NOTICE OF ILLEGIBLE PAGES

Companies House regrets that documents in this company's record have pages which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause

Company Objective

To provide

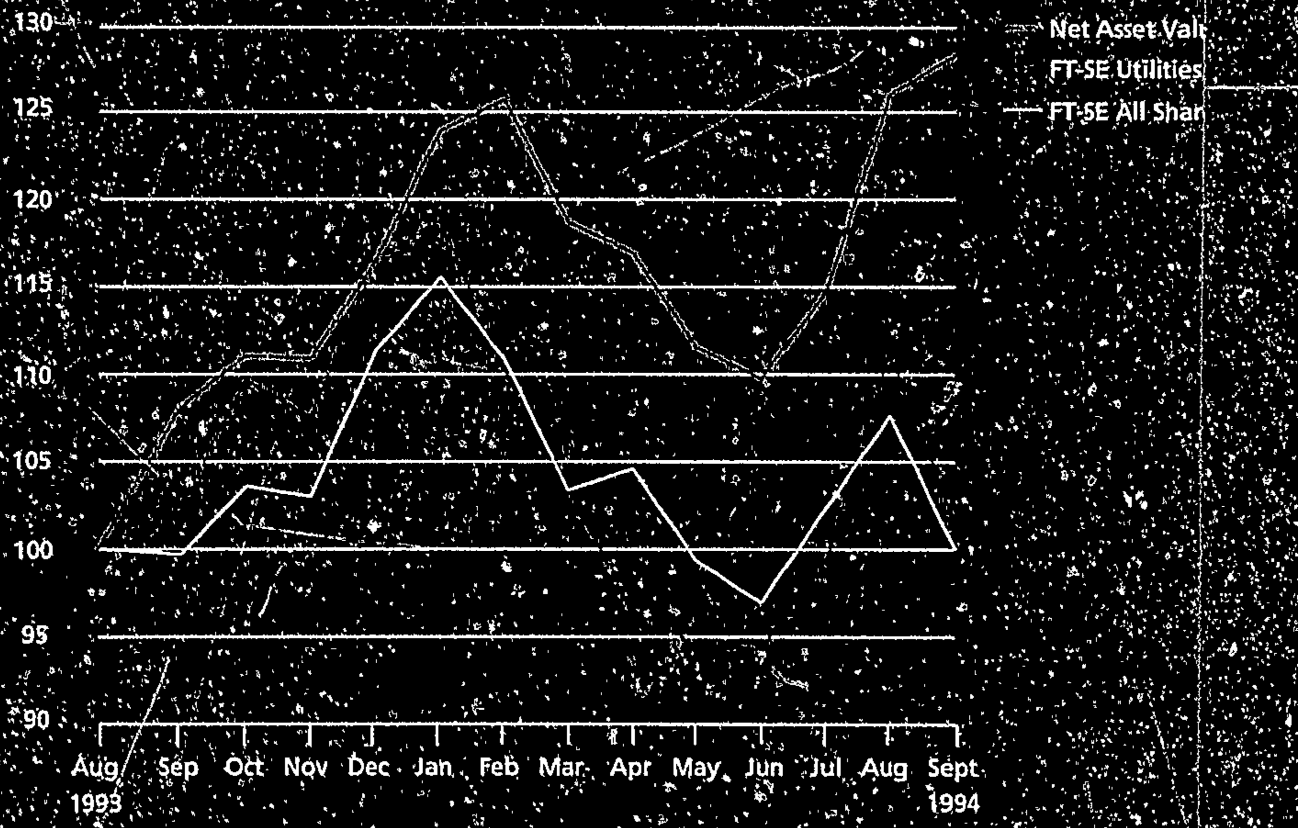
- a secure and growing dividend for Income Shareholders, and
- capital appreciation for Capital Shareholders

by investing in utility companies with special attractions

Summary of Consolidated Results

	30 Sept 1994	23 Aug 1993	%
Net assets per package unit	124.4p	97.0p	+28.2
Net assets per capital share	64.3p	37.0p	+73.8
Earnings per income share	3.85p	–	–
Dividends per income share	3.74p	–	–
Share price:			
• Package units	117.0p	100.0p	+17.0
• Capital shares	50.5p	40.0p	+26.3
• Income shares	65.5p	60.0p	+9.2

Foreign & Colonial Special Utilities Investment Trust
Net Asset Value Performance 1993/94



Source: Datastream

Chairman's Statement

Dear Shareholder

I am pleased to report that your Company has had a successful first year. We have met the prospectus dividend forecast and produced strong capital growth. We are confident of further progress over the life of the Company.

Portfolio Report

Your Company commenced operations with the acquisition of a portfolio of holdings in several water only companies. In the first few months of the year we concentrated on investing the remainder of the portfolio in some of the larger UK utilities and in a selection of international utilities where we saw particular opportunities. The proceeds of the issue were all invested by the end of 1993

There were two very important regulatory reviews during the year. In July, OFWAT announced the pricing formulas which will govern all water only and water service companies for the next five years. In August, OFFER laid down the framework for prices in the electricity distribution market for the next five years. These reviews were crucial to the prospects of the companies involved and created substantial uncertainty and apprehension before they were announced. We sought to protect ourselves against the effects of this by hedging part of our exposure to these industries through the use of derivatives. This proved to be a successful strategy as the gain on our derivative positions offset a large part of the drop in the value of the shares in our portfolio and the positions were closed before the reviews were announced.

In the event both regulatory reviews were well received by the stock market and the prices of many of our holdings rose sharply. We used this period of market strength to reduce some of our holdings.

Capital Performance

The graph opposite shows the performance of the package unit since the first day of dealing on 23 August 1993. The net asset value has risen by 28.2% to 124.4 pence compared with a rise of 1.8% in the FT-SE A Utilities Index and no change in the FT-SE All Share Index.

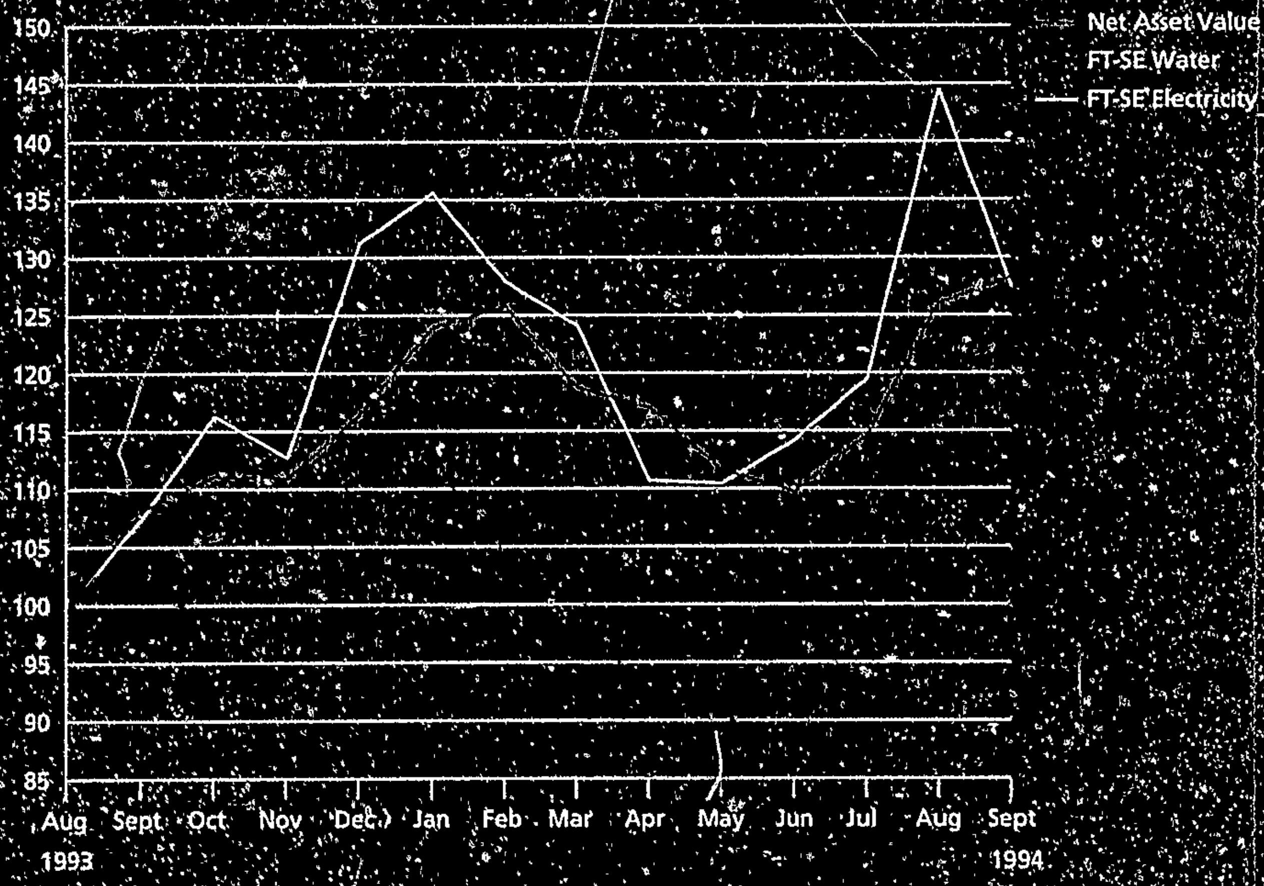
The net asset value per Capital share has risen by 73.8% to 64.3 pence.

Revenue Performance

In the prospectus we made a dividend forecast of 3.74 pence per Income share. This was based on our assessment of the dividends likely to be paid by our intended holdings. In the event dividend income was slightly higher than we expected but this was partly offset by greater than anticipated interest costs. Expenses were much as we expected. We have been able to meet the dividend forecast and make a small transfer to revenue reserve for future dividend distributions. Interim dividends of 1.1 pence per Income share were paid in April and October and the Board is recommending a final dividend of 1.54 pence. In future years an interim dividend will be paid in July and a final dividend in January.

Chairman's Statement

Foreign & Colonial Special Utilities Investment Trust
Net Asset Value Performance 1993/94



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Prospects and Strategy

In the next few months the water and electricity companies will be preparing themselves for their new regulatory regimes which come into effect on 1 April 1995. We believe that most companies will be able to cope successfully in the new environment and continue to produce real growth in dividends after inflation. This *underpins our commitment to the* utility sector in the UK. In the longer term it is likely that the regulatory climate will become progressively tougher for the major utilities. Our emphasis will continue to be on the smaller more specialist utilities which we believe have more interesting prospects.

In addition we will continue our policies of using our expertise to make selected investments in utilities overseas where we see particular value and using derivatives to hedge our investment positions and protect the portfolio from the worst effects of market volatility.

The performance in the current year is unlikely to be as strong as in our first year but we are confident of continuing growth in the utility sector over the long term in both capital and dividends. I look forward to welcoming as many of you as are able to come to the annual general meeting at 2.30 p.m. on 19 December 1994. This will be held at the offices of Foreign & Colonial Management in Exchange House, Primrose Street, London EC2A 2NY.

Alan Wheatley
November 1994

Investment Manager's Review

It is pleasing to report that in our first year we have outperformed both the FT-SE Utilities Index and the FT-SE All Share Index by substantial margins as the graph of our Net Asset Value on page 2 shows. We were also pleased to achieve our dividend forecast for the Income shares.

At 30th September, our year end, total funds invested had increased to £62 million. Our gross exposure can be summarised as follows:

Utility sector	%
Water	59
Gas	16
Electricity	15
Telecommunications	5
Other	5
	100

Investment highlights of the year included:

- a strong performance by the water only companies in the UK
- successful hedging of our UK water service company and electricity positions ahead of the Regulatory Review determinations in the summer, and
- increasing our non-UK gross exposure to 14%.

A detailed review of the utility sectors is contained on pages 8 to 25.

The forthcoming year will be an active one for most UK utility sectors:

- In water and electricity, the companies will be working hard to adapt successfully and profitably to the price caps and other controls introduced following the Regulatory Reviews in the summer.

  Since our year end we have seen most activity from the Regional Electricity Companies (RECs) who have been using their surplus cash to fund share buy-backs and special dividends. We expect these to continue in 1994 and 1995 and, when taken with the proposed flotation of National Grid in the first half of 1995, prospects for the RECs look attractive. Another major event for the electricity industry in the first half of 1995 will be the sale of the Government's remaining 40% shareholdings in National Power and PowerGen.

  Industry consolidation and share buy-backs in the water sector may occur.

  We may see some politically induced volatility in both sectors.

- British Gas will be looking to adapt successfully to the major regulatory developments of last year. There will be much interest in the proposals for introducing competition into the UK residential supply market.

- In telecommunications, the pace of competition in the UK will increase and it will be a vigorous year for all the participants whether they are looking to take market share or to recapture it. Continuing economic recovery should boost call volume.

- In transportation, we see some of the UK regional airports and one or two of the trust ports joining the private sector and a continuation of the groundwork to facilitate private sector involvement in rail and roads.

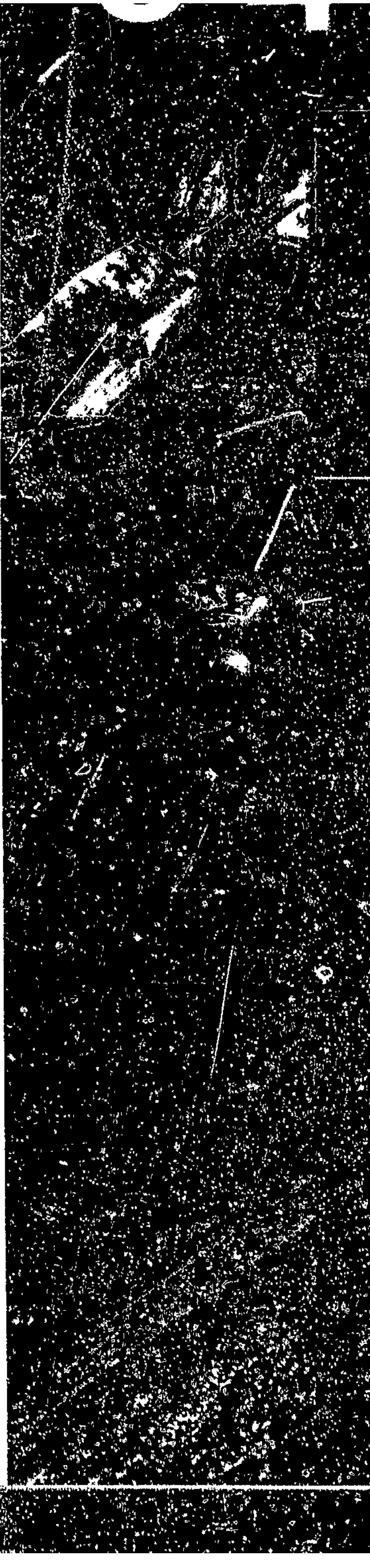
Internationally, there are certain to be many developments, including a number of privatisations.

We will continue to look for utility companies which offer attractive relative value.

Our investment philosophy can be summarised as follows:

- superior fundamental understanding of the utility sectors and their regulation
- sensitivity to step changes resulting from developments in regulation and competition
- focus on companies with the ability to grow dividends while maintaining healthy dividend cover
- search for underrated and under researched companies
- development of techniques to compare utility companies across geographical regions and across industries.

Sector Reviews
Water



United Kingdom Review

The water utility industry in England and Wales is dominated by ten companies supplying both water and sewerage services (the WASCs). A number of other companies supplying water only (the WOCs) cover the rest of England and Wales. Both sets of companies are in the private sector. Of the WOCs, eleven remain independent and are listed; all of the WASCs are listed on the Stock Exchange. In the geographic area served by the WOCs, sewerage services are provided by the local WASC and sewerage charges are normally collected by the WOC and passed on to the WASC.

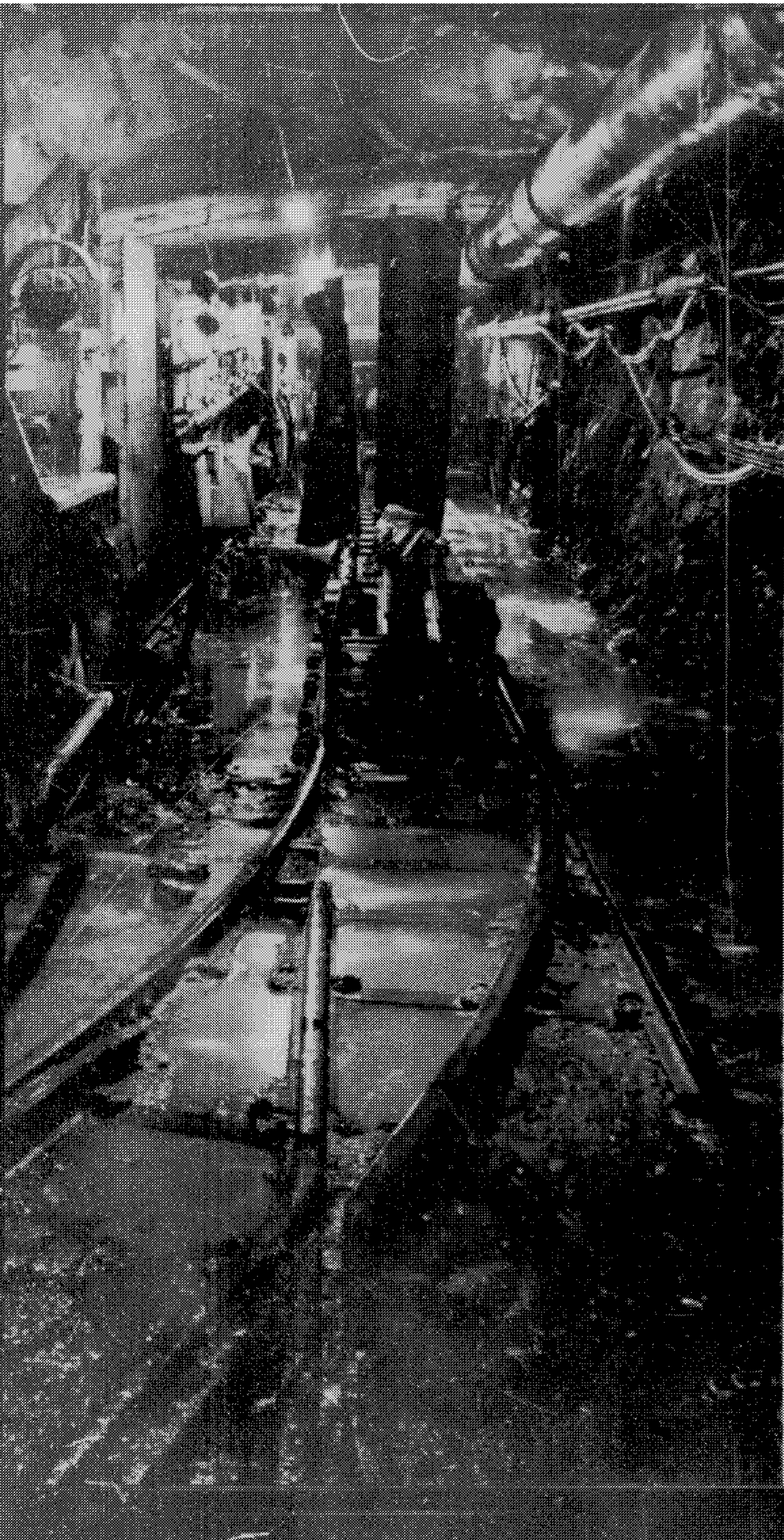
The WOCs, which are significantly smaller than the WASCs, have been in the private sector for many years and were originally statutory companies. The WASCs were the old water authorities and were privatised in 1990. In Scotland, water supply and sewerage is still provided by the public sector.

The year under review has been overshadowed by the uncertainties of the Regulatory review for both the WASCs and the WOCs. This was the first review since privatisation and the Office of Water Services (OFWAT) was meticulous in its review process. Hopefully, the final determinations will provide a framework for the immediate years ahead, although the water industry is probably the most politically sensitive utility sector.

The WASCs

The companies provide 100% of the sewerage services and around 75% of the water supply. Both water supply and sewerage services are subject to stringent quality standards imposed by UK and EC authorities which involve the industry in significant capital expenditure. Total capital expenditure for the five years to the year 2000 allowed for by the Regulator in making his determinations is £13 billion for the WASCs. The greater part of this is related to sewerage.

In the final determinations announced in July, the weighted average change in prices for the five year period to the year 2000 was indexed to RPI plus



Excavating the tunnel for the Gwithian outfall, 2,650 m long and 50 metres below sea level, which forms part of the 'Clean Sweep' scheme for Penzance and St Ives.
South West Water

1.5% and for the subsequent five years to RPI plus 0.6%. The award of a positive rather than a negative indexation to RPI reflects the levels of capital expenditure to be financed. The determinations were accepted by all the WASCs apart from South West Water, which has appealed to the Monopolies and Mergers Commission. It is likely that there will be another review in five years time so that the July determination for the subsequent five years may be of academic interest only.

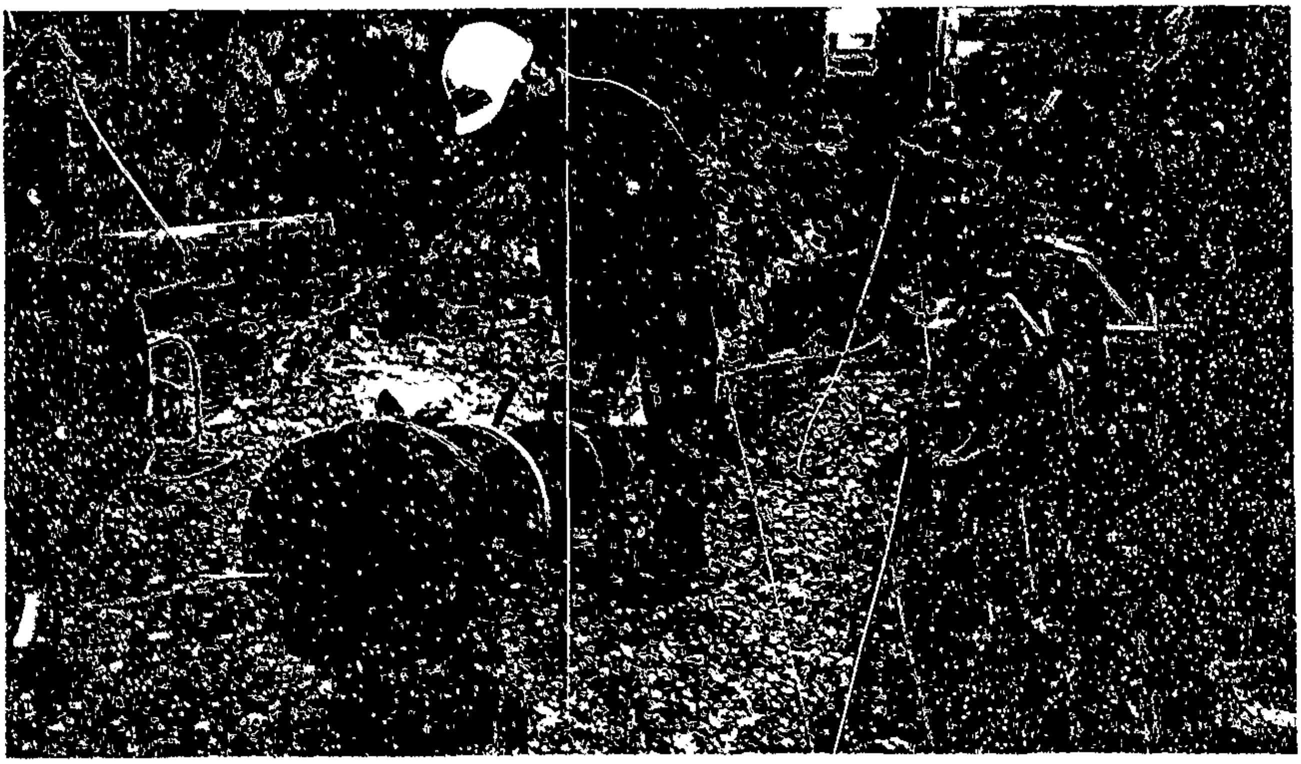
The review was generally received favourably by investors with annual dividend growth prospects estimated by the market at 5–6% in real terms for the five years to 1999/2000 financed largely by a reduction in dividend cover. The companies will be cash negative and sector gearing is expected to be around 45% by the year 2000.

The WOCs

The WOCs' capital expenditure requirements are significantly less than the WASCs on a relative basis, as they are not involved in sewerage services. The Regulator allowed for total capital expenditure of £1 billion in reaching his determinations for the WOCs for the first five years of the review period.

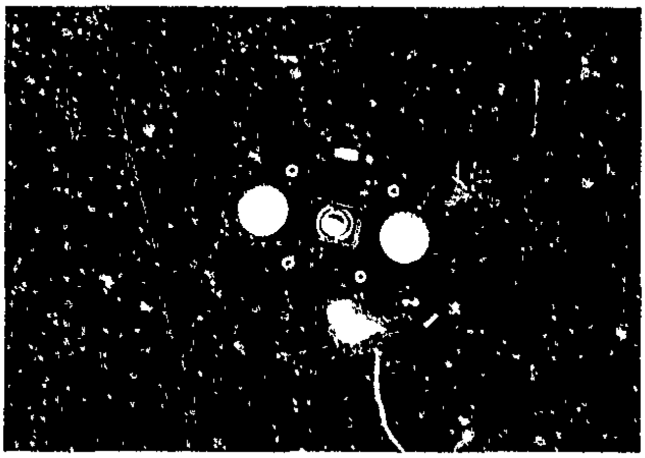
In the final determination, the weighted average change in prices for the five year period to 2000 was indexed to RPI plus 0.6% and for the subsequent five years to RPI minus 1.3%. Within the average for the first five years, a number of companies were awarded negative indexations. The indexations would have been more negative but for the Regulator factoring in a higher rate of return, up to 0.75% after tax, for the WOCs relative to the WASCs to reflect the higher cost of capital for smaller companies. The determinations were accepted by all the WOCs except for Portsmouth Water, which has appealed to the Monopolies and Mergers Commission. As with the WASCs the likelihood of another review in five years may make the determinations for the second five year period academic.

Again the reviews were received favourably by investors. The average price differential between the WOCs and the WASCs for the first five years was set at 0.9% per annum by the Regulator. This should allow real dividend growth at least equal to the WASCs who have the additional capital expenditure on sewerage. While OFWAT set onerous efficiency targets in some cases, the WOCs will remain, on average, cash generative after providing for a full taxation charge.



Replacement of PVC main with new 250 mm polyethylene pipe to reduce the incidence of bursts
Wrexham Water

[illegible] Water [illegible] quality



Video camera drawn through newly lined water main to check quality and provide a record for future reference
Wrexham Water

Section of main before and after epoxy lining
Wrexham Water

Possible share buy backs and capital reconstructions coupled with projected industry reorganisations should provide protection to the WOCs' share market valuations, which are now standing at a premium to the WASCs.

International Review

There are not many water utilities listed outside the UK. However, the number is likely to increase with expected privatisation programmes.

The USA is an exception where private sector, listed water utilities account for between 20% and 25% of US water supply. In sewerage, the private sector operates between 5% and 10% of US facilities. The water utilities are on average much smaller than the WASCs with only one US utility larger than the smallest WASC. The regulatory environment is more constrained being based on rate of return, which provides little incentive for efficiency gains.

France and Spain have the most developed private water utility sectors in continental Europe. In France, the private sector is responsible for around 75% of water supply. Two large utility companies dominate, but they are diversified with other utility and non-utility activities. In Spain, around 35% of water supply is managed by the private sector. We consider Aguas de Barcelona, significantly the largest private sector operator and one of SUIT's ten largest holdings, to be an attractive investment.

Electricity

United Kingdom Review

The year has been dominated by the Regulatory Reviews in the generation and distribution sectors. These were the first major reviews since privatisation and, as such, were crucial in establishing the long-term value of the sectors. Hopefully, the reviews will provide a settled framework for the immediate years ahead — although we have no doubt that political parties will attempt to capitalise on the industry from time to time

The domestic electricity utility industry is reviewed below.

Generation

In England and Wales, around 60% of electrical power is generated by two companies, National Power and PowerGen. Scotland is structured differently. Scottish Power and Scottish Hydro are integrated utilities with both generation and distribution functions

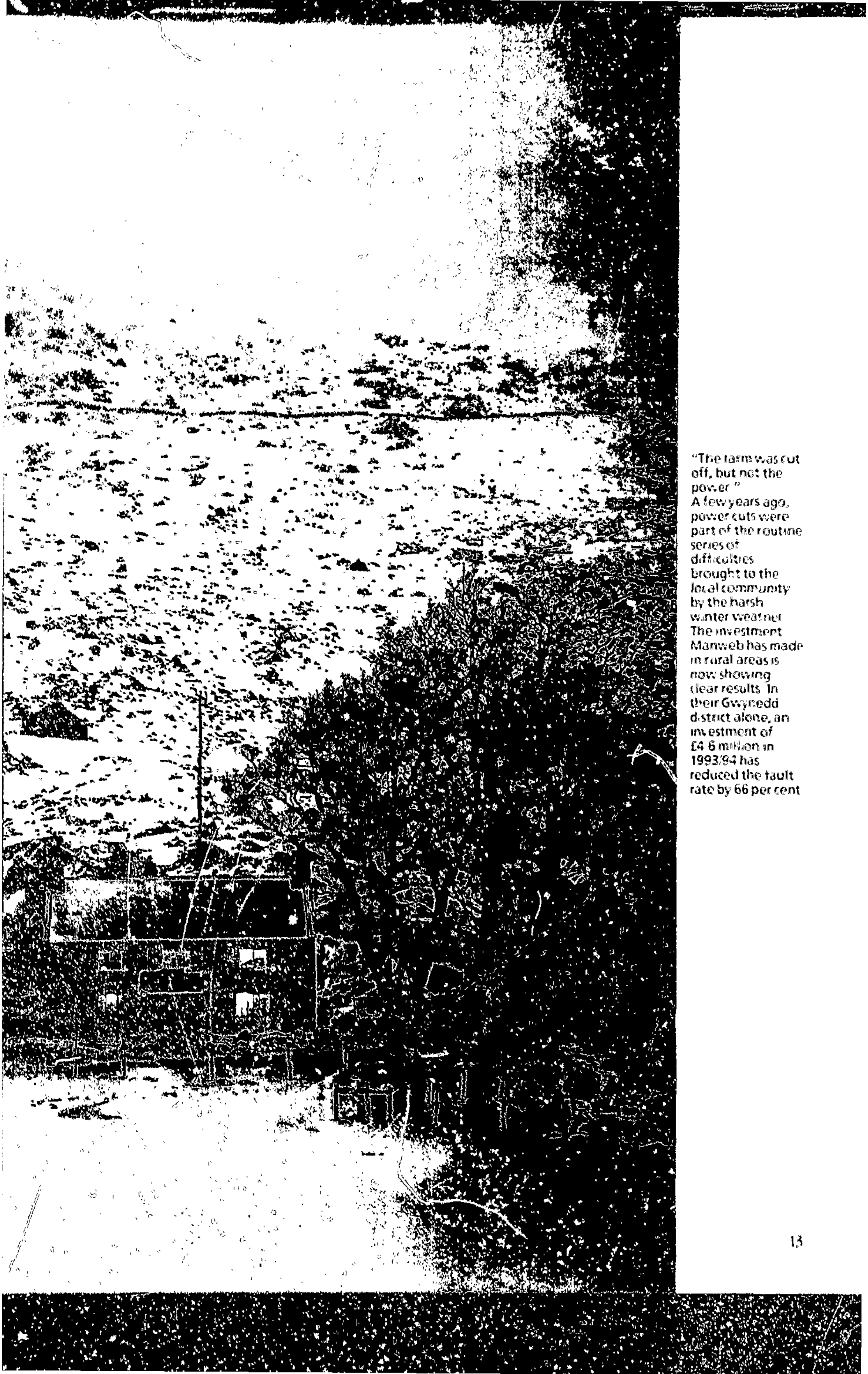
In February, 1994, the Regulator agreed not to refer National Power and PowerGen to the Monopolies and Mergers Commission for two years. In return, the companies will endeavour to sell off generating plant by the end of 1995 and cap prices in the electricity pool. By 1996, competition should have grown as independently owned power plants come on stream. The agreement was generally perceived as beneficial for the two companies. Market estimates of annual dividend growth prospects for the next two years are around 18% for PowerGen and 16% for National Power.

The companies remain strongly cash generative and PowerGen has used some of its cash to buy back its own shares. National Power intends to buy back approximately 8% of its shares from the UK Government when the latter sells its remaining 40% shareholdings in the two companies in the first half of 1995.

1995 may also see developments in the future ownership and structure of Nuclear Power and Scottish Nuclear,the two state-owned nuclear power generators

Distribution

In England and Wales, distribution



"The farm was cut off, but not the power."

A few years ago, power cuts were part of the routine series of difficulties brought to the local community by the harsh winter weather. The investment Manweb has made in rural areas is now showing clear results. In their Gwynedd district alone, an investment of £4.6 million in 1993/94 has reduced the fault rate by 66 per cent.

from the National Grid to the customer is provided by twelve regional electricity companies (the RECs). In Scotland, this function is undertaken by the two Scottish utilities.

The Regulator's final price determinations for the RECs distribution activities, accounting for some 90% of their profits, were announced in August. They will result in average cuts in distribution revenue in 1995/96 of 14% and, in the subsequent years to 1999/2000, distribution revenues will be indexed to RPI minus 2%. The review was favourably received by investors as annual dividend growth prospects for the five years to 1999/2000 are estimated by the market at 6–8% in real terms before factoring in the effects of any share buy-backs and the RECs will retain their strong cash generative characteristics. Further upside potential for shareholder value can be expected from share buy back programmes, which nine of the twelve RECs have already started, and the flotation of National Grid with possible corporate activity in the background.

The review of the Scottish companies' distribution businesses was not as favourably received. There was no initial price cut for 1995/96 and price changes for the subsequent years to 1999/2000 are indexed to RPI minus 1.5% on average. However, the review was not perceived as providing sufficient relief against the expected fall in generation profits of the Scottish utilities.

Transmission

The National Grid is the monopoly transmitter of electricity in England and Wales. It is wholly owned by the RECs who are considering crystallising value by its flotation in the first half of 1995. We expect National Grid to be an attractive investment in its own right.

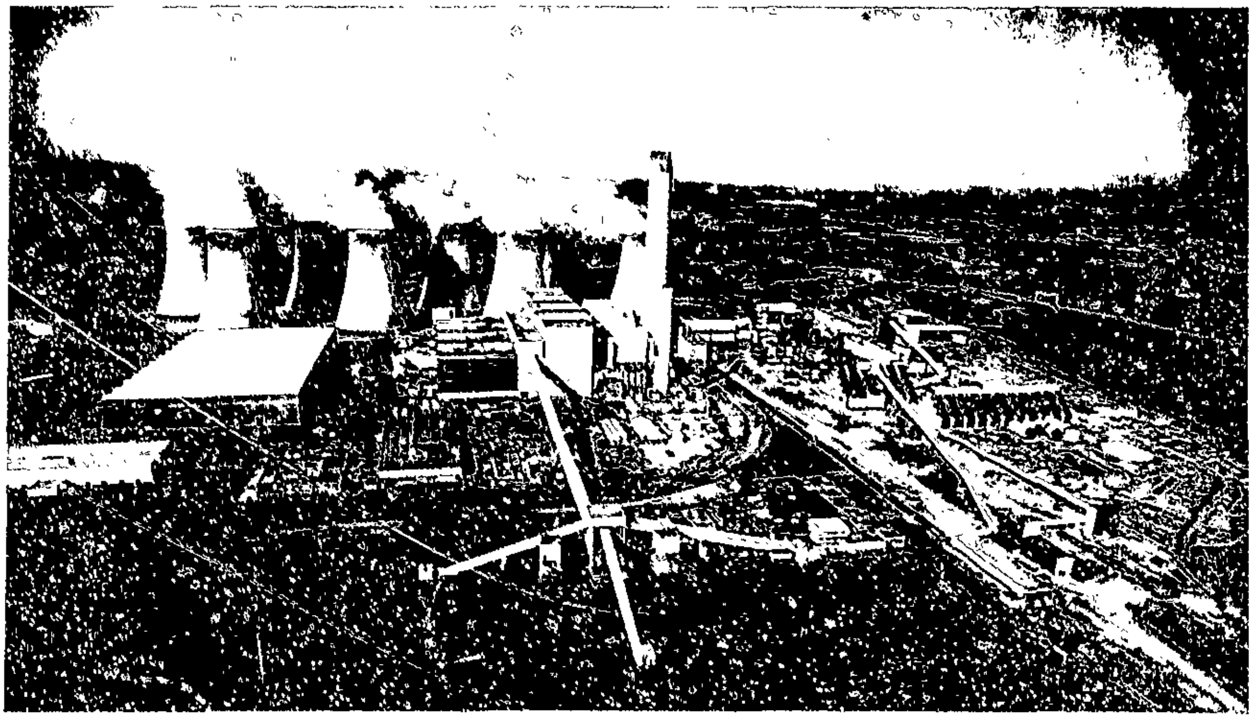
In Scotland the high voltage transmission system is integrated within the Scottish utilities' business.

International Review

There are a relatively large number of private sector, listed electricity utilities outside the UK in which we could potentially invest. This compares favourably with some other utility sectors where investment opportunities are limited. This number will increase in the immediate years ahead as more governments privatise their electricity utilities and the independently owned power plant industry becomes more established.

We have looked at a large number of these utilities and continue to build our data base. The regulatory environment for a utility company is a key component in the investment decision and our knowledge in this area also continues to develop. We made a number of investments during the year some of which were realised at an attractive profit. We are satisfied with our current exposure to the international sector of some £3 million. We will continue to monitor the sector actively for attractive opportunities in both currently listed companies and forthcoming privatisations.

Looking after the electricity network at Heathrow – the world's busiest international airport – London Electricity



The 2,000MW desulphurisation plant at Ratcliffe power station removes more than 90% of the sulphur dioxide from the chimney gases – PowerGen

Telecommunications

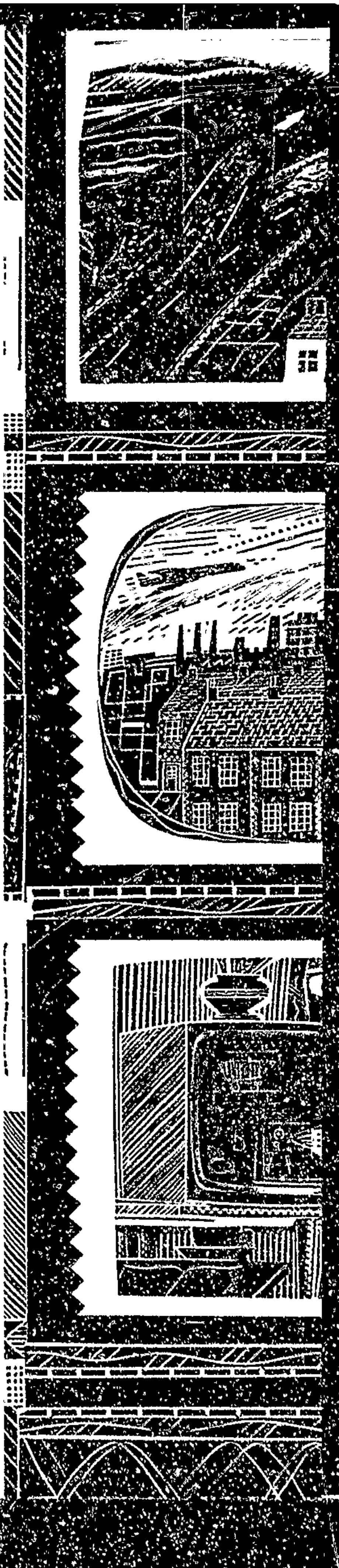
United Kingdom Review

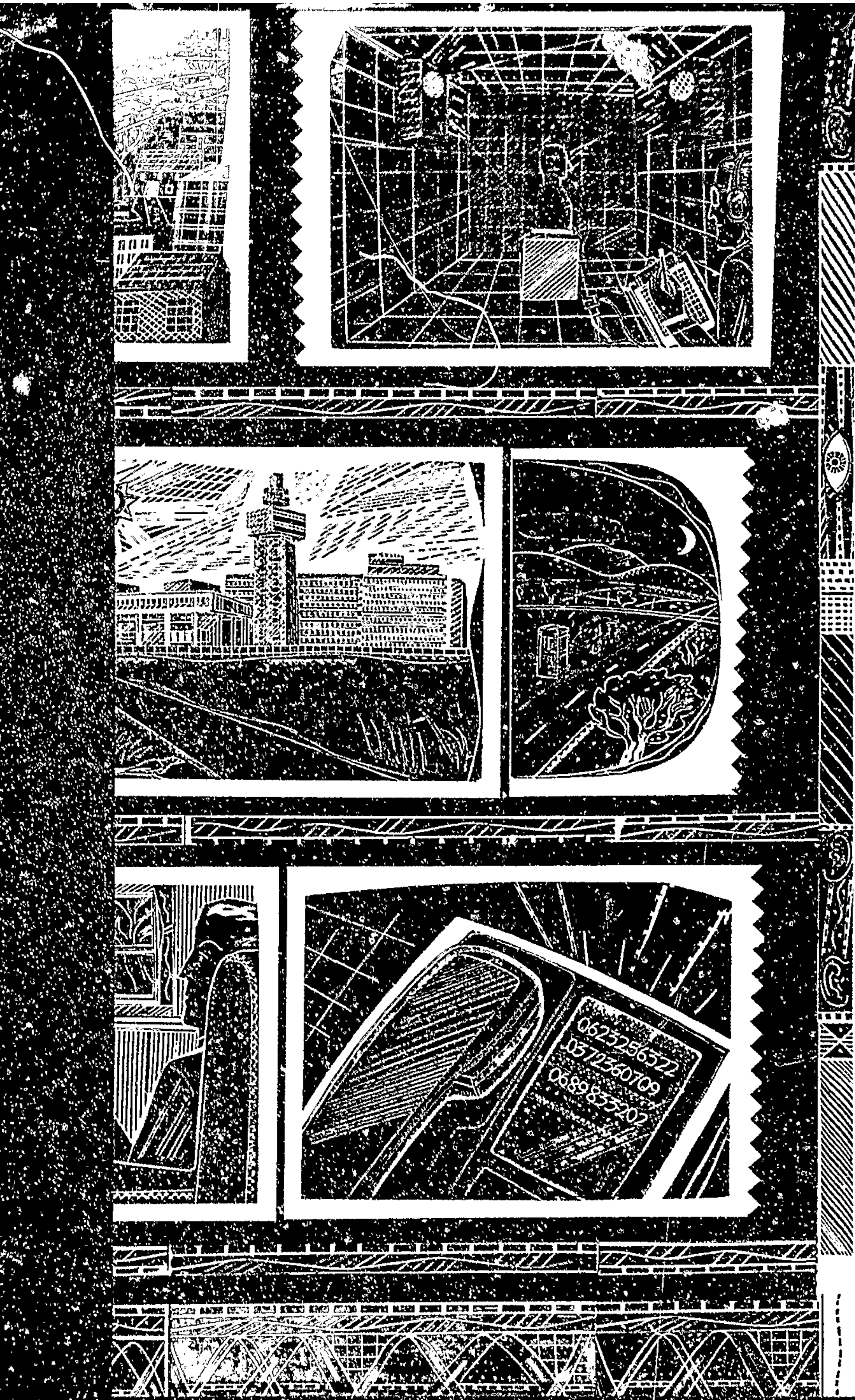
British Telecom (BT) was partially privatised in 1984 and is now wholly within the private sector. BT's current market share of the total UK market for telecoms services is 90%, and according to most projections, will remain above 75% by the year 2000. Privatisation was accompanied by liberalisation and a combination of regulation and competition has forced BT to bring down its call charges sharply. For example, long distance calls are one third of their price ten years ago in real terms. BT's original competitor, Mercury Communications, was licensed in 1984 and now has 25% of the UK large business market and about 67% of the City of London's outgoing traffic.

In 1991, the BT/Mercury duopoly in domestic long distance calls ended and new public operators were licensed. These are either building their own networks or reselling services provided over existing networks. At the same time cable companies were allowed to build combined TV and telephony networks in urban areas to provide direct competition in local calls. Since 1991 more than 40 new operators have been licensed to provide telecoms services in the UK. These plus the cable companies now compete with BT on the fixed network. Telewest, the largest cable operator in the UK, is in the process of obtaining a listing in the UK.

In cellular telephony, the UK has four network operators. BT has a 60% stake in one of these, Cellnet. Cellular services in the UK have seen falling equipment prices and tariffs coupled with aggressive marketing. The combination has resulted in net new connections to mobile networks recently overtaking fixed network connections to BT and the cable-telephony companies.

There were no major Regulatory Reviews in the period under consideration. Annual price changes are currently indexed to RPI minus 7.5% until July 1997, with the next review beginning in mid 1996. Overall price reductions of around 5% per annum, after taking account of line rental increases, are expected in 1995 following reductions of 6% in the





previous year. One consequence is that it is less practicable to compete against BT on price alone and Mercury and others will have to add value and compete on service, quality and innovation. At the same time, BT's more aggressive marketing policy which aims to use the price cuts to drive volume growth is proving effective. For Mercury, the ending of the duopoly and the entry of other competitors is causing a strategic rethink.

Regulatory issues to be addressed in the current year include the interconnect charges to be paid by Mercury to BT. The issue of the ban on BT and Mercury carrying broadcast entertainment on their networks may surface again. Although the cable companies are able to provide telephony on their networks, BT and Mercury are currently banned from carrying broadcast entertainment until at least 2001.

Annual call volume growth was at its highest level for some years stimulated by price cuts, advertising and the economic recovery. An acceleration of global telecom alliances to capture the outsourcing requirements of multinationals was a feature of the year.

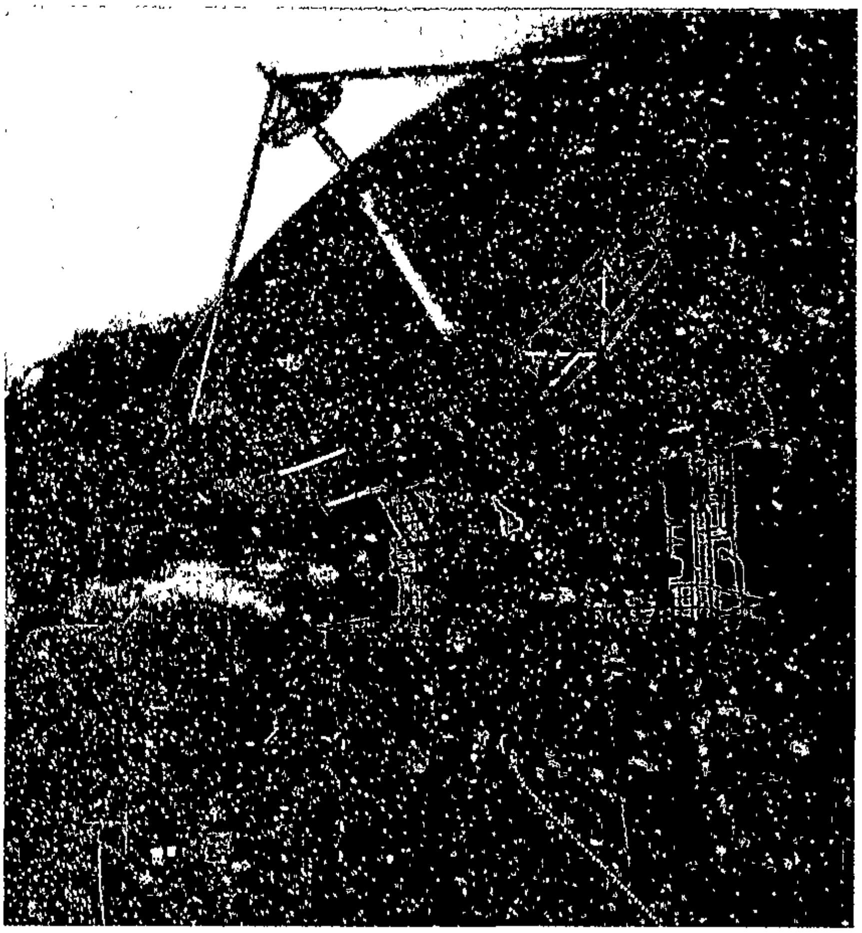
The UK government's aggressive approach to competition has made it the most liberalised telecoms regime in Europe and, in some respects, the world. The nature of the infrastructure makes competition more practicable in telecoms than in some other utility sectors and it may be possible for either the whole or parts of UK telecoms to be regulated by competition alone with only light-handed regulation in the future.

BT has experienced a major transformation since privatisation and is a leaner and more commercial company. It will retain its key position in the UK market and its long exposure to competition should assist BT internationally. Market estimates of annual dividend growth are 6–7%. We believe the company, which is one of SUIT's twenty largest holdings, to be an attractive investment.

International Review

There is a relatively large number of listed telecoms companies outside the UK and this will increase with forthcoming privatisations. However, one of the major issues with privatisations is that the telecoms companies, which generally become one of the largest constituents of the local Stock Exchange, do not cease to be monopolistic simply by joining the private sector. It is therefore seen as desirable to introduce liberalisation as well as privatisation. The European Union is committed to liberalisation of basic voice telephony by 1998.

We have reviewed many of the listed international telecoms utilities and are building our data base and knowledge of regulatory regimes. Our current exposure to international telecoms utilities is some £1.25 million. We will continue to monitor opportunities actively in this fast changing utility sector, both within the existing listed universe and forthcoming privatisations.



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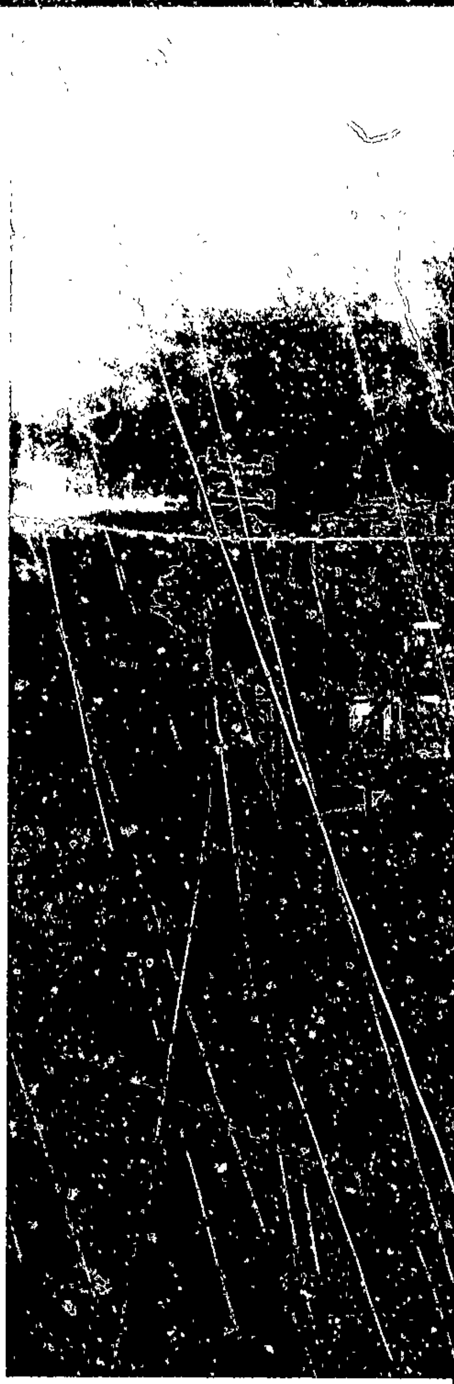
Gas



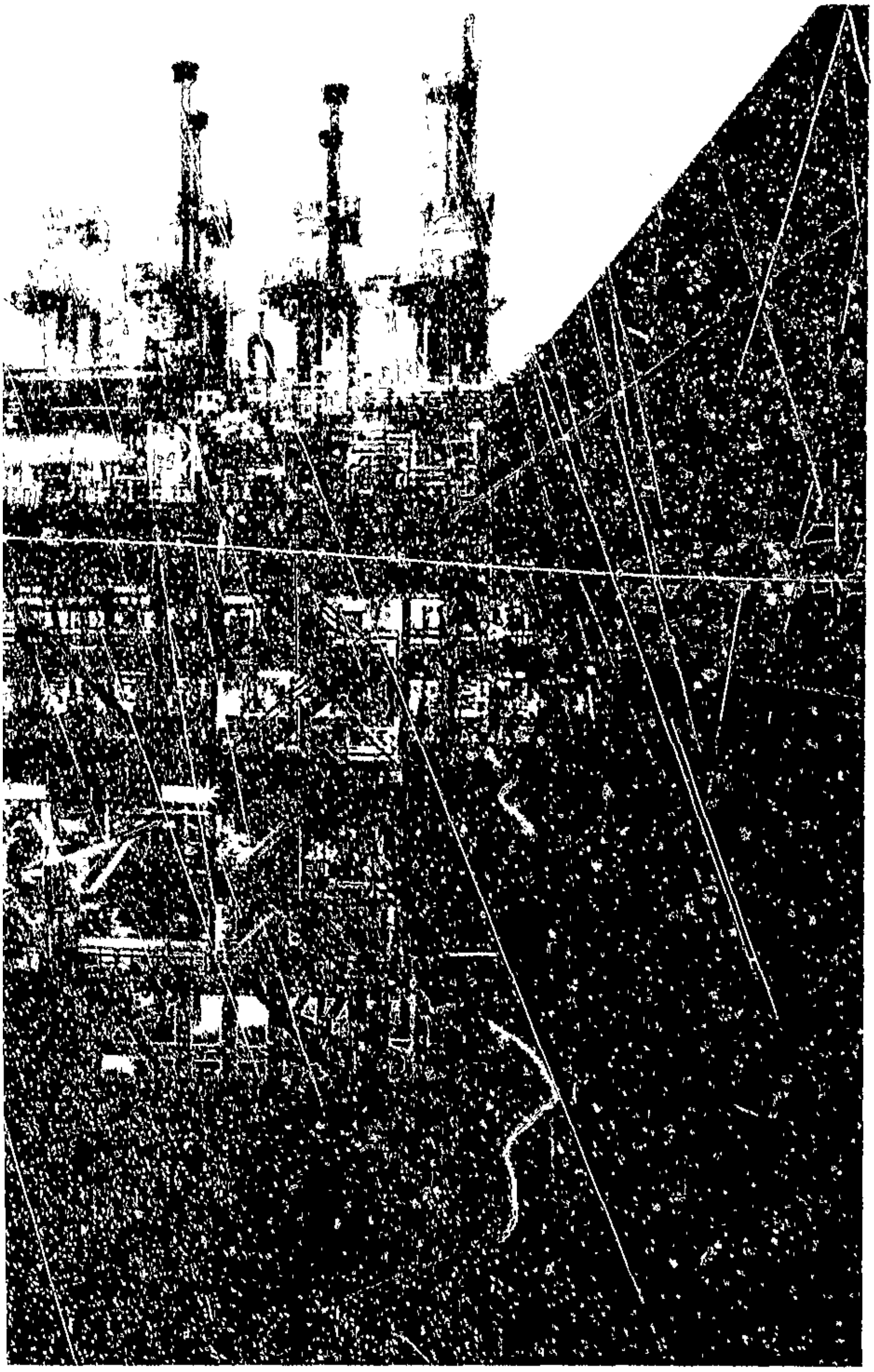
United Kingdom Review

British Gas (BG) when privatised in 1986 had a monopoly over both the supply and transportation of gas in the UK. After privatisation, the supply business was opened to competition in the industrial and commercial market, set by the Regulator at over 2,500 therms a year. BG's share of this market fell to 45% and, at the 25,000 therms level, BG's market share is 14%. There are now more than 40 independent suppliers including oil and gas producers, the RECs, National Power and PowerGen, often in joint ventures. The UK Government proposes to open the domestic household market, comprising 18 million customers, to competition in a phased process beginning in 1996.

The year under review was notable for regulatory developments. The Government and Regulator jointly published a consultative paper on introducing competition into the residential supply market, BG's obligation to publish its price schedules for the 25,000 therms a year market was removed and the final determination of the pipeline transportation review was announced. The pipeline transportation business is now a separate undertaking within BG and remains a pure monopoly. As such it is used by all the independent suppliers. Transportation costs account for around 50% of household gas bills.

On residential supply, the Government has now announced that legislation will be introduced in the next session of Parliament to facilitate competition in this market.
The initial price set by the Regulator for carriage by BG's transportation arm was 14.16p per therm, effective from October 1994. Subsequent price changes for the period to March 1997 are to be indexed to RPI minus 5%. The next review of tariffs for residential gas supply will also take effect from March 1997 and both reviews will start in the summer of 1996. Changes in residential tariffs are currently indexed at RPI minus 4%.

BG's reactions to these regulatory developments were initially cautious but subsequently a more pragmatic approach has been adopted. BG see the transportation review as tough and remain concerned about future regulatory developments, but they are determined that BG will adapt successfully and profitably to the changing market. The strategy is to make the UK utility businesses more efficient through large scale restructuring and to use the cash flows from these maturing businesses and from the UK exploration and production businesses to fund expansion overseas into global gas businesses. These international businesses are largely unregulated and capable of generating higher returns on investment over the longer term. The restructuring process in the UK is expected to involve a reduction of one third of the work force over three



International Review

There are a limited number of listed gas utilities outside the UK. This number is expected to increase with further privatisations. We have reviewed a number of the companies and their regulatory regimes but currently have minimal exposure with the exception of Guernsey Gas, which is considering the possibility of a London listing and is one of SUIT's ten largest investments. We are continuing to develop our data base and will actively monitor the sector for profitable opportunities.

years and, to be successful, will require a cultural change in managerial and employee attitudes. While regulatory uncertainty has eased, the market is still undecided over near term dividend potential. A move by British Gas to base dividend policy on cash flow rather than earnings cover has increased its flexibility and could lead to modest dividend growth in real terms in 199 i and 1995. Thereafter, dividend growth prospects should be more attractive. Meanwhile, the yield is currently 6% and with BG's strong balance sheet, positive cash flow and leading gas industry expertise, the shares have downside protection. BG is one of SUIT's ten largest investments.

Transportation

Transportation utilities can be analysed sectorally as follows:

- Airports
- Ports
- Railways
- Roads, bridges, tunnels

Airports: UK Review

The UK airport sector is dominated by BAA, which was privatised in 1987. BAA owns and operates seven airports in the UK including Heathrow, Gatwick, Glasgow and Edinburgh and estimates that it handles 72% of UK air passenger traffic and 82% of UK air cargo traffic. Within this, Heathrow, which is the leading international airport in the world, with about 30% of passengers connecting to onward flights, handles 40% of UK air passenger traffic and 60% of UK air cargo traffic.

There are no other listed airport utilities in the UK. National Express owns East Midlands airport but is also involved in other activities.

The rest of the UK airport sector is almost all owned by local government authorities, including Manchester and Birmingham, the two largest UK airports outside the BAA group. However, strict central Government borrowing restrictions on local government owned airports are acting as a catalyst to move some of these airports into the private sector. Birmingham, the UK's fifth largest airport has announced plans to raise over £200 million from the private sector in 1995 and a number of other smaller regional airports also have plans to raise private sector finance.

BAA's South-East airports and Manchester airport are currently subject to economic regulation in the form of price caps on airport charges levied upon the airlines. For BAA's South-East airports, this is RPI minus 4% until April 1995 and RPI minus 1% until April 1997. Manchester's charges are capped at RPI minus 3% to April 1998. Charges at the other airports are not regulated in the same way although aggrieved parties can complain to the Regulator. Regulation has less of an impact on airport utilities than on many other utilities due to the large growth in income from unregulated activities, principally from retailing on the

[illegible]
BAA

Working with concessionaires like Tie Rack as partners BAA have set about satisfying an enormous demand for shopping [illegible] the newly developed Terminal 3 shopping mall at Heathrow.
BAA

airport premises. In 1993/94 approximately two thirds of BAA's total revenues and 99% of operating profits as disclosed were derived from unregulated activities.
Looking to the future, BAA is estimating 4% annual growth in UK air passenger traffic until at least 2005, which suggests healthy growth potential for the sector, although the Channel Tunnel will have an impact, particularly on airports in the south-east.
We believe other UK airports will seek listings in the future.

International Review
There are only a few non-UK listed airport utilities, including Copenhagen and Vienna International airports but we believe forthcoming privatisations will increase the number.

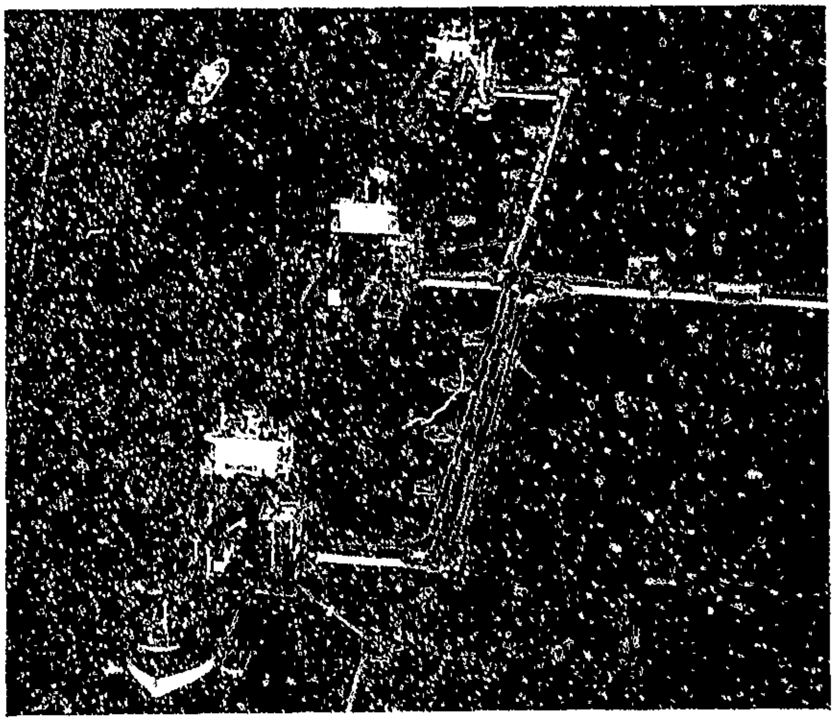
Ports: UK Review
There are three listed UK port utilities, Associated British Ports (ABP), Forth Ports and Mersey Docks and Harbour Board, of which ABP is by far the largest owning over 20 ports. There are a number of other unlisted ports in the private sector and together with the listed port utilities, it is estimated that the private sector accounts for approximately 55% of UK throughput. Of the ports not in the private sector, most operate under the status of trust ports or are local authority owned; the largest is the Port of London Authority. The sector is not subject to economic regulation.
During the period under review, there were no privatisations of ports although the Government now has power to compel some of the trust ports to bring forward privatisation proposals. During the year, Medway Ports which had been privatised via a management and employee buy-out two years earlier, was sold in controversial circumstances to Mersey Docks and Harbour Board. 1995 could see further privatisation of some of the trust ports.

It is generally believed that there is currently over-capacity in the UK port industry. The industry will also be impacted by the opening of the Channel Tunnel.

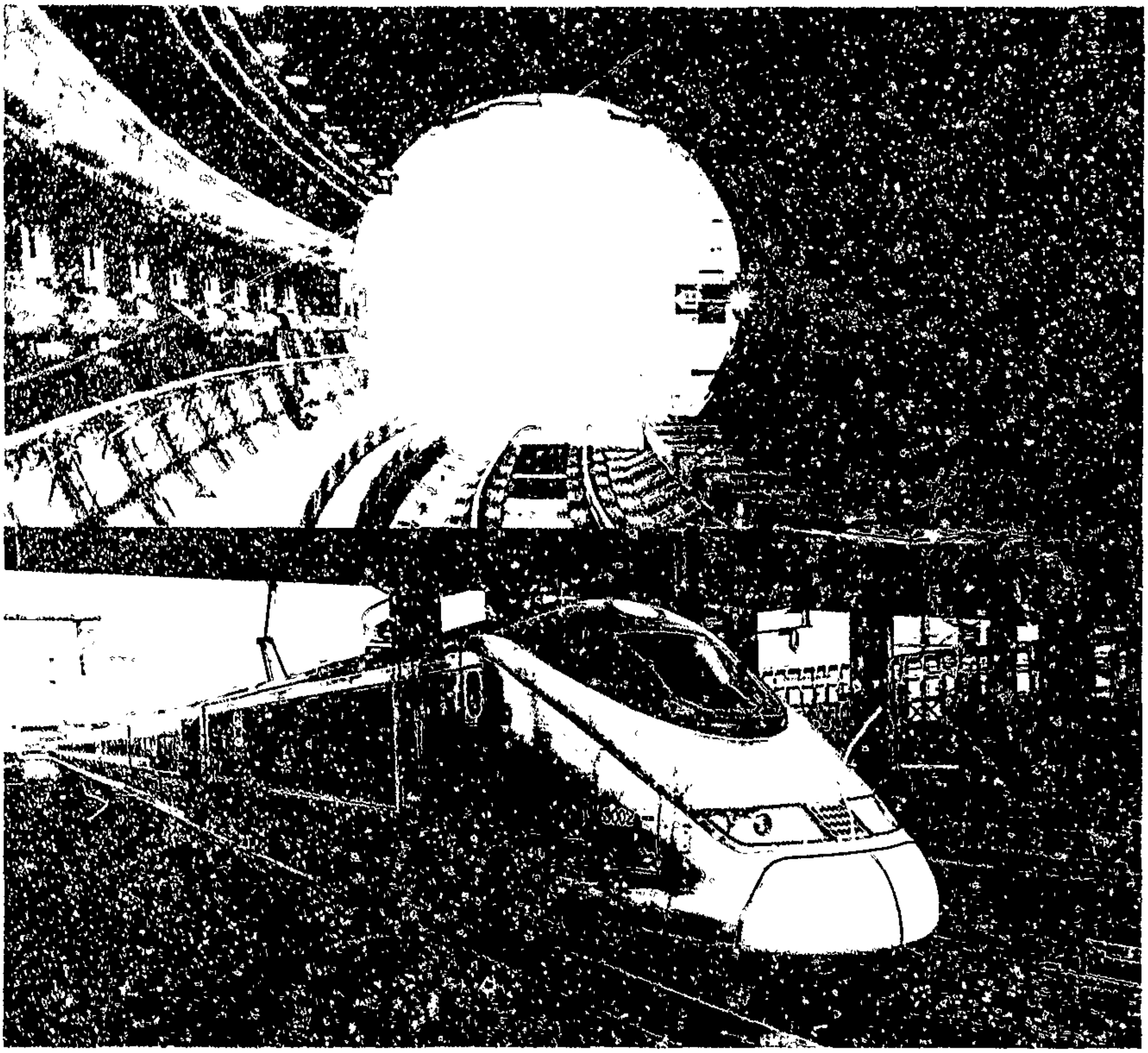
International Review
There are only a few listed port utilities outside the UK but this number may increase with privatisations.

Railways, Roads, Bridges and Tunnels: UK Review
Currently the only listed UK utility within the above sectors is Eurotunnel, although there are listed debt securities issued in connection with the building of the second Severn Bridge.

The present Government is planning to privatise British Rail and has already brought the private sector into building, owning and operating roads and bridges. This may expand the universe of listed UK utilities at some point in the future.
During the year Eurotunnel was successful in raising a further £860m via a rights issue and increased bank facilities. The Eurotunnel shuttle opened for business for freight in May and the Eurostar trains between London/Paris and London/Brussels started to run commercially in November. Eurotunnel expects the tourist shuttle to open for business before the end of the year. Unfortunately the opening dates were later than scheduled and caused further frustration for Eurotunnel's



Berths One, Two and Three of the Immingham Oil Terminal at Associated British Ports' (ABP) Port of Immingham. ABP and Conoco invested £[illegible] on developing the third berth, at the top of the picture, which was opened in August 1994



Top: View from [illegible] at Calais. Eurotunnel
Bottom: The [illegible] train at the Calais terminal. Eurotunnel

investors and bankers. 1995 will be the first full year of operation for the shuttle and Eurostar and may indicate whether Eurotunnel can be a long term success under its present capital structure.

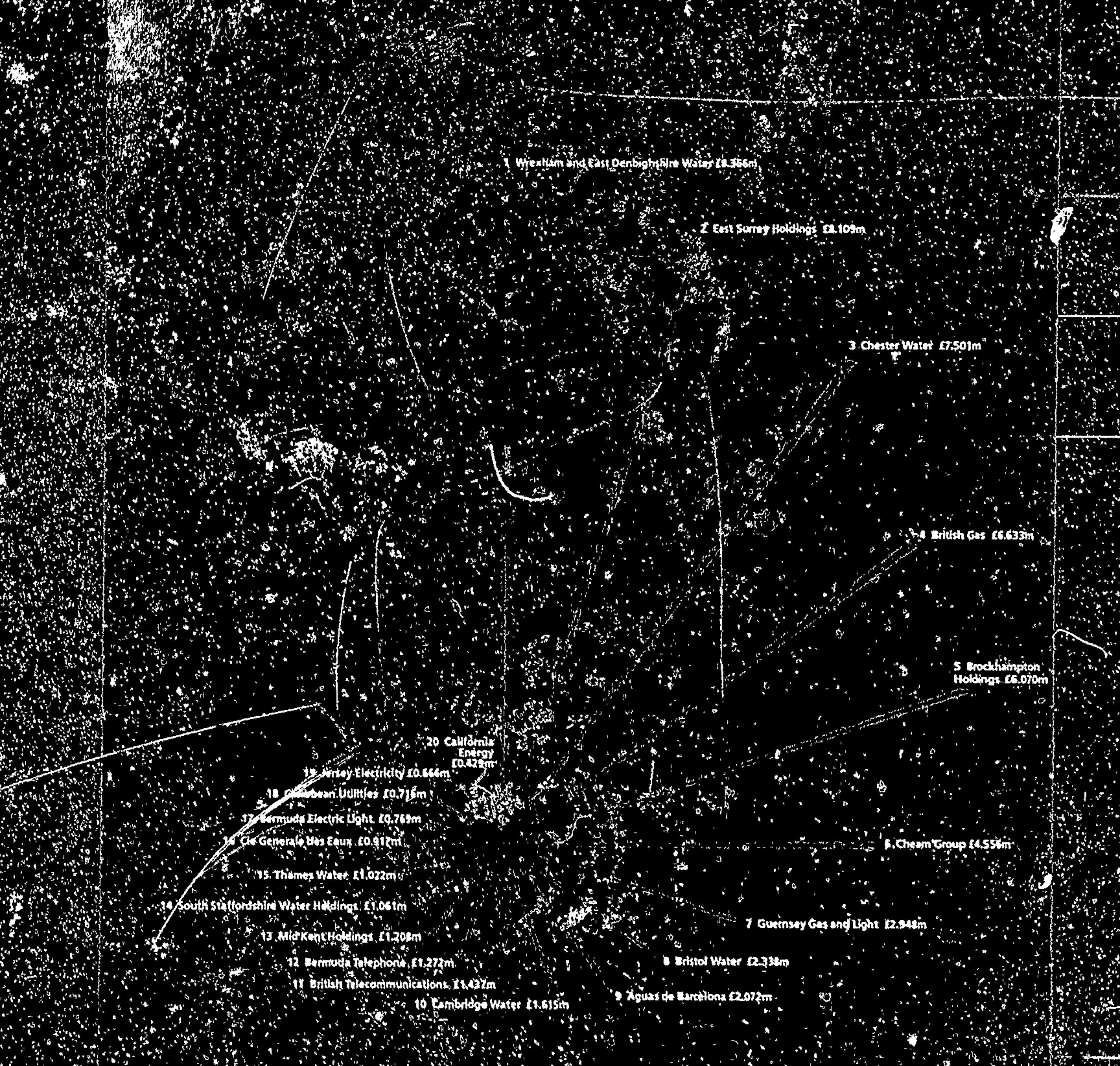
International Review

There are a number of listed railway utilities outside the UK, including some in USA and Japan. There are some listed toll road utilities outside the UK and also some bridge and tunnel utilities.

SUIT's current exposure to these sectors is minimal both within the UK and outside. However we have looked at the sectors and one or two specific investments closely and have built up a detailed knowledge base. A number of the opportunities in these sectors will be unlisted initially and we have decided that a small proportion of the portfolio may be invested in unlisted situations.

These sectors are dynamic and fast changing and are likely to offer some excellent investment opportunities both within the UK and elsewhere provided investors keep abreast of the great range and diversity of these opportunities. We believe that our database will achieve this for us.

Twenty Largest Holdings



Note: The value of the top twenty holdings represents 96.6% of the total portfolio of investments.

[illegible]

1 Wrexham and East Denbighshire Water UK 13.45%
Water only company supplying an area of North Wales. SUIT owns [illegible] of the equity share capital and 18.3% of the voting rights.

2 East Surrey Holdings UK 13.04%
Water only company supplying East Surrey and parts of Kent, Sussex and the borough of Croydon. SUIT owns 16.5% of the ordinary shares.

3 Chester Water UK 12.06%
Water only company supplying the city of Chester and immediate environs. SUIT owns 29.9% of the equity share capital.

4 British Gas UK 10.67%
The leading UK gas utility.

5 Brockhampton Holdings UK 9.76%
Water only company supplying an area of Hampshire and West Sussex.

6 Cheam Group UK 7.33%
Water only company supplying an area of South West London and Surrey.

7 Guernsey Gas and Light Guernsey 4.74%
The gas utility supplying Guernsey and Jersey.

8 Bristol Water UK 3.76%
Water only company supplying an area of Gloucestershire and Somerset centred on Bristol.

9 Aguas de Barcelona Spain 3.33%
The largest private sector water utility in Spain.

10 Cambridge Water UK 2.60%
Water only company supplying an area centred on the city of Cambridge.

11 British Telecommunications UK 2.31%
The leading UK telecommunications utility.

12 Bermuda Telephone Bermuda 2.05%
The Bermudian telecommunications utility.

13 Mid Kent Holdings UK 1.94%
Water only company supplying an area of Kent and Sussex.

14 South Staffordshire Water Holdings UK 1.71%
Water only company supplying an area of the West Midlands.

15 Thames Water UK 1.64%
Water service company supplying water and providing sewerage services throughout London and parts of the Thames Valley.

16 Cie Generale des Eaux France 1.47%
One of the two large French companies dominating the French water utility sector.

17 Bermuda Electric Light Bermuda 1.24%
The Bermudian electricity utility.

18 Caribbean Utilities Caribbean 1.15%
The Cayman Islands electricity utility.

19 Jersey Electricity Jersey 1.07%
The Jersey electricity utility.

20 California Energy USA 0.69%
One of the world's leading developers and operators of geothermal power generation facilities.

Note: Percentages shown are percentages of total assets less current liabilities

Directors and Management

Directors

Alan Wheatley, FCA, *Chairman* is a non-executive director of Babcock International Group PLC, Forte plc, Legal and General Group plc, NM Rothschild and Sons Limited and Deputy Chairman of Ashtead Group PLC.

John Kay is Professor of Economics at the London Business School and Chairman of London Economics Limited. He has written and consulted on the privatisation and regulation of utilities.

Duncan Saville, FCA, B.Com(Hons) B.Sc(Hons), *investment adviser to SUIT*, is a non-executive director of three licensed water only companies, East Surrey Holdings plc, Chester Water plc and Wrexham and East Denbighshire Water Company. He has been an adviser on privatisation and corporatisation.

Jeremy Tigue*, *Manager*, joined Foreign & Colonial Management Limited in 1981. He is also a director of Foreign & Colonial Smaller Companies PLC.

Roger Urwin, Ph.D., MIEE, is Chief Executive of London Electricity plc and a director of The National Grid Holding plc. He has many years experience in the UK electricity industry, and played a major role in the restructuring and privatisation of the industry.

Management

Rob Donkin* is Joint Company Secretary of Foreign & Colonial Management Limited. He joined the Group in 1973.

Robert Dowdall* is Finance Director of Foreign & Colonial Management Limited. He joined the Group in 1990.

Nick Pitt-Lewis* is Compliance Director of Foreign & Colonial Management Limited. He joined the Group in 1973.

Nick Timberlake joined Foreign & Colonial in 1991 and assists Jeremy Tigue in the management of SUIT.

* *Executive Director of Foreign & Colonial Management Limited*

Secretary and Registered Office Foreign & Colonial Management Limited,
Exchange House, Primrose Street, London EC2A 2NY
Authorised Institution under the Banking Act 1987
Member of the Investment Management Regulatory Organisation Limited (IMRO)
Telephone 0171-628 8000, Telex 886197 or 8811745 (Forcol G), Facsimile 0171-628 8188

Bankers The Royal Bank of Scotland plc, The Bank of New York

Registrars The Royal Bank of Scotland plc, Registrar's Department, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR, Telephone 0131-556 8555

Auditors Price Waterhouse, 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 period from incorporation on 23rd June 1993 to 30th September 1994. The Company commenced operations on 23rd August 1993.

Status of Company

The Company is an investment company as defined by Section 266 of the Companies Act 1985.

For the period ended 30th September 1994 the Company is expected to receive Inland Revenue approval as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988, and will continue to conduct its affairs so as to qualify under those provisions.

The close company provisions of the Income and Corporation Taxes Act 1988, as amended. do not apply to the Company.

The Company is a qualifying investment trust under the Personal Equity Plan Regulations 1989, as amended, and therefore up to £6,000 may be invested in the Company's shares via a Personal Equity Plan in any one fiscal year.

The accounting policies adopted are stated in note 2 to the accounts.

Results and Dividends

	£'000s	£'000s
Net revenue available for distribution		1,925
Dividends paid or payable on income shares		
First interim of 1.1p per share paid 31 March 1994	550	
Second interim of 1.1p per share paid 31 October 1994	550	
Proposed final of 1.54p per share payable 7 January 1995	770	1,870
Amount set aside to reserves		55

The final dividend now recommended of 1.54p per income share makes a total dividend of 3.74p per income share for the period ended 30 September 1994.

Review of Activities

A review of the Company's activities is given in the Chairman's Statement on page 3 and in the Investment Manager's Review on page 6.

Share Capital

Details of the authorised and issued share capital of the Company together with details of shares issued, is shown in note 15 to the accounts.

Substantial Share Interests

At 18 November 1994 the Company had received notification of the following holdings of more than 3% of its share capital.

	Income Shares of 1p each	Capital Shares of 1p each
Associated Insurance Pension Fund Limited (see also under directors interests)		25,000,000
Exeter Asset Management Limited	1,570,000	
Rathbone Investment Management Limited	3,010,000	
Mercury Asset Management Group PLC		5,978,922

Directors

The directors of the company are featured on page 28. Their appointment dates were as follows

Mr J. A. Kay	14 July 1993
Mr J. J. Tigue	14 July 1993
Mr A. E. Wheatley	15 July 1993
Mr D.P. Saville	20 July 1993
Mr R. J. Urwin	28 July 1993

In accordance with the Company's articles of association all the directors retire at the annual general meeting and, being eligible, offer themselves for re-election.

The beneficial interests of the directors in the shares of the Company as at 30 September 1994 are set out below

	Income Shares	Capital Shares
J. A. Kay	10,000	10,000
D. P. Saville	50,000	50,000*
J. J. Tigue	10,000	10,000
R. J. Urwin	12,000	12,000
A. E. Wheatley	140,000	300,000

*In addition, 25,000,000 capital shares are held by Associated Insurance Pension Fund Limited; a company associated with Mr Saville.

There have been no changes in any of the directors' shareholdings as detailed above between 30 September 1994 and 18 November 1994.

On incorporation and for that purpose only the directors of the Company were Rachel Futerman Limited and Lucienne James Limited. On 5 July 1993, Mr A. S. Mitchell and Mr I. J. Fox were appointed directors in place of the aforementioned corporate directors. Messrs Mitchell and Fox resigned on 16 July 1993.

Management

Foreign & Colonial Management Limited provides investment management and general administrative services to the Company for a quarterly fee of 0.1% of the value of the funds under management of the Company. The management agreement may be terminated upon three years notice by either party.

Mr D. P. Saville has a service agreement with the Company, also subject to a three year notice period. A company controlled by Mr Saville receives a quarterly fee of 0.1% of the value of the funds under management of the Company less directors fees paid to Mr Saville.

It has been agreed by the Board that additional remuneration of 0.0125% per quarter 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.

Mr J. J. Tigue is a director of Foreign & Colonial Management Limited and has a continuing two-year service contract with that company. His total remuneration, including performance-related bonus, is decided by a remuneration committee on the basis of rewarding performance, initiative and effort, and taking into consideration remuneration being paid by competing firms. The cost of his employment is met in full by Foreign & Colonial Management Limited.

Other than the agreements referred to above (and in note 25 to the accounts), no contracts in which any other director of the Company was materially interested and which were significant in relation to the Company's business have existed at any time during the period under review.

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. Foreign & Colonial Management's policy is that this commission should not exceed 15% of the total commission in any one year.

Duration of the Company

In accordance with the Articles of Association of the Company, 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.

Corporate Governance

Since commencing operations on 23 August 1993, the Company has complied, where necessary, with all major recommendations of the Code of Best Practice of the Cadbury Committee (The Committee on the Financial Aspects of Corporate Governance). However the following resolutions were not formally approved by the Board until after that date:

a) The appointment of an Audit Committee comprising the full Board (approved 18 November 1993)

b) Specified terms of appointment for non-executive directors expiring at the next due date of retirement by rotation (approved 24 May 1994).

It is the main responsibility of the board to ensure that there is effective stewardship of the Company's affairs. The board is comprised of five directors, two of whom are executive directors and three of whom, including the Chairman, are non-executive directors. The board meets regularly and determines strategy and all operational matters of a material nature. Guidance has yet to be provided by the Cadbury Committee on the requirements of the Code dealing with the statement on internal control. Guidance was issued by a working party of the Cadbury Committee on 7 November 1994 relating to the requirements of the code for a statement on going concern. The directors are reviewing this guidance and will include an appropriate statement in the Report and Accounts for the year ended 30 September 1995.

Price Waterhouse have reviewed the Company's compliance with the specific matters in the Code which the London Stock Exchange requires that the auditors should review. They have reported to the board that they are of the opinion that it is appropriate for the directors to make the statement that the Company complies where necessary with those aspects of the Code

Authority to Allot Shares

Shareholders will find on page 46 the notice of the forthcoming annual general meeting of the Company to be held on 19 December 1994. In addition to the ordinary business of the meeting, two resolutions (numbered 5 and 6) giving directors authority to allot shares, are proposed as special business. 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 rights in respect of shares) without first offering them to existing shareholders in proportion to their holdings. Resolution No. 5 gives the directors the necessary authority, for the period until the end of the annual general meeting in 1995 to allot relevant securities up to an aggregate nominal amount of £50,000 which is equivalent to 5% of the issued share capital. Resolution No. 6 empowers the directors, until the next annual general meeting of the Company, to allot equity securities for cash otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal sum of £50,000.
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 such authority to dilute the interests of existing shareholders.

Auditors

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution re-appointing them and authorising the directors to fix their remuneration will be submitted at the annual general meeting.

By order of the board
Foreign & Colonial Management Limited, Secretary
18 November 1994

For and on behalf of
FOREIGN & COLONIAL MANAGEMENT LIMITED
D.J. Harding .... SECRETARY

Financial Statements

1994

Revenue Account

for the period ended 30 September 1994

Notes			1994 £'000s
3	**Dividends and interest on investments**		
	Franked		2,378
	Unfranked		333
			2,711
	Interest receivable and similar income		435
4	**Total revenue**		3,146
5	Interest payable and similar charges		196
	Net revenue after interest payable		2,950
6	Expenses		756
	Net revenue on ordinary activities before tax		2,194
8	Taxation		502
	Net revenue after taxation		1,692
7	Expenses charged to capital reserve		233
	Net revenue available for income shareholders		1,925
	Dividends on ordinary income shares		
	1st Interim of 1.1p	550	
	2nd Interim of 1.1p	550	
	Final of 1.54p	770	1,870
	Amount set aside to reserve		55
	Revenue reserve brought forward		Nil
	Revenue reserve carried forward		55
9	**Earnings per income share**		3.85p

Statement of Total Recognised Gains and Losses

	1994 £'000s
Capital profit on investing activities	
Realised gains	2,782
Unrealised gains	11,075
Other capital charges and credits	(231)
Capital surplus for the period	13,626
Net revenue available for income shareholders	1,925
Total recognised gains and losses	15,551
Revenue profits	
Net revenue available for income shareholders	1,925
Dividends on ordinary income shares	1,870
Transfer to revenue reserve	55
Transfer to capital reserve	13,626
	13,681

All activities are continuing.

Balance Sheet

as at 30 September 1994

Notes		1994 £'000s	1994 £'000s
	Fixed assets		
10	**Investments**		
	Listed in Great Britain	50,641	
	Listed outside Great Britain	6,655	
		57,296	
	Unlisted at directors' valuation	4,507	
			61,803
	Current assets		
11	Debtors	639	
12	Taxation recoverable	384	
	Cash at bank and in hand	36	
	Short term deposits	1,199	
		2,258	
	Current liabilities		
13	Creditors: amounts falling due within one year	1,880	
	Net current assets		378
14	**Total assets less current liabilities**		62,181
	Capital and reserves		
15	Called up equity share capital		1,000
	Reserves:		
16	Share premium	47,500	
17	Capital reserve	13,626	
	Revenue reserve	55	
			61,181
18			62,181

Approved by the board on 18 November 1994

J. J. Tigue

A. E. Wheatley

Directors

Cash Flow Statement

for the period ended 30 September 1994

Notes		1994 £'000s	1994 £'000s
	Operating activities		
	Investment income received	2,040	
	Other revenue	430	
	Investment management fees paid	(390)	
	Cash paid to and on behalf of directors	(45)	
	Other payments	(142)	
22	**Net cash inflow from operating activities**		1,893
	Returns on investments and servicing of finance		
	Ordinary dividends paid	(550)	
	Interest paid	(196)	
	Net cash outflow from returns on investments and servicing of finance		(746)
	Taxation		
	UK tax paid	(41)	
	Overseas tax paid	(37)	
	Total tax paid		(78)
	Investing activities		
	Purchases of investments	(64,704)	
	Sale of investments	15,469	
	Surplus on realisation of futures contracts	898	
	Net cash outflow from investing activities		(48,337)
	Net cash outflow before financing		(47,268)
	Financing		
23	Share capital raised	48,500	
	Net cash inflow from financing		48,500
24	**Increase in cash and cash equivalents**		1,232

1 Accounting period

The accounts cover a period from 23 June 1993 (date of incorporation) to 30 September 1994. The Company commenced operations on 23 August 1993. This is the Company's first accounting period and therefore there are no comparative figures

2 Accounting policies

The accounts have been prepared on the historical cost basis of accounting, modified to include fixed asset investments at valuation and have been prepared in accordance with applicable accounting standards. As an investment trust, all transactions on the realisation and revaluation of investments held as fixed assets (which includes options entered into by the Company for capital hedging purposes) and futures contracts held as current assets are treated as transactions on capital account. These items, whether profits or losses, are not part of and are not reflected in the revenue account for the period but are credited or charged to capital reserve.

Listed investments are shown at middle market value and unlisted investments at directors' valuation. 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.

Dividends and interest received from investments are credited to revenue on an accruals basis.

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

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.

Deferred tax is provided in full on any material timing difference expected to crystallise in the foreseeable future.

3 Dividends and interest on investments

	Franked £'000s	Unfranked £'000s	Total £'000s
Dividends			
Listed investments	2,236	135	2,371
Unlisted investments	142	86	228
Interest			
Listed investments	–	112	112
Unlisted investments	–	–	–
	2,378	333	2,711

4 Segmental information

Total revenue was received from the following geographical areas:

UK: 90.4% Channel Islands: 4.6% France: 1.4% Spain: 0.8% Other: 2.8%

Substantially all expenses are incurred in the UK.

Income from interests in associated undertakings arises wholly within the U.K.

5 Interest payable and similar charges

	£'000s
Interest on loans and overdrafts repayable wholly within five years	196

6 Expenses

Under the arrangements for the Company's management and administration, the Company does not employ any staff.

	£'000s
Management and advisory fees	513
General expenses	158
Directors' remuneration	57
Auditors' remuneration	
for services as auditors	25
for non-audit services (see also note 16)	3
	756

Management and advisory fees include £254,000 paid to a company controlled by Mr D.Saville. This amount has been taken into account in providing the detailed disclosure on directors' emoluments.

Directors' emoluments

Mr J.J. Tigue receives emoluments from Foreign & Colonial Management Limited for his services to that company. The proportion of his emoluments which relates to the management of the affairs of the Company amounts to:

	£'000s
Salary and other benefits	12
Performance related bonus	15
Payments to pension scheme	1
	28

These amounts have been taken into account, together with the £57,000 paid directly by the Company to the directors and the £254,000 paid to the company controlled by Mr D. Saville, referred to above, in providing the following disclosures:

	Chairman £'000s	Highest Paid Director £'000s
Fees	8	5
Performance related remuneration	32	254
	40	259

The emoluments (including performance-related bonuses but excluding payments to pension schemes), of all the directors, including the Chairman, fell within the following bands:

£0 – £5,000	4
£5,001 – £10,000	2
£25,001 – £30,000	1
£40,001 – £45,000	1
£255,001 – £260,000	1

The four initial directors of the Company received no remuneration.

7 Expenses charged to capital reserve

	£'000s
40% of management fees and administration charges	302
Less tax relief thereon	(69)
	233

8 Taxation

	£'000s
Corporation tax at 33%	Nil
Overseas tax	26
Imputed tax credit on franked income	476
	502

9 *Earnings per share*

Earnings per Income Share are calculated on the basis of earnings of £1,925,000 and on 50,000,000 Income Shares in issue at 30 September 1994.

10 Investments

	Valuation £'000s	Cost £'000s
Balance at 23 August 1[illegible]	Nil	Nil
Purchases	64,755	64,755
Sales	(15,911)	(14,027)
Realised profits on sales	1,884	–
Increase in unrealised appreciation	11,075	–
Balance at 30 September 1994	61,803	50,728

Associated undertaking

At 30 September 1994 the Company had the following associated undertaking:

Company	Country of *Registration*, Incorporation & 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
Chester Water PLC	England & Wales	29.9	2,059	610	177	249

The information given is based on the latest published accounts of Chester Water PLC, for the year ended 31 March 1994. At 30 September 1994 the Company held 3,606,050 ordinary shares in Chester Water PLC

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

	£'000s
Franked income	230
Imputed tax credit	46
Net revenue	184

The interest in the associated undertaking is included in the balance sheet at its middle market valuation of £7.501m.

Substantial interests

At 30 September 1994 the Company held more than 10% of one class of the share capital of the following undertakings held as investments, none of which represented a participating interest:

Company & Business	Country of Registration & Incorporation	Number and class of shares held	% of class held
Brockhampton Holdings PLC	England & Wales	384,218 Ordinary Shares	11.1
		887,708 'A' Ordinaary Shares (Non-voting)	14.0
		1,000,000 % Redeemable Preference shares	50.0
Cheam Group PLC	England & Wales	618,519 Ordinary 'A' shares	12.2
		370,740 Ordinary 'B' shares (Non-voting)	15.5
East Surrey Holdings PLC	England & Wales	2,090,000 Ordinary shares	16.6
South Staffordshire Water Holdings PLC	England & Wales	488,027 9% Redeemable Preference Shares	40.7
Wrexham & East Denbighshire Water Company	England & Wales	1,532,500 Ordinary shares	18.3
		873,180 Ordinary shares (Non-voting)	59.0

Significant Holdings

The following undertakings represented more than 10% of the assets of the Company:

Company & Business	Country of Registration & Incorporation	Class of shares held
British Gas PLC	England & Wales	Ordinary shares
Wrexham & East Denbighshire Water Company	England & Wales	Ordinary shares
East Surrey Holdings PLC	England & Wales	Ordinary shares
Chester Water PLC	England & Wales	Ordinary shares

11 Debtors

	£'000s
Investment debtors	442
Prepayments and accrued income	197
	639

12 Taxation recoverable

Taxation recoverable includes £330,000 of advance corporation tax in respect of the second interim and proposed final dividends for the periods ended 30 June and 30 September 1994. In the opinion of the directors this will be recoverable against tax credits on franked investment income receivable in the year ending 30 September 1995.

13 Creditors: Amounts falling due within one year

	£'000s
Dividends on ordinary shares	1,320
Advance corporation tax on dividends	330
Investment creditors	51
Accruals and deferred income	179
	1,880

Accruals and deferred income includes £61,000 payable to a company controlled by Mr D. Saville.

14 Segmental information: Total assets less current liabilities

Geographical and industrial classification

	UK %	Europe %	Others %	Total %
Assets				
Equities and convertibles				
Electricity	0.1	1.1	3.2	4.4
Financial	0.7	0.0	0.0	0.7
Gas	10.3	4.7	0.0	15.0
Telecommunications	2.3	0.0	2.0	4.3
Water	65.6	4.8	0.1	70.5
Total	79.0	10.6	5.3	94.9
Fixed interest	3.9	0.0	0.6	4.5
Total investments	82.9	10.6	5.9	99.4
Net current assets	0.6	0.0	0.0	0.6
Total assets less current liabilities	83.5	10.6	5.9	100.0

15 Called up Equity Share Capital

	£'000s
Authorised	
77,500,000 Income shares of 1p each	775
77,500,000 Capital shares of 1p each	775
	1,550
Issued alloted and paid-up	
50,000,000 Income shares of 1p each	500
50,000,000 Capital shares of 1p each	500
	1,000

The Company was incorporated on 23 June 1993 with an authorised share capital of £50,000 divided into 50,000 shares of £1 each, two of which were agreed to be taken by the subscribers to the memorandum of association. On 19 July 1993 the authorised share capital of the Company was increased to £1,550,000 by the creation of 1,500,000 shares of £1 and 50,000 of the authorised but unissued shares of £1 each were redesignated as redeemable preference shares of £1 each. On the same date 50,000 redeemable shares of £1 each (one quarter paid) were allotted to Foreign & Colonial Management Limited to enable the Company to obtain a certificate under section 117 of the Companies Act 1985. On 28 July 1993, 1,500,000 issued and unissued shares of £1 each were redesignated as and subdivided into 75,000,000 income shares of 1p each and 75,000,000 capital shares of 1p each. On 23 August 1993, 50,000,000 income shares of 1p and 50,000,000 capital shares of 1p were issued and the 50,000 redeemable preference shares of £1 (having been fully paid) were redeemed at par out of the proceeds of the issue. These shares were then automatically divided into and redesignated in equal numbers as income and capital shares of 1p.

16 Share premium

	£'000s
Premium received from share issue	49,000
Issue expenses	1,500
Balance at 30 September 1994 (see also note 18)	47,500

Issue expenses include fees paid to the auditors for non audit services of £22,500.

17 Capital reserve

	£'000s
Balance at 23 August 1993	Nil
Net surplus on realisation of investments during the period	1,884
Net surplus on realisation of futures contracts during the period	898
Exchange gains	2
Increase in unrealised appreciation on investments	11,075
Expenses charged to capital reserve	(233)
Balance at 30 September 1994	13,626
Representing:	
Capital reserve	2,551
Unrealised appreciation on investments (see below)	11,075
	13,626

The unrealised appreciation on investments is the difference between the valuation of investments held on 30 September 1994 and the cost of those investments (see note 10).

18 Analysis of share capital and reserves

	Attributable to: Capital Shareholders £'000s	Income Shareholders £'000s	Total £'000s
Share capital	500	500	1,000
Share premium	18,000	29,500	47,500
Capital reserve	13,626	Nil	13,626
Revenue reserve	Nil	55	55
	32,126	30,055	62,181

19 Reconciliation of movements in shareholders' funds

	£'000s
Net revenue available for income shareholders	1,925
Dividends	1,870
	55
Capital surplus for the year	13,626
New share capital subscribed, less issue expenses	48,500
Net addition to shareholders' funds	62,181
Opening shareholders' funds	Nil
Closing shareholders' funds	62,181

20 Contingent liabilities

	£'000s
Uncalled liabilities on partly paid shares	708

21 Provisions for liabilities and charges

	£'000s
Deferred taxation attributable to short-term timing differences	
Balance at 23 August 1993	Nil
Movement in the period	16
	16
Off-set against excess management expenses	(16)
Balance at 30 September 1994	Nil

22 Reconciliation of operating profit to net cash inflow from operating activities

	£'000s
Net revenue on ordinary activities before tax	2,194
Add back interest payable	196
Income before interest payable and taxation	2,390
(Increase) in accrued income	(238)
Increase in creditors	217
Tax on franked investment income included within income from UK companies	(476)
Net cash inflow from operating activities	1,893

23 Analysis of changes in financing during the period

	Share capital (including premium) £'000s
Balance at 23 August 1993	Nil
Cash inflow from financing	48,500
Balance at 30 September 1994	48,500

24 Analysis of changes in cash and cash equivalents during the period

	£'000s
Balance at 23 August 1993	Nil
Net cash inflow before adjusting for foreign exchange differences	1,232
Exchange differences	3
	1,235
Represented by:	
Cash at bank and in hand	36
Short term deposits	1,199
	1,235

25 Directors' interest in contracts

Associated Insurance Pension Fund Limited entered into an agreement with the Company on 28 July 1993 to sell a portfolio of water supply company shares. Consideration amounted to £26.02 million and full details of this transaction are contained in the placing and offer for subscription document dated 29 July 1993. Mr D. Saville is a director of Associated Insurance Pension Fund Ltd., the share capital in which is controlled by the trustees of a trust of which his family are the beneficiaries.

Directors' Statement of Responsibility

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 1994 and of the results for the period then ended. In preparing financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.
In all respects 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 Foreign & Colonial Special Utilities Investment Trust PLC.
We have audited the financial statements on pages 34 to 44 which have been prepared under the historical cost convention, modified to include fixed asset investments at valuation, and the accounting policies set out on page 37.

Respective responsibilities of directors and auditors
As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 as at 30 September 1994 and of its net revenue, total recognised gains and losses and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

18 November 1994

Notice is hereby given that the first Annual General Meeting of *Foreign & Colonial Special Utilities* Investment Trust PLC will be held at the registered office of the company, Exchange House, Primrose Street, London EC2A 2NY, on Monday 19 December 1994 at 2.30 p.m. for the following purposes:

1 To receive and adopt the directors' report and accounts for the period ended 30 September 1994.

2 To declare a dividend on the income shares.

3 To re-elect the following directors:

(a) Mr. J. A. Kay
(b) Mr. J. J. Tigue
(c) Mr. A. E. Wheatley
(d) Mr. D. P. Saville
(e) Mr. R. J. Urwin

4 To re-appoint the Auditors and authorise the Directors to fix their remuneration.

Special Business

5 To consider and, if thought fit, pass the following resolution as an **ordinary resolution:**

THAT:

(a) the directors be and they are hereby 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) of the Company up to an aggregate nominal amount of £50,000 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 1995 (both dates inclusive) but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry; and

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

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

That, subject to the passing of Resolution No. 5 set out above:

(a) the directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution No. 5 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(i) during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next following Annual General Meeting of the Company, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power; and

(ii) up to an aggregate nominal amount of £50,000

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

(c) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.

By order of the Board
Foreign & Colonial Management Limited, Secretary
25 November 1994

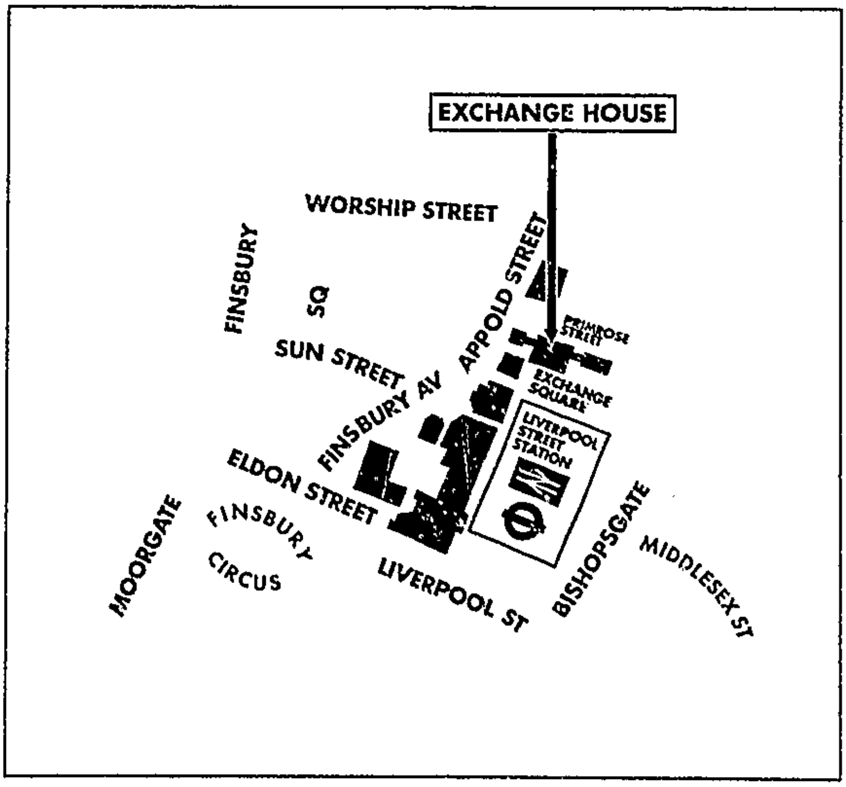
Notes

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not also be a member. A form of proxy for use by share-holders is enclosed with this annual report Completion and return of the proxy card will not preclude a share-holder from attending the meeting and voting in person.

(N.B. holders of capital shares do not have the right to vote on the declaration of a dividend on the income shares.)

The register of directors' holdings and the Company's articles of association are available for inspection at the Company's registered office during normal business hours on any weekday.

The final dividend in respect of the period ended 30 September 1994 will, if approved, be paid on 7 January 1995 to holders of income shares on the register at the close of business on 15 December 1994.



Foreign & Colonial Funds

Investment Trusts

Foreign & Colonial Investment Trust PLC
Foreign & Colonial Emerging Markets Investment Trust PLC
Foreign & Colonial Enterprise Trust PLC
Foreign & Colonial Eurotrust PLC
Foreign & Colonial German Investment Trust PLC
Foreign & Colonial High Income Trust PLC
Foreign & Colonial Income Growth Investment Trust PLC
Foreign & Colonial PEP Investment Trust PLC
Foreign & Colonial Pacific Investment Trust PLC
Foreign & Colonial Private Equity Trust PLC
Foreign & Colonial Smaller Companies PLC
Foreign & Colonial Special Utilities Investment Trust PLC
Foreign & Colonial U.S. Smaller Companies PLC
Brazilian Investment Trust PLC
Latin American Investment Trust PLC
Second Consolidated Trust PLC

Private Investor Plans and Personal Equity Plans are available for most of the above investment trusts and a Pension Savings Plan is available for Foreign & Colonial Investment Trust, Foreign & Colonial Emerging Markets Investment Trust and Foreign & Colonial Income Growth Investment Trust.

Contact *Helpdesk 0171-454 1415*

Authorised Unit Trusts

Hypo Foreign & Colonial Emerging Asian Fund
Hypo Foreign & Colonial European Fund
Hypo Foreign & Colonial High Income Fund
Hypo Foreign & Colonial Japanese Growth Fund
Hypo Foreign & Colonial Overseas Income Fund
Hypo Foreign & Colonial UK Growth Fund
Hypo Foreign & Colonial UK Income Fund
Hypo Foreign & Colonial UK Smaller Companies Fund
Hypo Foreign & Colonial U.S. Smaller Companies Fund

Contact. Helpdesk 0171-454 1434

Specialist Offshore Funds

Hypo Foreign & Colonial Reserve Asset Fund Limited
Hypo Foreign & Colonial Portfolios SICAV
Hypo Capital Management S.A. (Luxembourg F.C.P.s)

Contact: Helpdesk 0171-454 1434

Argentinian Investment Company
Brazilian Investment Company
Colombian Investment Company
Global Emerging Markets Investment Company
Indian Investment Company
Latin American Income Company
Latin American Investment Company
Mexican Investment Company
Peruvian Investment Company

Contact: Juliet Bullick 0171-628 1234

Authorised Exempt Funds

Foreign & Colonial Anglo-Nippon Exempt Fund
Foreign & Colonial European Exempt Fund
Foreign & Colonial North American Exempt Fund
Foreign & Colonial South East Asia Exempt Fund
Foreign & Colonial UK Exempt Fund

Contact Nigel Morecroft

Unauthorised Exempt Funds

Foreign & Colonial Balanced Exempt Fund
Foreign & Colonial Global Emerging Markets Exempt Fund
Foreign & Colonial Latin American Exempt Fund

Contact: Nigel Morecroft

Pension Funds

Balanced and specialist investment services are provided for a wide range of institutional pension funds.

Contact Nigel Morecroft

Charities

A comprehensive management service is available for larger charities while smaller ones can use our general and specialist pooled funds.

Contact Mike Robertson

Private Equity Funds

Foreign & Colonial Ventures manages or advises seven funds concentrating on unquoted investment including three of the investment trusts above.

Contact. James Nelson

The information on this page has been issued and approved by Foreign & Colonial Management Limited, a member of IMRO

Telephone 0171-628 8000 Exchange House, Primrose Street, London EC2A 2NY