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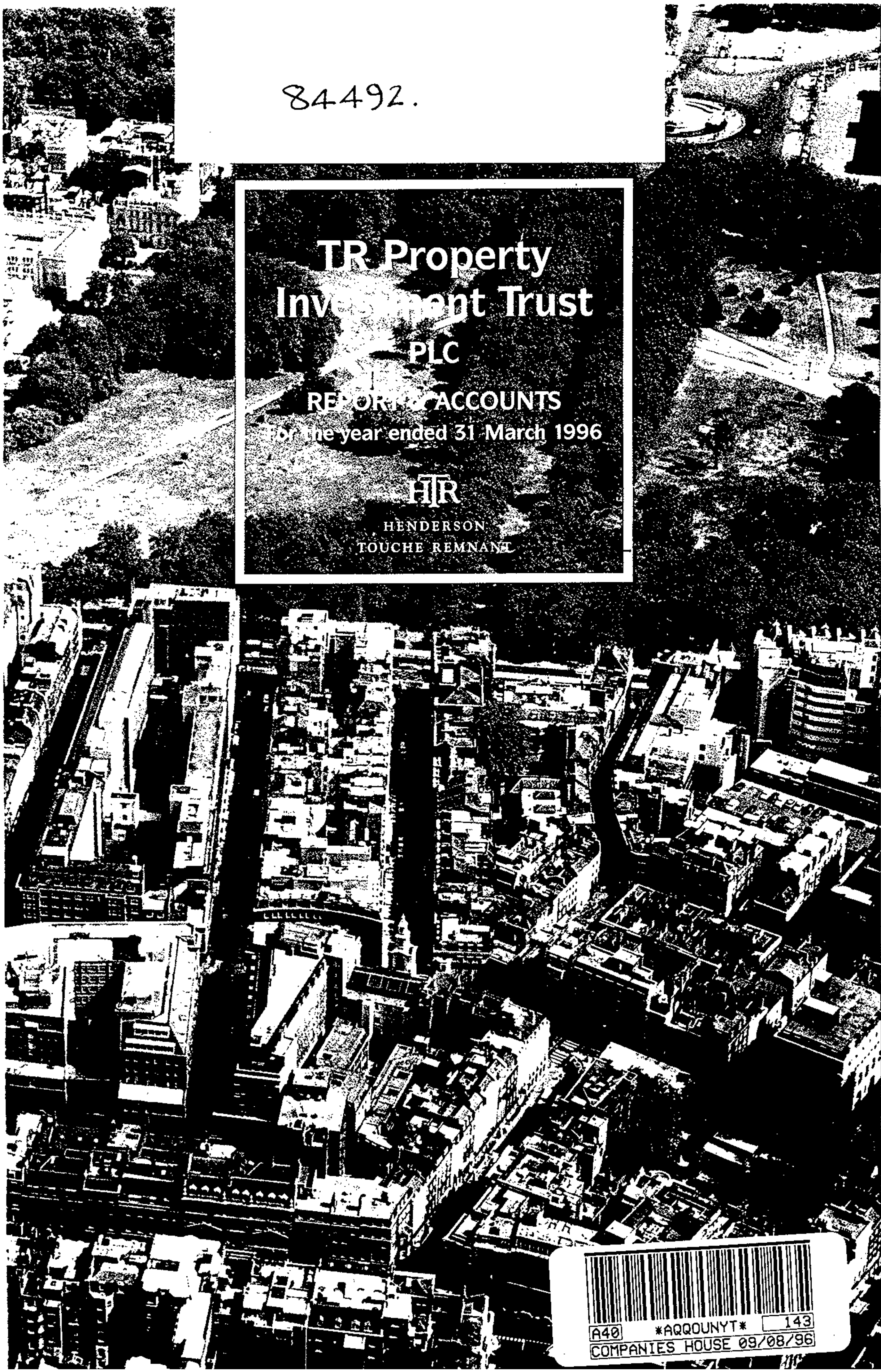


TR Property Investment Trust PLC

REPORT & ACCOUNTS

for the year ended 31 March 1996

HTR

HENDERSON
TOUCHE REMNANT

Directors

P C Hyde-Thomson CBE DL MA FCA, (age 69) (Chairman) is a former Chairman of Ibstock Johnsen PLC, a former director of Touche Remnant Holdings Limited and a non-executive director of Simons Group Limited. He joined the Board in 1982.

R R St J Barkshire CBE TD ACIB JP DL, (age 60) is a non-executive director of Sun Life and Provincial Holdings PLC and other companies. He is Chairman of Chaco Investments Limited, a subsidiary of TR Property Investment Trust PLC. He was Chairman and Chief Executive of Mercantile House Holdings plc from 1972 to 1987 and Chairman of LIFFE from 1982 to 1985. He is also Chairman of the committee on the market in single properties (The Barkshire Committee). He joined the Board in 1993.

R W Carey FRICS, (age 51) is a former Group Managing Director of Slough Estates plc. He is immediate past President of the British Property Federation and a member of the board of management of the British Council of Offices. He joined the Board in 1993.

G H B Carter MA FRICS, (age 67) is a former director of Grosvenor Estate Holdings and of Trafalgar House plc. He is a past President of the British Property Federation. He joined the Board in 1987.

W G Cochrane CA, (age 60) is a non-executive director of Macallan-Glenlivet PLC, LASMO plc and other companies. He was formerly Chairman of Dunedin Fund Managers Limited. He joined the Board in 1989.

G C Musson BA, (age 53) is an independent consultant to companies in the UK and USA on property and other matters. He is Chairman of Edge Properties PLC. He is a former Vice President of the National Association of Pension Funds and a former Chairman of its investment committee. He joined the Board in 1982.

A Ross Goobey BA, (age 50) is Chief Executive of Hermes Pensions Management Limited (formerly PosTel Investment Management Limited) and a non-executive director of Cheltenham & Gloucester plc. He joined the Board in 1994.

All directors are members of the Audit and Management Engagement Committees.

Contents

The cover photograph shows an aerial view of Green Park, part of Mayfair and St. James's in London's West End.

Objective

The objective of the Trust is to maximise shareholders' total return by investing in property shares and property on an international basis.

Financial Highlights

	31 March 1996 £'000	31 March 1995 £'000	% Change
Group Revenue			
Total revenue	**14,967**	15,591	–4.0
Net revenue before taxation	**8,363**	8,946	–6.5
Earnings per share	**1.35p**	1.33p	+1.5
Dividends per share:			
Paid and payable (net)	**0.98p**	0.94p	+4.3
Group Assets	£'000	£'000	
Total assets less current liabilities	**191,030**	190,991	–
Net asset value per share	**35.20p**	33.98p	+3.6

Financial Calendar

Results

Half-year announced in November;
Full year announced in late May/early June.
Report and accounts posted to shareholders in late June/early July.
Annual General Meeting held in late July.

Dividends

Interim paid early January.
Final paid late July.

The final dividend will be paid on 31 July 1996 to those shareholders whose names appear on the register on 2 July 1996.

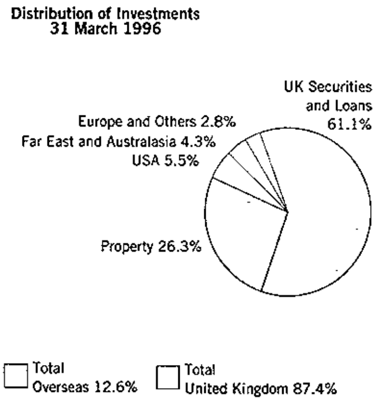
Information

The daily quotation for the Company's shares can be found in The Financial Times and other leading newspapers.

Warrants

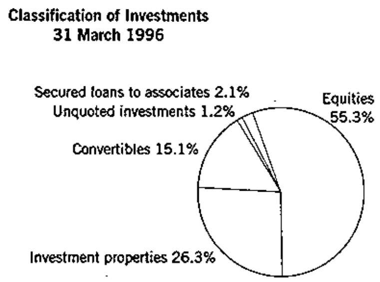
On 7 July 1994, 94,117,769 warrants were issued on the basis of one warrant for every five shares. The warrants give holders the right to subscribe for shares at a subscription price of 47.5p per share on 31 July in each of the years 1997 to 2002 inclusive.

Distribution of Investments



	31 March 1996 £'000	31 March 1996 %	31 March 1995 £'000	31 March 1[illegible]
United Kingdom				
Tangible fixed assets	**37**	**–**	50	
Securities	**108,812**	**59.0**	111,422	5[illegible]
Investment properties	**48,629**	**26.3**	73,475	3[illegible]
	157,478	**85.3**	184,947	8[illegible]
Overseas				
USA	**10,098**	**5.5**	10,137	4
Europe	**4,552**	**2.5**	4,000	1
Far East and Australasia	**7,917**	**4.3**	14,813	[illegible]
Other areas	**626**	**0.3**	626	[illegible]
Total market value of fixed assets	**180,671**	**97.9**	214,523	9[illegible]
Property dealing stock	**83**	**–**	3,441	1
Secured loans to associates	**3,808**	**2.1**	3,271	1
	184,562	**100.0**	221,235	10[illegible]

Classification of Investments



	31 March 1996 £'000	31 March 1996 %	31 March 1995 £'000	31 March 1
Tangible fixed assets	**37**	**–**	50	
Equities	**102,064**	**55.3**	100,250	4[illegible]
Convertibles	**27,769**	**15.1**	35,250	1[illegible]
Fixed interest	**17**	**–**	17	
Unquoted investments	**2,155**	**1.2**	5,481	[illegible]
Investment properties	**48,629**	**26.3**	73,475	3[illegible]
Total market value of fixed assets	**180,671**	**97.9**	214,523	9[illegible]
Property dealing stock	**83**	**–**	3,441	
Secured loans to associates	**3,808**	**2.1**	3,271	
	184,562	**100.0**	221,235	10[illegible]

Chairman's Statement

For UK property shares, the year to 31 March 1996 was one of unfulfilled potential. They outperformed the investment property market on a total return basis by around 6.5%, but lagged behind the All Share Index by 14.2%. Since our year end, we have seen an improvement in share prices, which is encouraging, and it is to be hoped that values in the investment property market are about to move in a similar manner.

During the year our investment income rose 15.4% to £6.81m, and rental income was 2.0% higher at £6.31m. Because of the anticipated decline in our property dealing profits from £2.49m to £0.86m, our total revenue, at £14.97m, fell short of last year's £15.59m. Administration expenses rose 1.0% and net finance costs fell 6.0%. Pre-tax revenue was £8.36m, compared with £8.95m. However, after a lower tax charge and lower minority interests, distributable revenue for the year rose to £6.36m. Earnings per share were 1.35p against 1.33p. The Board proposes an increased final dividend of 0.56p per share, which, with the increased interim dividend of 0.42p per share, will make a total dividend for the year of 0.98p per share, compared with 0.94p in 1994/95, an increase of 4.3%.

Over the year our net asset value per share rose by 3.6% to 35.2p, underperforming the FT-SE-A Property Share Index, which rose 5.6%. Our NAV includes the performance of our direct properties, which recorded a 1.7% fall – a rather better figure than the 4.0% fall shown by the IPD Monthly Index over the same period. On a two year rolling basis, our NAV has fallen by 16.1% compared to a 6.6% fall in the FT-SE-A Property Share Index, reflecting in part the very light weighting of our portfolio to the shares of the largest five property companies. Gearing at the year end was 10.4%. This is lower than usual and reflects the fact that our major property portfolio sale was completed close to the year end. Since the year end we have completed the purchase of a retail warehouse investment in Cardiff and we have the flexibility to take up other attractive propositions as they may arise.

An important event in our year was the flotation of Edge Properties, the specialist retail warehouse investor and developer. Edge became a subsidiary of the Trust in 1991, since when the business has grown strongly and made an important contribution to our results. As part of the flotation, Edge completed a successful equity raising exercise at asset value. We have retained our investment which now represents 28.2% of the enlarged group. Rights to potential deferred consideration, which depend on the outcome of two outstanding planning applications, could increase this shareholding to 33.7%. We remain enthusiastic for the outlook for retail warehousing, and our relationship with Edge continues through joint ventures to hold retail warehouse investments at Reading and at Cardiff. Now that Edge has ceased to be a subsidiary, property dealing profits are unlikely to make a material contribution to our revenue in the short term.

I said last year that we were looking to redress the balance of the portfolio. During the year property sale proceeds totalled £19.3m. These sales, combined with the flotation of Edge, reduced our direct property portfolio by £28.2m net. The running yield is now 9.1% and the spread is starting to reflect a bias towards out of town retailing and the West End of London. The level of property sales is also reflected in the changes in the portfolio balance during the year, which show UK quoted securities rising from 47.8% to 57.8% of gross assets, while directly owned properties have fallen from 34.8% to 26.4%. Our percentage spread in overseas property equities at 12.6% was slightly down on the 13.4% at March 1995. Our modest unquoted portfolio remained at just over 3% of gross assets.

Across the UK, average rental and capital values have shown little overall change during the year under review. There has undoubtedly been an improvement in underlying tenant demand for most types of property, however that demand is often for more flexible space on more flexible terms. The opportunity for UK property companies is to adapt their policies and activities to meet these changes. We have been increasing the weighting of our share portfolio towards those companies which we believe have the franchise and focus to prosper in the current market conditions.

Chairman's Statement
continued

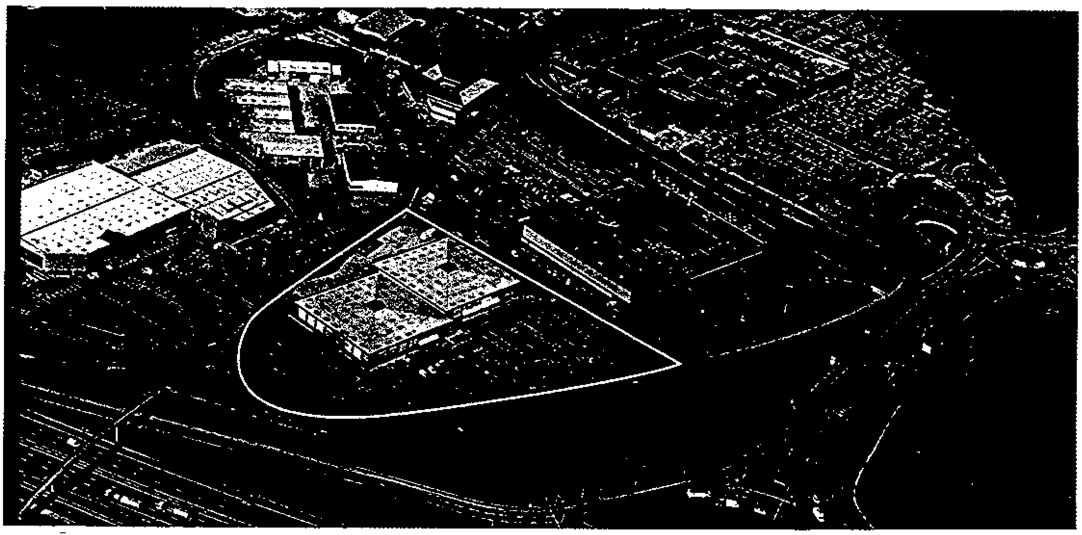
The Association of Investment Trust Companies, of which we are a member, has introduced a new Statement of Recommended Practice for Investment Trust Accounts. This will be effective for the Trust's accounts for the year 1996/97, and will involve alterations in the presentation of our results, starting with my next interim statement.

The Directors declared the company fully PEPable from 1 April 1996.

Geoffrey Carter, who is 67, decided to retire in June 1996. He has been a Director since 1987 and has consistently given us wise and valuable counsel. We are most grateful for his contribution and give him our best wishes for the years ahead.

Shareholders are welcome to attend the Annual General Meeting, to be held on Thursday 25 July 1996 at 12 noon. After the meeting there will be a presentation by the Manager followed by light refreshments.

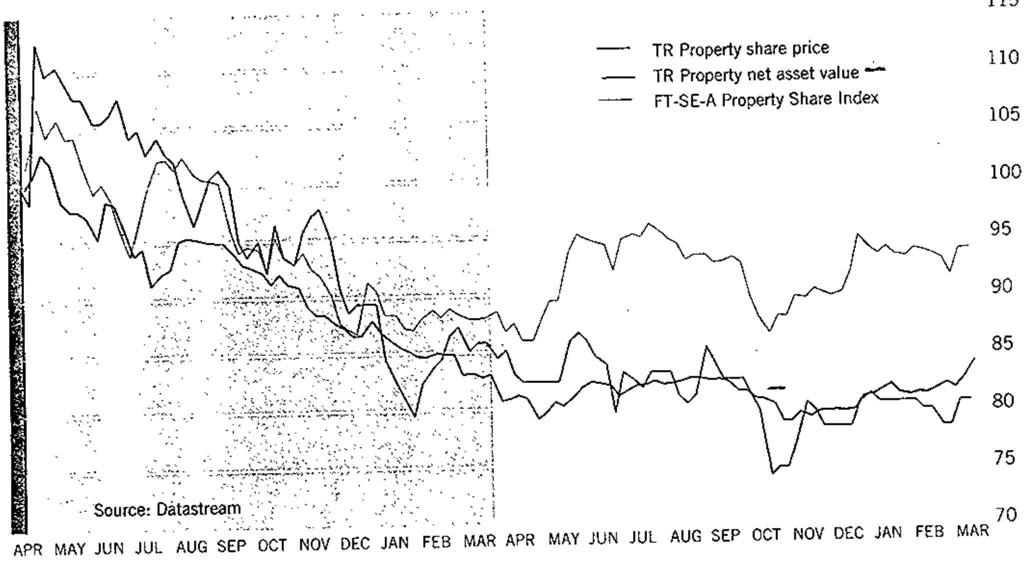
Paul Hyde-Thomson
Chairman
20 June 1996



Retail warehouse Investment at Pincents Lane, Theale, adjoining Junction 12 of the M4.

Two Year Performance

Index of TR Property net asset value and share price compared with FT-SE-A Property Share Index for the period 1 April 1994 to 31 March 1996



Performance Summary

Year ended 31 March	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	**1996**
Total revenue £'000	4,534	4,478	5,417	9,228	10,151	7,618	4,817	8,247	10,275	15,591	**14,967**
Earnings and dividends per share											
(adjusted to present capital)											
Earned net (pence)	0.75	0.78	1.03	1.67	1.65	1.04	0.28	0.95	1.43	1.33	**1.35**
Paid net (pence)	0.67	0.70	0.80	1.20	1.45	1.45	1.45	0.90	0.90	0.94	**0.98**
Imputed tax	0.28	0.27	0.28	0.40	0.48	0.48	0.48	0.30	0.24	0.24	**0.25**
Gross dividend	0.95	0.97	1.08	1.60	1.93	1.93	1.93	1.20	1.14	1.18	**1.23**
Total assets less current liabilities £'000	103,645	141,216	144,489	171,940	145,637	125,190	110,459	96,473	146,847	190,991	**191,030**
NAV per share (pence)	36.9	52.6	54.0	65.8	54.5	40.6	30.7	28.8	42.0	34.0	**35.2**
Indices of growth per share											
Market price	100	167	175	219	184	133	84	77	133	112	**107**
Net asset value	100	143	146	178	148	110	83	78	114	92	**95**
Dividend (net)	100	104	119	179	216	216	216	134	134	142	**146**
Dividend (gross)	100	102	114	168	203	203	203	126	120	124	**129**
FT-SE-A Property Share Index	100	130	154	184	153	141	91	110	141	125	**132**

Manager's Report

MARKET BACKGROUND

Chris Turner
Fund Manager

Property market background

The year to 31 March 1996 has been a frustrating period for the UK commercial property markets. While the UK equity market has continued to show healthy gains, average commercial investment property values have fallen back slightly. Tenant demand has improved, but the improvement has been slower and more polarised than anticipated. Investor demand has tended to mirror tenant demand, and has been concentrated at the prime end of the market.

This spring the industry's mood has definitely become more optimistic. Tenant enquiries have risen and investor interest has quickened. New development starts remain at a modest level in office and industrial markets with the result that there is now a low supply of new space in some key areas of the market. This has encouraging implications for rental values of new buildings.

Above and beyond short term market movements it is clear that the current recovery in property markets is occurring against an economic and social background which differs considerably from that of the past two decades. Lower inflationary expectations require that rental growth expectations and valuation methods need to be reassessed. Alterations in working practices and new technology are affecting office and business space demand, and changes in spending patterns and tighter planning restrictions are altering retail tenant demand. Over the whole market, tenants are looking for more flexible space on more flexible terms. Institutional investors are more concerned than they have been in the past about liquidity and the hunt is on for viable, tradeable and tax-efficient property vehicles. The Stock Exchange now proposes a consultation period on a proposal to allow the quotation of authorised property unit trusts. We see this as a potentially important step and look forward to the evaluation process being successful.

Meanwhile well run quoted UK property companies, despite their tax imperfections, can provide investors with an important alternative to the direct ownership of buildings, and they are well equipped to take advantage of the opportunities which changes in the inflationary outlook and in the nature of tenant demand are creating within the industry.

Property share background

Property shares had a good year relative to direct property. The FT-SE-A Property Share Index rose 5.6% and produced a total return of 10.5% in the year to 31 March 1996. This compares with a fall of about 4% in capital values and a total return of plus 4.3% from the Investment Property Databank Monthly Index over the same period. Property shares, however, underperformed the All Share Index which rose 19.8% over the period and produced a total return of 25.2%. The Sector's outperformance of the direct market came from both a narrowing of discounts to NAV per share and slightly superior asset growth. Average dividend growth was 3% (compared with 9% for the All Share Index). Fresh capital raised in the period was modest at around £350m.

The best share price performances tended to come from a class of companies who have been dubbed "the emerging majors". These businesses tend to have several features in common. They generally have modern portfolios which have been bought in the last five years, they are active buyers and sellers of investment property, and though rental income is their primary source of revenue, they usually have active development arms. Generally capitalised at between £150m to £400m, they are still small enough for one good investment to make an important difference to performance, but are large enough to offer some liquidity.

By contrast there are still over fifty fully listed property companies capitalised at less than £30m. Some of these businesses have a focus or franchise which we think justifies their independent status (and our investment in their shares), but others do not. Their total returns are diminished by administration costs which are generally excessive in relation to their total income, and their shares are often too illiquid to attract the attention of most institutional investors. The case for mergers and amalgamations is clear, and it is disappointing that few such deals have yet occurred. We hope to see more activity on this front in the coming year.

Manager's Report

continued

PORTFOLIO STRATEGY

The changing economic and social background to the UK property market has led us to carry out a wide ranging review of the Trust's investment strategy both as regards our quoted investments and our direct property holdings. Our objective has been to try and ensure that we more clearly concentrate our capital by focusing specifically on certain types of asset. We are looking to achieve superior weightings in specific areas and to target these areas principally by investment in shares and secondarily by investment through our direct property holdings.

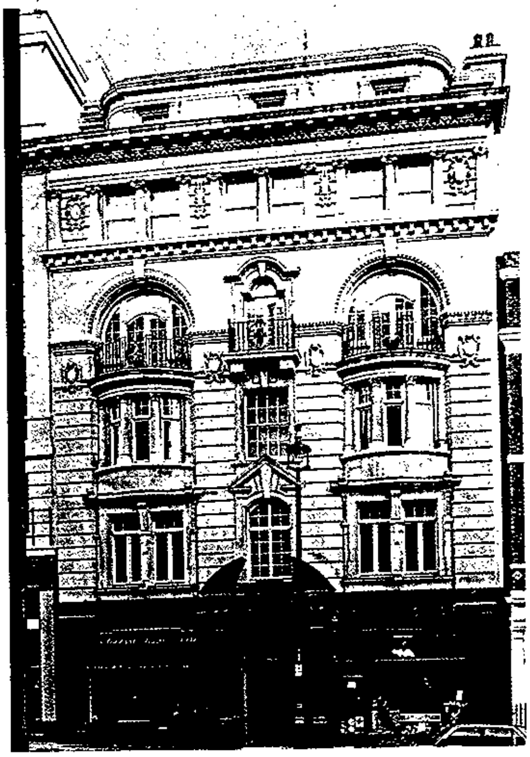
Choices in locations and property types

In terms of the immediate outlook for rental and capital growth we consider three areas of the market to have above average attractions. They are the West End of London, edge of town and out of town retailing across the UK and suburban office and business park space especially in the M25 area. We see selected industrial and residential property as generally attractive, and are less attracted by town centre shopping in general, and by central area office property, including offices in the City of London. Whilst these judgements serve as a backcloth to assist in the investment decisions we have been making for both our quoted and direct property portfolios, we recognise that we may find good investment opportunities in less attractive areas of the market and vice-versa.

Implementing the strategy

During the past year we have been implementing this strategy, and by way of illustration we set out how this has occurred in two of our preferred markets.

In the out of town retail area our new shareholding in **Capital Shopping Centres**, and our holdings in **Chelsfield** and **Peel** give us exposure not only to three of the biggest existing centres in the UK – the Lakeside Centre, Thurrock, the Metro Centre, Gateshead and the Merry Hill Centre in the West Midlands but also to the major developments at Braehead, Glasgow, White City, West London and the Trafford Centre, west of Manchester. Our much enlarged shareholding in **Freeport Leisure** gives us exposure to the factory outlet retail market, while our shareholding in



29-30 St James's Street, London SW1

Edge Properties provides focused exposure to the retail warehouse development and investment markets. To increase our exposure further we bought, last December, jointly with Edge, an existing retail warehouse investment at Theale, west of Reading, and since the year end we have acquired a similar investment in Cardiff.

Whereas our out of town retail exposure comes primarily through quoted share holdings, our West End exposure comes principally from our direct property holdings. Our building at 29/30, St James's St SW1 is the Trust's single largest asset by value, and we also own 8/9, Dover St W1. In the quoted market we have West End market representation through our increased holdings in **Derwent Valley, Compco** and **Safeland** and through our holdings in **Shaftesbury, Rugby Estates** and **Chelsfield.**

In addition to increased asset targeting through our quoted and direct property holdings, we continue to back a selected number of companies which, though they may offer less attraction on an asset targeting basis, have a proven franchise for adding value for their shareholders. Stocks in this category include **Burford** and **Helical Bar**, both of which have provided first class returns to the Trust.

Manager's Report

continued

UK PROPERTY SHAREHOLDINGS

The Trust's portfolio has continued to be very lightly weighted towards the largest property companies in the Sector, Land Securities, MEPC, British Land and Hammerson, even though the four companies together by market capitalisation make up just over 50% of our benchmark, the FT-SE-A Property Share Index. The relative absence of these shares from our portfolio does not reflect the fact that we are opposed to investment in them, indeed at the appropriate moment these companies have been and will continue to be excellent investments, though the wide spread of their portfolios means they offer less opportunity for asset targeting.

UK property shareholdings by market capitalisation

	March 1996	March 1995
Over £1000m	**2.3%**	2.7%
£250m to £1000m	**17.0%**	9.0%
£100m to £250m	**21.9%**	14.2%
Under £100m	**58.8%**	74.1%
Number of investments	**83**	100
Average size of investment	**£1.28m**	£1.07m

By contrast to our light weightings in the Sector leaders, traditionally the Trust has been heavily invested in the smallest property companies in the Sector. We have already referred to our concern about the competitiveness of these companies and our overall portfolio weighting in this area fell last year and is likely to reduce further. However we will continue to make and hold significant investments in small companies where we perceive that a business has a focus or a franchise that may provide outperformance.

Largest UK quoted investments

As at 31 March 1996	Market Value £'000
Helical Bar plc	6,447
Edge Properties PLC	4,452
Chelsfield Properties PLC	3,780
TBI plc	3,772
Peel Holdings plc	3,690
Derwent Valley Holdings plc	3,540
Burford Holdings plc	3,405
Fiscal Properties plc	3,352
Asda Property Holdings PLC	2,968
Mountview Estates PLC	2,828
Slough Estates PLC	2,554
Dencora plc	2,530
Compco Holdings PLC	2,515
Frogmore Estates PLC	2,393
Tops Estates PLC	2,234
Chesterfield Properties PLC	2,030
Argent Group PLC	2,022
Bilton p.l.c.	1,957
Capital Shopping Centres PLC	1,911
Capital and Regional Properties plc	1,810
Freeport Leisure PLC	1,760
James Smith PLC	1,671
St. Modwen Properties PLC	1,650
PSIT plc	1,612
Development Securities PLC	1,555
Creston Land & Estates plc	1,531
Hemingway Properties PLC	1,530
Southend Property Holdings Plc	1,490
Town Centre Securities plc	1,463
Trocadero plc	1,403
Shaftesbury PLC	1,390
Scottish Metropolitan Properties PLC	1,350
Jacobs Holdings PLC	1,271
McKay Securities PLC	1,270
Ex-Lands Properties PLC	1,262
Jermyn Investment Co., PLC	1,200
Moorfield Estates PLC	1,173
French Property Trust plc	1,110
The British Land Company plc	1,052
Allied London Properties plc	1,038

The above 40 largest UK quoted investments amount to £87,971,000 or 48.7% of fixed asset investments.
(Convertibles and all classes of equities in any one company are treated as one investment).

Manager's Report

continued

Comments on ten largest UK holdings

One of the highlights of our financial year was the successful flotation of **Edge Properties** through a reversal into BDA Holdings. In its newly independent status, Edge now enters our quoted list for the first time as our second largest investment. The reversal was accompanied by an open offer and placing of Edge shares which raised £5m from fresh investors at asset value, and reduced the Trust's shareholding from 51% to 28.2%. In the nine months prior to the reversal in early January 1996, Edge had produced excellent results, and the Trust has continued to retain deferred interests in two of Edge's development properties in Halifax and Croydon, where, subject to the successful outcome of planning appeals, we may be entitled to receive additional proceeds in the form of shares in Edge which could raise our shareholding to 33.7%.

Helical Bar continued to be the Trust's largest UK quoted investment. The ordinary shares rose 9% over the year, but the convertible preference shares, through which we hold the bulk of our investment, increased in value by only 2%. By its own high standards Helical Bar had a modest year, but the recent expansion of its out of town retail division is attracting interest in the shares and both classes of stock have risen by over 15% since our year end.

We added modestly to our **Chelsfield** holding during the year. This and the sparkling 44% share price rise over the year, moved the company from 14th to 3rd in the list. Chelsfield owns the highly successful Merry Hill Shopping Centre in the West Midlands and, since our year end, has announced the acquisition of a majority interest in a site for a strategic shopping centre at White City in West London. **TBI's** share price rose 78% over the period, and our existing holding was increased in size substantially when we accepted TBI's agreed all share offer for our holding in Molyneux Estates. TBI's largest investment is Cardiff International Airport.

Peel Holdings remains fifth in the list. Our holding of the convertible preference shares rose by 33%. The major investor attraction in the shares is the potential of the Trafford Shopping Centre, west of Manchester now being developed by the company. We increased our investment in **Derwent Valley,** the specialist West End office investor. The shares had an excellent year rising 48%.

Our **Burford** holding remained as our 7th largest as the shares rose 15% over our year, but this understates the performance because during the period we also received, as a bonus issue, our shareholding in **Trocadero** shares which had a retained value of £1.4m at our year end. Our holding in **Fiscal** dropped back to 8th place in the table as the shares fell by 18%. Fiscal's provincial office portfolio is over 99% let to the Government. We added to our **Asda Properties** holding (which is all held through the convertible preference shares). This and a 20% increase in the preference share price took the holding from 19th to 9th place. We added very slightly to our **Mountview** holding. This company owns residential property in London and the South East. The shares had a quiet year rising only 3%.

Comments on other holdings

Compco is a new entrant to the list. During our year the shares rose by 71% as the business was recapitalised and the management enhanced. We are attracted by the strategy pursued by the new team, and we took the opportunity to take a 10% stake in the expanded business.

We started a new holding in **Capital Shopping Centres** during the year. The company gives us exposure to major out of town shopping centres and the shares performed very well, rising by 31% over the year. **Capital and Regional,** our 20th largest UK holding, also showed a 31% share price rise over the year. We slightly reduced our shareholding during the year but have taken up our rights to the new 6.75% Convertible Loan Stock issue since the year end.

Amongst the smaller property companies, our best performing share last year was **UK Land.** The shares rose 144% during the year and our increased holding of 10% of the shares now has a book cost of 33p per share. We significantly increased our shareholding to 10% in **Freeport Leisure,** the factory outlet centre developer and operator, and built up a near 9.5% shareholding in **Safeland,** the small North London based property dealer and investor.

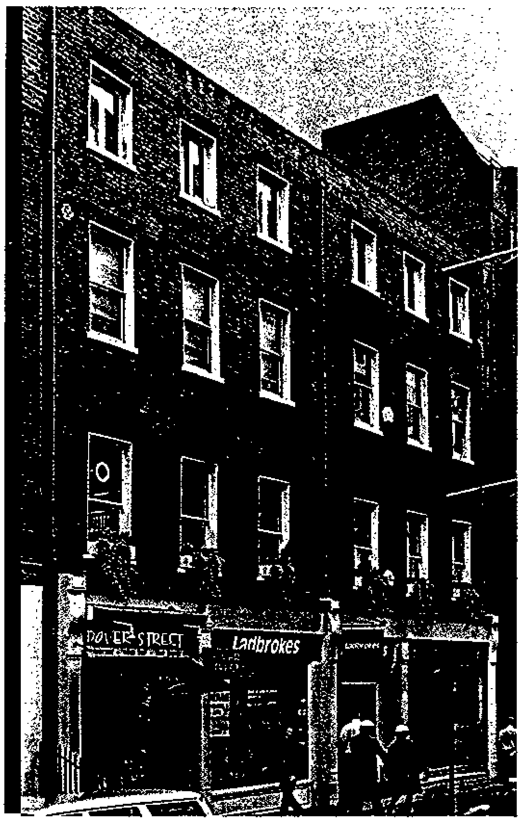
Manager's Report

continued

We increased our holding in **French Property Trust** from 4.8% to 6%, and our holding in **Development Securities** to 3.2%. Both shares outperformed the FT-SE-A Property Share Index over the year.

Our worst performing UK quoted investments were **Orb Estates,** whose share price fell 50%, **Creston** whose shares fell by 46% and loan stock by 44%, **Cathay International** where the share price decline was 41% and **English and Overseas Properties** whose shares fell by 28.5%.

During the year we sold entire holdings or ceased to have disclosable holdings in **Jacobs Holdings, UK Estates, Brightstone, Bolton Group, Bisichi Mining** and **Newport Holdings,** and overall our total number of UK property companies in which we were invested fell from 100 to 83. We expect this number to reduce further during the current year.



8/9 Dover Street, London W1

OVERSEAS QUOTED INVESTMENTS

World property markets had a mixed year, and no major commercial property market is currently enjoying boom conditions. In the Far East, residential markets were generally much more buoyant than business space markets. Share prices in both Australia and the USA suffered as a result of a continued high level of primary and secondary equity issues. Outside Europe the retail sector generally underperformed other use categories. Over the year, where changes have been made to the portfolio, we have aimed to increase the average size of the the companies in which we invest allowing us to gain better liquidity and improved broker coverage.

Largest overseas quoted investments

As at 31 March 1996	Market Value £'000
Continental Europe	
APCOA Parking AG (Germany)	1,553
German City Estate (Netherlands)	2,123
Schroder International Property Fund (Netherlands)	846
Singapore	
Wing Tai Holdings	863
Australasia	
Mirvac (Australia)	1,089
National Industrial Property Trust (Australia)	1,485
Trans Tasman (New Zealand)	787
USA	
Avalon Properties	845
Columbus Realty Trust	766
Crescent Real Estate	991
LTC Properties	798
Starwood Lodging	774

Market conditions remain tough in both Germany and France. In this context the decline of 3.4% in the share price of **German City Estates** was a good performance, and the 13.8% rise in the share price of **Schroder International Property Fund** even more laudable. Our only other Continental Europe shareholding is **APCOA Parking,** the largest quoted specialist car parking contractor in the EU. The shares delivered us a 50% price increase from their purchase in November 1995.

Manager's Report

continued

In the Far East, we exited from both Hong Kong and Malaysia during the year, and slightly increased our exposure to Singapore where we achieved good returns. We stayed out of Japan. Australian markets marked time and our exposure was also reduced so that **National Industrial** and **Stockland** are now our only property trust investments. Since the year end **Mirvac** shares have risen sharply on the news that Lend Lease have taken a 25% stake in the business.

In America, our Real Estate Investment Trusts (REITs) had a solid year giving us a total return in excess of the FT-SE-A Property Share Index but in their local market the REIT sector significantly underperformed the S&P 500 Index. During the year we sharply reduced our exposure to retail and factory outlet REITs and reinvested in the hotel sector via **Patriot American** and **Starwood Lodging** and into the suburban office markets of the South West and California through **Crescent Real Estate** and **Spieker Properties.** In both asset categories investment property is still selling for less than replacement cost and new development starts are running at historically very low levels.

UNQUOTED INVESTMENTS

An active year saw 3 of our 12 holdings being sold or floated and an agreed take-over for a fourth holding by a larger unquoted PLC. No fresh companies were added to our list of holdings, and we increased our investment in only one of our remaining holdings.

The two disposals involved the sale of **Bellhouse Joseph** to Dares Estates for shares, (which we subsequently sold) and the cash disposal of **North Eastern Industrial Properties.** We accepted the offer by Lands Improvement for our **Landmatch** equity. Lands Improvement is a substantial PLC which obtained a full market listing in June.

Retirement Care, the specialist managers of sheltered housing properties was the only unquoted investment to which we added during the year, taking up a further £435,000 of loan stock to fund small acquisitions and working capital. In March this year Retirement Care completed a larger purchase, but we did not partake in the resulting rights issue and our equity shareholding in the company therefore diluted from 30% to 24.5%.

Shares and preference stock in the **River Beauly Fishings Company** which were owned by Landmatch were distributed in specie to Landmatch shareholders during the year, as a result of which our shareholding increased. The company had a successful year generating over £1m of sales of fishing rights on the River Beauly. As a result the balance sheet is now in a more healthy position.

Our small 90% owned subsidiary, **Chaco Investments,** specialises in agency broking and the management of residential property portfolios let to Housing Associations. Institutional interest in this sector of the property investment market continues to quicken and with residential values now improving there is potential for considerable growth in this business.

Controlrun enjoyed further profits for their year ended January 1996. The petrol retail industry has seen a tough year with intense price competition and it continues to be rationalised with many privately owned dealer sites being driven out of the market. The Controlrun portfolio consists of first class sites largely let to major oil companies and we are confident in the ongoing success of this investment despite the difficult conditions in which the industry is currently operating.

Manager's Report

continued

DIRECTLY OWNED PROPERTY

Last year we had two objectives; to adjust the Trust's overall exposure to direct property and, through sales and fresh purchases, to alter the spread of our direct property portfolio so that it would act to reinforce our overall strategy towards the UK market outlined earlier in this review. It is pleasing to report that we have made significant progress towards these objectives.

Direct property portfolio: percentage spread by location and use at 31 March 1996

	West End London	Other S.E. England	Other UK	TOTAL
Offices	23.4	11.7	–	35.1
In town Retail	–	–	0.2	0.2
Out of town				
Retail	–	16.2	–	16.2
Industrial	–	32.0	4.2	36.2
Business Centres	–	8.3	–	8.3
Residential	–	–	4.0	4.0
TOTAL	23.4	68.2	8.4	100

During the year we sold a total of 17 properties for a total cash consideration of £19.3m and, in addition, a further four properties, valued at £13.7m at December 1995, were transferred out of our majority control with the flotation of Edge Properties. We bought only one property, a retail warehouse investment near Reading, at a cost of £6.8m, which we are holding in a joint venture with Edge Properties as our minority partner.

The sales were concentrated on properties which were generally let at rents in excess of current rental values, and though higher yielding, were judged as having less potential for future capital and income growth, and were felt to fit less well into our revised portfolio strategy.

Management activity

During the year we acquired the freehold interest of our existing property at 40 Beddington Lane, Croydon. Three suites of offices came vacant at 29/30 St James's St and were refurbished. One was let during the year and one has been let since the year end. We took a surrender of a warehouse unit at Ossett near Leeds and re-let it to the other tenant on our estate who now holds both units on a new 25 year lease with a break option at the 10th year. Other lettings were achieved at Oxted and Camberley.

Excluding our three South London business centres, where occupation levels fluctuate weekly, voids in the portfolio represented 3.6% of the rent roll at the year end. This has since fallen to 2.9%.

Valuation

The annual external revaluation by Drivers Jonas produced a 1.7% fall in the value of the portfolio using valuations at March 1995 or subsequent cost as the base for comparison. The running yield on the whole portfolio was 9.3%. Stripping out subsequent expenditure the movement was -2.2%. The best valuation changes came from the properties where new lettings were achieved. We saw declines in value where vacancies arose, where leases are due to expire shortly and from adverse yield movements on some of the industrial properties.

Lease lengths by rental income

Statistically the average unexpired certain term of our rental income is 16 years, but as the table shows, the pattern of lease expiries is well spread.

Lease expires within:	Percentage of gross rental income
1 year	15.8%
2 to 5 years	8.3%
6 to 10 years	6.6%
11 to 20 years	44.0%
Over 20 years	25.3%

Some 11% of our gross rental income comes from short term licences granted in our three London business centres and all this income is included in the table as expiring within one year. At the other extreme approximately 25% of our gross rental income comes from leases with over 75 years unexpired.

Manager's Report

continued

PRINCIPAL INVESTMENT PROPERTIES

as at 31 March 1996

Property	Sector	Tenure	Size (sq ft)	Principal Tenants
Value in excess of £5m				
29/30 St James's Street and 25/27 Bury Street, LONDON SW1	West End Offices and Retail	Leasehold 100 yrs from 1982	Offices 21,197 Retail 8,012 Total 29,209	TSB France Telecom Monument Oil

Located on the east side of St James's Street next to Boodles Club, the property runs back into Bury Street. Originally built about 1910 and fully refurbished in 1986/87. There are 13 suites of offices on five floors over four shops on ground and basement. Lease lengths vary from 5 years to 17 years unexpired. Two office suites totalling 2,830 sq ft were vacant at March 1996. One has since been let.

Property	Sector	Tenure	Size (sq ft)	Principal Tenants
40, Beddington Lane, Croydon, Surrey	Warehouse with ancillary offices	Freehold	137,250	Superdrug

Located just to the west of Purley Way, the building is a major distribution depot. It was built about 1980 and the main portion has 30 ft eaves. It is let to Superdrug for 99 years from 1982 with 5 year reviews to two-thirds of rental value. During 1995/96 the Trust acquired the freehold interest.

Property	Sector	Tenure	Size (sq ft)	Principal Tenants
Pincents Lane, Theale, Nr. Reading, Berkshire	Retail Warehousing	Freehold	56,430	Texas Homecare Do-it-All

This property was bought in December 1995 and is held with Edge Properties in a joint venture in which the Trust has a majority stake. The two units are located just to the north of the Theale Interchange on the M4 and close to a Savacentre store. They are let on leases with some 19 years unexpired.

Property	Sector	Tenure	Size (sq ft)	Principal Tenants
Elizabeth House, Duke Street, Woking, Surrey	Offices	Freehold	54,150	Forbuoys

Located in the centre of Woking, the building is let for 99 years from 1982 with five yearly upwards only rent reviews to approximately two-thirds of rental value.

Value between £2.5m and £5m

Property	Sector	Tenure	Size (sq ft)	Principal Tenants
Ferry Lane Industrial Estate, Blackhorse Lane, LONDON E4	Warehousing	Freehold	82,811	LTA Advertising Hanson White Autoglass

An estate of nine units built in the early 1980s and located opposite Blackhorse Road Tube Station. The units are let on leases with approximately 14 years unexpired.

Property	Sector	Tenure	Size (sq ft)	Principal Tenants
8/9 Dover Street, LONDON W1	West End Mixed Use	Freehold	9,317	Ladbrokes Dover St Wine Bar CCA Galleries

This building is located just to the north of Piccadilly. All the leases expire in 1997 and the possibilities of extending the property and converting some areas to residential use are being investigated.

Valued at under £2.5m

At 31 March 1996 the Trust owned nine further properties with individual values of under £2.5m. They are located in Bolton, Camberley, Cambridge, London SE7, London SE16 and London SW11, Newark, Ossett near Leeds and Oxted, Surrey. Their aggregate value at March 1996 was £9.75m.

Finance Manager's Report

Jo Elliott
Finance Manager

Taxation

The Group taxation charge of 20.7% of net revenue shows a significant reduction over the 28.6% charge in the prior year. This is largely due to capital allowances claimed on the portfolio of properties sold during the year. The Group will continue to claim capital allowances wherever possible although it is unlikely that this will result in such a low taxation charge in future periods.

Financing

In August 1994 the Group entered into an interest rate swap contract for three years against the £15m debenture to receive interest at a fixed rate of 11.5% and pay interest at a floating rate of six-month LIBOR plus 3.29%. Falling interest rates have resulted in an interest saving of £191,000 for the financial year ended March 1996.

Gearing

On balance sheet gearing was 10.4% at the year end. This is a lower figure than usual reflecting a major property sale close to the year end and the repayment of short term borrowings. The bank overdraft of £30 million at 1 April 1995 was repaid in full by the end of the financial year.

The only Group debt outstanding at the year end was long term debt consisting of £25m of debenture stock in issue, as in the prior year, and £480,000 loan notes issued during the year to a joint venture partner.

The on balance sheet gearing figure gives part of the picture of the Group's overall exposure to debt, the other part being in the underlying gearing in the companies in which we invest. On this basis our on and off balance sheet gearing was approximately 70% at 31 March 1996 compared with roughly 100% a year earlier.

Accounting treatment of Edge

The results of Edge Properties have been consolidated since it became a subsidiary in 1991. Following the flotation of Edge in January and the associated fund raising exercise our share holding reduced to 28.2%. Despite the size of the Group's holding in Edge, in the opinion of the directors the Group is not in a position to exert significant influence over Edge. Accordingly it is not accounted for as an associated company and is valued as an investment at mid-market value in the year end Group balance sheet.

SORP

The Association of Investment Trust Companies has issued a Statement of Recommended Practice, "Financial Statements of Investment Trust Companies", which is applicable for accounting periods commencing on or after 1 January 1996. The Group intends to adopt the recommendations and reporting format of the SORP for the next interim statement in September.

Report of the Directors

The Directors present their report and the audited accounts for the year ended 31 March 1996.

Status, principal activities and business review

The Company is an investment company as defined in Section 266 of the Companies Act 1985. It carries on the business of an investment trust and has been approved in respect of the year ended 31 March 1994 by H. M. Inspector of Taxes under Section 842 of the Income and Corporation Taxes Act 1988. The Directors expect that the Company will be able to continue to obtain such approval. The 'close company' provisions do not apply to the Company.

The Group comprises an authorised investment trust and a number of subsidiaries. A review of the business is given in the Chairman's Statement on pages 3 and 4, the Manager's Report on pages 6 to 13 and the Finance Manager's Report on page 14.

Revenue

During the year, Group net revenue before taxation decreased by £583,000 to £8,363,000, a decrease of 6.5%. Net revenue after taxation and minority interests for the year was £6,355,000.

Dividend

An interim dividend of 0.42p per share was paid on 8 January 1996 and the Directors recommend the payment of a final dividend of 0.56p per share on 31 July 1996 to shareholders on the Register at 2 July 1996. The total dividend for the year is, therefore, 0.98p per share.

Investments

The net asset value per share, after deducting prior charges at par, was 35.20 pence compared with 33.98 pence on 31 March 1995, an increase of 3.6%. The percentage changes in the principal financial indices and details of the investments are shown within the Manager's Report on pages 6 to 13. In addition the 40 largest quoted UK investments are listed on page 8.

Property valuation

Valuations of the Group's investment properties as at 31 March 1996 have been carried out by external independent valuers. These valuations have been adopted in the accounts. Details of the valuers and changes in fixed assets are shown in Notes 8 and 9 to the accounts.

Directors

The names and biographies of the Directors holding office at the year-end are listed on the inside cover.

Mr P J Duffy retired as a Director on 20 July 1995, at the close of the Annual General Meeting, and Mr G H B Carter retired on 20 June 1996.

All the current Directors are independent of the management company.

Their interests in the share capital of the Company at the beginning of the year and at the end of the year, together with their interests in warrants at the year end, were as follows:

	Ordinary Shares of 25p		Warrants
With beneficial interest:	31 March 1996	1 April 1995	31 March 1996
P C Hyde-Thomson	354,800	354,800	70,960
R R St J Barkshire	35,000	29,683	5,936
R W Carey	5,000	5,000	1,000
G H B Carter	5,000	5,000	1,000
W G Cochrane	26,953	26,564	5,171
G C Musson	14,800	14,800	2,960
A Ross Goobey	–	–	–
Without beneficial interest:			
P C Hyde-Thomson	109,000	109,000	21,800
A Ross Goobey	103,386,696	95,636,696	19,127,339

The Directors' interests in the warrants, as noted above, have been unchanged throughout the year. There have been no changes in the Directors' interests in shares or warrants between the end of the financial year and 20 June 1996.

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.

No Director had a service contract with the Company.

The Directors due to retire by rotation are Mr P C Hyde-Thomson and Mr R R St J Barkshire who, being eligible, offer themselves for re-election.

Report of the Directors

continued

Mr Hyde-Thomson will be 70 next year and in accordance with the Company's procedures for Corporate Governance, which established a retirement age of 70, he will be standing down at the next Annual General Meeting.

Donations

During the year no political donations were made and donations of £2,540 were made to charities.

Payment of suppliers

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will take place, and it is our policy to abide by the terms.

Authority to allot shares and disapplication of pre-emption rights

At last year's Annual General Meeting the Directors were authorised to allot up to 5% of the Company's authorised but unissued shares. This authority will expire at the forthcoming Annual General Meeting. Power was also given to the Directors to issue shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. This power will also lapse at the forthcoming Annual General Meeting.

These powers have not been used and appropriate resolutions to renew both authorities will be proposed at the Annual General Meeting and are set out in full in the Notice of Meeting on page 34.

Management company

Investment management, accounting, secretarial, administrative and UK custodian services are provided to the Group by subsidiary companies of Henderson Administration Group plc.

The annual management fee is 0.75% and is calculated on the average of the Group's consolidated net assets, subject to adjustment for borrowings and minority interests, at 31 March in the two years preceding the year of calculation. Holdings in Henderson Administration Group plc and investment funds managed by Henderson are wholly excluded from the calculation.

One half of the annual fee payable to Henderson Administration Group is charged by the Company to capital and the remaining half to revenue. This reflects the equal emphasis placed on achieving both capital and revenue growth.

The management agreement may be terminated by the Company giving two years' notice.

The Investment Manager uses certain services which are paid for or provided by various brokers. In return it places business, which may include transactions relating to the Company, with these brokers.

Substantial share interests

The following have declared that they had a notifiable interest in the issued share capital of the Company as at 20 June 1996:

BT Pension Scheme	12.63%
Post Office Staff Superannuation Scheme	9.13%
Scottish Widows Investment Management Ltd	6.89%
Windsor Life Assurance Company Ltd	3.94%
Prudential Assurance Co. Ltd	3.40%
The Equitable Life Assurance Society	3.08%
Legal & General Investment Management Ltd	3.07%

Personal equity plan

As from 1 April 1996 the Company has conducted its affairs and will continue to conduct its affairs, in such a way as to comply with the Personal Equity Plan Regulations as a fully qualifying investment trust.

Auditors

A resolution to re-appoint Ernst & Young as auditors of the Company and to authorise the Directors to fix their remuneration is included in the Notice of Meeting.

Annual general meeting

The Annual General Meeting will be held on Thursday, 25 July 1996 at 12 noon. Notice of Meeting is set out on page 34.

By order of the Board

N P Taylor ACIS Neil Taylor

For and on behalf of
Henderson Secretarial Services Limited
Secretary
20 June 1996

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. Since 20 July 1995 all of the Directors have been independent of the Company's investment manager and prior to that date a majority were independent. The Board has established audit and management engagement committees with specific terms of reference and membership of these committees comprise all the non-executive Directors. 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 Group 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 Group are safeguarded. The internal 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 Group. The investment manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal financial 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 an ongoing 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 Group. It reviews the half year and annual accounts and reviews the nature and scope of the statutory audit and the findings therefrom.

These internal financial control systems 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 year.

Going concern

The Directors believe that is 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, has adequate financial resources to continue in operational existence for the foreseeable future.

Reporting

The Auditors, Ernst & Young, have reported to the Company that in their opinion the Directors comments above on internal financial control and on going concern provide the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are consistent 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. The Auditors were not required to carry out the additional work necessary to, and do not, express any opinion on the effectiveness of either the Group's systems of internal financial control or its corporate governance procedures, nor the ability of the Group to continue in operational existence.

Revenue Accounts

for the year ended 31 March 1996

				Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
	Income						
Note 2	Franked investment income			**4,092**	2,876	**4,092**	2,931
Note 2	Unfranked investment income			**2,714**	3,020	**2,690**	3,004
	Share of profits less losses of associated undertakings			**(8)**	180	**–**	–
Note 3	Net rental income			**6,307**	6,184	**–**	157
	Property dealing profits			**859**	2,492	**–**	–
	Property dealing stock provision			**(17)**	(334)	**–**	–
				13,947	14,418	**6,782**	6,092
	Interest receivable and similar income						
	Interest receivable from subsidiary undertakings			**–**	–	**1,560**	1,560
	Other interest receivable			**736**	587	**163**	103
	Other income			**284**	586	**69**	249
	Total revenue			**14,967**	15,591	**8,574**	8,004
Note 4	**Administrative expenses**			**2,490**	2,466	**1,054**	884
	Net revenue before interest payable and taxation			**12,477**	13,125	**7,520**	7,120
Note 5	**Interest payable and similar charges**			**4,114**	4,179	**2,087**	1,778
	Net revenue on ordinary activities before taxation			**8,363**	8,946	**5,433**	5,342
Note 6	**Taxation on net revenue on ordinary activities**			**1,728**	2,562	**1,237**	1,357
	Net revenue on ordinary activities after taxation			**6,635**	6,384	**4,196**	3,985
	Equity minority interests			**280**	547	**–**	–
				6,355	5,837	**4,196**	3,985
	Appropriations – dividends						
	Ordinary shares	**1996**	1995				
	– interim paid	**0.42p**	0.40p	**1,981**	1,882	**1,981**	1,882
	– final proposed	**0.56p**	0.54p	**2,625**	2,542	**2,625**	2,542
		0.98p	0.94p	**4,606**	4,424	**4,606**	4,424
Note 17	**Transferred to/(deducted from) retained revenue**			**1,749**	1,413	**(410)**	(439)
Note 7	**Earnings per ordinary share**			**1.35p**	1.33p	**0.89p**	0.91p

The notes on pages 22 to 32 form part of these accounts

Balance Sheets

at 31 March 1996

		Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
	Fixed assets				
	Tangible assets	**37**	50	**–**	–
Notes 8,9,10	Investments	**180,634**	214,473	**181,744**	195,458
		180,671	214,523	**181,744**	195,458
	Current assets				
	Property dealing stock	**83**	3,441	**–**	–
Note 11	Debtors	**9,547**	13,240	**9,584**	7,951
Note 21	Cash at bank	**8,034**	3,645	**6,448**	93
		17,664	20,326	**16,032**	8,044
Note 12	**Creditors – amounts falling due within one year**	**7,305**	43,858	**31,957**	43,467
	Net current assets/(liabilities)	**10,359**	(23,532)	**(15,925)**	(35,423)
	Total assets less current liabilities	**191,030**	190,991	**165,819**	160,035
Note 12	**Creditors – amounts falling due after more than one year**	**25,321**	29,439	**–**	–
		165,709	161,552	**165,819**	160,035
Note 13	Provisions for liabilities and charges	**20**	–	**177**	141
	Total net assets	**165,689**	161,552	**165,642**	159,894
	Capital and reserves				
Note 14	Called up share capital	**117,647**	117,647	**117,647**	117,647
Note 15	Share premium account	**27,797**	27,797	**27,797**	27,797
Note 15	Warrant reserve	**5,074**	5,074	**5,074**	5,074
Note 16	Other non-distributable reserves	**8,792**	4,793	**11,153**	4,995
Note 17	Revenue account	**6,332**	4,583	**3,971**	4,381
	Equity shareholders' funds	**165,642**	159,894	**165,642**	159,894
	Equity minority interests	**47**	1,658	**–**	–
		165,689	161,552	**165,642**	159,894

P C Hyde-Thomson – Director

These accounts were approved by the Directors on 20 June 1996

Group Statement of Total Recognised Gains and Losses

for the year ended 31 March 1996

	Group 1996 £'000	Group 1995 £'000
Non-distributable profits		
Realised losses on fixed asset investments	**(19,592)**	(4,291)
Exchange differences arising on translation of currency balances	**(4)**	43
Unrealised appreciation/(depreciation) on fixed asset investments	**24,303**	(33,993)
Management fee charged to capital net of tax relief	**(623)**	(522)
Minority interests in revaluations	**55**	(567)
Other reserve adjustments	**(140)**	(136)
Transfer to/(from) non-distributable reserves	**3,999**	(39,466)
Distributable profits		
Net revenue on ordinary activities after taxation and minority interests	**6,355**	5,837
Total recognised gains/(losses) for the year	**10,354**	(33,629)

Group Reconciliation of Movement in Shareholders' Funds

for the year ended 31 March 1996

	Group 1996 £'000	Group 1995 £'000
Net revenue on ordinary activities after taxation and minority interests	**6,355**	5,837
Dividends	**(4,606)**	(4,424)
	1,749	1,413
Increase/(decrease) in non-distributable reserves	**3,999**	(39,466)
Issue of ordinary shares and warrants	**–**	79,165
Net addition to shareholders' funds	**5,748**	41,112
Equity shareholders' funds at 1 April	**159,894**	118,782
Equity shareholders' funds at 31 March	**165,642**	159,894

Historical Cost Profits and Losses

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

The notes on pages 22 to 32 form part of these accounts

Group Cash Flow Statement

for the year ended 31 March 1996

		1996 £'000	1996 £'000	1995 £'000	1995 £'000
	Operating activities				
	Cash received from investments	**5,297**		4,706	
	Cash received from tenants	**5,974**		6,721	
	Property dealing stock sales	**8,494**		13,866	
	Interest received	**708**		987	
	Other income received	**263**		714	
	Property dealing stock purchases	**(5,645)**		(9,471)	
	Investment management fees paid	**(1,892)**		(1,633)	
	Cash paid to directors	**(121)**		(112)	
	Other cash payments	**(2,331)**		(1,553)	
Note 18	**Net cash inflow from operating activities**		**10,747**		14,225
	Servicing of finance				
	Interest paid	**(3,998)**		(4,187)	
	Dividends paid	**(4,523)**		(3,297)	
	Net cash outflow from servicing of finance		**(8,521)**		(7,484)
	Taxation paid		**(1,294)**		(217)
	Investing activities				
	Purchase of subsidiary undertaking	**–**		(4,330)	
	Deemed disposal of subsidiary undertaking	**(638)**		–	
	Purchase of associated undertaking	**–**		(1,500)	
	Sale of associated undertaking	**1,606**		–	
	Purchases of investments	**(36,060)**		(71,043)	
	Sales of investments	**64,233**		12,469	
	Loans to associated undertakings	**(435)**		(1,400)	
	Loans repaid by associated undertakings	**45**		913	
	Net cash inflow/(outflow) from investing activities		**28,751**		(64,891)
	Net cash inflow/(outflow) before financing		**29,683**		(58,367)
	Financing				
	Issue of shares and warrants	**–**		41,097	
	Share and warrant issue costs	**–**		(932)	
Note 19	Issue of debenture loans	**480**		–	
Note 19	Bank loans drawn down	**4,231**		2,095	
	Net cash inflow from financing		**4,711**		42,260
Note 20	**Increase/(decrease) in cash and cash equivalents**		**34,394**		(16,107)

The notes on pages 22 to 32 form part of these accounts

Notes to the Accounts

1 Accounting policies

(a) Basis of preparation

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

All loans to associated undertakings are now included in debtors and the comparative figures have been adjusted accordingly.

(b) Basis of consolidation

The accounts of the Group consolidate the financial statements of the Company and its subsidiary undertakings to 31 March.

The Group's interests in property joint ventures are consolidated as subsidiary undertakings where that interest is not less than 50%.

Undertakings, other than subsidiary undertakings, in which the Group has an investment representing 20% or more of the voting rights and over which it is in a position to exert significant influence, are treated as associated undertakings. The Group accounts include the appropriate share of the results and reserves of these undertakings based on the latest available accounts (see note 10). Other undertakings, in which the Group has an investment representing 20% or more of the voting rights but where the directors consider that the Group is not in a position to exert significant influence, are not treated as associated undertakings and are accounted for as investments.

(c) Income and expenses

Income from equity investments and convertibles, including the imputed tax credit, is taken to the revenue account on a due date basis. Income from fixed interest securities, other income and expenses are accounted for on an accruals basis.

One half of the management fee relating to the management of fixed asset investments is charged to the revenue account and the remainder is charged to non-distributable reserves net of corporation tax relief and inclusive of any related irrecoverable value added tax.

(d) Properties

Properties held by subsidiary undertakings for dealing are treated as current assets and are included in the balance sheet at the lower of cost or market value.

Properties held for long term investment are treated as follows:

(i) they are revalued annually and the aggregate surplus or deficit is transferred to/from non-distributable reserves; and

(ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties where the unexpired lease term is 20 years or more. The directors consider that this accounting policy is necessary for the accounts to give a true and fair view. Depreciation is only one of the factors reflected in the valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

The purchase and sale of properties is recognised to be effected on the date unconditional contracts are exchanged.

(e) Foreign currencies

Transactions recorded in foreign currencies during the year are translated into sterling at the exchange rates ruling at the dates the transactions take place. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

Notes to the Accounts

continued

1 Accounting policies (continued)

(f) Capital gains and losses

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

(g) Fixed asset investments

Fixed asset investments are stated in the accounts at market value. Listed investments are valued at middle market prices for those listed in the United Kingdom and at closing market prices for those listed elsewhere. Unlisted investments are included at directors' valuation, which is based on current market prices, trading conditions and the general economic climate. Where no active market exists for shares listed on inactive exchanges the directors' valuation policy is used.

The Company's investments in subsidiary and associated undertakings are revalued annually to the Company's share of the net asset value of those undertakings.

(h) Deferred taxation

Deferred taxation is provided at the anticipated tax rate on all timing differences to the extent that it is probable that the liability will crystallise. Deferred taxation assets are recognised to the extent that their recovery is anticipated against the taxation on profits up to the end of the following year.

(i) Interest rate swap contracts

Interest rate swap contracts are accounted for on an accruals basis and are not revalued. The net interest receivable/payable is credited against/added to the interest payable on debentures.

2 Income from fixed asset investments

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Franked:				
Listed investments	**4,092**	2,876	**4,092**	2,876
Unlisted investments	–	–	–	55
	4,092	2,876	**4,092**	2,931
Unfranked:				
Dividends from listed investments	**1,450**	2,092	**1,450**	2,091
Interest from listed investments	**1,051**	928	**1,049**	913
Interest from unlisted investments	**213**	–	**191**	–
	2,714	3,020	**2,690**	3,004

3 Net rental income

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Gross rent	**7,443**	7,290	–	186
Direct property expenses including ground rent	**(1,136)**	(1,106)	–	(29)
Net rental income	**6,307**	6,184	–	157

Notes to the Accounts

continued

4	Administrative expenses	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
	Administrative expenses include:				
(i)	Auditors' remuneration:				
	Audit services	**36**	39	**22**	22
	Other services	**14**	30	**7**	25
	Management fee (see below)	**862**	748	**615**	452

The total management fee, excluding VAT, for the year was £1,695,000 (1995: £1,441,000) for the Group and £1,229,000 (1995: £903,000) for the Company. The total management fee, including irrecoverable VAT, was £1,892,000 (1995: £1,623,000) for the Group and £1,355,000 (1995: £999,000) for the Company. The element of the total management fee which has not been charged to the revenue account above has been charged to non-distributable reserves in accordance with the accounting policy described in note 1(c).

(ii) Directors' emoluments:

P J Duffy was a director of the Company until his retirement on 20 July 1995. Mr Duffy was employed by Henderson Administration Group plc and its subsidiaries ("Henderson") in an executive capacity in the provision of the services to the Group up to 31 May 1995. Under the Companies Act 1985, it is necessary to state the proportion of the emoluments he received from Henderson which relate to the management of the Group even though the Group did not pay these emoluments. The Group has been informed that the applicable proportion of the emoluments paid by Henderson (including pension contributions and performance related bonus) was £56,000 (1995: £147,000). This amount, together with the amounts paid directly by the Group to the non-executive directors, is included in the analysis stated below:

	1996 £'000	1995 £'000
Fees (paid by the Group)	**111**	115
Salaries and other benefits (paid by Henderson)	**28**	126
Performance related bonus (paid by Henderson)	**25**	–
Payments to pension scheme (paid by Henderson)	**3**	21
Total emoluments excluding amounts paid to third parties	**167**	262

The fees of certain directors are paid to third parties for making available the services of these directors to the Group as follows:

	1996 £'000	1995 £'000
Amounts paid to third parties (including Henderson)	**14**	20

Directors' emoluments include the following:	Chairman		Highest Paid	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Fees (paid by the Company)	**24**	24	–	–
Salaries and other benefits (paid by Henderson)	–	–	**28**	126
Performance related bonus (paid by Henderson)	–	–	**25**	–
Payments to pension scheme (paid by Henderson)	–	–	**3**	21
	24	24	**56**	147

Notes to the Accounts

continued

4 Administrative expenses (continued)

Directors' emoluments, excluding amounts paid to third parties and excluding payments to pension schemes, fell within the following bands

	Group		Company	
	1996	1995	1996	1995
£Nil-£5,000	1	1	1	1
£10,001-£15,000	3	3	5	5
£20,001-£25,000	2	2	1	1
£30,001-£35,000	1	1	–	–
£50,001-£55,000	1	–	1	–
£125,001-£130,000	–	1	–	1

5 Interest payable and similar charges

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Loans from subsidiary undertakings	–	–	1,098	780
Bank loans and overdrafts repayable within 1 year	1,055	1,472	989	998
Bank loans repayable after more than 5 years	679	328	–	–
Debentures repayable after more than 5 years	2,380	2,379	–	–
	4,114	4,179	2,087	1,778

6 Taxation

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Corporation tax charge at 33%	730	1,487	383	548
Less: relief for overseas taxation	(177)	(203)	(177)	(203)
	553	1,284	206	345
Tax credits on franked investment income	818	575	818	586
Overseas withholding tax	177	203	177	203
Transfer to deferred taxation	180	500	36	223
	1,728	2,562	1,237	1,357

Company	1,237	1,357
Subsidiary undertakings	490	1,151
Associated undertakings	1	54
	1,728	2,562

The Group tax charge for the year was reduced significantly by capital allowances claimed in respect of a portfolio of properties sold during the year.

Notes to the Accounts

continued

7 Earnings per share

The calculations of earnings per share are based on the Group and Company net revenue available for shareholders of £6,355,000 (1995: £5,837,000) and £4,196,000 (1995: £3,985,000) respectively and on the weighted average number of shares of 25p each in issue during the year of 470,588,845 (1995: 437,701,551).

8 Investments

		Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
	Listed at market value:				
	United Kingdom	**106,657**	107,341	**102,189**	107,324
	Overseas	**23,193**	29,576	**23,193**	29,576
	Unlisted at directors' valuation	**880**	951	**880**	951
Note 23	Subsidiary undertakings	**–**	–	**54,199**	54,469
Notes 10, 24	Associated undertakings	**1,275**	3,130	**1,275**	3,130
	Investment properties	**48,629**	73,475	**8**	8
		180,634	214,473	**181,744**	195,458

The Company's investments in subsidiary and associated undertakings have been revalued at the Company's share of the net asset value of those undertakings.

Investment properties, with the exception of £1,943,000 held in Chaco Investments Limited, were independently valued on the basis of open market value in accordance with the definition set out in the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The valuations were carried out as at 31 March 1996 by Drivers Jonas in the case of investment properties held by wholly owned subsidiaries and in the case of properties held in other subsidiaries by Weatherall Green & Smith.

The historical cost to the Group of the investment properties shown above was £52,287,000 (1995: £82,006,000).

9 Changes in fixed asset investments

		Group £'000	Company £'000
	Valuation at 1 April 1995	214,473	195,458
	Unrealised depreciation	46,318	49,150
	Share of retained profit in associated undertakings	(989)	–
	Cost at 1 April 1995	259,802	244,608
	Additions at cost	35,829	22,188
	Disposals at cost	(93,962)	(55,471)
	Cost at 31 March 1996	201,669	211,325
Note 16	Unrealised depreciation	(22,015)	(29,581)
	Share of retained profit in associated undertakings	980	–
Note 8	**Valuation at 31 March 1996**	**180,634**	**181,744**

Notes to the Accounts

continued

10 **Associated undertakings**

Note 24 The Group's associated undertakings are included in the Group accounts under the equity method of accounting as follows:

	£'000
Share of net assets at 1 April 1995	3,130
Disposals	(1,745)
Share of revaluations	(101)
Share of loss for the year	(9)
Share of net assets at 31 March 1996	**1,275**

The accounting dates of the associated undertakings are not co-terminous with that of the Group. Consequently, the above balances include amounts extracted from the management accounts of the associated undertakings.

11 **Debtors**

		Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
	Securities and properties sold for future settlement	**308**	5,746	**308**	716
	Amounts due from Group undertakings	**–**	–	**2,309**	2,309
	Amounts due from associated undertakings	**3,808**	3,381	**3,808**	3,381
	Advance corporation tax recoverable	**731**	751	**731**	647
	Tax recoverable	**2,806**	1,593	**2,225**	852
Note 13	Deferred taxation	**–**	160	**–**	–
	Prepayments and accrued income	**738**	552	**159**	17
	Other debtors	**1,156**	1,057	**44**	29
		9,547	13,240	**9,584**	7,951
	Amounts falling due after more than one year included above are:				
	Advance corporation tax recoverable	**731**	751	**731**	647
	Deferred taxation	**–**	160	**–**	–
	Amounts due from associated undertakings	**1,835**	1,654	**–**	1,654
		2,566	2,565	**731**	2,301

12 **Creditors**

		Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
	Amounts falling due within one year:				
Note 21	Bank loans and overdrafts	**–**	30,001	**–**	21,651
	Securities and properties purchased for future settlement	**542**	4,499	**542**	269
	Amounts due to Group undertakings	**–**	–	**27,580**	17,862
	Advance corporation tax payable	**965**	882	**965**	882
	Taxation payable	**406**	721	**–**	–
	Proposed ordinary dividend	**2,635**	2,542	**2,635**	2,542
	Accruals and deferred income	**1,295**	2,118	**107**	149
	Other creditors	**1,462**	3,095	**128**	112
		7,305	43,858	**31,957**	43,467

Notes to the Accounts

continued

12 Creditors (continued)

		Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
	Amounts falling due after more than one year:				
Note 19	Debenture loans *(a), (b) and (c) below*	**25,303**	24,814	–	–
Note 19	Bank loans	–	4,595	–	–
	Other creditors	**18**	30	–	–
		25,321	29,439	–	–

a) £15,000,000 participation in 11½% several debenture stock 2016 in the name of TR Property Finance Limited, a subsidiary undertaking, which is guaranteed by the Company by a floating charge over its assets.

b) £10,000,000 8⅛% debenture stock 2008 in the name of Trust Union Finance (1991) PLC, a subsidiary undertaking, which is guaranteed by the Company by a floating charge over its assets.

c) £480,000 7¾% loan notes, issued by Trust Union Properties (Number Twenty-One) Ltd, a subsidiary undertaking, for the financing of an investment property. The ultimate repayment of the loan notes is secured against that property.

13 Provisions for liabilities and charges

	Group £'000	Company £'000
Deferred taxation:		
At 1 April 1995	(160)	141
Charge for the year	180	36
At 31 March 1996	**20**	**177**

Deferred taxation arises in respect of short-term timing differences on interest payments and dividend receipts.

14 Called up share capital

	1996 Number	1996 £'000	1995 Number	1995 £'000
Authorised:				
Ordinary shares of 25p	**779,170,350**	**194,793**	779,170,350	194,793
Issued, allotted and fully paid:				
Ordinary shares of 25p	**470,588,845**	**117,647**	470,588,845	117,647

15 Share premium account and warrant reserve

	Share premium		Warrant reserve	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April 1995 and 31 March 1996	**27,797**	**27,797**	**5,074**	**5,074**

At 31 March 1996 there were 94,117,769 (1995: 94,117,769) warrants outstanding. The warrants give holders the right to subscribe for shares at a subscription price of 47.5p per share on 31 July in each of the years 1997 to 2002 inclusive.

Notes to the Accounts

continued

16 Other non-distributable reserves

		Group £'000	Company £'000
	Unrealised appreciation/(depreciation) of fixed assets:		
	At 1 April 1995	(46,318)	(49,150)
	Appreciation in the year	24,303	19,569
Note 9	**At 31 March 1996**	**(22,015)**	**(29,581)**
	Other reserves:		
	At 1 April 1995	51,111	54,145
	Net realised losses on investments	(19,592)	(12,953)
	Exchange losses arising on translation of foreign currency balances	(4)	(4)
	Management fee charged to capital net of tax relief	(623)	(454)
	Minority interests in revaluations	55	–
	Other reserve adjustments	(140)	–
	At 31 March 1996	**30,807**	**40,734**
	Total at 31 March 1996	**8,792**	**11,153**

17 Revenue account

At 1 April 1995	4,583	4,381
Retained for the year after appropriations	1,749	(410)
At 31 March 1996	**6,332**	**3,971**

18 Reconciliation of Group operating revenue to net cash inflow from operating activities

	1996 £'000	1995 £'000
Net revenue before interest payable and taxation	**12,477**	13,125
Net sales of property dealing stock	**4,486**	4,395
Increase in operating debtors	**(1,659)**	(300)
(Decrease)/increase in operating creditors	**(1,429)**	1,307
Tax credits on franked investment income	**(818)**	(587)
UK income tax deducted at source	**(376)**	(439)
Overseas withholding tax suffered	**(177)**	(203)
Share of profits less losses of associated undertakings	**8**	(180)
Provision for diminution in value of property dealing stock	**17**	334
Depreciation of tangible fixed assets	**6**	–
Dividends received from associated undertakings	**–**	44
Property dealing profits	**(859)**	(2,492)
Management fee charged to capital	**(929)**	(779)
Net cash inflow from operating activities	**10,747**	14,225

Notes to the Accounts

continued

19 Analysis of changes in financing during the year

	Medium term bank loans		Debenture loans	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Balance at 1 April	**4,595**	2,500	**24,814**	25,000
Drawn down/issued during the year	**4,231**	2,095	**480**	–
Non-cash finance costs and other adjustments	–	–	**9**	(186)
Deemed disposal of subsidary undertaking	**(8,826)**	–	–	–
Balance at 31 March	–	4,595	**25,303**	24,814

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

	1996	1995
	£'000	£'000
Balance at 1 April	**(26,356)**	(10,292)
Net cash inflow/(outflow)	**34,394**	(16,107)
Effect of foreign exchange rate changes	**(4)**	43
Balance at 31 March	**8,034**	(26,356)

21 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Cash at bank and short term deposits £'000	Bank overdrafts £'000	Total £'000
At 1 April 1994	7,211	(17,503)	(10,292)
Change in year	(3,566)	(12,498)	(16,064)
At 31 March 1995	3,645	(30,001)	(26,356)
Change in year	4,389	30,001	34,390
At 31 March 1996	**8,034**	–	**8,034**

22 Commitments and contingent liabilities

At 31 March 1996 the Company had no contingent liabilities nor commitments relating to calls on investments and underwriting commitments (1995: £366,000).

The Company has guaranteed the borrowings of one of its subsidiary undertakings to the extent of £10,000,000 (1995: £10,000,000), none of which had been drawn down at 31 March 1996 (1995: £8,350,000). The Company has guaranteed a £15,000,000 participation in 11½% several debenture stock 2016 and a £10,000,000 8⅛% debenture stock 2008. Both debentures were issued by subsidiary undertakings. (Note 12).

A subsidiary undertaking has entered into an interest rate swap, for a nominal amount of £15,000,000, which matches the £15,000,000 debenture referred to above. Under the terms of the contract the Group receives interest at a fixed rate of 11½% pa and pays interest at a floating rate of 3.29% pa over 6 month LIBOR. The contract terminates on 22 August 1997.

Notes to the Accounts

continued

23 **Subsidiary undertakings**

Note 8 The Group has the following principal subsidiary undertakings, all of which are registered and operating in England and Wales:

Name of Company	Principal Activities
Trust Union Properties Ltd	Property investment and dealing
Trust Union Finance Ltd	Property finance
TR Property Finance Ltd	Investment holding and finance
* Trust Union Finance (1991) PLC	Investment holding and finance
Trust Union Properties (South Bank) Ltd	Investment holding company
Trust Union Properties (Number Twenty-One) Ltd	Property investment and dealing
Trust Union Properties (Number Twenty-Three) Ltd (90%)	Property investment and dealing
* New England Properties PLC	Property investment, development, dealing and management services
* New England Investments Ltd	Property investment
* New England Developments Ltd	Management services
Chaco Investments Ltd (90%)	Property investment and management of social housing schemes
†* Edge Properties PLC (51%)	Property investment, development and project management

* Indirectly held

† On 12 January 1996, Edge Properties was floated and a related share issue reduced the Group's holding to 28.2%. Consequently, Edge Properties ceased to be a subsidiary undertaking on that date.

Except as noted above all the subsidiary undertakings are wholly owned and all the holdings are ordinary shares. The Group also has other subsidiary undertakings which are either not trading or not significant.

24 **Associated undertakings**

Note 10 The Group has the following associated undertakings, all of which are registered and operating in England and Wales:

Name of Company	Class of Shares held	Percentage Holding of Class	Principal Activities
Culverin Holdings Limited	Preferred Ordinary 1p	36.0%	Property investment and leisure
	Ordinary 10p	49.0%	
Controlrun Limited	B Ordinary £1	100.0%	Property investment in petrol stations
	Cumulative Redeemable Preference 10p	100.0%	
Retirement Care Limited	Ordinary £1	30%	Property management

Notes to the Accounts

continued

25 Other holdings of 20% or more of ordinary share capital

Details of the investments in which the Group or the Company held more than 20% of the nominal value of ordinary shares but are not treated as associated undertakings are as follows:

	Percentage Holding
Trust of Property Shares plc	20.1%
Edge Properties plc	28.2%

The latest audited accounts of these companies show the following position:

	Edge Properties PLC (Year ended 31 January 1996)	Trust of Property Shares plc (Year ended 31 December 1995)
	£'000	£'000
(Loss)/Revenue for the financial year	(1,038)	121
Total capital and reserves	13,355	4,171

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 Group and of the net revenue of the Group 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 Group 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 Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group 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 Property Investment Trust PLC

We have audited the accounts on pages 18 to 32 which have been prepared under the historical cost convention as modified by the revaluation of investment properties and investments and on the basis of the accounting policies set out on pages 22 and 23.

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 affairs of the Company and of the Group at 31 March 1996 and of the net revenue of the Company and of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants and
Registered Auditor
London
20 June 1996

Notice of Meeting

Notice is hereby given that the Ninety-Second Annual General Meeting of TR Property Investment Trust PLC will be held at 3 Finsbury Avenue, London, EC2M 2PA on Thursday, 25 July 1996 at 12 noon for the following purposes:

1 To receive the report of the Directors and the audited accounts for the year ended 31 March 1996.

2 To declare a final dividend.

3 To re-elect Mr P C Hyde-Thomson as a director, being a director retiring by rotation.

4 To re-elect Mr R R St J Barkshire as a director, being a director retiring by rotation.

5 To re-appoint Ernst & Young as auditors of the Company and to authorise the directors to fix their remuneration.

Special Business

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

As an Ordinary Resolution

6 THAT, the Board be and is hereby generally and unconditionally authorised in substitution for all subsisting authorities 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 £38,823,000 (33 percent of the total issued share capital on 20 June 1996) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 19 October 1997 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.

As a Special Resolution

7 THAT, subject to the passing of the previous resolution, the Board be and is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash or 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 whether by way of a rights issue, open offer or otherwise to ordinary shareholders and/or holders of any other securities in accordance with the rights of those securities where the equity securities respectively attributable to the interests of all ordinary shareholders and/or such holders are proportionate to the respective numbers of ordinary shares and such securities held by them (or are otherwise allotted in accordance with the rights attaching to such securities) 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 stock exchange in any territory or otherwise howsoever;

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £5,882,000 (5 percent of the total issued share capital on 20 June 1996); and

(c) to the allotment of equity securities at a price of not less than Net Asset Value per share;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 19 October 1997 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

N P Taylor ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
20 June 1996

Notice of Meeting

continued

Notes

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.

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.

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.

Advisers

Investment Manager

Henderson Financial Management Ltd
3 Finsbury Avenue
London EC2M 2PA
Telephone: BT: 0171-638 5757
Mercury: 0171-410 4100
Fax: 0171-377 5742
Regulated by IMRO and the Personal Investment Authority.

Fund Manager

C M Turner ARICS, from 1 June 1995
P J Duffy BSc (Econ), until 31 May 1995

Secretary

Henderson Secretarial Services Limited, represented by N P Taylor 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. 84492

Registrars

Royal Bank of Scotland
Registrar's Department
PO Box No. 82
Caxton House
Redcliffe Way
Bristol BS99 7NH
Telephone: 0117-930 6666

Registered Auditor

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Capital Gains Tax

To assist holders of shares in the Company to calculate their Capital Gains Tax position, the price of the Company's shares on 31 March 1982, the start of indexation allowance for inflation, is shown below.

	31 March 1982
Ordinary shares of 25p each	11.828p*†
Warrants issued 1994	3.775p†
Retail Price Index (re-based to January 1987)	79.44

*Adjusted for share issues

For shareholders who acquired ordinary shares through the conversion of C Shares on 7 July 1994 the adjusted cost of the new shares for Capital Gains Tax purposes is 40.143† pence per share. Warrants issued to 'C' shareholders have a base cost for CGT purposes of 12.811† pence per warrant.

For those shareholders who have purchased shares through the Henderson Touche Remnant Investment Trust Share Plan on a monthly basis, the Inland Revenue has 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 Capital Gains Tax liability, an optional basis allows taxpayers to aggregate the cost of the shares purchased through the Henderson Touche Remnant monthly 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 October. 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.

†Source: Dun & Bradstreet

Analysis of Shareholders

as at 31 March 1996

	Number of holders	%	Number of shares held	%	Average holding
Individual holders*	4,280	82.0	34,432,396	7.3	8,045
Banks and nominees	725	13.9	349,189,041	74.2	481,640
Insurance companies	30	0.6	30,094,452	6.4	1,003,148
Investment trusts	14	0.3	691,155	0.2	49,368
Pension funds	7	0.1	21,823,105	4.6	3,117,586
Other bodies corporate	162	3.1	34,358,696	7.3	212,091
	5,218	100	470,588,845	100	

*Includes 1,281 shareholders who have invested through the Henderson Touche Remnant Investment Trust Share Plan.

Henderson Touche Remnant Investment Trust Share Plan

The Henderson Touche Remnant Investment Trust Share Plan offers a simple and cost effective way of investing in TR Property Investment Trust PLC. The Share Plan offers the following facilities:

- **monthly savings from £50 per month or per quarter;**
- **lump sum investments from £500;**
- **a share exchange facility whereby investors can sell existing UK company shares, unit trusts or Government stocks (gilts) for reinvesting in the Share Plan;**
- **an income reinvestment facility. Alternatively, dividends can be paid to a bank or building society account;**
- **all paperwork and documentation is simplified and reduced to a minimum; and**
- **half-yearly valuations.**

HTR Selection PEP

The HTR Selection PEP enables direct investment in TR Property Investment Trust PLC and offers the following facilities:

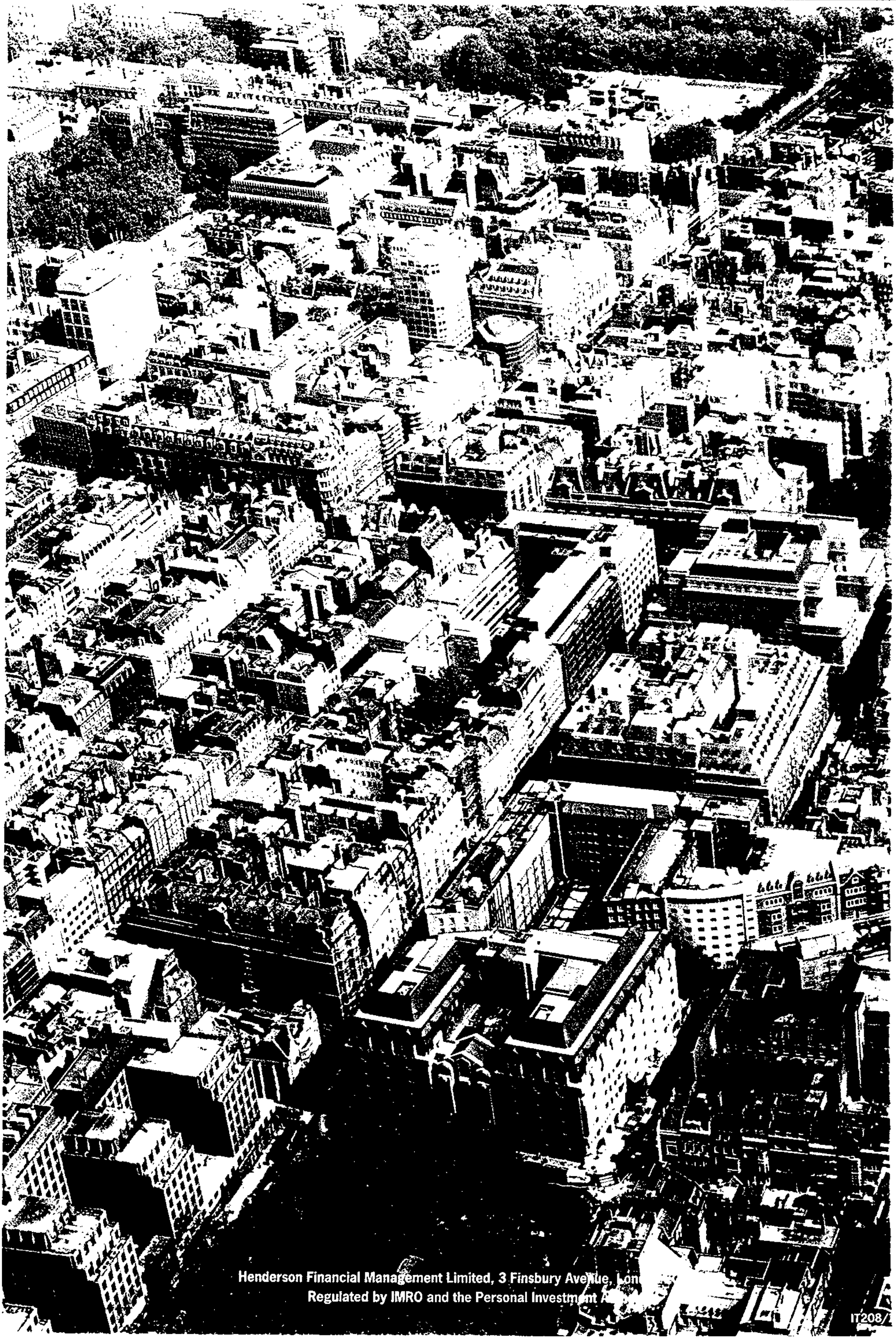
- **tax free income and tax free capital growth;**
- **quarterly income withdrawal facility; and**
- **regular reports, valuations and twice yearly investment trust newsletter.**

For a full information pack on the Share Plan and the 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 you are telephoning from abroad.

Please remember that the price of investment trust shares and the income from them can go down as well as up as a result of market and currency fluctuations and an investor may not get back the amount originally invested. The tax relief on PEPs are those currently available and may change. Their value depends 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.



Henderson Financial Management Limited, 3 Finsbury Avenue, Lon
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