
Texas Utilities	1,651
Telephone Networks	
Pacific Telesis Group	915
GTE Corp	787
Total Largest Investments	**13,045**
Total Other Groups	**14,072**
INDUSTRIAL GROUP	
Oil and Gas	
Seagull Energy	1,073
Burlington Resources	1,056
Rowan	797
Total Industrial Group	**2,926**
FINANCIAL GROUP	
Banks	
Worthen Banking Corp	1,158
PNC Financial	1,024
Wachovia Corp	922
Society Corp	794
Peoples Bancorp	698
Other Financial Groups	
H & R Block	1,224
Insurance (Life)	
Life Re Corp	742
Bankers Life	700
Insurance (Composite)	
MBIA	1,024
Nymagic	820
American Re-Corp	667
Property	
Carr Realty	808
Investment Trusts	
Berkeley Atlantic	959
Total Largest Investments	**11,540**
Total Financial Group	**13,127**
Total United States	**64,949**

United States Portfolio Review

continued

Life and health reassurance and Bankers Life who write medicare supplement insurance policies for retired people.

An initial foray into the real estate sector was also made where after years of decline, property values finally seem to be stabilising. The two real estate investment trusts purchased, Carr Realty with office property in Washington DC and General Growth Properties with 21 shopping malls in 15 states, offer very high dividend yields.

Our strategy remains focused on trying to identify emerging growth companies, but with the swing in stock market leadership away from the consumer sector, we have had to look at an ever broader range of industries in order to find attractively priced opportunities. Whilst the US bull market is starting to look somewhat mature after over 2½ years of gains, we do not see significant risks while inflation and interest rates remain low. Further upside potential will come from continuing profits growth and we expect to see appreciation in the value of the dollar. Smaller stocks still have significant scope to outperform the larger companies.

Christopher Galleymore

Other Countries Portfolio Review

Valuations at 31 May 1993 all investments are shown

Canada

- **Economy recovering at last.**
- **Lower Canadian dollar boosting manufacturing competitiveness.**

Strength in the resource sectors such as natural gas, gold mining and forest products has helped the Canadian market to reach new all time highs this year. A further 5% fall over the past year in the Canadian dollar against the US dollar has boosted profit margins in all exporting sectors. We have added to the steel sector with the purchase of Dofasco.

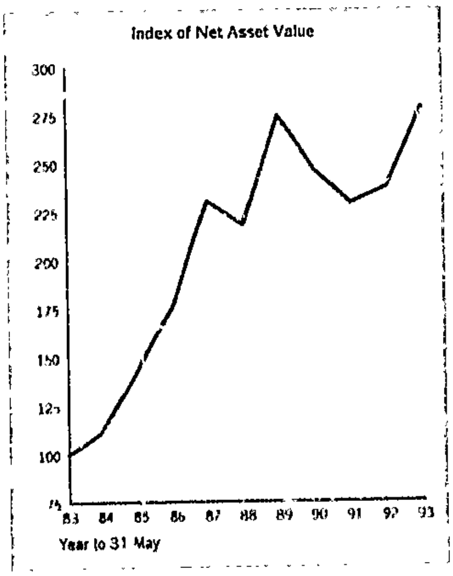
Christopher Galleymore

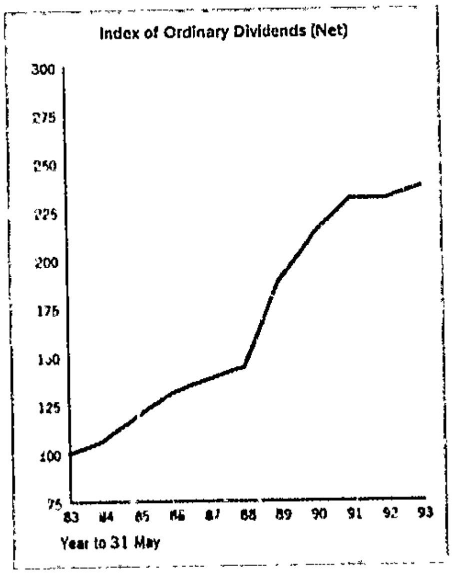
CANADA	£'000
Co Steel Inc	597
Dofasco	672
Four Seasons Hotel	791
Linamar Corp	1,123
Total Canada	**3,183**
CONTINENTAL EUROPE	
EIRE	
Abbey	551
LUXEMBOURG	
ECI Investments	109
SWITZERLAND	
Schindler Holdings	833
Total Continental Europe	**1,493**
OTHER OVERSEAS	
Zimbabwe (Govt.)	2
Total Other Countries	**4,678**
TOTAL INVESTMENTS	**341,636**

Ten Year Record

Year to 31 May		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Gross revenue	£'000	5,734	5,996	7,643	8,393	9,060	9,451	11,953	13,399	14,459	3,198	14,200
Per ordinary share (pence)												
Earned net		1.77	1.78	2.15	2.28	2.40	1.82	3.29	3.71	4.32	3.49	4.31
Dividend paid		1.60	1.70	1.90	2.10	2.20	2.30	3.00	3.40	3.70	3.70	3.80
Imputed tax		0.68	0.73	0.81	0.88	0.85	0.80	1.00	1.13	1.23	1.23	1.07
Total dividend		2.28	2.43	2.71	2.98	3.05	3.10	4.00	4.53	4.93	4.93	4.87
Assets attributable to ordinary shares	£'000	116,618	128,932	165,291	205,459	268,051	254,662	319,685	287,535	267,569	276,851	325,380
Net asset value per ordinary share (pence)		65.5	72.4	92.8	115.3	150.4	142.9	179.4	161.4	150.2	155.4	182.6
INDICES: 1983 = 100												
Ordinary share price		100	116	160	185	294	275	355	316	325	345	401
Net asset value		100	111	142	176	230	218	274	246	229	237	279
Ordinary dividend gross		100	107	119	131	134	136	175	199	216	216	214
FT-Actuaries All-Share Index		100	109	145	180	251	211	249	264	275	300	321
FT-Actuaries All-Share Dividend Index		100	114	137	149	167	189	225	264	281	288	267
Retail Prices Index		100	105	112	116	120	125	136	149	158	165	166

The comparative figures for the years to 1987 have been adjusted where necessary to allow for the one for one capitalisation issue in 1987.





Report of the Directors

The directors present the audited accounts of the Group for the year to 31 May 1993.

Activities and Business Review

The Company has directed its affairs so as to enable it to seek approval to continue as an investment trust. A review of the business is given in the Chairman's Statement on pages 5 to 6 and the Portfolio Reviews by the Fund Managers on pages 7 to 16.

Investments

The Group's total assets less current liabilities increased during the year to £346,255,000 from £297,726,000. The net asset value per ordinary share, after deducting prior charges at par, was 182.6p at 31 May 1993 compared with 155.4p in the previous year, an increase of 17.5%. A list of the 50 largest investments is shown on page 7.

Revenue and Dividend

The Group's gross revenue for the year was £14,200,000, an increase of £1,002,000 over the preceding year. After deducting administrative expenses, debenture and other interest, taxation and the dividend on the preference stock, the amount available for the ordinary dividend is £7,679,000 compared with £6,211,000 in the previous year, an increase of 23.6%.

The directors recommend a final dividend of 2.3p per share. When this is added to the interim dividend of 1.5p the dividend for the year totals 3.8p per share. The final dividend will be paid on 28 September 1993 to shareholders whose names appear on the register on 20 August 1993. The balance of net revenue amounting to £907,000 has been transferred to the retained revenue account.

Donations

During the year the Company made charitable donations of £5,600 and a contribution of £6,500 to the Conservative Party.

Directors

The following directors held office during the year to 31 May 1993. Their interests in the ordinary shares of the Company were as follows:

	Ordinary shares of 25p each	
	31.5.93	**1.6.92**
Beneficial interest		
J R Alexander	30,000	22,[illegible]00
P H G Cadbury	8,500	8,500
E C Elstob	10,000	10,000
P V S Manduca	2,662	2,662
M S Meyer	2,000	2,000
D A Pease	1,600	1,600

None of the directors had an interest in the preference or debenture stocks of the Company. There have been no changes in the above holdings since the end of the financial year.

The directors retiring by rotation are Mr P H G Cadbury and Mr M S Meyer who, being eligible, offer themselves for re election.

Mr J R Alexander is an executive of the management company and is remunerated by that company in respect of services provided to TR Smaller Companies Investment Trust PLC under the terms of the Management Agreement.

There were no contracts subsisting 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.

Directors' and officers' liability insurance is maintained for the benefit of the directors.

Corporate Governance

Following publication of the report of the Cadbury Committee on the Financial Aspects of Corporate Governance, the Company is establishing procedures to comply with the Code of Best Practice and also with the guidelines for Best Practice on Corporate Governance for investment trusts prepared by the Association of Investment Trust Companies. The Board's committee structure has been formalised and membership of the Audit and Management Engagement Committees is shown on page 4. The Management Engagement Committee (in lieu of a Remuneration Committee) is charged with the function of reviewing the terms of the Management Agreement on a periodic basis.

Report of the Directors

continued

Personal Equity Plans (PEP's)
The Company has conducted its investment policy so as to comply with the 50% EC (including the UK) equities rule as required under PEP Regulations and it is the Board's intention to continue to satisfy these Regulations.

Management company
Investment management, accounting, secretarial and administrative services are provided to the Company by Henderson Administration Group plc and its subsidiaries ('Henderson'). As reported to shareholders in January 1993, Touche Remnant Holdings Limited became a wholly owned subsidiary of Henderson Administration Group plc on 22 December 1992.

The annual management charge is currently 0.40% on quoted assets and 1.25% on unquoted assets and direct property on the average value of assets under management on the last day of each of the three years preceding the calendar year in respect of which the calculation is made. Investments in funds managed by Henderson are wholly excluded from charge.

The management agreement may be terminated by either party but in certain events the Company will be required to pay compensation to Henderson of an amount of one year's management charges. Compensation is not payable if one year's notice of termination is given.

Substantial share interests
As at 31 May 1993 notices had been received by the Company of the following substantial interests in the issued ordinary shares of the Company:

B S Pension Fund	17.2%
Prudential Corporation PLC	7.1%
The Standard Life Assurance Company	5.7%
Pearl Group of Companies	4.3%
The Equitable Life Assurance Society	4.3%
Scottish Widows Fund	3.1%

So far as the directors are aware no other person holds or has an interest in 3% or more of the issued ordinary shares of the Company.

Increase in Authorised Share Capital
An ordinary resolution will be proposed at the AGM which will, if approved, increase the authorised share capital to £47,875,000 by the creation of an additional 9,800,000 ordinary 25p shares.

Authority to allot shares and disapply pre-emption rights
An ordinary resolution will be proposed at the AGM to authorise the directors to allot ordinary shares up to an aggregate nominal amount of £2,450,000 (being 9,800,000 ordinary shares and 5.5% of the existing issued ordinary share capital).

If the new ordinary shares are to be allotted wholly for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered first to existing holders in proportion to their holdings in the ordinary shares. This entitlement is known as a 'pre-emption' right. In certain circumstances it is beneficial for the directors to allot shares wholly for cash otherwise than pro rata to existing holders and the Companies Act 1985 provides for shareholders to give such power to the directors by the waiving of these rights. Therefore, a special resolution will be proposed at the AGM which will, if passed, give the directors power to allot ordinary shares for cash on a non pre-emptive basis in connection with a rights issue or in any other case up to an aggregate nominal amount of £2,227,500 (equivalent to 8,910,000 ordinary shares and 5% of the Company's existing issued ordinary share capital, as if Section 89(1) of the Companies Act 1985 did not apply. These authorities will lapse unless renewed at the AGM in 1994.

The directors intend to use this authority to issue new shares to take advantage of opportunities in the market as they arise, but only if they believe it is advantageous to the Company's shareholders to do so.

Registered Auditors
A resolution to re appoint Coopers & Lybrand as the Company's auditors will be proposed at the Annual General Meeting.

Ruth Saunders

Ruth Saunders, FCIS
Henderson Secretarial Services Limited
Secretary
17 August 1993

Consolidated Revenue Account

for the year ended 31 May 1993

Note				1993 £'000	1992 £'000
Notes 1 & 2	**Income from fixed asset investments**				
	Franked			10,930	10,365
	Unfranked			1,670	1,768
				12,600	12,133
	Other interest receivable and similar income				
	Dealing profits			1,214	338
	Bank interest			135	278
	Underwriting commission and other income			251	449
	Gross revenue			14,200	13,198
Note 3	**Administrative expenses**			1,614	1,552
	VAT irrecoverable			105	144
				1,719	1,696
	Net revenue before interest payable and taxation			12,481	11,502
	Interest payable				
	Debentures:				
	repaid during the year (1992 – repayable within one year)			28	85
	repayable wholly or partly after five years			2,100	2,100
	Bank overdraft and other interest			127	805
				2,255	2,990
	Net revenue on ordinary activities before taxation			10,226	8,512
Note 5	**Taxation on revenue on ordinary activities**			2,519	2,273
	Net revenue on ordinary activities after taxation			7,707	6,239
	Appropriations				
	Cumulative preference stock dividends			28	28
Note 6	**Available for ordinary shareholders**			7,679	6,211
		1993	1992		
	Dividends on ordinary shares				
	– interim	1.50p	1.50p	2,673	2,673
	– final	2.30p	2.20p	4,099	3,920
		3.80p	3.70p	6,772	6,593
Note 16	**Transfer to/(from) retained revenue account**			907	(382)
Note 6	**Earnings per ordinary share**			4.31p	3.49p

The notes on pages 24 to 30 form part of these accounts.

Statement of Total Recognised Gains and Losses

for the year ended 31 May 1993

	1993 £'000	1992 £'000
Non-distributable profits		
Realised gains on fixed asset investments	6,066	9,924
Net gain/(loss) on foreign exchange	837	(44)
Unrealised appreciation/(depreciation) on fixed asset investments	40,719	(216)
Transfer to non-distributable reserves	47,622	9,664
Distributable profits		
Net revenue on ordinary activities after taxation	7,707	6,239
Total recognised gains for the year	55,329	15,903

Historical Cost Profits and Losses

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

	1993 £'000	1992 £'000
Reconciliation of movement in shareholders' funds		
Net revenue on ordinary activities after taxation for the year	7,707	6,239
Dividends	(6,800)	(6,621)
	907	(382)
Increase in non-distributable reserves	47,622	9,664
Net addition to shareholders' funds	48,529	9,282
Shareholders' funds at 1 June	277,726	268,444
Shareholders' funds at 31 May	326,255	277,726

The notes on pages 24 to 30 form part of these accounts

Balance Sheets

at 31 May 1993

		Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
Notes 1, 7, 8 & 9	**Fixed asset investments**				
	Listed at market value:				
	In Great Britain	210,926	196,032	210,926	196,032
	Abroad	102,048	82,669	102,048	82,669
	Unlisted – directors' valuation	28,662	28,261	28,662	28,261
	Long leasehold property	1	12	1	12
	Subsidiary undertaking	-	-	835	243
		341,637	306,974	342,472	307,217
	Current assets				
Note 10	Investments	1,534	353	-	-
Note 11	Debtors	8,286	5,988	8,198	5,771
	Cash at bank and short term deposits	6,716	2,310	6,472	2,212
		16,536	8,651	14,670	7,983
Note 12	**Creditors**				
	Amounts falling due within one year	11,918	17,899	10,887	17,474
	Net current assets/(liabilities)	4,618	(9,248)	3,783	(9,491)
	Total assets less current liabilities	346,255	297,726	346,255	297,726
	Creditors				
	Amounts falling due after one year				
Note 13	Debenture stocks (secured)	20,000	20,000	20,000	20,000
	Total net assets	326,255	277,726	326,255	277,726
	Capital and reserves				
Note 14	Called up share capital	45,425	45,425	45,425	45,425
Note 15	Non-distributable reserves	273,607	225,985	274,442	226,228
Note 16	Retained revenue account	7,223	6,316	6,388	6,073
		326,255	277,726	326,255	277,726

P H G Cadbury
J R Alexander
Directors

These accounts were approved by the directors on 17 August 1993

The notes on pages 24 to 30 form part of these accounts

Consolidated Cash Flow Statement

for the year ended 31 May 1993

		1993 £'000	1993 £'000	1992 £'000	1992 £'000
	Operating activities				
	Cash received from investments	9,659		9,205	
	Cash received/(paid) from investment dealing	914		(570)	
	Interest and commission received	377		721	
	Investment management fees paid	(1,200)		(1,238)	
	Cash paid to and on behalf of directors	(49)		(43)	
	Other cash payments	(380)		(498)	
Note 18	**Net cash inflow from operating activities**		9,321		7,577
	Servicing of finance				
	Debenture interest paid	(1,607)		(1,639)	
	Bank interest paid	(450)		(618)	
	Dividends paid:				
	Preference stock	(28)		(28)	
	Ordinary shares	(6,593)		(6,593)	
	Net cash outflow from servicing of finance		(8,678)		(8,878)
	Taxation				
	UK tax recovered (including ACT)	439		742	
	UK income tax paid	(495)		(470)	
	Net tax (paid)/recovered		(56)		272
	Investing activities				
	Purchase of investments	(61,454)		(78,259)	
	Sale of investments	74,290		71,321	
	Net cash inflow/(outflow) from investing activities		12,836		(6,938)
	Net cash inflow/(outflow)		13,423		(7,967)
	Financing				
Note 19	Redemption of debenture stocks		1,500		–
	Increase/(decrease) in cash and cash equivalents		11,923		(7,967)
			13,423		(7,967)

The notes on pages 24 to 30 form part of these accounts

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.

b The consolidated accounts include the accounts of the Company and its subsidiary undertaking.

c Income, including imputed tax credit, is taken to the revenue account on a due date basis. Expenses are accounted for on an accruals basis.

d Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Bank currency loans covered by related forward currency transactions are translated at the rates specified in the forward contracts.

e Realised and unrealised capital gains and losses on fixed asset investments, together with exchange differences arising on the translation of foreign currency assets and liabilities, are dealt with in the non-distributable reserves.

f The dealing profits of the subsidiary undertaking, representing realised gains on sales of current asset investments, are dealt with in the revenue account.

g Fixed asset listed investments are valued at middle market prices for those listed in Great Britain and at closing or bid prices for those listed abroad.

h Fixed asset unquoted investments are valued by the directors. Investments for which market quotations are available, but which are restricted as to saleability or transferability, are valued at the listed prices less a discount of 25% and are included in unlisted investments. Other unlisted investments are valued at cost, unless circumstances indicate different valuations are warranted, in which case valuations are made at the discretion of the directors. In general, valuations are increased where a substantial arm's length transaction has occurred subsequent to acquisition at a price higher than cost. Valuations are decreased where subsequent transactions have taken place at a price lower than cost or where the directors are aware that the company is experiencing operating difficulties.

i Current asset investments held by the Company's subsidiary undertaking are stated at the lower of cost and market value.

j Advance corporation tax attributable to dividends accrued or proposed at the balance sheet date is treated as a current liability. To the extent that such advance corporation tax is regarded as recoverable in the foreseeable future it is also treated as a current asset.

2 Income from fixed asset investments

	1993 £'000	1992 £'000
Franked:		
Listed investments	10,437	9,584
Unlisted investments	493	781
	10,930	10,365
Unfranked:		
Listed investments		
Dividend income	1,411	1,437
Interest income	181	227
Unlisted investments		
Dividend income	64	53
Interest income	14	51
	1,670	1,768

Notes to the Accounts

continued

3	Administrative expenses include:	1993 £'000	1992 £'000
	Management fee	1,206	1,238
	Auditors' remuneration:		
	For audit services (including £15,250 relating to the parent undertaking (1992 – £14,500))	16	15
	For non-audit services	8	8

4	Directors' emoluments	1993 £'000	1992 £'000
	For services as directors	97	81
	Consideration paid to third parties (including Henderson)	30	30
		127	111

Mr J R Alexander and Mr P V S Manduca received emoluments from Henderson Administration Group plc ('Henderson') for their services to that company. The proportion of their emoluments (including pension contributions) which related to the management of the Company or its subsidiary undertaking amounted to approximately £79,000 (1992 – £62,000). This amount, together with the amounts paid directly by the Company to the non-executive directors, is included in the emoluments for services, as stated above. The comparatives for 1992 have been re-stated on the same basis.

Fees for services as directors (excluding pension contributions) include the amounts paid to:

	1993 £'000	1992 £'000
Chairman	13	13
Highest paid director	69	54

The number of directors who received emoluments (excluding consideration paid to third parties) fell within the following ranges:

	Number	Number
£0 to £5,000	3	3
£5,001 to £10,000	2	2
£50,001 to £55,000	–	1
£65,001 to £70,000	1	–

5	Taxation	1993 £'000	1992 £'000
	Imputed tax on franked income	2,081	2,097
	Corporation tax at 33%	406	110
	Prior year adjustment	(157)	(126)
	Overseas withholding tax	189	192
		2,519	2,273

The corporation tax charge for the year and the previous year is in respect of the subsidiary undertaking. No corporation tax charge arose for the Company during the year or the previous year as a result of an excess of management expenses over unfranked investment income. Excess management expenses have resulted in a recovery of tax attributable to franked investment income amounting to £569,000 (1992 £495,000).

Notes to the Accounts

continued

6 Earnings per ordinary share

The earnings per ordinary share are calculated on a net basis on earnings of £[illegible],679,000 (1992 - £5,211,000) and on the 178,200,000 ordinary shares in issue for the two years ended 31 May 1993.

7 Changes in fixed assets

(a) Group	Investments £'000	Long leasehold property £'000	Total fixed assets £'000
Valuation at 1 June 1992	306,962	12	306,974
Unrealised appreciation/(depreciation)	10,357	(7)	10,350
Cost at 1 June 1992	296,605	19	296,624
Additions at cost	65,086	-	65,086
Disposals at cost	(71,142)	-	(71,142)
Cost at 31 May 1993	290,549	19	290,568
Unrealised appreciation/(depreciation)	51,087	(18)	51,069
Valuation at 31 May 1993	341,636	1	341,637

(b) Company	Investments £'000	Long leasehold property £'000	Subsidiary undertaking £'000	Total fixed assets £'000
Valuation at 1 June 1992	306,962	12	243	307,217
Unrealised appreciation/ (depreciation)	10,357	(7)	243	10,593
Cost at 1 June 1992	296,605	19	-	296,624
Additions at cost	65,086	-	-	65,086
Disposals at cost	(71,142)	-	-	(71,142)
Cost at 31 May 1993	290,549	19	-	290,568
Unrealised appreciation/ (depreciation)	51,087	(18)	835	51,904
Valuation at 31 May 1993	341,636	1	835	342,472

The investment in the subsidiary undertaking is stated at net asset value.

8 Subsidiary undertaking

The Company has an investment in the issued ordinary share capital, fully paid, of £2 in its wholly owned subsidiary undertaking, TR Smaller Companies Finance Limited, which is registered in England and Wales and operating in the United Kingdom as an investment dealing company

Notes to the Accounts

continued

9 **Substantial equity interests**

The Company has substantial interests in the following companies which are registered in England and Wales:–

	Class of shares held	% holding of class
Merrydown Wine PLC	Ordinary	20.8
Academy Sound & Vision Limited	Ordinary	19.5
Worthingto (AJ)	Ordinary	18.4
Albrighton PLC	Ordinary	17.3
The Fortress Trust PLC	Ordinary	16.7
Young (H) Holdings PLC	Ordinary	13.6
Bletchley Motor Group PLC	Ordinary	13.1
Porvair Limited	Ordinary	11.4
Jourdan (Thomas) PLC	Ordinary	[illegible].1
Bridport-Gundry PLC	Ordinary	10.9
Hicking Pentecost PLC	Ordinary	[illegible].0

The Company has a 20.8% interest in the issued share capital of Merrydown Wine [illegible] ('Merrydown'). The directors do not consider Merrydown to be an associate [illegible] f the Company because in their view, the Company does not exercise signific[illegible] inf[illegible] over Merrydown. Merrydown is a listed company operating in Great Britain [illegible] share capital of 10,919,378 ordinary shares of 25p each.

10 **Current asset investments**

	Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
Listed in Great Britain	1,429	–	–	–
Unlisted Securities Market	105	353	–	–
	1,534	353	–	–

11 **Debtors**

	Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
Securities sold for future settlement	6,145	3,880	5,930	3,012
Advance corporation tax recoverable	1,271	1,307	1,190	1,307
Corporation tax recoverable	584	509	584	509
Amount owed by subsidiary undertaking	–	–	208	651
Prepayments and accrued income	265	253	265	253
Other debtors	21	39	21	39
	8,286	5,988	8,198	5,771

Notes to the Accounts

continued

12 Creditors

	Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
Amounts falling due within one year				
Debenture stocks (secured)	-	1,500	-	1,500
Bank overdraft	-	8,354	-	8,354
Securities purchased for future settlement	5,704	1,845	5,164	1,532
Other creditors	54	241	52	241
Advance corporation tax	1,271	1,307	1,190	1,307
Income tax	220	260	220	260
Corporation tax	406	110	-	-
Accrued expenses	164	103	162	101
Debenture and bank overdraft interest accrued	-	259	-	259
Proposed ordinary dividend	4,099	3,920	4,099	3,920
	11,918	17,899	10,887	17,474

13 Debenture stocks (secured)

	Group and Company 1993 £'000	Group and Company 1992 £'000
Redemption terms in more than five years 10.5% debenture stock 2016: redeemable at par on 31 May 2016	20,000	20,000

It is not the Company's present intention to repay the debenture stock before the final redemption date. The debenture stock may be redeemed in all or in part at the option of the Company. Accordingly this stock has been included in amounts falling due after one year as appropriate by reference to the final redemption date. The debenture stock is secured on all of the Company's assets.

14 Called up share capital

	1993 £'000	1992 £'000
Authorised, allotted and fully paid:		
£875,000 4½% (now 3.15% + tax credit) cumulative preference stock	875	875
178,200,000 ordinary shares of 25p each	44,550	44,550
	45,425	45,425

Notes to the Accounts

continued

15 Non-distributable reserves

(a) Group

	Unrealised appreciation of fixed asset investments £'000	Other reserves £'000	Total £'000
At 1 June 1992	10,350	215,635	225,985
Increase in the year	40,719	-	40,719
Net realised gains on fixed asset investments	-	6,066	6,066
Net gain on foreign exchange	-	837	837
At 31 May 1993	51,069	222,538	273,607

The reserve for unrealised appreciation of fixed asset investments at 31 May 1993 includes £4,494,000 (1992 – £3,287,000) in respect of unrealised appreciation of unlisted investments.

(b) Company

	Unrealised appreciation of fixed asset investments £'000	Other reserves £'000	Total £'000
At 1 June 1992	10,593	215,635	226,228
Increase in the year	41,311	-	41,311
Net realised gains on fixed asset investments	-	6,066	6,066
Net gain on foreign exchange	-	837	837
At 31 May 1993	51,904	222,538	274,442

The reserve for unrealised appreciation of fixed asset investments at 31 May 1993 includes £5,329,000 (1992 – £3,530,000) in respect of unrealised appreciation of unlisted investments.

16 Retained revenue account

	Group £'000	Company £'000
At 1 June 1992	6,316	6,073
Transferred in the year after appropriations	907	315
At 31 May 1993	7,223	6,388

As permitted by section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The amount of the consolidated revenue dealt with in the accounts of the Company is £7,114,000 (1992 - £5,996,000).

17 Contingent liabilities

There were Group contingent liabilities of £[illegible]07,000 (1992 - £1,187,000) relating to underwriting commitments of which £nil (1992 - £165,000) related to the subsidiary undertakings.

Notes to the Accounts

continued

18 Reconciliation of operati[illegible] revenue to net cash inflow from operating activities	1993 £'000	1992 £'000
Net revenue before interest payable and taxation	12,481	11,502
Increase in investment dealing assets	(301)	(908)
Increase in accrued income	(10)	(58)
Decrease/(increase) in other debtors	16	(26)
Increase/(decrease) in creditors	66	(63)
Tax on franked investment income included within income from UK companies	(2,649)	(2,592)
UK income tax deducted at source	(81)	(71)
Overseas withholding tax suffered	(201)	(207)
Net cash inflow from operating activities	9,321	7,577

19 Analysis of changes in financing during the year	1993 £'000	1992 £'000
Debenture stocks at 1 June	21,500	21,500
Redeemed during the year	(1,500)	–
At 31 May	20,000	21,500

20 Analysis of changes in cash and cash equivalents during the year	1993 £'000	1992 £'000
Cash balance at 1 June	(6,044)	1,967
Net cash inflow/(outflow)	11,923	(7,967)
Effect of foreign exchange rate gain/(loss) movement	837	(44)
Cash balance at 31 May	6,716	(6 044)

21 Analysis of balances of cash and cash equivalents as shown in the balance sheet	1993 £'000	1992 £'000	Change in the year £'000
Cash at bank and short term deposits	6,716	2,310	4,406
Bank overdraft	–	(8,354)	8,354
	6,716	(6,044)	12,760

Report of the Auditors

Report of the Auditors to the members of TR Smaller Companies Investment Trust PLC

We have audited the accounts on pages 20 to 30 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 May 1993 and of the revenue, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
London
17 August 1993

Analysis of Ordinary Shareholders

	Number of shareholders	%	Number of shares held	%	Average holding
*Individuals	3,339	76.01	19,197,635	10.77	5,750
Banks and Nominees	797	18.14	8,629,455	4.84	10,827
Insurance Companies	43	0.98	62,914,199	35.31	1,463,121
Investment Trusts	5	0.11	216,600	0.12	43,320
Pension Funds	42	0.96	73,549,060	41.27	1,751,168
Unit Trusts	93	2.12	7,212,307	4.05	77,552
Others	74	1.68	6,480,684	3.64	87,577
	4,393	100.00	178,200,000	100.00	

*Includes shareholders who have invested through the Henderson Touche Remnant Investment Trust Share Plan (formerly the Touche Remnant Investment Trust Savings Scheme). The Share Plan shareholders increased from 786 to [illegible],47 during the financial year.

Capital Gains Tax

To assist holders of shares and stocks in the Company to calculate their Capital Gains Tax position, the prices of the Company's shares and stocks on 31 March 1982, the start of indexation allowance for inflation, are as follows:

	31 March 1982
Ordinary shares of 25p each	35.5p*
4½% (now 3.15% + tax credit) cumulative preference stock	32%
6¾% debenture stock 1987/92	58.5%
Retail Prices Index (new basis 100 in January 1987)	79.44

*Adjusted to allow for the one for one capitalisation issue in 1987

For those shareholders who have purchased shares through the Henderson Touche Remnant Investment Trust Share Plan (previously known as the Touche Remnant Investment Trust Savings Scheme) on a monthly basis, the Inland Revenue have rules for calculating the capital gains tax liability (if any) on the sale of such shares. In addition to the normal statutory basis for calculating the liability to capital gains tax, an optional basis has been introduced, which allows taxpayers to aggregate the cost of the shares purchased monthly through the Henderson Touche Remnant Share Plan 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 your Company's case would be December. In this respect you are advised to keep a separate note of purchases made through the Share Plan 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 these are available free of charge from the Company Secretary at the Registered Office.

Notice of Meeting

Notice is hereby given that the one hundred and fifth Annual General Meeting of the Company will be held at 3 Finsbury Avenue, London EC2M 2PA on Wednesday 22 September 1993 at 11.30 am for the following purposes:-

Ordinary Business

1 To receive and adopt the accounts and the report of the directors for the year ended 31 May 1993.

2 To declare a final dividend.

3 To re-elect Mr P H G Cadbury as a director of the Company.

4 To re-elect Mr M S Meyer as a director of the Company.

5 To re-appoint Coopers & Lybrand as registered auditors of the Company and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions:

Ordinary Resolutions

6 THAT the authorised share capital of the Company be increased to £47,875,000 by the creation of 9,800,000 additional ordinary shares of 25 pence each.

7 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 £2,450,000 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.

Special Resolution

8 THAT, subject to the passing of the previous resolution, the Board be and it 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 the previous resolution 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 connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them subject in either case 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; and

Notice of Meeting

continued

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £2,227,500.

and shall expire upon the renewal of this power or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 22 December 1994 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.

By order of the Board

Ruth Saunders.

Ruth Saunders, FCIS

For and on behalf of Henderson Secretarial Services Limited
Secretary
18 August 1993

Notes

(i) 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

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

(iii) This notice is sent for information only to holders of the preference shares who are not entitled to attend or vote at the meeting.

(iv) 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.

(v) No director has a contract of service with the Company.

Status and History

Status
The Company is an investment trust company as defined by Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status has been obtained for the year ended 31 May 1992 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 Act do not apply to the Company.

History
The Company was incorporated under the Companies Acts 1862 to 1886 on 16 December 1887 with the name of "The Trustees, Executors and Securities Insurance Corporation Limited". The name was changed in August 1917 to "The Trustees Corporation Limited", in April 1982 to "TR Trustees Corporation PLC" and in September 1990 to "TR Smaller Companies Investment Trust PLC". Whilst the Trustee Department operated until June 1978 the principal business of the Company has been that of an investment trust company.

Financial Calendar

Results
Half-year announced January
Full-year announced July
Report and Accounts published August
Annual General Meeting held in London in September.

Dividend and interest payments
Ordinary shares:
Interim announced in January, paid March
Final announced in July, paid September
Preference stock
Paid 1 June and 1 December

10[illegible]% Debenture stock 2016
Paid 31 May and 30 November

Information
The market price of the Company's ordinary shares is quoted in 'The Financial Times', 'The Times', 'The Daily Telegraph', 'The Independent', 'The Guardian' and the 'Evening Standard'. The Financial Times provides the additional information of an estimated net asset value and the discount.

Warrants
Warrants for the final dividend will be posted on 28 September 1993 to those shareholders whose names appear on the register on 20 August 1993 (ex dividend 2 August 1993).

Directors, Officers and other Information

Directors
Peter Cadbury (Chairman)
Eric Elstob (Deputy Chairman)
John Alexander
Paul Manduca
Michael Meyer FCIS
Derrick Pease FCA

Investment Manager
Touche, Remnant & Co. (a wholly owned subsidiary of Henderson Administration Group plc)
represented by John Alexander,
assisted by
Christopher Galleymore (North America)
and William Garnett (Japan)

Secretary
Henderson Secretarial
Services Limited
represented by Keith Lindsey FCA
until 30 June 1993 and by
Ruth Saunders FCIS
from 1 July 1993

Registered Office
3 Finsbury Avenue
London EC2M 2PA
Telephone: 071-638 5757
Telex: 884616
Fax: 071-377 5742

Registered Number
Registered as an investment trust company
in England No [illegible]26

Registrars
National Westminster Bank PLC
Registrar's Department
PO Box No. 82
Caxton House
Redcliffe Way
Bristol BS99 7NH
Telephone: (0272) 306666

Registered Auditors
Coopers & Lybrand
1 Embankment Place
London WC2N 6NN

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5BD

Bankers
Midland Bank PLC
96 Old Broad Street
London EC2N 1BA

Chemical Bank
1-11 John Adam Street
London WC2N 6HT

Stockbrokers
de Zoete & Bevan Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

A member of the Association of Investment Trust Companies