2829844

Contents

Cover photograph: Pipe bridge over the River Severn

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

Summary of Results

		Split Capital Pool			'S' Pool
		Income shares	Capital units	Package shares	Ordinary shares
Net assets per share/unit	1998	60.30p	122.40p	182.70p	143.48p[1]
	1997	60.37p	115.46p	175.83p	140.23p
	% change	(0.1)	6.0	3.9	2.3
Earnings per share/unit	1998	5.35p	–	5.35p	3.17p
	1997	5.37p	–	5.37p	3.27p
	% change	(0.4)	–	(0.4)	(3.1)
Dividends per share/unit	1998	5.42p	–	5.42p	3.26p
	1997	5.18p	–	5.18p	3.10p
	% change	4.6	–	4.6	5.2
Share/unit price	1998	75.75p	85.00p	155.50p	106.50p[2]
	1997	67.30p	92.50p	159.00p	117.50p
	% change	12.56	(8.11)	(2.20)	(9.36)

[1] The fully diluted net asset value per 'S' share at 30 September 1998 was 136.33p (1997: 133.57p)

[2] The 'S' pool warrant price at 30 September 1998 was 35.50p (1997: 39.5p)

Financial Calendar

Annual General Meeting	23 December 1998
Final dividend payable	4 January 1999
Interim Results for 1998/9 announced	May 1999
Interim dividend payable	July 1999
Final Results for 1998/9 announced	November 1999

Company Registration Number: 2829844

Chairman's Statement

Dear Shareholder

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

During the year, the net asset value of the Split Capital Pool grew by 3.9% with the net asset value of the Capital shares in the Split Capital Pool growing by 6.0%.

The net asset value of the 'S' Share Pool increased by 2.3% over the year.

The dividend on the Income shares in the Split Capital Pool is being increased from 5.18p to 5.42p, an uplift of 4.6%. This compares with growth in net dividends on the FTSE All-Share Index of 4.3% for the year. We therefore continue to outperform our benchmark for dividend growth but, as I foreshadowed this time last year, the margin of outperformance is not as great as in earlier years. The continuing tightening of UK utility regulation and our increasing emphasis on overseas utilities with more attractive growth potential but lower initial dividend yields make it almost impossible for your Company to achieve earlier levels of dividend growth without prejudicing the existing yield.

The dividend on the 'S' Shares is being increased from 3.10p to 3.26p an increase of 5.2%.

Background to the year

It is hard to think of a time in recent memory where world stockmarkets have been as volatile as they have been in the period since I wrote to you this time last year.

At that time, I wrote that the start of the financial year had been marked by significant falls in most of the world's stockmarkets. Triggered by events in Asia, the outlook was uncertain.

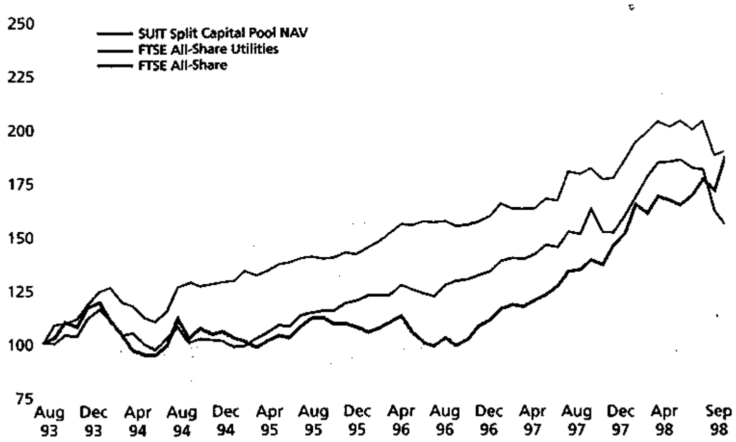
Then in May 1998 when we published our Interim Report, I wrote that we had subsequently seen quite spectacular increases in stockmarkets in the developed economies, excluding Japan. Markets continued to rise in the summer, the FTSE 100 and the Dow Jones Industrial Index reaching all-time highs in July, but then corrected sharply.

Foreign & Colonial Special Utilities Investment Trust PLC

Net Asset Value Performance (Package Units)

from inception to 30 September 1998

Source: Datastream and Foreign & Colonial Management Limited



By early October, the FTSE 100 Index was down 24.8% from its July peak and down 9.5% from its level at the end of 1997. At the end of August, the Dow Jones Industrial Index was down 19.3% from its peak in July and down 4.7% from its level at the end of 1997. Other markets were affected. The Brazilian stockmarket fell 39.6% in August. The New Zealand market reached its low in early October, down 23.2% from levels reached in July and in Australia, the All Ordinaries Index had fallen 12.7% from its July peak by early September.

More recently, stockmarkets have changed direction yet again and risen markedly. The FTSE 100 and the Dow Jones Industrial Indices are both currently up 25% from their recent lows and other markets have shown comparable gains.

We also witnessed considerable volatility in currencies. Asian and Latin American currencies came under great pressure along with those of the commodity producing countries including Canada, Australia and New Zealand. More recently, the US dollar has weakened as has sterling. This has contributed to a material appreciation in most overseas currencies against sterling since our year end.

One negative result of this volatility for your Company has been to depress our second half performance. Our year end date of 30 September coincided more or less with the recent low points in the world's stockmarkets and in the currencies of some of the countries in which we are invested so that while we showed healthy growth in net asset values in both Pools in the first half of our financial year, our net asset values declined in the second half to produce only modest growth for the year as a whole.

Split Capital Pool

The increase in net asset value of 3.9% and of 6.0% for the Capital shares compares with an increase of 34.7% in the FTSE Utilities Index for the year. While we can see from the graph on page 3 that we continue to outperform the FTSE Utilities Index since inception of trading in your Company's shares in August 1993, we have underperformed the FTSE Utilities Index this year.

The Split Capital portfolio is becoming increasingly less correlated to the FTSE Utilities Index with 51.9% of the Split Capital portfolio invested in overseas utilities at our year end and 42.8% invested in the small water only UK utilities. Of our water only investments, less than 50% by value is represented in the FTSE Utilities Index.

Approximately 14.4% of the portfolio was invested in utilities in Australasia, Latin America and China/Hong Kong at the year end. Valuations in this group fell significantly in the last months of our financial year. UK utility valuations on the other hand outperformed the UK market in this period. In the case of Australasia in particular, the poor performance of these stocks in local currency terms was exacerbated by the weakness of the currencies relative to sterling, although we were able to offset this in part by currency hedging.

If we look at our small water only companies, they appreciated in value during the year by 11.0% after taking account of profits on realisation of a small part of the portfolio,compared to the increase of 34.7% in the FTSE Utilities Index.

Looking forward, we currently believe it is the appropriate policy to continue to invest in these countries. The companies in which we have invested are all sound companies with attractive fundamental valuations. China and Brazil offer high relative growth while the Australasian utilities offer attractive value albeit in a lower growth but more stable environment. Since the year end, we have seen an increase of 36.5% in the value of our holdings in these countries in sterling terms, a combination of the improvement in the local stockmarkets and the strengthening of the currencies against sterling.

We will also retain exposure to the UK water only companies. We believe they are less exposed to political interference than the larger water service companies and continue to believe it is realistic to expect some of them to return value to shareholders. Whatever the outcome of the current periodic review, it is virtually certain that the companies will need to reduce their cost of capital. Gearing the balance sheet and returning value to shareholders is as effective way as any of achieving this.

'S' Share Pool

The increase in net asset value for the year of 2.3% compares with sterling adjusted increases in the Dow Jones World Utility Index and Datastream World Utility Index of 22.9% and 9.4% respectively. This is the first year in which the 'S' Share Pool has underperformed both these Indices.

These Indices are around 40-50% invested in US utilities, which had a relatively good year. The 'S' Share Pool had only 8.5% invested in US utilities at the year end and with 21.1% of the 'S' Share portfolio invested in Australasian, Latin American and China/ Hong Kong utilities, the net asset value of the 'S' Share Pool was impacted even more adversely at the end of our financial year than the Split Capital Pool by the declines in these markets and the weaknesses in the Australasian currencies in particular. As with the Split Capital Pool, we were able to mitigate part of the effect of weakening currencies by hedging.

For the reasons I outlined in relation to the Split Capital Pool, we intend to retain our utility investments in these countries for the time being. Since the year end the value of these holdings has increased 30.4% in sterling terms.

Wellington International Airport

Shareholders may have read in the Press of your Company's involvement in the privatisation of this airport as a 20% shareholder in the consortium purchasing the New Zealand Government's 66% shareholding. We are due to pay some £6 million for our shareholding at current rates of exchange on closing of this transaction in December. Further details are provided in the Investment Manager's Report.

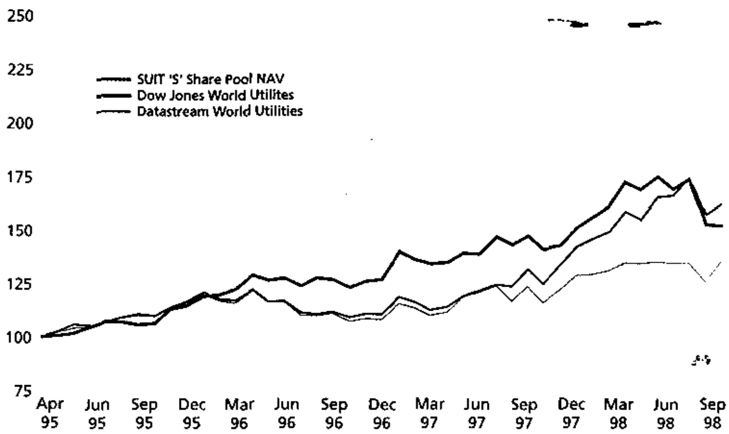
Buy-Back of Shares

Your directors are actively reviewing the potential for purchase by your Company of its own shares and, if appropriate, plan to bring forward proposals to shareholders at the earliest possible opportunity.

Foreign & Colonial
Special Utilities
Investment Trust PLC

Net Asset Value Performance
('S' Shares)
from inception to 30 September 1998

Source: Datastream and Foreign & Colonial Management Limited



The year ahead

Since the end of our financial year, stockmarkets including those in which we are invested have bounced sharply off their lows. This is due to leadership shown by the US Federal Reserve in reducing interest rates and by the G7 group of countries in assembling precautionary credit lines for well run emerging market economies in the face of potentially contagious financial crises. At the same time the threat of further contagion has eased with the fall of the US dollar against the yen taking pressure off Asian currencies and with progress toward an IMF deal for Brazil.

It is to be hoped these initiatives will dampen down the extreme levels of volatility we have been experiencing. At the same time, lower interest rates will exert a positive influence. However, worries over world growth are likely to restrain equity markets for some time to come.

In the UK, the current regulatory review of the water industry which is due to be completed in November 1999, will influence the stock prices of our water only investments. Last month's paper from OFWAT, 'Prospects for Prices', was tougher than the market was expecting and the market's sanguine response is a little surprising.

Nevertheless, market conditions are likely to be volatile for some time. I believe that our Manager's specialist expertise and experience in the international utility sector should position your Company well to take advantage of the opportunities that will arise.

Alan Wheatley

Alan Wheatley
November, 1998

Investment Manager's Report

Split Capital Pool

We are pleased to report that in our fifth year of operation, net assets have continued to grow. The appreciation in net asset value of the package units was 3.9% and of the Capital shares was 6.0%. The graph on page 3 shows that since inception in August 1993, the net asset value of the package units has appreciated by 88.4%

In addition, we have increased the dividend on the Income shares by 4.6%.

At our year end, 30 September 1998, the Pool's investment portfolio had increased to £98.8 million. Our gross exposure by utility sector can be summarised as follows:

Utility Sector	%
Telecommunications	15.5
Electricity	12.5
Water	49.4
Gas distribution	6.9
Ports, Airports	3.7
Road, rail	3.4
Investment companies	6.0
Other	2.6
	100.0

Our gross exposure is held through a combination of:

	%
Shares	91.7
Convertible securities/warrants	4.4
Fixed income	3.3
Derivatives (net position)	0.6
	100.0

Our exposure by currency is as follows:

	%
£ Sterling	55.9
US$/US$ linked	17.5
Other	26.6
	100.0

'S' Share Pool

We are pleased to report that in its third full year of operation, net asset value of the 'S' Share Pool grew by 2.3%. The graph on page 6 shows that since inception in April 1995, the net asset value of the 'S' Shares has appreciated by 50.2%.

In addition we have increased the dividend on the 'S' Shares by 5.2%.

At our year end, 30 September 1998, the Pool's investment portfolio had increased to £32.9 million. The gross exposure by utility sector can be summarised as follows:

Utility Sector	%
Telecommunications	28.2
Electricity	20.4
Water	21.6
Gas distribution	4.9
Ports, Airports	4.3
Road, rail	9.4
Investment companies	8.5
Other	2.7
	100.0

Our gross exposure is held through a combination of:

	%
Shares	94.0
Convertible securities/warrants	2.6
Fixed income	2.9
Derivatives (net position)	0.5
	100.0

Our exposure by currency is as follows:

	%
£ Sterling	28.0
US$/US$ linked	21.1
Other	50.9
	100.0

This year we are reviewing the exposure and the portfolios of each Pool by region and/or country. We are also providing some information about Wellington Airport in New Zealand, where the New Zealand Government recently sold their 66% equity interest to a consortium, in which your Company has a 20% interest.

Split Capital Pool

We continue to increase the exposure of the Pool to overseas utilities. At the end of our financial year, 51.9% of the portfolio was invested in overseas utilities, up from 46.2% of the portfolio at 30 September 1997.

Within the UK portfolio, water only companies remain the largest exposure. At the end of our financial year, 42.8% of the portfolio was invested in these companies compared to 43.9% a year earlier. The principal changes in the portfolio were the sale of most of our holding in Bristol Water at a substantial profit to realise £1.96 million, the sale of some 400,000 Ordinary shares of our holding in East Surrey Holdings at a substantial profit to realise £1.34 million and over £2 million of further purchases of shares in Brockhampton Holdings. After taking account of realised profits, the water only portfolio was up 11.0% over the year. We increased our holding in Prism Rail, where your Company now owns 4.5% of the equity, and we remain investors in Jarvis Plc. American Port Services was acquired by Associated British Ports during the year enabling us to realise a profit of over £400,000.

Over the year the proportion of the portfolio invested in **Europe** increased from 9.7% to 13.0%. **Spain** is the largest constituent in the European portfolio and was again a strong performer. Our two largest Spanish holdings are Aguas de Barcelona and Gas Natural.

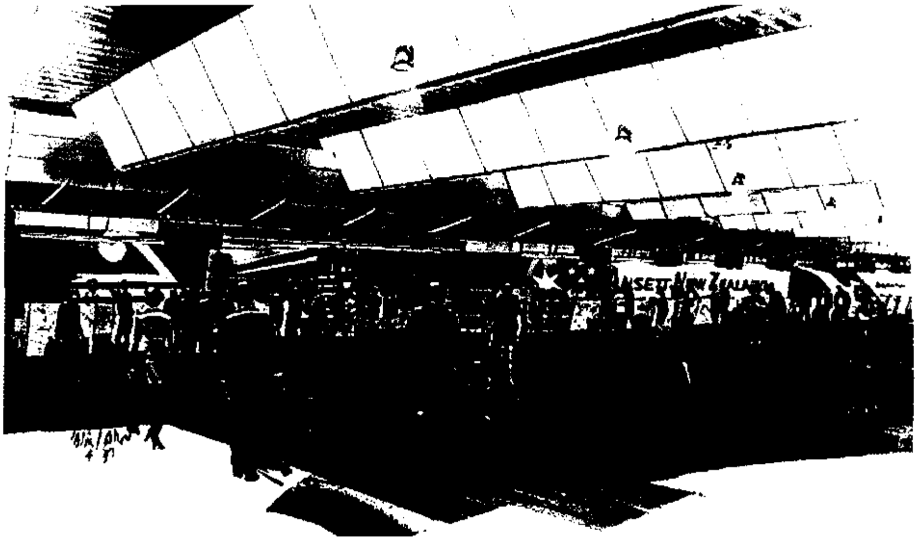
The second largest constituent of our European portfolio is **Italy** where our principal investments are the Savings shares of Telecom Italia and Telecom Italia Mobile, which both had good years.

The third largest constituent of our European portfolio is **Ireland**, where we have an investment in Stentor Plc, in which your Company owns 10.1% of the shares. Stentor gives us exposure to the deregulating Irish telecoms market and has a niche in providing telecoms infrastructure for call centres. During the year, your Company and one other major shareholder each invested in a Loan Note for IR£3,000,000 with equity warrants attached pending the conclusion of merger discussions between Stentor and a number of US telecommunications companies. However, while the business proposition remained sound, the financial position of Stentor was worse than had appeared and the merger negotiations did not conclude successfully. In October, it became clear that Stentor needed to be recapitalised and underwritten proposals involving the raising of up to IR£8,500,000 of new equity have been sent to Stentor shareholders. Your Company is not an underwriter but intends to subscribe for IR£550,000, representing 10% of the first tranche of new equity. We have also conditionally agreed to reschedule the Loan Notes which will be secured and repayable in March 2003. A provision of 25% of the face value of the Loan Notes has been taken, principally to reflect the interest rate on the Loan Notes, which is probably lower than might be payable in comparable situations. Once recapitalised, we believe Stentor will prove to be an attractive investment.

We increased our exposure to **Greece** by investing in OTE, the Greek telephone company, and increased our exposure to **Germany** where we hold Bewag and Viag, both electricity utilities. Bewag, the Berlin electric utility, performed particularly well during the year.

Of our **Channel Islands** investments, the price of International Energy Group Plc (formerly Guernsey Gas) appreciated by 38.2% over the year and the opportunity was taken to take some profits although your Company continues to own 5.8% of the equity. The share price of Jersey Electricity, where your Company owns 21.3% of the A Ordinary shares, appreciated by 25.5% during the year. Both portfolios added to their holdings in this utility.

The investments in **Bermuda**, principally Bermuda Telephone and BELCO Holdings (the electric utility), represented 7.0% of the portfolio at the year end compared with 7.5% at the end of the previous year. Share price performance was disappointing, with the telephone company down 1.5% and BELCO down 8.4% although both companies continued to offer attractive dividend yields.



Wellington International Airport: Check-in area - artist's impression

US investments represented 4.1% of the portfolio of the Split Capital Pool compared with 2.5% at the end of the previous year. Our major US investments are in investor owned water utilities. With approximately 20% only of US water supply owned or managed by the private sector, we believe there are great opportunities in this market. Share price performance overall was pleasing with the price of American Water Works, the largest investment, up 42% in US$.

At the year end, **Australia** accounted for 3.1% of the portfolio and **New Zealand** 5.3% compared with 4.1% and 3.6% at 30 September, 1997. Performance in Australia was disappointing overall with mixed share price performance exacerbated by a weak currency. Of our Australian investments, the two largest are Lang Corporation and Infratil Australia, and while Lang's share price appreciated materially, that of Infratil Australia fell significantly. Over the year the A$ fell from 2.23 to 2.87 against sterling, a depreciation of 22.3%. New Zealand was also disappointing. The share price of our largest investment in New Zealand, Infratil (NZ) Limited, fell 25.4% over the year and the NZ$ fell from 2.52 to 3.395 against sterling, a depreciation of 25.8%. The Managers were successful in hedging part but not all of the exposure to these two currencies. By the end of the year however, sterling had begun to weaken and the Managers took the view that further downside for the A$ and the NZ$ was limited.

The Managers also considered that share prices had fallen too far and made significant purchases of Infratil (NZ), where your Company owns 9.4% of the equity, and of New Zealand Telecom Instalment Receipts in the latter part of the year. Both companies have attractive dividend yields. The prices of these stocks have appreciated by 41.5% and 12.7% respectively since the year end. Both currencies have also appreciated against sterling since the year end.

The **Far East** and **Pakistan** accounted for 4.5% of the portfolio at the year end compared with 3.6% at the end of the previous year. China and Hong Kong account for two thirds of this exposure and Pakistan for 22%. The prices of our China and Hong Kong stocks fell significantly during the year in line with their markets except for China Telecom which was purchased during the year. Since the year end however, there has been a recovery in these markets and our China and Hong Kong portfolio has appreciated by 30.7% in sterling terms. With these stocks denominated either in HK$ or US$, the portfolio was not materially impacted by currency movements. Pakistan, where we are holding a Pakistan Government bond exchangeable at our option into shares in Pakistan Telecom, also performed poorly reflecting the fragile state of the country's finances. The bonds are puttable to the Government on 28 February 2000 at 104.7%. We are hopeful that Pakistan will reach agreement with the IMF this year. In the meantime, the coupon of 6% has been paid.

Latin America accounted for 2.9% of the portfolio compared to 2.5% of the portfolio at 30 September 1997. Brazil accounts for approximately 85% of this exposure. The prices of our Brazilian stocks fell significantly during the year in line with their markets but they have recovered since the year end, up 26.9% in sterling terms. Currency was a negative factor during the year in Brazil.

While emerging markets performed poorly during the year, the Managers believe it is the appropriate policy to continue to invest in China, Hong Kong and Latin America.

Once again, Caribbean Utilities, the **Cayman Islands** electricity utility which represented 2.8% of the Split Capital Pool's portfolio at 30 September 1998, performed well with the share price up 24.3% and continued to pay a reasonable dividend.

'S' Share Pool

At the end of the year , the Pool's UK exposure represented 21.3% of the portfolio compared with 26.7% in the previous year. The largest **UK** investment is Prism Rail and the second largest UK investment is Brockhampton Holdings.

Europe represented 30.9% of the portfolio at the year end compared with 24.6% in the previous year. The largest constituent of the European portfolio at the year end was **Italy**, where the Pool is principally invested in the Savings shares of Telecom Italia and Telecom Italia Mobile, which both performed strongly during the year. **Spain** was the second largest constituent with the toll road company, Aumar, the largest investment. Aumar's share price was up 30% over the year after negotiating an extension of its concession with the Government. Germany represented the third largest European exposure, where Bewag is the principal holding.

Like the Split Capital Pool, the 'S' Share Pool holds both International Energy Group and Jersey Electricity within its **Channel Islands** portfolio. As mentioned above, these stocks appreciated materially during the year.

In **Bermuda**, the principal holdings are the telephone and electric companies as they are for the Split Capital Pool and the same comments on performance of these investments apply equally to each Pool. At the end of the year, Bermudian investments represented 7.0% of the 'S' Share portfolio compared to 8.0% the year before.

The US portfolio represented 8.5% of the portfolio at the year end compared with 11.0% the year before. Profits were taken on the electric utility holdings. The portfolio is principally invested in water utilities, a sector which the Managers believe has considerable potential.

At the year end, **Australia** accounted for 8.8% of the portfolio and **New Zealand** 5.2% of the portfolio compared with 5.7% and 4.3% respectively at 30 September, 1997. The Pool's two largest Australian investments at the year end were Telstra and Infratil Australia. Apart from Telstra, the Australian portfolio had a disappointing year exacerbated by the weakness of the A$ during the year. The largest investment in New Zealand is Infratil (NZ) limited, which performed disappointingly. As with the Split Capital Pool, the Managers decided towards the end of the year that the share prices of Infratil and also of Telecom New Zealand had fallen far enough to warrant adding to the holdings. Since the year end both these stocks have appreciated materially as has the NZ$ in relation to sterling.

The **Far East** and **Pakistan** accounted for 4.3% of the portfolio at year end compared with 2.7% at 30 September 1997. China and Hong Kong account for around 70% of this exposure and the comments above in relation to the Split Capital Pool apply equally to the 'S' Share Pool, poor performance during the year with a recovery since the year end. Our one holding in Pakistan was not material for the 'S' Share Pool.

Latin America accounted for 4.6% of the portfolio at the year end compared with 7.5% at 30 September 1997. During the year, the Pool concentrated its Latin American exposure in Brazil and Latin America selling its other holdings and at the year end Brazil accounted for some 75% of the Latin American portfolio. As with the Far East, the comments above in relation to the Split Capital Pool apply equally to the 'S' Share Pool, significant falls in prices in our Latin American stocks during the year with a recovery after the year end.

Caribbean Utilities, the **Cayman Islands** electric utility, represented 2.9% of the portfolio at the year end and has once again performed very well.

Wellington International Airport: Main Terminal development - artist's impression

Wellington International Airport:
Development Plan - artist's impression

Wellington International Airport

In August, the NZ Airports consortium, in which your Company has a 20% equity interest, successfully tendered to purchase 66% of Wellington International Airport (WIAL) from the New Zealand Government for NZ$96.4 million, of which your Company's share is NZ$19.3 million (£6.2million at current rates of exchange). The remaining 34% is held by the Wellington City Council. The transaction is due to close next month.

WIAL is one of New Zealand's three largest airports and the only international airport servicing the greater Wellington region. It handled approximately 3.12 million domestic passengers and 0.39 million international passengers for the year ended 30 June 1998 with 131,948 aircraft movements in that year. It is a major domestic hub airport in the regional and national transport system, with a significant proportion of passengers travelling to Wellington being in transit to other destinations.

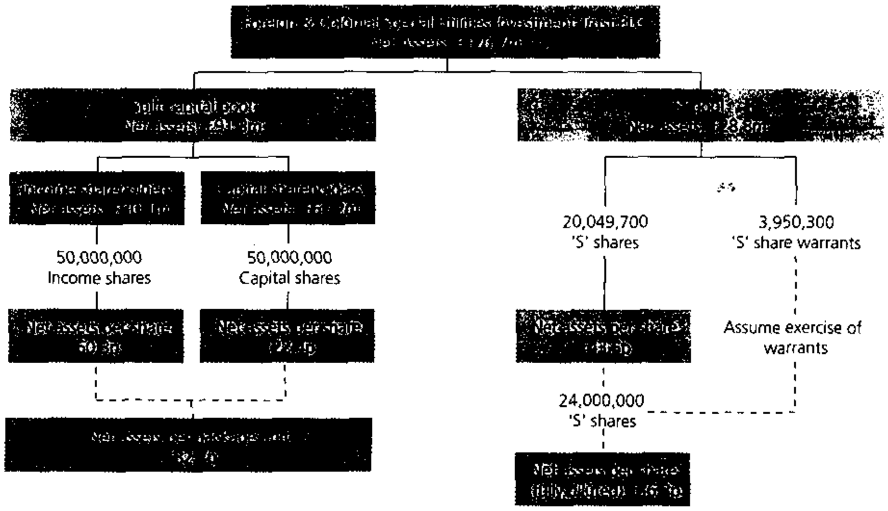
As an investment, we believe WIAL is underpinned by the following:

- a large proportion of its domestic passengers are business travellers, which is resilient, non-discretionary traffic and high yield for the airlines.
- its proximity to Wellington's central business district along with the Wellington topography suggest there is no commercially viable alternative site for a competing airport servicing the Wellington market.
- international passenger traffic which has historically grown by around 11% per annum is expected to continue growing with the recent expansion of direct Air New Zealand and Qantas trans-Tasman flights.
- the Terminal Area Development Plan will improve passenger handling services and is forecast to significantly increase non-aeronautical revenues through the development of new retail facilities.

The Managers believe that WIAL possesses both sound defensive virtues and the capability to grow its aeronautical and non-aeronautical revenues at an attractive rate as economic and financial conditions in New Zealand improve.

Capital Structure

at 30 September 1998



Company History

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

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

Entitlements

Split Capital Pool

- Income shareholders are entitled to all the revenue profits attributable to the split-capital pool. On a winding up, they are entitled to 60p per income share plus any undistributed revenue profits of the Company attributable to the split capital pool.

- Capital shareholders have no entitlement to income. On a winding up, they are entitled to all the surplus assets of the Company attributable to the split capital pool, after payment has been made to the income shareholders.

- Package units are available, consisting of one income share and one capital share. These package units are separately traded on the London Stock Exchange and are separately listed in the Daily Official List.

'S' Pool

- 'S' shareholders are entitled to all the income available for distribution from the 'S' pool and, on a winding up, to all the surplus capital of that pool.

- 'S' warrant holders are entitled to subscribe for 'S' shares at £1 each.

Twenty Largest Equity Holdings (Split Capital Pool)

at 30 September 1998

	percentage of Pool investments
1 (1) East Surrey Holdings (UK) Water only company supplying East Surrey and parts of Kent, Sussex and the London Borough of Croydon.	17.3
2 (2) Dee Valley Water (UK) Water only company supplying an area of North Wales.	15.5
3 (4) International Energy Group (Guernsey) Sole distributor of gas in Guernsey and Jersey.	5.1
4 (13) Brockhampton Holdings (UK) Water only company supplying an area of Hampshire and West Sussex.	3.6
5 (5) Infrastructure & Utilities NZ (New Zealand) Closed end fund investing in securities issued by entities in the New Zealand infrastructure and utilities sectors.	3.3
6 (3) Bermuda Telephone (Bermuda) The Bermudian domestic telecommunications utility.	3.0
7 (7) BELCO Holdings (Bermuda) The Bermudian electricity utility.	3.0
8 (12) Caribbean Utilities (Cayman Islands) The electricity utility of Grand Cayman.	2.9
9 (11) Jersey Electricity (Jersey) The Jersey electricity utility.	2.8
10 (6) Aguas de Barcelona (Spain) The largest private sector water utility in Spain.	2.4
11 (9) Cambridge Water (UK) Water only company supplying an area centred on the City of Cambridge.	2.3
12 (15) Prism Rail (UK) Train operating company with four franchises.	2.0
13 (17) Lang Corporation (Australia) Owns one of the two main stevedoring companies in Australia.	1.8
14 (20) American Water Works (USA) The leading investor-owned US water utility.	1.7
15 (-) Telecom Corp of New Zealand (New Zealand) The New Zealand telecommunications utility.	1.4
16 (10) Infratil Australia (Australia) Closed end fund investing in securities issued by entities in the Australian infrastructure and utilities sectors.	1.4
17 (-) Gas Natural (Spain) The largest private sector gas distribution utility in Spain.	1.2
18 (14) Ocean Wilson Holdings (Brazil) A leading supplier of maritime services and a port operator in Brazil.	1.2
19 (-) Equant (France) Global data network services provider.	1.0
20 (-) Telecom Italia Mobile (Italy) The leading Italian mobile telecommunications company.	1.0

The value of the twenty largest equity holdings represents 73.9% (1997: 78.5%) of the Split Capital Pool's portfolio.

Relationship between the Split Capital Pool and 'S' Pool

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

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

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

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

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

Statement of Total Return (Split Capital Pool)

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

	Revenue £'000s	Capital £'000s	1998 Total £'000s	Revenue £'000s	Capital £'000s	1997 Total £'000s
Gains on investments	–	3,396	3,396	–	12,465	12,465
Gains on futures contracts	–	8	8	–	114	114
Exchange gains/(losses) on currency balances	–	419	419	(4)	673	669
Income	4,505	–	4,505	4,175	–	4,175
Management and advisory fees	(492)	(328)	(820)	(410)	(273)	(683)
Other expenses	(172)	(115)	(287)	(186)	(124)	(310)
Net return before finance costs and taxation	3,841	3,380	7,221	3,575	12,855	16,430
Interest payable and similar charges	(354)	–	(354)	(73)	–	(73)
Return on ordinary activities before taxation	3,487	3,380	6,867	3,502	12,855	16,357
Taxation on ordinary activities	(810)	90	(720)	(815)	133	(682)
Return attributable to shareholders	2,677	3,470	6,147	2,687	12,988	15,675
Dividends	(2,710)	–	(2,710)	(2,590)	–	(2,590)
Amount transferred (from)/to reserves	(33)	3,470	3,437	97	12,988	13,085
Return per income share – pence	5.35p	–	5.35p	5.37p	–	5.37p
Return per capital share – pence	–	6.94p	6.94p	–	25.98p	25.98p
Return per package unit – pence	5.35p	6.94p	12.29p	5.37p	25.98p	31.35p

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

Balance Sheet (Split Capital Pool)

at 30 September

		1998		1997
	£'000s	£'000s	£'000s	£'000s
Fixed assets				
Investments				
Listed in Great Britain	43,891		51,614	
Listed outside Great Britain	49,484		32,060	
	93,375		83,674	
Unlisted at directors' valuation	5,473		3,958	
		98,848		87,632
Current assets				
Debtors	2,232		1,905	
Taxation recoverable	233		207	
Cash	133		3,195	
	2,598		5,307	
Current liabilities				
Creditors: amounts falling due within one year				
Loans	(5,326)		–	
Other	(4,730)		(5,002)	
	(10,056)		(5,002)	
Net current (liabilities)/assets		(7,458)		305
Total assets less current liabilities		91,390		87,937
Provision for liabilities and charges		(39)		(23)
Net assets		91,351		87,914
Capital				
Called up share capital		1,000		1,000
Reserves				
Share premium	47,500		47,500	
Capital reserves	42,699		39,229	
Revenue reserve	152		185	
		90,351		86,914
Shareholders' funds – non equity		91,351		87,914

Approved by the Board on 23 November 1998

Alan Wheatley   Alan Wheatley

A E Wheatley
Director

Twenty Largest Equity Holdings ('S' Pool)

at 30 September 1998

	percentage of Pool investments
1 (5) Prism Rail (UK) Train operating company with four franchises.	4.9
2 (8) Telecom Italia Mobile (Italy) The leading Italian mobile telecommunications company.	4.7
3 (1) American Water Works (USA) The leading investor-owned US water utility.	4.6
4 (-) Telstra (Australia) The leading Australian telecommunications utility.	4.1
5 (-) Brockhampton Holdings (UK) Water only company supplying an area of Hampshire and West Sussex.	3.9
6 (13) Telecom Italia SPA (Italy) The leading Italian telecommunications utility.	3.7
7 (17) AUMAR (Spain) Spanish road toll utility.	3.4
8 (12) Cambridge Water (UK) Water only company supplying an area centred on the City of Cambridge.	3.4
9 (3) Infrastructure & Utilities NZ (New Zealand) Closed end fund investing in securities issued by entities in the New Zealand infrastructure and utilities sectors.	3.4
10 (9) BELCO Holdings (Bermuda) The Bermudian electricity utility.	3.1
11 (2) Bermuda Telephone (Bermuda) The Bermudian domestic telecommunications utility.	3.0
12 (10) Caribbean Utilities (Cayman Islands) The electricity utility of Grand Cayman.	2.9
13 (7) Jersey Electricity (Jersey) The Jersey electricity utility.	2.8
14 (-) Scottish Hydro (UK) Scottish integrated electricity utility.	2.5
15 (-) Berliner Kraft (Germany) The Berlin electricity utility.	2.5
16 (6) Infratil Australia (Australia) Closed end fund investing in securities issued by entities in the Australian infrastructure and utilities sectors.	2.5
17 (11) Aguas de Barcelona (Spain) The largest private sector water utility in Spain.	2.2
18 (-) OTE (Greece) The Greek telecommunications utility.	2.1
19 (-) Gas Natural (Spain) The largest private sector gas distribution utility in Spain.	2.0
20 (-) Bristol Water Holdings (UK) Water only company supplying an area of Gloucestershire and Somerset, centred on Bristol.	2.0

The value of the twenty largest equity holdings represents 63.7% (1997: 60.7%) of the 'S' Pool's portfolio.

Statement of Total Return ('S' Pool)

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

	Revenue £'000s	Capital £'000s	1998 Total £'000s	Revenue £'000s	Capital £'000s	1997 Total £'000s
Gains on investments	–	675	675	–	3,322	3,322
Gains on futures contracts	–	2	2	–	30	30
Exchange gains/(losses) on currency balances	–	145	145	(12)	636	624
Income	1,275	–	1,275	1,230	–	1,230
Management and advisory fees	(161)	(107)	(268)	(142)	(95)	(237)
Other expenses	(75)	(50)	(125)	(70)	(47)	(117)
Net return before finance costs and taxation	1,039	665	1,704	1,006	3,846	4,852
Interest payable and similar charges	(192)	–	(192)	(173)	–	(173)
Return on ordinary activities before taxation	847	665	1,512	833	3,846	4,679
Taxation on ordinary activities	(212)	16	(196)	(178)	44	(134)
Return attributable to shareholders	635	681	1,316	655	3,890	4,545
Dividends	(654)	–	(654)	(621)	–	(621)
Amount transferred (from)/to reserves	(19)	681	662	34	3,890	3,924
Return per 'S' share – pence	3.17p	3.39p	6.56p	3.27p	19.43p	22.70p
Return per 'S' share (fully diluted) – pence	3.04p	3.26p	6.30p	3.22p	19.15p	22.37p

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

Balance Sheet ('S' Pool)

at 30 September

	£'000s	1998 £'000s	£'000s	1997 £'000s
Fixed assets				
Investments				
Listed in Great Britain	6,511		6,360	
Listed outside Great Britain	25,161		21,518	
	31,672		27,878	
Unlisted at directors' valuation	1,198		1,936	
		32,870		29,814
Current assets				
Debtors	2,184		3,603	
Taxation recoverable	98		167	
Cash	65		392	
	2,347		4,162	
Current liabilities				
Creditors: amounts falling due within one year				
Loans	(3,678)		(1,800)	
Other	(2,751)		(4,083)	
	(6,429)		(5,883)	
Net current liabilities		(4,082)		(1,721)
Total assets less current liabilities		28,788		28,093
Provision for liabilities and charges		(20)		(10)
Net assets		28,768		28,083
Capital				
Called up share capital		200		200
Reserves				
Share premium	17,490		17,459	
Warrant reserve	1,460		1,468	
Capital reserves	9,558		8,877	
Revenue reserve	60		79	
		28,568		27,883
Shareholders' funds – non equity		28,768		28,083

Approved by the Board on 23 November 1998

Alan Wheatley Alan Wheatley

A E Wheatley
Director

Auditors' Report on the Memorandum Pool Accounts

To the directors of Foreign & Colonial Special Utilities Investment Trust PLC

As requested we have reviewed the 'Memorandum Pool Accounts' on pages 17, 18, 20 and 21 of the 1998 Report and Accounts of Foreign & Colonial Special Utilities Investment Trust PLC ('the Company').

On the basis of our review we report that in our opinion the 'Memorandum Pool Accounts' have been properly prepared from the Company's books and records on a basis consistent with the accounting policies set out in note 2 to the Financial Statements on pages 36 and 37.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Chartered Accountants
23 November 1998

Southwark Towers
32 London Bridge Street
London SE1 9SY

Directors

Alan Wheatley † § FCA, Chairman, is a non-executive director of Babcock International Group PLC, Legal & General Group Plc, N.M. Rothschild and Sons Limited and Deputy Chairman of Ashtead Group PLC.

John Kay † § is Director, School of Management Studies, Oxford University and a director 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 two licensed water only companies, East Surrey Holdings PLC and Dee Valley Water PLC. He has been an adviser on privatisation and corporatisation.

Peter Spiller † §, is a partner with Cazenove & Company and a director of Capital Gearing Trust PLC.

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

† These directors constitute the Audit Committee.
§ Member of the Remuneration Committee.

Management

Tony Edwards through his company, Utilities Investment Research Limited, carries out analysis and research and provides investment advice to the Company on a day-to-day basis. He is an alternate director of the Company.

Paul Cameron assists Tony Edwards in the day-to-day analysis and research and the provision of investment advice to the Company.

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

David Harding carries out the company secretarial duties on behalf of Foreign & Colonial Management Limited. He joined the Group in 1973.

Nick Pitt-Lewis is Director of Compliance for Foreign & Colonial Management Limited. He joined the Group in 1992.

Secretary and Registered Office: Foreign & Colonial Management Limited, Exchange House, Primrose Street, London EC2A 2NY.

Regulated by Investment Management Regulatory Organisation Limited (IMRO) and the Personal Investment Authority (PIA).

Registered in England.

Telephone:	0171-628 8000
Facsimile:	0171-628 8188
Telex:	886197 or 8811745 (FORCOL G)
Website:	http://www.fandc.co.uk
e-mail:	invservs@fandc.co.uk

Bankers: The Royal Bank of Scotland plc.

Registrars: Computershare Services PLC, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR. Telephone: 0131-556 8555.

Auditors: PricewaterhouseCoopers, Southwark Towers, 32 London Bridge Street, London SE1 9SY.

AITC Member of The Association of Investment Trust Companies

Report of the Directors

The directors present their report and the financial statements of the Company for the year ended 30 September 1998.

Status of Company

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

During the year under review the Company carried on the business of an investment trust and has since conducted its affairs so as to continue to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The last accounting period for which the Company has been treated as approved by the Inland Revenue was for the year ended 30 September 1997.

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 up to 1998/9.

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

Results and Dividends

Split Capital Pool	£'000s	£'000s
Net revenue available for distribution on income shares		2,677
Dividends paid or payable:		
Interim of 1.73p per share paid 29 June 1998	865	
Proposed final of 3.69p per share payable 4 January 1999	1,845	(2,710)
Amount transferred from reserve		(33)

The final dividend now recommended of 3.69p per income share makes a total dividend of 5.42p per income share for the year ended 30 September 1998.

"S" Pool	£'000s	£'000s
Net revenue available for distribution on "S" ordinary shares		635
Interim of 1.03p per share paid 29 June 1998.	207	
Proposed final of 2.23p per share payable 4 January 1999.	447	(654)
Amount transferred from reserve		(19)

The final dividend now recommended of 2.23p per 'S' ordinary share makes a total dividend of 3.26p per 'S' ordinary share for the year ended 30 September 1998.

Share Capital

On 31 January 1998, 33 holders of warrants to subscribe for "S" ordinary shares exercised their right to subscribe for a total of 22,850 "S" ordinary shares at the fixed subscription price of 100p per share.

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

Substantial Share Interests

At 23 November 1998 the following notifications of holdings of 3% and over in various classes of the Company's share capital had been received.

	Income shares of 1p each	Capital shares of 1p each	"S" ordinary shares of 1p each
Foreign & Colonial Investment Trust PLC			5,000,000
Foreign & Colonial PEP (Chase Nominees))			2,185,475
General Provincial Life Pension Fund Limited		28,764,000	8,450,500
Exeter Asset Management Limited	6,603,166	1,605,000	
Martin Currie Investment Management Limited (includes holdings of Martin Currie High Income Trust - 3,100,000 and Martin Currie Income & Growth Trust 1,550,000)	5,450,000		
Geared Income Investment Trust PLC	2,150,000		
BFS Income & Growth Trust plc	2,125,000		

Shares held by directors are disclosed separately in note 7(c) on the accounts on page 39.

Review of Activities

A review of the Company's activities is given in the Chairman's Statement on pages 3 to 6 and in the Investment Manager's Report on pages 7 to 13.

Directors

The directors of the Company are featured on page 23 and all held office throughout the year under review. In accordance with the Company's articles of association, Dr R. Urwin retires at the annual general meeting and, being eligible, offers himself for re-election. Mr J.J.Tigue resigned from the board on 24 March 1998 following Foreign & Colonial Management's new policy guidelines on employee membership of investment trust boards.

Management

During the year under review, Foreign & Colonial Management Limited agreed with the Board that the notice period of the management agreement would be reduced from two years to one year with effect from 16 February 1999. It was also agreed that with effect from the same date the investment advisory agreements with Ingot Capital Management Pty Limited and Utilities Investment Research Limited would be subject to a one year notice period.

Further details of the Company's various management, investment advisory and service agreements are contained in note 4 on the accounts.

The Foreign & Colonial Group has arrangements under which stockbrokers pay for various investment services used by the Group in return for stated amounts of commission. The Manager's policy is that for 1998 this commission should not exceed 12% of total commissions.

It is the Company's policy to exercise its voting rights at shareholders' meetings of investee companies. Decisions on contested take-over bids are always referred to the board of directors.

Duration of the Company

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

Corporate Governance

Throughout the year under review, the Company complied with the recommendations of the Code of Best Practice of the Cadbury Committee (The Committee on the Financial Aspects of Corporate Governance) as incorporated in the Listing Rules of the London Stock Exchange.

PricewaterhouseCoopers have reviewed those matters which the Listing Rules require that the auditors should review. Their report on the results of the review is set out on page 31.

It is the responsibility of the board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the board which has a majority of directors who are independent of the management company.

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

Internal Financial Control and Audit Committee

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

The board meets regularly and at each meeting reviews investment performance and financial results. It monitors compliance with the Company's objectives and is directly responsible for investment strategy, asset allocation and gearing.

The board has contractually delegated responsibility for management of the portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services to the Manager. The terms of the management agreement, referred to in note 4 on the accounts, are reviewed periodically by the Company's Audit Committee.

The Manager has set out in a Statement of Internal Corporate Governance for the year ended 31 December 1997 its control policies and procedures with respect to management of its clients' investments. A report has also been received from the Director of Strategic Risk Management and Internal Audit of the Manager which indicates that he is not aware of anything in the period to 31 August 1998 revealed through the internal audit activities which would cause him to believe that an exception would need to be made to any of the policies or procedures set out in the Statement. The effectiveness of these controls is monitored by the Manager's group audit committee, which receives regular reports from the Manager's compliance and internal audit functions and the Statement contains an audit report from the external auditors.

The independent directors of the Company constitute the Audit Committee. The primary role of the Committee is to review the Company's accounting policies, the contents of its annual financial statements, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The Committee has direct access to the auditors, PricewaterhouseCoopers and to the compliance and internal audit directors of the Manager and to the Manager's group audit committee.

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

By means of the procedures set out above the directors have reviewed the effectiveness of the internal financial controls systems for the period.

Going Concern

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

Year 2000 and Euro compliance

The principal risks faced by the Company in respect of its year 2000 compliance centre around the ability of the Manager, to whom the board has contractually delegated responsibility for the arrangement of custodial services and the provision of all accounting, secretarial and administrative duties, to address and correct problems that may cause systems not to function as intended as a result of year 2000 issues. Accordingly, the Company does not itself face exposure to costs resulting from ensuring its year 2000 compliance. The Manager has established a working group seeking to identify any area where a problem may arise in connection with its year 2000 issues and is taking steps to address these potential problems in good time.

The Company does not currently anticipate any significant costs to be incurred in connection with the introduction of the euro on 1 January 1999.

Remuneration Committee

The Company's Remuneration Committee is comprised of Mr. A.E. Wheatley (Chairman) Professor J.A. Kay, Mr. R.P.A. Spiller and Dr. R.J. Urwin. The board has agreed that additional remuneration of 0.00975% per quarter in arrears of the Company's funds under management should be paid to Mr. A.E. Wheatley in view of special duties performed by him outside his ordinary duties as a director. This agreement is subject to regular review by the Remuneration Committee excluding Mr. Wheatley. The board considers that the Company otherwise complies with Section A of the Best Practice Provisions annexed to the Listing Rules of the London Stock Exchange.

Policy on payment of suppliers

The Company's principal suppliers are Foreign & Colonial Management Limited, Ingot Capital Management PTY Limited and Utilities Investment Research Limited. Each of these companies provide investment management or advisory services and are paid in the month following the end of each calendar quarter in accordance with the terms of the respective agreements. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier. At 30 September 1998, the Company's outstanding trade creditors were equivalent to one day's payments to suppliers.

Auditors

During the year to 30 September 1998, Price Waterhouse merged with Coopers & Lybrand. Accordingly, on 5 August 1998, Price Waterhouse resigned as auditors of the Company. On the same day, the directors appointed PricewaterhouseCoopers to fill the resulting casual vacancy. PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment and authorising the directors to fix their remuneration will be proposed at the annual general meeting.

Special Business at the Annual General Meeting

Shareholders will find on pages 49 and 50 the notice of the forthcoming annual general meeting of the Company to be held on 23 December 1998. In addition to the ordinary business of the meeting, two resolutions (numbered 5 and 6) are proposed as special business.

Authority of directors to allot shares

Resolutions 5 and 6 in the notice of annual general meeting are similar to the authorities given to the directors at the last annual general meeting. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 5 gives the directors, for the period until the conclusion of the annual general meeting in 1999, the necessary authority to allot securities up to an aggregate nominal amount of £60,000, which is equivalent to 5 per cent, of the issued share capital. Resolution 6 empowers the directors, until the conclusion of the annual general meeting in 1999 or, if earlier, the expiry of fifteen months from the date on which resolution 6 is passed, to allot securities for cash, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate ~~nominal~~ amount of £60,000, which is equivalent to 5 per cent of the issued share capital. 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. The directors can, if necessary, use this authority to satisfy demand from participants in the Foreign & Colonial Private Investor and Personal Equity Plans when they believe it is advantageous to plan participants and the Company's shareholders to do so. Under no circumstances would the directors use the authority to dilute the interests of existing shareholders by issuing shares at a price which is less than the net asset value attributable to the shares at the time of issue.

By order of the board
Foreign & Colonial Management Limited, Secretary
23 November 1998

for and on behalf of
FOREIGN & COLONIAL MANAGEMENT LIMITED
.... SECRETARY

Remuneration Committee Report

Mr D.P. Saville is the only executive director of the Company and has been employed as such since the Company was established in 1993. His remuneration package, which was agreed in 1993 and has not changed since (apart from the payees), is disclosed in note 4 on the accounts.

Mr Saville's service agreement with the Company is subject, at present, to two years' notice of termination. With effect from 16 February 1999 it will be reduced to one years' notice. Should the agreement be terminated by the Company, without notice and in the absence of specific grounds, compensation based on his remuneration may be payable to Mr Saville.

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

The Remuneration Committee has fully considered section B of the Best Practice Provisions annexed to the Listing Rules of the London Stock Exchange to the extent that they are applicable to the Company's circumstances.

Alan Wheatley

A.E. Wheatley
Chairman, Remuneration Committee

Directors' Statement of Responsibilities

As required by company law, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company as at 30 September 1998 and of the results for that year.

In preparing the 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.

Report by the Auditors on Corporate Governance Matters

To the Directors of Foreign & Colonial Special Utilities Investment Trust PLC

In addition to our audit of the financial statements we have reviewed your statements on pages 27 and 28 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange, and the adoption of the going concern basis in the preparation of the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

In our opinion, your statements on internal financial controls and on going concern on pages 27 and 28, have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the Company and examination of relevant documents, your statement on page 27 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Chartered Accountants
23 November 1998

Southwark Towers
32 London Bridge Street
London SE1 9SY

Auditors' Report

To the Members of Foreign & Colonial Special Utilities Investment Trust PLC

We have audited the financial statements on pages 33 to 46, which have been prepared under the historical cost convention as modified to include fixed asset investments at valuation, and the accounting policies set out in note 2 on pages 36 and 37.

Respective responsibilities of directors and auditors

As described on page 31, 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 affairs of the Company as at 30 September 1998 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
23 November 1998

Southwark Towers
32 London Bridge Street
London SE1 9SY

Statement of Total Return of the Company

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

Revenue Notes	Capital Notes		1998 Revenue £'000s	1998 Capital £'000s	1998 Total £'000s	1997 Revenue £'000s	1997 Capital £'000s	1997 Total £'000s
	11	Gains on investments	–	4,071	4,071	–	15,787	15,787
	20	Gains on futures contracts	–	10	10	–	144	144
	20	Exchange gains/(losses) on currency balances	–	564	564	(16)	1,309	1,293
3		Income	5,780	–	5,780	5,405	–	5,405
4	20	Management and advisory fees	(653)	(435)	(1,088)	(552)	(368)	(920)
5	20	Other expenses	(247)	(165)	(412)	(256)	(171)	(427)
		Net return before finance costs and taxation	4,880	4,045	8,925	4,581	16,701	21,282
6		Interest payable and similar charges	(546)	–	(546)	(246)	–	(246)
		Return on ordinary activities before taxation	4,334	4,045	8,379	4,335	16,701	21,036
8	8	Taxation on ordinary activities	(1,022)	106	(916)	(993)	177	(816)
9		**Return attributable to shareholders**	3,312	4,151	7,463	3,342	16,878	20,220
10		Dividends	(3,364)	–	(3,364)	(3,211)	–	(3,211)
20	20	**Amount transferred (from)/to reserves**	(52)	4,151	4,099	131	16,878	17,009
		Split Capital Pool:						
		Return per income share – pence	5.35p	–	5.35p	5.37p	–	5.37p
		Return per capital share – pence	–	6.94p	6.94p	–	25.98p	25.98p
		Return per package unit – pence	5.35p	6.94p	12.29p	5.37p	25.98p	31.35p
		'S' Pool:						
		Return per 'S' share – pence	3.17p	3.39p	6.56p	3.27p	19.43p	22.70p
		Return per 'S' share (fully diluted) – pence	3.04p	3.26p	6.30p	3.22p	19.15p	22.37p

* 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.

Balance Sheet of the Company

at 30 September

Notes		£'000s	1998 £'000s	£'000s	1997 £'000s
	Fixed assets				
11	**Investments**				
	Listed in Great Britain	50,402		57,974	
	Listed outside Great Britain	74,645		53,578	
		125,047		111,552	
	Unlisted at directors' valuation	6,671		5,894	
			131,718		117,446
	Current assets				
12	Debtors	760		5,508	
	Taxation recoverable	331		374	
	Cash	198		3,587	
		1,289		9,469	
	Current liabilities				
	Creditors: amounts falling due within one year				
13	Loans	(9,004)		(1,800)	
14	Other	(3,825)		(9,085)	
		(12,829)		(10,885)	
	Net current liabilities		(11,540)		(1,416)
15	Total assets less current liabilities		120,178		116,030
16	Provision for liabilities and charges		(59)		(33)
	Net assets		120,119		115,997
	Capital				
17	Called up share capital		1,200		1,200
	Reserves				
18	Share premium	64,990		64,959	
19	Warrant reserve	1,460		1,468	
20	Capital reserves	52,257		48,106	
20	Revenue reserve	212		264	
			118,919		114,797
	Shareholders' funds – non-equity		120,119		115,997

Approved by the Board on 23 November 1998

Alan Wheatley   Alan Wheatley

A E Wheatley
Director

Cash Flow Statement of the Company

for the year ended 30 September

Notes		£'000s	1998 £'000s	£'000s	1997 £'000s
	Operating activities				
	Investment income received	5,125		5,111	
	Other revenue	114		88	
	Management and advisory fees paid	(1,025)		(775)	
	Cash paid to and on behalf of directors	(171)		(97)	
	Other cash payments	(297)		(396)	
24	**Net cash inflow from operating activities**		3,746		3,931
	Servicing of finance				
	Interest paid	(534)		(245)	
	Dividends paid on non-equity shares	(3,318)		(3,015)	
	Net cash outflow from the servicing of finance	(3,852)		(3,260)	
	Taxation				
	UK tax paid	(96)		(143)	
	Overseas tax paid	(145)		(145)	
	Total tax paid		(241)		(288)
	Financial investment				
	Purchase of fixed interest securities	(530)		(3,813)	
	Purchases of equities and other investments	(54,599)		(42,169)	
	Sale of fixed interest securities	840		3,595	
	Sales of equities and other investments	43,781		43,851	
	Cash received on futures contracts	2		144	
	Net cash (outflow)/inflow from financial investment		(10,506)		1,608
	Financing				
25	Net loans raised/(repaid)	7,347		(350)	
	Share capital raised	23		18	
	Net cash inflow/(outflow) from financing		7,370		(332)
25	**(Decrease)/increase in cash**		(3,483)		1,659

Notes on the Accounts

1 POOL ACCOUNTS

The statutory accounts of the Company are shown on pages 33 to 35 and the notes are presented below. A separate Statement of Total Return and Balance Sheet for the Split Capital Pool and the 'S' Pool are given on pages 17 to 18 and 20 to 21 respectively.

2 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.

2 ACCOUNTING POLICIES (continued)

(h) Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses allocated in accordance with note 2(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

3 INCOME

	1998 £'000s	1997 £'000s
Income from investments		
Franked dividends	2,974	3,508
Other UK equity dividends	57	–
Overseas dividends	2,180	1,531
Overseas and UK interest	455	280
	5,666	5,319
Other Income		
Interest on cash and short-term deposits	89	86
Underwriting commission	25	–
	114	86
Total income	**5,780**	5,405
Total income comprises		
Dividends	5,211	5,039
Interest	455	280
Other	114	86
	5,780	5,405
Income from investments		
Listed	5,502	5,140
Unlisted	164	179
Total income	**5,666**	5,319

4 MANAGEMENT AND ADVISORY FEES

	1998 £'000s	1997 £'000s
Payable to		
Foreign & Colonial Management Limited (FCM)	537	442
Utilities Advisory Management Limited (UAM)	–	210
Utilities Investment Research Limited (UIR)	180	90
Ingot Capital Management Pty Limited (Ingot)	259	97
	976	839
Irrecoverable VAT thereon	112	81
	1,088	920
Charged to capital reserves	(435)	(368)
	653	552

The Manager, FCM, provides investment management and general administrative services to the Company for a quarterly management fee payable in arrears equal to 0.1% of the funds under management. From February 1999, the notice period on the management agreement will be reduced from two years to one year.

Until 31 March 1997, pursuant to Mr D. P. Saville's service agreement, UAM received a quarterly fee payable in arrears equal to 0.1% of the funds under management, less directors fees paid to Mr Saville. A supplemental agreement amending Mr Saville's service agreement with the Company took effect from 1 April 1997.

At that time the Company entered into investment advisory agreements with Ingot and UIR where the total quarterly amount payable by the Company amounts to 0.1% of the value of the funds under management. This is broken down as: a directors' fee to Mr Saville (currently £8,000 per annum); remuneration payable under the service agreement quarterly in arrears equal to 0.01675% of the value of funds under management; a quarterly advisory fee of £45,000 payable to UIR, a company not related to Mr Saville, and; an advisory fee, representing the balance payable, to Ingot.

From February 1999 the notice period between Ingot and the Company, and between UIR and the Company, will be reduced from two years to one year.

Fees payable to Ingot and UAM, companies controlled by Mr Saville, have been taken into account in providing the detailed disclosures on directors' remuneration in note 7(a).

UIR is a company controlled by Mr A. H. Edwards, an alternate director of the Company.

5 OTHER EXPENSES

	1998 £'000s	1997 £'000s
Directors' emoluments (see note 7(a))	182	119
General expenses	205	249
Auditors' remuneration:		
for audit services	21	21
for audit-related services	4	38
	412	427
Charged to capital reserves	(165)	(171)
	247	256

6 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000s	1997 £'000s
On bank loans and overdrafts repayable within 5 years, not by instalments	**546**	246

7 DIRECTORS' REMUNERATION AND CONTRACTS

(a) Remuneration from the Company

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

	A.E. Wheatley (Chairman)* £	J.A. Kay* £	D.P. Saville £	R.P.A. Spiller* £	R.J. Unwin* £	Total £
Fees	8,000	8,000	8,000	8,000	8,000	**40,000**
Remuneration	52,376	–	89,878	–	–	**142,254**
	60,376	8,000	97,878	8,000	8,000	**182,254**
Remuneration payable to a company controlled by Mr Saville	–	–	259,204	–	–	**259,204**
Totals	**60,376**	**8,000**	**357,082**	**8,000**	**8,000**	**441,458**
1997 Totals	50,620	7,500	352,253	7,500	7,500	425,373

* Members of the Audit Committee and Remuneration Committee.

Remuneration to Mr A.E. Wheatley is payable quarterly in arrears equal to 0.00975% of funds under management . The basis of remuneration paid to Mr D.P. Saville is detailed in note 4 above.

Mr J. J. Tigue did not receive any remuneration from the Company. The amounts paid by the Company to the directors, disclosed above, together with the amounts, excluding pension contributions, paid by Foreign & Colonial Management Limited (FCM) to Mr Tigue, disclosed in note 7(b), total £462,000 (1997: £443,000).

(b) Remuneration from Foreign & Colonial Management Limited (FCM) attributable to the Company

Jeremy Tigue resigned as a director of the Company on 24 March 1998, he was the only Director who was also an employee of FCM during the year. The cost of his employment was met in full by FCM. Company law requires the proportion of the emoluments received by Directors from FCM in connection with the management of the affairs of the Company to be disclosed, even though the Company neither determines nor pays these emoluments. These proportions of his emoluments from FCM are detailed below:

	1998 £'000s	1997 £'000s
Salary	13	12
Benefits	1	1
Performance-related bonus	7	5
Total	**21**	**18**
Pension contributions	**2**	**8**

Mr Tigue is a member of the FCM defined benefit scheme, to which regular payments are made on his behalf by FCM which relate to his service with FCM. The accumulated accrued benefits under this scheme are calculated by reference to his salary and length of service with FCM and not by reference to his service as a Director of the Company.

(c) Directors' interests in shares

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

	30 September 1998				30 September 1997			
	Income shares	Capital shares	'S' Shares ordinary	'S' Shares warrants	Income shares	Capital shares	'S' Shares ordinary	'S' Shares warrants
Beneficial								
J.A. Kay	71,000	56,000	20,000	2,000	71,000	56,000	20,000	2,000
D.P. Saville*	80,000	50,000	50,000	10,000	50,000	50,000	50,000	10,000
R.P.A. Spiller	5,000	5,000	5,000	–	5,000	5,000	5,000	–
R.J. Urwin	52,000	52,000	12,000	2,400	52,000	52,000	12,000	2,400
A.E. Wheatley	110,000	425,000	20,000	4,000	110,000	425,000	20,000	4,000

*In addition, 28,764,000 capital shares (1997 – same), 8,450,500 'S' ordinary shares (1997 – same) and 1,690,100 'S' shares warrants (1997 – same) are held by General Provincial Life Pension Fund Limited, a company associated with Mr Saville.

No director had any interest in the share capital of the Company, beneficial or otherwise, other than that shown above. There have been no changes in the interests of directors in the shares of the Company between 30 September 1998 and 23 November 1998.

(d) Directors' interests in contracts with the Company

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

Other than the above disclosures and the management agreement with FCM referred to in note 4 and the Directors' Report, in which Mr J. J. Tigue had an interest by reason of his employment with FCM, no contracts in which any director of the Company was materially interested and which are significant in relation to the Company's business have existed at any time during the year.

8 TAXATION ON ORDINARY ACTIVITIES

Revenue Account	1998 £'000s	1997 £'000s
Corporation tax at 31%	195	86
Relief for overseas taxation	(183)	(86)
	12	–
Overseas taxation	212	133
Imputed tax credit on franked income	595	702
Deferred tax	26	(19)
Prior year adjustments	5	–
	850	816
Tax relief on expenses charged to capital	172	177
Tax charged to the revenue account	**1,022**	993

Capital Account		
Tax relief on expenses charged to capital	172	177
Tax charge on dividends transferred to capital	(66)	–
Tax relief credited to the capital account	**106**	177

9 RETURN PER SHARE

Revenue return

The basic revenue return per income share is based on the revenue return attributable to income shareholders of £2,677,000 (1997: £2,687,000). The basic revenue return per 'S' share is based on the revenue return attributable to 'S' shareholders of £635,000 (1997: £655,000).

Capital return

The basic capital return per capital share is based on the capital return attributable to capital shareholders of £3,470,000 (1997: £12,988,000).

The basic capital return per 'S' share is based on the capital return attributable to 'S' shareholders of £681,000 (1997: £3,890,000).

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

50,000,000 income shares (1997: same)
50,000,000 capital shares (1997: same)
20,041,854 'S' shares (1997: 20,020,953)

Fully diluted total return

The Company has adopted FRS14 'Earnings per share' in relation to the current period of account and comparatives have been restated accordingly. The method prescribed by FRS14 gives a weighted average of 20,901,394 (1997: 20,315,942) 'S' shares.

10 DIVIDENDS

	1998 £'000s	1997 £'000s
Income Shares		
Interim paid of 1.73p (1997: 1.57p)	865	785
Proposed final of 3.69p (1997: 3.61p)	1,845	1,805
'S' Shares		
Interim paid of 1.03p (1997: 0.90p)	207	180
Proposed final of 2.23p (1997: 2.20p)	447	441
	3,364	3,211

11 INVESTMENTS

	Listed £'000s	Unlisted £'000s	Total £'000s
Cost at 1 October 1997	82,894	5,881	88,775
Unrealised appreciation at 1 October 1997	28,658	13	28,671
Valuation at 1 October 1997	111,552	5,894	117,446
Transfer to listed investments : opening cost	2,704	(2,704)	–
Transfer to listed investments : opening appreciation	92	(92)	–
Movements in the year:			
Purchases at cost	46,406	3,841	50,247
Sales - proceeds	(39,749)	(297)	(40,046)
realised net gains on sales	4,659	68	4,727
Decrease in unrealised appreciation	(617)	(39)	(656)
Valuation at 30 September 1998	**125,047**	**6,671**	**131,718**
Cost at 30 September 1998	100,423	6,684	107,107
Unrealised appreciation/(depreciation) at 30 September 1998	24,624	(13)	24,611
	125,047	**6,671**	**131,718**

Gains on investments	**1998 £'000s**	1997 £'000s
Realised gains based on historical cost	8,131	9,700
Less: amounts recognised as unrealised in previous years	(3,404)	(4,502)
Realised gains based on carrying value at previous balance sheet date	4,727	5,198
(Decrease)/increase in unrealised appreciation	(656)	10,589
Gains on investments	**4,071**	15,787

Subsidiary undertaking

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

Associated undertaking

At 30 September 1998 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.
At 30 September 1998, the Company held 2,512,906 ordinary shares and 876,680 ordinary non-voting shares. The Company's holdings in Dee *Valley represent 20.4% of the voting rights and 24.6% of the assets on a winding-up.*

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

	Year to 30 Sept 1998 £'000s	Year to 30 Sept 1997 £'000s
Franked income	838	692
Imputed tax credit	(168)	(138)
	670	554

The interest in associated undertaking is included in the balance sheet at its mid-market valuation of £15.8m (1997: £14.1m).

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

11 INVESTMENTS (continued)

Significant interests

At 30 September 1998 the Company held more than 10% of any class of the share capital of the following undertakings held as investments, none of which represented a participating interest:

Company	Class of shares held	% of class of shares held
Bermuda Telephone	ordinary shares	10.6
Brockhampton Holdings	ordinary shares	14.7
East Surrey Holdings	ordinary shares	11.5
	warrants	100.0
Jersey Electricity	'A' ordinary shares	21.3
South Staffordshire Water Holdings	9% redeemable pref. shares	40.7
Stentor	ordinary shares	10.1

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

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

Company	Class of shares held	% of class of shares held
BELCO Holdings	ordinary shares	6.8
Cambridge Water	'A' ordinary shares	9.6
Infrastructure & Utilities NZ	ordinary shares	9.4
International Energy Group	ordinary shares	5.8
Ocean Wilson Holdings	ordinary shares	4.4
Prism Rail	ordinary shares	4.5

Mr D. P. Saville is a non-executive director of Infrastructure & Utilities NZ.

12 DEBTORS

	1998 £'000s	1997 £'000s
Investment debtors	8	4,922
Forward currency deals	207	-
Prepayments and accrued income	545	586
	760	5,508

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Loans

	1998 £'000s	1997 £'000s
US$5.050m loan repaid October 1998	2,972	-
IEP£2.935m repaid October 1998	2,581	-
£1.33m repaid October 1998	1,330	-
A$3.805m repaid October 1998	1,326	-
NZ$2.7m repaid October 1998	795	-
£1.8m repaid October 1997	-	1,800
	9,004	1,800

14 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Other

	1998 £'000s	1997 £'000s
Bank overdraft	–	328
Investment creditors	1,086	5,968
Forward currency deals	–	141
Proposed dividends	2,292	2,246
Accruals and other creditors	447	402
	3,825	9,085

15 GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION :

Total assets less current liabilities (excluding loans)

	UK %	EC %	Other Europe %	Pan American %	Others %	1998 Total %	1997 Total %
Assets							
Equities, convertibles and options							
Electricity	1.3	1.7	2.9	6.8	0.5	13.2	13.6
Financial	0.6	0.8	1.0	0.1	5.3	7.8	8.1
Gas distribution	–	1.5	4.4	0.6	0.1	6.6	5.5
General Utilities	1.0	1.7	–	1.5	2.1	6.3	5.0
Telecommunications	–	5.2	0.1	4.6	4.5	14.4	13.3
Transport	3.1	2.0	–	–	0.9	6.0	6.7
Water	35.9	2.4	–	4.4	–	42.7	43.2
Total	41.9	15.3	8.4	18.0	13.4	97.0	95.4
Fixed Interest	0.5	2.2	–	1.1	1.3	5.1	4.3
Total investments	42.4	17.5	8.4	19.1	14.7	102.1	99.7
Net current (liabilities)/assets	0.5	–	(0.4)	(2.4)	0.2	(2.1)	0.3
Total assets less current liabilities (excl. loans)	42.9	17.5	8.0	16.7	14.9	100.0	
1997 totals	47.9	13.4	5.6	14.7	18.4		100.0

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

16 PROVISION FOR LIABILITIES AND CHARGES

	1998 £'000s	1997 £'000s
Deferred taxation attributable to short-term timing differences		
Balance brought forward	33	52
Movement in the period	26	(19)
Balance carried forward	59	33

17 SHARE CAPITAL (NON-EQUITY)

	Authorised Number	Nominal £'000s	Issued, allotted and paid up 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	77,000,000	770	20,026,850	200
Issued during the year	–	–	22,850	–
Balance carried forward	**77,000,000**	**770**	**20,049,700**	**200**

On 31 January 1998, 22,850 (1997: 17,500) 'S' warrants were exercised.

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

The respective rights attaching to different classes of shareholders on a winding-up are set out on page 14.

Voting rights

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

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

18 SHARE PREMIUM (NON-EQUITY)

	1998 £'000s	1997 £'000s
Balance brought forward	64,959	64,935
Premium received from shares issued on exercise of warrants	23	18
Transfer from warrant reserve on exercise of warrants	8	6
Balance carried forward	**64,990**	**64,959**

19 WARRANT RESERVE

	1998 £'000s	1997 £'000s
Balance brought forward	1,468	1,474
Transfer to share premium on exercise of warrants	(8)	(6)
Balance carried forward	**1,460**	**1,468**

At 30 September 1997 there were 3,950,300 (30 September 1997: 3,973,150) warrants outstanding.

Holders have the right to subscribe for one 'S' share per warrant at £1 in cash on 31 January in any of the years 1999 to 2008 (subject to any alterations in accordance with the Deed Poll of the Company dated 24 January 1995 – "the Warrant Instrument").

20 OTHER RESERVES

	Capital reserve – realised £'000s	Capital reserve – unrealised £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Balance brought forward	19,576	28,530	48,106	264
Gains on investments	4,727	(656)	4,071	–
Gains on futures contracts	4	6	10	–
Transfer on disposal of investments	3,404	(3,404)	–	–
Exchange gains/(losses) on currency balances	355	209	564	–
Management and advisory fees charged to capital	(435)	–	(435)	–
Other capital charges and credits	(165)	–	(165)	–
Tax effect of capital items	106	–	106	–
Amount transferred to revenue account	–	–	–	(52)
	7,996	(3,845)	4,151	(52)
Balance carried forward	**27,572**	**24,685**	**52,257**	**212**

21 NET ASSET VALUE PER SHARE

	30 September 1998 Pence per share		**30 September 1997 Pence per share**	
	Undiluted	**Fully diluted**	**Undiluted**	**Fully diluted**
Split capital pool				
Income shares	60.30	–	60.37	–
Capital shares	122.40	–	115.46	–
Package units	182.70	–	175.83	–
'S' pool				
'S' shares	143.48	136.33	140.23	133.57

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

Income shares

Net assets per income share are calculated on the basis of net assets of £30,152,000 (1997: £30,185,000), and on 50,000,000 (1997: same) income shares in issue at the year end.

Capital shares

Net assets per capital share are calculated on the basis of net assets of £61,199,000 (1997 - £57,729,000), and on 50,000,000 (1997 - same) capital shares in issue at the year end.

Package units

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

'S' shares

Net assets per 'S' share are calculated on the basis of net assets of £28,768,000 (1997: £28,083,000), and on 20,049,700 (1997: 20,026,850) 'S' shares in issue at the year end. The fully diluted net assets per 'S' share assumes the exercise of 3,950,300 (1997: 3,973,150) warrants outstanding at the year end at £1 per warrant.

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

	Split capital pool		'S' Pool	
	Capital shares £'000s	Income shares £'000s	'S' shares £'000s	Total £'000s
Total net assets attributable at 1 October 1997	57,729	30,185	28,083	115,997
Total recognised gains and losses for the year	3,470	2,677	1,316	7,463
Dividends	–	(2,710)	(654)	(3,364)
New share capital subscribed, less issue expenses	–	–	23	23
Total net assets attributable at 30 September 1998	**61,199**	**30,152**	**28,768**	**120,119**

22 ANALYSIS OF SHARE CAPITAL AND RESERVES

Attributable to:	Capital shareholders £'000s	Income shareholders £'000s	'S' shareholders £'000s	Total £'000s
Share capital	500	500	200	1,200
Share premium	18,000	29,500	17,490	64,990
Warrant reserve	–	–	1,460	1,460
Capital reserves	42,699	–	9,558	52,257
Revenue reserve	–	152	60	212
	61,199	**30,152**	**28,768**	**120,119**

23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £'000s	1997 £'000s
Revenue return available for shareholders	3,312	3,342
Capital return for the year	4,151	16,878
New share capital subscribed, less issue expenses	23	18
Net addition to shareholders' funds	7,486	20,238
Dividends on non-equity shares	(3,364)	(3,211)
Shareholders' funds brought forward	115,997	98,970
Shareholders' funds carried forward	**120,119**	**115,997**

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACITVITIES

	1998 £'000s	1997 £'000s
Net return before finance costs and taxation	4,880	4,581
Exchange profits and losses of a revenue nature	–	–
Investment management and advisory fees charged to capital	(435)	(368)
Other expenses charged to capital	(165)	(171)
Decrease in accrued income	52	496
Increase in creditors	9	95
Tax on franked investment income included within income from UK companies	(595)	(702)
Net cash inflow from operating activities	**3,746**	**3,931**

25 RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET (DEBT)/CASH

	1998 £'000s	1997 £'000s
(Decrease)/increase in cash	(3,483)	1,659
(Decrease)/increase in short-term loans	(7,347)	350
Change in net debt resulting from cash flows	(10,830)	2,009
Exchange movement	564	1,478
Movement in net debt	(10,266)	3,487
Net cash/(debt) brought forward	1,459	(2,028)
Net (debt)/cash carried forward	**(8,807)**	**1,459**

	Balance at 1 October 1997 £'000s	Cash flow £'000s	Exchange movement £'000s	Balance at 30 Sept 1998 £'000s
Represented by:				
Cash at bank	3,587	(3,811)	421	197
Bank overdrafts	(328)	328	–	–
Bank loans	(1,800)	(7,347)	143	(9,004)
	1,459	**(10,830)**	**564**	**(8,807)**

26 COMMITMENTS

There are capital commitments in respect of securities of £5.7m (1997: nil).

Twenty Largest Equity Holdings of the Company

at 30 September 1998

	percentage of Company investments
1 (1) East Surrey Holdings (UK) Water only company supplying East Surrey and parts of Kent, Sussex and the London Borough of Croydon.	13.0
2 (2) Dee Valley (UK) Water only company supplying an area of North Wales.	12.0
3 (6) International Energy Group (Guernsey) Sole distributor of gas in Guernsey and Jersey.	4.3
4 (16) Brockhampton Holdings (UK) Water only company supplying an area of Hampshire and West Sussex.	3.7
5 (4) Infrastructure & Utilities NZ (New Zealand) Closed end fund investing in securities issued by entities in the New Zealand infrastructure and utilities sectors.	3.3
6 (7) BELCO Holdings (Bermuda) The Bermudian electricity utility.	3.0
7 (3) Bermuda Telephone (Bermuda) The Bermudian domestic telecommunications utility.	3.0
8 (12) Caribbean Utilities (Cayman Islands) The electricity utility of Grand Cayman.	2.9
9 (11) Jersey Electricity (Jersey) The Jersey electricity utility.	2.8
10 (13) Prism Rail (UK) Train operating company with four franchises.	2.7
11 (9) Cambridge Water (UK) Water only company supplying an area centred on the City of Cambridge.	2.6
12 (15) American Water Works (USA) The leading investor-owned US water utility.	2.4
13 (5) Aguas de Barcelona (Spain) The largest private sector water utility in Spain.	2.4
14 (19) Telecom Italia Mobile (Italy) The leading Italian mobile telecommunications company.	1.9
15 (18) Lang Corporation (Australia) Owns one of the two main stevedoring companies in Australia.	1.8
16 (8) Infratil Australia (Australia) Closed end fund investing in securities issued by entities in the Australian infrastructure and utilities sectors.	1.6
17 (-) Telecom Corp of NZ (New Zealand) The New Zealand telecommunications utility.	1.4
18 (-) Gas Natural (Spain) The largest private sector gas distribution utility in Spain.	1.4
19 (-) AUMAR (Spain) Spanish road toll utility.	1.4
20 (-) Telecom Italia SPA (Italy) Italy's telecommunications utility.	1.4

The value of the twenty largest equity holdings represents 69.0% (1997: 73.3%) of the Company's portfolio.The figures in brackets denote the position at the previous year end.

The value of convertible securities represents 1.4% (1997: 1.9%) of the Company's portfolio.
The total number of companies included in the portfolio is 149 (1997: 122).

Historical Record

at 30 September

SPLIT POOL

Assets at 30 September

£'000s	1994	1995	1996	1997	1998
Net assets	£62.18m	£67.47m	£74.83m	£87.88m	**£91.35m**
Net asset value per income share	60.1p	60.1p	60.2p	60.3p	**60.3p**
Market price per income share	65.5p	59.5p	62.5p	67.3p	**75.8p**
Net asset value per capital share	64.3p	74.8p	89.5p	115.5p	**122.4p**
Market price per capital share	50.5p	63.5p	66.3p	92.5p	**85.0p**
Net asset value per package unit	124.4p	134.9p	149.7p	175.8p	**182.7p**
Market price per package unit	117.0p	122.0p	127.0p	159.0p	**155.5p**

Total Return per Share for the year ended 30 September

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

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

'S' POOL

Assets at 30 September

£'000s	1995	1996	1997	1998
Net assets	£20.12m	£24.14m	£28.08m	**£28.77m**
Net asset value per 'S' share	100.6p	120.7p	140.2p	**143.5p**
Net asset value per 'S' share – fully diluted	100.5p	117.2p	133.6p	**136.3p**
Market price per 'S' share	92.0p	99.5p	117.5p	**106.5p**

Total Return per Share for the year ended 30 September

£'000s	1995†	1996	1997	1998
Revenue return per 'S' share	1.6p	3.0p	3.3p	**3.2p**
Capital return per 'S' share	5.0p	19.9p	19.4p	**3.4p**
Total return per 'S' share	6.6p	22.9p	22.7p	**6.6p**

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

Notice of Annual General Meeting

Notice is hereby given that the fifth annual general meeting of Foreign & Colonial Special Utilities Investment Trust PLC will be held at Exchange House, Primrose Street, London EC2 on Wednesday, 23 December 1998 at 2.30 p.m. for the following purposes:

Ordinary Business:

1 To receive and adopt the directors' report and accounts for the year ended 30 September 1998.

2 To declare a dividend
   (a) on the income shares
   (b) on the 'S' ordinary shares

3 To re-elect Dr R Urwin as a director.

4 To re-appoint PricewaterhouseCoopers as auditors of the Company (having previously been appointed by the board to fill the vacancy arising by reason of the resignation of Price Waterhouse and special notice having been received of the intention to propose the resolution as an ordinary resolution) and to 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 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £60,000 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 1999, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in pursuance of such offers or agreements; and

(b) all authorities previously conferred under the said Section 80 of the Act be and they are 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 and conditional upon the passing as an ordinary resolution of the resolution numbered 5 set out in the notice of this meeting

(a) the directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said resolution numbered 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 up to an aggregate nominal amount of £60,000 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 1999 or, if earlier, fifteen months from the passing of this resolution, 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 notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements; and

(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.

30 November 1998

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

By order of the Board
Foreign & Colonial Management Limited
Secretary

Notes

Only the holders of income shares, capital shares, or "S" ordinary shares, registered on the register of members of the Company at 2.30 p.m. on 21 December 1998 shall be entitled to attend and vote or to be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register after 2.30 p.m. on 21 December 1998 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

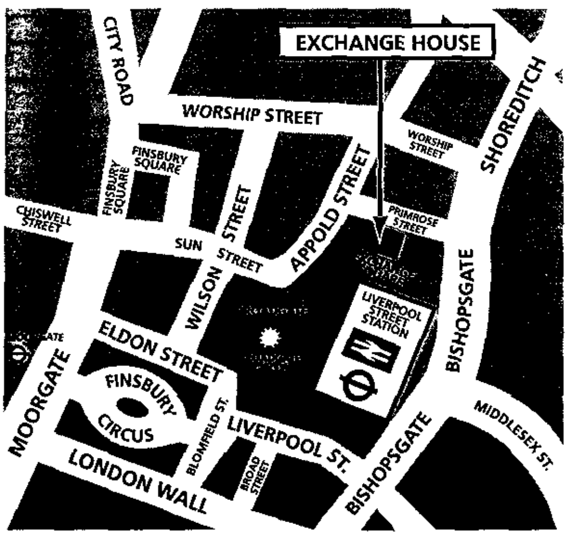
To be valid, an instrument appointing a proxy in respect of the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Services PLC, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 OXG, not less than 48 hours before the time appointed for holding the meeting. Shareholders in the Foreign & Colonial saving schemes must ensure that their forms of direction reach the Company's registrars not less than 96 hours before the meeting.

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

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

The final dividend in respect of the year ended 30 September 1998 for the income shares and for the "S" ordinary shares will, if approved, be paid on 4 January 1999 to the relevant holders on the register at the close of business on 4 December 1998.

The Location



Group 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 Income Growth Investment Trust PLC§
Foreign & Colonial Pacific Investment Trust PLC†
Foreign & Colonial PEP 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†
F&C Latin American Investment Trust PLC
CONTACT: INVESTOR SERVICES ON 0171–454 1415

For details of our investment trust products;

Private Investor Plan – regular or lump sum savings
Personal Equity Plan – tax free savings
Pension Savings Plan – saving for retirement

please contact Investor Services on 0171–454 1415
or Broker Support on 0171–454 1434

SPECIALIST OFFSHORE FUNDS
Foreign & Colonial Portfolios Fund SICAV
Foreign & Colonial Reserve Asset Fund Ltd*
HYPO Capital Management Investmentgesellschaft Luxembourg S.A.
CONTACT: BROKER SUPPORT ON 0171–454 1434

Argentinian Investment Company SICAV
Brazilian Investment Company SICAV
Colombian Investment Company SICAV*
Global Emerging Markets Investment Company SICAV
Indian Investment Company SICAV*
Latin American Investment Company SICAV
Mexican Investment Company SICAV
Peruvian Investment Company SICAV*
Polish Investment Company SICAV*
Russian Investment Company SICAV*
Taiwan Investment Company SICAV*
CONTACT: ALEX WEST ON 0171–628 1234

US REGISTERED FUNDS
The Foreign & Colonial Emerging Middle East Fund, Inc.*
CONTACT: ALEX WEST ON 0171–628 1234

DUBLIN REGISTERED FUNDS
Foreign & Colonial Emerging High Yield Investment Company plc*
Foreign & Colonial Romanian Investment Company plc*
Latin American Extra Yield Fund*
CONTACT: ALEX WEST ON 0171–628 1234

PENSION FUNDS
Balanced and specialist investment services are provided for a wide range of institutional pension funds.
CONTACT: NIGEL MORECROFT ON 0171–628 8000

AUTHORISED UNIT TRUSTS
Foreign & Colonial European Smaller Companies Fund§
Foreign & Colonial High Income Fund§
Foreign & Colonial Japanese Smaller Companies Fund†
Foreign & Colonial UK Smaller Companies Fund§
Foreign & Colonial U.S. Smaller Companies Fund†
CONTACT: INVESTOR SERVICES ON 0171–454 1415 OR
BROKER SUPPORT ON 0171–454 1434

AUTHORISED EXEMPT FUNDS
Foreign & Colonial Anglo-Nippon Exempt Fund
Foreign & Colonial European Exempt Fund
Foreign & Colonial North American Exempt Fund
Foreign & Colonial Overseas Bond Exempt Fund
Foreign & Colonial South East Asia Exempt Fund
Foreign & Colonial UK Bond Exempt Fund
CONTACT: NIGEL MORECROFT ON 0171–628 8000

UNAUTHORISED EXEMPT FUNDS
Foreign & Colonial Emerging Markets Ex Pacific-Asia Exempt Fund
Foreign & Colonial Latin American Exempt Fund
CONTACT: NIGEL MORECROFT ON 0171–628 8000

Private Equity Funds
F & C Ventures manages or advises seven funds concentrating on unquoted investments including two of the investment trusts above.
CONTACT: JAMES NELSON ON 0171–825 5300

CHARITY FUNDS
A comprehensive management service is available for larger charities.
CONTACT: NIGEL MORECROFT ON 0171–628 8000

† Part-qualifying for PEP purposes (maximum investment £1,500 for the tax year 1998/99)
§ Fully-qualifying for PEP purposes (maximum investment £6,000 for the tax year 1998/99)
* Professional investors only

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