TR Property Investment Trust plc

Report & Accounts for the year ended 31 March 2003

TR Property Investment Trust plc

Contents

Directors' Review

	Contents
1	Highlights of the Year
2	Profile
3	Financial Highlights and Performance Information
4	Chairman's Statement
8	Manager's Report
16	Twenty Largest Equity Investments
18	Principal Investment Properties

Directors' Report

20	Directors and Management
22	Directors' Remuneration Report
23	Report of the Directors
26	Corporate Governance
28	Statement of Directors' Responsibilities in respect of the Accounts

Accounts

29	Report of the Independent Auditors
30	Group Statement of Total Return
31	Group and Company Balance Sheets
32	Group Cash Flow Statement
33	Notes to the Accounts
47	Notice of Annual General Meeting
48	Explanation of Notice of Annual General Meeting

Shareholder Information

49	General Shareholder Information and Glossary of Terms
52	Directors and other Information
Inside Back Cover	Henderson Investment Trust Share Plan
	Henderson Selection ISA
	Henderson Selection Transfer PEP

The objective of TR Property Investment Trust plc is to maximise shareholders' total returns by investing in property shares and property on an international basis. Approximately 80% of the Company's assets are invested in Pan European listed property securities with the balance in directly owned UK real estate.

Investment Selection	Our investment selection process seeks to identify well managed companies of all sizes, with a focus on a particular type of real estate business. We generally regard future growth and capital appreciation potential more highly than immediate initial yield or discount to asset value.
Benchmark	The benchmark is the Citigroup European Property Index in Sterling (the Citigroup Index). The benchmark was changed from the FTSE Real Estate Index to the Schroder Salomon Smith Barney European Property Index (the SSSB Index) at the end of September 2001. The SSSB Index was officially re-branded as the Citigroup Index on 7 April 2003. The Citigroup Index, against which the manager's performance is measured by the board, comprises 90 companies and is itself a sub-index of the Citigroup Global Property Index, a longstanding and widely used benchmark in the world of real estate securities. The Citigroup Index is freefloat based and calculated daily on a price only and total return basis. The benchmark website www.equityindex.citigroup.com contains further details.
Capital Growth	The net asset value of the Company over the past five years has risen by 31.7%. Over the same period the benchmark index has fallen by 14.8%.
Income Growth	Over the past five years the dividend has grown by 83.0%, equivalent to 12.8% p.a. compound.
Independent Board	The directors are all independent of the management company and meet regularly to consider investment strategy and to monitor performance.
Shares easy to buy	Details of how the shares can be bought through the Henderson Investment Trust Share Plan and the Henderson Selection ISA are given on the inside back cover.
Website	Information about the Company can be found on our website www.trproperty.co.uk.

Financial Highlights

	31 March 2003	31 March 2002	Change
Revenue			
Gross revenue (£'000)	**16,676**	13,751	+21.3%
Revenue pre-tax (£'000)	**11,971**	9,027	+32.6%
Revenue per share	**2.30p**	1.80p◊	+27.8%
Net dividend per share	**2.05p**	1.65p	+24.2%
Balance Sheet			
Gross assets (£'000)	**359,145**	428,553	-16.2%
Shareholders' funds (£'000)	**304,127**	342,481	-11.2%
Shares in issue at end of period (m)	**416.5**	416.6	-0.02%
Gearing	**15%**	24%	
Net asset value per share	**73.02p**	78.08p◊	-6.5%

Performance

Assets and Benchmark

	31 March 2003	31 March 2002
Benchmark performance (price only)*	**-9.3%**	+1.6%
NAV price only return	**-6.4%**	+6.7%◊
Benchmark performance (total return)*	**-5.5%**	+4.1%
NAV total return†	**-4.2%**	+8.9%◊
IPD Monthly Index total return**	**+10.6%**	+7.2%
Total return from direct property#	**+8.0%**	+12.8%

Performance

Share Price

	31 March 2003	31 March 2002	Change
Share price at 31 March	**59.00p**	64.75p	-8.9%
Share price total return†	**-6.2%**	+14.3%	
Market capitalisation at 31 March	**£246m**	£270m	-8.9%

Sources: †AITC/*Datastream/#WM Company/**IPD

◊ fully diluted

Chairman's Statement

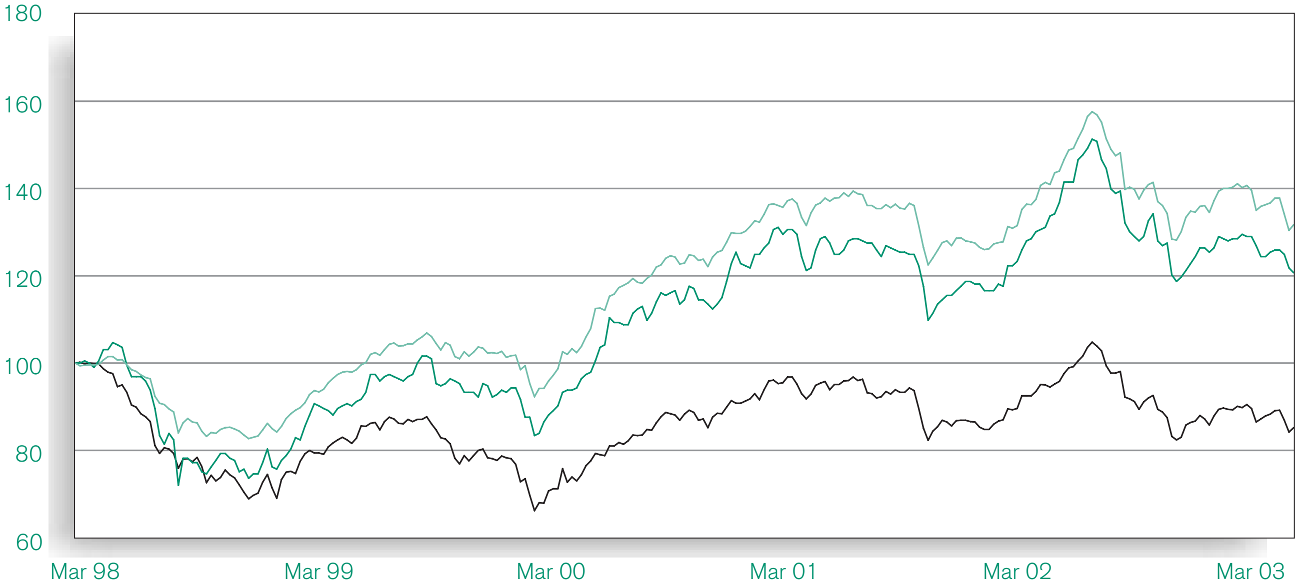
Alastair Ross Goobey CBE MA Hon. FIA Hon. RICS *Chairman*
5 June 2003

Introduction

The last twelve months have been rather inglorious ones for equity investment. Declines in share prices have been widespread and substantial – sufficient to scare some long term institutional investors away from equity investment altogether. Against this challenging background I am very pleased to report to you that the Trust has performed remarkably well. Though the asset value per share fell, the decline was a modest one. Our NAV returns have outperformed our benchmark index again (for the fifth financial year in a row), revenue earnings are sharply higher and the board is able to recommend another substantial dividend increase.

Property shares beat the market again last year but there was a marked difference in performance between the UK and the Continent. In the UK the sector index fell 23%; on the Continent property shares fell 5% in local currency terms, but rose 8% in sterling terms due to a strengthening Euro. The move, two years ago, to increase the Trust's equity investment exposure on the Continent therefore paid off handsomely last year in absolute terms at both the capital and the revenue level, the more so as the Euro exposure was not hedged. In relative terms we

Five Year Performance



Index of TR Property net asset value and share price compared with a composite index comprising the FTSE Real Estate Index (for the period 31 March 1998 to 30 September 2001) and the Citigroup European Property Index (for the period 1 October 2001 to 31 March 2003)

Composite Index (FTSE Real Estate Index to 30 September 2001; Citigroup European Property Index from 1 October 2001)
TR Property Share Price
TR Property Net Asset Value (fully diluted to 31 July 2002)

were underweight continental assets throughout the year. Had we, a year ago, sold more UK assets and invested further in the Continent, the performance would have been further improved.

Asset Performance

In the year to the end of March 2003, the Trust's NAV per share declined by 6.5% from 78.08p to 73.02p and gave a total return (that is after adding back the value of the dividends paid) of minus 4.2%. Our benchmark index fell by 9.3% and produced a total return of minus 5.5% over the same period. This is the fifth consecutive year in which our NAV returns have beaten the returns from our benchmark. During those five years the benchmark index has fallen 14.8% while your Trust's NAV has risen by 31.7% – giving outperformance of 54.7%. Against the All Share Index the NAV outperformance over the five years is higher still at 103%.

Our direct property holdings, all of which are in the UK, produced an ungeared total return of 8.0%, and so again made a positive contribution to performance, though they underperformed the IPD Monthly Index total return for the same period of 10.6% because we held no retail property directly. Over the last five years our ungeared total return from direct property has been 92% compared with the IPD Index figure of 65%.

Revenue Performance

Revenue earnings per share have risen by 27.8% from 1.80p to 2.30p per share. This has been the first financial year in which the revenue account had the full benefit of the returns from higher yielding Continental property shares, and their contribution to our investment income rose from £1.7m to £5.8m in the year. Despite the significant sales of UK assets made to finance the Continental investment and the reduction of total assets by the £19m spent due to share and warrant repurchases, our UK income from shares and property declined by only £1m. As a result total investment and rental income rose 23% to £16.5m. During the year several property companies chose to return capital to shareholders by way of special dividends. The Trust received some £3.85m by way of these special dividends. Your board and the auditors consider these payments fundamentally to be capital receipts. Only where it is clear that the payments by companies have been made as a result of potentially repeatable earnings have the dividends been credited to

Chairman's Statement continued

income, and the amount so treated in the year was £0.55m and the remaining £3.30m was credited to the capital account.

Revenue Outlook

Our managers currently anticipate that the Trust's revenue income per share will increase again in the current year, but at a very modest pace compared with increases in the last two years. Earnings and dividend growth from the companies within our equity portfolio are slowing but are expected to remain positive in the next twelve months. Further ahead we expect to see a sharp increase in our income from our French property companies in our next but one financial year if the proposed REIT structure in France is fully implemented. These comments notwithstanding, shareholders will be well aware that the investee company dividends that make up the bulk of our income are not in our control.

Dividends

The interim dividend was raised by an extraordinary level from 0.65p to 0.90p per share and I commented in my statement then that shareholders should not anticipate that the final dividend of 1.00p per share would necessarily be raised. In the light of the full year revenue result I am pleased to report that the board now proposes a 15% increase in the final dividend to 1.15p per share. This, added to the interim dividend, produces a total payment for the year ended 31 March 2003 of 2.05p per share, a 24.2% increase over the total dividends of 1.65p per share paid for the year ended March 2002. This total dividend of 2.05p per share compares with a total payment of 1.12p per share made five years ago in the year ended March 1998. The percentage increase of 83.0% is equivalent to 12.8% per annum compound.

Gearing

Net debt declined from £82m to £47m last year and gearing fell from 24% to 15%. Given the relatively high income producing potential of our property assets, it is the board's policy for the Trust to be between 15% and 30% geared under stable market conditions. The level of gearing may be lower or higher than these levels if justified by the manager's forecasts of future investment value movements.

Currency Exposure

The portfolio exposure to foreign currency assets and income was unhedged during the last financial year, during which the Euro rose by 13% against the pound. This added some 3.5p to the total return per share. Going forward it will be the Trust's normal policy to remain unhedged unless, with the manager's advice, the board considers that there is a strong potential benefit to shareholders from hedging on a short term basis.

Share and Warrant Repurchases

The managers, on instructions from the board, have continued to purchase shares for cancellation when suitable opportunities have occurred and the board is seeking renewal of authority from shareholders to buy back shares at the Annual General Meeting. During the last financial year a total of £10.66m was spent buying back 17.5 million shares at an average price of 60.8p. A further £8.89m was spent repurchasing 38.8 million warrants before the expiry date of the warrant issue in July 2002. Combined, these repurchases served to increase the net asset value by 1.65p per share. The Trust issued 17.4 million shares to the remaining warrant holders at 47.5p during the year with the result that the number of shares outstanding at the end of the financial year is almost the same as at March 2002. Since they were instigated in late 1999, the additional value created for shareholders through buy-backs has been around 3.6p per share or almost 5% of the asset value at March 2003.

FTSE 250 Index

The Trust's shares entered the FTSE 250 Index in September 2002. This promotion carries no lasting benefit to shareholders, but illustrates the extent to which the Trust's capitalisation has withstood the ravages of the market declines relative to many other companies, which historically have been far larger. Perhaps we should hope, for sake of the future of equity investment in the UK, that the Trust does not remain in the Index for long!

Awards

Investment awards are recognition of excellent past performance. Last year your Company received the Bloomberg Money Award for the Best Specialist

Chairman's Statement continued

Investment Trust of 2002 and the Money Observer Award for the Best Large Investment Trust of 2002. In addition our management team was joint runner-up in the Property Fund Manager of the Year Award for 2002 organised by Property Week magazine. As I commented at the interim stage receiving such awards can be a bad omen for future performance but I am confident that your Company will be an exception to this rule.

In my last interim statement, I remarked that despite the outstanding performance record of the Trust, the board was concerned that the share price discount to net asset value per share remained appreciable and that it would continue to pursue ways of addressing this. In pursuit of this aim the board has approved the appointment of Mark Vickery, as an investor relations manager for the Trust, with a mandate to widen investor awareness in the Trust and its excellent track record.

Board and Management

Although I am offering myself for re-election at this year's Annual General Meeting, I have informed the board that it is my intention to retire as a director of the Trust after the AGM in 2004 when I will have served on the board for ten years. It is my strong belief that a regular infusion of new board members is important to the continuing vitality of all companies, and your Company currently has a strong group of more recently appointed directors to guide it in the future.

I am pleased to announce that our management team has been further strengthened this year by the appointment of James Wilkinson to run the direct property portfolio. James will report to Marcus Phayre-Mudge, who has been appointed Deputy Fund Manager.

Outlook

As an asset class, property has performed with great credit over the past four years relative to equities. The high annuity-like returns offered are attractive to maturing pension and life assurance funds in a low interest rate environment. Property equities have shared some, but not all, of the performance glory. Given current discount levels, they must be expected now to outperform directly held property assets as world economies start to recover. The Trust has come through the downturn in good shape and your board believes it is favourably positioned for a gradual improvement in equity markets.

However, direct property has probably seen the zenith of its relative performance in the current cycle. The outlook for tenant demand and rental growth is currently much less positive, and without a revival in the general economy and the broader equity market, property and property shares cannot prosper for long. The current management team has demonstrated its ability to increase both the dividend income from, and the asset value of, your Company in an extraordinarily volatile market environment. On your behalf, I thank them most warmly for their efforts.

Manager's Report

Chris Turner *Fund Manager*
5 June 2003

Introduction

Pan European property shares had another excellent year relative to European equities in general. Property values were, on average, steady, earnings rose modestly as did dividends. On a country basis, the UK produced the best physical property total return (plus 10.6%) and almost the worst property share total return (minus 20.6%) – a huge (30%) discrepancy which I comment on later in my report.

My main investment themes remained unchanged throughout the year. That is to say I have continued to add to our retail property exposure and to invest in companies in this area with good liquidity and decent sustainable dividend yields. At the same time I have continued to sell the shares of companies with high gearing and particularly those exposed to office property whatever the dividend yield. This risk-averse policy has worked reasonably well. Where I erred was in regional asset allocation. I left too much money in the UK and failed to go overweight on the Continent. In particular the Trust had far too little invested in Austrian and Swiss real estate stocks where property shares show positive total returns. Nevertheless I avoided most of the horror stories, of which there were several. Stock selection was positive enough to allow the Trust to outperform the benchmark again.

Manager's Report continued

Changes in Investments

	Valuation 2002 £'000	Purchases £'000	Sales Proceeds £'000	Appreciation/ (Depreciation) £'000	**Valuation 2003 £'000**	%
Belgium	3,537	1,348	620	976	**5,241**	1.46
Denmark	1,619	–	1,332	(287)	**–**	–
France	32,341	12,849	9,242	3,282	**39,230**	10.93
Germany	2,081	825	1,445	(598)	**863**	0.24
Ireland	2,835	–	3,719	884	**–**	–
Italy	4,867	1,979	1,244	(1,101)	**4,501**	1.25
Netherlands	43,904	20,760	23,780	3,756	**44,640**	12.43
Spain	13,136	2,620	1,432	(1,723)	**12,601**	3.51
Sweden	14,826	2,044	6,999	1,236	**11,107**	3.09
Switzerland	4,120	–	5,333	3,992	**2,779**	0.77
Continental Europe	123,266	42,425	55,146	10,417	**120,962**	33.68
Direct Property	82,970	1,266	11,339	683	**73,580**	20.49
UK	221,443	40,083	61,225	(36,665)	**163,636**	45.56
Sub-Total	427,679	83,774	127,710	(25,565)	**358,178**	99.73
Other	874	–	–	93	**967**	0.27
Total	428,553	83,774	127,710	(25,472)	**359,145**	100.00

Property Market Background

A birds-eye view of all the commercial and residential property in Europe would now show that capital values are falling, but only by one or two per cent per annum. Tenant demand is weakening particularly in office markets as the Pan European economies splutter to maintain even modest GDP growth. However, the impact of falling rental values is being offset by investor demand, which broadened over the year and has been encouraged by the poverty of income yields in other asset classes and by the historically low cost of borrowed money. Meanwhile, though average values are in decline there are still areas of the property market where occupier demand exceeds supply and values continue to rise. The key in assessing the future trend of capital values in any particular market is the outlook for tenant demand relative to current and future supply. Investor demand eventually follows tenant demand not vice-versa.

Offices

Across the whole of Europe office occupier demand is fragile and in some locations it is almost non-existent. Weakness in rental values is most marked in the core and suburban areas of the largest cities, and least obvious, as yet, in regional towns. London, so often a leader in property value trends (in both directions), is currently winning the award for having the fastest falling rents and poorest tenant demand. In the City and Docklands rental values have already fallen over 25%. Vacancy rates are over 10% and still climbing. Empty desks are also evident in many "fully" occupied buildings. The office market in the West End is also poor, and the vacancy rate is close to 10%, but there is still just enough tenant demand to ensure that the market has some depth to it. On the outskirts of London, M25 office rental levels are soft after a sharp increase in vacancy rates. In regional UK markets the main source of demand is the public sector.

Continental city centre office markets seem inexorably to be following London's lead. In Amsterdam, Berlin, Frankfurt, Madrid, Munich and Stockholm, where significant new speculative office construction occurred in the last three years, conditions have already worsened sharply with rental values down by between 15% to 20% to date. In other locations, such as Barcelona, Paris, Milan, Vienna and Zurich, where there has been less or little new development, there has been a slower increase in vacancy rates and therefore a slower decrease in rental values – so far. Gauging the timing and extent of the nadir and then the recovery in office markets is a crucial question for all property investors. The optimists believe that rents will soon stabilise at their new lower levels and that demand will recover as soon as GDP growth accelerates.

Manager’s Report continued

Largest Quoted Investments as at 31 March 2003

The 40 largest quoted investments amount to £264,644,000 or 74% of total investments (convertibles and all classes of equity in any one company being treated as one investment).

	Market Value £'000		Market Value £'000		Market Value £'000
Land Securities	26,392	Vallehermoso (Spain)	6,201	Pillar Property Group	2,531
Rodamco Europe (Netherlands)	20,553	Helical Bar	5,565	Quintain Estates & Developments	2,503
Liberty International	16,086	Silic (France)	5,300	Beni Stabili (Italy)	2,467
Unibail (France)	15,548	Chelsfield	5,289	Rugby Estates	2,342
British Land	15,403	Cofinimmo (Belgium)	4,723	PSP Swiss Property (Switzerland)	2,191
Slough Estates	14,453	Grainger Trust	4,705	Capital & Regional	2,009
Hammerson	13,201	Ashtenne Holdings	4,649	Metrovacesa (Spain)	1,984
St Modwen Properties	10,656	Canary Wharf Group	3,770	Derwent Valley	1,928
Corio (Netherlands)	9,870	Development Securities	3,611	London Merchant	1,856
Castellum (Sweden)	9,680	Wereldhave (Netherlands)	3,383	Benchmark	1,834
Big Yellow Group	8,665	Brixton	3,303	Pirelli Real Estate (Italy)	1,650
Gecina (France)	7,521	Vastned Retail (Netherlands)	2,945	Bail Investissement (France)	1,644
Klepierre (France)	6,980	Inmobiliaria Colonial (Spain)	2,893	Fonciere Lyonnaise (France)	1,632
Eurocommercial Properties (Netherlands)	6,728				

The pessimists, with whom I currently agree, believe that the severity of the downturn in business to business confidence has been so sharp that private sector occupiers will only recover their desire to hire more labour very gradually and that while vacancy rates remain at historically high levels rental values will continue to drift downwards.

Retail

Retail property has been a star performer over the last two years as retail sales growth has continued to rise in absolute terms, particularly in the UK. Consumer demand is now slowing across the whole of Europe and is already negative in some areas. Meanwhile cost inflation is outpacing price inflation for some retailers, and hurting their margins. In short, the overall picture for retail property demand appears to be moving from positive to negative. But retail property is different. It is much less homogenous than office and industrial property in terms of tenant demand and centres offer greater opportunities for continuous income enhancement through active management. It is also, and this is very important in a Pan European context, subject to far stricter planning controls than offices or industrial property. This means that good retail space is still scarce and when, as now, major national and international retailers are expanding or rolling out new concepts, there can still be strong competition for floorspace even if the immediate profit outlook is cloudy.

I have tried to concentrate the equity investments in the shares of those retail property companies that own the bigger shopping centres, which have monopolies in their catchment areas, and on those that concentrate on retail warehousing. It seems to me that retail sales are likely to hold up most strongly in locations where shoppers are attracted by the widest range of goods combined with ease of access and good, preferably free, car parking. As the recent corporate activity in Safeway, Selfridges and Debenhams illustrates, retailing (and retail property) is still of enormous interest to venture capital.

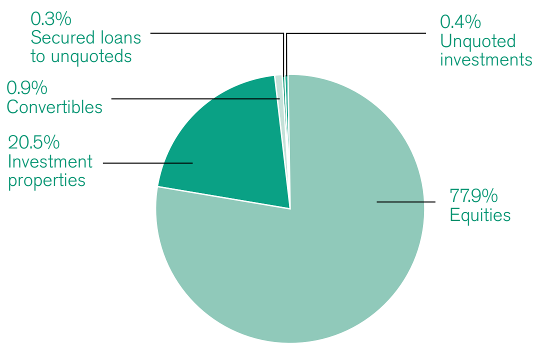
Property Share Background

In performance terms property equities had another excellent year relative to general equities. The FT Eurotop 300 Index in sterling fell a huge 34.4% over the twelve months to end March 2003 while our benchmark in sterling fell only 9.3%. The UK property shares sector was a poor performer falling 23.3% and producing a total return of minus 20.6%. Excluding the UK, the property equities in the rest of Europe did far better. In Euro terms they fell by only 4.8% and produced a positive total return of 0.3%, but the Euro rose by 13% against the pound so

Manager's Report continued

Classification of Investments

as at 31 March 2003



as at 31 March	**2003 £'000**	**2003 %**	2002 £'000	2002 %
Equities	**279,757**	**77.9**	340,119	79.4
Convertibles	**3,220**	**0.9**	3,364	0.8
Fixed interest	**22**	**–**	22	–
Unquoted investments	**1,599**	**0.4**	1,204	0.3
Investment properties	**73,580**	**20.5**	82,970	19.3
Total market value of fixed assets	**358,178**	**99.7**	427,679	99.8
Secured loans to unquoteds	**967**	**0.3**	874	0.2
Total investments	**359,145**	**100.0**	428,553	100.0

that in sterling terms the returns were plus 8% price only and plus 13% total return.

I remarked at the start of my statement that the poor performance of UK property shares ran contrary to the strong returns from UK direct property. There was no single outstanding cause of this discrepancy, but rather it was the sum of a number of contributory factors. The more important of these are that UK equity investors tend to view property companies as shares first and property second, while across the Channel and in other countries, property shares are normally seen as property first and equities second, and therefore as being separate from general equities. The higher level of dividend yield on the Continent has attracted buying interest to the sector from investors needing income – a source of buying interest generally absent in the UK.

Indeed, looking across the global real estate equities market, the UK sector's poor performance last year stands in marked contrast to returns in other G7 markets, all of which now have or are about to get tax transparent property structures. Quoted tax transparent property companies, known generally as "real estate investment trusts" or by the acronym "REITs", are now a standard method of global property investment. REIT performance has been strong and in the US, Australia and Japan REIT share prices are currently standing at or close to their all time highs. In Europe the tax transparent Benelux property companies have also performed strongly and in France, where REITs are due to be introduced in 2004, property shares have performed well in anticipation of the enhanced income which is expected to flow from the companies involved.

Initial yield is a strong factor in the current pricing of global property shares, and tax freedom, or the lack of it, is the major component of the difference in initial yields. US REITs are standing on an average 10% premium to NAV and yielding 6.5%, in Australia the comparable figures are a 6% discount to NAV and a yield of 6.8% while for Benelux stocks the discounts average 9% and dividend yields are 7.5%. In the UK the discount average is a whopping 32% but the sector average net dividend yield is only 3.1% – lower than the current yield on the All Share Index.

We remain overweight in UK property shares primarily because of this very large average discount to asset value. I think this discount gives UK property stock prices more potential upside than the stocks in other markets. Share buy-backs and returns of capital are adding value, takeover bids make sense, and there is a chance that a change in tax legislation will see the introduction of UK REITs and result in a hefty one-off rerating of the sector. Its an outside chance, but the property industry has recently been invited by the Treasury to submit arguments as to why REITs should be introduced in the UK. Given the general trend towards Pan European tax harmonisation and the potential willingness of the industry to find a 'quid pro quo' the chance may be a five to one bet against.

Distribution of Assets

The table at the top of page 15 shows that overall division between UK property and UK and Continental equities has altered only modestly over the financial year. The Group Cash Flow Statement on page 32 shows that purchases and sales added together were only around 70% of the previous year's total. As I commented earlier, performance would have been enhanced if I had reduced the UK equity holdings further and bought more Continental equities. The table on page 9 headed 'Changes in Investments' details the opening and closing valuations in each country together with the purchases, sales and valuation movements. The current target distribution of the portfolio is 35% to 55% in UK equities, 35% to 55% in Continental equities and 10% to 30% in UK direct property.

On a see-through basis the distribution of assets shows greater percentage change. The table on page 13 gives the location and type of property represented in each of our equity and direct property holdings. This is calculated by analysing the underlying spread of the portfolios of each company in which we invest and attributing to the Trust the relevant percentage of the properties based on the percentage of the equity of each company owned. The table also shows the see-through portfolio for our benchmark index. At March 2002, the Trust's see-through portfolio was 56% offices, 25% retail property, 12% industrial and warehousing and 7% residential and other uses. At March 2003 the percentages were 40%, 38%, 12% and 10%.

Largest Equity Investments

I have commented briefly on the top twenty equity holdings on pages 16 and 17. There are six new entries over the year, which I hope shareholders will not consider as evidence of lethargy. Of the departures from the top twenty, two, Rodamco North America and Haslemere, were taken over for cash. Canary Wharf aside, we maintained our investments in the other departures which slipped out of the top twenty on price movements or as a result of returning capital. Canary Wharf dropped out as a result of a reduced holding and a return of capital.

There are three French companies in the new entries – **Gecina**, **Klepierre** and **Silic**. All were existing holdings to which we added, though Gecina's increase in value mainly results from a merger with Simco during the year. All three companies are expected to enter the new French tax-free property company structure later this year and therefore be able to pay enlarged dividends from 2004 onwards. We added to our **Eurocommercial** – a real European corporate hybrid – the shares are quoted in Holland with a management based in London and the majority of its assets in Italian and French shopping centres. The final two new entries were **Cofinimmo**, a tax-free owner of Brussels office buildings (where tenant demand is primarily from EU activity) and **Grainger Trust**, which, despite specialising in the ownership of housing in the UK, performed strongly last year.

Movements within the list reflect my attempt to avoid portfolios overweight in offices or companies with above average gearing. With this in mind I added considerably to holdings in **Rodamco Europe**, **Liberty International** and **Corio** and reduced the investment in **British Land** and **Canary Wharf**. I also reduced the size of the holding in **St Modwen** from 9% to 6% of the company's equity – taking a substantial capital gain in the process. I intend to retain a large investment in this well run smaller company. Our shareholding in **The Big Yellow Group** was unchanged over the year, during which the shares fell by 35%. I believe that the energetic management of this self storage company will deliver its five year business plan and that the Trust's equity investment is a "sleeper" from which we will secure high returns in the future.

Gearing and Debenture Debt

Over the year I reduced the Trust's net debt level from £82m to £47m and the gearing ratio fell from 24% to 15%. Details of the loans are under note 15 to the accounts on page 41. Shareholders should note that some £40m of our present debt is in the form of two debentures with coupons of 8.125% and 11.5% repayable in 2008 and 2016 respectively. The market value of this debenture debt was £49.8m at the year end. This additional £9.8m represents a negative value equivalent to 2.4p per share.

Indicating to shareholders the likely trend in gearing over the current year is unusually difficult. As I comment below the outlook for earnings and capital values remains cloudy.

We have the capacity to increase gearing and it is tempting from a revenue angle to do so as we are able to borrow money today at a lower rate than the yield on many of our property and equity investments. Gearing would therefore boost earnings in the short term, particularly as the Trust's accounting policies provide for half the cost of debt to be charged to the capital account. Nevertheless my instinct is to bide my time in this uncertain economic environment.

The portfolio's see-through gearing, which takes account of our own debt and adds in the proportionate debt of all our equity investments, has dropped from around 90% at March 2002 to a current level of 84%.

Direct Property Portfolio

The Trust's direct property portfolio produced a total return of 8.0% over the year, reflecting an income return of 6.6% and capital gains from investment sales completed during the year. The 8.0% figure also includes a reduction of 0.3% in the value of those properties retained at the end of the year but within this average figure the range of valuation changes was wide. Excluding sales, the best performance (plus 28%) came from our Southampton office building where we regeared the tenant's lease, while the worst performing asset (minus 21%) was the warehouse at Wootton Bassett, near Swindon, where the tenant went into receivership. The properties at Tolworth and Staines were sold over the winter for some £10m, almost 11% more than their September 2002 valuations (£8.95m) and 6.7% more than their combined book value (£9.28m) which included additional capital expenditure at Staines. A little 0.2 acre site at Tavern Quay, where we obtained residential development permission in 2002, was sold for £1.5m. The land was formally the over-spill car park, and the sale price compared with a March 2002 valuation of £750,000.

The major achievement during the year was obtaining planning consents for our redevelopment proposals at Piccadilly and Battersea. The planning process in London has become a vastly time consuming and often politicised business. Although we achieved the consents we were seeking – 90,000 ft of mixed office and retail at Piccadilly and a mixed residential (57 flats) and

See-Through Portfolio by Market (%)*

	Benchmark Index	TR Property
UK		
City Offices	6.8	**6.1**
West End Offices	5.9	**7.1**
West End Retail	1.8	**2.7**
Docklands	5.9	**3.3**
GLC/SE Offices	1.7	**4.6**
Provincial Offices	0.9	**1.1**
In Town Retail	7.6	**9.2**
Supermarkets	1.4	**1.4**
Retail Warehouses	4.4	**4.7**
Out of Town Retail	4.5	**6.3**
SE Industrials	3.9	**6.2**
Other Industrials	1.1	**2.2**
Leisure	0.9	**1.0**
Residential	1.9	**3.8**
Other	1.0	**1.1**
Total UK	49.7	**60.8**
Non UK		
Austria	0.9	**–**
Belgium	3.1	**1.9**
Denmark	–	**0.1**
Finland	0.5	**0.1**
French Retail	3.8	**5.3**
French Offices	8.5	**7.2**
French Logistics	0.3	**0.8**
French Residential	2.3	**1.7**
French Industrial	0.4	**0.3**
Germany	2.4	**0.7**
Ireland	0.1	**0.1**
Italy	2.3	**2.7**
Netherlands Business Space	2.4	**1.7**
Netherlands Retail	2.1	**2.3**
Spain	6.6	**5.4**
Sweden	10.1	**6.1**
Switzerland	2.2	**1.2**
USA	1.6	**1.4**
Other	0.7	**0.2**
Total	100.0	**100.0**
Summary		
Offices	52.0	**39.5**
Retail	30.1	**37.7**
Industrial	7.2	**12.4**
Residential	7.5	**7.8**
Other	3.2	**2.6**

*Combines the underlying property from the Trust's shareholdings and direct property holdings.

commercial (27,000 ft) scheme at Battersea – the process took longer and was more costly than expected. This pre-development expenditure together with the cost of part refurbishment of Tavern Quay contributed to capital costs of £1m during the year. Our intention is that both Piccadilly and Battersea will be sold on to developers. However, the consents have arrived at a moment when demand from developers for sites is greatly reduced. It may be that the greatest potential gain to shareholders will come from retaining the properties for a limited time until London's residential and office values are more stable. In the meanwhile we will maintain the income stream from short term lettings in both properties.

We have continued to keep voids to an absolute minimum during the year. Notwithstanding the poor state of the occupational market, particularly in the office sector, our only significant void is the 36,000 ft warehouse at Wootton Bassett, which we have referred to above. This represents less than 3% of the portfolio by capital value.

At this stage of the property cycle it is likely that property shares offer better value and stronger recovery potential than much of the direct property market and therefore it continues to be attractive for the Trust to switch further capital from buildings into equities. Since the year end we have sold our distribution unit in Swanley ahead of the valuation and further disposals are being considered.

Unquoted Investments

We have made no investments in unquoted companies during the year. Controlrun, a joint venture that owns petrol filling stations, remains our only investment in this area of any significance. Sales of all the assets owned by the business are planned. Two properties were under offer at the interim stage, one of these, in Southall, was sold for £1.5m that compared with a most recent valuation of £1m. The sale of another at Milton Keynes has fallen through. The property is to be remarketed and the disposal of the other three properties is under consideration.

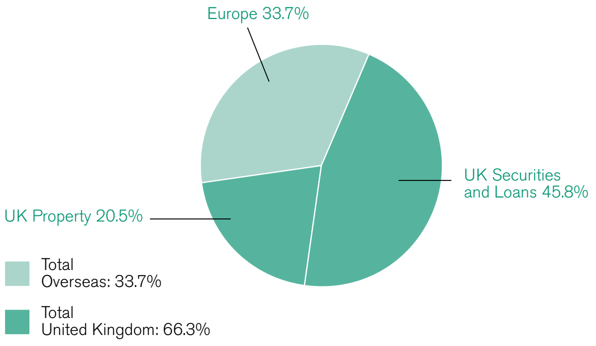
Outlook

We enter the new financial year still overweight in the UK, and this is now proving positive for performance. Our currency position remains unhedged. The stronger the Euro relative to Sterling, the weaker will be the outlook for Continental tenant demand relative to the UK market. In the UK I expect the overall total return from physical property to be modestly positive (around 4%). I expect that office markets will face another very tough year and that retail property will again be the best performing sector. Despite their recent sharp rally, UK property shares are still standing at high average discounts to spot asset values, and corporate activity has re-emerged with three bid approaches in the sector since the year end.

Manager's Report continued

Distribution of Investments

as at 31 March 2003



as at 31 March	2003 £'000	2003 %	2002 £'000	2002 %
UK Securities – quoted	**162,037**	**45.1**	220,239	51.4
UK Securities – unquoted	**1,599**	**0.4**	1,204	0.3
UK Investment properties	**73,580**	**20.5**	82,970	19.4
UK Total	**237,216**	**66.0**	304,413	71.1
Europe	**120,962**	**33.7**	123,266	28.7
Market value of fixed assets	**358,178**	**99.7**	427,679	99.8
Secured loans to unquoteds	**967**	**0.3**	874	0.2
Total investments	**359,145**	**100.0**	428,553	100.0

Spread of Direct Portfolio by Capital Value (%)

as at 31 March 2003	Office and mixed use	Retail	Industrial and business space	Residential	Total
West End of London	44.5	–	–	–	**44.5**
City of London	–	–	–	–	**–**
Around the M25	11.8	–	22.6	–	**34.4**
Other South East	5.4	–	2.7	–	**8.1**
Remainder of UK	9.9	–	–	3.1	**13.0**
Total	71.6	–	25.3	3.1	**100.0**

Portfolio Summary

as at 31 March	2003	2002	2001
Total investments	**£359m**	£428m	£415m
Net assets	**£304m**	£342m	£343m
UK quoted property shares	**45%**	51%	71%
Overseas quoted property stocks	**34%**	29%	6%
Direct property (externally valued)	**20%**	19%	22%
Unquoted investments (including loans)	**1%**	1%	1%

Lease Lengths within the Direct Property Portfolio

as at 31 March 2003	Gross rental income
less than 1 year	43%
1 to 3 years	10%
4 to 5 years	3%
6 to 10 years	6%
11 to 15 years	27%
Over 15 years	11%

Twenty Largest Equity Investments

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

	Value (£m) % of Gross Assets % of equity owned Share price at 31 March 2003	**Comment** **Note:** Market caps, yields and share price returns all at end March 2003.
1. Land Securities (UK)	**£26.4m** **7.3%** **0.8%** **732.5p**	*Europe's largest quoted property company with an all UK portfolio concentrated on Central London offices (38%), shopping (36%) and retail parks (14%). Recent diversification providing property services under outsourcing contracts. Market cap £3,410m after returning £500m of capital to shareholders in 2002. Gearing is 46%. In FTSE 100 Index. Gross yield 5.3%. Five year share price total return of minus 16%.*
2. Rodamco Europe (Netherlands)	**£20.6m** **5.7%** **0.8%** **€41.35**	*This Dutch based tax transparent company is the largest quoted property company in the Eurozone. It owns a portfolio of high quality shopping centres mainly located in Holland, France, Spain and Sweden. Gearing is 48% and the single A debt rating is the best in Europe for a quoted property company. Market cap £2,630m. Gross yield 6.8%. Share price total return of 18.6% since flotation in September 1999.*
3. Liberty International (UK)	**£16.1m** **4.5%** **0.9%** **574.5p**	*London based investment and development company specialising in ownership and management of major shopping centres including the Lakeside Centre at Thurrock, Metrocentre at Gateshead, and Braehead outside Glasgow. In FTSE 100 Index. Market cap £1,620m. Gearing is 65%. Current yield 4.5%. Five year share price total return of 17%.*
4. Unibail (France)	**£15.5m** **4.3%** **0.8%** **€58.60**	*The largest French quoted property company with an all French portfolio comprising Paris offices (65%), regional shopping centres (30%) and exhibition space (5%). Intends to seek tax-free status before the end of 2003. Market cap £1,840m. Gross yield 1.9%. Gearing is 75%. Five year share price total return of 67.6%.*
5. British Land (UK)	**£15.4m** **4.3%** **0.8%** **411p**	*An investor with virtually 100% of the portfolio in the UK. Main concentrations are in City of London offices (38%) and out of town retail and supermarkets (40%). Gearing is around 110%. Market cap £2,680m. In FTSE 100 Index. Gross yield 2.5%. Five year share price total return of minus 37%.*
6. Slough Estates (UK)	**£14.5m** **4.0%** **1.1%** **307.5p**	*Industrial and business park office owner with a portfolio located principally in the UK around the M4. Slough also develops and invests on the Continent and in the USA. Market cap £1,275m. Gross yield 5.0%. Gearing is 72%. Five year share price total return of minus 12%.*
7. Hammerson (UK)	**£13.2m** **3.7%** **1.1%** **430p**	*A developer and owner of offices in London (35%) and Paris (20%) and of regional shopping centres in the UK (including Brent Cross) and in France. Market cap £1,580m. Gross yield 2.9%. Gearing is 75%. Five year share price total return of minus 5%.*
8. St Modwen Properties (UK)	**£10.7m** **3.0%** **6.0%** **148p**	*A West Midlands based developer and investor with a wide ranging portfolio of higher yielding retail and industrial assets and a large residential and commercial land bank. Market cap £180m. Gearing is 105%. Gross yield 4.3%. Five year share price total return of 124%.*
9. Corio (Netherlands)	**£9.9m** **2.7%** **0.8%** **€27.20**	*Dutch based company with tax-free corporate status. It owns shops and shopping malls in Holland, France, Spain and Italy (70%) and offices in Holland and France (30%). Market cap £1,250m. Gross yield 8.5%. Gearing is 78%. Five year share price total return of 49.2%.*
10. Castellum (Sweden)	**£9.7m** **2.7%** **2.7%** **SK113.25**	*Based in Gothenburg, this company owns a higher yielding mixed commercial portfolio primarily located in Central and Southern Sweden. Market cap £340m. Gross yield 6.6%. Gearing is 99%. Five year share price total return of 78.1%.*

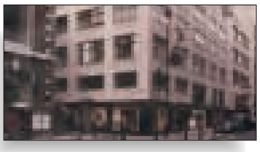
Twenty Largest Equity Investments continued

	Value (£m) % of Gross Assets % of equity owned Share price at 31 March 2003	Comment **Note:** Market caps, yields and share price returns all at end March 2003.
11. Big Yellow Group (UK)	**£8.7m 2.4% 12.7% 68.5p**	*A specialist self-storage business floated in 2000. Operating primarily in London and the South East. The business is targeting to move into profit in the 2004 period and has recently announced a maiden dividend. Market cap £69m. Share price total return of 240% since the Trust's investment as a start-up in September 1998.*
12. Gecina (France)	**£7.5m 2.1% 0.4% €97.28**	*Gecina became the second largest French property company last year after taking over Simco. The combined portfolios are split equally between Paris offices and let residential investments in the Ile de France. Intends to seek tax-free status before the end of 2003. Gross yield 4.1%. Gearing is 93%. Five year share price total return of 24.9%.*
13. Klepierre (France)	**£7.0m 1.9% 0.6% €119**	*Half owned by BNP, Klepierre is a Paris based investor and developer with a portfolio split between Paris offices (30%) and shopping centres located in France, Spain and Italy (70%). Intends to seek tax-free status before the end of 2003. Gross yield 3.1%. Gearing is 128%. Five year share price total return of 74.7%. 3 for 1 share split effective April 2003.*
14. Eurocommercial Properties (Netherlands)	**£6.7m 1.9% 0.2% €19.89**	*A Dutch based tax-free company specialising in the ownership of shopping centres with a Pan European portfolio of centres concentrated in Northern Italy (45%) and France (40%). Gross yield 6.9%. Gearing is 56%. Five year share price total return of 54.5%.*
15. Vallehermoso (Spain)	**£6.2m 1.7% 0.6% €9.45**	*The largest quoted Spanish property investment and development company, which also owns and operates a substantial housebuilding business, and has recently bought a substantial Spanish contracting business. Market cap £810m. Gross yield 2.4%. Gearing is 99%. Five year share price total return of minus 16.9%.*
16. Helical Bar (UK)	**£5.6m 1.5% 3.3% 572.5p**	*Very active and versatile developer, trader and investor primarily in office markets in London and the South East. The management has reduced gearing and curtailed development activity in a timely fashion. Gross yield 2.4%. Market cap £170m. Gearing is 52%. Five year share price total return of 55%.*
17. Silic (France)	**£5.3m 1.5% 1.2% €38.40**	*This Paris based business specialises in developing and owning warehouse and business park offices on the outskirts of Paris, mainly in Rungis close to Orly and at Roissy. Intends to seek tax-free status before the end of 2003. Gross yield is 5.6%. Gearing is 40%. Five year share price total return of 61%. 4 for 1 share split effective May 2003.*
18. Chelsfield (UK)	**£5.3m 1.5% 0.8% 233p**	*Investor and developer of large scale UK projects including Merryhill Shopping Centre, Paddington Basin and the proposed White City shopping centre. Also owns Global Switch, a troubled telehousing business. The management recently announced that they are considering making an offer for the business. Market cap £650m. Gearing is around 95%. Dividend yield 2.3%. Five year share price total return of 5%.*
19. Cofinimmo (Belgium)	**£4.7m 1.3% 0.9% €105.30**	*This Belgian based tax transparent company is the largest quoted owner of let offices in Central Brussels, a city where rental levels remain healthy thanks to the demand created by the expansion of the EU. Market cap of £500m. Gross Yield of 6.7%. Gearing is 99%. Five year share price total return of 29%.*
20. Grainger Trust (UK)	**£4.7m 1.3% 2.0% 941p**	*Grainger specialises in the ownership of residential property in the UK leased on regulated, assured and life tenancies. In a joint venture it also owns the former Bradford Property Trust let residential portfolio. Market cap of £500m. Gross Yield of 1.7%. Gearing is 100%. Five year share price total return of 35%.*

Five year share price total returns are from Datastream using the period ended 31 March 2003 expressed in local currency.

Principal Investment Properties as at 31 March 2003

Value in excess of £5 million



Property	Sector	Tenure	Size (sq ft)	Principal tenants
198/202 Piccadilly and 32/34 Jermyn Street London W1	**West End Offices and Retail**	**Leasehold 84 years from 1949**	**Offices 37,000 Retail 28,000**	**Daks Simpson Boots the Chemist**

The Group's largest direct property investment is located on the south side of Piccadilly adjacent to the Waterstones bookstore. An application for the total redevelopment of the property to provide a mixed retail and office scheme of 10,500m^2 was approved by Westminster in the autumn of 2002. We have since commenced negotiations with the freeholder to extend the Group's leasehold interest. In the meantime we are continuing to focus on maintaining the income return, currently running at approximately £1.6 million per annum.

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

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. The property is sublet to TM Group plc until 2023.

Property	Sector	Tenure	Size (sq ft)	Principal tenants
The Colonnades Bishops Bridge Road London W2	**Mixed Use**	**Freehold**	**44,000 200 space car park 242 residential units**	**NCP; Pizza Express Scottish & Newcastle Bishops Stores Ltd**

The property comprises a large mixed-use block in Bayswater, constructed in the mid-1970s. Our application for planning permission to refurbish and improve the commercial element of the property, including the conversion of the ex-Budgens storage space to offices, has recently been approved. We are considering the timing and extent of works to be carried out in the light of current market conditions. We continue to negotiate lease extensions with residential tenants, most of whom now have significantly less than 70 years until expiry.

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Cambridge Science Park Cambridge	**Offices**	**Leasehold 125 years from 1987**	**38,500**	**Worldpay Ltd**

Acquired in February 2001, this property was built in 1989 and extensively refurbished in 2000. The tenant, Worldpay Limited, who occupy by way of a 15 year lease from December 2000, has recently been acquired by The Royal Bank of Scotland.

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Southbank Commercial Centre Battersea Park Road London SW11	**Light Industrial and Offices**	**Freehold**	**49,000**	**Various**

Our application to redevelop this property for a mixed residential and commercial scheme gained approval at the end of 2002 following a protracted process, which culminated in a full Public Enquiry on behalf of the Secretary of State. The delay in gaining planning consent coincided with a deterioration in the Central London residential market and we are therefore reviewing our exit strategy. In the meantime, the majority of the property continues to be income producing and we are continuing to market what vacant space there is on flexible terms.

Principal Investment Properties as at 31 March 2003 continued

Value between £2 million and £5 million

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	**The Quay, Ocean Village Southampton**	**Offices**	**Virtual Freehold**	**23,150**	**Pricewaterhouse-Coopers**

This office building, overlooking the principal marina in Southampton's regenerated docklands, was purchased in October 1997. Until recently, the tenant, PricewaterhouseCoopers, occupied the property by way of a lease containing an option to break effective in October 2003. We have managed to retain PwC as a tenant and also increase rents by granting them a new 10 year lease of 3 of the 4 floors and agreeing to take back the remaining floor following a substantial refurbishment programme at their expense. Terms have recently been agreed to let this floor for a 10 year term at an enhanced rent.

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	**Unit 3 Interface, Business Park, Wootton Bassett**	**Industrial**	**Freehold**	**38,249**	**Optical Micro Devices Ltd**

We bought this highly specified, modern industrial property in early 2001, shortly after it had been let to OMD Ltd, a 'high-tech' chip manufacturer, on a 20 year lease with a 2 year rent guarantee from a UK clearing bank. As a result of the downturn in the IT sector, OMD were put into administration in mid-2002. The administrator has been unable to secure a buyer for the company as a going concern and we have therefore commenced a full marketing campaign. In the meantime, the rent continues to be paid under the terms of the bank guarantee.

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	**Ferrier Street Industrial Estate, Ferrier Street, Wandsworth SW18**	**Industrial**	**Freehold**	**38,500**	**Wandsworth Borough Council**

Let to Wandsworth Borough Council at 80% of open market value. This estate is fully sublet to 14 tenants. The Council has an option to take another 25 year lease in 2008. New sublettings on this estate have taken the rental values to new record highs.

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	**Tavern Quay Commercial Centre Rope Street, London SE16**	**Light Industrial and Offices**	**Freehold**	**20,500**	**Various**

The property comprises a purpose built multistorey commercial centre let to 23 tenants on short term leases. The sale of part of the under-utilised car park for the development of 12 flats completed shortly before the year end, realising a healthy surplus. We have recently converted the double-height marine workshops on the ground floor to 7 new office suites, creating additional floor space. 3 of the 7 suites have been let and we are marketing the remaining space.

Value at under £2 million

At 31 March 2003 the Group owned 4 further properties with individual values of under £2 million. They are located in Addlestone, London W2, Swanley and Weybridge. Their aggregate value was £4.3 million.

Directors

A Ross Goobey CBE MA Hon. FIA
Hon. RICS
Chairman

C M Burton MA

J H M Newsum FRICS

P L Salsbury BSc

R A Stone MA FCA

Managers

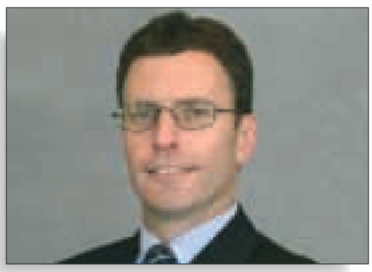
C M Turner MRICS

J L Elliott ACA

M A Phayre-Mudge MRICS

J F K Wilkinson MRICS

M I L Vickery



J S Ellman-Brown ACIS

Directors continued

Alastair Ross Goobey, age 57, joined the Board in 1994 and was appointed Chairman on 1 January 2002. He is President of the Investment Property Forum and was, until 31 December 2001, Chief Executive of Hermes Pensions Management Limited.

Caroline Burton, age 53, was Managing Director of Guardian Asset Management from 1987 to 1999 and a Director of Guardian Royal Exchange from 1990 to 1999. She joined the Board of TRPIT in June 2002.

Jeremy Newsum, age 48, is Group Chief Executive of Grosvenor and a Trustee of the Grosvenor Trusts. He is a Director of Sonae Imobiliaria (Portugal). He was President of the British Property Federation for the year 2001/2002. He joined the Board in June 2002.

Peter Salsbury, age 53, was Chief Executive of Marks and Spencer plc. He joined the Board in 1997.

Richard Stone, age 60, was Deputy Chairman of Coopers and Lybrand in 1998 and a member of the Global Board of PricewaterhouseCoopers until he joined the TRPIT Board in 2000. He is Chairman of Shearings Group Limited and a non-executive director of Halma plc, British Nuclear Fuels plc and Gartmore Global Trust plc. He is Chairman of the Audit Committee.

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

Chris Turner, age 57, has been the Fund Manager since 1995, when he joined Henderson following a career in the City as a property share analyst. He qualified as a Chartered Surveyor in 1970.

Jo Elliott, age 41, qualified with Ernst & Young, became an investment analyst with Heron Corporation plc and then Corporate Finance Manager with SPP. LET prior to joining Henderson in 1995. She is finance manager for the TR Property Group.

Marcus Phayre-Mudge, age 35, qualified as a Chartered Surveyor in 1992. He joined Henderson in January 1997 from Knight Frank where he was an Associate Partner in fund management. He is the Deputy Fund Manager.

James Wilkinson, age 30, qualified as a Chartered Surveyor in 1998. He joined Henderson in October 2002 from Healey and Baker Investment Managers where he was an Associate Partner. He specialises in direct property investment.

Mark Vickery, age 28, joined Henderson in December 2000 as an account manager in the Corporate Affairs department. He is a graduate of Anglia University with a degree in European Business Economics and French.

John Ellman-Brown, age 44, is the appointed representative of Henderson Secretarial Services Ltd, the Corporate Secretary.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 March 2003.

Consideration by the Directors of Matters relating to Directors' Remuneration

The board as a whole considers directors' remuneration. Accordingly a committee to consider matters relating to directors' remuneration has not been appointed. The board has not been provided with advice or services by any person in respect of its consideration of directors' remuneration.

Statement of the Company's Policy on Directors' Remuneration

The board consists entirely of non-executive directors, who are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally every three years thereafter by the board as a whole. None of the directors has a contract of service or a contract for services and a director may resign by notice in writing to the board at any time; there are no notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by that director. There are no long term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the directors' performance, either individually or collectively.

The Company's policy is that the fees payable to the directors should reflect the time spent by the board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other directors in recognition of his more onerous role.

For the year ended 31 March 2003, directors' fees were paid at the annual rates of Chairman: £25,000 (2002: £25,000) and Directors: £15,000 (2002: £15,000). The policy is to review these rates annually in light of the fees paid to the boards of other investment trust companies, although such review will not necessarily result in any change to the rates.

Directors' and Officers' Liability Insurance cover is held by the Company in respect of the directors.

Amount of each Director's emoluments (audited)

The fees payable in respect of each of the directors who served during the financial year were as follows:

	31 March 2003 £	31 March 2002 £
A Ross Goobey	**25,000**	17,500
R R St J Barkshire (i)	**4,777**	15,000
C M Burton (ii)	**12,308**	–
R W Carey (i)	**4,777**	15,000
W G Cochrane (i)	**–**	18,750
J H M Newsum (ii)	**12,308**	–
P L Salsbury	**15,000**	15,000
R A Stone	**15,000**	15,000
TOTAL	**89,170**	96,250

Notes:

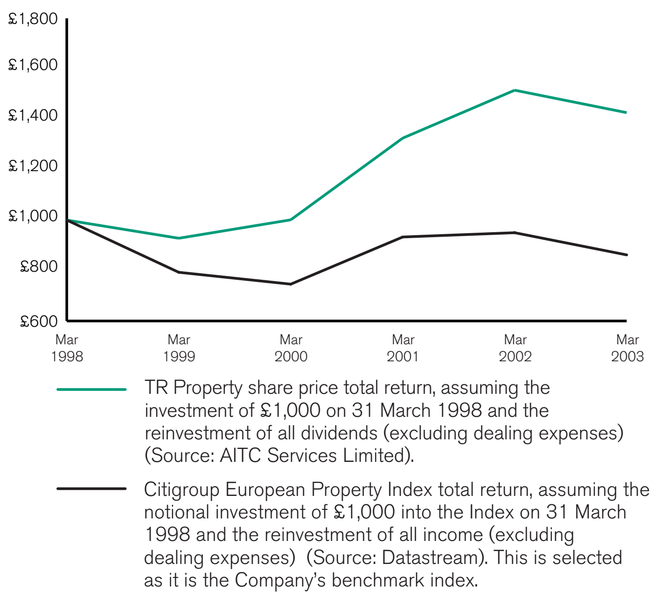
(i) Mr Barkshire and Mr Carey retired from the board on 25 July 2002 and Mr Cochrane on 31 December 2001.

(ii) Ms Burton and Mr Newsum were appointed as new directors on 6 June 2002.

No other remuneration, compensation or expenses were paid or payable by the Company during the year to any of the current or former directors.

Mr Newsum's fees are paid to Grosvenor Investments Limited. The amount so paid was £12,308 (2002: £nil).

Performance Graph



By order of the Board

J S Ellman-Brown ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
5 June 2003

Report of the Directors

The directors present the audited accounts of the Group and their report for the year ended 31 March 2003. The Group comprises TR Property Investment Trust plc ("the Company") and a number of subsidiaries.

Status, Principal Activities and Business Review

The Company is an investment company, as defined in Section 266 of the Companies Act 1985, and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. It is required to seek Inland Revenue approval of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 31 March 2002. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The Company has no employees and the 'close company' provisions do not apply.

A review of the business is given in the Chairman's Statement on pages 4 to 7 and the Manager's Report on pages 8 to 15.

Annual General Meeting

The Annual General Meeting ("AGM") will be held on Friday 25 July 2003 at 12 noon. The Notice of Meeting is set out on page 47 and an explanation of the business to be conducted is given on page 48.

Dividends

An interim dividend of 0.90p per share was paid on 6 January 2003.

The directors recommend the payment of a final dividend of 1.15p per share. Subject to approval at the AGM, the dividend will be paid on 28 July 2003 to shareholders on the register at 27 June 2003. The shares will be quoted ex-dividend from 25 June 2003.

The total dividend for the year is, therefore, 2.05p per share.

Investments

The net asset value per share, after deducting prior charges at par, was 73.02p compared with the net asset value per share of 82.21p on 31 March 2002. The fully diluted net asset value per share on 31 March 2002, after deducting prior charges at par, was 78.08p. Details of the investments are shown within the Manager's Report on pages 8 to 15.

Property Valuation

Valuations of all the Group's properties as at 31 March 2003 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 11 and 12 to the accounts.

Directors' Remuneration

A report on directors' remuneration is set out on page 22.

Directors

The names and biographies of the directors holding office at the date of this report are listed on page 21. All these directors served throughout the year with the exceptions of Ms C M Burton and Mr J H M Newsum who were appointed as new directors on 6 June 2002. Both retired in accordance with the Articles of Association and were elected at the AGM on 25 July 2002.

The Articles of Association require that every director retires by rotation at least every three years. They may then offer themselves for re-election. The directors retiring by rotation at the forthcoming AGM are Mr A Ross Goobey and Mr P L Salsbury, both of whom, being eligible, offer themselves for re-election.

Mr R R St J Barkshire and Mr R W Carey both retired by rotation at the AGM on 25 July 2002. Neither sought re-election.

Directors' Interests in Shares and Warrants

	Ordinary Shares of 25p		Warrants†	
	31 March 2003	1 April 2002	**31 March 2003**	1 April 2002
R R St J Barkshire	**35,000***	35,000	**–***	5,936
C M Burton	**–**	–◊	**–**	–◊
R W Carey	**5,000***	5,000	**1,000***	1,000
J H M Newsum	**–**	–◊	**–**	–◊
A Ross Goobey	**57,996**	11,026	**–**	–
P L Salsbury	**10,000**	10,000	**–**	–
R A Stone	**30,000**	30,000	**–**	–

◊as at date of appointment.
*as at date of retirement.
†warrants lapsed during August 2002.

Report of the Directors continued

The interests of the directors in the ordinary shares and warrants of the Company at the beginning and end of the year are shown in the table on page 23. All interests are beneficial. There have been no changes in the directors' interests in the ordinary shares or warrants between the end of the financial year and the date of this report. The warrants lapsed during August 2002.

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 has a service contract with the Company.

Payment of Suppliers

It is the Company's payment policy for the current financial year to obtain the best possible terms for all business. The Company agrees with its suppliers the terms on which business will take place and it abides by these terms. There were no trade creditors at 31 March 2003.

Manager and Company Secretary

Investment management, accounting, secretarial, administrative and UK custodial services are provided to the Group by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc and Cogent Investment Operations Limited.

The management contract provides for a notice period of one year. The base fee is 0.70% p.a. and is calculated half yearly at the rate of 0.35% of the Group Equity Shareholders' Funds as at 30 September and 31 March.

The board has also agreed a performance fee based on the Group's total return compared to the total return of the benchmark plus a hurdle of 2% over the accounting period. The fee is calculated at 15% of the difference between the Group Equity Shareholders' Funds at 31 March each year and the theoretical increase in those funds had they been invested in the Company's benchmark plus the hurdle of 2%. The fee is capped at 1% of the relevant Group Equity Shareholders' Funds. If, in any period, the Company's total investment return under performs its benchmark, no performance fee will become payable in subsequent periods until such underperformance has been made good in full. To the extent that there is any unpaid performance fee over and above the capped amount then the unutilised performance may be carried forward. The performance carried forward may only be used to offset underperformance and not enhance outperformance. The carry forward only lasts to the next annual fee review. The Group Equity Shareholders' Funds will be adjusted to compensate for share repurchases and issues and to measure performance before the deduction of the base fee but after all other expenses.

On the basis of the board's expected long-term split of returns, in the form of capital gains and income in equal proportions, the Group charges 50% of its interest payable to capital. One third of the management fees are deemed to relate to the administration of the Trust and are charged to revenue. The remainder are split on the same basis as interest and 50% charged to capital. The overall result is that two thirds of management fees are charged to revenue and one third to capital. All performance fees are charged to capital.

Corporate Governance

A statement on Corporate Governance is given on pages 26 to 28.

Share Capital Changes

At 31 March 2002 the Company had 416,599,673 ordinary shares and 56,228,441 warrants in issue. During the year to 31 March 2003 the Company made market purchases for cancellation of 17,530,872 ordinary shares of 25 pence each representing approximately 4.2% of the issued share capital as at 31 March 2002; the aggregate consideration paid by the Company was £10,662,000. As at 31 March 2003 the Company had authority to make market purchases of a further 44,917,418 ordinary shares.

The last opportunity for warrant holders to exercise their warrants into the ordinary shares of the Company occurred on 31 July 2002, when 11,880,627 warrants were exercised. On 1 August 2002, the final conversion of the 5,545,072 warrants that remained unexercised commenced. These warrants were converted into ordinary shares that were then sold in the open market. At close of business on 14 August 2002 the warrants lapsed.

Report of the Directors continued

Up to the date of the final exercise and conversion, the Company made market purchases for cancellation of 38,802,742 warrants; the aggregate consideration paid by the Company was £8,885,000.

The number of ordinary shares in issue on 31 March 2003 was 416,494,500.

Since 1 April 2003 and up to the date of this document the Company has made further purchases for cancellation of 1,350,000 ordinary shares for a consideration of £882,000.

The Company is seeking to renew the power to make market purchases of ordinary shares for cancellation at the AGM.

Substantial Share Interests

Shareholder	% of issued shares
CSFB (Europe)	**8.03**
BT Pension Scheme	**7.71**
Henderson Investment Trust Share Plan, PEPs & ISAs	**5.81**
HSBC Global Custody Nominee (UK)	**4.12**
JPMorgan Fleming Asset Management	**3.90**
Legal & General Investment Management	**3.48**
Prudential Assurance Co	**3.41**

Declarations of interests in the issued share capital of the Company, at 15 May 2003, are set out above.

ISAs/PEPs

The Company has conducted its affairs, and will continue to conduct its affairs, in such a way as to comply with the Individual Savings Accounts and Personal Equity Plan Regulations.

Shareholder Information

Further information on the Company can be found on pages 49 to 52.

Going Concern

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

Registered Auditor

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

J S Ellman-Brown ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
5 June 2003

Corporate Governance

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code").

Application of the Code's Principles

The board attaches great importance to the matters set out in the Code and observes its principles. It should be noted that, as an investment trust, most of the Company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus not all the provisions of the Code are directly applicable to the Company.

The Board and Committees

The board currently consists of five non-executive directors, all of whom are independent of the Company's investment manager. Their biographies, set out on page 21, demonstrate a breadth of investment, property and professional experience.

The board meets six times a year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. Between these meetings there is regular contact with the investment manager. The investment manager takes decisions as to the purchase and sale of individual investments within certain limits prescribed by the board. The investment manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the investment manager attend each board meeting enabling directors to probe further on matters of concern or seek clarification on certain issues. 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. The directors have access to the advice and services of the Corporate Company Secretary (through its appointed representative) who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

The Chairman of the Company is an independent non-executive director. A senior non-executive director has not been identified as the board considers that all the directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

When a director is appointed he or she receives an introductory briefing which is held by the investment manager. Changes in directors' responsibilities are advised as they arise.

The board has not established a nominations committee to make recommendations on the appointment of new directors as it considers itself to be a small board. The board as a whole considers nominations made in accordance with an agreed procedure. In accordance with the AITC recommendation, a management engagement committee, with defined terms of reference, has been established. This consists of all the independent non-executive directors and meets when necessary to review and discuss the terms of the appointment of the investment manager. There is also an audit committee consisting of all the independent non-executive directors with defined terms of reference. This committee is responsible for review of the annual accounts and interim report, terms of appointment of the auditors together with their remuneration as well as the non-audit services provided by the auditors. It also meets with representatives of the investment manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

In accordance with the Articles of Association new directors stand for election at the first Annual General Meeting following their appointment and then at every third Annual General Meeting.

Directors' Remuneration

The board as a whole considers directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company is an investment trust and all directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report set out on page 22; no fees are paid by the subsidiaries.

Corporate Governance continued

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Accounts is set out on page 28 and the Report of the Independent Auditors on page 29. The board has delegated contractually to external agencies, including the manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The board receives and considers regular reports from the manager and ad hoc reports and information are supplied to the board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the board.

The manager has established an internal control framework to give reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of these controls is assessed by the manager's compliance and risk department on an ongoing basis.

Internal Control

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance"). The process was fully in place up to the date of approval of this annual report and has operated throughout the year under review. The board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The board, assisted by the manager, undertook a full review of the Company's business risks and these are analysed and recorded in a risk map. The board receives each quarter from the manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the manager, and which reports the details of any known internal control failures. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers.

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not directly employ any staff. The board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the directors will review from time to time whether a function equivalent to an internal audit is needed.

Exercise of Voting Powers

The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

Relations with Shareholders

The investment manager has a programme of meetings with institutional shareholders and reports back to the board on these meetings.

The board is very conscious that the Annual General Meeting is an event which private shareholders are encouraged to attend and participate in. The investment manager makes a presentation to the meeting and proxy votes are relayed. The Company has adopted a nominee share code which is set out on page 51.

The board has arranged for twenty working days' notice of the Annual General Meeting to shareholders as required under Code Provision C.2.4.

The Notice of Meeting sets out the business of the meeting and the special resolution is explained more fully in the Explanation of the Notice of Meeting on page 48. Separate resolutions are proposed for each substantive issue.

Corporate Governance continued

Socially Responsible Investment

Good corporate governance extends to a company's policies on the environment, employment, human rights and community relationships. Corporations are playing an increasingly important role in global economic activity and the adoption of good corporate governance enhances a company's economic prospects by reducing the risk of government and regulatory intervention and any ensuing damage to its business or reputation.

The Company's policy is to examine and monitor the policies and actions of the companies in which it invests. Its overriding objective remains the maximisation of shareholders' total return.

Environmental Policy

The Company has adopted an environmental policy in respect of its investments. The annual statements of the companies in which it invests are reviewed and their environmental statement considered. In respect of the direct property portfolio, there is an environmental assessment prior to purchase to identify possible contamination or materials considered environmentally harmful. Remedial action is taken where appropriate. Tenants are encouraged to pursue their own environmental procedures.

Statement of Compliance

The directors consider that the Company has complied throughout the year ended 31 March 2003 with all the relevant provisions set out in section 1 of the Code.

Statement of Directors' Responsibilities

in respect of the Accounts

The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the net revenue of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 March 2003. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors

to the members of TR Property Investment Trust plc

We have audited the Group's accounts for the year ended 31 March 2003 which comprise the Group Statement of Total Return, Group and Company Balance Sheets, Group Cash Flow Statement and the related notes 1 to 27. These accounts have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including the accounts which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the accounts.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises Highlights of the Year, Profile, Financial Highlights and Performance Information, Chairman's Statement, Manager's Report, Twenty Largest Equity Investments, Principal Investment Properties, the unaudited part of the Directors' Remuneration Report, Report of the Directors and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' Remuneration Report to be audited. 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 Group'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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the total return of the Group for the year then ended; and
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
5 June 2003

Group Statement of Total Return

(Incorporating the Revenue Account) for the year ended 31 March 2003

Notes		Year ended 31 March 2003 Revenue £'000	Year ended 31 March 2003 Capital £'000	Year ended 31 March 2003 Total £'000	Year ended 31 March 2002 Revenue £'000	Year ended 31 March 2002 Capital £'000	Year ended 31 March 2002 Total £'000
2	Total capital (losses)/gains from investments	–	(25,633)	(25,633)	–	20,129	20,129
17	Repurchase of warrants	–	(8,885)	(8,885)	–	(3,986)	(3,986)
3	Investment income	11,529	–	11,529	7,502	–	7,502
4	Net rental income	4,938	–	4,938	5,869	–	5,869
		16,467	(34,518)	(18,051)	13,371	16,143	29,514
5	Interest receivable and similar income	209	–	209	380	–	380
	Gross revenue and capital (losses)/gains	16,676	(34,518)	(17,842)	13,751	16,143	29,894
6	Management and performance fees	(1,702)	(851)	(2,553)	(1,687)	(2,155)	(3,842)
7	Other administrative expenses	(570)	–	(570)	(558)	–	(558)
	Net return on ordinary activities before interest payable and taxation	14,404	(35,369)	(20,965)	11,506	13,988	25,494
8	**Interest payable and similar charges**	(2,433)	(2,433)	(4,866)	(2,479)	(2,479)	(4,958)
	Net return on ordinary activities before taxation	11,971	(37,802)	(25,831)	9,027	11,509	20,536
9	**Taxation on net return on ordinary activities**	(2,237)	696	(1,541)	(1,080)	1,059	(21)
	Net return on ordinary activities after taxation	9,734	(37,106)	(27,372)	7,947	12,568	20,515
	Ordinary dividends						
	Interim of 0.90p (2002: 0.65p)	(3,823)	–	(3,823)	(2,766)	–	(2,766)
	Final of 1.15p (2002: 1.00p)	(4,774)	–	(4,774)	(4,166)	–	(4,166)
		(8,597)	–	(8,597)	(6,932)	–	(6,932)
	Transfer to/(from) reserves	1,137	(37,106)	(35,969)	1,015	12,568	13,583
10	**Return per ordinary share**						
	Basic	2.30p	(8.78)p	(6.48)p	1.86p	2.94p	4.80p
	Fully diluted	n/a	n/a	n/a	1.80p	2.84p	4.64p

The revenue columns of this statement represent the revenue account of the Group.

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

No operations were acquired or discontinued during the year.

The notes on pages 33 to 46 form part of these accounts.

Group and Company Balance Sheets

as at 31 March 2003

Notes			Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
11, 12	**Fixed asset investments**		**358,178**	427,679	**357,646**	418,876
	Current assets					
14	Debtors		**4,267**	7,049	**3,452**	5,136
	Cash at bank		**1,790**	901	**1,641**	51
			6,057	7,950	**5,093**	5,187
15	**Creditors** – amounts falling due within one year					
	Bank loans and overdrafts		**8,697**	42,932	**8,697**	42,911
	Other creditors		**11,217**	10,028	**49,665**	38,421
			19,914	52,960	**58,362**	81,332
	Net current liabilities		**(13,857)**	(45,010)	**(53,269)**	(76,145)
	Total assets less current liabilities		**344,321**	382,669	**304,377**	342,731
15	**Creditors** – amounts falling due after more than one year		**40,194**	40,188	**250**	250
	Total net assets		**304,127**	342,481	**304,127**	342,481
	Capital and reserves					
16	Called up share capital		**104,124**	104,150	**104,124**	104,150
17	Share premium		**37,063**	30,111	**37,063**	30,111
17	Warrant reserve		**–**	3,031	**–**	3,031
18	Other reserves		**145,997**	189,383	**153,355**	196,793
18	Revenue reserve		**16,943**	15,806	**9,585**	8,396
20	**Equity shareholders' funds**		**304,127**	342,481	**304,127**	342,481
20	**Net asset value per share**	– basic	**73.02p**	82.21p	**73.02p**	82.21p
		– fully diluted	**n/a**	78.08p	**n/a**	78.08p

These accounts were approved by the directors on 5 June 2003

A Ross Goobey – Director

The notes on pages 33 to 46 form part of these accounts.

Group Cash Flow Statement

for the year ended 31 March 2003

Notes		2003 £'000	2003 £'000	2002 £'000	2002 £'000
21	**Net cash inflow from operating activities**		**12,483**		6,811
	Returns on investments and servicing of finance				
	Interest paid	**(4,806)**		(5,050)	
	Net cash outflow from servicing of finance		**(4,806)**		(5,050)
	Taxation recovered		**442**		461
	Capital expenditure and financial investment				
	Purchase of investments	**(82,130)**		(146,766)	
	Sale of investments	**128,490**		152,024	
	Net cash inflow from financial investment		**46,360**		5,258
	Equity dividends paid		**(7,989)**		(6,419)
	Net cash inflow before financing		**46,490**		1,061
	Financing				
	Issue of shares	**8,277**		287	
	Purchase of own shares	**(10,662)**		(13,945)	
	Purchase of own warrants	**(8,885)**		(3,986)	
	Net cash outflow from financing		**(11,270)**		(17,644)
22	**Increase/(decrease) in cash**		**35,220**		(16,583)

Reconciliation of net cash flow to movement in net debt

	2003 £'000	2002 £'000
Increase in cash	**985**	201
Cash outflow/(inflow) from decrease/(increase) in loans	**34,235**	(16,784)
Change in net debt resulting from cash flows	**35,220**	(16,583)
Exchange differences	**(96)**	(672)
Other	**(6)**	(7)
Movement in net debt	**35,118**	(17,262)
Net debt at 1 April	**(82,219)**	(64,957)
Net debt at 31 March	**(47,101)**	(82,219)

The notes on pages 33 to 46 form part of these accounts.

Notes to the Accounts

1 Accounting policies

(a) Basis of preparation

The accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of investment properties and fixed asset investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice – "Financial Statements of Investment Trust Companies" (the "SORP"). All of the Group's operations are of a continuing nature.

(b) Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings to 31 March 2003.

Undertakings, other than subsidiary undertakings, in which the Group has an investment representing 20% or more of the voting rights and over which it exerts 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. 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 does not exert significant influence, are not treated as associated undertakings and are accounted for as investments.

(c) 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 and 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.

(d) Fixed asset investments

Fixed asset investments are valued at middle market prices. 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 undertakings are revalued annually to the Company's share of the net assets of those undertakings.

(e) 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.

(f) Income

Dividend income from equity shares is recognised on an ex-dividend basis and income from fixed interest debt securities and preference shares is recognised on a time apportionment basis and, if material, so as to reflect the effective yield on each such security. Interest receivable is accounted for on an accruals basis.

(g) Expenses and interest payable

On the basis of the board's expected long-term split of returns in the form of capital gains and income in equal proportions, the Group charges 50% of its interest payable to capital. One third of the management fees are deemed to relate to the administration of the Trust and are charged to revenue. The remainder are split on the same basis as interest and 50% charged to capital. The overall result is that two thirds of management fees are charged to revenue and one third to capital. All performance fees are charged to capital. The finance cost in respect of capital instruments other than equity shares is calculated so as to give a constant rate of return on the outstanding balance.

(h) Foreign currency

Transactions denominated in overseas currencies during the year are translated into sterling at the appropriate daily exchange rate. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that time.

(i) Taxation

These accounts follow the requirements of Financial Reporting Standard ("FRS") 16, "Current Taxation", to show franked investment income net of the related tax credits. The tax effect of different items of expenditure is allocated between capital and revenue using the Group's effective rate of tax for the year. The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Following the introduction of FRS 19, deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

2 Total capital (losses)/gains from investments

	2003 £'000	2002 £'000
Realised gains based on historical cost	**24,210**	25,838
Amounts recognised as unrealised in previous years	**(22,938)**	(26,169)
Realised gains/(losses) based on carrying value at previous balance sheet date	**1,272**	(331)
Net movement in unrealised appreciation	**(26,809)**	21,132
Net loss on foreign exchange	**(96)**	(672)
	(25,633)	20,129

3 Investment income

	2003 £'000	2002 £'000
Dividends from UK listed investments	**5,539**	5,628
Dividends from overseas listed investments	**5,827**	1,675
Interest from listed investments	**163**	199
	5,990	1,874
	11,529	7,502

4 Net rental income

	2003 £'000	2002 £'000
Gross rent	**6,082**	7,266
Direct property expenses including ground rent	**(1,144)**	(1,397)
	4,938	5,869

5 Interest receivable and similar income

	2003 £'000	2002 £'000
Interest receivable	**186**	380
Other income	**23**	–
	209	380

6 Management and performance fees

	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
Management fee	**1,506**	**753**	**2,259**	1,509	755	2,264
Managers' performance fee	**–**	**–**	**–**	–	1,129	1,129
Irrecoverable VAT thereon	**196**	**98**	**294**	178	271	449
	1,702	**851**	**2,553**	1,687	2,155	3,842

A summary of the terms of the management agreement is given in the Report of the Directors on page 24.

7 Other administrative expenses

(including irrecoverable VAT)

	2003 £'000	2002 £'000
Directors' fees (Directors' Remuneration Report on page 22)	**89**	96
Auditors' remuneration:		
for audit services (note 7a)	**63**	59
Other expenses payable to the management company (note 7b)	**22**	7
Marketing (note 7c)	**48**	29
Other expenses	**348**	367
	570	558

a) Includes £32,000 (2002: £31,000) relating to the parent undertaking.

b) Other expenses payable to the management company relate to share plan administration services.

c) Includes £20,000 relating to AITC marketing (2002: £23,000).

8 Interest payable and similar charges

	2003 £'000	2002 £'000
Bank loans and overdrafts repayable within 1 year	**1,080**	1,178
Debentures repayable after more than 5 years	**3,786**	3,780
	4,866	4,958
Amount allocated to capital	**(2,433)**	(2,479)
Total allocated to revenue	**2,433**	2,479

9 Taxation on net return on ordinary activities

a) Analysis of charge in the year

	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
UK corporation tax at 30%	**1,577**	**(696)**	**881**	1,059	(1,059)	–
Overseas taxation	**239**	**–**	**239**	283	–	283
	1,816	**(696)**	**1,120**	1,342	(1,059)	283
Deferred taxation	**456**	**–**	**456**	(301)	–	(301)
(Over)/underprovision in respect of prior years	**(35)**	**–**	**(35)**	39	–	39
	2,237	**(696)**	**1,541**	1,080	(1,059)	21

9 Taxation on net return on ordinary activities continued

b) Factors affecting current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporate tax in the UK for a large company (30%). The difference is explained below:

	2003 £'000	2002 £'000
Net profit on ordinary activities before taxation	**11,971**	9,027
Corporation tax at 30%	**3,591**	2,708
Effects of:		
Non-taxable UK dividends	**(1,662)**	(1,688)
Expenses charged to capital	**(288)**	(330)
Double tax relief taken as expenses	**–**	(59)
Overseas withholding taxes	**239**	283
(Over)/under provision in respect of prior years	**(35)**	39
Excess expenses (utilised)/not utilised	**(729)**	374
Disallowable expenses	**26**	54
Taxable Avoir Fiscal	**96**	–
Overseas dividends taken to capital	**503**	–
Other short term timing differences	**40**	–
Current tax charge for the year	**1,781**	1,381

The Group has not recognised deferred tax assets of £1,427,000 (2002: £1,801,000) arising as a result of excess management expenses and excess non trade debits. These expenses will only be utilised if the Group has profits chargeable to corporation tax in future accounting periods. It is considered too uncertain that the Group will generate such profits and, on this basis, the deferred tax asset in respect of these expenses has not been recognised.

c) Provision for deferred taxation

The amounts of deferred taxation provided at 30% comprise:

	2003 £'000	2002 £'000
Accelerated capital allowances	**155**	11
Unutilised losses carried forward	**–**	(312)
	155	(301)

The movement in provision in the year is as follows:

	£'000
Provision at the start of the year	**(301)**
Deferred tax charge in Statement of Total Return:	
Accelerated capital allowances	**144**
Losses utilised in the year	**312**
Provision at the end of the year	**155**

10 Return per ordinary share

Basic revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £9,734,000 (2002: £7,947,000) and on the weighted average number of ordinary shares in issue during the year, being 422,633,986 (2002: 427,073,371). Basic capital return per ordinary share is based on net capital losses of £37,106,000 (2002: £12,568,000 gains) and on the same weighted average number of ordinary shares in issue.

The calculations of the fully diluted revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard 14, "Earnings per Share". For the purposes of calculating diluted revenue and capital returns per share, the number of shares is the weighted average used in the basic calculation plus the number of shares deemed to be issued for no consideration on exercise of all warrants, by reference to the average price of the ordinary shares during the year.

11 Fixed asset investments

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Listed at market value:				
United Kingdom	162,037	220,239	162,015	220,217
Overseas	120,962	123,266	120,962	123,266
Unlisted at Directors' valuation	1,599	1,204	1,599	1,204
Subsidiary undertakings (note 26)	–	–	41,145	40,789
Investment properties	73,580	82,970	31,925	33,400
	358,178	427,679	357,646	418,876

The Company's investment in subsidiary undertakings is stated at the Company's share of the net assets of those undertakings.

Investment properties were independently valued on the basis of open market value in accordance with the definition set out in the appraisal and valuation manual published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuations were carried out as at 31 March 2003 by Drivers Jonas save for residential properties held in Trust Union Properties Limited which were valued by DTZ Pieda Consulting at the same date.

The historical cost to the Group of the investment properties shown above was £58,317,000 (2002: £64,889,000).

12 Changes in fixed asset investments

	Group £'000	Company £'000
Valuation at 1 April 2002	427,679	418,876
Unrealised appreciation	(96,806)	(93,174)
Cost at 1 April 2002	330,873	325,702
Additions at cost	83,774	83,304
Disposals at cost	(103,528)	(96,099)
Cost at 31 March 2003	311,119	312,907
Unrealised appreciation	47,059	44,739
Valuation at 31 March 2003	358,178	357,646

Notes to the Accounts continued

13 Derivatives and other financial instruments

The Group's financial instruments, other than derivatives, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The Group has little exposure to credit and cash flow risk. Unquoted investments in the portfolio are subject to liquidity risk. This risk is taken into account by the directors when arriving at their valuation of these items.

The principal risks the Group faces in its portfolio management activities are:

- market price risk (i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement);
- foreign currency risk;
- interest rate risk.

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

(i) Market Price Risk

By the very nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Investment Manager's report on pages 8 to 15.

(ii) Foreign Currency Risk

A proportion of the Group's portfolio is invested in overseas securities and their sterling value can be significantly affected by movements in foreign exchange rates. The Group hedges foreign currency movements outside the Eurozone by funding investments in overseas securities with unsecured loans denominated in the same currency.

(iii) Interest Rate Risk

The majority of the Group's borrowings are at a fixed rate. A proportion of term loans may be hedged by the use of interest rate swaps and cap contracts. Short term borrowings are not hedged.

(iv) Use of Derivatives

It is not the Group's policy to enter into derivative contracts other than for the purposes of hedging against price movements in the value of particular constituents of the portfolio or interest rate exposures.

13 Derivatives and other financial instruments continued

Foreign currency and interest rate exposures at 31 March 2003 (using exchange rates of 1.4486 Euros, 13.40235 Swedish Krona and 2.1362 Swiss Francs to £1) were:

	Financial Assets				Financial Liabilities			
	Fixed interest £'000	Floating rate £'000	Non interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	3,243	2,804	162,299	168,346	40,194	9,167	8,021	57,382
Euro	–	1,074	107,304	108,378	–	2,005	–	2,005
Swedish Krona	–	4	11,107	11,111	–	721	–	721
Swiss Francs	–	34	2,779	2,813	–	–	–	–
Other	–	7	–	7	–	–	–	–
	3,243	3,923	283,489	290,655	40,194	11,893	8,021	60,108

Foreign currency and interest rate exposures at 31 March 2002 (using exchange rates of 1.6323 Euros, 14.7501 Swedish Krona, 12.1341 Danish Krone and 2.3949 Swiss Francs to £1) are:

	Financial Assets				Financial Liabilities			
	Fixed interest £'000	Floating rate £'000	Non interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	3,384	3,688	221,999	229,071	40,188	44,570	8,476	93,234
Euro	–	1,530	102,702	104,232	–	1,423	–	1,423
Swedish Krona	–	2,434	14,825	17,259	–	2,156	–	2,156
Danish Krone	–	1,607	1,619	3,226	–	1,603	–	1,603
Swiss Francs	–	17	4,120	4,137	–	–	–	–
Other	–	2	–	2	–	–	–	–
	3,384	9,278	345,265	357,927	40,188	49,752	8,476	98,416

The fixed rate assets have a weighted average life of 12.2 years (2002: 12.9 years) and a weighted average interest rate of 7.5% (2002: 7.6%) per annum. The non interest bearing assets represent the equity element of the investment portfolio. Floating rate financial assets and liabilities consist primarily of bank balances, loans and overdrafts; their respective interest rates are linked to LIBOR.

Currency Exposure

The currency denomination of the Group's financial assets and liabilities is shown above.

Primary Financial Instruments

Securities and other investments are included in the balance sheet at market values.

Notes to the Accounts continued

14 Debtors

Amounts falling due within one year:	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Securities and properties sold for future settlement	**1,166**	2,236	**1,166**	761
Amounts due from substantial interests	**967**	874	**967**	874
Tax recoverable	**218**	302	**218**	302
Deferred taxation	**–**	302	**–**	313
Prepayments and accrued income	**1,186**	2,862	**998**	2,644
Other debtors	**730**	473	**103**	242
	4,267	7,049	**3,452**	5,136

15 Creditors

Amounts falling due within one year:	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank loans and overdrafts	**8,697**	42,932	**8,697**	42,911
Securities and properties purchased for future settlement	**3,196**	1,552	**3,196**	1,552
Amounts due to Group undertakings	**–**	–	**40,532**	29,830
Taxation payable	**–**	30	**–**	–
Deferred taxation	**155**	–	**–**	–
Ordinary dividends declared and proposed	**4,774**	4,166	**4,774**	4,166
Managers' performance fees payable	**–**	1,310	**–**	1,310
Accruals and deferred income	**2,083**	2,217	**645**	1,152
Other creditors	**1,009**	753	**518**	411
	11,217	10,028	**49,665**	38,421
	19,914	52,960	**58,362**	81,332
Amounts falling due after more than one year:				
Debenture loans (a), (b) and (c) below	**40,194**	40,188	**250**	250

The total amount of secured creditors is £40,000,000.

Debenture Loans

(a) £15,000,000 (2002: £15,000,000) participation by TR Property Finance Limited, a subsidiary undertaking, in 11.5% 2016 several debenture stock issued by TRUSTCO Finance plc, which is guaranteed by the Company by a floating charge over its assets. The market value of this debenture at 31 March 2003 was £21,825,000.

(b) £25,000,000 (2002: £25,000,000) 8.125% 2008 debenture stock 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. The market value of this debenture at 31 March 2003 was £27,953,000.

(c) £250,000 5% unsecured loan notes issued on 31 March 1999 by TR Property Investment Trust plc for the finance of 198/202 Piccadilly. The estimated fair value of these loan notes at 31 March 2003 was £250,000.

Notes to the Accounts continued

16 Called up share capital

	Authorised Number	Authorised £'000	Issued, allotted and fully paid Number	Issued, allotted and fully paid £'000
Ordinary shares of 25p				
At 31 March 2002	**779,170,350**	**194,793**	**416,599,673**	**104,150**
Warrants exercised/converted	**–**	**–**	**17,425,699**	**4,356**
Shares repurchased	**–**	**–**	**(17,530,872)**	**(4,382)**
At 31 March 2003	**779,170,350**	**194,793**	**416,494,500**	**104,124**

On 31 July 2002, 11,880,627 ordinary shares were issued as the result of the final exercise of the same number of warrants at 47.5p per ordinary share. A further 5,545,072 ordinary shares were issued as part of the conversion of the warrants remaining unexercised, following the final exercise.

The market price of the ordinary shares on 31 July 2002 was 62.75p per share.

During the year, the Company made market purchases for cancellation of 17,530,872 ordinary shares of 25p each representing 4.2% of the number of shares in issue at 31 March 2002. The aggregate consideration paid by the Company for the shares was £10,662,000. Shares are repurchased in order to enhance shareholder value.

17 Share premium and warrant reserve

	Share premium Group £'000	Share premium Company £'000	Warrant reserve Group £'000	Warrant reserve Company £'000
At 1 April 2002	**30,111**	**30,111**	**3,031**	**3,031**
Warrants exercised/converted	**4,860**	**4,860**	**(939)**	**(939)**
Warrants purchased	**2,092**	**2,092**	**(2,092)**	**(2,092)**
At 31 March 2003	**37,063**	**37,063**	**–**	**–**

At 31 March 2003 there were no (2002: 56,228,441) warrants outstanding. The warrants lapsed during August 2002.

During the year the Company purchased 38,802,742 warrants for a total consideration of £8,885,000.

Notes to the Accounts continued

18 Reserves

a) Group

	Capital redemption £'000	Other reserves Unrealised appreciation £'000	Other reserves Realised reserves £'000	Total £'000	Revenue reserve £'000
At 1 April 2002	13,799	96,806	78,778	189,383	15,806
Transfer on disposal of assets	–	(22,938)	22,938	–	–
Net gain from fixed asset investments	–	(26,809)	1,272	(25,537)	–
Net loss on foreign exchange	–	–	(96)	(96)	–
Expenses and interest payable charged to capital	–	–	(3,284)	(3,284)	–
Tax relief on expenses and interest payable charged to capital	–	–	696	696	–
Purchase of own shares	4,382	–	(10,662)	(6,280)	–
Purchase of own warrants	–	–	(8,885)	(8,885)	–
Retained revenue for the year	–	–	–	–	1,137
At 31 March 2003	18,181	47,059	80,757	145,997	16,943

Unrealised appreciation at 31 March 2003 includes £1,556,000 (2002: £937,000) relating to unlisted fixed asset investments and £15,263,000 (2002: £18,081,000) relating to investment properties.

b) Company

	Capital redemption £'000	Other reserves Unrealised appreciation £'000	Other reserves Realised reserves £'000	Total £'000	Revenue reserve £'000
At 1 April 2002	13,799	93,174	89,820	196,793	8,396
Transfer on disposal of assets	–	(21,113)	21,113	–	–
Net gain from fixed asset investments	–	(27,322)	712	(26,610)	–
Net loss on foreign exchange	–	–	(96)	(96)	–
Expenses and interest payable charged to capital	–	–	(1,989)	(1,989)	–
Tax relief on expenses and interest payable charged to capital	–	–	422	422	–
Purchase of own shares	4,382	–	(10,662)	(6,280)	–
Purchase of own warrants	–	–	(8,885)	(8,885)	–
Retained revenue for the year	–	–	–	–	1,189
At 31 March 2003	18,181	44,739	90,435	153,355	9,585

Unrealised appreciation at 31 March 2003 includes £12,617,000 (2002: £11,643,000) relating to unlisted fixed asset investments and £5,943,000 (2002: £7,805,000) relating to investment properties.

Notes to the Accounts continued

19 Company revenue account

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The net revenue after taxation of the Company dealt with in the accounts of the Group was £9,786,000 (2002: £7,025,000).

20 Net asset value per ordinary share

Basic net asset value per ordinary share is based on net assets attributable to ordinary shares of £304,127,000 (2002: £342,481,000) and on 416,494,500 (2002: 416,599,673) ordinary shares in issue at the year-end. The fully diluted net asset value per ordinary share at 31 March 2002 was calculated on the assumption that the 56,228,441 warrants in issue at that time were fully converted into ordinary shares at 47.5p per share.

The movements during the year of the Group assets attributable to the ordinary shares were as follows:

	£'000
Total net assets at 1 April 2002	342,481
Proceeds on exercise of warrants	8,277
Total net return on ordinary activities after taxation and dividends	(35,969)
Purchase of own shares	(10,662)
Total net assets at 31 March 2003	**304,127**

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

	2003 £'000	2002 £'000
Net revenue before interest payable and taxation	14,404	11,506
Decrease/(increase) in operating debtors	1,244	(781)
Increase in operating creditors	3	121
UK income tax deducted at source	–	(11)
Overseas withholding tax suffered	(1,007)	(322)
Performance fees paid	(1,310)	(2,934)
Management fee charged to capital	(851)	(768)
Net cash inflow from operating activities	12,483	6,811

Notes to the Accounts continued

22 Analysis of changes in net debt

	At 1 April 2002 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2003 £'000
Cash at bank	901	985	(96)	1,790
Overdrafts	(42,932)	34,235	–	(8,697)
	(42,031)	35,220	(96)	(6,907)
Debts falling due after more than one year	(40,188)	–	(6)	(40,194)
Net debt	(82,219)	35,220	(102)	(47,101)

23 Commitments and contingent liabilities

At 31 March 2003 the Group and Company had no contingent liabilities and commitments (2002: £nil).

The Company has guaranteed a £15,000,000 (2002: £15,000,000) participation in 11.5% 2016 secured debenture stock and a £25,000,000 (2002: £25,000,000) 8.125% 2008 debenture stock (see note 15).

24 Group reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Net revenue on ordinary activities after taxation	9,734	7,947
Dividends	(8,597)	(6,932)
	1,137	1,015
Proceeds on exercise of warrants	8,277	287
(Decrease)/increase in non-distributable reserves	(28,221)	16,554
Purchase of own shares and warrants	(19,547)	(17,931)
Net decrease in shareholders' funds	(38,354)	(75)
Shareholders' funds at 1 April	342,481	342,556
Shareholders' funds at 31 March	304,127	342,481

25 Related party transactions

Under the terms of an agreement dated 15 March 1995 the Company has appointed wholly owned subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, secretarial, administrative and UK custody services. Henderson has contracted Cogent Investment Operations Limited ("Cogent") to provide accounting and administrative services. Prior to 2 September 2002 Cogent was a wholly owned subsidiary of Henderson. After that date Cogent has been wholly independent of Henderson. Details of the fee arrangements for these services are given in the Report of the Directors on page 24. The total of the fees paid or payable to Henderson under these agreements in respect of the year ended 31 March 2003 was £2,259,000 (excluding VAT) (2002: £3,393,000) of which £461,000 was outstanding at 31 March 2003 (2002: £1,666,000).

In addition to the above services Henderson has provided the Company with share plan administration and marketing services. The total fees paid or payable for these services for the year ended 31 March 2003 amounted to £18,000 (excluding VAT) (2002: £7,000). £14,000 was outstanding at 31 March 2003 (2002: £35,000).

Notes to the Accounts continued

26 Subsidiary undertakings

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
TR Property Finance Ltd	Investment holding and finance
* Trust Union Finance (1991) PLC	Investment holding and finance
Trust Union Properties (Bayswater) Ltd	Property investment
* The Colonnades Ltd	Property investment
* New England Properties Ltd	Property investment, development, dealing and management services

* Indirectly held

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.

27 Substantial interests

The Group has the following substantial interests, all of which are registered and operating in England and Wales:

Name of Company	Class of Shares held	Percentage Holding of Class	Principal Activities
Controlrun Limited	A Ordinary £1	NIL	Property investment in petrol stations
	B Ordinary £1	100.0%	
	Cumulative Redeemable Preference 10p	100.0%	
Big Yellow Group	Ordinary 10p	12.7%	Ownership and operation of self storage facilities
Rugby Estates	Ordinary 20p	11.9%	Property investment
Trust of Property Shares	Ordinary 5p	18.5%	Investment trust

The Group also held interests in 3% or more of any class of capital in 5 investee companies. None of these investments is considered significant in the context of these accounts.

Notice of Annual General Meeting

Notice is hereby given that the Ninety-Ninth Annual General Meeting of TR Property Investment Trust plc will be held at 4 Broadgate, London, EC2M 2DA on Friday 25 July 2003 at 12 noon for the following purposes:

Ordinary Business

1 To approve the Directors' Remuneration Report for the year ended 31 March 2003.

2 To receive the Report of the Directors and the audited accounts for the year ended 31 March 2003.

3 To declare a final dividend of 1.15p per ordinary share.

4 To re-elect Mr A Ross Goobey as a director.

5 To re-elect Mr P L Salsbury as a director.

6 To re-appoint Ernst & Young LLP as auditors of the Company.

7 To authorise the directors to determine the remuneration of the auditors.

Special Business

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

8 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares") on such terms and in such manner as the Directors may from time to time determine provided that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 62,230,160 (representing approximately 14.99% of the Company's ordinary shares in issue at 5 June 2003, the date of this Notice of Annual General Meeting);

(b) the maximum price (exclusive of expenses) at which a Share may be purchased shall not exceed 105 per cent. of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase;

(c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per Share; and

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2004 or, if earlier, 18 months from the passing of this resolution, save that the Company may before such expiry enter into a contract to purchase Shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of Shares in pursuance of any such contract.

By order of the Board

J S Ellman-Brown ACIS
Henderson Secretarial Services Limited
Secretary
5 June 2003

Notes

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company at 7.00pm on 23 July 2003 shall be entitled to attend and/or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time on 23 July 2003 shall be disregarded in determining the rights of any person to attend or vote at the Meeting. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
2. 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/her behalf. A proxy need not be a member of the Company. The number of votes cast by proxy for each resolution will be communicated to shareholders at or following the AGM and will be available on request.
3. A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than 48 hours before the time fixed for the meeting. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person.
4. This notice is sent for information only to holders of debentures issued by Trust Union Finance (1991) PLC.
5. 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 AGM.
6. The Registered Office of the Company is 4 Broadgate, London EC2M 2DA.

Explanation of Notice of Annual General Meeting

Resolutions 1, 2 and 3: Remuneration Report, Accounts & Dividend

These are the resolutions which deal with the approval of the directors' remuneration report, the presentation of the audited accounts and the declaration of the final dividend. The vote to approve the remuneration report is advisory only and will not require the Company to alter any arrangements detailed in the report should the resolution not be passed.

Resolutions 4 and 5: Re-election of Directors

These resolutions deal with the re-election of Mr A Ross Goobey and Mr P L Salsbury as Directors. Under the Articles of Association, they are required to retire by rotation at the Annual General Meeting. The directors in question have confirmed that they will stand for re-election.

Resolutions 6 and 7: Auditors

These deal with the re-appointment of the Auditors, Ernst & Young LLP, and the authorising of the directors to determine their remuneration.

Resolution 8: Authority to make Market Purchases of the Company's own Shares

At the Annual General Meeting held on 25 July 2002, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the Annual General Meeting in 2003, to make market purchases of the Company's own issued ordinary shares up to a maximum of 62,448,290 (being 14.99% of the issued share capital at that time) for cancellation.

As stated in the Report of the Directors on page 24 these powers have been used to purchase 17,530,872 ordinary shares in the year to 31 March 2003 and your board is proposing that they should be given renewed authority to purchase ordinary shares in the market for cancellation. Your board believes that to make such purchases in the market at appropriate times and prices is a suitable method of enhancing shareholder value. The Company would, within guidelines set from time to time by the board, make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders.

Where purchases are made at prices below the prevailing net asset value per share, this will enhance the net asset value for the remaining shareholders. It is therefore intended that purchases would only be made at prices below net asset value. Your board considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be favourable and therefore does not propose to set a timetable for making any such purchases.

The rules of the UK Listing Authority limit the price which may be paid by the Company to 105% of the average middle-market quotation for an ordinary share on the 5 business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per ordinary share (being the nominal value). Also these rules limit a listed company to purchases of shares representing up to 15% of its issued ordinary share capital through the market pursuant to a general authority such as this. For this reason, the Company is limiting its authority to make such purchases to 62,230,160 ordinary shares (being approximately 14.99% of the ordinary shares in issue at the date of the Notice of AGM). The authority will last until the Annual General Meeting of the Company to be held in 2004 or, if earlier, 18 months from the passing of the resolution.

A special resolution is one that requires a majority of at least 75% of those present and voting to be passed.

General Shareholder Information

Historical Performance for years ended 31 March

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	**2003**
Gross revenue (£'000)	8,247	10,275	15,591	14,643	11,986	12,868	15,182	12,693	13,307	13,751	**16,676**
Net revenue (per share)†											
Earnings	0.95	1.43	1.33	1.54	1.42	1.34	1.97	1.41	1.58	1.86	**2.30**
Dividends	0.90	0.90	0.94	0.98	1.03	1.12	1.27	1.32	1.40	1.65	**2.05**
Total assets less current liabilities (£m)	96.5	146.8	191.0	191.4	248.3	308.9	292.5	305.8	382.7	382.7	**344.3**
NAV per share (p)	28.8	42.0	34.0	35.3	44.0	54.4*	52.0*	56.5*	73.2*	78.1*	**73.0**
Indices of growth (per share)											
Share Price	100	173	146	139	174	235	211	221	284	316	**288**
Net Asset Value	100	146	118	122	153	189	181	197	254	271	**253**
Dividend Net	100	100	104	109	114	124	141	147	156	183	**228**
Benchmark**	100	130	115	121	154	198	157	148	185	188	**171**

†adjusted to present capital

*fully diluted for warrant conversion

**Composite Index (comprising FTSE Real Estate and Citigroup European Property Indices)

Source: Datastream

Glossary of Terms

Discount
The amount by which the market price per share of an Investment Trust Company is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Gearing
Total debt comprising debentures, loan stock, bank loans and overdrafts less cash at bank and short term deposits divided by shareholders' funds.

Net Asset Value
The value of the total assets less the liabilities. Liabilities for this purpose include both current and long-term liabilities. To calculate the net asset value per ordinary share, divide the net asset value by the number of shares in issue.

Ordinary shares
Confer certain rights to the holder as laid down in the Articles of Association. These include entitlements to any income distributions paid by the Company, to all undistributed net income if the Company is wound-up and certain voting rights. They rank for payment of capital after repayment of borrowings and the entitlements of all other share classes.

Premium
The amount by which the market price per share of an Investment Trust Company exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

General Shareholder Information continued

Release of Results

The half year results are announced in early December. The full year results are announced in early June.

Annual General Meeting

The AGM is held in London in July.

Dividend Payment Dates

Dividends are paid on the ordinary shares as follows:

Interim	:	early January
Final	:	late July

Dividend Payments

Dividends can be paid to ordinary shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 52 of this report) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Share Price Listings

The market price of the Company's ordinary shares is published daily in The Financial Times. Some of the information is published in other leading newspapers. The Financial Times also shows figures for the estimated net asset values and the discounts applicable.

Share Price Information

The ISIN code/SEDOL (Stock Exchange Daily Official List) number of the Company's ordinary shares is GB0009064097/0906409. Other sources include Bloomberg (TRY.LN) and Reuters (TRY.L).

Internet

Details of the market price and net asset value of the shares can be found at **www.trproperty.co.uk** on the Company's website.

Shareholders who hold their shares in certificated form can check their holdings with the Registrar, Computershare Investor Services PLC, via **www.computershare.com**. Please note that to gain access to your details on the Computershare site you will need the holder reference number stated on the top left hand corner of your share certificate.

Disability Act

Copies of this Report and Accounts and other documents issued by the Company are available from the company secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by The Royal National Institute for Deaf People) the number is 0800 959 598.

For investors through the Henderson Investment Trust Share Plan, Henderson Selection ISA or Henderson Selection Transfer PEP, a textphone telephone service is available on 020 7850 5406. This service is available during normal business hours.

General Shareholder Information continued

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors in the Henderson Investment Trust Share Plan, Henderson Selection ISA and Henderson Selection Transfer PEP receive all shareholder communications. A letter of direction is provided to facilitate voting at general meetings of the Company.

Capital Gains Tax

The value for CGT purposes of the Company's shares on 31 March 1982, the start of indexation allowance for inflation, is shown below.

Ordinary shares of 25p each	11.828p*
Warrants issued 1994	3.775p

For shareholders who acquired ordinary shares through the conversion of C Shares on 7 July 1994 the adjusted cost of the new shares for CGT purposes is 40.143p per share.

Warrants issued to C shareholders have a base cost for CGT purposes of 12.811p per warrant.

* Adjusted for share issues

The Finance Act 1998 included provisions which made considerable changes to the way that chargeable gains are calculated for non-corporate shareholders in respect of disposals made on or after 6 April 1998. From that date pooling no longer applies and disposals are matched against shares acquired in the following order:

- same date acquisitions;
- acquisitions within the following 30 days;
- previous acquisitions on or after 6 April 1998 (using 'last in first out' basis);
- any shares held in the pool as at 5 April 1998;
- any shares held in the pool as at 5 April 1982;
- any shares acquired before 6 April 1965; and
- any shares acquired subsequent to the disposal.

For disposals on or after 6 April 1998 indexation is still allowed but only up to April 1998. The Finance Act changes apply a taper relief to the amount of the chargeable gains on these disposals. The taper is 5% for each complete year of ownership after the first two complete years, with a maximum reduction of 40% after ten complete years.

In calculating the taper relief, assets held before 17 March 1998 qualify for an extra year.

The way that chargeable gains are calculated for companies remains under review by the Inland Revenue and for the time being pooling remains.

The special rules that previously applied to shareholders disposing of shares, who had purchased their shares through the Henderson Investment Trust Share Plan on a monthly basis, was withdrawn by the Inland Revenue for savings commenced on or after 6 April 1998.

When savings commenced before 6 April 1998, the simplified basis will still apply for ***acquisitions*** during the investment trust's accounting period ended before 6 April 1999 which in the case of TR Property is 31 March 1999.

The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Directors and other Information

Directors
A Ross Goobey (Chairman)
C M Burton
J H M Newsum
P L Salsbury
R A Stone

Registered Office
4 Broadgate
London EC2M 2DA
Telephone: 020 7818 1818
Facsimile: 020 7818 1819

Registered Number
Registered as an investment company in England and Wales No. 84492

Investment Manager
Henderson Global Investors Limited, an AMP Company authorised and regulated by the Financial Services Authority

Fund Manager:
C M Turner MRICS
Deputy Manager:
M A Phayre-Mudge MRICS
Finance Manager:
J L Elliott ACA
Direct Property Portfolio Manager:
J F K Wilkinson MRICS
Investor Relations Manager:
M I L Vickery

Secretary
Henderson Secretarial Services Limited, represented by J S Ellman-Brown ACIS

Registrar
Computershare Investor Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
Telephone: 0870 702 0010

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

Stockbrokers
UBS Warburg
1 Finsbury Avenue
London EC2M 2PP

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

its investment trusts
A MEMBER OF THE ASSOCIATION OF INVESTMENT TRUST COMPANIES

Highlights of the Year

- Outperformed benchmark for fifth consecutive year
- Total return of minus 4.2% compares with All Share total return of minus 29.8%
- Revenue earnings rise 27.8%
- Dividend increased by 24.2%
- Encouraging start to current financial year

Henderson Investment Trust Share Plan

The Henderson Investment Trust Share Plan offers a simple and flexible way of investing in **TR Property Investment Trust plc**. The Share Plan offers the following:

- **Regular savings from £50 per month/quarter, or lump sum investments from £500 and additional 'top-up' from £100**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **All paperwork and documentation is simplified and reduced to a minimum**
- **Half yearly valuations with consolidated tax certificate and complimentary market reviews**

Henderson Selection ISA

You can invest in **TR Property Investment Trust plc** through a Henderson Selection ISA. The ISA offers the following:

- **Tax free income and tax free growth**
- **Regular savings from £100 per month or lump sum investments from £2,000**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **Half yearly valuations, reports and complimentary market reviews**
- **Both Mini and Maxi ISAs available for investment by lump sum or regular savings**

Henderson Selection Transfer PEP

Although you cannot subscribe new funds to any PEP, it is possible to transfer existing PEP funds in cash from other managers into the Henderson Selection Transfer PEP. This offers you the opportunity to invest PEP funds in **TR Property Investment Trust plc**.

Further Information

Please consult our website **www.itshenderson.com** or write to Henderson Global Investors, FREEPOST, Newbury RG14 2ZZ. No stamp is required.

Alternatively, please contact your professional adviser for further information or call our Investor Services Department on freephone **0800 832 832** quoting the reference **REPORT**. Please call (44) 20 7818 1315 if you are telephoning from abroad. We may record telephone calls for our mutual protection and to improve customer service.

Please remember that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Tax assumptions may change if the law changes and the value of tax relief will depend upon your individual circumstances.

Henderson Global Investors is the name under which Henderson Global Investors Limited, Henderson Investment Funds Limited, Henderson Fund Management plc and Henderson Administration Limited (all authorised and regulated by the Financial Services Authority) provide investment products and services.

4 Broadgate, London EC2M 2DA.

TR Property Investment Trust plc is managed by

Henderson Global Investors

An AMP Company

Printed by Perivan, London

HGI5994/2003