PREMIER ENERGY AND WATER TRUST PLC 2012

Annual report
& accounts
for the year ended
31 December 2012

Investment Objectives

The Company's investment objectives are to achieve a high income and to realise long term growth in the capital value of its 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.

Contents

Company Summary

History

The Company, a UK investment trust listed on the main list of the London Stock Exchange, was incorporated on 12 September 2003 and commenced its activities on 4 November 2003. The Company was established in connection with the scheme of reconstruction of Legg Mason Investors International Utilities Trust PLC, with 18,143,433 Ordinary Shares and 19,143,433 Zero Dividend Preference Shares being allotted at launch. On 18 December 2009 shareholders approved special resolutions to implement tender offers for Ordinary Shares and Zero Dividend Preference ("ZDP") Shares, to extend the life of the Company until 31 December 2015 and to amend the final entitlement per ZDP Share to 221.78p on 31 December 2015 (a gross redemption yield of 6.53% on the ZDP Net Asset Value of 151.39p at 17 December 2009). On 15 December 2010 shareholders approved proposals to issue new shares in connection with the reconstruction of Premier Renewable Energy Fund Limited.

Financial Calendar

Company's year end	31 December
Annual results announced	March
Annual General Meeting	23 April 2013
Company's half year end	30 June
Half year results announced	August
Dividend payments – 2013	At the end of March, June, September and December

Company Summary continued

Capital Structure

Bank Loan	As at 31 December 2012 the Company had no bank loans outstanding (2011: nil).
Zero Dividend Preference Shares (1p each)	21,180,373 The ZDP Shares will have a final capital entitlement of 221.78p on 31 December 2015 subject to there being sufficient capital in the Company. The ZDP Shares are not entitled to any dividends. The ZDP shareholders have the right to receive notice of, to attend and to vote at all general meetings of the Company. The ZDP Shares are qualifying investments for Individual Savings Accounts ("ISAs").
Ordinary Shares (1p each)	17,068,480 The Ordinary Shares are entitled to all of the Company's net income available for distribution by way of dividends. On a winding-up, they will be due any undistributed revenue reserves and any surplus assets of the Company after the ZDPs have been paid in full. The Ordinary shareholders have the right to receive notice of, to attend and to vote at all general meetings of the Company. The Ordinary Shares are qualifying investments for ISAs.

Company details

Investment Manager	Premier Fund Managers Ltd ("PFM Ltd"), is a subsidiary of Premier Asset Management Ltd ("PAM Ltd"). PAM Ltd had approximately £2.1bn of funds under management at 31 December 2012. PFM Ltd is authorised and regulated by the Financial Services Authority. The Company's portfolio is managed by James Smith and Claire Burgess.
Secretary	Premier Asset Management Ltd provides the company secretarial and administrative services.
Management Fee	1.0% per annum, charged 40% to revenue and 60% to capital, plus performance fee, allocated between capital and revenue based on the outperformance attributable to the capital and revenue respectively. (See note 3 to the accounts for full details.)

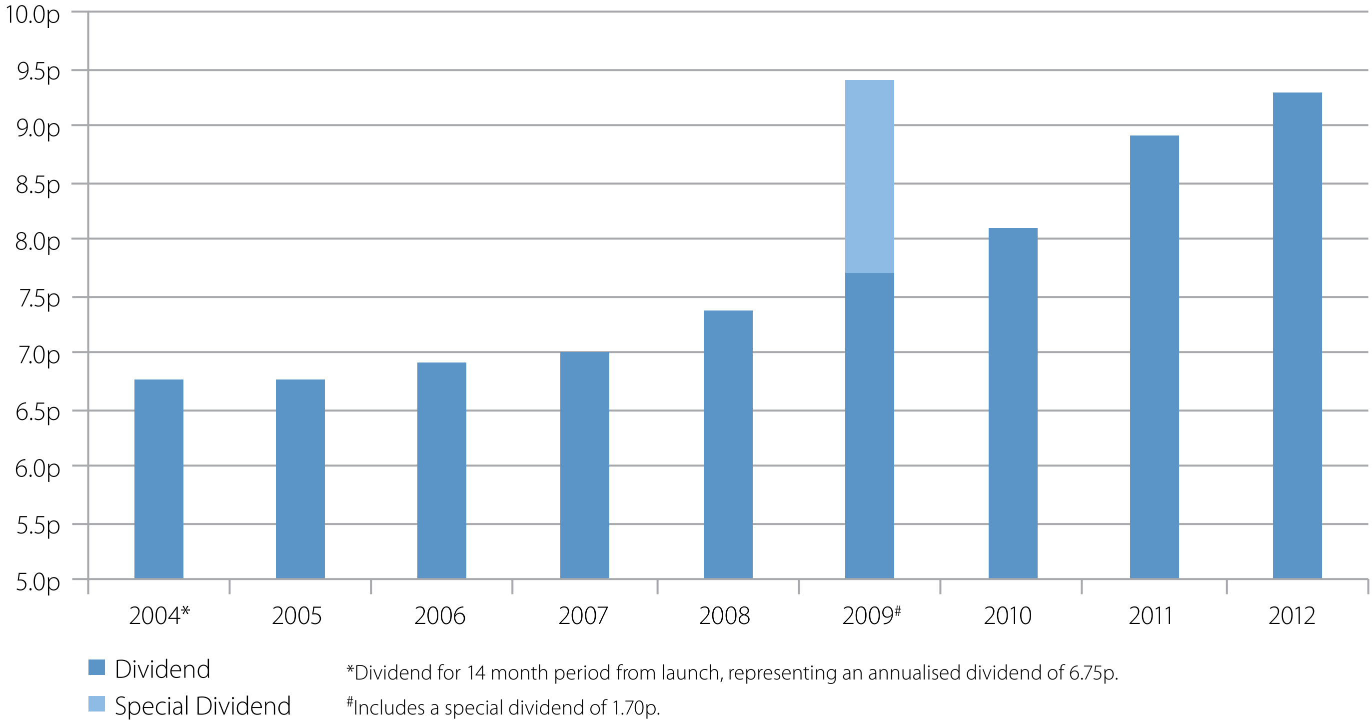
Company Highlights
for the year to 31 December 2012

	31 December 2012	31 December 2011	% change
Total Return Performance			
Total Assets Total Return [1]	2.9%	(11.1%)	
Bloomberg World Utilities Index Total Return [2] (GBP)	(1.0%)	(8.6%)	
FTSE All World Index Total Return [2] (GBP)	11.9%	(6.7%)	
FTSE All Share Index Total Return [2] (GBP)	12.9%	(2.9%)	
Ongoing charges [3]	1.6%	1.6%	
Ordinary Share Returns			
Net Asset Value per Ordinary Share (cum income) [4]	112.59p	126.20p	(10.8%)
Mid-market price per Ordinary Share [2]	99.00p	104.50p	(5.3%)
Discount	(12.1%)	(17.2%)	
Revenue return per Ordinary Share	11.10p	10.90p	2.8%
Net dividends declared per Ordinary Share	9.30p	8.90p	4.5%
Net Asset Value Total Return [5]	(4.0%)	(30.5%)	
Share Price Total Return [2]	3.7%	(30.7%)	
Zero Dividend Preference Share Returns			
Net Asset Value per Zero Dividend Preference Share	183.45p	172.16p	6.6%
Mid Market Price per Zero Dividend Preference Share [2]	186.50p	168.25p	10.8%
Premium/(discount)	1.7%	(2.3%)	
Hurdle Rates			
Ordinary Shares			
Hurdle rate to return the share price of 99.0p at 31 December 2012 [6]	4.5%		
Zero Dividend Preference Shares			
Hurdle rate to return the redemption share price of 221.78p at 31 December 2015 [6]	(4.3%)		
Balance Sheet			
Gross Assets less Current Liabilities	£58.1m	£58.0m	0.2%
Zero Dividend Preference Shares	(£39.1m)	(£36.7m)	(6.5%)
Equity Shareholders' Funds	£19.0m	£21.3m	(10.8%)
Gearing on Ordinary Shares	3.06x	2.72x	
Zero Dividend Preference Share Cover [7]	1.49x	1.58x	

[1] Based on opening and closing total assets plus dividends marked "ex-dividend" within the period. Source: PFM Ltd.
[2] Source: Bloomberg.
[3] Ongoing charges have been based on the Company's management fees and other operating expenses as a percentage of average gross assets less current liabilities over the year.
[4] Articles of Association basis.
[5] Based on opening and closing NAVs plus dividends marked "ex-dividend" within the period. Source: PFM Ltd.
[6] Source: JP Morgan Cazenove.
[7] Based on the ZDP accrued capital entitlement at the end of each year.

Dividend Progression

2004-2012



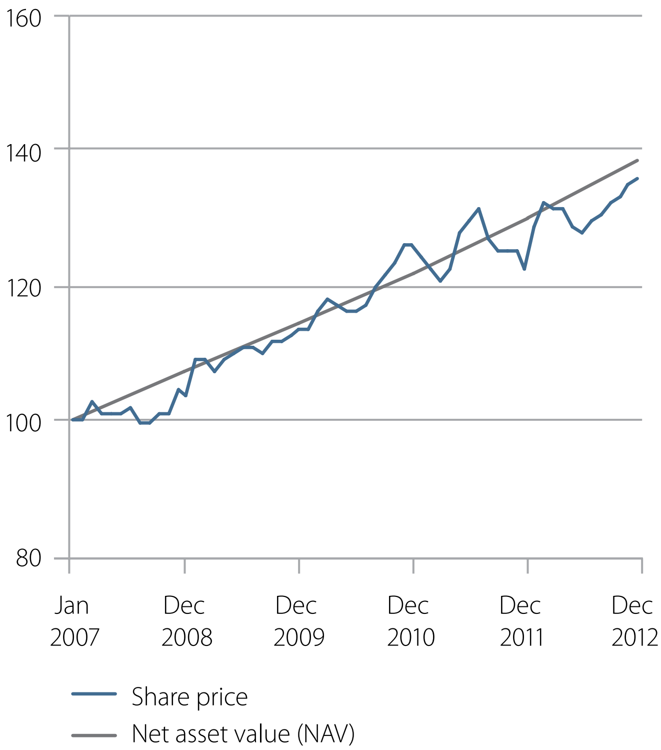
*Dividend for 14 month period from launch, representing an annualised dividend of 6.75p.

#Includes a special dividend of 1.70p.

Share Price Performance

2007-2012

ZDP Shares 5 year performance chart



Source: AIC using Morningstar

Ordinary Shares 5 year performance chart

Source: AIC using Morningstar

Chairman's Statement
for the year to 31 December 2012

Overview of the year

The issues facing the global economy, which we discussed in the 2011 Annual Report, remain with us as we enter 2013. Politicians appear to have taken a conscious but unspoken decision to put off addressing the fundamental problems facing Western Economies, instead choosing to buy time through quantitative easing, exchange rate manipulation, and token attempts at austerity. Only Southern Europe appears to have adopted policies to attempt to live within its means, although this has been forced onto those economies via the EU.

There are some bright corners however. The US Economy appears to be showing some signs of life, having acted earlier and more effectively in recognising losses and stabilising its banking system. Asia is by and large doing well and China, increasingly important to both the regional and global economy, has recorded another year of strong GDP growth in 2012.

The second half of 2012 proved more profitable for equity investors than the first. For the year as a whole the FTSE All World Index (GBP adjusted including dividends) gained 11.9%, well ahead of the Bloomberg World Utilities Index (GBP adjusted including dividends) which lost 1.0%. It has been another difficult year to be a utilities investor, with European utilities performing particularly poorly.

Performance

I am pleased to report that the Premier Energy and Water Trust PLC ("PEWT"/"the Company"), recorded a total assets total return of 2.9%, this being an out-performance of the Bloomberg World Utilities Index, but still far from satisfactory.

The Company's cum-income NAV per Ordinary Share declined from 126.20p at 31 December 2011 to 112.59p at 31 December 2012. By far the largest component of this fall was the finance costs attributable to the ZDP Shares of £2.3 million which reduced the Ordinary NAV by 13.64p per share. The Company's split capital structure has again counted against the Ordinary Shares in 2012 as can be seen above, by virtue of the fact that the investment performance failed to cover the ZDP financing costs. Adding back dividends paid to the NAV movement, the Ordinary Shares showed a negative total return of 4.0%.

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"). Subsequent to this, James Smith took 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 fourteen years worked as an investment manager at Utilico, an £800m specialist utility and infrastructure investor. This change has led to material changes in the investment portfolio, discussed fully in the Investment Manager's Report.

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 has now ceased to have an active involvement in the management of PEWT. 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 his continuing success in the renewable energy industry.

Dividends

Revenue generation has again been very healthy, with an increase in the net revenue return per share of 2.7% to 11.10p. Your Board has declared a fourth interim dividend of 4.20p per Ordinary Share which will be paid on 28 March 2013 to shareholders on the register as at the close of business on 8 March 2013. Total dividends paid in respect of the year are therefore 9.30p per share, an increase of 4.5% over the 8.90p per share paid in respect of 2011. The 9.30p per share represents a dividend yield of 9.4% on the closing Ordinary Share price on 31 December 2012. Your Board and Investment Manager are aware how important income is to shareholders and are committed to maintaining a progressive dividend policy.

Shareholder relations

The Board and Premier welcome contact with both the Company's existing shareholders and potential new shareholders. The Company's AGM is on Tuesday, 23 April 2013 at 2.00 p.m. at the offices of Premier Asset Management Limited in Guildford, where a presentation will be given, and it is hoped that shareholders will be able to attend on this date. In addition up to date information on your Company may be found on Premier's website at www.premierfunds.co.uk .

Board Changes

I regret to report that, due to other commitments, Adam Cooke resigned as a director of the Company on 31 July 2012. Adam has made a tremendous contribution both as a member of the Board and also as Chair of the Audit Committee. His considerable knowledge of the investment trust industry has been of great value. Ian Graham replaced Adam as the chair of the Audit Committee.

Outlook

Your Company has experienced a somewhat frustrating year, and another difficult one for the global power and water sectors. We do however see many reasons for optimism as we enter 2013. The portfolio has been substantially re-structured and now contains an attractive combination of high quality defensive regulated utilities, coupled with investments in many companies exposed to dynamic growth in Asia and Latin America, without any disruption to the strong income flow. We have taken some sour tasting medicine this year, recording losses on several supposedly low risk industry stalwarts, principally in Europe, but we have also seen some strong gains in the final few months of the year in some of the newer investments. This has continued into the early part of 2013, with the NAV increasing by 30.2% over January and February. Overall we look to 2013 with increased optimism on the prospects for the portfolio, while remaining alert to the well-known risks and imbalances present in the global economy.

Geoffrey Burns
Chairman

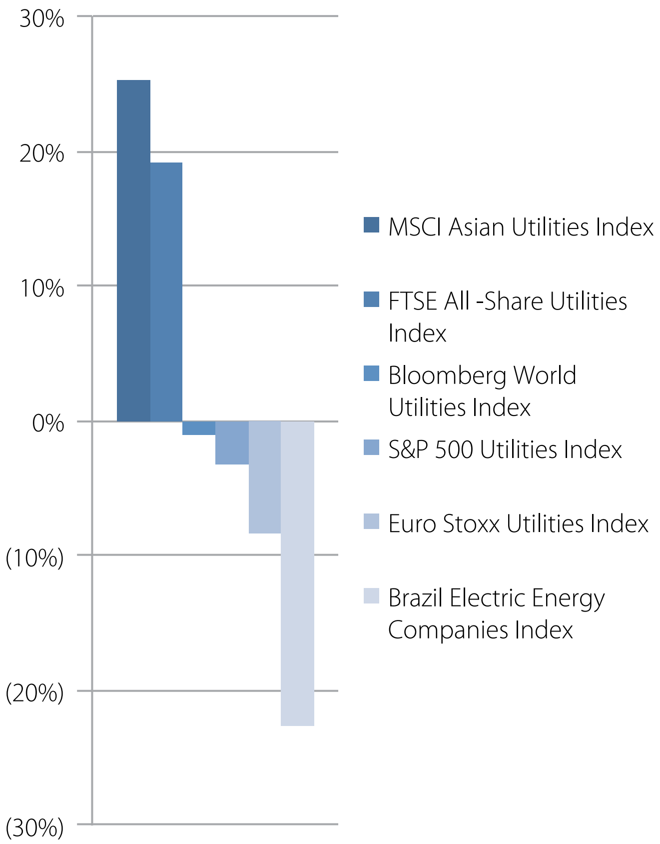
12 March 2013

Investment Manager's Report
for the year to 31 December 2012

Performance
2012 has seen another year of under-performance by the utilities sector as against the wider markets. The Bloomberg World Utilities Index (GBP adjusted, total return) fell by 1.0%, well behind the FTSE All World Index (GBP adjusted, total return) which gained 11.9%. The main reason for this was underperformance in the core US and European utility sectors, as shown in the chart below. It can be seen that the UK performed well, as did utility companies located in Asia. For 2012, appropriate geographical allocation was key to successful investment performance.

Movements in PEWT's NAV per share are dealt with in the Company Highlights and the Chairman's Statement, but it is worth noting that, when viewed on a share price and dividends received basis, the Ordinary Shareholder has seen a total return of 3.7% during 2012. A key component of this return was a narrowing of the discount of the Ordinary Share to its NAV, which fell from 17.2% at the end of 2011 to 12.1% at 31 December 2012.

UTILITY INDICES RETURNS 2012



Portfolio
2012 has seen a substantial restructuring of PEWT's investment portfolio by the new management team. Portfolio activity has been higher than recent years as a result, with total investments made of £48.5m amounting to portfolio turnover of 91.1%. It is anticipated that turnover in 2013 will be substantially lower.

The basic thrust of the changes implemented has been to increase weightings in the emerging economies, reduce exposure to Europe and the US, increase exposure to the UK, and increase the holdings in some of the more interesting smaller companies at the expense of the large caps. Portfolio concentration has also increased.

Of the twenty largest holdings at December 2011, only six remain within the twenty largest investments at the end of 2012. We see attractive value in the new investment holdings, and believe they have the potential to deliver strong returns to shareholders.

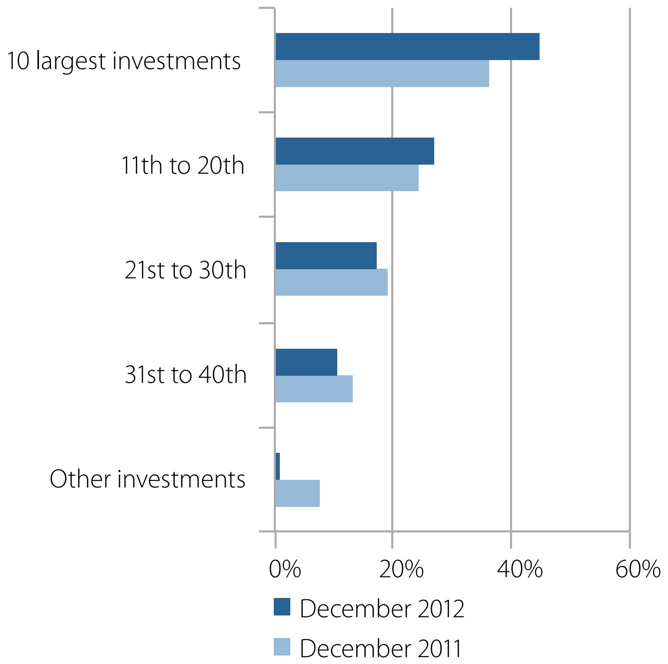
Despite the movements in geographic allocation, income generation continues to be strong. We anticipate that income received will remain healthy, and that shareholders will continue to see an attractive dividend.

It is becoming apparent that the electricity sector in Europe has become a very difficult place to do business, characterised by over-capacity and falling demand, with new renewable energies increasingly displacing conventional electricity generation. 2012 has seen several large incumbent European utilities downgrade profit guidance, including **GDF Suez** and **E.On**. We have exited those companies exposed to this market but have retained GDF Suez as its other businesses operating globally are performing well, and we believe its share price discounts its issues in Europe.

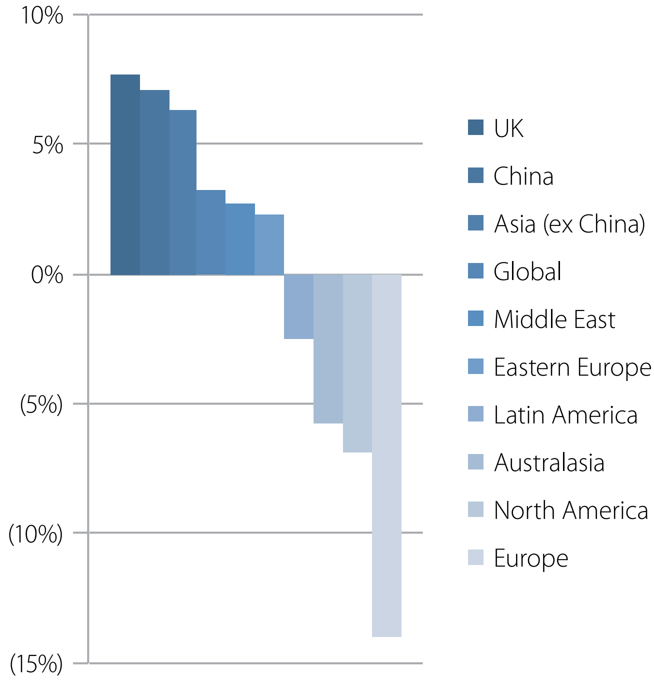
Within Europe we have retained positions in those companies that are regulated, excellent value, and offer a high yield. **Snam Rete Gas**, the Italian gas transmission grid, and **EdF**, the French electricity company, both fall into this category. We have exited Spain where we believe that any short term hope rally will be crushed in the longer term by that country's very poor economic fundamentals.

Investment Manager's Report continued

PORTFOLIO CONCENTRATION 2012



CHANGE IN GEOGRAPHIC ALLOCATION 2011-2012



The UK utilities market remains stable, with demanding yet broadly fair regulation, although political risk remains an issue. The UK power generation market remains over-supplied in the short term, but the closure of much of the UK's coal fired generation capacity over the next three years due to environmental legislation should tighten the market considerably. The UK Government appears to be pinning its hopes on a shale gas revolution, as seen in the US. However, the jury is still out as to whether the UK's differing geological conditions will allow for the economic recovery of shale gas.

The investment in **National Grid** has been retained. The company now has tariff visibility to 2021 in the UK, and with operational performance in their US business on an improving trend, we expect the shares to continue to perform well. In the longer term both **Centrica** and **SSE** should benefit from a tighter generation market, and both are involved in new renewable energy investments which should deliver attractive returns.

Despite the strong performance during 2012, excellent value can still be found in Asian utilities, particularly in China. Many of these markets remain under-supplied with electricity, water and gas infrastructure, which creates an environment where regulation is based on incentivising new investment rather than focusing on cost restriction. Likewise higher demand strengthens margins in competitive generation markets.

In China growth continues apace, with electricity demand increasing by over 5% in 2012. Over recent years this has caused significant increases in coal prices as China mainly generates electricity using domestically mined coal. A ramp up in both mining and rail capacity, together with a slow-down in the *rate* of electricity demand growth, has put this process into reverse, and significantly improved generation margins. We have exposure to this trend through positions in quality companies such as **China Power International Development Ltd (convertible bonds)** and **China Resources Power**. China is increasing its investments into the environmental sector, understanding that economic growth has created environmental problems which must now be solved. **China Everbright International** is a waste to energy and wastewater treatment company operating in this sector, which has shown very strong growth over recent years, and which we expect to continue.

Another key market in China is natural gas, which has been experiencing very high levels of growth. China has historically been neither a producer nor a user of gas, and as such total usage is low, only about 30% higher than that of the UK. The benefits of natural gas are apparent though, in terms both of usage and the environment. We are exposed to this theme through **Kunlun Energy** and **China Suntien Green Energy**, which also has an attractive and growing wind energy business.

India is an economy with enormous potential for growth, with a young and educated population and an ever expanding middle class. The power market is characterised by insufficient supply to satisfy demand, low quality intermittent supply for industrial consumers, state level utilities in financial difficulties, and poor quality infrastructure. Thankfully the Indian Government realises that solving these problems is key to future economic growth and has implemented several reforms including tariff increases.

However it remains a difficult market in which to invest, with continuing high levels of bureaucracy and a general shortage of primary fuel, mainly coal. We have made one investment, **OPG Power Ventures**, which has sidestepped many of these problems by building smaller plants that can run on either domestic or imported coal and which also has the ability to sell power directly to industrial clients. OPG is fully funded for significant capacity expansion and we expect this to deliver value for shareholders.

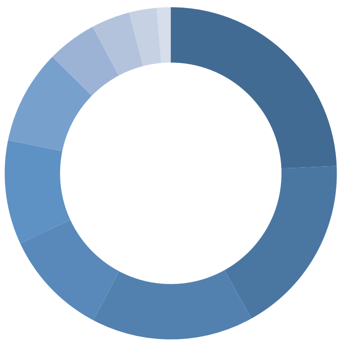
An investment has also been made in the convertible bonds of **Essar Energy**. We view Essar's coal fired generation business as fundamentally less attractive than OPG's, but the company benefits from owning both one of India's largest and most advanced oil refineries at Vadinar in the state of Gujarat, and also the Stanlow oil refinery in the UK, both of which are performing well. We acquired the bonds at a steep discount to nominal value but believe that they are well secured by the company's assets.

In Latin America we have invested in **Enersis**, a well-diversified company with exposure both to competitive electricity generation and to regulated electricity distribution. It operates across the region in Brazil, Chile, Peru, Colombia and Argentina. It is in the process of conducting a rights issue to acquire additional assets from its parent company, Endesa of Spain, and this has facilitated an attractive entry price for PEWT.

The US Electricity market remains complex and fragmented, with a mixture of regulated and competitive generation models, and varying regulatory quality conducted at state level, which brings the potential for political interference. However, PEWT has retained exposure to quality companies such as **UIL Holdings** and **PPL Corporation**, which offer attractive value and yield. Reliable equity income will continue to be in demand, especially given the low yields offered by US Treasuries. We expect these companies to remain well supported as a result.

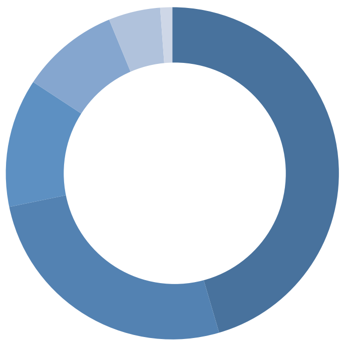
Other new investments include **Ecofin convertible bonds**. Ecofin is a London listed investment company, investing in the global power and water sectors, but with only modest overlap to PEWT's portfolio. These bonds offer a high yield, enhanced capital security, and the potential for an equity kicker depending on Ecofin's investment performance. They provide a sensible fit with PEWT's own capital structure.

GEOGRAPHIC ALLOCATION 2012 (2011 as reclassified)



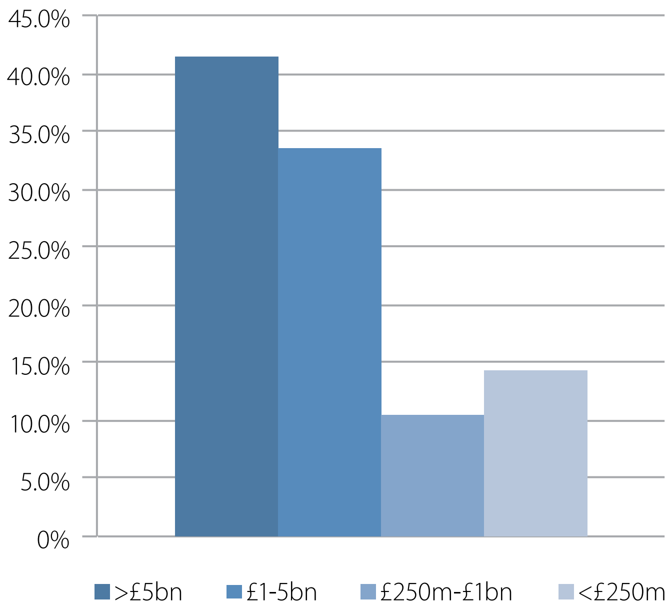
- China 24.3% (17.2%)
- Asia (ex China) 17.6% (11.3%)
- United Kingdom 15.8% (8.1%)
- North America 10.3% (17.2%)
- Global 10.1% (6.9%)
- Europe (ex UK) 9.2% (23.2%)
- Eastern Europe 4.8% (2.5%)
- Middle East 3.8% (1.1%)
- Latin America 2.7% (5.2%)
- Australasia 1.4% (7.2%)

SECTOR ALLOCATION 2012 (2011 as reclassified)



- Electricity 45.5% (44.1%)
- Multi Utilities 26.3% (14.6%)
- Water & Waste 12.5% (22.4%)
- Gas 9.5% (12.1%)
- Renewable Energy 5.0% (3.7%)
- Transportation 1.2% (3.1%)

MARKET CAP DISTRIBUTION 2012



Currency

Given its geared capital structure, the Ordinary Share NAV is sensitive to currency movements. The most significant currency for PEWT is the US Dollar, to which it has exposure not only from direct US investments, but also from the majority of its Chinese investments which are held via the Hong Kong market and priced in Hong Kong Dollars, a currency pegged to the US Dollar. The US Dollar weakened against Sterling over 2012, falling by 4.6% to $1.6255: £1. PEWT has been unhedged against the Dollar over the course of the year, a situation which will be kept under review.

The second largest foreign exchange exposure for the Company is the Euro, although this is lower following the divestment of several European positions. The Euro fell by 2.8% against Sterling over 2012, although this occurred in the first half of the year, with the Euro strengthening slightly in the second half. We remain concerned over the Euro, and believe that EU economic problems will prove to be a drag on the currency. We have therefore partially hedged this potential negative exposure through forward currency sales.

Investors should be aware, that PEWT's globally diversified investment portfolio, together with a large sterling denominated liability in the ZDP Shares, creates an overall short sterling position.

Revenue

Income generation has continued to be strong with revenue of £2.86 million in the year, being 2.8% higher than seen in 2011. This has enabled dividend payments for the year to reach 9.30p per Ordinary Share, 4.5% ahead of the prior year.

Balance sheet

At the year end, PEWT's Ordinary Shares represented £19.0 million out of the total gross assets of £58.1 million. As such effective gearing has increased from 2.72x at 31 December 2011, to 3.06x at 31 December 2012.

The manager is aware that a high level of gearing increases both volatility and risk to the Ordinary Shareholder, and that this can only, in the short term at least, be alleviated through investment performance.

The ZDP Shares had an asset cover based on accrued value of 1.49x at 31 December 2012, a fall compared to the asset cover of 1.58x at 31 December 2011. Based on the final redemption value, the ZDP asset cover at 31 December 2012 was 1.24x. At the year end the ZDP Shares were trading on a yield to redemption of 5.87%.

Outlook

While markets adopted a more optimistic stance in the second half of 2012, globally we are no nearer to solving the myriad of problems weighing on economic development than we were twelve months ago. Commodity prices, debt levels – both public and private – population pressures, inflation threats, and aggregate demand will continue to be dominant themes. Markets can be expected to remain relatively volatile.

Over the past six months we have attempted to reposition PEWT's portfolio to take advantage of growth and income opportunities globally, whilst also seeking to avoid many of the issues that have dogged the utilities sector over recent years. The portfolio is now focused on companies that we expect to make progress in a wide range of economic scenarios, and as such we are cautiously optimistic for performance during 2013.

James Smith
Claire Burgess
Premier Fund Managers Limited

12 March 2013

Twenty Largest Holdings

at 31 December 2012

Company	Activity	Country	Value £000	% total investments	2012	2011
GDF Suez	Multi Utility	France	3,155	5.6%	1	(1)
Essar Energy*	Electricity Generation & Oil Refining	India	3,007	5.3%	2	–
China Everbright Intl	Water & Waste	China	2,800	5.0%	3	–
China Suntien Green Energy	Renewable Energy	China	2,598	4.6%	4	–
Ecofin Power & Water**	Investment Company	UK	2,563	4.5%	5	–
Snam	Gas Transmission	Italy	2,366	4.2%	6	–
OPG Power Ventures	Electricity Generation	India	2,327	4.1%	7	–
Centrica	Multi Utility	UK	2,168	3.8%	8	–
Qatar Electricity and Water	Multi Utility	Qatar	2,125	3.8%	9	–
National Grid	Electricity & Gas Transmission	UK	2,108	3.7%	10	(5)
Kunlun Energy	Gas Transmission	China	2,009	3.6%	11	–
SSE	Multi Utility	UK	1,913	3.4%	12	–
China Power Intl**	Electricity Generation	China	1,582	2.8%	13	–
UIL Holdings	Electricity Integrated	USA	1,541	2.7%	14	(7)
Electricity Generating Co. Ltd	Electricity Generation	Thailand	1,518	2.7%	15	(18)
Enersis	Electricity Integrated	Chile	1,512	2.7%	16	–
PPL Corp	Electricity Integrated	USA	1,409	2.5%	17	(8)
Greenko	Renewable Energy	India	1,309	2.3%	18	–
China Resources Power	Electricity Generation	China	1,235	2.2%	19	(6)
Tauron Polska Energia	Electricity Integrated	Poland	1,206	2.1%	20	–
			40,451	71.7%		
Other investments			16,001	28.3%		
Total invesments			56,452	100.0%		

* Holding in convertible bonds and ordinary shares

** Holding in convertible bonds

Review of Top Ten Holdings
at 31 December 2012

1. GDF Suez

(Market cap £30.5bn) ***(www.gdfsuez.com)***
GDF is a French multinational gas and electricity company with operations in almost seventy countries. It is the largest independent power producer in the world with 118GW of installed capacity, and a further 12GW under construction. In the year to December 2012, the group reported organic revenue and EBITDA growth of 7.0% and 3.6% respectively. However, in December the problems in the European power market caught up with the company and earnings guidance was downgraded. Mainly as a result of this, the share price closed the year with a fall of 26.3%.

2. Essar Energy

(Market cap £1.5bn) ***(www.essarenergy.com)***
A new investment during the year, Essar Energy operates 3.9GW of coal fired power stations in India, together with the Vadinar Oil refinery in Gujarat. It also owns the Stanlow Oil refinery in Liverpool. 2012 saw a strong performance from Essar's oil refining business, but the coal power generation segment remains dogged by delays in regulatory approval for coal mines required to fuel their new plants, although some progress was made towards the year end. The results for the six months to September 2012 were much improved, with EBITDA increasing by 193% on a normalised basis, albeit from a low base. PEWT predominantly holds the convertible bond, which was showing a 7.0% gain on cost at the year end, although the equity holding was showing a loss of 10.2%.

3. China Everbright International

(Market cap £1.3bn) ***(www.ebchinaintl.com)***
A new investment during the year, China Everbright is a waste-to-energy (WTE) and waste water treatment company operating in three key coastal regions of mainland China. It has an annual household waste processing capacity of 6.8 million tonnes, and treats almost 700 million cubic metres of waste water a year. EBITDA in 2012 grew by 21.1%, and the group won four new WTE contracts during the period. Waste volumes increased by 52.0% with the commissioning of several new plants. The position was showing a 5.8% gain on cost at the year end.

4. China Suntien Green Energy

(Market cap £370m) ***(www.suntien.com)***
A new investment during the year, China Suntien has two distinct businesses, natural gas distribution and wind power. It operates solely in the Chinese province of Hebei. At the 2012 interim stage, earnings were ahead by 6%. Gas demand in Hebei is forecast to grow 20% a year during the term of the current Chinese Government Five-Year Plan. Installed wind capacity has grown 40% over the past 12 months, to 1.2GW, with 0.5GW currently under construction. The investment was showing a 13.0% gain on cost at the year end.

5. Ecofin Water & Power Opportunities

(£80m Convertible) ***(www.ecofin.co.uk)***
A new investment in the year, Ecofin is a UK listed investment trust that invests in the global utility and energy sectors. Its largest investment, Lonestar Resources (accounting for 13.4% of the fund at the end of December) brings exposure to North American shale gas rights, predominantly in Texas. A further 13% is invested in a portfolio of around twenty-five US utility and energy bonds. The convertible is five times covered by assets, yielded 5.1% at the year end, and matures in July 2016. It is convertible into Ecofin's ordinary shares, with the conversion price of 172.64p representing a 10% premium over Ecofin's year end NAV per share.

6. Snam

(Market cap £9.6bn) ***(www.snam.it)***
Snam owns Italy's 32,000km natural gas transmission network and a further 50,000km distribution network, together with a regasification plant and eight gas storage facilities. It is a fully regulated business, currently operating solely in Italy, but is now targeting complementary regulated gas assets in Western Europe. For the twelve months to December 2012 the company reported a 7.8% increase in EBITDA, and a 1.4% increase in earnings. The share price has been almost flat over the past twelve months.

Review of Top Ten Holdings continued

7. OPG Power Ventures

(Market cap £165m) ***(www.opgpower.com)***
A new investment during the year, OPG owns small coal fired power stations in the southern Indian state of Tamil Nadu. The company is benefitting both from a rapid increase in capacity – four power stations are due to be commissioned over the next two years – and from sharply rising tariffs, which increased by an average of 18% to 5.67 Rupees per kilowatt hour in the six months to September 2012. The investment was showing a modest gain on purchase cost at the year end.

8. Centrica

(Market cap £17.3bn) ***(www.centrica.com)***
Centrica is the largest supplier of gas to domestic customers in the UK and one of the largest suppliers of electricity. It is also involved in gas exploration and production, and has a 20% stake in nuclear power generator British Energy, providing steady earnings from nuclear generation. Over recent years Centrica has substantially diversified away from its energy supply business, which now represents approximately one quarter of profits. Centrica has decided not to participate in new nuclear investment in the UK, and will instead conduct a £500 million share buy-back, which should help improve the financial efficiency of Centrica's conservative balance sheet. For the year to December it reported a 5.5% increase in normalised earnings. Centrica has risen by 8% since purchase in June.

9. Qatar Electricity and Water

(Market cap £2.2bn) ***(www.qewc.com)***
Qatar Electricity and Water generates two-thirds of Qatar's electricity from 5.8GW capacity and produces over 80% of its desalinated water. It sells both electricity and water to the government of Qatar, and has seen steady growth over the past five years in line with Qatari economic expansion. In March it took a 40% stake in a Jordanian power plant, its first foreign acquisition. The price has fallen by 5% since June, when the majority of PEWT's holding was purchased.

10. National Grid

(Market cap £25.6m) ***(www.nationalgrid.com)***
National Grid operates the UK's electricity and gas transmission networks, together with transmission assets in the north east of the US. The group is just beginning a new longer regulatory review period (2013-20) which provides high visibility of returns. Interim results were affected by costs associated with Hurricane Sandy, but on a normalised basis earnings grew by 20%. National Grid's shares rose by 12.5% during 2012.

Directors

Geoffrey Burns – Chairman
Geoffrey Burns has worked in the investment fund industry for over twenty years. From 1997 to 2000 he was a director of and head of investment trusts at Murray Johnstone Ltd. Mr Burns is an adviser to a number of government and multilateral agencies who make investments in private equity funds in emerging markets, including the Swiss Investment Fund for Emerging Markets and the Asian Development Bank. Mr Burns is Chairman of City Natural Resources High Yield Trust PLC. Mr Burns was appointed as a non-executive director of the Company on 12 September 2003.

Ian Graham
Ian Graham has over twenty years' experience as an investment analyst, more than half of which were spent covering utilities, having worked at Scrimgeour Kemp-Gee, Simon & Coates, Nat West Securities and Merrill Lynch until 2001. Mr Graham was appointed as a non-executive director of the Company on 12 September 2003.

Michael Wigley
Michael Wigley is a director of The Conygar Investment Company plc. He was formerly a director of Matheson Investment Ltd and a non-executive director of Development Securities PLC. He was deputy chairman of Legg Mason Investors International Utilities Investment Trust, the predecessor company. Mr Wigley was appointed as a non-executive director of the Company on 12 September 2003.

Charles Wilkinson
Charles Wilkinson is a solicitor and a resident of Guernsey. Until March 2005 he was a partner of Lawrence Graham LLP specialising in investment trusts and funds. He is a non-executive director of Landore Resouces Ltd, which is quoted on the AIM Market of the London Stock Exchange and of Doric Nimrod Air One Ltd and Doric Nimrod Air Two Ltd, both of which are listed on the Specialist Funds Market of the London Stock Exchange. Mr Wilkinson was appointed as a non-executive director of the Company on 23 February 2011.

Investment Managers

James Smith
James joined Premier in June 2012, after spending fourteen years at Utilico, specialising in the global utilities, transportation infrastructure, and renewable energy sectors. During this time he gained extensive experience in both developed and emerging markets. He was previously a director at Renewable Energy Holdings PLC, and Indian Energy Ltd. James is a Chartered Accountant and Barrister.

Claire Burgess
Claire joined Premier in December 2008. Previously she ran a UK smaller companies fund at Rothschild Asset Management after spending four years at Foreign and Colonial where she covered a range of markets, including the UK and Japan. She is an Associate of the CFA UK.

Directors' report

The Directors have pleasure in submitting their Business Review, Report and Financial Statements for the year ended 31 December 2012.

BUSINESS REVIEW

UK listed companies are required to include a business review within their directors' reports or, should they prefer, a more detailed operating financial review. Having considered the regulations and in view of the nature and the size of the Company, the Board has chosen to include a business review in its report to shareholders, rather than an operating financial review. This business review is intended to enhance shareholders' understanding of the development, performance and position of the Company through a combination of narrative and financial performance measures.

Business and tax status

The Company is an investment company as defined in Section 833 of the Companies Act 2006. The Company operates as an investment trust and directs its affairs so as to enable it to seek approval as such by HM Revenue & Customs under Section 1158 of the Corporation Tax Act 2010 for the year ended 31 December 2012. Approval has been obtained for the year ended 31 December 2011, which is subject to there being no subsequent enquiry under Corporate Self Assessment. In the opinion of the Directors, the Company has conducted its affairs for the year ended 31 December 2012 so as to enable it to continue to seek such approval under Section 1158 of the Corporation Tax Act 2010.

The Company's status as an investment trust allows it to obtain an exemption from paying taxes on the profits made from the sale of its investments. Investment trusts offer a number of other advantages for investors, including access to investment opportunities that might not be open to private investors and to professional stock selection skills at low cost.

The Board have noted that the introduction of the Alternative Investment Fund Managers Directive ("Directive") will have implications for the Company as closed end investment companies will fall within the scope of the Directive. However the Board will await publication of the Financial Services Authority (shortly to become the Financial Conduct Authority) Rules and further guidance from the Association of Investment Companies before making decisions as to how to position the Company so as to comply with the Directive.

Investment objectives

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

Investment policy

The policy of the Directors is that, in normal market conditions, the portfolio of the Company should consist primarily of a diversified portfolio of equity and equity-related securities of companies operating in the energy and water sectors, as well as other infrastructure investments. There are no restrictions on the proportion of the portfolio of the Company which may be invested in any one geographical area or asset class but no more than 15% of the Company's assets, at the time of acquisition, will be invested in a single security. The Company may also invest up to 15% of its gross assets in investment companies provided they themselves invest in utilities and infrastructure. However, not more than 10% of the Company's gross assets may be invested in other UK listed closed-ended investment funds unless such funds themselves have published investment policies to invest not more than 15% of their total assets in other UK listed closed-ended investment funds (provided they themselves invest in utilities and infrastructure). The Company may invest up to 15% of its gross assets in unquoted securities. There are no borrowings under financial instruments or the equivalent of financial instruments but investors should be aware of the gearing effect of the ZDP Shares within the capital structure. The Company's policy is not to employ any gearing through long-term bank borrowing. The Company can, however, employ gearing through the issue of ZDP Shares.

The Company will manage and invest its assets in accordance with its published investment policy. Any material change to this policy will only be made with the approval of Shareholders by ordinary resolution unless otherwise permitted by the Listing Rules.

Investment Restrictions

The Company will not:

(i) invest more than 10%, in aggregate, of the value of its gross assets at the time the investment is made in other listed closed-ended funds, provided that this restriction does not apply to investments in any such closed-ended funds which themselves have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended funds;

(ii) invest more than 15% of its gross assets in listed closed-ended funds;

(iii) invest more than 20% (calculated at the time of any relevant investment) of its gross assets in other collective investment undertakings (open-ended or closed-ended);

(iv) expose more than 20% of its gross assets to the creditworthiness or solvency of any one counterparty (including the counterparty's subsidiaries or affiliates);

(v) invest in physical commodities;

(vi) cross-finance between the businesses forming part of its investment portfolio including provision of undertakings or security for borrowings by such businesses for the benefit of another;

(vii) operate common treasury functions as between the Company and an investee company; or

(viii) conduct any significant trading activity.

In addition to the above restriction on investment in a single company the Board seeks to achieve a spread of risk in the portfolio through monitoring the country and sector weightings of the portfolio.

There will be a minimum of twenty stocks in the portfolio. The Company is geared through zero dividend preference shares but does not use other gearing.

Going concern

The Directors believe that having considered the Company's investment objectives (shown on page 1) risk management policies and procedures (pages 41 to 47), nature of portfolio and income and expense projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that the use of the going concern basis is appropriate.

Performance

An outline of the performance, market background, investment activity and portfolio strategy during the period under review, as well as the investment outlook, is provided in the Chairman's Statement and Investment Manager's report.

Dividends

During the year the following dividends were paid:

	Payment date	Dividend pence (net per share)
Fourth Interim		
for the year ended 31 December 2011	30 March 2012	4.00p
First Interim		
for the year ended 31 December 2012	29 June 2012	1.70p
Second Interim		
for the year ended 31 December 2012	28 September 2012	1.70p
Third Interim		
for the year ended 31 December 2012	31 December 2012	1.70p

Subsequent to the year end but in respect of the year ended 31 December 2012 the Directors have declared a fourth interim dividend of 4.20p, payable on 28 March 2013 to members on the register at the close of business on 8 March 2013. The shares were marked ex-dividend on 6 March 2013. This dividend relates to the year ended 31 December 2012 but in accordance with the Company's accounting policies, it is recognised in the period in which it is paid.

Principal risks associated with the Company (see note 21)

Structure of the Company and gearing

The Company is a split-capital investment trust with two separate classes of share, each with different characteristics. Returns generated by the Company's underlying portfolio are apportioned in accordance with the respective entitlements of each class of share. As the Ordinary Shares and Zero Dividend Preference Shares have different rights both during the life of the Company and on a winding-up, shareholders and prospective investors are advised to give careful consideration to their choice of class or classes of share (see page 3 for details of these entitlements).

The Company employs no gearing in the form of bank loans. The Ordinary Shares are geared by the entitlement of the prior ranking Zero Dividend Preference Shares.

Dividend levels

Dividends paid on the Company's Ordinary Shares rely on receipt of dividends and interest payments from the securities in which the Company invests. The Company's revenue levels are monitored on a monthly basis by the Board and the Investment Manager.

Currency risk

The Company invests in overseas securities and its assets are therefore subject to currency exchange rate fluctuations. The Company may hedge against foreign currency movements affecting the value of the investment portfolio where adverse movements are anticipated but otherwise takes account of this risk when making investment decisions.

Liquidity risk

The Company may invest up to 15% of its gross assets in unquoted securities. These securities may have limited liquidity and be difficult to realise.

Market price risk

Since the Company invests in financial instruments, market price risk is inherent in these investments. In order to minimise this risk, a detailed analysis of the risk/reward relationship of each investee company is undertaken by the Investment Manager prior to making investments.

Discount volatility

Being a closed-ended company, the Company's shares may trade at a discount to their net asset value. The magnitude of this discount fluctuates daily and can vary significantly. Thus, for a given period of time, it is possible that the market price could decrease despite an increase in the net asset value of the Company's shares. The Directors review the discount levels regularly. The Investment Manager actively communicate with the Company's major shareholders and potential new investors, with the aim of managing discount levels.

Operational

Like most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager and the Company's other service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems.

Accounting, legal and regulatory

In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010. A breach of Section 1158 could lead to the Company being subject to capital gains tax on gains within the Company's portfolio. Section 1158 qualification criteria are continually monitored by Premier Fund Managers Limited and the results reported to the Board at its regular meetings. The Company must also comply with the Companies Act and the UKLA Listing Rules. The Board relies on the services of the administrator, Premier Asset Management Limited and its professional advisers to ensure compliance with the Companies Act and the UKLA Listing Rules.

Political and regulatory risk

The Company invests in regulated businesses which may be subject to political or regulatory interference, and may be required to set pricing levels, or take investment decisions, for political rather than commercial reasons. In some less developed economies, including those in which the Company invests, there are increased political and economic risks as compared to more developed economies. These risks include the possibility of various forms of punitive government intervention together with reduced levels of regulation, higher brokerage commissions, less reliable settlement and custody practices, higher market volatility and less reliable financial reporting.

Analysis of the Company's performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

The key performance indicators used to measure the progress and performance of the Company over time are as follows:

1) The performance against a set of reference points. The Investment Manager's performance is not assessed against a formal benchmark but rather against a set of reference points which are more general in nature and intended to be representative of the broad spread of assets in which the portfolio invests. These references include the Bloomberg World Utilities Total Return Index, FTSE All World Total Return Index and FTSE All-Share Total Return Index (see Company highlights on page 4).

2) The performance against the peer group. The assessment of the Investment Manager's performance against companies which invest in similar, but not necessarily the same, securities allows the Board to evaluate the effectiveness of the Company's investment strategy.

3) The performance of the Company at the net asset level. This shows how the assets attributable to shareholders as a whole have performed.

4) The performance of the individual share classes, both in terms of share price total return (i.e. accounting for dividends received) and in terms of net asset value total return. The share price performance is the measure of the return that shareholders have actually received and will reflect the impact of widening or narrowing of discounts to NAV (see graphs on page 5).

5) Ongoing charges. The annualised ongoing charges figure for the year was 1.6% (2011: 1.6%). This figure, which has been prepared in accordance with the recommended methodology of the Association of Investment Companies represents the annual percentage reduction in shareholder returns as a result of recurring operational expenses excluding performance fee. No performance fee is payable in respect of the year ended 31 December 2012 (2011: no performance fee was paid). The Board reviews each year an analysis of the Company's ongoing charges figure and a comparison with its peers.

Future prospects

The Board's main focus is the achievement of a high income from the portfolio together with the generation of long-term capital growth. The future of the Company is dependent upon the success of the investment strategy. The investment outlook is discussed in both the Chairman's statement on page 6 and the Investment Manager's report on page 7.

DIRECTORS

The Directors, all of whom served throughout the year ended 31 December 2012, apart from Mr Cooke who resigned on 31 July 2012, were as follows:

Geoffrey Burns

Ian Graham

Michael Wigley

Charles Wilkinson

Adam Cooke (resigned 31 July 2012)

None of the Directors, nor any persons connected with them, had a material interest in any of the Company's transactions, arrangements or agreements during the year. None of the Directors has, or has had, any interest in any transaction which is, or was, unusual in its nature or conditions or significant to the business of the Company, and which was effected by the Company during the current financial year.

At the date of this report, there are no outstanding loans or guarantees between the Company and any Director.

Mr Geoffrey Burns, Mr Michael Wigley and Mr Ian Graham are required to seek annual re-election to the Board as they have all served for more than nine years and being eligible, offer themselves for re-election.

DIRECTORS' BENEFICIAL AND FAMILY INTERESTS

The interests of the Directors and their families in the Ordinary Shares of the Company were as follows (there were no interests in the Zero Dividend Preference Shares of the Company):

	Ordinary Shares at 11 March 2013†	Ordinary Shares at 31 December 2012	Ordinary Shares at 1 January 2012
Geoffrey Burns	80,411	80,411	80,411
Ian Graham	22,032	22,032	22,032
Michael Wigley	125,150	125,150	125,150
Charles Wilkinson	31,223	31,223	31,223

† The latest practicable date prior to the publication of this report.

SUBSTANTIAL SHAREHOLDINGS

As at the date of this report the Company had been notified of the following substantial interests in the Ordinary and Zero Dividend Preference share capital of the Company.

Ordinary Shares	Number of shares at 11 March 2013†	% of total voting rights	Number of shares at 31 December 2012	% of total voting rights
Premier Fund Managers Limited*	3,206,822	8.4	3,206,822	8.4
Philip J Milton & Company Plc	1,892,250	4.9	1,892,250	4.9
Investec Wealth & Investment Limited	361,170	1.0	361,170	1.0
Zero Dividend Preference Shares				
Deutsche Bank AG	2,286,630	6.0	2,630,891	6.9
CG Asset Management Limited	3,160,231	8.3	3,160,231	8.3
Investec Wealth & Investment Limited	2,029,149	5.3	2,029,149	5.3
Premier Fund Managers Limited*	855,291	2.2	855,291	2.2

† The latest practicable date prior to the publication of this report.
* This includes 2,706,822 Ordinary Shares and 71,243 Zero Dividend Preference Shares that are held in the ISA scheme that is administered by Premier Fund Managers Limited on behalf of individual shareholders.

NET ASSET VALUE

The net asset value per Ordinary Share, including revenue reserve, at 31 December 2012 was 112.59p† (31 December 2011: 126.20p†). The cumulative net asset value of a Zero Dividend Preference Share at 31 December 2012 was 183.45p† (31 December 2011: 172.16p†).

† Net asset values calculated in accordance with Articles of Association (see note 17 on page 40).

MANAGEMENT, SECRETARIAL AND ADMINISTRATION AGREEMENTS

The Company's portfolio is managed by Premier Fund Managers Limited under an Investment Management Agreement dated 3 August 2011.

The management fee is 0.0833% per month of the gross assets (from 1 October 2008 no VAT has been charged), equating to 1% per annum.

In addition, the Investment Manager is entitled to a performance fee if in each Company year:

(i) the dividends paid are at least 6.75p; and

(ii) the gross assets at the end of the year exceed the highest level of gross assets at the end of any previous Company year or the initial gross assets (if higher) by more than 7.5%, subject to appropriate adjustments for changes in capital structure and other conditions. In that event the performance fee will be equivalent to 15% of the excess.

The Management Agreement is currently terminable on 12 months' notice.

Under the Administration Agreement dated 26 September 2003, company secretarial services and the general administration of the Company are undertaken by Premier Asset Management Limited. The Administration Agreement is currently terminable on 12 months' notice.

CORPORATE GOVERNANCE

The Board as a whole regularly reviews the terms of the management and secretarial contracts.

The Board is accountable to the Company's shareholders for the governance of the Company's affairs and this statement describes how the principles of the Financial Reporting Council's UK Corporate Governance Code issued in 2010 ("the Code") have been applied to the affairs of the Company. In applying the principles of the Code, the Directors have also taken account of the Code of Corporate Governance published by the Association of Investment Companies ("the AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide") issued in October 2010, which has established a framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more flexible for investment trust companies.

Board of Directors

The Board currently consists of four non-executive Directors all of whom are independent of the Investment Manager. Their biographies are set out on page 14. Collectively the Board has the requisite range of business and financial experience which enables it to provide clear and effective leadership and proper stewardship of the Company.

The number of meetings of the Board, the Audit Committee and the Nomination Committee held during the financial year and the attendance of individual Directors are shown below:

	Board	Audit Committee	Nomination Committee
Number of meetings in the year	5	2	1
Geoffrey Burns	5	2	1
Ian Graham	5	2	1
Michael Wigley	4	2	1
Charles Wilkinson	4	2	1
Adam Cooke (resigned on 31 July 2012)	3	2	–

All of the Directors attended the Annual General Meeting held in April 2012.

The Board deals with the Company's affairs, including the setting of gearing and investment policy parameters, the monitoring of gearing and investment policy and the review of investment performance. The Investment Manager takes decisions as to asset allocation and the purchase and sale of individual investments. The Board papers circulated before each meeting contain full information on the financial condition of the Company. Key representatives of the Investment Manager attend most of the Board meetings, enabling Directors to probe further or seek clarification on matters of concern.

Matters specifically reserved for discussion by the full Board have been defined and a procedure adopted for the Directors to take independent professional advice if necessary at the Company's expense.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been identified as the Board is comprised entirely of non-executive Directors.

In accordance with the Articles of Association, new Directors stand for election at the first Annual General Meeting following their appointment. The Articles require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. In addition, all Directors are required to submit themselves for re-election at least every three years and will seek annual re-election if they have already served for more than nine years.

Performance evaluation/re-election of Directors

An appraisal process has been established in order to review the effectiveness of the Board, the Committees and individual Directors. This process involves the consideration by the Chairman and the Board of responses from individual Directors to a questionnaire which is completed on an annual basis. In addition, the other Directors meet collectively once a year to evaluate the performance of the Chairman. As a result of this appraisal process the Nomination Committee recommends the re-election of Mr Geoffrey Burns, Mr Michael Wigley and Mr Ian Graham.

Committees

The Board believes that the interests of shareholders in an investment trust company are best served by limiting the size of the Board such that all Directors are able to participate fully in all the activities of the Board. It is for this reason that the membership of the Audit and Nomination Committees is the same as that for the Board as a whole.

Audit Committee

Mr Ian Graham is the Chairman of the Audit Committee which operates within defined terms of reference available from the Company Secretary. The Audit Committee meets at least twice a year and is responsible for reviewing the annual and interim reports, the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the auditor, including their remuneration and the provision of any non-audit services by them. The Audit Committee has considered the independence of the auditor and the objectivity of the audit process and is satisfied that Ernst & Young LLP is independent and has fulfilled its obligations to shareholders. The Audit Committee meets representatives of the Investment Manager and its Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Investment Manager operate and reviews the Investment Manager's internal controls. The Company's external auditor also attends this Committee at its request and report on their findings in relation to the Company's statutory audit.

Nomination Committee

Mr Burns is the Chairman of the Nomination Committee which operates within defined terms of reference available from the Company Secretary, which is responsible for the Board appraisal process, and reviews the Board's size and structure and is responsible for succession planning. The Nomination Committee meets at least annually.

Remuneration Committee

The Board as a whole considers Directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company is an investment trust and all Directors are non-executive the Company is not required to comply with the Code in respect of executive Directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report on page 25.

Risk management and internal control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

The Board as a whole is primarily responsible for the monitoring and review of risks associated with investment matters and the Audit Committee is primarily responsible for other risks.

As the Board has contractually delegated to other companies the investment management, the custodial services and the day-to-day accounting and company secretarial requirements, the Company relies significantly upon the system of risk management and internal controls operated by those companies. Therefore, the Directors have concluded that the Company should not establish its own internal audit function, but will review this decision annually. Investment management is performed by Premier Fund Managers Limited and administration services by Premier Asset Management Limited. Details of the agreement with the Investment Manager and the administrator are given on pages 18 and 19 and in notes 3 and 20 to the financial statements. The custodian is Northern Trust Company Limited.

The risk map has been considered at all regular meetings of the Board and Audit Committee. As part of the risk review process, regular reports are received from the Investment Manager on all investment related matters including compliance with the investment mandate, the performance of the portfolio compared with relevant indices and compliance with investment trust status requirements. The Board also receives and reviews reports from the custodian on its internal controls and their operation.

The Board confirms that appropriate procedures to review the effectiveness of the Company's system of risk management and internal control have been in place, throughout the year and up to the date of this report, which cover all controls including financial, operational and compliance controls and risk management. An assessment of risk management and internal control, which includes a review of the Company's risk map, an assessment of the quality of reports on internal control from the service providers and the effectiveness of the Company's reporting process, is carried out on an annual basis.

Evaluation of Investment Manager's performance

The investment performance is reviewed at each regular Board meeting at which representatives of the Investment Manager are required to provide answers to any questions raised by the Board. The Board has instigated an annual formal review of the Investment Manager which includes consideration of:

- performance compared with relevant indices;
- investment resources dedicated to the Company;
- investment management fee arrangements and notice period compared with the peer group; and
- the marketing effort and resources provided to the Company.

The Board believes that Premier Fund Managers Limited has served the Company well in terms of investment performance and has no hesitation in continuing its appointment.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Premier Asset Management Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that statutory obligations of the Company are met.

Individual Directors may take independent professional advice on any matter concerning them in the furtherance of their duties at the Company's expense. The Company also maintains Directors' and Officers' liability insurance to cover legal defence costs.

Relations with shareholders

Communication with shareholders is given a high priority by both the Board and the Investment Manager and all Directors are available to enter into dialogue with shareholders. Major shareholders of the Company are offered the opportunity to meet with the Board. The Board regularly reviews any contact with the Company's shareholders and monitors its shareholder register.

All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairmen of the Board's standing committees.

Any shareholder who would like to lodge questions in advance of the Annual General Meeting is invited to do so in writing to the Company Secretary at the address detailed inside the back cover. The Company always responds to letters from individual shareholders.

The Annual and Interim Reports of the Company present a full and readily understandable review of the Company's performance. Copies are dispatched to shareholders by mail and are also available for downloading from the Investment Manager's website, found at www.premierfunds.co.uk .

A monthly fact sheet is produced by the Investment Manager and is also available via it's website. If a shareholder would like to contact the Board directly, they should write to the Chairman at c/o Premier Asset Management Limited, Eastgate Court, High Street, Guildford, Surrey GU1 3DE, marking their letter "Private and confidential".

Statement of compliance

The Board believes that it has complied with all the material provisions, in so far as they apply to the Company's business, of the Code throughout the year under review. It did not, however, comply with the following provisions, as explained previously:

- due to the small size of the Board and nature of the business a separate remuneration committee has not been established; and
- a senior non-executive Director has not been identified.

The Board has adhered to the principles of the AIC Code in all material respects.

SOCIALLY RESPONSIBLE INVESTMENT

The Board has delegated the investment management function to Premier Fund Managers Limited.

The Investment Manager's primary objective is to produce superior financial returns to investors. It believes that over the long-term sound social, environmental and ethical policies make good business sense and takes these issues into account, when, in its view, they have a material impact on either the investment risk or the expected return from an investment.

PROXY VOTING AS AN INSTITUTIONAL INVESTOR

Responsibility for actively monitoring the activities of companies in which the Company is invested has been delegated by the Board to the Investment Manager. The Investment Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee companies. The Investment Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. Wherever practicable, the Investment Manager's policy is to vote all shares held by the Company.

PAYMENT OF SUPPLIERS

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by these terms. There were no trade creditors at 31 December 2012 (2011: nil).

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take or about the contents of this document, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 (or in the case of recipients outside the United Kingdom, a stockbroker, bank manager, solicitor, accountant or other independent financial adviser).

If you have sold or otherwise transferred all of your shares in Premier Energy and Water Trust PLC, please pass this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The notice of the Annual General Meeting sets out the ordinary business and special business to be conducted at the Meeting.

The following explains the resolutions to be considered at the Meeting as special business.

RESOLUTION 7, 8 & 9:
Authority to allot shares

Under **Resolution 7** of the Annual General Meeting ("AGM"), the Directors seek a general power from shareholders to allot new shares up to an aggregate par value of £38,249 representing approximately 10% of the issued Ordinary share capital of the Company and approximately 10% of the issued Zero Dividend Preference share capital, in each case as at 11 March 2013.

Resolution 8 of the AGM will, if passed, permit the Directors to allot Ordinary Shares at a discount to the then prevailing net asset value of the Ordinary Shares. The Directors will only utilise this authority to issue new shares provided that the aggregate value of new Ordinary Shares and new Zero Dividend Preference ("ZDP") Shares to be issued is at an overall premium to net asset value. In any event, any new issue of shares would only be made in accordance with the provisions of the Company's Articles of Association which require existing ZDP Shares to have a cover of not less than 1.5 times immediately following the issue of the new shares if any new shares are to rank ahead of, or pari passu with, the existing ZDP Shares, or those ZDP Shares in issue immediately thereafter would have a cover of not less than the cover of the ZDP Shares in issue prior to the issue of new shares.

Resolution 9 of the AGM will, if passed, empower the Directors to make allotments of Ordinary Shares for cash on a non pre-emptive basis up to an aggregate of £17,068, being approximately 10% of the issued Ordinary share capital of the Company.

These Resolutions will provide the Directors with flexibility to act in the best interests of shareholders. These authorities, if granted, will expire at the conclusion of the next Annual General Meeting.

RESOLUTION 10:
Purchase by the Company of its own shares

At the Annual General Meeting held on 25 April 2012 a special resolution was passed, giving the Directors authority until the conclusion of the earlier of the 2013 Annual General Meeting and 22 October 2013, to make market purchases of up to a maximum of 2,558,565 Ordinary Shares and 3,174,937 Zero Dividend Preference Shares. During the year to 31 December 2012 no shares were purchased (during the year ended 31 December 2011 no shares were purchased).

The Board proposes that the Company should be given renewed general authority to purchase Ordinary Shares and Zero Dividend Preference Shares in the market for cancellation in accordance with the Companies Act 2006 but subject to the provisos set out below. Resolution 10 of the AGM, which is a special resolution, is being proposed for this purpose.

It is proposed that the Company be authorised to purchase on the London Stock Exchange up to 2,558,565 Ordinary Shares and 3,174,937 Zero Dividend Preference Shares (representing 14.99% of each class of the Company's issued share capital as at 11 March 2013) provided that:

(a) Ordinary Shares will only be repurchased at a purchase price which is below the prevailing Net Asset Value per Ordinary Share and where the cover on the Zero Dividend Preference Shares is 1.5 times or above and, as a consequence of the proposed repurchase, the cover on the Zero Dividend Preference Shares will not reduce to below 1.5 times (having taking account of any Zero Dividend Preference Shares to be purchased at or about the same time); and/or

(b) Ordinary Shares and Zero Dividend Preference Shares are only repurchased in the ratio of Ordinary Shares to Zero Dividend Preference Shares of 0.802:1; and/or

(c) Zero Dividend Preference Shares are purchased at a purchase price which is below their prevailing accrued capital entitlement (as at the business day immediately preceding the day on which the Zero Dividend Preference Share is purchased).

Repurchases of shares will be made at the discretion of the Board within guidelines set from time to time by the Board and only when market conditions are considered by the Board to be appropriate and in accordance with the Listing Rules. Repurchases will only be made when they result in an increase in the fully diluted Net Asset Value per Ordinary Share. The Board remains committed to exploring methods by which shareholder value can be enhanced. The purchase for cancellation by the Company of its shares at a cost below the net asset value of those shares enhances the net asset value of the remaining shares. This additional demand for shares may reduce the discount at which the shares trade. Any shares repurchased by the Company will be cancelled and will not be held in treasury for resale.

Under London Stock Exchange rules, the maximum price to be paid on any exercise of the authority in respect of Ordinary Shares must not exceed the higher of (i) 105% of the average of the middle market quotations for a share for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current bid. Separately we have chosen to restrict our authority to purchase Zero Dividend Preference Shares to a maximum price equivalent to their accrued capital entitlement at the time of purchase. The minimum price paid for an Ordinary Share or Zero Dividend Preference Share may not be below 1p per share.

The authority to purchase shares will last until the Annual General Meeting of the Company in 2014, or 22 October 2014, whichever is the earlier. The authority may be renewed by shareholders at a General Meeting.

Purchases will be funded either by using available cash resources, debt or by selling investments.

Recommendation

Your Board considers that the above resolutions are in the best interests of the Company and its members as a whole and are likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings amounting to 258,816 Ordinary Shares.

COMPANIES ACT 2006 DISCLOSURES

In accordance with Section 992 of the Companies Act 2006 the Directors disclose the following information:

- the Company's capital structure and voting rights are summarised on page 3, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- there exist no securities carrying special rights with regard to the control of the Company;
- details of the substantial shareholders in the Company are listed on page 18;
- the Company does not have an employees' share scheme;
- the rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

AUDITOR

Ernst & Young LLP have expressed their willingness to continue in office as Auditor and a resolution proposing their reappointment and to authorise the Board to determine their remuneration will be submitted at the Annual General Meeting.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

By Order of the Board

Premier Asset Management Limited
Secretary
12 March 2013

Directors' remuneration report

The Board has prepared this report, in accordance with Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 27.

Remuneration Committee
The Board as a whole fulfils the function of a Remuneration Committee. The Company Secretary, Premier Asset Management Limited, will be asked to provide advice when the Directors consider the level of Directors' fees.

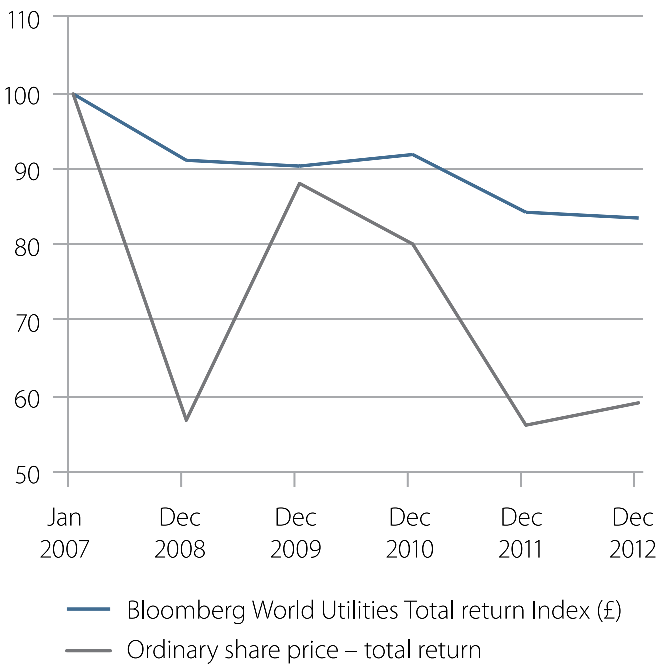
Policy on Directors' fees
The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have similar investment objectives. It is intended that this policy will continue in subsequent years.

The fees for the non-executive Directors are determined within the limits of £150,000 set out in the Company's Articles of Association. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' service contracts
It is the Board's policy that none of the Directors have a service contract. Letters confirming the terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his/her appointment, and at least every three years and will seek annual re-election if they have already served for more than nine years. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Your Company's performance
For the purpose of this report the Board is required to select an index against which the Company's performance can be measured. The Board has decided it should be the Bloomberg World Utilities Total Return Index. The graph on this page shows the five year share price total return (assuming all dividends are reinvested) to Ordinary shareholders against the Bloomberg World Utilities Total Return Index on a total return basis from 31 December 2007 until 31 December 2012.

FIVE YEAR SHARE PRICE PERFORMANCE



Source: Bloomberg

Directors' emoluments for the year (audited)
The Directors who served in the year received the following emoluments in the form of fees:

	Year ended 31 December 2012	Year ended 31 December 2011
Geoffrey Burns	26,000	25,000
Ian Graham	18,833	17,250
Michael Wigley	18,000	17,250
Charles Wilkinson	18,000	15,020
Adam Cooke (resigned on 31 July 2012)	11,667	18,750
Total	92,500	93,270

Approval
A resolution for the approval of the Directors' Remuneration Report for the year ended 31 December 2012 will be proposed at the Annual General Meeting.

By Order of the Board

Premier Asset Management Limited
Secretary

12 March 2013

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The financial statements are published on the www.premierfunds.co.uk website, which is maintained by the Company's Investment Manager. The maintenance and integrity of the website maintained by Premier Asset Management Limited is, so far as it relates to the Company, the responsibility of Premier Asset Management Limited. The work carried out by the auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. The financial statements are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Ian Graham
Director

12 March 2013

Independent auditor's report
to the members of Premier Energy and Water Trust PLC

We have audited the financial statements of Premier Energy and Water Trust PLC for the year ended 31 December 2012 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 16, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Amarjit Singh (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 March 2013

Income statement
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 Revenue £000	Capital £000	Total £000	Year ended 31 December 2011 Revenue £000	Capital £000	Total £000
Gains/(losses) on investments held at fair value through profit or loss	8	–	71	71	–	(9,005)	(9,005)
Revenue	2	2,859	–	2,859	2,780	–	2,780
Investment management fee	3	(230)	(345)	(575)	(247)	(371)	(618)
Other expenses	4	(386)	–	(386)	(400)	–	(400)
Return before finance costs and taxation		2,243	(274)	1,969	2,133	(9,376)	(7,243)
Finance costs	5	–	(2,328)	(2,328)	–	(2,171)	(2,171)
Return on ordinary activities before taxation		2,243	(2,602)	(359)	2,133	(11,547)	(9,414)
Taxation on ordinary activities	6	(349)	–	(349)	(272)	–	(272)
Return on ordinary activities after taxation attributable to equity shares		1,894	(2,602)	(708)	1,861	(11,547)	(9,686)
Return per Ordinary Share (pence) - basic	16	11.10	(15.25)	(4.15)	10.90	(67.65)	(56.75)

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. No operations were acquired or discontinued during the year.

The notes on pages 32 to 47 form part of these financial statements.

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.

Balance sheet

as at 31 December 2012

	Notes	2012 £000	2011 £000
Non current assets			
Investments at fair value through the profit or loss	8	56,452	53,248
Current assets			
Debtors	9	324	406
Cash at bank		1,480	5,213
		1,804	5,619
Current liabilities			
Creditors: amounts falling due within one year	10	(184)	(862)
Net current assets		1,620	4,757
Total assets less current liabilities		58,072	58,005
Creditors: amounts falling due after more than one year			
Zero Dividend Preference shares	11	(39,065)	(36,737)
Total net assets		19,007	21,268
Capital and reserves			
Share capital	12	171	171
Share premium	13	6,884	6,884
Redemption reserve		88	88
Capital reserve		2,002	4,604
Special reserve		7,472	7,472
Revenue reserve		2,390	2,049
Total equity shareholders' funds		19,007	21,268
Net asset value per Ordinary Share (pence) – UK Accounting Standards basis	17	111.36	124.60
Net asset value per Ordinary Share (pence) – Articles of Association basis	17	112.59	126.20

The financial statements on pages 28 to 47 of Premier Energy and Water Trust PLC, company number 4897881, were approved by the Board and authorised for issue on 12 March 2013 and were signed on its behalf by:

Ian Graham
Director

The notes on pages 32 to 47 form part of these financial statements.

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2012

	Share capital £000	Share premium reserve £000	Redemption reserve £000	Capital reserve £000	Special reserve £000	Revenue reserve £000	Total £000
For the year ended 31 December 2012							
Balance at 31 December 2011	171	6,884	88	4,604	7,472	2,049	21,268
Return on ordinary activities after taxation	–	–	–	(2,602)	–	1,894	(708)
Dividends paid	–	–	–	–	–	(1,553)	(1,553)
Balance at 31 December 2012	171	6,884	88	2,002	7,472	2,390	19,007

	Share capital £000	Share premium reserve £000	Redemption reserve £000	Capital reserve £000	Special reserve £000	Revenue reserve £000	Total £000
For the year ended 31 December 2011							
Balance at 31 December 2010	171	6,887	88	16,151	7,472	1,470	32,239
Return on ordinary activities after taxation	–	–	–	(11,547)	–	1,861	(9,686)
Costs on issue of Ordinary Shares in prior year	–	(3)	–	–	–	–	(3)
Dividends paid	–	–	–	–	–	(1,282)	(1,282)
Balance at 31 December 2011	171	6,884	88	4,604	7,472	2,049	21,268

The notes on pages 32 to 47 form part of these financial statements.

Cash flow statement

for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Net cash inflow from operating activities	18	2,062	1,560
Taxation			
Overseas tax paid		(379)	(279)
Financial investments			
Purchases of investments		(48,526)	(39,373)
Sales of investments		44,663	38,163
Net cash outflow from financial investments		(3,863)	(1,210)
Equity dividends paid	7	(1,553)	(1,282)
Net cash outflow before financing		(3,733)	(1,211)
Financing			
Costs on issue of Ordinary Shares in prior year		–	(3)
Net cash outflow from financing		–	(3)
Decrease in cash	19	(3,733)	(1,214)

Reconciliation of net cash flow to movements in net debt

	Notes	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Decrease in cash as above		(3,733)	(1,214)
Net change in debt due in more than one year		(2,328)	(2,171)
Movements in net debt for year		(6,061)	(3,385)
Net debt as at 1 January	19	(31,524)	(28,139)
Net debt as at 31 December	19	(37,585)	(31,524)

The notes on pages 32 to 47 form part of these financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been consistently applied throughout the year and the preceding year is set out below:

(a) Basis of accounting
The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in January 2009).

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 16.

(b) Investments
Upon initial recognition investments are designated by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently investments are valued at fair value which is the bid market price for listed investments. Unquoted investments are valued at fair value by the Board which is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using, where appropriate, latest dealing prices, valuations from reliable sources and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the income statement within "gains/(losses) on investments held at fair value through profit or loss".

Gains and losses on sales of investments have been taken to the capital reserve.

(c) Foreign currency
Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital or revenue reserve as appropriate. Foreign exchange movements on investments are included in the Income Statement within gains on investments.

(d) income
Investment income has been accounted for on an ex-dividend basis or when the Company's right to the income is established. Special dividends are credited to capital or revenue in the Income Statement, according to the circumstances surrounding the payment of the dividend. UK dividends are accounted for net of any tax credits. Overseas dividends are included gross of withholding tax.

Interest receivable on deposits is accounted for on an accruals basis.

(e) Expenses
All expenses are accounted for on an accruals basis and are charged as follows:

- the basic investment management fee is charged 40% to revenue and 60% to capital;
- any performance fee earned is allocated between capital and revenue based on the out-performance attributable to capital and revenue respectively;
- investment transactions costs are allocated to capital; and
- other expenses are charged wholly to revenue.

(f) Zero Dividend Preference Shares
The Company's Zero Dividend Preference Shares are classified as a financial liability and shown as a liability in the balance sheet.

The provision for compound growth entitlement of the Zero Dividend Preference Shares is recognised through the income statement and analysed under the capital column as a finance cost (as shown in note 5). The premium (net of expenses) arising on the issue of the Zero Dividend Preference Shares will be amortised over the life of the Zero Dividend Preference Shares and allocated 100% to capital.

(g) Special reserve
The special reserve is available for the repurchase by the Company of its own Ordinary Shares.

(h) Taxation
The charge for taxation is based upon the net revenue for the year. The tax charge is allocated to the revenue and capital accounts according to the marginal basis whereby revenue expenses are first matched against taxable income arising in the revenue account; the effect of this for the year ended 31 December 2012 was that all the deductions for tax purposes went to the revenue account.

Deferred taxation will be recognised as an asset or a liability if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset will not be recognised to the extent that the transfer of economic benefit is uncertain.

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of Investments.

2. INCOME

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Income from investments:		
UK franked investment income	269	303
UK bond interest	76	–
Overseas dividends	2,407	2,314
Overseas interest	201	65
Bank interest	3	1
Sundry income (ITI Loan interest)*	(97)	97
Total income	2,859	2,780

* ITI Loan interest was accrued income in the year ended 31 December 2011, which was not received. This has been written off in full in the current year ended 31 December 2012.

3. INVESTMENT MANAGEMENT FEE

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Charged to Revenue:		
Investment management fee (40%)	230	247
Charged to Capital:		
Investment management fee (60%)	345	371
	575	618

The Company's Investment Manager is Premier Fund Managers Limited under an agreement terminable by either party giving not less than 12 months written notice. Under the investment management agreement, the Investment Manager is entitled to receive from the Company a management fee, payable monthly in arrears, of 1% per annum of the gross assets of the Company.

In addition, the Investment Manager is entitled to a performance fee in respect of each accounting year of the Company commencing with the period ended 31 December 2004 if (i) the dividends paid or proposed to be paid on each Ordinary Share in respect of that accounting year (on an annualised basis in respect of the first accounting period) equals at least 6.75p and (ii) the gross assets at the end of the year exceed the highest level of gross assets at the end of any previous accounting year or (if higher) the initial gross assets by more than 7.5%, subject to appropriate adjustments for changes in capital and other conditions. In that event, the performance fee will be equal to 15% of the excess. Any performance fee earned is allocated between capital and revenue based on the out-performance attributable to capital and revenue respectively. No performance fee is payable in respect of the year ended 31 December 2012 (2011: nil).

4. OTHER EXPENSES

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Charged to Revenue:		
Secretarial services	75	79
Administration expenses	185	204
Auditor's remuneration – audit services	23	22
– other services relating to taxation*	11	2
Directors' fees	92	93
	386	400

*Auditor other services includes £11,000 for corporation tax compliance work (2011: £2,000 for corporation tax compliance work).

5. FINANCE COSTS

	Year ended 31 December 2012			Year ended 31 December 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Provision for compound growth entitlement of the Zero Dividend Preference Shares	–	2,328	2,328	–	2,171	2,171
	–	2,328	2,328	–	2,171	2,171

6. TAXATION

(a) ANALYSIS OF CHARGE IN THE YEAR:

	Year ended 31 December 2012			Year ended 31 December 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Overseas tax	349	–	349	272	–	272
Current tax charge for the year (see note 6 (b))	349	–	349	272	–	272

(b) FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR:

The current taxation charge for the year is lower than the standard rate of corporation tax in the UK.

The differences are explained below:

	Year ended 31 December 2012			Year ended 31 December 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Return on ordinary activities before taxation	2,243	(2,602)	(359)	2,133	(11,547)	(9,414)
Return on ordinary activities multiplied by the standard rate of corporation tax of 24.50% (2011: 26.49%)	550	(637)	(87)	565	(3,059)	(2,494)
Effects of:						
Non-taxable UK dividends	(66)	–	(66)	(80)	–	(80)
Non-taxable overseas dividends	(590)	–	(590)	(600)	–	(600)
Overseas tax	349	–	349	272	–	272
Capital gains not subject to tax	–	(17)	(17)	–	2,385	2,385
Finance costs of ZDP Shares	–	570	570	–	590	590
Unrelieved expenses and charges	106	84	190	115	84	199
Revenue current tax charge for the year (see note 6 (a))	349	–	349	272	–	272

The Company is not liable to tax on capital gains due to its status as an investment trust.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

After claiming relief against accrued income taxable on receipt, the Company has a deferred tax asset of approximately £625,000 (31 December 2011: £614,000) relating to excess expenses of £2,717,000 (31 December 2011: £2,452,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised.

Notes to the financial statements continued

7. DIVIDEND

Dividends relating to the year ended 31 December 2012 are detailed below:

	Per Ordinary Share	Year ended 31 December 2012 £000
First interim dividend – paid on 30 June 2012	1.70p	290
Second interim dividend – paid on 30 September 2012	1.70p	290
Third interim dividend – paid on 31 December 2012	1.70p	290
Fourth interim dividend – payable on 28 March 2013*	4.20p	717
	9.30p	1,587

* Not included as a liability in the year ended 31 December 2012 accounts.

The fourth interim dividend will be paid on 28 March 2013 to members on the register at the close of business on 8 March 2013. The shares were marked ex-dividend on 6 March 2013.

Dividends relating to the year ended 31 December 2011 are detailed below:

	Per Ordinary Share	Year ended 31 December 2011 £000
First interim dividend – paid on 28 April 2011	1.60p	273
Second interim dividend – paid on 31 August 2011	1.60p	273
Third interim dividend – paid on 30 December 2011	1.70p	291
Fourth interim dividend – paid on 30 March 2012*	4.00p	683
	8.90p	1,520

* Not included as a liability in the year ended 31 December 2011 accounts.

8. INVESTMENTS

(a) SUMMARY OF VALUATION

	Year ended 31 December 2012 £000	Year ended 31 December 2011 (restated)* £000
Investments listed on a recognised investment exchange:		
– UK	14,494	4,430
– Overseas	41,958	48,475
	56,452	52,905
Unquoted investment – UK	–	343
	56,452	53,248

* An overseas investment of £688,000 that was previously held as unquoted is now classified as a quoted investment due to available pricing.

(b) MOVEMENTS

In the year ended 31 December 2012

	Quoted UK £000	Quoted Overseas £000	Unquoted UK £000	Total 2012 £000
Book cost at beginning of year	4,235	53,968	1,529	59,732
Gains/(losses) on investments held at beginning of year	195	(5,493)	(1,186)	(6,484)
Valuation at beginning of year	4,430	48,475	343	53,248
Purchases at cost	12,198	35,466	132	47,796
Sales:				
– proceeds	(3,852)	(40,811)	–	(44,663)
– gains/(losses) on investments sold in the year	462	(7,019)	–	(6,557)
Gains/(losses) on investments held at end of year	1,256	5,847	(475)	6,628
Valuation at end of year	14,494	41,958	–	56,452

Comprising:

	Total Year ended 31 December 2012 £000	Total Year ended 31 December 2011 £000
Book cost at end of year	56,309	59,732
Gains/(losses) on investments held at year end	143	(6,484)
Valuation at end of year	56,452	53,248

Transaction costs on purchases for the year ended 31 December 2012 amounted to £143,000 (2011: £81,000) and on sales for the year amounted to £109,000 (2011: £79,000).

(c) GAINS/(LOSSES) ON INVESTMENTS

	Total Year ended 31 December 2012	Total Year ended 31 December 2011
£000		£000
Losses on investments sold in year	(6,557)	(832)
Movements in gains/(losses) on investments held at year end	6,628	(8,173)
Total gains/(losses) on investments	71	(9,005)

A list of the Company's 20 largest investments is shown on page 11; a sector breakdown and a geographical allocation is shown on page 9.

9. DEBTORS

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Accrued income and prepayments	235	348
Overseas tax recoverable	89	58
	324	406

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Purchases for future settlement	–	731
Other creditors	184	131
	184	862

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2012 £000	31 December 2011 £000
21,180,373 Zero Dividend Preference Shares of £0.01	39,065	36,737

The allotted, issued and fully paid number of Zero Dividend Preference Shares of £0.01 as at 31 December 2012 is 21,180,373 (31 December 2011: 21,180,373 Zero Dividend Preference Shares of £0.01).

On 17 December 2010 the Company issued 2,779,377 Zero Dividend Preference Shares at 172.25p per share and 2,064,600 Zero Dividend Preference Shares at 168.00p per share. The accrued capital entitlement at that date was 161.25p per share. The compound growth entitlement (net of expenses) of £330,000 will be amortised over the life of the Company and allocated to capital. The final capital entitlement of the Zero Dividend Preference Shares will be £46,974,000, which will be payable on 31 December 2015.

12. SHARE CAPITAL

	Year ended 31 December 2012 Number of shares	Year ended 31 December 2012 £000	Year ended 31 December 2011 Number of shares	Year ended 31 December 2011 £000
Allotted, issued and fully paid:				
Ordinary Shares of £0.01	17,068,480	171	17,068,480	171
	17,068,480	171	17,068,480	171

The allotted issued and fully paid Zero Dividend Preference Shares of the Company at 31 December 2012 are disclosed in note 11.

13. SHARE PREMIUM

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Opening balance	6,884	6,887
Costs on the issue of Ordinary Shares in 2010	–	(3)
Closing balance	6,884	6,884

14. CAPITAL RESERVE

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Opening balance	4,604	16,151
Gains/(losses) on investments – held at fair value through profit or loss	71	(9,005)
Provision for compound growth entitlement of Zero Dividend Preference Shares	(2,328)	(2,171)
Investment management fee charged to capital	(345)	(371)
Closing balance	2,002	4,604

15. FINANCIAL COMMITMENTS

At 31 December 2012 there were no commitments in respect of unpaid calls and underwritings (31 December 2011: nil).

16. RETURN PER SHARE – BASIC

Total return per Ordinary Share is based on the net total return on ordinary activities after taxation of £(708,000) (31 December 2011: £(9,686,000)).

These calculations are based on the number of 17,068,480 Ordinary Shares in issue during the year to 31 December 2012 (2011: 17,068,480 Ordinary Shares).

The return per Ordinary Share can be further analysed between revenue and capital as below:

	Year ended 31 December 2012 Pence per Ordinary Share	Year ended 31 December 2012 £000	Year ended 31 December 2011 Pence per Ordinary Share	Year ended 31 December 2011 £000
Net revenue return	11.10p	1,894	10.90p	1,861
Net capital return	(15.25p)	(2,602)	(67.65p)	(11,547)
Net total return	(4.15p)	(708)	(56.75p)	(9,686)

The Company does not have any dilutive securities.

17. NET ASSET VALUE PER SHARE

The difference between the figures reported below arises from the treatment of the premium (net of expenses) from the issue of Zero Dividend Preference ("ZDP") shares in December 2010 of £330,000. In accordance with UK Accounting Standards the unamortised portion of the premium has been included with the ZDP liability and will be 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 31 December 2012 and 30 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 31 December 2012 Pence	Net assets available 31 December 2012 £000	Net asset value per share 31 December 2011 Pence	Net assets available 31 December 2011 £000
17,068,480 Ordinary Shares (2011: 17,068,480) in issue	111.36	19,007	124.60	21,268
21,180,373 Zero Dividend Preference Shares* (2011: 21,180,373) in issue	184.44	39,065	173.45	36,737

* Classified as a liability.

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 31 December 2012 Pence	Net assets available 31 December 2012 £000	Net asset value per share 31 December 2011 Pence	Net assets available 31 December 2011 £000
17,068,480 Ordinary Shares (2011: 17,068,480) in issue	112.59	19,217	126.20	21,540
21,180,373 Zero Dividend Preference Shares* (2011: 21,180,373) in issue	183.45	38,855	172.16	36,465

* Classified as a liability.

18. RECONCILIATION OF TOTAL RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Total return on ordinary activities before finance costs and taxation	1,969	(7,243)
Capital return before finance costs and taxation	274	9,376
Increase in other debtors	–	(5)
Decrease/(increase) in accrued income and prepayments	112	(165)
Increase/(decrease) in other creditors	52	(32)
Investment management fee taken to capital	(345)	(371)
Net cash inflow from operating activities	2,062	1,560

19. ANALYSIS OF CHANGES IN NET DEBT

	Year ended 31 December 2011 £000	Cashflow £000	Non-cash movements £000	Year ended 31 December 2012 £000
Cash at bank	5,213	(3,733)	–	1,480
Debt due after more than one year (ZDP's)	(36,737)	–	(2,328)	(39,065)
	(31,524)	(3,733)	(2,328)	(37,585)

20. TRANSACTIONS WITH THE INVESTMENT MANAGER

Details of the investment management fee charged by Premier Fund Managers Limited is set out in note 3. In addition, Premier Asset Management Limited acts as Company Secretary and the fee for secretarial services is set out in note 4. At 31 December 2012 £52,083 (31 December 2011: £55,375) of these fees remained outstanding.

21. RISK MANAGEMENT POLICIES AND PROCEDURES

As an investment trust the Company invests in equities and other investments for the long-term so as to secure its investment objectives stated on page 15. In pursuing its investment objectives, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

These risks, include market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk, and the Directors' approach to the management of them are set out below.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, that are set out below, have not changed from the previous accounting period.

(a) MARKET RISK

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk (see (b) below), interest rate risk (see (c) below) and other price risk (see (d) below). The Board of Directors reviews and agrees policies for managing these risks, which have remained substantially unchanged from those applying in the year ended 31 December 2011. The Company's Investment Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(b) CURRENCY RISK

Certain of the Company's assets, liabilities, and income, are denominated in currencies other than sterling (the Company's functional currency, in which it reports its results). As a result, movements in exchange rates may affect the sterling value of those items.

Management of the risk

The Investment Manager monitors the Company's exposure and reports to the Board on a regular basis.

The Investment Manager deploys active hedging against exchange rate fluctuations where adverse movements are anticipated.

Income denominated in foreign currencies is converted to sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

(b) CURRENCY RISK continued

Foreign currency exposures

An analysis of the Company's equity investments that are priced in a foreign currency is:

	As at 31 December 2012 Investments £000	As at 31 December 2011 Investments £000
Australian Dollar	762	3,810
Brazilian Real	–	2,153
Canadian Dollar	–	716
Chinese Yuan	2,586	–
Czech Koruna	982	1,354
Euro	8,332	15,880
Hong Kong Dollar	10,619	7,833
Indonesian Rupiah	661	–
Malaysian Ringgit	549	1,338
Polish Zloty	1,749	–
Qatari Riyal	2.125	570
Singapore Dollar	–	1,351
Thailand Baht	2,097	3,513
US Dollar	9,171	9,957
	39,633	48,475

Foreign currency sensitivity

The following table illustrates the sensitivity of the return on ordinary activities after taxation for the year and the equity in regard to the Company's non-monetary financial assets to changes in the exchange rates for the portfolio's significant currency exposures, these being Sterling/US Dollar, Sterling/Euro and Sterling/Hong Kong Dollar.

It assumes the following changes in exchange rates:

Sterling/US Dollar +/- 3% (2011: 4%)

Sterling/Euro +/- 3% (2011: 4%)

Sterling/Hong Kong Dollar +/-2% (2011: 3%)

These percentages have been determined based on the average market volatility in exchange rates, in the previous 12 months.

If sterling had strengthened against the currencies shown, this would have had the following effect:

	2012 US Dollar £000	2012 Euro £000	2012 HK Dollar £000	2011 US Dollar £000	2011 Euro £000	2011 HK Dollar £000
Projected change	3%	3%	2%	4%	4%	3%
Impact on revenue return	16	42	3	21	36	6
Impact on capital return	275	250	212	421	635	235
Total return after taxation for the year	291	292	215	442	671	241
Equity	291	292	215	442	671	241

If sterling had weakened against the currencies shown, this would have had the following effect:

	2012 US Dollar £000	2012 Euro £000	2012 HK Dollar £000	2011 US Dollar £000	2011 Euro £000	2011 HK Dollar £000
Projected change	3%	3%	2%	4%	4%	3%
Impact on revenue return	(16)	(42)	(3)	(21)	(36)	(6)
Impact on capital return	(275)	(250)	(212)	(421)	(635)	(235)
Total return after taxation for the year	(291)	(292)	(215)	(442)	(671)	(241)
Equity	(291)	(292)	(215)	(442)	(671)	(241)

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

(c) INTEREST RATE RISK

Interest rate movements may affect the level of income receivable on cash deposits. The Company has no direct exposure to investments exposed to interest rate fluctuations.

Cash at bank at 31 December 2012 (and 31 December 2011) was held at floating interest rates, linked to current short-term market rates.

Due to the insignificant impact of fluctuations in interest rates no sensitivity analysis is shown.

(d) OTHER PRICE RISK

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the quoted and unquoted equity investments.

Management of the risk
The Board of Directors manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Investment Manager's compliance with the Company's objectives.

When appropriate, the Company manages its exposure to risk by using futures contracts or by buying put options on indices and on quoted equity investments in its portfolio.

Concentration of exposure to other price risks
A sector breakdown and geographical allocation of the portfolio is contained in the Investment Manager's Report on page 9.

(d) OTHER PRICE RISK continued

Other price risk sensitivity
The following table illustrates the sensitivity of the return after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Company's equities (including equity through options). This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and equity exposure through options at each balance sheet date, with all other variables held constant.

	Increase in fair value 2012 £000	Decrease in fair value 2012 £000	Increase in fair value 2011 £000	Decrease in fair value 2011 £000
Income statement – return after taxation:				
Revenue return – increase/(decrease)	23	(23)	21	(21)
Capital return – increase/(decrease)	5,645	(5,645)	5,325	(5,325)
Total return after taxation – increase/(decrease)	5,668	(5,668)	5,346	(5,346)
Equity	5,668	(5,668)	5,346	(5,346)

(e) LIQUIDITY RISK

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk
Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities that are readily realisable. The Company does not have any borrowing facilities.

The investments in unquoted securities may have limited liquidity and be difficult to realise. At 31 December 2012 the unquoted securities are valued at nil (31 December 2011 the unquoted securities represented 1.9% of the total investment portfolio).

The Board gives guidance to the Investment Manager as to the maximum amount of the Company's resources that should be invested in any one holding. The policy is that the Company should remain fully invested in normal market conditions and that short-term borrowing be used to manage short-term cash requirements.

(f) CREDIT RISK

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. The maximum exposure to credit risk at 31 December 2012 was £27,000 (2011: £731,000). The calculation is based on the Company's credit exposure as at 31 December 2012 and may not be representative of the year as a whole.

Management of the risk
This risk is not significant, and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with reputable banks with high quality external credit ratings. The Company does not generally hold significant cash balances, but when it does it seeks to limit exposure to any one bank to 10% of net assets.

None of the Company's financial assets are secured by collateral or other credit enhancements.

(g) FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The financial assets and liabilities are either carried in the balance sheet at their fair value, or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals and cash balances).

The table below sets out fair value measurements using the FRS29 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 December 2012

	Level 1 £000	Total £000
Equity investments	56,452	56,452
Total	56,452	56,452

Financial assets at fair value through profit or loss at 31 December 2011

	Level 1 £000	Level 3 £000	Total £000
Equity investments	52,217	1,031	53,248
Total	52,217	1,031	53,248

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1 (there are no Level 2 investments at 31 December 2012 and at 31 December 2011)

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

The valuation techniques used by the Company are explained in the accounting policies note on page 32.

A reconciliation of fair value measurements in Level 3 is set out below:

Level 3 financial assets at fair value through profit or loss at 31 December 2012

	Equity investments £000	Total £000
Opening balance	1,031	1,031
Purchases at cost	132	132
Net losses included in profit or loss for assets held at the end of the year	(1,163)	(1,163)
Closing balance	–	–

Level 3 financial assets at fair value through profit or loss at 31 December 2011

	Equity investments £000	Total £000
Opening balance	1,491	1,491
Purchases at cost	44	44
Net losses included in profit or loss for assets held at the end of the year	(504)	(504)
Closing balance	1,031	1,031

21. RISK MANAGEMENT POLICIES AND PROCEDURES continued

The listed bid price has been used to determine the fair value of the Zero Dividend Preference Shares:

	As at 31 December 2012		As at 31 December 2011	
	Book value £m	Level 1 £m	Book value £m	Level 1 £m
Zero Dividend Preference Shares	39.1	39.5	36.7	35.6

(h) CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to achieve a high income from its portfolio and to realise long-term growth in the capital value of the portfolio.

The Company's capital at 31 December on a UK Accounting Standards basis comprises:

	2012 £000	2011 £000
Debt:		
Zero Dividend Preference Shares	(39,065)	(36,737)
Equity:		
Equity share capital	171	171
Retained earnings and other reserves	18,836	21,097
	19,007	21,268
Total Capital	58,072	58,005
Debt as a percentage of total capital	67.27%	63.33%

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

	As at 31 December 2012			As at 31 December 2011		
	3 months or less £000	More than one year £000	Total £000	3 months or less £000	More than one year £000	Total £000
Creditors: amounts falling due within one year						
Purchases for future settlement	–	–	–	731	–	731
Other creditors	184	–	184	131	–	131
Creditors: amounts falling due after more than one year						
Accrued capital entitlement of the Zero Dividend Preference Shares	–	46,974	46,974	–	46,974	46,974
Premium (net of expenses on placing of Zero Dividend Preference Shares)	–	210	210	–	272	272
	184	47,184	47,368	862	47,246	48,108

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to several externally imposed capital requirements:

- As a public company, the Company has to have a minimum share capital of £50,000.
- In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

These requirements are unchanged since last year and the Company has complied with them.

Glossary of terms

DISCOUNT/PREMIUM

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

GEARING

Also known as leverage, particularly in the USA. Gearing is introduced when a company borrows money or issues prior ranking share classes such as ZDPs, to buy additional investments. The objective is to enhance returns to shareholders but there is the risk of the opposite effect if the additional investments fall in value.

GROSS REDEMPTION YIELD

The return on a fixed-interest security, or any investment with a known life, expressed as an annual percentage and without any deduction for tax. Redemption yield measures the capital as well as income return on investments with a fixed life.

HURDLE RATE

The compound rate of growth of the total assets required each year until the wind-up date for shareholders to receive either a predetermined redemption price or, in some cases, a return of the amount originally invested. Any class of share ranking for prior payment should be taken into account in this calculation.

NET ASSET VALUE ("NAV")

The NAV is the assets attributable to shareholders expressed as an amount per individual share. PEWT's Ordinary Share NAV is calculated as the total value of all its assets, at current market value, having deducted all prior charges at their par value (or at their asset value). The difference between the two NAV figures reported on the Balance Sheet arises from the treatment of the premium (net of expenses) from the issue of Zero Dividend Preference ("ZDP") shares in December 2010 of £330,000. In accordance with UK Accounting Standards the unamortised portion of the premium has been included with the ZDP liability and will be 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 31 December 2012 and 30 December 2011.

SPLIT CAPITAL INVESTMENT TRUST

An investment trust with two or more classes of share in issue, each class having specified entitlements to income or capital. Typical classes of share include ordinary shares, capital shares, zero dividend preference shares and income and residual capital (or geared ordinary) shares.

TOTAL RETURN

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between companies with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the company at the time the shares go ex-dividend (the share price total return) or in the assets of the company at its NAV per share (the NAV total return).

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 and that of other investment company managed by Premier, the Acorn Income Fund Limited, including current share prices can be obtained directly from:

www.premierfunds.co.uk

Contact Premier on 01483 400 400, or by e-mail to 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 400 400.

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, lines are open Monday to Friday 9.00 a.m. to 5.30 p.m.); overseas +44 208 639 3399; or e-mail ssd@capitaregistrars.com. Changes of name and/or address must be notified in writing to the Registrar.

aic

The Association of
Investment Companies

A member of the Association of Investment Companies.

Notice of annual general meeting

to the members of Premier Energy and Water Trust PLC

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Premier Asset Management Limited, Eastgate Court, High Street, Guildford, Surrey GU1 3DE on Tuesday, 23 April 2013, at 2.00 p.m. to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 1, 2, 3, 4, 5, 6, 7 and 8 as ordinary resolutions and as to resolutions 9 and 10 as special resolutions:

ORDINARY RESOLUTIONS

1. **To receive the Directors' Report and Financial Statements for the year ended 31 December 2012.**

2. **To approve the Directors' Remuneration Report for the year ended 31 December 2012.**

3. **To re-elect Mr Geoffrey Burns as a Director of the Company.**

4. **To re-elect Mr Ian Graham as a Director of the Company.**

5. **To re-elect Mr Michael Wigley as a Director of the Company.**

6. **To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Board to determine their remuneration.**

7. **Authority to allot new shares:**

   THAT, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006, to allot shares in the Company and to grant rights ("relevant rights") to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £38,249, representing 1,706,848 Ordinary Shares of 1p each and 2,118,037 ZDP Shares of 1p each, (being approximately 10% of the issued Ordinary share capital and 10% of the issued ZDP share capital of the Company as at 11 March 2013 being the latest practicable date prior to the publication of this Notice of Meeting) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or agreement which would or might require shares to be allotted or relevant rights to be granted after the expiry of such authority and the Directors may allot shares or grant relevant rights in pursuance of such an offer or agreement as if such authority had not expired.

8. **Authority to allot Ordinary Shares at a discount:**
   THAT, subject to and conditional upon the passing of resolution 7 above (the "Resolution"), the Directors be and they are hereby generally and unconditionally authorised, in accordance with LR 15.4.11 of the United Kingdom Listing Rules to allot Ordinary Shares for cash pursuant to the Resolution at a price which represents a discount to the net asset value attributable to the Ordinary Shares as at the date of such issue PROVIDED THAT (i) such issue is simultaneous with an issue of new Zero Dividend Preference Shares and (ii) the aggregate issue price shall represent a premium to the aggregate net asset value attributable to the new Ordinary Shares and new Zero Dividend Preference Shares as at the date of issue.

SPECIAL RESOLUTIONS

9. **Authority to disapply pre-emption rights:**

   THAT, subject to the passing of resolution numbered 7 above ("Section 551 Resolution"), the Directors of the Company be empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the Section 551 Resolution as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities (otherwise than pursuant to sub-paragraph (b) below) up to an aggregate nominal amount of £17,068; and

(b) the allotment of equity securities to (a) all holders of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be) to the respective numbers of such Ordinary Shares held by them and (b) to holders of other equity securities as required by the rights of those securities (but subject to such exclusions, limits or restrictions or other arrangements as the Directors of the Company may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and

such power shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2014, but so that this power shall enable the Company to make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

10. Authority to repurchase the Company's shares:

THAT, the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of 1p each and of Zero Dividend Preference Shares of 1p each in the capital of the Company (together the "Shares"), provided that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 2,558,565 Ordinary Shares and 3,174,937 Zero Dividend Preference Shares;

(b) the minimum price which may be paid for a Share is 1 pence;

(c) the maximum price which may be paid for an Ordinary Share is an amount equal to the highest of (i) 105% of the average of the middle market quotation for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased and (ii) the higher of the price of the last independent trade and the highest current bid;

(d) the maximum price which may be paid for a Zero Dividend Preference Share is its accrued capital entitlement as at the business day immediately preceding the day on which the Zero Dividend Preference Share is purchased;

(e) the authority hereby conferred shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2014, or 22 October 2014 unless such authority is renewed prior to such time; and

(f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to expiry of such authority which will be or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

Any shares so purchased will be cancelled in accordance with the provisions of the Act.

By order of the Board

Premier Asset Management Limited
Secretary

12 March 2013

Notes to the notice of annual general meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A shareholder may not appoint more than one proxy to exercise the rights attached to any one share. A proxy need not be a shareholder of the Company.

A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Capita Registrars (contact details can be found on page 53).

2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 2.00 p.m. on Friday, 19 April 2013.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00 p.m. on Friday, 19 April 2013 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting for the purposes of which no account is to be taken of any part of a day that is not a working day). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. As at 11 March 2013 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 17,068,480 Ordinary Shares and 21,180,373 Zero Dividend Preference Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 March 2013 are 38,248,853.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 2.00 p.m. on Friday, 19 April 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

13. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

14. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15. A copy of this notice, and other information required by s311A of the Companies Act 2006, is available at the Investment Manager's website:
www.premierfunds.co.uk

Directors and advisers

Directors

Geoffrey Burns (Chairman)

Ian Graham

Michael Wigley

Charles Wilkinson

Investment Manager

Premier Fund Managers Limited
Eastgate Court
High Street
Guildford
Surrey GU1 3DE
Telephone: 01483 306 090

www.premierfunds.co.uk

Authorised and regulated by the Financial Services Authority

Secretary and Registered Office

Premier Asset Management Limited
Eastgate Court
High Street
Guildford
Surrey GU1 3DE

Telephone: Mike Nokes 0207 982 1260

Company Number

4897881

Website

www.premierfunds.co.uk

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300

Overseas: +44 208 639 3399

E-mail: ssd@capitaregistrars.com

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Stockbroker

N+1 Singer Advisory LLP
One Bartholomew Lane
London EC2N 2AX

Telephone: 0207 496 3000

Ordinary Shares

SEDOL	3353790GB
LSE	PEW.L

ZDP Shares

SEDOL	3353820GB
LSE	PEWZ.L

Premier

independent asset managers