

ENERGY & WATER

# Premier Energy and Water Trust PLC

half year report

30 June 2012

# 2012

## Investment objectives

The Company's investment objectives are to achieve a high income from its portfolio and to realise long-term growth in the capital value of the portfolio. The Company will seek to achieve these objectives by investing principally in the equity and equity related securities of companies operating primarily in the energy and water sectors, as well as other infrastructure investments.

**WINNER OF THE BEST HIGH INCOME SECURITY AWARD IN THE  
MONEY OBSERVER INVESTMENT TRUST AWARDS 2011**

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Registered in England No. 4897881

**aic**

The Association of  
Investment Companies

A member of the Association of Investment Companies

# Company highlights

## TOTAL RETURN PERFORMANCE

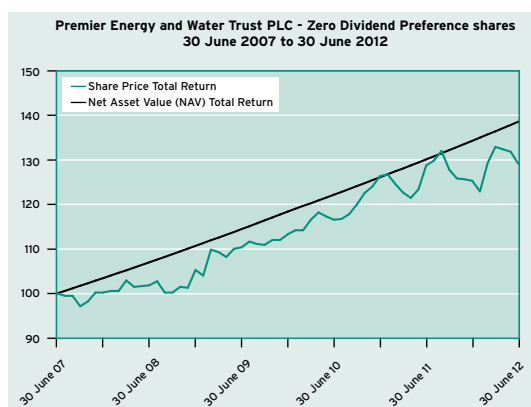
	Six months to 30 June 2012 % change
Total Assets Total Return <sup>1</sup>	+3.2%
Ordinary Share NAV Total Return <sup>2</sup>	+3.0%
Ordinary Share Price Total Return <sup>2</sup>	-2.8%
Bloomberg World Utilities Total Return Index (£) <sup>3</sup>	+0.7%
FTSE All Share Total Return Index <sup>3</sup>	+3.7%

## SHARE PRICE AND NAV<sup>4</sup> RETURNS

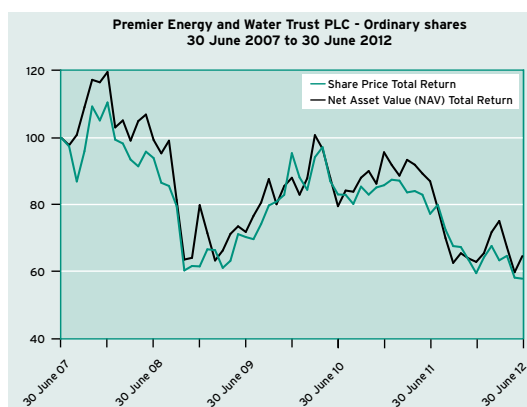
		30 June 2012	31 December 2011	% change
Zero Dividend Preference share	NAV <sup>4</sup>	177.66p	172.16p	+3.2%
	Mid price	175.75p	168.25p	+4.5%
Ordinary share	NAV <sup>4</sup>	124.36p	126.20p	-1.5%
	Mid price	96.00p	104.50p	-8.1%

	Six months to 30 June 2012	Six months to 30 June 2011
Net revenue per Ordinary share	8.01p	6.87p
Net dividends per Ordinary share <sup>5</sup>	3.40p	3.20p

**Zero Dividend Preference shares<sup>2</sup>**  
5 Year Performance to 30 June 2012  
(rebased to 100)



**Ordinary shares<sup>2</sup>**  
5 Year Performance to 30 June 2012  
(rebased to 100)



Further information can be found in the Financial Summary on page 9.

<sup>1</sup> Total return performance, adjusted for any dividends distributed and declared.

<sup>2</sup> Source: AIC using Morningstar.

<sup>3</sup> Source: Bloomberg.

<sup>4</sup> Calculated in accordance with the Articles of Association.

<sup>5</sup> Including dividends declared after the period end in respect of the period.

## Company summary

<b>Launch Date</b>	4 November 2003																		
<b>Domiciled</b>	UK																		
<b>Year-end</b>	31 December																		
<b>Shareholders' Funds</b>	£58.9 million																		
<b>Market Capitalisation</b>	£53.6 million																		
<b>Bank Loan</b>	Nil																		
<b>Zero Dividend Preference shares</b>	21,180,373: due to be redeemed at 221.78p on 31 December 2015																		
<b>Ordinary shares</b>	17,068,480																		
<b>Dividends</b>	Paid on Ordinary shares																		
<b>Dividend History</b>	<table><thead><tr><th>In respect of year ended 31 December</th><th>Total dividends declared</th></tr></thead><tbody><tr><td>2011</td><td>8.90p</td></tr><tr><td>2010</td><td>8.10p</td></tr><tr><td>2009</td><td>9.40p<sup>#</sup></td></tr><tr><td>2008</td><td>7.35p</td></tr><tr><td>2007</td><td>7.00p</td></tr><tr><td>2006</td><td>6.90p</td></tr><tr><td>2005</td><td>6.75p</td></tr><tr><td>2004</td><td>7.875p<sup>*</sup></td></tr></tbody></table>	In respect of year ended 31 December	Total dividends declared	2011	8.90p	2010	8.10p	2009	9.40p <sup>#</sup>	2008	7.35p	2007	7.00p	2006	6.90p	2005	6.75p	2004	7.875p <sup>*</sup>
In respect of year ended 31 December	Total dividends declared																		
2011	8.90p																		
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2007	7.00p																		
2006	6.90p																		
2005	6.75p																		
2004	7.875p <sup>*</sup>																		
<b>Investment Manager</b>	Premier Fund Managers Limited																		
<b>Management Fee</b>	1.0% per annum, charged 40% to revenue and 60% to capital, plus performance fee, allocated between capital and revenue based on the out-performance attributable to capital and revenue respectively																		
<b>AIC</b>	Member of the Association of Investment Companies																		

<sup>#</sup> Includes a special dividend of 1.70p.

<sup>\*</sup> This dividend was for the 14 month period from launch, representing an annualised dividend of 6.75p.

## Financial calendar

Company's year-end	31 December
Annual results announced	early March
Annual General Meeting	late April
Company's half-year end	30 June
Half-year results announced	early August
Dividend payments – 2012	at the end of March, June, September and December

# Chairman's statement

for the for six months to 30 June 2012

## Overview of the period

The first six months of 2012 have been eventful for the Premier Energy and Water Trust ("PEWT"), and the assets experienced some volatility. The second half of this interim period saw some of the issues surrounding Southern Europe coming to a head, but remaining largely unresolved. Unhelpful rhetoric in the Greek elections raised the spectre of a disorderly Greek exit from the Euro area, and an assumption that this would in turn lead to capital flight from Italy, Spain and Portugal. In France the electorate returned a socialist President, which has created some uncertainty as to how the large French utilities will fare under what is anticipated to be a more aggressive regulatory environment. Germany remains caught between the Scylla of a failed euro, and the Charybdis of having to tell its population that they are going to fully back the liabilities of the Southern Europe states.

Your Company entered the period with 11.1% of its portfolio invested in France, 4.7% invested in Spain, 4.4% in Italy, and 1.5% in Portugal. Given the troubled economic backdrop, the companies making up these positions performed remarkably well in the six months, reflecting their underlying defensive qualities. In essence the attractive valuations and high yields on offer are providing an equal and effective counterweight to the difficult environments in which they operate. The position will however, be kept under close review.

## Performance

Over the period total return on portfolio assets was +3.2% (adjusted for dividends distributed and declared). This compares to a total return from the Bloomberg World Utilities Index of +0.7%. Your Company therefore performed somewhat better than this index and was broadly in line with the FTSE All Share Index in the UK which returned +3.7%. Your Company does not have any formal benchmarks but rather provides investors with indices against which performance may be assessed.

The Ordinary Share net asset value began the year at a level of 126.20p (cum income), rising almost 13% to 142.46p by mid-March, and subsequently declining to 124.36p by the end of June, ending the period at a similar level to that at the start, an overall decline of 1.5%. The Company's capital structure is comprised of Ordinary and Zero Dividend Preference shares ("ZDP"). The ZDP shares are entitled to a predetermined capital sum of 221.78p at the anticipated wind up date of the Company, 31 December 2015. As a consequence the rise or fall in assets attributable to the Ordinary shares is geared by this prior entitlement. The cost of financing the Company's ZDP shares is therefore borne by the Ordinary Shares, and this represented a cost of £1.1m or 6.22p per Ordinary Share during the period.

## Management Changes

In March 2012 your Board announced that Kevin Scutt, who had managed PEWT since 2005 had resigned from Premier Fund Managers Limited ("Premier"). In early May we further announced that James Smith had been recruited by Premier as Senior Investment Manager and would be taking over the management of PEWT from June 2012, with the assistance of Claire Burgess who remains on the management team. James has for the past 13 years worked as an investment manager at Utilico, an £800m specialist utility and infrastructure investor. James and Claire form a part of Premier's global equity team headed by Chief Investment Officer Mike Jennings. We are delighted to welcome James and look forward to working with him.

# Chairman's statement

continued

In the light of these management changes Premier also considered that it was an appropriate time to draw to a close the consultancy agreement with Andrew Whalley, who since his appointment as chief executive of Renewable Energy Generation Ltd, has advised on PEWT's management on a part time basis. While Andrew will remain available to the manager on a consultancy basis for the next 12 months he will cease to have an active involvement in the management of PEWT's investments. Andrew joined the manager at the launch of PEWT in 2003 and had managed its predecessor vehicle. Andrew has the Board's best wishes for continuing success in the renewable energy industry.

This change of management will bring some fresh ideas to your Company. Shareholders can be reassured however that the overall investment remit will not be changed, nor is it anticipated that the management changes will lead to a change in dividend policy.

Shareholders should remember that they can keep up to date with developments via Premier's website at [www.premierfunds.co.uk](http://www.premierfunds.co.uk) where they will also find a monthly PEWT factsheet and commentary.

## Dividends

Revenue generation has continued to be excellent, with your Company recording net revenue per share of 8.01p in the six month period which represents an increase of 16.6% on the equivalent period last year. PEWT paid a first interim dividend of 1.7p per share on 29 June and declared a second interim dividend on 23 July of the same amount, payable on 28 September 2012. Both dividends represent an increase of 6.3% as compared to the first two interims paid in 2011. In these volatile times your Board is conscious of the stabilising influence of income and remains committed to a progressive dividend policy.

## Board Changes

With regret I report that pressures of other commitments have meant that Adam Cooke has advised of his resignation as a director of the Company. He has made a tremendous contribution both as a valuable member of the Board, and as Chair of the Audit Committee. His considerable knowledge of the investment trust industry and its investors has been of great value.

## Outlook

Your Company has endured a very difficult 18 months since December 2010. However, we believe global utilities remain an excellent sector in which to invest. In Europe low valuations and high yields can readily be found. In the Developing Markets there is emerging a class of higher quality utility companies committed both to growth and to shareholder value, with management quality having improved substantially over recent years. Your Board remains optimistic for the prospects of your Company's portfolio. In light of the current uncertainty and volatility, currency and portfolio hedging strategies will be utilised as appropriate to manage risk.

**Geoffrey Burns**

Chairman

6 August 2012

# Investment manager's report

for the six months to 30 June 2012

## Portfolio Activity

The change in the lead manager has led to a comprehensive review of the Company's holdings. This has resulted in a move into a number of convertible bonds, financed by the outright sale of a number of higher risk positions, a concentration of holdings at the top end of the portfolio, and the implementation of a Euro currency hedge.

At the time of writing the Euro is close to its weakest in relation to sterling since the start of the financial crisis in 2008. The decision to hedge the Company's Euro exposure does not imply an aggressive view on its future long term direction. Rather, given the on-going uncertainty in the eurozone, it means that we can retain the Company's position in those European stocks that we continue to see as good value, but reduce the currency risk with regards to fluctuations in the Euro.

In the last full year report we discussed a number of the Company's larger European holdings in some detail. The inherent risk of a Portuguese default and devaluation at the height of the Greek crisis in May seemed to outweigh the fundamental longer term attractions of holding *EDP*, the Portuguese electricity company, so we sold the remainder of the position towards the end of the period. We cut the holding in Spanish gas transmission company *Enagas* by over 50% because of the increasing risk of changes in regulation and/or taxation as the Spanish government seeks to resolve the country's tariff deficit as part of its budgetary review. We sold the remainder of the holding just after the period end.

We have also sold the entire position in *Veolia*, before and immediately after the end of June. At the end of June its competitor, Suez Environnement, warned that full year profits would not grow by the 4-5% previously expected as a result of a fall in European waste volumes. That fall will also be affecting Veolia, and earnings downgrades could bring into question the sustainability of its dividend going forward, given the high proportion of earnings that the group pays out as dividend. Suez, with its higher margins and stronger balance sheet, is better placed to weather the volume weakness, although that position remains under review.

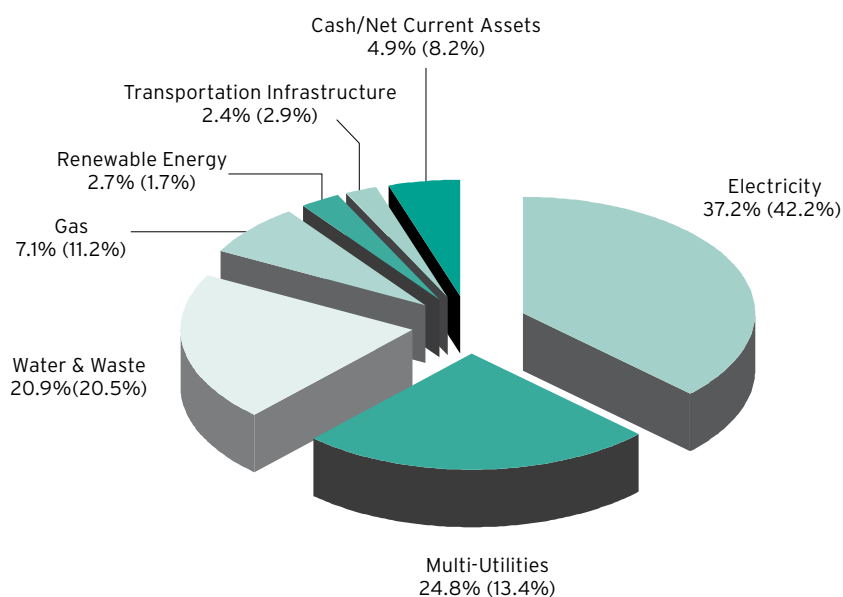
*GDF Suez* remains the largest position in the Company. The recent operating environment in Europe has been challenging, and the company is also dependent on political decisions in France and Belgium, which have fuelled market concerns this year. However, there are a number of catalysts on the horizon – tariff decisions and regulatory review in France, and energy policy and taxation in Belgium – that should provide greater domestic visibility. Longer term its significant and growing exposure to emerging countries provides the basis for earnings growth and thus support for one of the highest and safest dividend yields in the European utility sector. It is encouraging to see that GDF, together with several of the other European stocks in the top 10 – *E.On* and *RWE* for instance – finished the half year strongly.

We have added a number of convertible bonds – amounting to approximately 9% of the Company – in some cases replacing an existing equity position, and in others introducing a new holding. A convertible bond combines the features of both debt and equity, in that it pays a fixed dividend or “coupon” and provides protection from downside with the return of the original investment (“principal”) on maturity. It also carries additional value through the option to convert the bond into equity at a future date and price, and therefore participate in the future growth of company profits.

# Investment manager's report

continued

## Premier Energy and Water Trust PLC Sector Allocation at 30 June 2012 (31 December 2011 in brackets)



Our largest purchase has been of *Ecofin Convertible Bonds*, which offer a running yield of 6% and mature in July 2016. The convertible bonds offer capital security, as they are 6x covered by assets, an attractive yield, possible equity upside, and exposure to specialist areas such as US shale gas and US raw water rights, in which it would be difficult to invest directly. *Sound Global* has historically been one of the leading Chinese water infrastructure construction companies, but strengthened its balance sheet in order to take on some of the long term operating contracts that followed on from the construction work, thus building a recurring revenue base. After a slow start this strategy is beginning to bear some fruit with strong results in 2011 and also in the first quarter of 2012. However, despite strong earnings growth over the last two years, the group's share price has not reflected this and the shares are now trading on less than 8x 2012 forecast earnings. The Company has held a position in *Sound Global* equity for some years, but by switching the holding into the convertible is able to retain its exposure to upside from a recovery in the share price and receive a 6% coupon, while having a measure of downside protection in terms of capital value.

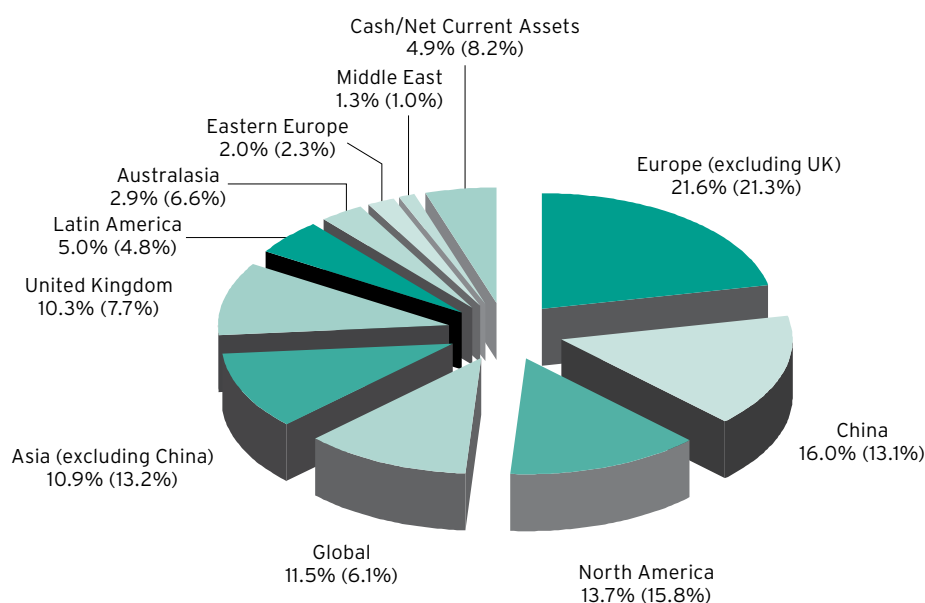
Thirdly we have invested in the convertible bond of *China Power International Development*, a Hong Kong listed Chinese power generator, where the equity is fundamentally attractive, with the company making just over half of its operating profit from hydro powered electricity generation, and the remainder from coal fired generation. The bond is trading in line with the equity, and its price should move more or less in line with the equity, with a guaranteed coupon and reduced downside risk.



# Investment manager's report

continued

Premier Energy and Water Trust PLC Geographical Breakdown at 30 June 2012  
(31 December 2011 in brackets)



The majority of PEWT's US holdings – including *First Energy*, *NextEra Energy*, and *PG&E Corp* – have continued to perform well (+10-15% in sterling total return terms over the period), but look expensive on 14-18x 2012 earnings. Consensus forecasts are suggesting 10% earnings growth this year, which is twice the average annual rate in the past 20 years, and this appears all the more optimistic given subdued demand and the likelihood of equity issuance. We do not expect a sudden reversal of this performance but we are likely to use a number of these positions as a source of funds over the next few months.

## Outlook

The global macro outlook is still subject to a great deal of uncertainty, and governments appear to be adopting a policy of putting off short term painful readjustments in favour of longer term stagnation. Although markets have traded more or less sideways for the past couple of years, we cannot rule out short term corrections from continued risk aversion. Aside from outright hedging, PEWT will seek to protect itself by increasing weights in true defensives, and taking positions in securities offering capital security and those companies which are relatively insulated from the difficult conditions in the global economy.

Premier Fund Managers Limited

25 July 2012

# Investment portfolio

at 30 June 2012

Top 30 holdings as at 30 June 2012.

Company	Sector	Geographic Area	2012 £000	Valuation % of total
1 GDF Suez	Multi-Utilities	France	<b>4,173</b>	7.1
2 Ecofin Water & Power*	Multi-Utilities	UK	<b>2,513</b>	4.3
3 E.On	Multi-Utilities	Germany	<b>1,849</b>	3.1
4 EDF	Electricity	France	<b>1,841</b>	3.1
5 National Grid	Electricity	UK	<b>1,824</b>	3.1
6 Essar Energy#	Electricity	India	<b>1,220</b>	3.0
7 RWE	Multi-Utilities	Germany	<b>1,687</b>	2.9
8 Snam Rete Gas	Gas	Italy	<b>1,622</b>	2.8
9 UIL	Electricity	USA	<b>1,600</b>	2.7
10 United Utilities	Water & Waste	UK	<b>1,586</b>	2.7
11 Terna	Electricity	Italy	<b>1,495</b>	2.5
12 Electricity Generating	Electricity	Thailand	<b>1,488</b>	2.5
13 FirstEnergy	Electricity	USA	<b>1,442</b>	2.5
14 Thai Tap Water	Water & Waste	Thailand	<b>1,439</b>	2.4
15 PPL	Electricity	USA	<b>1,418</b>	2.4
16 Suez Environnement	Water & Waste	France	<b>1,370</b>	2.3
17 PG&E	Electricity	USA	<b>1,333</b>	2.3
18 Cia de Transmissao	Electricity	Brazil	<b>1,253</b>	2.1
19 China Power International*	Electricity	China	<b>1,191</b>	2.0
20 CEZ	Electricity	Czech Republic	<b>1,170</b>	2.0
21 Pennon	Water & Waste	UK	<b>1,142</b>	1.9
22 Enagas	Gas	Spain	<b>1,134</b>	1.9
23 Kunlun Energy	Gas	China	<b>1,085</b>	1.8
24 China Everbright International	Water & Waste	China	<b>1,055</b>	1.8
25 Nextera Energy	Electricity	USA	<b>1,053</b>	1.8
26 Sound Global*	Water & Waste	China	<b>1,020</b>	1.7
27 China Water Affairs	Water & Waste	China	<b>991</b>	1.7
28 DUET	Multi-Utilities	Australia	<b>986</b>	1.7
29 Empresa Nacional de Electricidad	Electricity	Chile	<b>976</b>	1.7
30 Veolia Environnement	Water & Waste	France	<b>889</b>	1.5
			<b>44,382</b>	75.4
Other holdings			<b>11,584</b>	19.7
			<b>55,966</b>	95.1
Net Current Assets (including cash)			<b>2,892</b>	4.9
<b>Total Assets less current liabilities</b>			<b>58,858</b>	<b>100.0</b>

\* *Convertible Bonds.*

# *Ordinary shares & Convertible bonds.*

# Financial summary

	Six months to 30 June 2012	Year ended 31 December 2011
	% change	% change
<b>TOTAL RETURN PERFORMANCE</b>		
Total Assets Total Return <sup>1</sup>	+3.2%	-11.3%

<sup>1</sup> Total return performance calculated, adjusted for any dividends distributed and declared.

	At 30 June 2012	At 31 December 2011	% change	Premium/ (discount) % 30 June 2012
<b>SHARE PRICES AND NAVS</b>				
Net Asset Value per Zero Dividend Preference share <sup>2</sup>	177.66p	172.16p	+3.2%	–
Mid-market price per Zero Dividend Preference share	175.75p	168.25p	+4.5%	(1.1)%
Net Asset Value per Ordinary share <sup>2</sup>	124.36p	126.20p	-1.5%	–
Mid-market price per Ordinary share	96.00p	104.50p	-8.1%	(22.8)%

<sup>2</sup> Net asset values calculated in accordance with Articles of Association.

	Six months to 30 June 2012	Year ended 31 December 2011
<b>TOTAL RETURN PER ORDINARY SHARE<sup>3</sup></b>		
Net Asset Value	+3.0%	-34.3%
Share Price	-2.8%	-30.7%

<sup>3</sup> Source: AIC (using Morningstar).

	Six months to 30 June 2012	Six months to 30 June 2011	% change
<b>REVENUE AND DIVIDENDS</b>			
Net revenue per Ordinary share	8.01p	6.87p	+16.6%
Net dividends per Ordinary share	3.40p	3.20p	+6.3%

## HURDLE RATES<sup>4</sup>

Zero Dividend Preference shares:

Hurdle rate to redemption price of 221.78p on 31 December 2015 -3.9%

Ordinary shares:

Hurdle rate return to share price of 96.00p as at 30 June 2012 +3.4%

<sup>4</sup> The compound rate of growth of the total assets required each year until the wind-up date for Zero Dividend Preference shareholders to receive the predetermined redemption price, and for ordinary shareholders, a return of 96.00p being the share price at 30 June 2012.

Source: J.P. Morgan Cazenove.

	Six months to 30 June 2012	Year to 31 December 2011
<b>TOTAL RETURN</b>		
Bloomberg World Utilities Index (£) <sup>5</sup>	+0.7%	-8.6%
FTSE All Share Total Return Index (£) <sup>5</sup>	+3.7%	-2.9%

<sup>5</sup> Source: Bloomberg.

	At 30 June 2012	At 31 December 2011
£/\$ exchange rate	1.5685	1.5541
£/€ exchange rate	1.2359	1.1972

# Income statement

for the six months ended 30 June 2012

			(Unaudited) Six months ended 30 June 2012	
	Notes	Revenue £000	Capital £000	Total £000
Gains/(losses) on investments - held at fair value through profit or loss		-	631	631
Revenue		1,888	-	1,888
Investment management fee		(116)	(174)	(290)
Other expenses		(178)	-	(178)
<b>Return before finance costs and taxation</b>		<b>1,594</b>	<b>457</b>	<b>2,051</b>
Finance costs		-	(1,134)	(1,134)
<b>Return on ordinary activities before taxation</b>		<b>1,594</b>	<b>(677)</b>	<b>917</b>
Taxation on ordinary activities		(226)	-	(226)
<b>Return on ordinary activities after taxation attributable to equity shares</b>		<b>1,368</b>	<b>(677)</b>	<b>691</b>
				Total
<b>Return per Ordinary share (pence) - basic</b>	4	<b>8.01</b>	<b>(3.97)</b>	<b>4.04</b>

The total 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.

The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.



Revenue £000	Capital £000	(Unaudited)	Revenue £000	Capital £000	(Audited)
		Six months ended 30 June 2011 Total £000			Year ended 31 December 2011 Total £000
-	(1,720)	(1,720)	-	(9,005)	(9,005)
1,638	-	1,638	2,780	-	2,780
(130)	(196)	(326)	(247)	(371)	(618)
(188)	-	(188)	(400)	-	(400)
1,320	(1,916)	(596)	2,133	(9,376)	(7,243)
-	(1,062)	(1,062)	-	(2,171)	(2,171)
1,320	(2,978)	(1,658)	2,133	(11,547)	(9,414)
(147)	-	(147)	(272)	-	(272)
1,173	(2,978)	(1,805)	1,861	(11,547)	(9,686)
		<b>Total</b>			<b>Total</b>
6.87	(17.45)	(10.58)	10.90	(67.65)	(56.75)

# Balance sheet

as at 30 June 2012

	(Unaudited) 30 June 2012 £000	(Unaudited) 30 June 2011 £000	(Audited) 31 December 2011 £000
<b>Non current assets</b>			
Investments held at fair value through profit or loss	55,966	62,846	53,248
<b>Current assets</b>			
Debtors	2,760	1,169	406
Cash at bank	747	2,485	5,213
	<b>3,507</b>	3,654	5,619
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	(616)	(1,159)	(862)
<b>Net current assets</b>	<b>2,891</b>	2,495	4,757
<b>Total assets less current liabilities</b>	<b>58,857</b>	65,341	58,005
Creditors - amounts falling due after more than one year			
Zero Dividend Preference shares	(37,871)	(35,628)	(36,737)
<b>Total net assets</b>	<b>20,986</b>	29,713	21,268
<b>Capital and reserves</b>			
Equity share capital	171	171	171
Redemption reserve	88	88	88
Capital reserve	3,927	13,173	4,604
Special reserve	7,472	7,472	7,472
Share premium	6,884	6,884	6,884
Revenue reserve	2,444	1,925	2,049
<b>Total equity shareholders' funds</b>	<b>20,986</b>	29,713	21,268
<b>NAV per share - Ordinary shares (pence) - UK Accounting Standards basis</b>	<b>122.95</b>	174.08	124.60
<b>NAV per share - Ordinary shares (pence) - Articles of Association basis</b>	<b>124.36</b>	175.84	126.20

# Reconciliation of movements in shareholders' funds

for the six months ended 30 June 2012

	(Unaudited)						
	Share capital £000	Redemption reserve £000	Capital reserve £000	Special reserve £000	Share premium £000	Revenue reserve £000	Total £000
<b>For the six months ended 30 June 2012</b>							
Balance at 1 January 2012	171	88	4,604	7,472	6,884	2,049	21,268
Return on ordinary activities after taxation	-	-	(677)	-	-	1,368	691
Dividends paid	-	-	-	-	-	(973)	(973)
<b>Balance at 30 June 2012</b>	<b>171</b>	<b>88</b>	<b>3,927</b>	<b>7,472</b>	<b>6,884</b>	<b>2,444</b>	<b>20,986</b>

	(Unaudited)						
	Share capital £000	Redemption reserve £000	Capital reserve £000	Special reserve £000	Share premium £000	Revenue reserve £000	Total £000
<b>For the six months ended 30 June 2011</b>							
Balance at 1 January 2011	171	88	16,151	7,472	6,887	1,470	32,239
Return on ordinary activities after taxation	-	-	(2,978)	-	-	1,173	(1,805)
Under accrued transaction costs	-	-	-	-	(3)	-	(3)
Dividends paid	-	-	-	-	-	(718)	(718)
<b>Balance at 30 June 2011</b>	<b>171</b>	<b>88</b>	<b>13,173</b>	<b>7,472</b>	<b>6,884</b>	<b>1,925</b>	<b>29,713</b>

	(Audited)						
	Share capital £000	Redemption reserve £000	Capital reserve £000	Special reserve £000	Share premium £000	Revenue reserve £000	Total £000
<b>For the year ended 31 December 2011</b>							
Balance at 1 January 2011	171	88	16,151	7,472	6,887	1,470	32,239
Return on ordinary activities after taxation	-	-	(11,547)	-	-	1,861	(9,686)
Under accrued costs on issue of Ordinary shares in prior year	-	-	-	-	(3)	-	(3)
Dividends paid	-	-	-	-	-	(1,282)	(1,282)
<b>Balance at 31 December 2011</b>	<b>171</b>	<b>88</b>	<b>4,604</b>	<b>7,472</b>	<b>6,884</b>	<b>2,049</b>	<b>21,268</b>

# Cashflow statement

for the six months ended 30 June 2012

		(Unaudited) Six months ended 30 June 2012 £000	(Unaudited) Six months ended 30 June 2011 £000	(Audited) Year ended 31 December 2011 £000
<b>Net cash inflow from operating activities</b>	Notes 7	<b>1,329</b>	796	1,560
<b>Servicing of finance</b>				
Interest paid		-	-	-
<b>Taxation</b>				
Overseas tax paid		<b>(226)</b>	(155)	(279)
<b>Financial investments</b>				
Purchases of investments		<b>(25,054)</b>	(17,909)	(39,373)
Sales of investments		<b>20,458</b>	14,047	38,163
Net cash outflow from financial investments		<b>(4,596)</b>	(3,862)	(1,210)
<b>Equity dividends paid</b>		<b>(973)</b>	(718)	(1,282)
<b>Net cash outflow before financing</b>		<b>(4,466)</b>	(3,939)	(1,211)
<b>Financing</b>				
Costs on issue of Ordinary shares in prior year		-	(3)	(3)
Net cash outflow from financing		-	(3)	(3)
<b>Decrease in cash</b>		<b>(4,466)</b>	(3,942)	(1,214)

## Reconciliation of net cashflow to movements in net debt

	(Unaudited) Six months ended 30 June 2012 £000	(Unaudited) Six months ended 30 June 2011 £000	(Audited) Year ended 31 December 2011 £000
Decrease in cash as above	<b>(4,466)</b>	(3,942)	(1,214)
Net change in debt due in more than one year	<b>(1,134)</b>	(1,062)	(2,171)
Movement in net debt for year	<b>(5,600)</b>	(5,004)	(3,385)
Net debt as at 1 January	<b>(31,524)</b>	(28,139)	(28,139)
<b>Net debt as at 30 June</b>	<b>(37,124)</b>	(33,143)	(31,524)



## Notes to the half year report

1. These financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in January 2009). The accounting policies applied to this half year report are consistent with those applied in the accounts for the year ended 31 December 2011.
2. The figures and financial information for the year ended 31 December 2011 are an extract from the latest published accounts and do not constitute statutory accounts. Full accounts for that period have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The accounts for the six months ended 30 June 2012 and for the six months ended 30 June 2011 are unaudited and do not constitute statutory accounts.
3. On 23 July 2012 the Directors declared a second interim dividend of 1.70p per Ordinary share for the year ending 31 December 2012 to holders of Ordinary shares on the register on 31 August 2012. The Ordinary shares will be marked ex-dividend on 29 August 2012 and the dividend will be paid on 28 September 2012.
4. The total return per Ordinary share is based on the return on ordinary activities after taxation of £691,000 (six months ended 30 June 2011: £(1,805,000); year ended 31 December 2011: £(9,686,000) and on 17,068,480 Ordinary shares in issue during the six months ended 30 June 2012 (six months ended 30 June 2011: 17,068,480 shares; year ended 31 December 2011: 17,068,480 shares).
5. The Net Asset Value differences reported below arise from the treatment of the premium (net of expenses) from the issue of Zero Dividend Preference ("ZDP") shares in December 2011 of £330,000. In accordance with UK Accounting Standards this has been included with the ZDP liability and is being amortised over the life of the Company. In accordance with the Articles of Association the premium has been included with shareholders equity and the ZDP liability reflects their accrued capital entitlement at 30 June 2012 and 31 December 2011.

The net asset value per share and the net assets available to each class of share calculated in accordance with UK Accounting Standards, are as follows:

	Net asset value per share 30 June 2012 Pence	Net assets available 30 June 2012 £000	Net asset value per share 31 December 2011 Pence	Net assets available 31 December 2011 £000
17,068,480 Ordinary shares of £0.01 each in issue	<b>122.95</b>	<b>20,986</b>	124.60	21,268
21,180,373 Zero Dividend Preference shares of £0.01 each in issue*	<b>178.80</b>	<b>37,871</b>	173.45	36,737

\* Classified as a liability.

# Notes to the half year report

continued

The net asset value per share and the net assets available to each class of share calculated in accordance with the Articles of Association, are as follows:

	Net asset value per share 30 June 2012 Pence	Net assets available 30 June 2012 £000	Net asset value per share 31 December 2011 Pence	Net assets available 31 December 2011 £000
17,068,480 Ordinary shares of £0.01 each in issue	<b>124.36</b>	<b>21,227</b>	126.20	21,540
21,180,373 Zero Dividend Preference shares of £0.01 each in issue*	<b>177.66</b>	<b>37,630</b>	172.16	36,465

\* Classified as a liability.

6. The taxation charge of £226,000 (30 June 2011: £147,000 and 31 December 2011: £272,000) relates to irrecoverable overseas taxation.
7. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities:

	(Unaudited) Six months ended 30 June 2012 £000	(Unaudited) Six months ended 30 June 2011 £000	(Audited) Year ended 31 December 2011 £000
Total return on ordinary activities before finance costs and taxation	<b>2,051</b>	(1,687)	(7,243)
Capital return before finance costs and taxation	<b>(457)</b>	3,007	9,376
Other debtors	-	13	(5)
Accrued income and prepayments	<b>(157)</b>	(297)	(165)
Other creditors	<b>66</b>	(44)	(32)
Investment management fee capitalised	<b>(174)</b>	(196)	(371)
Net cash inflow from operating activities	<b>1,329</b>	796	1,560

8. Investment management fee charged by Premier Fund Managers Limited.

	(Unaudited) Six months ended 30 June 2012 £000	(Unaudited) Six months ended 30 June 2011 £000	(Audited) Year ended 31 December 2011 £000
Basic fee: 40% charged to revenue	<b>116</b>	130	247
60% charged to capital	<b>174</b>	196	371
	<b>290</b>	326	618

9. It is the intention of the Directors to conduct the affairs of the Company so that they satisfy the conditions for approval as an investment trust company set out in section 1158 of the Income and Corporation Tax Act 2011.

# Interim management report

Premier Energy and Water Trust PLC is required to make the following disclosures in its half year report:

## Principal Risks and Uncertainties

The Board believes that the principal risks and uncertainties faced by the Company continue to fall into the following categories:

- Structure of the Company and gearing.
- Dividend levels.
- Currency risk.
- Liquidity risk.
- Market price risk.
- Discount volatility.
- Operational.
- Accounting, legal and regulatory.

Information on each of these is given in the Report of the Directors in the Annual Report for the year ended 31 December 2011.

## Related Party Transactions

There have been no related party transactions during the six months ended 30 June 2012.

## Directors' Responsibility Statement

The Directors are responsible for preparing the half year report, in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- The condensed set of financial statements within the half year report has been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports"; and
- The Interim Management Report includes a fair review of the information required by 4.2.7R (indication of important events during the first six months of the year) and 4.2.8R (disclosure of related party transactions and changes therein) of the FSA's Disclosure and Transparency Rules.

For and on behalf of the Board.

**Geoffrey Burns**

Chairman

6 August 2012

# Shareholder information

## SHARE PRICE AND PERFORMANCE INFORMATION

The Ordinary shares and Zero Dividend Preference shares are listed on the London Stock Exchange.

Information about the Company can be obtained directly via [www.premierfunds.co.uk](http://www.premierfunds.co.uk). Any enquiries can also be e-mailed to [premier@premierfunds.co.uk](mailto:premier@premierfunds.co.uk).

## SHARE DEALING

Shares can be purchased through a stockbroker.

Information on the Premier ISA can be obtained by contacting Premier on 01483 400400.

## SHARE REGISTER ENQUIRIES

The register for the Ordinary shares and Zero Dividend Preference shares is maintained by Capita Registrars. In the event of queries regarding your holding, please contact the Registrar on 0871 664 0300 (calls cost 10p per minute plus network extras) overseas: +44 208 639 3399 or e-mail: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com). Changes of name and/or address must be notified in writing to the Registrar.

## Directors and advisers

<b>Directors</b>	Geoffrey Burns (Chairman) Adam Cooke ( <i>resigned 31 July 2012</i> ) Ian Graham Michael Wigley Charles Wilkinson	
<b>Investment Manager</b>	Premier Fund Managers Limited Eastgate Court High Street Guildford Surrey GU1 3DE  Telephone: 01483 306 090 <a href="http://www.premierfunds.co.uk">www.premierfunds.co.uk</a>  Authorised and regulated by the Financial Services Authority	
<b>Secretary and Registered Office</b>	Premier Asset Management Limited Eastgate Court High Street Guildford Surrey GU1 3DE  Telephone: Mike Nokes 020 7982 1260	
<b>Company Number</b>	4897881	
<b>Website</b>	<a href="http://www.premierfunds.co.uk">www.premierfunds.co.uk</a>	
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU  Telephone: 0871 664 0300 ( <i>calls cost 10p per minute plus network extras</i> ) Overseas: +44 208 639 3399 Email: <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a>	
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF	
<b>Joint Stockbrokers</b>	J.P. Morgan Cazenove 25 Bank Street Canary Wharf London E14 5JP Telephone: 020 7742 4000	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT Telephone: 020 7598 5368

## Notes



