

2829844

The Special Utilities Investment Trust PLC

(formerly Foreign & Colonial Special Utilities Investment Trust PLC)

Report & Accounts 2000



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To provide a secure and growing dividend combined with capital appreciation by investing in utility and related companies.

Summary of Results

		Income shares	Split Capital Pool Capital shares	Package shares	'S' Pool Ordinary shares
Net assets per share/unit	2000	61.45p	153.85p	215.30p	197.75p ¹
	1999	60.49p	143.44p	203.93p	175.54p
	change	+1.59%	+7.26%	+5.58%	+12.65%
Earnings per share/unit	2000	7.13p	–	7.13p	4.73p
	1999	5.89p	–	5.89p	3.48p
	change	+21.05%	–	+21.05%	+35.92%
Dividends per share/unit	2000	6.20p	–	6.20p	3.70p
	1999	5.70p	–	5.70p	3.42p
	change	+8.77%	–	+8.77%	+8.19%
Share/unit price	2000	65.25p	125.50p	190.00p	168.50p ²
	1999	70.00p	120.75p	192.50p	158.50p
	change	–6.79%	+3.93%	–1.30%	+6.31%

1 The diluted net asset value per 'S' share at 30 September 2000 was 183.19p (1999:163.74p)

2 The 'S' pool warrant price at 30 September 2000 was 72.50p (1999:68.50p)

Financial Calendar

Annual General Meeting	21 December 2000
Final dividend payable	3 January 2001
Interim results for 2000/2001 announced	May 2001
Interim dividend payable	July 2001
Final results for 2000/2001 announced	November 2001

Company Registration Number: 2829844

Chairman's Statement

Dear Shareholder

I am pleased to report a seventh successive year of growth in both asset value and dividend for your Company.

During the year, the net asset value per share of the Split Capital Pool grew by 5.6% with the net asset value attributable to the Capital shares in the Split Capital Pool growing by 7.3%.

The net asset value per share of the 'S' share Pool increased by 12.7%.

The dividend on the Income shares in the Split Capital Pool is being increased from 5.70p to 6.20p, an uplift of 8.8%. This compares with a small reduction in net dividends on the FTSE All-Share Index. We therefore continue to out perform our benchmark for dividend growth.

The dividend on the 'S' shares is being increased from 3.42p to 3.70p, an increase of 8.2%.

I am also pleased to report that the two initiatives recently taken by your Board to enhance shareholder value are beginning to show results. To date, the Company has purchased a total of 250,000 package units and 195,000 'S' shares at attractive discounts to net asset value. The reduction in management fees, pursuant to the Extraordinary General Meeting of shareholders held in June, has had a material positive impact on this year's earnings of the Company. It is also pleasing to report that the change of your Company's name appears to have been well received.

Background to the year

When I wrote to you in June with the Company's interim results for the 6 months ended 31 March 2000, I reported that the UK and US stockmarkets had performed strongly in the half year, but that since 31 March, there had been falls in these markets. In the event the FTSE All-Share fell by 2.6% in the 6 months to 30 September 2000, the S&P 500 by 4.1% and the NASDAQ by 19.7%. September in particular saw some significant falls in the markets. The falls in the second half of our financial year did not however outweigh the gains in the first half so that for the year as a whole, stockmarkets were up and exerted a positive influence on the Company's net asset value. The FTSE All-Share was up by 7.2%, the S&P 500 by 12% and the NASDAQ by 34% for the year as a whole.

The decline in value of telecom, media and technology stocks continued in the second half of the year. While the Managers had reduced the positions in some stocks and had made some switches into stocks they felt were best placed to make progress in the current, more difficult telecoms climate, the general decline in telecoms negatively impacted the Company's net asset value. As at 30 September 2000,

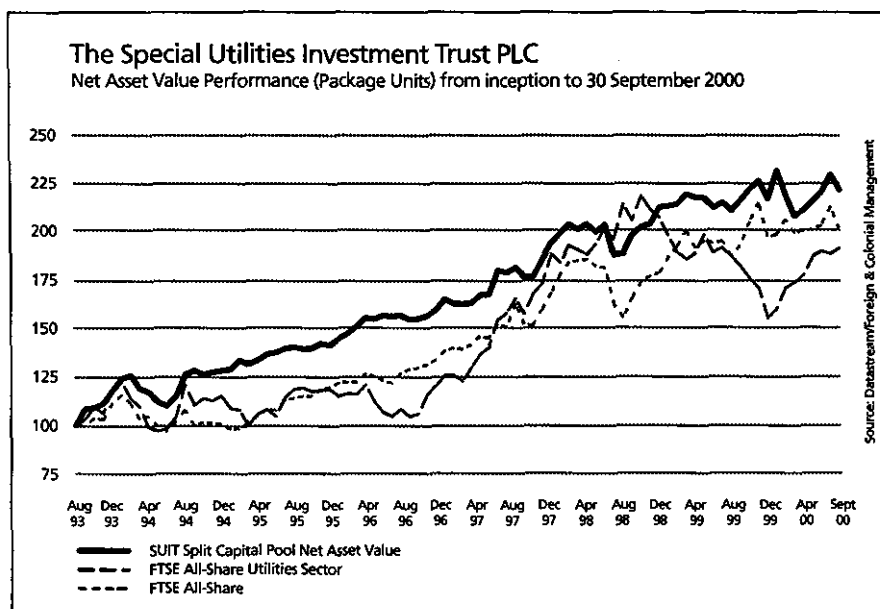
20.3 % of the Company's portfolio was invested in telecoms compared with 27.9 % at 31 March 2000. While the sector is currently under pressure, we continue to regard telecoms as a core sector, which will reward the specialist investor who is able to judge where value is to be found within the sector. We have minimal exposure to the incumbent fixed-line telcos operating in the most competitive markets.

At the same time as telecoms values declined, there was strong performance from some of the other utility sectors, a rotation in effect, and the Managers increased exposure to these sectors, particularly in the UK.

Apart from the US\$, the currencies to which we have the largest exposures, the Euro, A\$ and NZ\$ weakened against sterling over the year. The Euro was down by 7.7%, the A\$ by 7.4% and the NZ\$ by 12.2%. The US\$ appreciated by 11.6% against sterling. While we had local currency borrowings and forward foreign exchange contracts in place during the year, we were not fully hedged against the fall in the Euro and the Australasian currencies believing in the second half of the year in particular that these currencies were close to their floors against sterling. This proved too optimistic a view and, overall, currencies had a negative impact on the Company's net asset value over the year. On a fundamental basis, we do not believe that the Euro and Australasian currencies look overvalued against sterling at current levels.

Split Capital Pool

The increase of 5.6% in net asset value of the Split Capital Pool and the increase of 7.3% attributable to the Capital shares compares with an increase in the FTSE Utilities Index of 2.4%. The graph below shows the extent to which we have outperformed the FTSE Utilities Index since inception in trading of the Company's shares in August 1993.



As foreshadowed in my comments in the Interim Statement in June, we achieved a significant increase in earnings per share for the full year. This increase of 21.1% was due in part to a number of favourable revenue items that are unlikely to recur.

For these reasons, your Board has decided that the dividend on the Income shares for the full year should be increased by 8.8% to 6.20p, a level from which your Board believes it can continue to provide secure and growing dividends, in line with your Company's objectives over the last 7 years.

At 30 September 2000, some 62.9% of the portfolio of the Split Capital Pool was invested in overseas utilities. The comparable figure at 30 September 1999 was 64.2%. The slight increase in our UK exposure over the year reflected what the Managers thought were some attractive opportunities in traditional utility sectors in the UK.

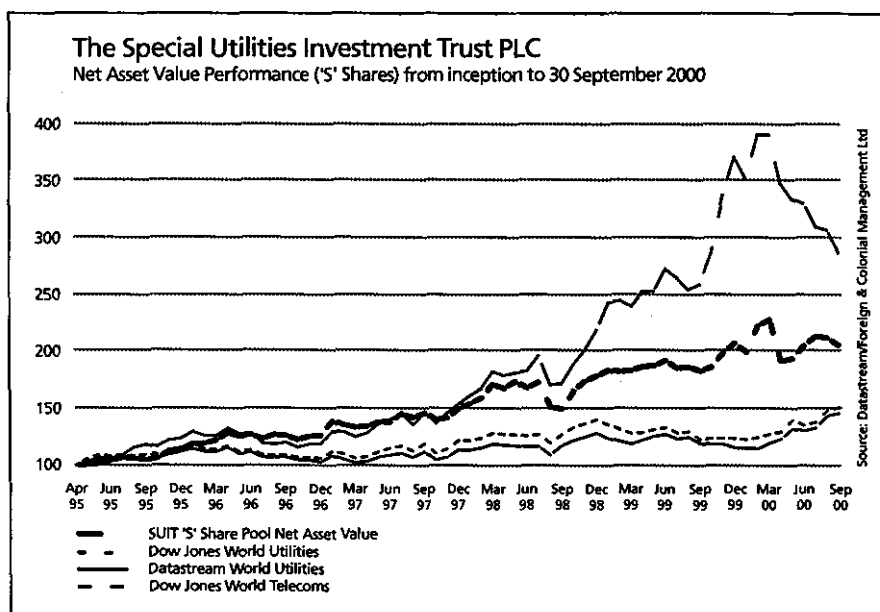
The proportion of the portfolio invested in the small water-only companies at the year end was 28.4 % compared with 32.2 % at 30 September 1999. Following the final disposal of our holding in Cambridge Water in December 1999, we are left with three significant holdings of small water-only companies, East Surrey Holdings plc, Dee Valley Water plc and Brockhampton Holdings plc. The value of these holdings declined by 14.1 % during the year. While Brockhampton Holdings was little changed, East Surrey and Dee Valley, the Pool's two largest holdings, fell materially during the year principally as a reaction to OFWAT's final price limits for the five years commencing 1 April 2000 announced in November 1999. These price limits were regarded as harsh by the market and the share prices of both the large water service companies and the small water only companies have suffered subsequently. East Surrey felt its price limits were unduly harsh and appealed to the Competition Commission. Its appeal was successful and the Competition Commission has in effect increased East Surrey's revenues by 10% over the five years from that originally allowed by OFWAT. This prompted a recovery in the East Surrey share price from its low point but the price was still down 20.5% for the year.

This is the second year of material declines in our small water company portfolio. While we have previously indicated to you the need to keep these holdings under review and have already reduced our exposure on attractive terms to Mid Kent Holdings, Bristol Water and Cambridge Water, we remain fully focused on maximising value from our remaining holdings.

We can report in this regard that we have requisitioned an Extraordinary General Meeting of shareholders of Brockhampton Holdings plc for the purpose of considering enfranchisement of the non-voting shares. At the present time, the voting shares comprise only 8.7% of the total number of shares in issue and over 50% of the voting shares are held by two shareholders, the Company's Pension Scheme and an Employee Share Ownership Trust. We believe this is no longer an appropriate capital structure in the year 2000 and that enfranchisement should be positive for shareholder value. Notwithstanding the concerns we have expressed to the Board of Brockhampton over a long period of time, the Board has been unwilling to take any action. We have therefore had to take action ourselves. I can also report that the Chairman of Dee Valley in his Chairman's Statement in June confirmed that his Board was committed to improving balance sheet efficiency and was reviewing options to improve returns to shareholders. We await developments with interest.

The share price of the third largest investment in the portfolio, Infratil NZ Limited, fell by 5.9% over the year. Sterling adjusted, the fall was greater with the weakness in the NZ\$ although some of this was offset by gains on local currency borrowings and forward foreign exchange contracts. The New Zealand stockmarket had a disappointing year and Infratil as a constituent of the Index and with no overseas assets, could not escape the weakness in the New Zealand market. The share price is underpinned by net asset value of around \$1.60/1.65, representing a discount to net asset value of 25%. With three investments accounting for some 80% of the portfolio, Infratil is looking for new investment initiatives. This represents both an opportunity and a risk, given that Infratil is not a portfolio investor but rather looks for significant investment positions where it can influence management policy. However, we expect that Infratil management will make value enhancing decisions based on their track record.

Given the falls in our water only portfolio and Infratil NZ, which together comprised some 37% of the portfolio at the end of the year, the balance of the portfolio performed creditably to produce an overall increase in net asset value of 5.2% for the year. Our transport stocks have performed well and we took some sizeable profits on some of our telecoms portfolio earlier in the year.



'S' Share Pool

The net asset value of the 'S' share Pool increased by 12.7% over the year. This compares with increases of 10.6% in the Dow Jones World Utilities Index (23.2% in sterling adjusted terms) and 13.9% in the Datastream World Utilities Index (26.9% in sterling adjusted terms) and with a decline of 0.5% in the Dow Jones World Telecoms Index (an increase of 10.9% in sterling adjusted terms).

In February 2000, the Dow Jones World Utilities Index was reconstituted with its telecoms constituents being split out to form a separate index.

As foreshadowed in my comments in the Interim Statement in June, we achieved a significant increase in earnings per share for the full year. This increase of 35.9% was due in part to a number of favourable revenue items that are unlikely to recur. For these reasons, your Board has decided that the dividend on the 'S' shares for the full year should be increased by 8.2% to 3.70p, a level from which your Board believes it can continue to provide secure and growing dividends, in line with your Company's objective.

While Infratil NZ is the largest investment in the 'S' share Pool portfolio, the Pool has much less exposure to the small UK water only companies so that the underperformance of this sector did not impact the 'S' share Pool to the extent it did the Split Capital Pool.

August 2003

Shareholders will be aware that the termination date for the Split Capital Pool is 24 August 2003 unless a special resolution releasing your Board from its obligation to implement a voluntary winding up is passed within the preceding 12 months. Although August 2002, the earliest date at which your Board can bring forward proposals to shareholders, is some way off, your Board has been giving a considerable amount of thought to this in the last 12-18 months so that, following consultations with shareholders, the Board should be well positioned to put proposals to shareholders at the earliest appropriate date.

The Year Ahead

Stock markets have corrected from their highs. Whether we see further corrections is likely to depend on whether the US economy in particular achieves a "soft landing". The signs to date have been reasonably favourable in this regard, although the level of the US trade deficit and the implications for the US dollar remains a concern.

Additionally, at the time of this statement, the political uncertainty over the outcome of the US Presidential election is depressing US stock markets and, should the uncertainty continue, the implications for US markets could be serious with knock on effects on stock markets in the UK and elsewhere.

The "new economy stocks" have been hit hard although we think the telecoms operators should not have much further to fall and a number look reasonable value at these levels. If there are further falls in the "new economy stocks" we should see good performances from the traditional utility sectors, which will be positive for the Company's portfolio.

We have some challenges in the year ahead. These include maximising value from our small UK water holdings, the implications of the approach of the August 2003 termination date for the Split Capital Pool and protecting the portfolio in the event of further adverse currency movements. I believe that we will be up to these challenges.

I also believe that your Managers' specialist utility and utility-related investment expertise and experience, combined with a professional and rigorous approach, should continue to deliver attractive investment returns in these markets.

Finally, we will continue to buy back shares whenever we believe that discounts to net asset value make this appropriate. Based on net asset values at 14 November 2000, the most recently published at the time of writing, the current price of the Package Units represents a discount to net asset value of 9.2% and that of the 'S' shares represents a discount to diluted net asset value of 12.1%.

A handwritten signature in black ink, reading "Alan Wheatley". The signature is written in a cursive, flowing style.

Alan Wheatley,
November 2000

Investment Manager's Report

Split Capital Pool

At our year end, 30 September, 2000 the Pool's investment portfolio was £112 million.

Our gross exposure by utility sector can be summarised as follows:

Utility Sector	%
Telecommunications	18.1
Electricity	12.9
Water	34.1
Gas distribution	4.6
Transport and transport related	15.3
Fixed Interest	4.9
Other	10.1
	100.0

Our gross exposure is held through a combination of:

	%
Shares	92.6
Convertible securities/warrants	2.5
Fixed income	4.9
Derivatives (net position)	-
	100.0

Our exposure by currency is as follows:

	%
£ Sterling	43.9
US\$/US\$ linked	18.9
Euro	8.1
A\$	7.3
NZ\$	9.6
Other	12.2
	100.0

'S' Share Pool

At our year end, 30 September, 2000 the Pool's investment portfolio was £40 million.

Our gross exposure by utility sector can be summarised as follows:

Utility Sector	%
Telecommunications	26.4
Electricity	14.9
Water	20.4
Gas distribution	2.6
Transport and transport related	18.5
Fixed Interest	4.7
Other	12.5
	100.0

Our gross exposure is held through a combination of:

	%
Shares	91.0
Convertible securities/warrants	4.3
Fixed income	4.7
Derivatives (net position)	-
	100.0

Our exposure by currency is as follows:

	%
£ Sterling	27.6
US\$/US\$ linked	22.4
Euro	20.5
A\$	7.1
NZ\$	10.6
Other	11.8
	100.0

The Company

This year we are reviewing the Company's 10 largest holdings, which in aggregate account for 51.3% of the total portfolio

1 DEE VALLEY GROUP PLC

8.9% of the portfolio

Background

With a market capitalisation of £56 million, Dee Valley Group plc ("Dee Valley") is the smallest of the listed water supply companies. It supplies drinking water to 110,000 customer connections over an area of 320 sq. miles in Chester and north east Wales. It extracts the bulk of its water from the river Dee. Average household charge for the current year is £107. For the next 4 years the average K factor is -2.2%.

Dee Valley formed part of SUIT's core portfolio when SUIT was floated in 1993. In 1997, Dee Valley acquired its contiguous neighbour, Chester Water, another independent water supply company. SUIT had a significant holding in Chester Water and following the merger, SUIT now owns 20.4% of the voting shares of Dee Valley.

Dee Valley's non-core business accounted for 12.7% of operating profit for the year ended 31 March, 2000, comprising gas supply, pipeline services and billing services for North West Water and Welsh Water, who provide sewerage services to Dee Valley's water supply customers. Billing services accounted for some 75% of non-core operating profit.

The Company has a strong balance sheet with net tangible assets of £35.9 million at 31 March, 2000, and no net debt. The Company has recently stated that it is committed to improving balance sheet efficiency and is reviewing options to improve returns to shareholders.

Performance in the year under review

In the year ended 30 September 2000, the price of the Ordinary shares fell by 12.4%. The sector as a whole had a weak year, principally as a result of OFWAT's

final determinations of price limits for the 5 years commencing 1 April 2000, which were viewed as harsh by the market, although Dee Valley was perceived to have been treated better than many with a Po cut of 10.6% and an average K factor for the succeeding 4 years of -2.2%.

Investment attractions

We perceive these to be:-

- (a) strong cash flow and balance sheet
- (b) scope for greater balance sheet efficiency and return of value to shareholders
- (c) a dividend yield materially higher than the market yield and the continued ability to grow dividends in real terms

The future

We continue to believe that Dee Valley is an attractive investment. It is well managed at the operational level and the acquisition of Chester Water on the terms negotiated with Chester Water and with OFWAT showed management's capabilities at the strategic level. The Company's stated commitment to greater balance sheet efficiency should enhance shareholder value in the near term and dividend cover of 2.4x in the year ended 31 March, 2000, provides scope for attractive real dividend growth. We will continue to actively encourage management to bring forward proposals for greater balance sheet efficiency as soon as practicable.

Concerns

As a regulated water utility, which still accounts for over 87% of operating profit, the Company will be unlikely to achieve significant growth

2 INFRASTRUCTURE & UTILITIES NZ LIMITED

8.7% of the portfolio

Background

Infratil is an investment company investing in the infrastructure and utilities sectors in New Zealand. Infratil seeks to be an active investor as opposed to a passive minority investor taking large holdings in a limited number of companies where it can obtain Board representation and, either alone or with other shareholders, influence management through the skills and expertise it has developed in the infrastructure and utilities sectors. At the present time over 80% of its portfolio is accounted for by three investments; Wellington International Airport (66% shareholding), Port of Tauranga (24.6% shareholding) and TrustPower Limited, a generator and supplier of electricity (25.8% shareholding, with a partner owning a further 17.2%). Other investments include 5% of Tranz Rail Limited, the privatised New Zealand railway company.

Equity market capitalisation, including warrants, is NZ\$234.6 million. SUIT owns 11.9% of the Ordinary shares and 35.8% of the warrants, representing 16.8% of the Ordinary shares assuming exercise of warrants. SUIT also holds NZ\$17.8 million nominal of 6.9% Infratil Bonds 2004.

Performance in the year under review

In the year ended 30 September, 2000, Infratil's share price declined by 5.9%. The New Zealand stock market fell over this period and, being perceived as a domestic

play without significant overseas earnings, Infratil was not seen as a beneficiary of the weak NZ\$. The capital value of the bonds was slightly up over the year.

Investment attractions

The investment attraction of Infratil is that it enables SUIT to gain exposure to the New Zealand infrastructure and utilities sector via a specialist New Zealand fund manager with an excellent record. SUIT and Infratil, who have a common Director, have developed a good working relationship, including co-investment, and it is unlikely that SUIT could cover the New Zealand market as effectively as a local specialist with Infratil's expertise.

The current share price of \$1.23 is supported by net asset value of \$1.60-1.65 according to market estimates, representing a discount of 23% - 25%. Dividends can be attractive although they can also be lumpy, reflecting one-off items. Last year's dividend was \$0.0925 net, representing a net yield of 7.5%. However for the current year, the market is looking for a lower dividend.

For the 6 years to March, 2000, Infratil calculates the return to shareholders including dividends at 17.7% pa.

The future

We continue to believe Infratil is an attractive investment. The current level of discount to net asset value provides a solid support for the shares and the Managers of Infratil have a record of making value enhancing investments

Concerns

Infratil's investment strategy restricts the universe of acceptable investment opportunities in comparison with a passive minority investor. New Zealand is a small market in any case and Infratil and others have already identified the majority of opportunities. There is likely to be a scarcity of further acceptable opportunities for Infratil in New Zealand.

Infratil may therefore have to look outside New Zealand. Their active investment strategy will require people on the ground in the other markets they identify and any New Zealand investors who invested in Infratil for domestic exposure may need to be persuaded of the advantages of Infratil investing offshore.

For SUIT, the currency exposure to the \$NZ will continue to need careful attention.

3 EAST SURREY HOLDINGS PLC

6.9% of the portfolio

Background

East Surrey Holdings Plc ("East Surrey") is the second largest listed water supply company in England and Wales with a market capitalisation of £92.3 million.

East Surrey supplies drinking water in the London Boroughs of Croydon and Sutton, East Surrey and parts of Kent and Sussex to 267,000 properties over an area of 833sq. kilometres. Average household charge for the current year is £112 and the Company has an average K factor of +1.5% for the succeeding 4 years.

East Surrey formed part of SUIT's core portfolio when floated in 1993. The Company has been a consolidator in its region. In 1995 it acquired Cheam Group plc, a contiguous water supply company, and in 1997 it acquired a 14% shareholding in the Ordinary shares and a 37% shareholding in the non-voting "A" Ordinary shares of Brockhampton Holdings plc, another independent water supply company serving Portsmouth and parts of Hampshire. SUIT owns 11.5% of the Ordinary shares of East Surrey.

East Surrey's non-core business accounted for 20.5% of profit before tax and exceptional items for the year ended 31 March, 2000 and includes investment income from the shareholding in Brockhampton Holdings plc.

The Company has a strong balance sheet with net tangible assets of £119.9 million (including £12.7 million of Preference share capital) at 31 March, 2000 and net cash of £22.4 million.

Performance in the year under review

In the year ended 30 September, 2000, the share price of East Surrey's Ordinary shares fell by 20.5%, more than the average fall for the sector reflecting the particularly harsh review of price limits for the 5 years commencing 1 April 2000 received from OFWAT during the year. OFWAT determined that East Surrey should have a Po cut of 17% and an average K factor of -1.85% for the succeeding 4 years. East Surrey appealed against OFWAT's determination to the Competition Commission and was justified when the Commission gave East Surrey a K factor of +1.5% for the final 4 years of the review period. Analysts estimate that this more generous K factor will increase East Surrey's revenues by 10% spread over the full 5 years.

Investment attractions

We perceive these to be largely the same as for Dee Valley and are set out above under the section on Dee Valley.

East Surrey's dividend cover however is not quite as strong as Dee Valley's with cover for the year ended 31 March, 2000, at 1.95x and a larger Po cut for the year ending 31 March, 2001 to be absorbed. Nevertheless, we believe that East Surrey will be able to deliver real dividend growth.

The future

We continue to believe that East Surrey remains an attractive investment. It is well managed at the operational level and the acquisition of Cheam Group plc has proved a sound strategic move. The management has shown its commitment to shareholder value and a more efficient balance sheet by its 1 for 2 bonus issue of Preference shares to shareholders in 1996. The current strength of the balance sheet provides the potential for further balance sheet efficiency and enhancement of shareholder value.

With dividend cover of 1.95x in the year ended 31 March, 2000, there should be scope for dividend growth after taking account of the decision of the Competition Commission.

Recent press comment has suggested there may be potential for consolidation among the water supply companies in the south east of England. As regulation progressively reduces the likelihood of out performance, the savings from economies of scale look highly attractive. There is now a new Director General of OFWAT in place and he may be less demanding of companies that want to merge.

We will continue to actively encourage East Surrey to enhance shareholder value via a more efficient balance sheet and to support value creating consolidation proposals if any are put forward.

Concerns

As with Dee Valley, East Surrey is unlikely to achieve material organic growth. To achieve significant growth via acquisition will require an acquisition of size, which would give cause for concern, since, unless it is a merger with another water company, there would be perceived to be execution risk in consolidating a business with scale outside the water sector. Merger with another regulated water company would be unlikely to deliver significant growth.

4 LANG CORPORATION

6.0% of the portfolio

Background

Lang is the owner of one of the two major stevedoring companies in Australia, Patrick Stevedores, with a market share in the 40-50% range. Lang operates in both the containerised and general stevedoring markets and has operations in Australia's 5 major ports. As an island, sea borne trade and the services that support it, are essential to Australia's economy. Other businesses owned by Lang are TDG Autocare, which provides warehousing, storage, distribution and processing of import and export vehicles and Holyman Lines which operates a shipping service between Tasmania and the mainland.

In 1998, Lang confronted the Maritime Union of Australia over waterfront working practices to improve productivity from what were generally considered to be poor levels by international standards. After a major confrontation involving industrial action and resort to law, Lang was successful and achieved changes to working practices, reductions in the work force and cost savings that were revolutionary for the industry. This also produced a step change in Lang's profitability.

Based on the current share price of \$10.20, Lang's market capitalisation is A\$1.26 billion. Based on market estimates, the prospective EV/EBITDA and PE ratios are 9.4x and 22.1x respectively.

Performance in the year under review

In the year ended 30 September, 2000, Lang's share price increased by 55%, impacted by the improvements in productivity achieved in 1998, and has risen further since our year end.

Investment attractions

We were attracted to Lang for the following reasons:-

- (a) dominant market position as one of a duopoly in an industry with high strategic importance to the national economy
- (b) high barriers to entry in light of the above and the major investment in infrastructure and equipment needed to operate a modern container terminal
- (c) potential for major productivity improvements
- (d) a management with the determination to resolve the productivity issues and strategic vision

While the major part of the productivity improvements has now been achieved, there is still scope for material productivity improvement and the validity of the other reasons remains unchanged. The share price however has improved dramatically since we initially invested and it is highly unlikely to carry on appreciating at the same rate in the future.

The future

There is scope for further productivity improvements but the major driver to future performance may come from revenue growth as Lang expands backwards in the transport chain into rail and feeder shipping services like Holyman Lines. The objective is to increase volumes and revenues through the ports and to earn revenues from the transport activities themselves. The market believes Lang is contemplating purchasing the National Rail Corporation, currently being sold by the Government.

Concerns

We do not have concerns about the potential of the existing business. Any concerns we have are market related.

First, the share price has performed very strongly over the last two years rising from A\$2 to A\$10 and may mark time for a period. Secondly, the Government has recently announced that it is selling the National Rail Corporation as a package with FreightCorp so that to acquire National Rail will require an outlay two or three times higher than for National Rail alone and then disposal of the unwanted parts. While we would support the strategy, the market may perceive an execution risk.

For SUIT, the currency exposure to Lang will continue to require attention.

5 KEYTECH LIMITED

4.4% of the portfolio

Background

KeyTech is the parent of The Bermuda Telephone Company, the original monopoly fixed line telecoms company on Bermuda. KeyTech is now a major supplier of telecoms services providing a wide range of voice, data, wireless and internet products and services.

The sector has been liberalised and KeyTech faces competition in domestic fixed line and in cellular, although the first company to compete in domestic fixed line no

longer carries on business. KeyTech is not currently permitted to carry international traffic although it believes it can now offer voice over internet via its Logic subsidiary including international calls.

As part of liberalisation, the interconnect fees KeyTech is allowed to charge international carriers have been sharply reduced. Although this has produced an increase in volumes, revenues from international calls are well down. KeyTech has been permitted to increase local call charges and has seen increases in demand for local voice and data calls cellular and internet services. KeyTech's experience is similar to that of other incumbent telcos. As the traditional markets mature and subsidies in these markets are removed, the incumbents have to expand their horizons and leverage new technologies. KeyTech is now focusing on its cellular, data and internet businesses to drive profit growth. Capex has had to increase to fund this.

Bermuda's size effectively limits the number of competitors to KeyTech and, to date, KeyTech has seen off fixed line competition and remains the dominant cellular operator.

Based on the current share price, market capitalisation is US\$ 62 million, the historic PE ratio is 4.5x and the yield is 5.7%. SUIT owns 13.0% of the Ordinary shares.

The Company has shown its commitment to shareholder value by its capitalisation issue to shareholders in 1997 of 15 year 7.75% bonds and by its share buy back programme.

Performance in the year under review

In the year ended 30 September, 2000, the price of KeyTech's Ordinary shares increased by 19%, probably reflecting the effect of the share buy back programme in an illiquid market and helped by a small increase in earnings per share of 3%.

Investment attractions

- (a) KeyTech retains a dominant position in a growth sector within an economy that is itself growing as an offshore financial sector
- (b) Bermuda has a high level of GDP per capita and familiarity with technology, both of which should result in take up of value added telco products
- (c) The severity of competition experienced by incumbent telcos in other markets will not be experienced in Bermuda
- (d) Bermuda is a politically stable island with a currency linked to the \$US
- (e) The shares are cheap on a PE ratio of 4.5x and with a relatively ungeared balance sheet- no net debt at 31 March 2000

The future

We continue to regard the shares of KeyTech as good value at current prices.

We would like to see KeyTech obtain a listing on another stock exchange where there were greater trading volumes than in Bermuda as we believe this could lead to a higher valuation of KeyTech, which would be fully justified.

Concerns

Competition may re-enter the fixed line business. In the absence of effective competition, either in fixed line or cellular, price regulation may be tightened.

6 BROCKHAMPTON HOLDINGS PLC

4.2% of the portfolio

With a market capitalisation of £ 61 million, Brockhampton Holdings plc ("Brockhampton") is one of the smaller listed water supply companies, supplying water to a total of 285,000 customers within an area of 868 square miles in Hampshire and West Sussex. Average household charge for the current year is £ 74, the lowest in the country. Under OFWAT's final determination of price limits for the 5 years commencing 1 April 2000, Brockhampton was given a Po cut of 3% for the first year and an average K factor of -1% for the succeeding 4 years.

Brockhampton did not form part of SUIT's core portfolio when SUIT was floated in 1993 and the shareholding has been acquired subsequently. Brockhampton has a two tier capital structure; Ordinary shares, which have votes, comprising 8.7% of the total shares in issue and non-voting "A" Ordinary shares comprising 91.3% of the shares in issue. Two shareholders, the Brockhampton Pension Scheme with 39.0% of the Ordinary shares and Brockhampton Holdings Plc Employee Share Ownership Trust with 17.9%, have voting control of the Company. Your Board considers this to be an inappropriate capital structure and has recently requisitioned an EGM of Brockhampton shareholders to consider enfranchisement proposals, having tried unsuccessfully over a long period of time to persuade the Board of Brockhampton itself to bring forward enfranchisement proposals.

SUIT currently holds 14.7% of the Ordinary shares and 12.7% of the "A" Ordinary shares. East Surrey Holdings plc owns 14.4% of the Ordinary shares and 36.6% of the "A" Ordinary shares.

Brockhampton has only recently started to develop a non-core business, the supply of bottled spring water and water cooling equipment, although it has been deriving modest amounts of income from the sale and leasing of surplus land and property.

As with Dee Valley and East Surrey, the Balance Sheet is strong. Net tangible assets at 31 March, 2000, were £47.4 million with net gearing of 17.7%. Net interest cover was 7.8x for the year ended 31 March, 2000.

Performance in the year under review

In the year ended 31 March, 2000, the price of the Ordinary shares appreciated by 9.8%, while that of the "A" Ordinary shares was down by 1.1%. The shares performed materially better than those of Dee Valley and East Surrey, principally because the Company was perceived as receiving a more favourable review from OFWAT.

Investment attractions

We perceive these to be similar to those for Dee Valley, which are set out above under the section on Dee Valley.

For the year ended 31 March, 2000, dividend cover was 2.5x, higher than that of either Dee Valley and East Surrey, and should provide the basis for attractive real dividend growth in the future, bearing in mind also that the Company's pricing review was relatively favourable.

The future

We continue to believe that Brockhampton is an attractive investment with the potential for dividend growth and greater balance sheet efficiency, which should enhance shareholder value. However, shareholder value will not be fully enhanced until the non-voting shares are enfranchised.

Concerns

As with Dee Valley and East Surrey, the core business is not a growth business.

It is concerning that the Board of Brockhampton are not prepared to take steps to change an inappropriate capital structure, or even to put the issue to shareholders, and that we have had to requisition an EGM of shareholders for this purpose.

7 JERSEY ELECTRICITY COMPANY LIMITED

3.2% of the portfolio

Jersey Electricity Company Limited ("JEC") is the integrated electric utility for the island of Jersey. JEC is the sole generator, importer and distributor of electricity on Jersey. 57% of electricity supplies are now imported from France and it is intended the proportion will increase on completion of the Channel Islands Electricity Grid ("CIEG") when locally generated electricity will be required only for winter peaking and summer standby. Importing nuclear generated electricity from France is both cheaper and more environmentally friendly than locally generated electricity, although for strategic reasons, JEC retains sufficient local generating capacity for all the island's needs.

JEC has a 44% shareholding in Newtel Limited, which has applied for a public telecoms operators licence on Jersey.

JEC will have spent close to £50 million on the CIEG and on redeveloping its head office site into a retail and technology park. The CIEG involves construction of a second power cable between Jersey and France and the first power cable between Jersey and Guernsey, both cables being supplemented by an optical fibre communications network.

JEC has a two tier capital structure. All the Ordinary shares, which have one vote per share, are held by the States of Jersey. The "A" Ordinary shares have one vote for every five shares held. The votes attaching to the "A" Ordinary shares represent around 11% of the total voting rights. SUIT owns 23.0% of the "A" Ordinary shares.

Based on the current price of the "A" Ordinary shares of £36, the PE ratio and yield for the year ended 30 September 1999, were 9.6x and 1.8% respectively with dividend cover of 7.3x.

However, the interim results for the 6 months ended 31 March 2000, showed a significant drop in profits due to the material increase in generation costs via the rise in the oil price, which has not been passed on to consumers, reduced interest income, increased depreciation charges and start up losses at Newtel. Earnings per share for the half year were £0.99 compared with £2.64 for the comparable period in the previous year. The interim dividend was increased by 10%.

Net asset value per share was £69.40 as at 30 September 1999, with net cash in the Balance Sheet.

Performance in the year under review

In the year ended 30 September, 2000, the share price of the "A" Ordinary shares of JEC appreciated by 2.9%.

Investment attractions

- (a) Monopoly supplier and distributor of electricity in Jersey, a politically stable island with high GDP per capita and the potential for continued growth as an offshore financial centre
- (b) Telecoms potential for Newtel when telecoms are deregulated in Jersey
- (c) Strong Balance Sheet and shares trading at a material discount to net asset backing
- (d) Scope to increase the dividend by reducing the very high level of dividend cover

The future

We will retain our investment and continue to encourage the Board of JEC to increase the dividend pay out ratio and generally to view enhancement of shareholder value as the principal objective.

Newtel has the potential to increase profits materially.

Concerns

The interests of the dominant shareholder, the States of Jersey, are not aligned in all respects with those of other shareholders in that the interest in providing among the lowest electricity prices in the EU for the residents of the States at all times will conflict on occasions with the Company's responsibility to enhance value for all shareholders. It would be interesting to audit the £50 million or so of capex nearing completion to see if any of that could have been returned to shareholders without any reduction in effectiveness of the objectives of the capex, including the CIEG and the redevelopment of the head office site.

8 BELCO HOLDINGS LIMITED

3.1% OF THE PORTFOLIO

Background

Belco Holdings Limited is the parent of BELCO, the sole supplier of electricity on the island of Bermuda. BELCO generates, transmits and distributes electricity to over 30,000 connections. Belco Holdings Limited also owns the company that distributes propane gas on Bermuda. Electricity is generated from imported heavy fuel oil.

Price increases have to be approved by the Prices Control Commission, who are reluctant to allow price increases to exceed CPI and, in practice, increases do not recover CPI in full. Any adjustments to fuel costs, up or down, are passed through to consumers.

At the current share price, the market capitalisation of Belco Holdings Limited is US\$93.8 million. Based on earnings for the year ended 31 December, 1999 (adjusted for the earnings for the 6 months ended 30 June 2000) the PE ratio is 5.1x. The yield is 6.8% and net assets per share as at 31 December, 1999, were US\$40.90 with net gearing of 6.7%.

The company has recently introduced a share buy back programme.

Performance in year under review

In the year ended 30 September, 2000, the share price of the Company declined by 8.1% although trading within a narrow range.

Investment attractions

- (a) Sole supplier of electricity within an economy that has the potential for continued growth as an offshore financial centre
- (b) Bermuda is a politically stable island with a currency linked to the US\$
- (c) The shares are cheap on a PE of 5.1x, a yield of 6.8% and with a relatively ungeared balance sheet

The future

We continue to regard the shares of Belco Holdings Limited as good value at current levels.

We would like to see the company obtain a listing on another stock exchange where there were greater trading volumes than in Bermuda.

Concerns

It is not clear that the company is either allowed or puts through the price increases which it needs.

While there is growth in the core business, it is limited. The company's diversification into telecoms, through the Quantum joint venture, was not successful and it is hard to see other appropriate higher growth non-core activities in which the company could invest.

9 INTERNATIONAL ENERGY GROUP LIMITED

3.0% OF THE PORTFOLIO

Background

The principal activity of International Energy Group Limited ("IEG") is the transportation and distribution of gas to domestic consumers in Guernsey, Jersey, the Isle of Man and the UK. IEG is the sole transporter and distributor of gas in Guernsey, Jersey and the Isle of Man. Apart from the UK where it distributes natural gas, IEG's business is based on liquefied petroleum gas ("LPG").

IEG also has a substantial investment property portfolio with a wide range of tenants based on Guernsey.

While the Channel Islands and Isle of Man businesses are mature, there is growth potential in the Portuguese and UK businesses. The UK business involves distribution and supply of natural gas to new housing developments. New housing build in the UK averages 150,000 houses pa. The property portfolio is centred on a 26 acre site in St. Peter Port, Guernsey, which is being developed as a mixed use site for office, supermarket and other use. The site was valued at 31 December, 1999, at some £35 million on an existing use basis.

Based on the current share price, the market capitalisation of IEG is £ 162.2 million.

Based on last year's earnings from continuing operations, the PE ratio is 24.3x. The UK business is not yet contributing fully to profits. The gross yield is 2.6%.

Performance in year under review

In the year ended 30 September, 2000, IEG's share price increased by 20.6%.

Investment attractions

- (a) Sole supplier and distributor of gas in Guernsey, Jersey and Isle of Man, all politically stable islands with high GDP per capita and the potential for continued growth as offshore financial centres
- (b) Higher growth potential in the Portuguese and UK gas businesses
- (c) A property portfolio in a prime area with further development potential
- (d) Management team that has shown its capabilities both at the operational level and in the execution of a major growth strategy

The future

We continue to believe that IEG is an attractive investment. Management is strongly focused on gas distribution in small, niche markets and there is a balance between the mature island businesses, which have positive cash flow, and the growth businesses in Portugal and the UK.

Further value should also be forthcoming from development of the St Peter Port property site.

Concerns

The price of LPG is linked to the price of oil so that operationally, IEG is affected by the international oil price and, as oil is priced in US\$, by the US\$/£ exchange rate and, in the case of Portugal, by the US\$/Euro exchange rate.

With a period of higher oil prices likely, IEG will need to pass these through to the customer, which may possibly produce a political reaction in some of their markets.

Background

Aguas de Barcelona ("Aguas") is the leading water company in Spain serving around 25% of the Spanish population. Only 45% of the Spanish market is currently served by investor owned utilities, so that Aguas has some 55% of the market served by investor owned utilities. Aguas has expanded its water business internationally, largely in Latin America, with its two main overseas concessions being in Argentina and Chile.

The water business in Spain is based on long term operating concessions granted by local councils or municipalities. Building on these relationships and model, Aguas has diversified in Spain into solid waste, where it has the second largest market share, health insurance, where it is the market leader, and vehicle inspection services (comparable to MOT inspections in the UK). It is also building a business to support e-commerce, including call centres and storage and transport of physical goods.

Aguas has expanded its health insurance and vehicle testing businesses internationally in Latin America and also Portugal.

There are three core shareholders; Suez Lyonnaise des Eaux with 24%, La Caixa with 23% and Endesa with 12%. The Suez and La Caixa shareholdings are held through a holding company, Hisusa. Suez has been Aguas' principal strategic partner in its international water business. Endesa is partnering Aguas in the domestic water business. SITA, part of the Suez group, is Aguas' partner in the Spanish solid waste business.

Based on the current share price, the market capitalisation of Aguas is £2.08 billion. Based on market estimates for the current year, the EV/EBITDA ratio is 9.5x.

Performance in year under review

In the year ended 30 September, 2000, the share price of Aguas declined by 10.0%.

Investment attractions

- (a) Dominant positions in water, solid waste, health insurance and vehicle inspection in Spain
- (b) Regulatory diversification through the local council concession nature of the businesses reduces regulatory risk
- (c) Other than water, the businesses have attractive organic growth potential, while there is the opportunity to expand the Spanish water business as more concessions are offered to the private sector
- (d) Internationally, there is the potential for organic growth within the existing businesses and for acquisition of new businesses

The future

We continue to believe Aguas is an attractive business, with the non-water businesses in Spain and the international businesses providing high growth and returns. Although the returns from Spanish water concessions are not as high as a result of competition from new entrants, the concessions generally become cash positive after the first three or four years and can balance the funding requirements of new concessions.

Concerns

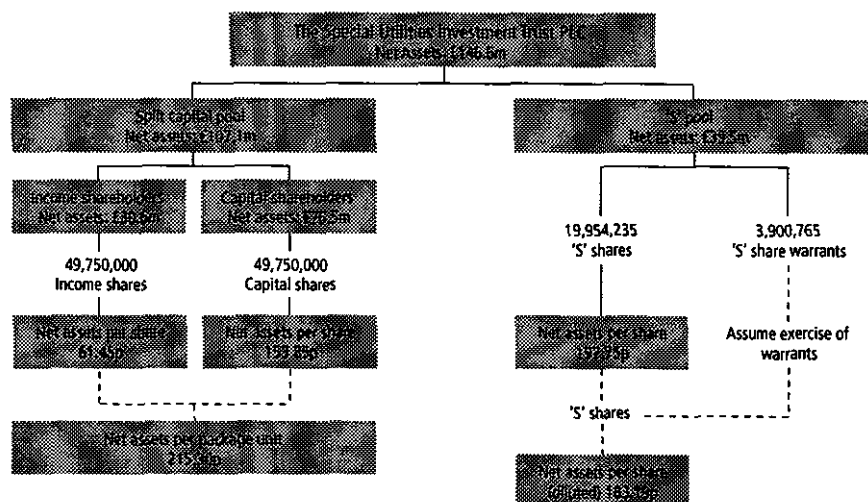
We hope that Aguas can continue to win its share of water concessions in Spain as they are privatised on terms that provide an adequate return.

The company is diversified both in its lines of business and geographically and, notwithstanding that the same municipality may be the customer in some cases, this presents a challenge to management.

Vehicle inspection in Spain may about to be deregulated so that concessions can no longer be exclusive. This should however be value neutral for Aguas as it believes it will be compensated if any of its existing concessions become non-exclusive.

Capital Structure

at 30 September 2000



Company History

The Special Utilities Investment Trust PLC (SUIT) commenced operations on 23 August 1993 as a split capital trust comprising 50m income shares and 50m capital shares (the "Split Capital Pool"). Its purpose is to invest in utilities with special attractions. The original portfolio included several large holdings in water-only companies.

On 4 April 1995 the Company issued 20m 'S' ordinary shares with 4m warrants attached (the "'S' Pool"). The proceeds from this issue have been used to form a separate pool of assets, with its own income, expenses and capital transactions.

Entitlements

Split Capital Pool

- Income shareholders are entitled to all the revenue profits attributable to the split-capital pool. On a winding up, they are entitled to 60p per income share plus any undistributed revenue profits of the Company attributable to the split capital pool.
- Capital shareholders have no entitlement to income. On a winding up, they are entitled to all the surplus assets of the Company attributable to the split capital pool, after payment has been made to the income shareholders.
- Package units are available, consisting of one income share and one capital share. These package units are separately traded on the London Stock Exchange and are separately listed in the Daily Official List.

'S' Pool

- 'S' shareholders are entitled to all the income available for distribution from the 'S' pool and, on a winding up, to all the surplus capital of that pool.
- 'S' warrant holders are entitled to subscribe for 'S' shares at £1 each.

Relationship between the Split Capital Pool and the 'S' Pool

at 30 September 2000

The costs of managing and administering the two pools are borne by each of the pools separately. Where expenses are not specifically attributable to the split capital pool or the 'S' pool, each pool will generally bear a proportion of such expenses calculated by reference to the respective gross assets of each pool.

Each pool will, subject to the availability of funds, generally participate in new investment opportunities in proportion to the gross assets of the pool as shown in its latest monthly valuation (subject to adjustment for any material realisation, acquisition or revaluation). However, the Directors will have discretion to allocate the investment participations between the split capital and 'S' pools on a different basis where considered appropriate. Where one pool does not invest, the other pool may invest and take up all or any part of the first pool's proportion.

The two pools will remain separate and will be managed for the exclusive benefit of the relevant class or classes of shareholders save that the Directors may adjust the allocation of assets between the two pools to compensate for or reflect the contribution of each pool to the overall tax position of the Company. Hedging or other derivative arrangements may not limit the counterparty's recourse to the pool for which the derivative is acquired. Any borrowings to fund acquisitions for the split capital pool or the 'S' pool will be attributed to that pool and, if secured, will be secured only on the assets of that pool. In addition the Directors will seek to ensure that borrowings to fund acquisitions for a particular pool are made on the basis that the lender has recourse only to the assets of that pool. The Directors will ensure that the affairs of the two pools are managed, in particular in relation to borrowings, so as to minimise the risk of a revenue or capital deficit arising in either pool.

If, in exceptional circumstances, a revenue deficit were to arise in one of the pools, this could reduce the amount of profits which would otherwise be available for distribution to the shareholders of the other pool. If the corporation tax paid by the Company in any year is reduced or increased by reference to the revenue account or the nature of the investments of one pool, the other pool may retain a tax benefit as a result of that reduction or suffer a tax liability as a result of that increase.

Unless they have agreed otherwise, creditors and counterparties of SUIT can have recourse to all the assets of SUIT in satisfaction of their claims and would not be limited to recourse against one or other of the asset pools.

Twenty Largest Investments (Split Capital Pool)

at 30 September 2000

	% of Pool investments
1 (1) DEE VALLEY (UK) Water only company supplying an area of North Wales.	11.6
2 (2) EAST SURREY HOLDINGS (UK) Water only company supplying East Surrey and parts of Kent, Sussex and the London Borough of Croydon.	9.3
3 (3) INFRASTRUCTURE & UTILITIES NZ (NEW ZEALAND) Closed end fund investing in securities issued by entities in the New Zealand infrastructure and utilities sectors.	8.5
4 (4) LANG CORPORATION (AUSTRALIA) Owns one of the two main stevedoring companies in Australia.	6.1
5 (7) KEYTECH LTD (BERMUDA) The Bermudian domestic telecommunications utility.	4.4
6 (6) BROCKHAMPTON HOLDINGS (UK) Water only company supplying an area of Hampshire and West Sussex.	3.9
7 (5) INTERNATIONAL ENERGY GROUP (GUERNSEY) Sole distributor of gas in Guernsey, Jersey and Isle of Man.	3.6
8 (9) JERSEY ELECTRICITY (JERSEY) The Jersey electricity utility.	3.2
9 (10) BELCO HOLDINGS (BERMUDA) The Bermudian electricity utility.	3.1
10 (12) AGUAS DE BARCELONA (SPAIN) The largest investor-owned water utility in Spain.	2.8
11 (16) AMERICAN WATER WORKS (USA) The largest investor-owned US water utility.	2.4
12 (8) CARIBBEAN UTILITIES (GRAND CAYMAN) The electricity utility of Grand Cayman.	2.3
13 (-) BAA (UK) The largest UK airports operator.	2.3
14 (-) CHINA MOBILE (CHINA) The leading China mobile telecommunications company.	1.8
15 (-) RAILTRACK GROUP (UK) Owner of the UK's rail infrastructure.	1.5
16 (-) TELECOM ITALIA (ITALY) The leading Italian telecommunications utility.	1.5
17 (-) SCOTTISH POWER (UK) Major UK multi-utility.	1.4
18 (-) TELECOM ITALIA MOBILE (ITALY) The leading Italian mobile telecommunications company.	1.4
19 (14) UNITED GLOBAL COM (USA) Holding company for subsidiaries in Europe, Australasia and Latin America, providing Cable TV, telephony and internet services.	1.4
20 (-) REPUBLIC OF PAKISTAN SOVEREIGN BOND 10% 2005	1.1

The value of the twenty largest equity holdings represents 73.6% (1999: 75.2%) of the Split Capital Pool's total investments. The figures in brackets denote the position at the previous year end.

Statement of Total Return (Split Capital Pool)

(incorporating the Revenue Account) for the year ended 30 September

	Revenue £'000s	Capital £'000s	2000 Total £'000s	Revenue (restated*) £'000s	Capital £'000s	1999 Total (restated*) £'000s
Gains and losses on investments	-	4,712	4,712	-	10,867	10,867
Exchange gains and losses on currency balances	1	754	755	(2)	(14)	(16)
Income	5,636	-	5,636	4,570	-	4,570
Management and administration fees	(438)	(292)	(730)	(516)	(344)	(860)
Other expenses	(254)	(163)	(417)	(207)	(138)	(345)
Net return before finance costs and taxation	4,945	5,011	9,956	3,845	10,371	14,216
Interest payable and similar charges	(837)	-	(837)	(583)	-	(583)
Return on ordinary activities before taxation	4,108	5,011	9,119	3,262	10,371	13,633
Taxation on ordinary activities	(547)	133	(414)	(315)	145	(170)
Return attributable to shareholders	3,561	5,144	8,705	2,947	10,516	13,463
Dividends	(3,089)	-	(3,089)	(2,850)	-	(2,850)
Amount transferred to reserves	472	5,144	5,616	97	10,516	10,613
Return per income share – pence	7.13	-	7.13	5.89	-	5.89
Return per capital share – pence	-	10.30	10.30	-	21.03	21.03
Return per package unit – pence	7.13	10.30	17.43	5.89	21.03	26.92

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

* Restated to comply with FRS16 "Current Taxation" (see note 1(d) on the accounts).

Balance Sheet (Split Capital Pool)

at 30 September

	£'000s	2000 £'000s	£'000s	1999 £'000s
Investments				
Listed in Great Britain	49,197		49,461	
Listed outside Great Britain	57,940		60,757	
	107,137		110,218	
Unlisted at Directors' valuation	5,123		4,786	
		112,260		115,004
Current assets				
Debtors	3,907		2,154	
Taxation recoverable	127		168	
Cash at bank	1,115		193	
Short-term deposits	2,467		-	
	7,616		2,515	
Current liabilities				
Creditors: amounts falling due within one year				
Loans	(5,513)		(12,063)	
Other	(7,135)		(3,407)	
	(12,648)		(15,470)	
Net current liabilities		(5,032)		(12,955)
Total assets less current liabilities		107,228		102,049
Provision for liabilities and charges		(113)		(85)
Net assets		107,115		101,964
Capital and reserves				
Called up share capital		995		1,000
Capital redemption reserve	5		-	
Share premium	47,500		47,500	
Capital reserves	57,894		53,215	
Revenue reserve	721		249	
		106,120		100,964
Shareholders' funds – non-equity		107,115		101,964

Approved by the board on 14 November 2000

Alan Wheatley *Alan Wheatley*

Alan Wheatley

Twenty Largest Investments ('S' Pool)

at 30 September 2000

	% of Pool investments
1 (1) INFRASTRUCTURE & UTILITIES NZ (NEW ZEALAND)	9.4
Closed end fund investing in securities issued by entities in the New Zealand infrastructure and utilities sectors.	
2 (4) LANG CORPORATION (AUSTRALIA)	5.5
Owns one of the two main stevedoring companies in Australia.	
3 (2) BROCKHAMPTON HOLDINGS (UK)	5.3
Water only company supplying an area of Hampshire and West Sussex.	
4 (3) TELECOM ITALIA MOBILE (ITALY)	5.2
The leading Italian mobile telecommunications company.	
5 (9) TELECOM ITALIA SPA RISP (ITALY)	4.2
The leading Italian telecommunications utility.	
6 (10) KEYTECH LTD (BERMUDA)	4.2
The Bermudian domestic telecommunications utility.	
7 (7) AMERICAN WATER WORKS (USA)	4.0
The largest investor-owned US water utility.	
8 (14) AGUAS DE BARCELONA (SPAIN)	3.1
The largest investor-owned water utility in Spain.	
9 (11) JERSEY ELECTRICITY (JERSEY)	3.0
The Jersey electricity utility.	
10 (12) BELCO HOLDINGS (BERMUDA)	3.0
The Bermudian electricity utility.	
11 (-) BAA (UK)	2.7
The largest UK airports operator.	
12 (8) CARIBBEAN UTILITIES (GRAND CAYMAN)	2.2
The electricity utility of Grand Cayman.	
13 (13) AUMAR (SPAIN)	2.0
Spanish toll road utility.	
14 (-) UNITED GLOBAL COM (USA)	1.7
Holding company for subsidiaries in Europe, Australasia and Latin America, providing cable TV, telephony and internet services.	
15 (-) SOCIETE EUROPEENNE DES SAT-FDR (LUXEMBOURG)	1.7
Owner and operator of broadcast satellites.	
16 (-) RAILTRACK (UK)	1.6
Owner of the UK's rail infrastructure.	
17 (-) SCOTTISH POWER (UK)	1.6
Major UK multi-utility.	
18 (-) JARVIS (UK)	1.3
UK company operating in rail maintenance, track laying and PFI projects.	
19 (-) CHINA MOBILE (CHINA)	1.3
The leading China mobile telecommunications company.	
20 (-) E. ON AG (GERMANY)	1.3
Leading German electricity utility.	

The value of the twenty largest equity holdings represents 64.3% (1999: 67.0%) of the 'S' Pool's total investments. The figures in brackets denote the position at the previous year end.

Statement of Total Return ('S' Pool)

(incorporating the Revenue Account) for the year ended 30 September

	Revenue £'000s	Capital £'000s	2000 Total £'000s	Revenue (restated*) £'000s	Capital £'000s	1999 Total (restated*) £'000s
Gains and losses on investments	-	3,915	3,915	-	6,833	6,833
Exchange gains and losses on currency balances	(5)	428	423	(2)	(275)	(277)
Income	1,782	-	1,782	1,370	-	1,370
Management and administration fees	(164)	(110)	(274)	(181)	(121)	(302)
Other expenses	(113)	(78)	(191)	(77)	(52)	(129)
Net return before finance costs and taxation	1,500	4,155	5,655	1,110	6,385	7,495
Interest payable and similar charges	(316)	-	(316)	(226)	-	(226)
Return on ordinary activities before taxation	1,184	4,155	5,339	884	6,385	7,269
Taxation on ordinary activities	(236)	50	(186)	(186)	52	(134)
Return attributable to shareholders	948	4,205	5,153	698	6,437	7,135
Dividends	(739)	-	(739)	(686)	-	(686)
Amount transferred to reserves	209	4,205	4,414	12	6,437	6,449
Return per 'S' share - pence	4.73	20.97	25.70	3.48	32.08	35.56
Return per 'S' share (diluted) - pence	4.43	19.63	24.06	3.28	30.20	33.48

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

* Restated to comply with FRS16 "Current Taxation" (see note 1(d) on the accounts).

Balance Sheet ('S' Pool)

at 30 September

	2000 £'000s	1999 £'000s
Investments		
Listed in Great Britain	10,940	10,193
Listed outside Great Britain	27,170	28,041
	38,110	38,234
Unlisted at Directors' valuation	2,289	2,018
	40,399	40,252
Current assets		
Debtors	1,405	2,045
Taxation recoverable	15	122
Cash at bank	336	254
Short-term deposits	477	-
	2,233	2,421
Current liabilities		
Creditors: amounts falling due within one year		
Loans	(472)	(4,821)
Other	(2,662)	(2,553)
	(3,134)	(7,374)
Net current liabilities	(901)	(4,953)
Total assets less current liabilities	39,498	35,299
Provision for liabilities and charges	(38)	(52)
Net assets	39,460	35,247
Capital and reserves		
Called up share capital	200	201
Capital redemption reserve	1	-
Share premium	17,557	17,530
Warrant reserve	1,442	1,449
Capital reserves	19,979	15,995
Revenue reserve	281	72
	39,260	35,046
Shareholders' funds - non-equity	39,460	35,247

Approved by the board on 14 November 2000

Alan Wheatley

Alan Wheatley

Alan Wheatley

Auditors' Report on the Memorandum Pool Accounts

To the directors of The Special Utilities Investment Trust PLC

As requested we have reviewed the 'Memorandum Pool Accounts' on pages 26, 27, 29 and 30 of the 2000 Report and Accounts of The Special Utilities Investment Trust PLC (the 'Company').

On the basis of our review we report that in our opinion the 'Memorandum Pool Accounts' have been properly prepared from the Company's books and records on a basis consistent with the accounting policies set out in note 1 on the Financial Statements on pages 46 and 47.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
Chartered Accountants
14 November 2000

Southwark Towers
32 London Bridge Street
London SE1 9SY

Directors

Alan Wheatley †§* FCA Chairman

He is a non-executive director of Babcock International Group PLC, Five Arrows Holdings Limited, Legal & General Group Plc, and Deputy Chairman of Ashtead Group PLC.

John Kay †§*

John Kay writes on economics and management and has extensive experience through research and consultancy of regulatory affairs. He is a visiting professor at the London School of Economics.

Duncan Saville FCA, B. Com (Hons), B.Sc (Hons)

He is investment adviser to SUIT and is a non-executive director of two licensed water only companies, East Surrey Holdings PLC, Dee Valley Water PLC and Infrastructure and Utilities NZ. He has been an adviser on privatisation and corporatisation.

Peter Spiller †§*

He is a partner with Cazenove & Company and a director of Capital Gearing Trust PLC.

Roger Urwin †§* Ph.D., MIEE

He is Managing Director, Transmission, at The National Grid Company plc. He has had many years experience in the UK electricity industry, and played a major role in its restructuring and privatisation.

† These directors constitute the Audit Committee.

§ Members of the Remuneration Committee.

** Independent.*

Management and Administration

Tony Edwards Manager

Through his company, Utilities Investment Research Limited (UIRL), he carries out day-to-day investment management of the Company's portfolio. He is an alternate director of the Company.

Paul Cameron Assistant Manager

Assists Tony Edwards in the day-to-day management of the portfolio. He joined UIRL in 1997.

James Smith Investment Analyst

Provides analysis and research support for the Manager. He joined UIRL in 1999.

Mark Lebbell Investment Analyst

Provides analysis and research support for the Manager. He joined UIRL in 2000.

David Harding

Carries out the company secretarial duties of the Company on behalf of Foreign & Colonial Management Limited. He joined the Group in 1973.

Investment Managers

Ingot Capital Management Pty Limited.

Utilities Investment Research Limited.

Secretary, Administrator and Registered Office

Foreign & Colonial Management Limited, Exchange House, Primrose Street, London EC2A 2NY. Regulated by Investment Management Regulatory Organisation Limited (IMRO) and the Personal Investment Authority (PIA). Registered in England.

Telephone: 020 7628 8000

Facsimile: 020 7628 8818

Website: www.fandc.co.uk

email: info@fandc.co.uk

Bankers

The Royal Bank of Scotland PLC, Chase Manhattan Bank NA.

Registrars

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

Auditors

PricewaterhouseCoopers, Southwark Towers, 32 London Bridge Street, London SE1 9SY



*Member of The Association of
Investment Trust Companies*

Report of the Directors

The directors present their report and the financial statements of the Company for the year ended 30 September 2000.

Status of Company

The Company is an investment company as defined by Section 266 of the Companies Act 1985. During the year under review the Company carried on the business of an investment trust and has since conducted its affairs so as to continue to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The last accounting period for which the Company has been treated as approved by the Inland Revenue was the year ended 30 September 1999.

The Company's shares are eligible for inclusion in the PEP replacement, the Individual Savings Account (ISA).

The accounting policies adopted are stated in note 1 on the accounts.

Results and Dividends

Split Capital Pool	£'000s	£'000s
Net revenue available for distribution on income shares		3,561
Dividends paid or payable		
Interim of 1.90p per share paid 14 July 2000	(950)	
Proposed final of 4.30p per share payable 3 January 2001	(2,139)	(3,089)
Amount transferred to reserve		472

The final dividend now recommended of 4.30p per income share makes a total dividend of 6.20p per income share for the year ended 30 September 2000.

'S' Pool	£'000s	£'000s
Net revenue available for distribution on 'S' ordinary shares		948
Interim of 1.14p per share paid 14 July 2000	(229)	
Proposed final of 2.56p per share payable 3 January 2001	(510)	(739)
Amount transferred to reserve		209

The final dividend now recommended of 2.56p per 'S' ordinary share makes a total dividend of 3.70p per 'S' ordinary share for the year ended 30 September 2000.

Review of the Business

A review of the Company's activities is given in the Chairman's Statement on pages 2 to 7 and in the Investment Managers' Report on pages 8 to 22.

Change of Name

At an Extraordinary General Meeting held on 8 June 2000 a Special Resolution was passed which approved a change in the Company's name from Foreign & Colonial Special Utilities Investment Trust PLC to The Special Utilities Investment Trust PLC. The change of name, which became effective on 9 June 2000, was made in order to reflect the new management arrangements which occurred during the year (see details under Management and Administration).

Share Capital

On 31 January 2000, 18 holders of warrants to subscribe for 'S' ordinary shares exercised their right to subscribe for a total of 20,100 'S' ordinary shares at the fixed subscription price of 100p per share.

A notice reminding warrant holders of their subscription rights will be sent out towards the end of December.

Pursuant to the authority given by shareholders and warrant holders at the Extraordinary General Meeting held on 1 September 1999 and separate class meetings held on 1 and 8 September 1999, a total of 250,000 capital shares, 250,000 income shares and 145,000 'S' ordinary shares were purchased for cancellation during the year under review. The income and capital shares were purchased as package units at 185p per unit and the 'S' ordinary shares were purchased at prices ranging between 150.5p and 155p. Since the Company's year end a further 50,000 'S' ordinary shares were bought back at 160p per share.

Substantial Share Interests

At 13 November 2000 the following notifications of holdings of 3% and over in various classes of the Company's share capital had been received.

	Income shares of 1p each	Capital shares of 1p each	'S' ordinary shares of 1p each
BFS Income & Growth Trust PLC	2,675,000		
Exeter Asset Management Limited the Income shareholding includes: Dartmoor Investment Trust 4,000,000 Exeter Enhanced Income Fund 1,775,000 and Exeter High Income Unit Trust 1,800,000	7,575,000	1,995,000	
Foreign & Colonial Investment Trust PLC			5,000,000
Geared Income Investment Trust PLC	2,700,000		
General Provincial Life Pension Fund Limited		27,264,000	7,450,500
Henderson Nominees (non-discretionary holdings in the Foreign & Colonial ISA and PEP plans)			2,487,440
Martin Currie Investment Management Limited includes: Martin Currie Income & Growth Trust plc 2,030,000 and Martin Currie High Income Trust plc 1,975,000	5,255,000		

Directors

The directors of the Company are listed on page 32 and all held office throughout the year under review. In accordance with the Company's articles of association, Mr D.P. Saville and Mr A.E. Wheatley retire at the annual general meeting and, being eligible, offer themselves for re-election.

Management and Administration

During the year the management agreement with Foreign & Colonial Management was terminated and replaced by a new investment management agreement with Utilities Investment Research Limited and Ingot Capital Management Pty. Limited. In addition, the Company together with Utilities Investment Research Limited and Ingot Capital Management Pty. Limited entered into an administration agreement with Foreign & Colonial Management Limited (the "Administrator").

Note 4 on the accounts provides details of the Company's management and administration agreements.

The Foreign & Colonial Group has arrangements under which stockbrokers pay for various investment services used by the Group in return for stated amounts of commission. The Foreign & Colonial Group's policy is that this commission should be within the range of 10% to 15% of total commissions paid by clients of the Foreign & Colonial Group in any one year.

It is the Company's policy to exercise its voting rights at shareholders' meetings of investee companies.

Decisions on contested take-over bids are always referred to the board of directors.

Duration of the Company

In accordance with the Company's Articles of Association, the period fixed for the duration of the Company will expire on 24 August 2003 and a resolution will be proposed requiring the Company to be wound up voluntarily unless a special resolution releasing the Board from its obligation to do so has been passed not earlier than 24 August 2002. If the directors are not released from their obligation to propose a winding up resolution in 2003, the holders of the 'S' ordinary shares will be offered the opportunity to approve arrangements to enable them to continue to participate in the pool of assets attributable to the 'S' ordinary shares through a successor fund having a similar investment policy and objective and a planned life until 2008.

Policy on Payment of Suppliers

The Company's principal suppliers are Foreign & Colonial Management Limited, Ingot Capital Management Pty. Limited and Utilities Investment Research Limited. The latter two companies (the "Investment Managers") provide investment management and advisory services and are paid in the month following the end of each calendar quarter in accordance with the terms of the management agreement. Foreign & Colonial Management Limited provides, inter alia, administrative and secretarial services and is paid monthly in arrears. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier. At 30 September 2000, there were no outstanding trade creditors.

Corporate Governance

The Company is committed to high standards of corporate governance and has complied throughout the year under review with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance annexed to the UK Listing Rules (the "Code").

The Board regularly reviews the independence of its members and is currently comprised of five directors the majority of whom, having due regard to the definitions and guidelines on independence, are independent of the management or advisory companies.

Dr. R.J. Urwin is the senior independent director of the Company. There is no Chief Executive position within the Company. With the exception of Mr. D.P. Saville, all of the directors of the Company are resident in the UK and their biographical details on page 32 of this report demonstrate the wide range of skills and experience that they bring to the Board. New appointees to the Board are given a preliminary briefing on the workings of the Company by the Chairman, the Manager and other appropriate persons.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information.

The Board meets regularly and at each meeting reviews investment performance as well as other high level management information including financial reports. It monitors compliance with the Company's objectives and is directly responsible for investment strategy and approving asset allocation and gearing.

The Board has established a procedure whereby directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense. One of the requirements contained in the Company's articles of association is that all directors are required to submit themselves for re-election at least once every three years.

Accountability and Audit

The Company has adopted the transitional approach for the internal control aspects of the Code as set out in the letter from the London Stock Exchange to listed companies at the end of September 1999.

The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control Guidance for Directors on the Combined Code". A review of the key risks facing the Company and controls in place to mitigate these risks has commenced and will be ongoing throughout following accounting periods. This will include key risks where the monitoring has been delegated to third party providers.

As permitted by the London Stock Exchange, and notwithstanding the adoption of the transitional arrangements referred to above, the Company has complied with Code provision D.2.1 on internal control by reporting on internal financial control in accordance with guidance for directors on internal control and financial reporting that was issued in December 1994.

The directors have overall responsibility for the Company's systems of internal financial controls. These aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. The systems of internal financial controls are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has contractually delegated responsibility for management of the portfolio to the Investment Managers and the arrangement of custodial services and the provision of accounting and company secretarial services have been delegated to the Administrator. The terms of the Management and Administration agreements, which are set out in note 4 on the accounts, are reviewed periodically by the Company's Audit Committee.

Both the Manager and Administrator have set out control policies and procedures with respect to the management and administration of the Company's affairs.

The Company's Audit Committee receives and reviews reports from the Manager and Administrator on the systems of internal financial controls maintained on behalf of the Company.

The Audit Committee of the Company operates within written terms of reference clearly setting out its authority and duties. The four directors constituting the Committee are detailed on page 32. The primary role of the Committee is to review the Company's accounting policies, the contents of its annual financial statements, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The Committee has direct access to the auditors, PricewaterhouseCoopers.

The Audit Committee has received and reviewed a report from the Administrator's group audit committee on the effectiveness of the internal financial controls maintained on behalf of the Company, together with a copy of the Administrator's Statement of Internal Corporate Governance.

By means of the procedures set out above, the directors have carried out a review of the effectiveness of the internal financial controls systems for the period.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable.

Nominations Committee

The Board does not operate a nominations committee. Appointments of directors are made on a formalised basis by reference to selection criteria agreed by the full Board.

Remuneration Committee

The Company's Remuneration Committee is comprised of Mr. A.E. Wheatley (Chairman), Professor J.A. Kay, Mr. R.P.A. Spiller and Dr. R.J. Urwin. The remuneration for individual directors is given in note 6(a) on the accounts.

Mr D.P. Saville is the only executive director of the Company and has been employed as such since the Company was established in 1993. His remuneration package was agreed in 1993 and has not changed (apart from the payees). Mr Saville's service agreement with the Company is subject to one year's notice of termination. Should the agreement

be terminated by the Company, without notice and in the absence of specific grounds, compensation based on his remuneration may be payable to Mr Saville.

None of the other directors has a service agreement with the Company.

The Board has agreed that additional remuneration of 0.00975% per quarter in arrears of the Company's funds under management should be paid to Mr.A.E. Wheatley in view of special duties performed by him outside his ordinary duties as a director. This agreement is subject to regular review by the Remuneration Committee excluding Mr. Wheatley. The Board consider Mr Wheatley to be an independent non-executive director and in framing its remuneration policy, the Board confirms that it has complied with the Combined Code.

Investor Relations

Communications with shareholders are given a high priority. In addition to the information provided in the annual and interim accounts, updated information is available on the Foreign & Colonial website at www.fandc.co.uk. A regular dialogue is maintained with the Company's institutional investors and, at the Annual General Meeting, all investors have the opportunity to question the Chairman and the Board.

Year 2000

The Administrator has confirmed that all support systems, both internally maintained and delivered through external parties, are fully operational and that no material or significant problems affecting the Company have risen from the Year 2000 date change.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

Special Business at the Annual General Meeting

Shareholders will find on pages 61 and 62 the notice of the forthcoming Annual General Meeting of the Company to be held on 21 December 2000. In addition to the ordinary business of the meeting, two resolutions numbered 7 and 8 are proposed as special business.

Authority of Directors to Allot Shares (Resolution 7)

Resolution 7 is similar to the authorities given to the directors at previous annual general meetings. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 7 gives the directors the necessary authority to allot securities up to an aggregate nominal amount of £59,000, which is equivalent to approximately 5 per cent. of the issued share capital of the Company, and empowers the directors to allot such securities for cash otherwise than to existing shareholders on a pro-rata basis. Such authority expires at the conclusion of the Annual General Meeting in 2001.

This authority provides the directors with a degree of flexibility to increase the assets of the Company by the issue of new shares, should any favourable opportunities arise to the advantage of shareholders. Under no circumstances would the directors use the authority to issue shares at a price which would result in a dilution of net asset value per share.

Authority for the Company to Purchase its Own Shares (Resolution 8)
Resolution 8 authorises the Company for 18 months from the date of the passing of such resolution, to purchase in the market up to a maximum of 7,412,750 income shares, 7,412,750 capital shares and 2,973,181 'S' ordinary shares (equivalent to approximately 14.9 per cent. of the issued share capital) for cancellation at a minimum price of 1p per share and a maximum price of not more than 5 per cent. above the average of the middle market quotations for the share in question (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase.

The directors would use this authority with the objective of enhancing shareholder value. Purchases would only be made within guidelines established from time to time by the Board. Whilst purchases of income shares may be made at a premium to their underlying net asset value, purchases of capital shares will always be made at a discount to their underlying net asset value, such that the net effect of the combination of purchases of income shares and capital shares will be to improve the net asset value of the package units. Purchases of 'S' shares will only be made through the market at prices below the prevailing diluted net asset value of an 'S' share. Any of the Company's shares which are purchased would be cancelled.

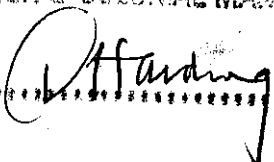
The directors consider that it would be advantageous to shareholders for the Company to have the authority to make such purchases as and when it considers the timing to be favourable. However, use of this authority, if given, will depend upon market conditions and the Board's judgement of its likely effectiveness in increasing net asset values and/or reducing the discount.

It is proposed that any purchase of shares would be financed out of realised capital reserves and funded from the Company's own cash resources or, if appropriate, from short term borrowings.

The authority to purchase shares will continue until 20 June 2002. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

By order of the Board
Foreign & Colonial Management Limited, Secretary
14 November 2000

For and on behalf of
FOREIGN & COLONIAL MANAGEMENT LIMITED


..... SECRETARY

Directors' Statement of Responsibilities

As required by company law, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company as at 30 September 2000 and of the results for the year then ended.

In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with applicable accounting standards and on a going concern basis. The directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors' Report

To the Members of The Special Utilities Investment Trust PLC

We have audited the financial statements on pages 43 to 58.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report.

As described on page 41, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 36 to 38 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 September 2000 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
14 November 2000

Southwark Towers
32 London Bridge Street
London SE1 9SY

Statement of Total Return of the Company

(incorporating the Revenue Account*) for the year ended 30 September

Revenue notes Capital notes		Revenue £'000s	Capital £'000s	2000 Total £'000s	Revenue (restated**) £'000s	Capital £'000s	1999 Total (restated**) £'000s
11	Gains and losses on investments	-	8,627	8,627	-	17,700	17,700
21	Exchange gains and losses on currency balances	(4)	1,182	1,178	(4)	(289)	(293)
3	Income	7,418	-	7,418	5,940	-	5,940
4 21	Management and administration fees	(602)	(402)	(1,004)	(697)	(465)	(1,162)
5 21	Other expenses	(367)	(241)	(608)	(284)	(190)	(474)
	Net return before finance costs and taxation	6,445	9,166	15,611	4,955	16,756	21,711
7	Interest payable and similar charges	(1,153)	-	(1,153)	(809)	-	(809)
	Return on ordinary activities before taxation	5,292	9,166	14,458	4,146	16,756	20,902
8 21	Taxation on ordinary activities	(783)	183	(600)	(501)	197	(304)
	Return attributable to ordinary shareholders	4,509	9,349	13,858	3,645	16,953	20,598
10	Dividends	(3,828)	-	(3,828)	(3,536)	-	(3,536)
21 21	Amount transferred to reserves	681	9,349	10,030	109	16,953	17,062
	Split Capital Pool:						
9 9	Return per income share - pence	7.13	-	7.13	5.89	-	5.89
9 9	Return per capital share - pence	-	10.30	10.30	-	21.03	21.03
9 9	Return per package unit - pence	7.13	10.30	17.43	5.89	21.03	26.92
	'S' Pool:						
9 9	Return per 'S' share - pence	4.73	20.97	25.70	3.48	32.08	35.56
9 9	Return per 'S' share (diluted) - pence	4.43	19.63	24.06	3.28	30.20	33.48

* The Revenue column of this statement is the profit and loss account of the Company.

** Restated to comply with FRS16 "Current Taxation" (see note 1(d) on the accounts).

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

Balance Sheet of the Company

at 30 September

Notes		2000 £'000s	1999 £'000s
	Investments		
	Listed in Great Britain	60,137	59,654
	Listed outside Great Britain	85,110	88,798
11		145,247	148,452
11	Unlisted at directors' valuation	7,412	6,804
		152,659	155,256
	Current assets		
12	Debtors	5,312	1,970
	Taxation recoverable	142	290
	Cash at bank	1,451	447
	Short-term deposits	2,944	-
		9,849	2,707
	Current liabilities		
	Creditors: amounts falling due within one year:		
13	Foreign currency and sterling loans	(5,985)	(16,884)
14	Other	(9,797)	(3,731)
		(15,782)	(20,615)
	Net current liabilities	(5,933)	(17,908)
	Total assets less current liabilities	146,726	137,348
16	Provision for liabilities and charges	(151)	(137)
	Net assets	146,575	137,211
	Capital and reserves		
17	Called up share capital	1,195	1,201
18	Capital redemption reserve	6	-
19	Share premium	65,057	65,030
20	Warrant reserve	1,442	1,449
21	Capital reserves	77,873	69,210
21	Revenue reserve	1,002	321
		145,380	136,010
	Shareholders' funds - non equity	146,575	137,211

Approved by the board on 14 November 2000

Alan Wheatley Alan Wheatley

Alan Wheatley

Cash Flow Statement of the Company

for the year ended 30 September

Notes		2000 £'000s	1999 £'000s
	Operating activities		
	Investment income received	7,319	5,473
	Fee paid to managers and administration companies	(1,060)	(1,214)
	Cash paid to and on behalf of directors	(212)	(208)
	Other cash payments	(292)	(333)
24	Net cash inflow from operating activities	5,755	3,718
	Servicing of finance		
	Interest paid	(1,246)	(723)
	Dividends paid on non-equity shares	(3,591)	(3,416)
	Net cash outflow from the servicing of finance	(4,837)	(4,139)
	Taxation		
	UK tax (paid)/repaid	(84)	40
	Overseas tax paid	(406)	(224)
	Total tax paid	(490)	(184)
	Financial investment		
	Purchases of equities and other investments	(47,933)	(51,079)
	Sales of equities and other investments	61,836	44,314
	Net cash inflow/(outflow) from financial investment	13,903	(6,765)
	Management of liquid resources		
	Increase in short-term deposits	(2,944)	-
	Financing		
	Net loans (repaid)/raised	(10,984)	7,520
	Purchase of non-equity shares	(686)	-
	Share capital raised	20	29
	Net cash (outflow)/inflow from financing	(11,650)	7,549
25	(Decrease)/increase in cash	(263)	179

Notes on the Accounts

1 ACCOUNTING POLICIES

The statutory accounts of the Company are shown on pages 43 to 45 and the notes are presented below. A separate Statement of Total Return and Balance Sheet for the Split Capital Pool and the 'S' Pool are given on pages 26, 27, 29 and 30 respectively.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include fixed asset investments at valuation and prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP). The Company was in existence as a Split Capital Investment Trust prior to 1 January 1996, and, as permitted by the SORP, the Company has not changed any of its accounting policies that would have affected the financial benefits or rights attaching to each class of its share capital.

(b) Valuation of investments

As an investment trust, the Company treats all transactions on the realisation and revaluation of investments held as fixed assets as transactions on the capital account. These items, whether profits or losses, are not part of, and are not reflected in, the revenue account but are credited or charged to capital reserves. Listed investments are shown at middle-market value and unlisted investments at directors' valuation.

(c) Foreign currency

Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to capital reserves except where they relate to revenue items.

(d) Income

Dividends receivable are brought into the revenue account (except where, in the opinion of the directors, their nature indicates they should be recognised as capital) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Interest on investments is recognised on a time apportionment basis so as to reflect the effective yield on the investment.

UK franked dividends are accounted for in accordance with Financial Reporting Standard 16 (FRS16) "Current Taxation" on the basis of the income actually receivable, without adjustment for the tax credit. Previously, franked dividends were accounted for inclusive of the tax credit which, accordingly, formed part of the tax charge. The effect of this change is to reduce both the Revenue Return on Ordinary Activities before taxation and Taxation by £309,000 (1999: £379,000). There is therefore no effect on Revenue Return on Ordinary Activities after Taxation or on Equity Shareholders' Funds.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserves.

Foreign income dividends are included in the revenue account without the related notional income tax credit.

(e) Expenses

All expenses are accounted for on an accruals basis. Where expenses of the Company are not specifically attributable to the Split Capital Pool or the 'S' Pool, each pool will generally bear a proportion of such expenses calculated by reference to the respective gross assets of each pool. Management fees and administration charges, together with any associated tax relief, are allocated 60 per cent. against the revenue account and 40 per cent. against the capital account.

(f) Finance costs

Finance costs are accounted for on an accruals basis and are charged through the revenue account.

(g) Taxation

Deferred tax is provided in full on any material timing differences expected to crystallise in the foreseeable future. The tax effect of different items of expenditure is allocated between capital and revenue on the same basis as the particular item to which it relates.

1 ACCOUNTING POLICIES (continued)

(h) Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses allocated in accordance with note 1(e) together with any associated tax relief.

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year-end
- unrealised exchange differences of a capital nature

2 RESULTS AS PREVIOUSLY STATED

The results for the year ended 30 September 1999, as previously stated, were as follows:

	Revenue £'000s	Capital £'000s	Total £'000s
Return on ordinary activities before taxation	4,525	16,756	21,281
Taxation on ordinary activities	(880)	197	(683)

3 INCOME

	2000 £'000s	1999 (restated*) £'000s
Income from investments		
UK franked dividends	2,785	2,416
Overseas dividends	3,346	2,752
Overseas and UK interest	1,192	561
	7,323	5,729
Other Income		
Interest on cash and short-term deposits	95	210
Underwriting commission	–	1
	95	211
	7,418	5,940
Total income comprises:		
Dividends	6,131	5,168
Interest	1,192	561
Other	95	211
	7,418	5,940
Income from investments comprises:		
Listed	6,499	5,520
Unlisted	824	209
Total income from investments	7,323	5,729

* restated to comply with FRS16 "Current Taxation".

4 MANAGEMENT AND ADMINISTRATION FEES

	2000 £'000s	1999 £'000s
Payable to:		
Foreign & Colonial Management Limited (FCM)	416	618
Utilities Investment Research Limited (UIRL)	305	240
Ingot Capital Management Pty Limited (Ingot)	232	267
	953	1,125
Irrecoverable VAT thereon	51	37
	1,004	1,162
Charged to capital reserves	(402)	(465)
	602	697

Under new management arrangements effective from 1 January 2000, Foreign & Colonial Management Limited (FCM) provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £325,000 per annum, payable monthly in arrears. Previously FCM provided investment management services in addition to the above for a total fee of 0.1% per quarter of funds under management, payable quarterly in arrears.

Ingot Capital Management Pty. Limited (Ingot), a company controlled by Mr. Saville, and Utilities Investment Research Limited (UIRL), which together previously provided investment advisory services for a combined fee of 0.1% per quarter of funds under management, payable quarterly in arrears, were appointed joint investment managers with effect from 1 January 2000, for an unchanged fee of 0.1%. Out of this fee Mr. Saville receives fees and remuneration totalling 0.01675% per quarter of funds under management (see note 6(a) below).

5 OTHER EXPENSES

	2000 £'000s	1999 £'000s
Directors' emoluments (see note 6(a))	216	204
General expenses	357	245
Auditors' remuneration:		
for audit services	22	21
for other services	13	4
	608	474
Charged to capital reserves	(241)	(190)
	367	284

6 DIRECTORS' REMUNERATION AND CONTRACTS

(a) Remuneration from the Company

Mr D.P. Saville is an executive director of the Company. The Company had no other employees during the year. The amounts paid by the Company to the directors were as follows:

	A.E. Wheatley (Chairman)*	J.A. Kay*	D.P. Saville†	R.P.A. Spiller*	R.J. Unwin*	Total
	£	£	£	£	£	£
Fees	8,500	8,500	8,500	8,500	8,500	42,500
Remuneration	63,875	—	109,733	—	—	173,608
	72,375	8,500	118,233	8,500	8,500	216,108
Remuneration payable to a company controlled by Mr Saville	—	—	231,892	—	—	231,892
2000 Totals	72,375	8,500	350,125	8,500	8,500	448,000
1999 Totals	68,258	8,000	378,528	8,000	8,000	470,786

* Members of the Audit Committee and Remuneration Committee.

† Mr Saville is the highest paid director.

Remuneration to Mr A E Wheatley of 0.00975% per quarter of funds under management is payable quarterly in arrears. Mr Saville's fees and remuneration are explained in note 4 above. The Company does not fund pension benefits in respect of the directors.

(b) Directors' interests in shares

The interests of directors in the ordinary shares of the Company were as follows:

	30 September 2000				30 September 1999			
	Income shares	Capital shares	'S' Pool ordinary shares	warrants	Income shares	Capital shares	'S' Pool ordinary shares	warrants
Beneficial								
J.A. Kay	41,000	56,000	20,000	2,000	41,000	56,000	20,000	2,000
D.P. Saville*	50,000	50,000	50,000	–	50,000	50,000	50,000	10,000
R.P.A. Spiller	5,000	5,000	5,000	–	5,000	5,000	5,000	–
R.J. Urwin	52,000	52,000	12,000	2,400	52,000	52,000	12,000	2,400
A.E. Wheatley	110,000	425,000	20,000	4,000	110,000	425,000	20,000	4,000

*In addition, 27,264,000 capital shares (1999 – 27,264,000), 7,450,500 'S' ordinary shares (1999 – 3,850,500) and 1,815,100 'S' shares warrants (1999 – 1,815,100) are held by General Provincial Life Pension Fund Limited, a company associated with Mr Saville.

No director had any interest in the share capital of the Company, beneficial or otherwise, other than that shown above. There have been no changes in the interests of directors in the shares of the Company between 30 September 2000 and 14 November 2000.

(c) Directors' interests in contracts with the Company

Contracts which subsisted during the year between Mr D. P. Saville and the Company are set out in note 4.

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000s	1999 £'000s
On bank loans and overdrafts repayable within 5 years, not by instalments	1,153	809

8 TAXATION ON ORDINARY ACTIVITIES

	2000 £'000s	1999 (restated*) £'000s
Corporation tax at 30% (1999: 30.5%)	582	236
Relief for overseas taxation	(402)	(236)
	180	–
Overseas taxation	402	243
Deferred tax	14	78
Adjustment in respect of prior year	4	(17)
	600	304
Tax relief on expenses charged to capital	183	197
Tax charged to the revenue account	783	501

Capital Account

Tax relief on expenses charged to capital	183	197
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* restated to comply with FRS16 "Current Taxation".

9 RETURN PER SHARE

Revenue return

The basic revenue return per income share is based on the revenue return attributable to income shareholders of £3,561,000 (1999: £2,947,000). The basic revenue return per 'S' share is based on the revenue return attributable to 'S' shareholders of £948,000 (1999: £698,000).

9 RETURN PER SHARE (continued)

Capital return

The basic capital return per capital share is based on the capital return attributable to capital shareholders of £5,144,000 (1999: £10,516,000).

The basic capital return per 'S' share is based on the capital return attributable to 'S' shareholders of £4,205,000 (1999: £6,437,000).

The capital and revenue returns per share are based on the following weighted number of shares in issue during the year:

49,959,699 income shares (1999: 50,000,000)
 49,959,699 capital shares (1999: 50,000,000)
 20,053,764 'S' shares (1999: 20,069,055)

Diluted total return 'S' Pool

Diluted return per ordinary share has been calculated in accordance with FRS14, under which the Company's outstanding warrants are considered dilutive only if the exercise price is lower than the market price of the ordinary shares at the period end or period average respectively. The dilution is calculated by reference to the additional number of ordinary shares which warrant holders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market. Prior period figures have been restated accordingly.

	30 Sept. 2000 £'000s	30 Sept. 1999 £'000s
Weighted average number of 'S' shares in issue during the period for total return calculation	20,053,764	20,069,055
Dilutive potential shares	1,365,331	1,247,244
Weighted average number of 'S' shares for diluted total return calculation	21,419,095	21,316,299

10 DIVIDENDS

	2000 £'000s	1999 £'000s
Income Shares		
Interim paid of 1.90p (1999: 1.81p)	950	905
Proposed final of 4.30p (1999: 3.89p)	2,139	1,945
'S' Shares		
Interim paid of 1.14p (1999: 1.09p)	229	219
Proposed final of 2.56p (1999: 2.33p)	510	467
	3,828	3,536

11 INVESTMENTS

	Listed £'000s	Unlisted £'000s	Total £'000s
Cost at 1 October 1999	115,991	6,998	122,989
Unrealised appreciation/(depreciation) at 1 October 1999	32,461	(194)	32,267
Valuation at 1 October 1999	148,452	6,804	155,256
Movements in the year:			
Purchases at cost	46,964	6,829	53,793
Sales - proceeds	(59,235)	(5,782)	(65,017)
realised net gains on sales	10,905	898	11,803
Decrease in unrealised appreciation/(depreciation)	(1,839)	(1,337)	(3,176)
Valuation at 30 September 2000	145,247	7,412	152,659
Cost at 30 September 2000	118,638	8,943	127,581
Unrealised appreciation/(depreciation) at 30 September 2000	26,609	(1,531)	25,078
	145,247	7,412	152,659

	2000 £'000s	1999 £'000s
Gains on investments		
Realised gains based on historical cost	15,816	10,044
Less: amounts recognised as unrealised in previous years	(4,013)	(666)
Realised gains based on carrying value at previous balance sheet date	11,803	9,378
(Decrease)/increase in unrealised appreciation	(3,176)	8,322
Gains on investments	8,627	17,700

Subsidiary undertaking

Utilities Dealing Limited, a wholly owned subsidiary, was formed in 1996 with an injection of £100 share capital. Since formation, the company has remained dormant and has passed a special resolution providing exemption from the requirement of an annual audit, in accordance with Section 250 of the Companies Act 1985. The company has not prepared group accounts since, in accordance with Section 229 of the Companies Act 1985, the consolidation of the subsidiary undertaking is not material for the purpose of giving a true and fair view.

Associated undertaking

At 30 September 2000 the Company had the following associated undertaking:

Company	Country of registration, incorporation and operations	Percentage equity holding %	Share of net assets £'000s	Share of profit before tax £'000s	Share of taxation charge £'000s	Share of retained profits £'000s
Dee Valley Water plc	England & Wales	24.4	8,607	2,532	612	1,106

The information given is based on the latest published accounts of Dee Valley Water plc. for the year ended 31 March 2000.

At 30 September 2000, the Company held 2,512,906 ordinary shares and 876,680 ordinary non-voting shares. The Company's holdings in Dee Valley represent 20.4% of the voting rights and 24.4% of the assets on a winding-up.

The income from the associated undertaking included within the revenue account is as follows:

	Year to 30 Sept 2000 £'000s	Year to 30 Sept 1999 (restated*) £'000s
UK franked dividend income	814	732

The interest in associated undertaking is included in the balance sheet at its mid-market valuation of £13.7m (1999 £15.5m).

Mr D. P. Saville is a non-executive director of Dee Valley Water plc.

* restated to comply with FRS16 "Current Taxation".

Significant interests

At 30 September 2000 the Company held more than 10% of any class of the share capital of the following undertakings held as investments, none of which represented a participating interest:

Company	Class of shares held	% of class of shares held
Brockhampton Holdings	ordinary shares	14.7
	'A' ordinary shares	12.7
East Surrey Holdings	ordinary shares	11.5
	warrants	100.0
Infrastructure & Utilities NZ	bonds	12.4
	ordinary shares	11.9
	warrants	35.8
Jersey Electricity	'A' ordinary shares	23.0
Keytech	ordinary shares	13.0

All of the above companies are incorporated and registered in England and Wales, with the exception of Jersey Electricity which is incorporated and registered in Jersey. Mr D. P. Saville is a non-executive director of East Surrey Holdings, and of Infrastructure & Utilities NZ.

11 INVESTMENTS (continued)

In addition to the above, the Company has a holding of 3% or more of any class of share capital of the following investments, which are material in the context of the financial statements:

Company	Class of shares held	% of class of shares held
BELCO Holdings	ordinary shares	7.6
Ocean Wilson Holdings	ordinary shares	4.4

12 DEBTORS

	2000 £'000s	1999 £'000s
Investment debtors	3,680	498
Forward currency deals	466	542
Prepayments and accrued income	1,166	930
	5,312	1,970

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Loans

	2000 £'000s	1999 £'000s
US\$5.25m repaid 6 October 2000	3,552	-
NZ\$8.85m repayable 20 November 2000	2,433	-
£2.09m repaid 4 October 1999	-	2,090
£5.0m repaid 3 February 2000	-	5,000
IEP £2.935m repaid 12 October 1999	-	2,410
A\$2.265 repaid 14 January 2000	-	898
NZ\$10.409m repaid 15 October 1999	-	3,289
US\$5.265m repaid 9 November 1999	-	3,197
	5,985	16,884

At 14 November 2000, short-term borrowings totalled £8,015,000.

14 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Other

	2000 £'000s	1999 £'000s
Investment creditors	6,734	824
Proposed dividends	2,649	2,358
Accruals and other creditors	414	549
	9,797	3,731

15 GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION :

Total assets less current liabilities (excluding loans)

	UK %	EC %	Other Europe %	Pan American %	Others %	2000 Total %	1999 Total %
Assets							
Equities, convertibles and options							
Telecommunications	1.4	7.5	0.6	8.3	2.5	20.3	20.3
Electricity	5.9	1.0	–	5.9	0.7	13.5	13.8
Water	22.1	3.0	–	5.2	–	30.3	33.9
Gas Distribution	3.3	0.6	–	–	0.2	4.1	5.3
Transportation	7.3	1.2	5.5	0.3	1.9	16.2	7.6
Other	0.5	0.9	–	1.4	8.1	10.9	12.8
Total	40.5	14.2	6.1	21.1	13.4	95.3	93.7
Fixed Interest	0.1	–	–	0.5	4.1	4.7	7.0
Total investments	40.6	14.2	6.1	21.6	17.5	100.0	100.7
Net current (liabilities)/assets	(4.7)	1.5	–	0.8	2.4	–	(0.7)
Total assets less current liabilities (excl. loans)	35.9	15.7	6.1	22.4	19.9	100.0	
1999 totals	41.8	25.6	0.7	21.2	10.7		100.0

Note : Geographical classification for the investments held as fixed assets is determined by the location of the major part of the investee companies' business.

16 PROVISION FOR LIABILITIES AND CHARGES

	2000 £'000s	1999 £'000s
Deferred taxation attributable to short-term timing differences		
Balance brought forward	137	59
Movement in the period	14	78
Balance carried forward	151	137

17 SHARE CAPITAL (NON-EQUITY)

Authorised	Authorised		Issued, allotted and paid up	
	Nominal Number	£'000s	Nominal Number	£
Income shares of 1p each				
Balance brought forward	77,500,000	775	50,000,000	500,000
Transferred to capital redemption reserve on purchase of shares	–	–	(250,000)	(2,500)
Balance carried forward	77,500,000	775	49,750,000	497,500
Capital shares of 1p each				
Balance brought forward	77,500,000	775	50,000,000	500,000
Transferred to capital redemption reserve on purchase of shares	–	–	(250,000)	(2,500)
Balance carried forward	77,500,000	775	49,750,000	497,500
'S' shares of 1p each				
Balance brought forward	77,000,000	770	20,079,135	200,791
Issued during the year	–	–	20,100	201
Transferred to capital redemption reserve on purchase of shares	–	–	(145,000)	(1,450)
Balance carried forward	77,000,000	770	19,954,235	199,542

On 31 January 2000, 20,100 (1999: 29,435) 'S' warrants were exercised.

Since the year end, a further 50,000 'S' Pool shares have been purchased, leaving 19,904,235 'S' shares in issue at 14 November 2000.

Under Financial Reporting Standard 4 (FRS4), each class of the Company's share capital falls under the description "non-equity".

The definitions in FRS4 do not have practical implications for shareholders.

The respective rights attaching to different classes of shareholders on a winding-up are set out on page 23.

17 SHARE CAPITAL (NON-EQUITY) (continued)

Voting rights

At the general meeting of the Company on a poll each income share will carry three votes, each capital share will carry two votes and each 'S' share will carry five votes. The directors will propose separate resolutions to approve the declaration of a dividend payable from the split capital pool to holders of income shares and from the 'S' pool to holders of 'S' shares. Holders of capital shares and 'S' shares will not be entitled to vote on a resolution for the payment of a dividend on the income shares. Holders of capital shares and income shares will not be entitled to vote on a resolution for the payment of a dividend on the 'S' shares.

Separate class meetings of holders of the income shares, capital shares and 'S' shares will be required to approve certain actions, including those concerning the duration of the Company.

18 CAPITAL REDEMPTION RESERVE

	2000 £'000s	1999 £'000s
Balance brought forward	-	-
Transferred from share capital (non-equity)	6	-
Balance carried forward	6	-

The Capital Redemption Reserve has arisen following the purchase during the year of 250,000 income shares, 250,000 capital shares and 145,000 'S' shares with a nominal value of 1p each.

19 SHARE PREMIUM

	2000 £'000s	1999 £'000s
Balance brought forward	65,030	64,990
Premium received from shares issued on exercise of warrants	20	29
Transfer from warrant reserve on exercise of warrants	7	11
Balance carried forward	65,057	65,030

20 WARRANT RESERVE

	2000 £'000s	1999 £'000s
Balance brought forward	1,449	1,460
Transfer to share premium on exercise of warrants	(7)	(11)
Balance carried forward	1,442	1,449

At 30 September 2000 there were 3,900,765 (30 September 1999: 3,920,865) warrants outstanding.

Holders have the right to subscribe for one 'S' share per warrant at £1 in cash on 31 January in any of the years 2000 to 2008 (subject to any alterations in accordance with the Deed Poll of the Company dated 24 January 1995 – the "Warrant Instrument").

21 OTHER RESERVES

	Capital reserve – realised £'000s	Capital reserve – unrealised £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Gains on investments	11,803	(3,176)	8,627	-
Transfer on disposal of investments	4,013	(4,013)	-	-
Exchange gains/(losses) on currency balances	2,061	(879)	1,182	-
Management and advisory fees charged to capital	(402)	-	(402)	-
Other capital administration charges and credits	(241)	-	(241)	-
Tax effect of capital items	183	-	183	-
Amount transferred to revenue account	-	-	-	681
	17,417	(8,068)	9,349	681
Cost of share purchases	(686)	-	(686)	-
Balance brought forward	36,063	33,147	69,210	321
Balance carried forward	52,794	25,079	77,873	1,002

	30 September 2000		30 September 1999	
	Pence per share		Pence per share	
	Undiluted	Diluted	Undiluted	Diluted
Split capital pool				
Income shares	61.45p	–	60.49p	–
Capital shares	153.85p	–	143.44p	–
Package units	215.30p	–	203.93p	–
'S' pool				
'S' shares	197.75p	183.19p	175.54p	163.74p

Net assets per share are calculated on the basis of rights applying on a return of assets, in accordance with the Articles of Association.

Income shares

Net assets per income share are calculated on the basis of net assets of £30,571,000 (1999: £30,249,000), and on 49,750,000 (1999: 50,000,000) income shares in issue at the year end.

Capital shares

Net assets per capital share are calculated on the basis of net assets of £76,544,000 (1999 - £71,715,000), and on 49,750,000 (1999 - 50,000,000) capital shares in issue at the year end.

Package units

Net assets per package unit are calculated as the aggregate of net assets per income share and net assets per capital share.

'S' shares

Net assets per 'S' share are calculated on the basis of net assets of £39,460,000 (1999: £35,247,000), and on 19,954,235 (1999: 20,079,135) 'S' shares in issue at the year end. The diluted net assets per 'S' share assumes the exercise of 3,900,765 (1999: 3,920,865) warrants outstanding at the year end at £1 per warrant.

	2000 £'000s	1999 £'000s
'S' shares in issue at the year end	19,954,235	20,079,135
Dilutive potential shares at the year end	1,585,771	1,447,133
Number of shares in issue for diluted NAV calculation	21,540,006	21,526,268
'S' warrants in issue at the year end	3,900,765	3,920,865

On 31 January 2000, 20,100 (1999 – 29,435) 'S' warrants were exercised. Warrant holders have the right to subscribe for one 'S' share per warrant at £1 in cash on 31 January in any of the years up to 2008.

The movements in the year attributable to each class of share were as follows:

	Split capital pool Capital shares £'000s	Income shares £'000s	'S' Pool 'S' shares £'000s	Total £'000s
Total net assets attributable at 1 October 1999	71,715	30,249	35,247	137,211
Total recognised gains and losses for the year	5,144	3,561	5,153	13,858
Dividends	–	(3,089)	(739)	(3,828)
Cost of share purchases	(315)	(150)	(221)	(686)
New share capital subscribed, less issue expenses	–	–	20	20
Total net assets attributable at 30 September 2000	76,544	30,571	39,460	146,575

23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000 £'000s	1999 £'000s
Revenue return attributable to non-equity shareholders	4,509	3,645
Capital return for the year	9,349	16,953
Shares repurchased	(686)	-
New share capital subscribed, less issue expenses	20	30
Net addition to shareholders' funds	13,192	20,628
Dividends on non-equity shares	(3,828)	(3,536)
Shareholders' funds brought forward	137,211	120,119
Shareholders' funds carried forward	146,575	137,211

24 RECONCILIATION OF NET REVENUE RETURN BEFORE FINANCE COSTS AND TAXATION
TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £'000s	1999 (restated) £'000s
Net revenue return before finance costs and taxation	6,445	4,955
Exchange profits and losses of a revenue nature	4	4
Investment management and advisory fees charged to capital	(465)	(546)
Other expenses charged to capital	(166)	(108)
Decrease in accrued income	(94)	(466)
Increase/(decrease) in creditors	31	(121)
Net cash inflow from operating activities	5,755	3,718

25 RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	2000 £'000s	1999 £'000s
(Decrease)/increase in cash	(263)	179
Increase in short-term deposits	2,944	-
Decrease/(increase) in short-term loans	10,984	(7,520)
Change in net cash/(debt) resulting from cash flows	13,665	(7,341)
Exchange movement	1,182	(289)
Movement in net debt	14,847	(7,630)
Net debt brought forward	(16,437)	(8,807)
Net debt carried forward	(1,590)	(16,437)

	Balance at 1 October 1999 £'000s	Cash flow £'000s	Exchange movement £'000s	Balance at 30 Sept. 2000 £'000s
Represented by:				
Cash at bank	447	(263)	1,267	1,451
Short-term deposits	-	2,944	-	2,944
Bank loans	(16,884)	10,984	(85)	(5,985)
	(16,437)	13,665	1,182	(1,590)

The Company is an investment company as defined by Section 266 of the Companies Act 1985 and conducts its affairs so as to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

The Company's investment objective is to provide a secure and growing dividend combined with capital appreciation by investing in utility and related companies. The Company seeks to meet its investment objective by investing principally in a diversified portfolio of both listed and unlisted companies. The Company has the power to take out borrowings.

In pursuing its investment objectives, the Company faces risks to both assets and revenue. These risks, and the directors' approach to the management of the risks, are as follows:-

	Risk	Management of Risk
Credit	Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered.	Virtually all transactions are settled on the basis of delivery against payment. All counterparties to derivative instruments are approved by the Board.
Liquidity	Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.	The Company's investments are principally quoted equities and fixed interest stocks and are readily realisable. The Company has the power to take out borrowings, but operates within a ratio of Net Debt to Net Assets of no more than 15%.
Market Price	The Company's assets consist principally of quoted equities and fixed interest stocks, the values of which are determined by market forces.	The Company's risk is managed through investment in a diversity of stocks, most of which are listed on recognised stock exchanges. The Board manages the market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information. The Board meets regularly and at each meeting reviews investment performance and financial results. Equity and Index derivatives are used on a selective basis to hedge market risk.
Currency	Certain of the Company's assets and liabilities are denominated in currencies other than sterling. As a result movements in exchange rates may affect the sterling value of the portfolio, cash, investment purchases and sales and income.	Forward foreign exchange contracts are used on a selective basis to hedge currency risk. Income denominated in foreign currencies is converted to sterling on receipt. At the year end the Manager has hedged the exposure of the Company to the extent of £6m of forward foreign exchange contracts.
Revenue Cash Flow	Insufficient net revenue to meet the Company's dividend objective.	The Board receives regular revenue account forecasts from the Manager through which it monitors dividend paying capacity.

Financial Assets

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 30 September was:

Currency	2000				1999			
	Floating rate financial assets £'000s	Fixed rate financial assets £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed	Floating rate financial assets £'000s	Fixed rate financial assets £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
Sterling	1,165	82	5.66	17 years	251	85	5.00	16 years
Euro	2,031	-	-	-	2,108	-	-	-
US Dollar	(257)	1,613	10.00	5 years	21	2,176	6.62	4 years
Australian Dollar	946	-	-	-	64	-	-	-
New Zealand Dollar	381	3,289	6.9	4 years	-	5,389	6.90	5 years
Bermuda Dollar	-	776	7.75	12 years	-	895	7.75	13 years
South African Rand	-	130	13.5	20 years	-	125	14.00	21 years
Greek Drachma	129	-	-	-	-	-	-	-

Financial Liabilities

The interest rate profile of the Company's financial liabilities (including short-term loans but excluding other short-term creditors) at 30 September was:

Currency	Fixed rate financial liabilities £'000s	2000 Weighted average interest rate %	Fixed rate financial liabilities £'000s	1999 Weighted average interest rate %
Sterling	-	-	7,090	5.66
Euro	-	-	2,410	2.94
US Dollar	3,552	6.97	3,197	5.54
New Zealand Dollar	2,433	7.00	3,289	4.90
Australian Dollar	-	-	898	5.25

All loans are repayable within one year.

Currency Exposure

The profile of the Company's net monetary assets/(liabilities) at 30 September, by currency, was:

Net monetary assets/(liabilities)	Euro £'000s	US\$ £'000s	NZ\$ £'000s	A\$ £'000s	BRL £'000s	EG£ £'000s	GDR £'000s	Total £'000s
30 September 2000	1,538	39	(7,482)	974	-	-	129	(4,802)
30 September 1999	(2,519)	(2,218)	(13,485)	(6,708)	17	5	-	(24,908)

Fair Value

The directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet.

The Company's non-equity shares have a fair value equivalent to their market price quoted on the London Stock Exchange, as follows:

	30 Sept 2000	30 Sept 1999
	Fair value	Fair value
Non-equity shares	£'000s	£'000s
Split capital Pool - income shares	32,246	35,000
Split capital Pool - capital shares	62,436	60,375
S" Pool shares	33,623	31,825

Twenty Largest Investments of the Company

at 30 September 2000

	% of Company investments
1 (1) DEE VALLEY (UK) Water only company supplying an area of North Wales.	8.9
2 (3) INFRASTRUCTURE & UTILITIES NZ (NEW ZEALAND) Closed end fund investing in securities issued by entities in the New Zealand infrastructure and utilities sectors.	8.7
3 (2) EAST SURREY HOLDINGS (UK) Water only company supplying East Surrey and parts of Kent, Sussex and the London Borough of Croydon.	6.9
4 (4) LANG CORPORATION (AUSTRALIA) Owns one of the two main stevedoring companies in Australia.	6.0
5 (6) KEYTECH LTD (BERMUDA) The Bermudian domestic telecommunications utility.	4.4
6 (5) BROCKHAMPTON HOLDINGS (UK) Water only company supplying an area of Hampshire and West Sussex.	4.2
7 (9) JERSEY ELECTRICITY (JERSEY) The Jersey electricity utility.	3.2
8 (11) BELCO HOLDINGS (BERMUDA) The Bermudian electricity utility.	3.1
9 (8) INTERNATIONAL ENERGY GROUP (GUERNSEY) Sole distributor of gas in Guernsey, Jersey and Isle of Man.	3.0
10 (12) AGUAS DE BARCELONA (SPAIN) The largest investor-owned water utility in Spain.	2.9
11 (15) AMERICAN WATER WORKS (USA) The largest investor-owned US water utility.	2.8
12 (-) BAA (UK) The largest UK airports operator.	2.4
13 (18) TELECOM ITALIA MOBILE (ITALY) The leading Italian mobile telecommunications company.	2.4
14 (7) CARIBBEAN UTILITIES (GRAND CAYMAN) The electricity utility of Grand Cayman.	2.3
15 (-) TELECOM ITALIA (ITALY) The leading Italian telecommunications utility.	2.2
16 (-) CHINA MOBILE (CHINA) The leading China mobile telecommunications company.	1.7
17 (-) RAILTRACK (UK) Owner of the UK's rail infrastructure.	1.5
18 (-) SCOTTISH POWER (UK) Major UK multi-utility.	1.4
19 (17) UNITED GLOBAL COM (USA) Holding company for subsidiaries in Europe, Australasia and Latin America, providing Cable TV, telephony and internet services	1.4
20 (-) REPUBLIC OF PAKISTAN SOVEREIGN BOND 10% 2005	1.0

The value of the twenty largest equity holdings represents 70.4% (1999: 71.3%) of the Company's total investments. The figures in brackets denote the position at the previous year end.

The value of convertible securities represents 8.8% (1999: 3.5%) of the Company's portfolio.

The total number of companies included in the portfolio is 145 (1999: 139).

Historical Record

Split Pool

Assets at 30 September

£'000s	1994	1995	1996	1997	1998	1999	2000
Net assets	£62.18m	£67.47m	£74.83m	£87.88m	£91.35m	£101.96m	£107.12m
Net asset value per income share	60.1p	60.1p	60.2p	60.3p	60.3p	60.5p	61.5p
Market price per income share	65.5p	59.5p	62.5p	67.3p	75.8p	70.0p	65.3p
Net asset value per capital share	64.3p	74.8p	89.5p	115.5p	122.4p	143.4p	153.9p
Market price per capital share	50.5p	63.5p	66.3p	92.5p	85.0p	120.8p	125.5p
Net asset value per package unit	124.4p	134.9p	149.7p	175.8p	182.7p	203.9p	215.3p
Market price per package unit	117.0p	122.0p	127.0p	159.0p	155.5p	192.5p	190.0p

Total Return per Share for the year ended 30 September

£'000s	1994*	1995	1996	1997	1998	1999	2000
Return attributable to income shares	3.9p	4.2p	4.7p	5.4p	5.4p	5.9p	7.1p
Return attributable to capital shares	27.3p	10.5p	14.7p	26.0p	6.9p	21.0p	10.3p
Return attributable to package units	31.2p	14.7p	19.4p	31.4p	12.3p	26.9p	17.4p

* For the period 23 August 1993 to 30 September 1994.

'S' Pool

Assets at 30 September

£'000s	1995	1996	1997	1998	1999	2000
Net assets	£20.12m	£24.14m	£28.08m	£28.77m	£35.25m	£39.46m
Net asset value per 'S' share	100.6p	120.7p	140.2p	143.5p	175.5p	197.8p
Net asset value per 'S' share – diluted	100.5p	117.2p	133.6p	136.3p	163.7p	183.2p
Market price per 'S' share	92.0p	99.5p	117.5p	106.5p	158.5p	168.5p

Total Return per Share for the year ended 30 September

£'000s	1995†	1996	1997	1998	1999	2000
Revenue return per 'S' share	1.6p	3.0p	3.3p	3.2p	3.5p	4.7p
Capital return per 'S' share	5.0p	19.9p	19.4p	3.4p	32.1p	21.0p
Total return per 'S' share	6.6p	22.9p	22.7p	6.6p	35.6p	25.7p

† For the period 4 April 1995 to 30 September 1995.

Notice of Annual General Meeting

Notice is hereby given that the seventh annual general meeting of The Special Utilities Investment Trust PLC will be held at Exchange House, Primrose Street, London EC2 on Thursday, 21 December 2000 at 2.30 p.m. for the following purposes:

Ordinary Business

- 1 To receive and adopt the directors' report and accounts for the year ended 30 September 2000.
- 2 To declare a dividend on the income shares
- 3 To declare a dividend on the 'S' ordinary shares
- 4 To re-elect Mr D.P. Saville as a director.
- 5 To re-elect Mr A.E. Wheatley as a director.
- 6 To re-appoint the auditors and authorise the directors to fix their remuneration.

Special Business

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

THAT:

- (a) the directors be and they are hereby:
 - (i) generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £59,000 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2001; and
 - (ii) empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority referred to in paragraph (a)(i) of this resolution as if Section 89(1) of the Act did not apply to any such allotment,

but so that this authority and power shall enable the Company to make offers or agreements which would or might require relevant securities or equity securities to be allotted after the expiry of this authority and power; and

- (b) all authorities previously conferred under Section 80 or Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

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

THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of income shares, capital shares and 'S' ordinary shares provided that:

- (a) the maximum number of income shares hereby authorised to be purchased shall be 7,412,750;
- (b) the maximum number of capital shares hereby authorised to be purchased shall be 7,412,750;
- (c) the maximum number of 'S' ordinary shares hereby authorised to be purchased shall be 2,973,181;
- (d) the minimum price which may be paid for an income share or a capital share or an 'S' ordinary share is 1p;
- (e) the maximum price which may be paid for an income share or a capital share or an 'S' ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations of an income share or a capital share or an 'S' ordinary share, respectively, taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the date of purchase (or such other amount as may be specified by the London Stock Exchange from time to time);
- (f) the minimum and maximum prices for the income shares, the capital shares and the 'S' ordinary shares referred to in sub-paragraphs (d) and (e) of this resolution are in all cases exclusive of any expenses payable by the Company;

- (g) the authority hereby conferred shall expire on 20 June 2002, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
- (h) the Company may make a contract to purchase income shares and/or capital shares and/or 'S' ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

articles of association are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.

Mr Saville is the only director having a service contract with the Company. The contract is available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.

The final dividend in respect of the year ended 30 September 2000 for the income shares and for the 'S' ordinary shares will, if approved, be paid on 3 January 2001 to the relevant holders on the register at the close of business on 24 November 2000.

23 November 2000

By order of the Board
Foreign & Colonial Management Limited
Secretary

Registered Office:
Exchange House,
Primrose Street,
London EC2A 2NY

Notes:

Only the holders of income shares, capital shares or 'S' ordinary shares, registered on the register of members of the Company at 2.30 p.m. on 19 December 2000 shall be entitled to attend and vote or to be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register after 2.30 p.m. on 19 December 2000 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

The holders of income shares are not entitled to vote on the declaration of a dividend on the 'S' ordinary shares. The holders of 'S' ordinary shares are not entitled to vote on the declaration of a dividend on the income shares. The holders of capital shares are not entitled to vote on the declaration of a dividend on either the income shares or the 'S' ordinary shares.

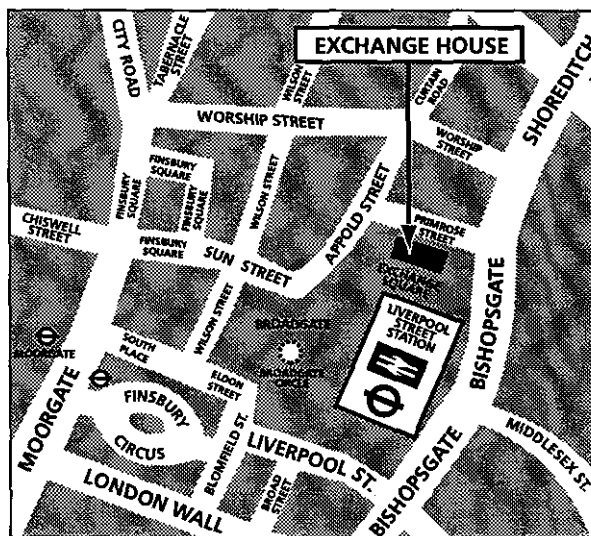
A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

The return of a form of proxy will not preclude a member from attending the meeting and voting in person if he wishes to do so.

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Services PLC, P.O. Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG, not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through the Foreign & Colonial Private Investor, Personal Equity or Pension Savings Plans or in a Foreign & Colonial Individual Savings Account should ensure that forms of direction are returned to Computershare Services PLC not later than 96 hours before the time appointed for holding the meeting.

The register of directors' holdings and the Company's memorandum and

The Location



Registrars:

Computershare Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
(regulated by IMRO)

Telephone 0870 702 0130
Facsimile 0131 442 4924

Registered Office:

Exchange House
Primrose Street
London EC2A 2NY

Telephone 020 7628 8000
Facsimile 020 7628 8188