



Foreign & Colonial Special Utilities Investment Trust PLC

Company Registration Number: 2829844

Section 272 Interim Accounts – 31 March 1999 (Unaudited)

Unaudited Statement of Total Return

(incorporating the Revenue Account)*

for the half-year to 31 March 1999

		6 months to 31 March 1999			Year-ended 30 September 1998			
Revenue	Capital	Revenue	Capital	Total	Revenue	Capital	Total	
Notes	Notes	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
	8	Gains and losses on investments	–	19,831	19,831	–	4,071	4,071
	8	Gains on future contracts	–	87	87	–	10	10
	16	Exchange gains and losses on currency balances	(2)	(986)	(988)	–	564	564
		Income	2,368	–	2,368	5,780	–	5,780
2		Management and advisory fees	(353)	(236)	(589)	(653)	(435)	(1,088)
3		Other expenses	(137)	(91)	(228)	(247)	(165)	(412)
		Net return before finance costs and taxation	1,876	18,605	20,481	4,880	4,045	8,925
4		Interest payable and similar charges	(389)	–	(389)	(546)	–	(546)
		Return on ordinary activities before taxation	1,487	18,605	20,092	4,334	4,045	8,379
5		Taxation on ordinary activities	(389)	99	(290)	(1,022)	106	(916)
		Return attributable to equity shareholders	1,098	18,704	19,802	3,312	4,151	7,463
		Dividends	(1,124)	–	(1,124)	(3,364)	–	(3,364)
17	16	Amount transferred to/(from) reserves	(26)	18,704	18,678	(52)	4,151	4,099
		Split Capital Pool:						
6		Return per income share – pence	1.81	–	1.81	5.35	–	5.35
6		Return per capital share – pence	–	24.53	24.53	–	6.94	6.94
6		Return per package unit – pence	1.81	24.53	26.34	5.35	6.94	12.29
		'S' Pool:						
6		Return per 'S' share – pence	0.96	32.10	33.06	3.17	3.39	6.56
6		Return per 'S' share (fully diluted) – pence	0.92	30.61	31.53	3.04	3.26	6.30

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

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

Unaudited Balance Sheet

at 31 March 1999

Notes	31 March 1999		30 September 1998	
	£'000s	£'000s	£'000s	£'000s
	Fixed assets			
8	Investments	157,247		131,718
	Current assets			
10	Debtors	1,169		1,091
	Cash	37		198
		<u>1,206</u>		<u>1,289</u>
	Current liabilities			
12	Creditors: amounts falling due within one year			
12	Loans	(16,739)		(9,004)
	Other	(2,866)		(3,825)
		<u>(19,605)</u>		<u>(12,829)</u>
	Net current liabilities	<u>(18,399)</u>		<u>(11,450)</u>
	Total assets less current liabilities	138,848		120,178
11	Provision for liabilities and charges	(21)		(59)
	Net assets	<u>138,827</u>		<u>120,119</u>
	Capital and reserves:			
13	Called up share capital	1,201		1,200
14	Share premium	65,030		64,990
15	Warrant reserve	1,449		1,460
16	Capital reserves	70,961		52,257
17	Revenue reserve	186		212
	Shareholders' funds – non-equity	<u>138,827</u>		<u>120,119</u>
	Split Capital Pool:			
18	Net asset value per income share – pence	207.23		182.70
18	Net asset value per capital share – pence	146.93		122.40
18	Net asset value per package unit – pence	60.30		60.30
	'S' Pool:			
18	Net asset value per 'S' share – pence	175.35		143.48
18	Net asset value per 'S' share (diluted) – pence	165.41		141.78

Approved by the Board on 4 June 1999

Alan Wheatley

Alan Wheatley

Alan Wheatley

Notes on the Accounts (Unaudited)

1 ACCOUNTING POLICIES

(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.

Franked investment income includes the imputed tax credit attaching to dividends credited and this tax has been written off within the taxation charge.

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.

(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 MANAGEMENT AND ADVISORY FEES

	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
Foreign & Colonial Management Limited	304	537
Utilities Investment Research Limited	111	180
Ingot Capital Management Limited	140	259
	555	976
Irrecoverable VAT thereon	34	112
	589	1,088
Charged to capital reserves	236	435
Charged to revenue reserve	353	653
	589	1,088

3 OTHER EXPENSES

	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
Directors' emoluments	101	182
General expenses	115	205
Auditors' remuneration:		
for audit services	12	21
for audit-related services	–	4
	228	412
Charged to capital reserves	(91)	(165)
	137	247

4 INTEREST PAYABLE AND SIMILAR CHARGES

	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
On bank loans and overdrafts repayable within 5 years, not by instalments	389	546

5 TAXATION ON ORDINARY ACTIVITIES

Revenue Account	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
Corporation Tax at 31%	131	195
Relief for overseas tax	(131)	(183)
	–	12
Overseas taxation	131	212
Imputed tax credit on franked income	198	595
Deferred tax	(39)	26
Prior period adjustments	–	5
	290	850
Tax relief on expenses charged to capital	99	172
	389	1,022
Capital Account		
Tax relief on expenses charged to capital	99	172
Tax charge on dividends transferred to capital	–	(66)
	99	106

6 RETURN PER SHARE

Total return per share attributable to shareholders reflects the overall performance of the individual Pools of the Company. Net revenue recognised in the first six months is not indicative of the total likely to be received in the full accounting year.

(a) Split Capital Pool

Net asset value (NAV) and total return per share are based on 50,000,000 capital shares and 50,000,000 income shares in issue (30 September 1998 – same).

(b) 'S' Pool

Diluted NAV and return per ordinary share have 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.

	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
Weighted average number of 'S' shares in issue during the period for total return calculation	20,058,919	20,041,854
Dilutive potential shares	977,494	859,057
Weighted average number of 'S' shares for diluted total return calculation	21,036,413	20,900,911
'S' shares in issue at the period-end	20,079,135	20,049,700
Dilutive potential shares at the period-end	1,207,464	241,098
Number of shares in issue for diluted NAV calculation	21,286,599	20,290,798
'S' warrants in issue at the period-end	3,920,865	3,950,300

On 31 January 1999, 29,435 (1998 – 22,850) '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.

7 DIVIDENDS

	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
Income Shares		
Interim 1.81p (1998: 1.73p)	905	865
Final (1998: 3.69p)	–	1,845
'S' Shares		
Interim 1.09p (1998: 1.03p)	219	207
Final (1998: 2.23p)	–	447
	1,124	3,364

8 INVESTMENTS

	Valuation £'000s	Cost £'000s
Balance brought forward	131,718	107,107
Purchases	32,538	32,538
Sales	(26,927)	(21,783)
Realised gains on sales of investments	5,057	–
Realised gains on futures contracts	87	–
Increase in unrealised appreciation	14,774	–
	157,247	117,862

9 SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Utilities Dealing Limited, a wholly owned subsidiary of the Company, has been dormant since 1996. 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.

At 31 March 1999 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	24.6	6,616	2,342	596	1,076

The information given is based on the latest published accounts of Dee Valley Water plc. for the year ended 31 March 1998.

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

	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
Franked income	304	838
Imputed tax credit	(61)	(168)
	243	670

The interest in associated undertaking is included in the balance sheet at its mid-market valuation of £15.9m (30 September 1998: £15.8m).

10 DEBTORS

	31 March 1999 £'000s	30 Sept. 1998 £'000s
Investment debtors	130	8
Forward currency deals	(202)	207
Prepayments and accrued income	831	545
Taxation recoverable	410	331
	1,169	1,091

11 PROVISIONS FOR LIABILITIES AND CHARGES

	31 March 1999 £'000s	30 Sept. 1998 £'000s
Deferred taxation attributable to short-term timing differences:		
Balance brought forward	59	33
Movement in period	(38)	26
	21	59

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 1999 £'000s	30 Sept. 1998 £'000s
Loans	16,739	9,004
Investment creditors	1,222	1,086
Proposed dividends	1,124	2,292
Accruals and other creditors	520	447
	19,605	12,829

13 SHARE CAPITAL (NON-EQUITY)

	Authorised		Issued, and fully paid	
	Number	Nominal £'000s	Number	Nominal £'000s
Income shares of 1p each				
Balance brought forward and carried forward	77,500,000	775	50,000,000	500
Capital Shares of 1p each				
Balance brought forward and carried forward	77,500,000	775	50,000,000	500
'S' Shares of 1p each				
Balance brought forward	77,500,000	775	20,049,700	200
Issued during the period			29,435	1
Balance carried forward	77,500,000	775	20,079,135	201

Under Financial Reporting Standard No 4 (FRS4) each class of the Company's share capital falls under the description "non-equity". The definitions of FRS4 do not have practical implications for shareholders.

14 SHARE PREMIUM

	31 March 1999 £'000s	30 Sept. 1998 £'000s
Balance brought forward	64,990	64,959
Premium received from share issue	29	23
Transfer from warrant reserve on exercise of warrants	11	8
Balance carried forward	65,030	64,990

15 WARRANT RESERVE

	31 March 1999 £'000s	30 Sept. 1998 £'000s
Balance brought forward	1,460	1,468
Transfer to share premium on exercise of warrants	(11)	(8)
Balance carried forward	1,449	1,460

16 CAPITAL RESERVES

	31 March 1999 £'000s	30 Sept. 1998 £'000s
Balance brought forward	52,257	48,106
Realised gains and losses on investments	5,057	4,727
Realised gains and losses on futures contracts	87	4
Unrealised gains and losses on investments	14,774	(656)
Unrealised gains and losses on futures	–	6
Exchange gains and losses on currency balances	(986)	564
Management and advisory fees charged to capital	(236)	(435)
Other capital charges and credits	(91)	(165)
Tax effect on capital items	99	106
Balance carried forward	70,961	52,257
Analysed as:		
Capital reserve realised	31,502	27,572
Capital reserve unrealised	39,459	24,685
	70,961	52,257

17 REVENUE RESERVE

	31 March 1999 £'000s	30 Sept. 1998 £'000s
Balance brought forward	212	264
Transfer from reserves	(26)	(52)
Balance carried forward	186	212

18 NET ASSET VALUE PER SHARE

	31 March 1999 pence per share		30 Sept 1998 pence per share	
	Undiluted	Diluted	Undiluted	Diluted
Split Capital Pool				
Income shares	60.3		60.3	
Capital shares	146.93		122.4	
Package units	207.23		182.7	
'S' Pool				
'S' shares	175.35	165.41*	143.48	141.78*

* see note 6

19 ANALYSIS OF SHARE CAPITAL AND RESERVES

	Capital Shareholders £'000s	Income Shareholders £'000s	'S' Shareholders £'000s	Total £'000s
Share capital	500	500	201	1,201
Share premium	18,000	29,500	17,530	65,030
Warrant reserve	–	–	1,449	1,449
Capital reserve	54,965	–	15,996	70,961
Revenue reserve	153	–	33	186
	73,618	30,000	35,209	138,827

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	6 months to 31 March 1999 £'000s	Year-ended 30 Sept. 1998 £'000s
Revenue return attributable for shareholders	1,098	3,312
Capital return for the year	18,704	4,151
New share capital subscribed, less issue expenses	30	23
Net addition to shareholders' funds	19,832	7,486
Dividends	(1,124)	(3,364)
Shareholders' funds brought forward	120,119	115,997
Shareholders' funds carried forward	138,827	120,119