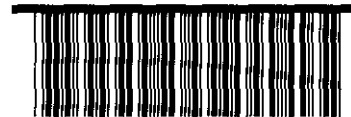


THE MONTHLY HIGH INCOME TRUST PLC

INTERIM REPORT

31 MAY 2000



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COMPANIES HOUSE 26/07/00

DIRECTORY

Directors

Mr W N Hood CBE (Chairman)
Lord McGowan
Mr N G N Sidebottom
Mr D R Keen

Investment Manager

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CHAIRMAN'S STATEMENT

I have pleasure in presenting the interim report of The Monthly High Income Trust Plc (MHIT) for the period ended 31st May 2000.

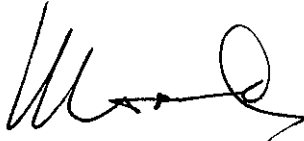
Stockmarket conditions since the beginning of the Company's financial year have been particularly volatile. The different performances of the 'new economy', represented by dot.com and technology shares, and the 'old economy' or value area of the market continued to widen until mid March when a significant reversal occurred. This sharp was important for MHIT as the 'old economy' is the main area of investment for your Company.

Over the 6 months to 31 May 2000 the Company's total return per Ordinary Share was -2.58p, a return of -5.5%. Shareholders received a net dividend of 2.4p per share, which is included in this figure. Gross assets fell from £84.2m to £81.9m. By the end of June however gross assets had recovered to £84.5m. The FTSE 350 High Yield Index against which the company's performance is judged fell by 0.7% over the period to 31 May 2000, whilst the company's equity portfolio representing approximately 70% of the company's assets rose by 0.9%

In the 6 months to 31st May 2000, MHIT has paid monthly dividends totalling 1.2 pence per share (equivalent to 1.33 pence gross). In addition, monthly dividends of 0.3p have been declared and are payable in each of the 4 months to 29th October 2000. As is usual the Board will recommend a final dividend at the time of the final results.

We continue to believe the UK market in general, and value equities in particular offer sound long term investor appeal. The conditions for a further recovery remain intact; continuing economic growth in both the UK and Continental Europe, the first signs of a recovery in the Euro and a stable interest rates all underpin our long term confidence.

Nicholas Hood
Chairman



Net Asset Value per Ordinary share: 45.8 pence

Net Revenue: £1,650,000

18 July 2000

FUND MANAGER'S REPORT

During the 6 months to 31 May 2000, the UK stockmarket continued to experience uncharacteristically high volatility. Between the end of November and the beginning of March the technology related sectors outperformed the more mature sectors of the economy, driven by similar trends in the US stockmarket and concerns over the long term sustainability of revenue growth and profit margins in the old economy. This divergent performance was exacerbated in early February as Vodafone's successful bid for Mannesmann resulted in a large increase in its weighting in the FT All Share Index. This led to many institutions indiscriminately selling holdings in many stocks despite the depressed levels at which they already stood.

However, at the beginning of March the NASDAQ in New York was weak because of fears about the unsustainable progress of the US economy and its effect on inflation. In addition, the low levels of many UK stocks encouraged corporate activity with bids, mergers and management buy-outs. By the end of May, the outperformance of the perceived high growth areas of the market had been substantially reversed as more rational long term prospects were discounted by the market.

Our investment approach continues to identify sound strategic assets that the market is mis-pricing. The largest overweight positions in sectors, relative to the FTSE350 High Yield benchmark are water and pharmaceuticals. Despite a harsh regulatory review, water shares continue to stand at a significant discount to their asset bases, offer high yields and continue to operate in monopolistic markets. Purchases of Severn Trent, Kelda and Pennon were made to reflect these views. Pharmaceuticals remain ideally suited to global demographic changes, have strong barriers to entry and are benefiting from industry consolidation. The holding of Astra Zeneca was added to and a position was established in SmithKline Beecham.

Other sectors considered to be offering significant value are the housebuilders such as Beazer, Bryant, Wilson Connolly and Westbury which continue to make excellent returns on their capital bases while being valued at derisory ratings and property which offers many quality companies such as British Land and Grantchester at large discount to their net asset values.

Disposals during the period were focused on stock specific situations. The entire holding in P&O was sold at the time the management announced plans to demerge the company, Marks and Spencer was also sold as realisation grew that the recovery of its core business would take much longer than originally envisaged. Holdings in Abbey National, Halifax and Lloyds were significantly reduced in response to increased price competition in the mortgage and savings market.

Our investment style continues to favour stocks that appear vulnerable to corporate activity and Thomson Travel, LIMIT and United Assurance all received bids during the first half of the year.

The Company continues to invest up to 15% of the total portfolio in split capital investment trusts. Whilst the majority of these issues offer exposure to the FTSE 350 High Yield, we try to invest in those trusts offering exposure diversified from the main equity portfolio. Therefore, three of the largest holdings in this sub-portfolio are European Technology and Income, JZ Equity, which invests in US private companies and Murray Global Return.

Alastair Mundy, Mark Gull
Fund Manager

INVESTMENT PORTFOLIO

Company	Valuation £'000	% Portfolio
Royal Bank of Scotland Group	3,009	3.6
Astra Zeneca	2,772	3.3
JZ Equity Partners	2,221	2.7
Shell Transport and Trading	2,213	2.7
Euro Tech	2,169	2.6
Smithkline Beecham	2,135	2.6
Thistle Hotels	1,952	2.4
BAA	1,830	2.2
Powergen	1,826	2.2
Guinness Flight Geared	1,799	2.2
Diageo	1,659	2.0
Jupiter Enhanced IT	1,496	1.8
Hyder	1,421	1.7
Bank of Scotland	1,402	1.7
Tomkins	1,379	1.7
Kelda Group	1,365	1.6
British American Tobacco	1,290	1.6
Royal and Sun Alliance	1,288	1.6
Cable and Wireless	1,282	1.5
United News and Media	1,265	1.5
20 Largest Investments	35,773	43.2
Other Investments (74 holdings)	46,105	55.6
	81,878	98.8
Cash	972	1.2
Total Investments	82,850	100.0

Portfolio Summary	%	£m
UK Equities	85.3	70.7
UK Preference	10.4	8.6
UK Debentures	3.1	2.6
Cash	1.2	1.0
	100	82.9

UK Equities	%	£m
FTSE 100	51.8	36.6
FTSE 250	20.8	14.7
Investment Trusts	17.8	12.6
Small Cap	9.6	6.8
	100	70.7

UNAUDITED GROUP STATEMENT OF TOTAL RETURN
(incorporating the revenue account of the Group*) for the six months ended 31 May 2000

Notes	6 months ended 31 May 2000		6 months ended 31 May 1999 (restated)	
	Revenue £'000	Capital £'000	Revenue £'000	Total £'000
(Losses)/Gains on investments	4	-	(1,765)	(1,765)
Income from investments	2(a)			
Franked investment income		1,856	-	1,856
Foreign income dividends		3	-	3
UK unfranked investment income		39	-	39
		1,898	(1,765)	133
Other income				
Bank Interest		33	-	33
Other income		-	-	-
Total income		1,931	(1,765)	166
Investment management fee		(174)	(175)	(349)
Other expenses		(107)	(22)	(129)
Net return		1,650	(1,962)	(312)
Non equity minority interest		-	(1,755)	(1,755)
Net return to ordinary shareholders		1,650	(3,717)	(2,067)
Dividends				
Dividends paid	3	(962)	-	(962)
Proposed dividends	3	(962)	-	(962)
Transfer to reserves		(274)	(3,717)	(3,991)
Revenue reserve at 30 November 1999		318	2,708	3,026
Revenue reserve		44	(1,009)	(965)
Return per share		2.06p	-4.64p	-2.58p
			385	385
			7,822	7,822
			2.65p	9.75p
			11,480	11,480
			1,443	1,443
			196	196
			156	156
			9,685	9,685
			2,125	2,125
			(1,654)	(1,654)
			9,947	9,947
			(637)	(637)
			(1,103)	(1,103)
			8,207	8,207
			-	-
			8,207	8,207
			12.40p	12.40p

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

UNAUDITED BALANCE SHEET AT 31 MAY 2000

	Notes	At 31 May 2000		At 31 May 1999	
		Company £'000	Group £'000	Company £'000	Group £'000
Fixed assets					
Investments	2 (c)	81,878	81,878	88,112	88,112
Current Assets					
Cash at bank and in hand		972	982	237	238
Debtors	5	429	419	3,251	3,250
		1,401	1,401	3,488	3,488
Creditors: amounts falling due within one year	6	(1,346)	(1,346)	(3,905)	(3,905)
Net current assets / (liabilities)		55	55	(417)	(417)
Total assets less current liabilities		81,933	81,933	87,695	87,695
Creditors: amounts falling due after one year					
Subordinated unsecured loan from subsidiary		(40,100)	0	(40,100)	0
Provision for shares to be subscribed in subsidiary		(5,063)	0	(1,654)	0
		(45,163)	0	(41,754)	0
Net assets		36,770	81,933	45,941	87,695
Share capital and reserves					
Equity shareholders funds					
Called up ordinary share capital	7	802	802	802	802
Share premium account	7	36,933	36,933	36,933	36,933
General capital reserve	7	935	935	14	14
Unrealised appreciation of investments		44	44	7,807	7,807
Revenue reserve	7	(1,944)	(1,944)	385	385
Total shareholders' funds		36,770	36,770	45,941	45,941
Non Equity Minority interests	8	0	45,163	0	41,754
Total capital employed		36,770	81,933	45,941	87,695
Net asset value per ordinary share		45.8p	45.8p	57.3p	57.3p

Approved by the Board on

2000 Nicholas Hood

Chairman

Nicholas Hood 15/7/00

NOTES TO THE ACCOUNTS

1. Basis of consolidation

Balance sheet information is presented for both the company (MHIT) and the Group, the latter being a consolidation of MHIT and its subsidiary, MHIT Securities PLC. MHIT Securities had no revenue or expenses in the period.

2. Accounting policies

These accounts have been prepared under the historical cost convention modified to include the revaluation of fixed assets and in accordance with applicable Accounting Standards in the United Kingdom. The recommendations included in the Statement of Recommended Practice ("the SORP") issued by the Association of Investment Trust Companies (December 1995) have been adopted.

The principal accounting policies adopted are as follows:

(a) All dividends and any related tax credits on equity securities are taken to account on the date that the security goes ex-dividend. Income from other investments is taken to account on an accruals basis.

(b) All expenses are accounted for on an accruals basis. Investment management and administration fees payable to Morley Fund Management Ltd are charged equally through the revenue account and capital account. Other expenses are charged to revenue except where they directly relate to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds.

(c) Listed investments comprise those quoted on a recognised Stock Exchange. These investments have been valued at middle market prices ruling on the last business day of the period. Any profits or losses, whether realised or unrealised, arising on fixed asset investments are taken to capital reserves.

3. Dividends Paid and Proposed

The following dividends have been paid on the Geared Ordinary shares of the Company.

Pence per share	Date Paid	Total Paid £'000
0.3	29 February 2000	240.6
0.3	31 March 2000	240.6
0.3	28 April 2000	240.6
<u>0.3</u>	31 May 2000	<u>240.6</u>
<u>1.2</u>		<u>962.4</u>

The following dividends are proposed to be paid on the Geared Ordinary shares of the company.

Pence per share	Date payable	Total payable £'000
0.3	30 June 2000	240.6
0.3	31 July 2000	240.6
0.3	31 August 2000	240.6
<u>0.3</u>	29 September 2000	<u>240.6</u>
<u>1.2</u>		<u>962.4</u>

4. (Losses) / Gains on Investments

	2000 £'000	1999 £'000
Company and Group		
Realised (losses) / gains on investments	(77)	1,878
Unrealised (losses) / gains on investments	(1,771)	7,807
Gain on exchange movement	<u>83</u>	<u>-</u>
	<u>(1,765)</u>	<u>9,685</u>

5. Debtors

	2000 Company £'000	2000 Group £'000	1999 Company £'000	1999 Group £'000
Due from subsidiary undertaking	10	-	2,555	2,554
Prepayments and accrued income	<u>419</u>	<u>419</u>	<u>696</u>	<u>696</u>
	<u>429</u>	<u>419</u>	<u>3,251</u>	<u>3,250</u>

6. Creditors: amounts falling due within one year

Company and Group	2000 £'000	1999 £'000
Creditors arising on purchase of investments	-	2,612
Accruals and deferred income	384	190
Proposed dividends on Geared Ordinary shares	<u>962</u>	<u>1,103</u>
	<u>1,346</u>	<u>3,905</u>

7. Capital Reserves

	Share premium £'000	Unrealised depreciation of investments £'000	Capital Reserve Group/Company £'000	Total £'000
Balance at 30 November 1999	36,933	(256)	2,964	39,641
Unrealised depreciation during period	-	(1,688)	-	(1,688)
Losses on realisation of investments	-	-	(77)	(77)
Expenses	-	-	(197)	(197)
Transfer to minority interests (Group) / Provision for shares to be subscribed in subsidiary (Company)	-	-	(1,755)	(1,755)
Balance at 31 May 2000	<u>36,933</u>	<u>(1,944)</u>	<u>935</u>	<u>35,924</u>

8. Non Equity Minority Interests

	2000 Company £'000	2000 Group £'000	1999 Company £'000	1999 Group £'000
Zero Dividend Preference shares	-	40,100	-	40,100
Accrued redemption premium	-	<u>5,063</u>	-	<u>1,654</u>
Non Equity Minority interests	-	<u>45,163</u>	-	<u>41,754</u>

COMPANY PROFILE

Objective

The objective is to achieve an above average level of income with some prospect of growth, while at least maintaining the initial net assets of the Geared Ordinary Shareholders.

Policy

The manager's investment policy is value driven and based on the following selection criteria:

Undermanaged stocks based on peer group measures such as return on capital, trading margins and cash flow generation;

Undervalued stocks on either a short or long term view based on earnings and cash flow;

Out of favour stocks based on price earnings relatives and cash flow potential; or

Stocks that offer acquisition value based on discount to net assets and a sum of parts valuation.

Benchmark

The performance of the equity portfolio will be judged against a range of comparisons including the FTSE 350 High Yield Index and the Micropal UT income sector average.

Background

The Company commenced trading on 4 December 1998 with gross assets of £80.2m, before expenses. The capital structure consisted of 80.2m Geared Ordinary shares and 80.2m Zero Dividend Preference Shares both issued at 50p.