UTILICO

# UTILICO EMERGING MARKETS LIMITED
## Report and accounts 2007

## CONTENTS



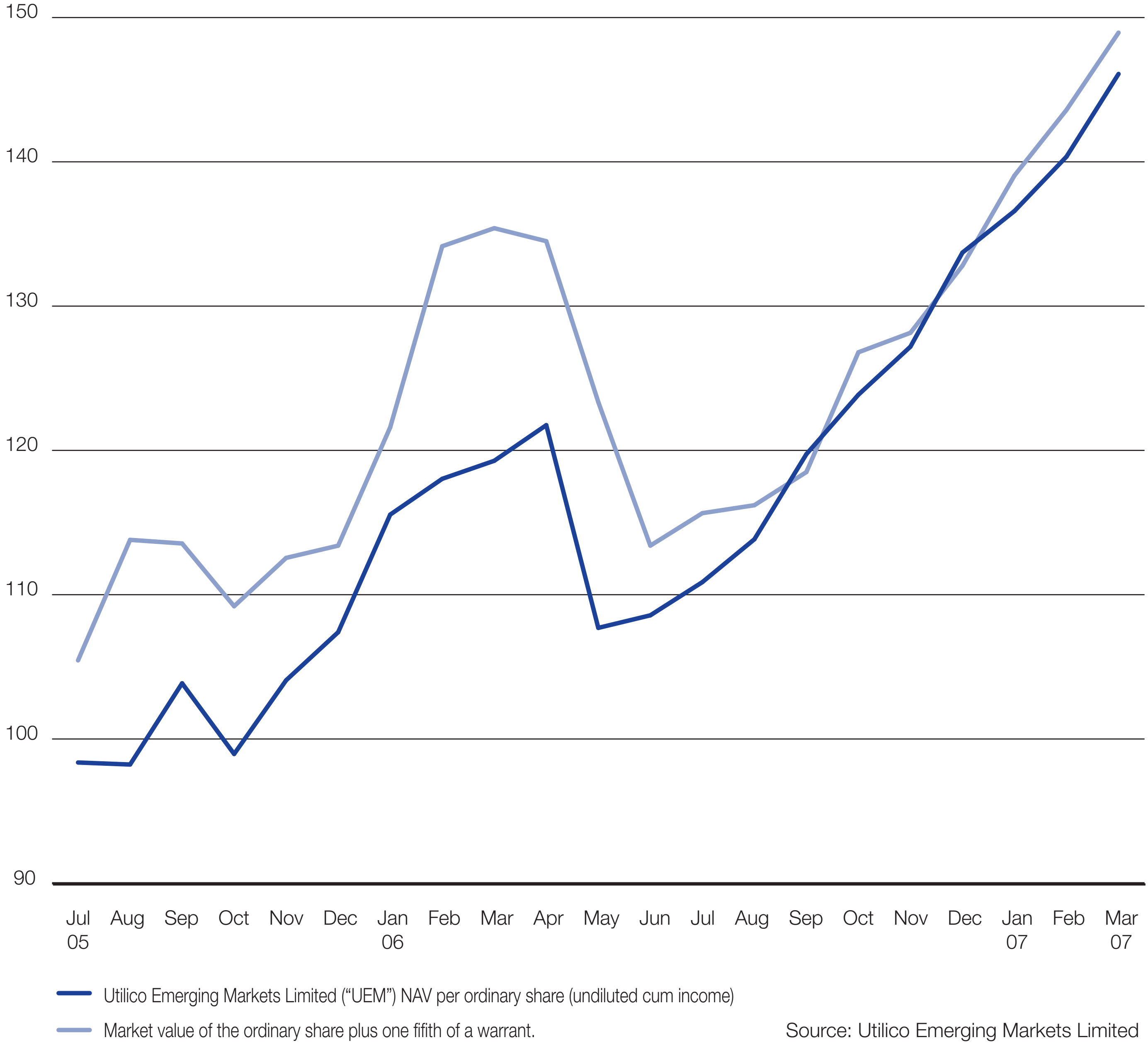
## FINANCIAL CALENDAR

| | |
|---|---|
| Ordinary shares ex-dividend | 13 June 2007 |
| Dividend payment | 29 June 2007 |
| AGM | 7 September 2007 |
| Half-year September 2007 announcement | December 2007 |

# Our objective is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related companies in emerging markets.

## UEM recorded a profit for the year of £57.3m resulting in the undiluted net asset value per ordinary share increasing from 119.48p to 146.45p.

**UEM ordinary share plus one fifth of a warrant and NAV performance**
From 20 July 2005 to 31 March 2007

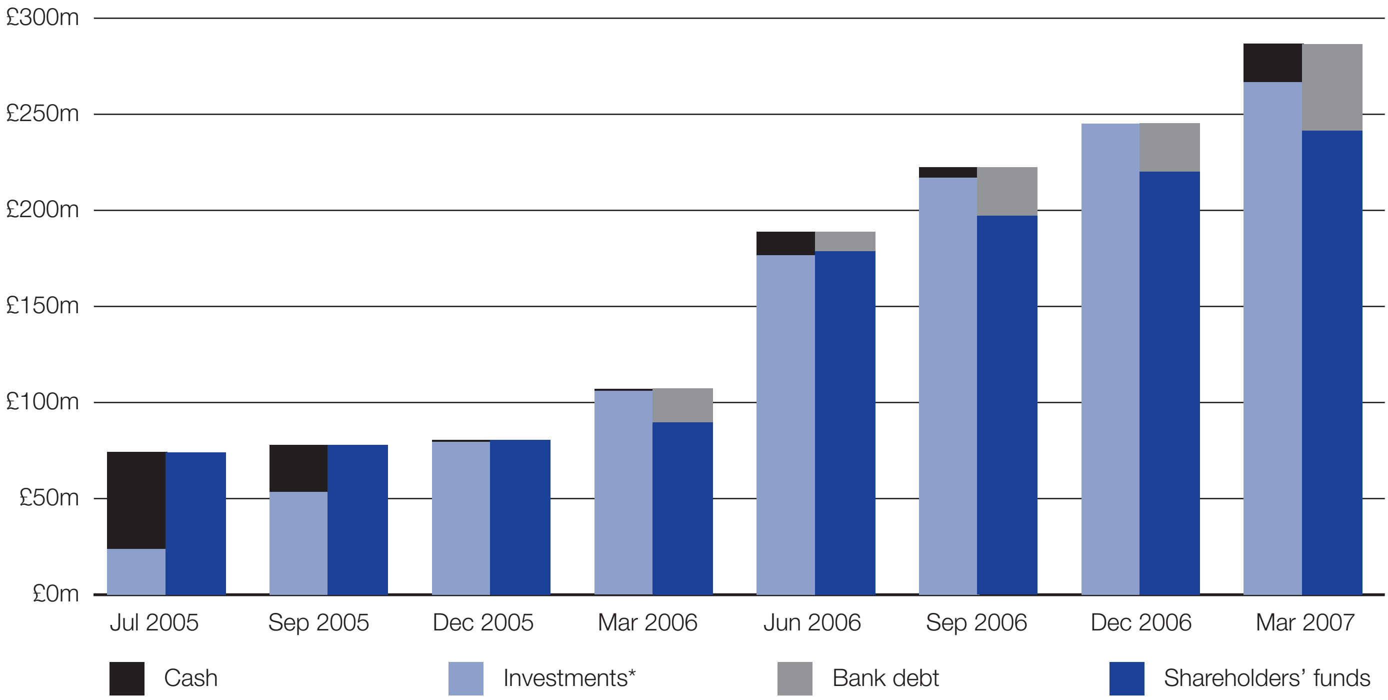



Source: Utilico Emerging Markets Limited

# FINANCIAL HIGHLIGHTS

- Raised £100.0m in May 2006
- Fully invested in early August 2006
- Increased bank facility to £60.0m from £25.0m in March 2007
- Profit for the period of £57.3m
- Net asset value increased by 22.6% to 146.45p
- Earnings per share of 2.96p on the revenue account
- Dividends per share of 2.70p (final 0.70p)

**UEM portfolio progression and capital structure**
*(From 20 July 2005 to 31 March 2007)*




* includes current net assets and non-current liabilities excluding loans

Source: Utilico Emerging Markets Limited

# PERFORMANCE SUMMARY



| | *31 March 2007* | *31 March 2006*(1) | *20 July 2005*(2) | *Change % 2007/06* | *Change % 2006/05* |
|---|---|---|---|---|---|
| Undiluted net asset value per ordinary share | **146.45p** | 119.48p | 98.36p | **22.6** | 21.5 |
| Diluted net asset value per ordinary share | **138.80p** | 116.23p | 98.36p(4) | **19.4** | 18.2 |
| Ordinary share price | **137.25p** | 126.00p | 100.00p | **8.9** | 26.0 |
| (Discount)/Premium(5) | **(1.1%)** | 8.4% | 1.7% | | |
| Earnings per ordinary share (basic) | | | | | |
| – Capital | **34.19p** | 19.50p | n/a | **75.3** | n/a |
| – Revenue | **2.96p** | 1.62p | n/a | **82.7** | n/a |
| – Total | **37.15p** | 21.12p | n/a | **75.9** | n/a |
| Dividend per ordinary share | | | | | |
| – Interim paid | **2.00p** | – | n/a | **80.0** | n/a |
| – Final declared (2006: paid) | **0.70p**(7) | 1.50p | n/a | | |
| – Total | **2.70p** | 1.50p | n/a | **80.0** | **n/a** |
| Equity holders' funds (£m) | **241.6** | 89.7 | 73.8 | **169.3**(3) | 21.5 |
| Gross assets (£m) | **303.4** | 111.0 | 73.8 | | |
| Bank debt (£m) | **45.0** | 17.5 | – | **157.1** | n/a |
| Gearing on gross assets | **14.8%** | 15.8% | – | | |
| Revenue account expenses (£m) | **2.0** | 0.7 | n/a | **185.7** | n/a |
| Total expense ratio(6) | **0.9%** | 0.9% | n/a | | |

(1) Period from 9 June 2005, the date of incorporation of the Company to 31 March 2006.
(2) Date of admission to trading on Alternative Investment Market.
(3) Includes the £100.00m fund raising in May 2006.
(4) There is no dilution.
(5) Based on diluted net asset value.
(6) Revenue account expenses over monthly average gross assets.
(7) The final declared dividend has not been included as a liability in these accounts.

## UEM seeks to invest in undervalued investments.

## The Company looks to minimise risk by investing predominantly in companies and sectors displaying the characteristics of essential services or monopolies.

The Company's investment policy is flexible and permits it to make investments predominantly in emerging markets in existing infrastructure, utility and related sectors, including (but not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, services companies, rail, roads, any business with essential service or monopolistic characteristics and in any new infrastructure or utilities which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the infrastructure, utilities and related sectors.

The Company focuses on the underdeveloped and developing markets of Asia, Latin America, Emerging Europe and Africa but has flexibility to invest in markets world-wide. The Company generally seeks to invest in emerging market countries where the managers believe there are positive investment attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. The Company may also use derivative instruments such as contract for differences, financial futures, options and warrants.

The Company may from time to time, seek to actively protect the Company's portfolio and balance sheet from major corrections. This would include foreign currency hedges, interest rate hedges, stock market index put options, and similar instruments.

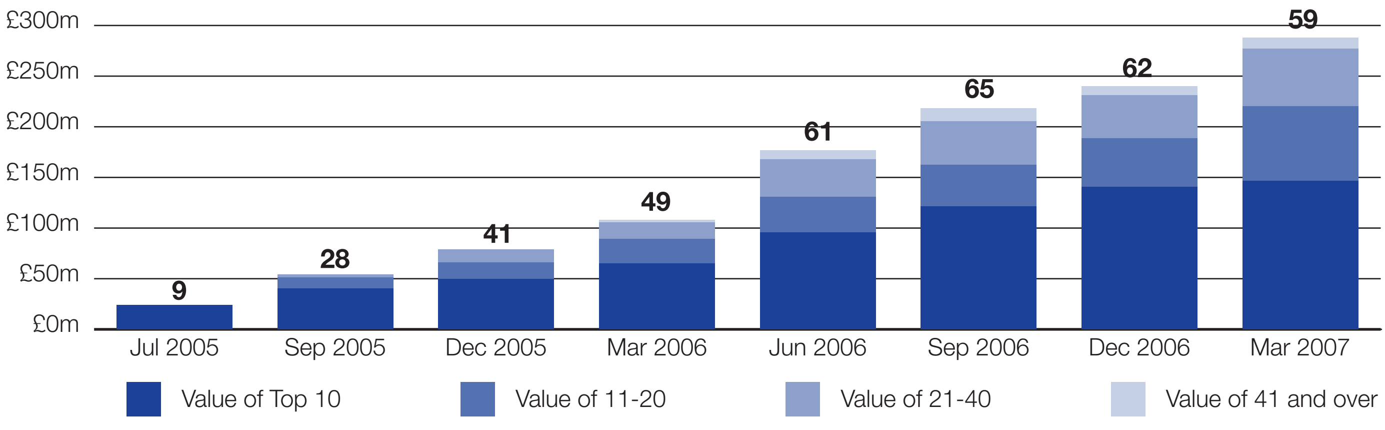
UEM seeks to identify and invest in undervalued investments. The Company aims to identify securities where underlying value is not reflected in the market price. This may be as a result of changes in regulation, technology, market motivation, potential for financial engineering, competition or shareholder indifference.

The Company seeks to minimise risk by investing predominantly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure or companies with a unique product or market position. Most investee companies are asset backed, have good cash flows and offer good dividend yields. UEM generally looks to invest in companies with strong management who have the potential to grow their business and an appreciation of and ability to manage risk.

UEM believes it is appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach and encouraging the optimisation of capital structures and business efficiencies. The investment team maintains regular contact with investee companies and UEM is often among its investee companies' largest shareholders.

The Company aims to maximise value for shareholders by holding a relatively concentrated portfolio of securities and invests through instruments appropriate to the particular situation. Investment may be through equity, debt securities and derivative instruments such as CFDs, warrants and options. UEM is prepared to hold investments in unlisted securities when the attractiveness of the investment justifies the risks and lower liquidity associated with unlisted investments.

**Portfolio progression and number of companies**
From 20 July 2005 to 31 March 2007




Source: Utilico Emerging Markets Limited

**Since launch in July 2005 the initial ordinary shareholders have seen their NAV increase from 98.36p to 146.45p. This increase, including dividends, represents a compound annual growth of 28.4%.**

**While we expect the world's economic activity to retreat from the high growth levels seen over the last 12 months we still anticipate sound economic progress in the emerging markets.**

I am pleased again to be reporting good results for UEM. Following on from last year's gains of 21.5%, the year to 31 March 2007 recorded gains of 22.6%. Since launch in July 2005 the initial ordinary shareholders have seen their NAV increase from 98.36p to 146.45p. This increase, including dividends, represents a compound annual growth of 28.4%.

UEM raised a further £100.0m in May 2006, by way of a "C" share issue, and these funds were fully invested by early August 2006. In March 2007 UEM replaced its £25.0m bank facility with a new £60.0m facility with Bank of Scotland Corporate of which £45.0m was drawn by 31 March 2007. These two capital increases together with gains by UEM resulted in UEM's gross assets, less current liabilities excluding loans, increasing from £107.2m to £288.6m.

During the year emerging markets experienced two periods of significant weakness. The first in May 2006 and the second more recently in February 2007. UEM's portfolio held up well during both these declines. In May 2006 UEM declined by 17.5% from peak to trough while the sterling adjusted MSCI Index declined 31.1%. Similarly during the market weakness of February and March 2007, UEM declined by 4.1% and the sterling adjusted MSCI Index declined by 6.1%. Taking the year as a whole UEM's undiluted net asset value (NAV) increased by 22.6% outperforming the sterling adjusted MSCI Index which only gained 4.3%.

During the second half, as a result of rising interest rates and rising levels of borrowings, the interest burden for UEM increased significantly. This, together with rising costs associated with the increased asset base and the higher weighting of dividends receivable in the first half of the year, resulted in the revenue account EPS for the second half reducing to 0.57p versus the 2.39p in the first half.

The board is proposing a final dividend of 0.70p bringing the dividends for the year to 2.70p.

Arising from the above, and to better align the costs associated with the increased borrowings and the nature of UEM's objective to achieve long-term capital appreciation, the management fee and the finance costs have, from 1 April 2007, been allocated 70% to capital and 30% to revenue. Had this policy been in place for the year to 31 March 2007 the basic earnings per share on the revenue account would have been 4.08p.

During the year UEM has both established a Contracts for Difference ("CFD") facility and has increased its hedging activity. At year-end the gross CFD exposure was £14.4m against which cash of £10.2m had been pledged as collateral. This increases UEM's exposure to the markets. Again at year-end UEM had established a net long put option position equivalent to £78.4m against the market. Both these steps demonstrate the Company's intent to capture capital gains while seeking to protect the downside risks to the portfolio.

UEM's ordinary shares fell back during the market weakness in May 2006 and have since traded at a modest discount to UEM's diluted NAV. As at 31 March 2007 they were 137.25p, a discount of 1.1% to the diluted NAV per ordinary share of 138.80p. On a combined basis the market capitalisation of UEM's ordinary shares and warrants traded at £245.5m a modest premium of 1.6% to UEM's net assets.

As part of maintaining a flexible management mandate, resolutions are being put forward to amend the Bye-Laws to allow UEM to hold treasury shares, to communicate with shareholders electronically, and to enable shareholders to elect to reinvest their dividends.

Since the year-end, UEM has seen its portfolio continue to perform. As at 29 May 2007 the undiluted NAV per ordinary share stood at 163.89p, up 11.9% on the year-end value.

Markets have regained much of their composure since February 2007. Within the portfolio the investee companies are reporting good results. While we expect the world's economic activity to retreat from the high growth levels seen over the last 12 months, we still anticipate sound economic progress in the emerging markets. UEM's portfolio is well positioned to benefit from this progress.

Alexander Zagoreos
**June 2007**

## The Company's objective of absolute return was achieved once again with undiluted NAV per ordinary share increasing by 22.6% to 146.45p.

## UEM's investments are, for the most part, posting stronger results and seeing their share prices pushing all time highs.

The Company's objective of absolute return was achieved once again with undiluted NAV per ordinary share increasing by 22.6% to 146.45p. This outperformed the MSCI (EMF) sterling adjusted Index ("MSCI Index") which increased by 4.3%. Taking into account dividends paid the annual compound return for UEM's shareholders since inception has been 28.4%.

### Portfolio

During the year UEM raised £100.0m and increased its banking drawings by £27.5m. As a result of this together with capital growth the portfolio rose to £273.7m at 31 March 2007.

At the time of raising the £100.0m it was anticipated that the portfolio concentration would reduce. This has happened and the top 10 now account for 53.6% of the year-end portfolio versus 60.4% last period. The largest investment, Companhia de Concessoes Rodoviarias S.A. ("CCR"), has increased in size from £11.4m to £19.0m but as a percentage of total investments it has declined from 10.6% to 6.9%.

Amongst the top 10 we have added POS Malaysia and Services ("POSM") and we have increased our investments in International Container Terminal ("ICT"), Puncak Niaga Holdings ("Puncak") and Beijing Capital International Airport ("BCIA") which together with market gains have seen them included in the top 10.

As a result of the above Grupo Aeroportuario del Sureste, Electricity Generating, Hainan Meilan International Airport and TIM Participacoes have all been displaced from the Top 10, but remain investments.

UEM invested £177.9m in the year and realised £70.3m.

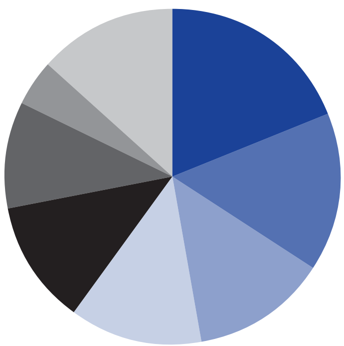
Amongst the top ten UEM invested £17.3m in POSM, £10.4m in ICT, £7.7m in Datang International Power Generation, £7.3m in Puncak, £7.1m in Saneamento Basico do Estado de Sao Paulo, £6.6m in BCIA, £4.6m in AES Tiete S.A., £3.2m in CCR, £2.0m in Companhia de Gas de Sao Paulo and £1.3m in Ocean Wilsons Holdings.

The largest sale was Demasz at £5.8m which was sold as a result of an offer from Electricité de France for a gain of 6.8%.

The top 10 are covered in more detail on pages 8 to 10 of this report.

The portfolio composition is an outcome of the stock selection. Electricity, Ports, Telecoms and Gas are broadly similar percentages to last year. Water has increased from 8.0% to 13.0% principally as a result of investments in Puncak. Airports have fallen from 14.9% to 11.9% and road and rail has fallen from 15.9% to 10.3% mainly as a result of lower investments in those

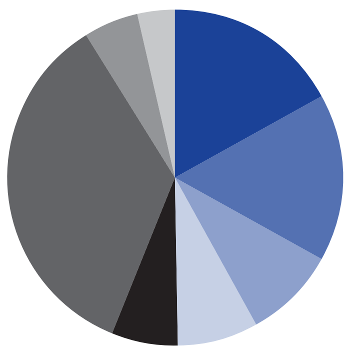
**Sectoral split of investments**
*as at 31 March 2007*



- Electricity – 19.0% (20.9%)
- Ports – 15.3% (15.6%)
- Telecoms – 13.0% (14.2%)
- Water – 13.0% (8.0%)
- Airports – 11.9% (14.9%)
- Road/Rail – 10.3% (15.9%)
- Gas – 4.2% (3.9%)
- Other – 13.3% (6.6%)

Source: Utilico Emerging Markets Limited

**Geographical split of investments**
*as at 31 March 2007*



- China – 17.1% (19.0%)
- Malaysia – 16.1% (2.0%)
- Thailand – 8.7% (9.6%)
- Other Asia – 8.0% (8.4%)
- Eastern Europe – 6.4% (5.7%)
- Brazil – 35.0% (44.1%)
- Other Latin America – 5.3% (10.5%)
- Other – 3.4% (0.7%)

*Percentages in brackets: as at 31 March 2006* two sectors at the time of investing the £100.0m raised in May 2006. Other investments have increased from 6.6% to 13.3% mainly as a result of the investment in POSM.

This year the geographical split has been further analysed to better present the country profile of the portfolio. As a percentage, Brazil and China, the two largest countries last year, have declined as UEM has increasingly diversified the portfolio. Malaysia has risen from 2.0% to 16.1% as a result of investments in POSM and Puncak.

UEM has three unlisted and untraded investments amounting to £8.0m at 31 March 2007. This represents just under 3.0% of UEM's portfolio, with the largest being a US$10.0m investment in Comanche Clean Energy Cooperative ("Comanche"). Comanche is a newly formed Cayman Island registered company engaged in the production of fuel ethanol and biodiesel in Brazil.

## Bank Debt

UEM has established a new £60.0m facility with Bank of Scotland Corporate. As at 31 March 2007 £45.0m of the facility was drawn down. Of this £35.0m was drawn down in UK Sterling and £10.0m in US Dollars. UEM held forward exchange contracts to sell US$49.1m equivalent to £25.0m. The US Dollar offers some natural protection against the foreign currency exposure of the portfolio.

## Derivatives

UEM has established a CFD account and now holds investments in Brazil amounting to £14.4m. Cash of £10.2m is held as collateral against these CFD positions.

Further, UEM has established long put positions against the S&P Index offering UEM a measure of protection against market weakness. These positions have been established over the last 12 months. In order to partially fund these UEM sold some short-term puts which have expired uncalled given the market's strong performance. As at 31 March 2007 UEM held a net put position of £78.4m against the S&P Index.

## Revenue Account

The total income amounted to £8.5m for the year and represented a gross return of 4.0% on an annualised average basis.

Revenue Account fees and expenses amounted to £2.0m representing an annualised cost of 0.9% based on average gross assets (prior year 0.9%).

Finance costs rose sharply to £1.4m as a result of bank debt increasing and CFDs being entered into in the year. Taxation of £0.5m represented withholding tax on investment income.

The profit for the period of £4.6m is only £1.2m ahead of the half-year profit of £3.4m. This is as a result of the higher debt levels and interest rates in the second half coupled with the fact that there is a higher weighting of dividends in the first half. Interest rates are on average 6.3% higher than the portfolio yield.

As set out in the Chairman's Statement, 70.0% of the finance costs and management fees will be allocated to capital from 1 April 2007. Had this policy been applied for the year to 31 March 2007 the profit for the period and the basic EPS would have been £6.80m and 4.08p respectively.

## Capital Return

The portfolio gained £58.1m in the year versus £17.1m in the prior period. This, together with gains on derivatives (mainly through the expiry of short positions sold by UEM) of £2.5m and exchange gains of £1.8m, gave rise to total capital income of £62.4m.

It should be noted that due to the timing of the issue of "C" shares, which occurred during a period of market weakness, the returns attributable to "C" shares were higher than those for ordinary shares in issue at the beginning of the year. For this reason, the total capital earnings per share of 34.19p are higher than the increase in NAV per ordinary share of 26.97p.

A performance fee of £7.2m was earned by the Investment Manager, Ingot Capital Management Pty Ltd ("ICM") under its management contract and will be paid half in shares, (being 2,601,992 shares based on the year-end diluted NAV per ordinary share of 138.80p and adjusted for the final dividend of 0.70p per ordinary share) and half in cash of £3.6m.

## Outlook

The emerging stock markets continue to reflect the stable global growth being recorded by most economies, combined with relatively benign interest and inflation rates. This has resulted in a number of markets testing new highs in recent weeks. We expect this will continue. UEM's investments are, for the most part, reflecting this economic strength by posting stronger results and seeing their share prices pushing all time highs.

# TEN LARGEST HOLDINGS

**At 31 March 2007**

| This Year | *Last Year* | Company *(Country)* Description | Fair Value £'000s | % of total investments |
|---|---|---|---|---|
| 1 | *(1)* | **Companhia de Concessoes Rodoviarias S.A**. *(Brazil)** Toll road operator | 18,988 | 6.9 |
| 2 | *(2)* | **Ocean Wilsons Holdings Limited** *(Brazil)* Ports operator and provider of shipping services | 18,360 | 6.7 |
| 3 | *(–)* | **POS Malaysia and Services Holdings Berhad** *(Malaysia)* Postal services provider | 18,093 | 6.6 |
| 4 | *(5)* | **Saneamento Basico do Estado de Sao Paulo** *(Brazil)* Water and sewerage company | 15,817 | 5.8 |
| 5 | *(4)* | **Datang International Power Generation Co. Ltd**. *(China)* Electricity generator | 15,516 | 5.7 |
| 6 | *(–)* | **International Container Terminal Services, Inc.** *(Philippines)* Container port operator | 14,360 | 5.2 |
| 7 | *(7)* | **Companhia de Gas de Sao Paulo** *(Brazil)** Gas distribution company | 11,943 | 4.4 |
| 8 | *(8)* | **AES Tiete S.A.** *(Brazil)** Electricity generator | 11,542 | 4.2 |
| 9 | *(–)* | **Puncak Niaga Holdings Berhad** *(Malaysia)* Water treatment and supply company | 11,086 | 4.1 |
| 10 | *(–)* | **Beijing Capital International Airport Company Ltd** *(China)* Airport operator | 10,979 | 4.0 |
| | | **Other investments*** | 141,448 | 51.7 |
| | | **Total investments including CFD** | 288,132 | |
| | | **Less CFD** | (14,424) | (5.3) |
| | | **Total investments** | 273,708 | 100.0 |

* includes Contracts for Difference ("CFD")

The value of the ten largest holdings represents 53.6% of the Company's total investments. The country shown is the location of the major part of the company's business.

The value of convertible securities represents 7.9% (2006: 6.7%) of the Company's portfolio and the value of fixed income securities represents 1.8% (2006: 2.0%) of the Company's portfolio. The total number of companies included in the portfolio is 59 (2006: 49).

# REVIEW OF THE TEN LARGEST HOLDINGS

**Companhia de Concessoes Rodoviarias (Brazil)**
**www.ccrnet.com.br**
"CCR" is Latin America's largest operator of toll roads. CCR manages six toll roads with a combined length of 1,452km representing 15% in terms of kilometres and 42% in terms of toll revenues of all privatized highways in Brazil. During 2006, CCR was awarded the 30-year concession for the operation and maintenance of the Sao Paulo's Subway Line 4. In addition, concessions for two roads were extended as a result of changes to capital expenditure schedules and tax adjustments, but with no extension to the concession fee payable by CCR. The performance of the company in 2006 showed a slowdown in growth compared with the prior year's stellar performance. Turnover and net income both increased by just under 10% with EBITDA margins holding at 56%. The share price also reflected this performance, adding 10% in value for the year, and taking the unrealised gain in UEM's books to 64%. While the Federal Government of Brazil has for the time being suspended its road privatisation plans, there are still opportunities from state-level concessions as well as opportunities in Mexico and the USA.

**Ocean Wilsons Holdings (Brazil)**
**www.oceanwilsons.bm**
"Ocean Wilsons" is based in Brazil and provides port and shipping services. The company is listed on the London and Bermuda Stock Exchanges. It operates two container terminals in Brazil at Tecon Rio Grande and Tecon Salvador and is the country's largest provider of vessel towage services. The investment in Ocean Wilsons was increased during the period bringing the total book cost to £7.6m. During 2006 revenue increased by 17% to US$334.1m and operating profit increased by 83% to US$61.4m with a strong contribution from ports where margins improved compared to last year. In April 2007, shortly after the UEM year end, Ocean Wilsons announced plans for the flotation of its Brazilian business, Wilson Sons, through a placement of shares. The sale which took place at the end of April, resulted in net proceeds to Ocean Wilsons of US$180.8m and a reduction in its stake in Wilson Sons to 62.9%.

**POS Malaysia & Services (Malaysia)**
**www.pos.com.my**
"POSM" is Malaysia's sole provider of postal services and provides postal and related services through its network of over 850 branches and mini post offices. The company is listed on the Kuala Lumpur Stock Exchange. The company is presently undergoing a period of operational restructuring. POSM handles a relatively high proportion of mail by hand but this is expected to steadily decrease over the next few years as it increases the level of automation and improves efficiency. In addition, with substantial cash on its balance sheet the company had the potential to create value through a capital restructuring. This occurred in October last year when POSM announced a capital repayment of RM785m equivalent to RM1.50 per share. POSM was added to the portfolio in April last year and the stock has increased slightly by 2.2% since the time of the original investment.

**Saneamento Basico do Estado de Sao Paulo (Brazil)**
**www.sabesp.com.br**
"Sabesp" is a water and sewerage company serving the State of Sao Paulo, including Sao Paulo City, in Brazil. Sabesp serves a population of 25 million people. 2006 was another successful year for Sabesp with revenue increasing by 12% and normalised earnings increasing by 40%. During 2006 billed volumes increased by 3.2%. As a result of this strong operational performance, Sabesp's share price increased by 53% during the year. 2007 should again prove to be positive as Sabesp is expected to expand its customer base and improve productivity. In addition the company received a 6.7% tariff increase in August 2006, which will allow the company to continue to fund its capital expenditure plans.

**Datang International Power Generation (China)**
**www.dtpower.com**
"Datang" is a Chinese electricity generation company, owning and operating coal fired power plants with a combined capacity of over 19,000MW, sufficient to power several large cities. In order to address China's increasing electricity requirements, Datang plans to expand capacity to 40,000 MW by 2010. Increasingly Datang is broadening its generation base to include hydro, nuclear, and wind power. During 2006 Datang increased its revenue by 38%, increased electricity generation by 32%, and increased net earnings by 18%. The Chinese Government is focusing on reducing the levels of energy required within the economy, but the outlook for electricity demand remains robust. 2007 has started well with the company increasing electricity generation by 39% in the first quarter. UEM holds Convertible Notes in Datang, the price of which increased by 35% during the year. In addition UEM holds some Ordinary Shares in the company, purchased during the year, which were showing a 40% gain on cost at the year end.

### International Container Terminal (Philippines)
**www.ictsi.com**

"ICT" manages and operates container terminals in the Philippines and throughout the world. The company is listed on the Manila Stock Exchange. As well as its operation in Manila, ICT also manages ports in Brazil, Poland, Madagascar, Indonesia and Japan. The company is expected to commence operations at container terminals in China, Syria and Ecuador during the forthcoming year. The company's strategy is to focus on small to medium sized terminals where the expensive civil infrastructure has already been put in place which allows ICT to utilise their management expertise and rapidly increase port throughput. The performance of ICT's foreign operations has meant that ICT's overseas operations now account for 60% of the company's earnings, up from 34% in 2005. The stock price has advanced strongly increasing by 166% over the year.

### Companhia de Gas de Sao Paulo (Brazil)
**www.comgas.com.br**

"Comgas" is a gas distribution business in the State of Sao Paulo in Brazil. Historically, natural gas has formed a low proportion of the total Brazilian energy mix. However, large gas discoveries in neighbouring Bolivia, and the discovery of domestic Brazilian gas fields, have spurred an increasing take up of the gas. This has been driven by industrial and commercial users, but residential demand is becoming increasingly important. Brazilian domestic gas sources should be available in the early part of the next decade which should enable natural gas to continue to increase in popularity in Brazil. During 2006 Comgas continued its impressive growth record, with a 10% increase in gas volumes supplied, an 18% increase in revenue, and a 34% increase in net profit. During the year, the share price of Comgas increased by 32%.

### AES Tiete (Brazil)
**www.aestiete.com.br**

AES Tiete operates 10 hydro electricity generation plants within the State of Sao Paulo, Brazil, with a total generation capacity of 2,600 MW. AES Tiete represents a defensive earnings stream for UEM, selling all its power to the local electricity distribution company at index linked prices, together with strong cash flows and a conservatively financed balance sheet. During 2006 revenue increased by 14% and net earnings 10%. This performance was recognised in AES Tiete's share price, which increased by 13% during UEM's financial year. However, the returns from this company are expected to be generated through dividends received rather than capital gains. UEM received dividends during the year equal to 13% of the opening share price.

### Puncak Niaga Holdings (Malaysia)
**www.puncakniaga.com**

"Puncak" is a water treatment and supply company serving the state of Selangor in Malaysia. Their assets were formerly owned and operated by the State Government. Puncak received the concession in 2005. The company is focused on improving efficiency, increasing security of supply, and ensuring greater access to water for the population of over seven million people within their service area. During the period, Puncak received a 15% tariff increase which will help fund the capital expenditures required to implement their service plans. Revenue from their water business increased by 18% during 2006. However, normalised earnings fell marginally as a result of costs incurred in improving operations. Puncak implemented a substantial capital restructuring during the year to improve the efficiency of their balance sheet. Puncak's share price performed well, increasing by 16% during the year to March 2007.

### Beijing Capital International Airport (China)
**www.bcia.com.cn**

"BCIA" operates Beijing International Airport which is the largest airport in China. BCIA increased the number of passengers passing through the airport by 18.8% to 48.7m in 2006, one of the fastest rates of passenger growth in the world. The official capacity of Beijing Airport is 35m passengers and the airport is currently undergoing an expansion including a third runway and new Terminal. The expansion is due to be completed in early 2008 in time for the 2008 Olympic Games. This will increase the official capacity of Beijing airport to 73m although in reality the airport should be capable of handling closer to 90m. The company is listed on the Hong Kong Stock Exchange. Over the period, the BCIA share price increased by 73%.

# INVESTMENT TEAM

The Investment Manager Ingot Capital Management Pty Limited ("ICM") is primarily responsible for the investment portfolio in conjunction with advice received from the Executive Director

### ICM represented by Mr Duncan Saville

Mr Saville aged 50, is a director of UEM's investment manager, ICM. He is a chartered accountant with experience in corporate finance and corporate investment. His companies have invested in the utility sector for over twenty years. He was formerly a non-executive director of Utilico Investment Trust plc, The Special Utilities Investment Trust plc, East Surrey Water plc, Dee Valley Water plc, Glasgow Prestwick International Airport Limited and Wellington International Airport Limited and is currently a non-executive director of Infratil Ltd and ERG Ltd.

### Mr Charles Jillings (Executive Director)

Mr Jillings, aged 51, is the executive Director of the Company. He is responsible for the running of the Company and the investment portfolio in conjunction with the Investment Manager. Mr Jillings is qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He set up The Analysis & Research Company Limited in 1995 and has been a director of a number of listed companies. He is currently a director of Utilico Investment Trust plc.

Assisting them are three employees of UEM who are:

### Mr James Smith

Mr Smith, aged 34, has been involved in the running of UEM and Utilico Investment Trust plc since their inception and before that with The Special Utilities Investment Trust plc since 1999. Mr Smith is a barrister and a member of the Institute of Chartered Accountants in England and Wales.

### Mr Mark Lebbell

Mr Lebbell, aged 35, has been involved in the running of UEM and Utilico Investment Trust plc since their inception and before that with The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is an associate member of the Institution of Engineering & Technology.

### Mr David McIlroy

Mr McIlroy, aged 45, has been involved in the running of UEM since its inception. He joined Utilico Investment Trust plc in July 2005 having previously been employed for 10 years within the emerging markets team at F&C Management Ltd. Mr McIlroy is an Associate of the UK Society of Investment Professionals and an Associate of the Chartered Institute of Bankers (Scotland).

# DIRECTORS

### Mr Alexander Zagoreos (Chairman)[1,2]

Mr Zagoreos, aged 69 and appointed on 14 June 2005, was educated at Columbia University and was awarded a BA, MBA and Masters degree in international affairs. He is Chairman of the Company and the Company's Management Engagement Committee. He is a limited managing director and senior adviser of Lazard Asset Management, where he was formerly responsible for emerging market products and closed-end investment companies. He has over 38 years of investment experience. He is currently a director of The World Trust Fund, chairman of The Egypt Trust and formerly the manager of Lazard Emerging World Investors LP. He is on the board of a number of investment companies and charitable organisations.

### Mr John Michael Collier[1,2,3]

Mr Collier, aged 61 and appointed on 14 June 2005, was educated in Bermuda, the UK and North America. He is Chairman of the Company's Audit Committee. He joined the Bank of Butterfield in Bermuda in 1963 and was appointed president and chief operating officer in 1992 and chief executive in 1994. He retired from this position in 1996. He is currently chairman of Belco Holdings Limited, a director of Exelon Generation Finance Company LLC, ATNP Finance Company and Exelon Enterprises Investment Inc., all Delaware entities and subsidiaries of Exelon Corporation. He is also a director of a number of US and Bermuda companies.

### Mr Charles Jillings (Executive Director)

Mr Jillings, aged 51 and appointed on 14 June 2005, is the executive Director of the Company. Mr Jillings is qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He set up The Analysis & Research Company Limited in 1995 and has been a director of a number of listed companies. He is currently a director of Utilico Investment Trust plc.

### Mr Garth Milne[1,2]

Mr Milne, aged 64 and appointed on 14 June 2005, was formerly head of the investment funds division at UBS Warburg, having originally set up the team at Laing and Cruickshank. He has been involved in investment trusts in the UK for over 30 years and is a director of several investment companies, including Premier UK Dual Return Trust Plc, Real Estate Opportunities Limited, INVESCO Perpetual UK Smaller Companies Trust Plc and SovGEM Limited.

### Mr Kevin O'Connor (Deputy Chairman)[1,2]

Mr O'Connor, aged 66 and appointed on 14 June 2005, was until recently the chairman of Infratil Limited, a New Zealand based specialist investor in international infrastructure and utility assets. He is Chairman of the Company's Remuneration Committee. Previously he had a 35 year career in investment banking and stock broking with Daysh Renouf & Co and O'Connor Grieve & Co amongst others. He is a member of the New Zealand Takeovers Panel, chairman of the Wellington Regional Community Foundation, a trustee of the Catholic Foundation of Wellington as well as being involved with a number of other charitable bodies.

### Proposed Director
### Mr Garry Madeiros[3]

Mr Madeiros, aged 57, is president and Chief Executive Officer of BELCO Holdings Limited and Bermuda Electric Light Company Limited. He is a director of BELCO Holdings Limited, BF&M Limited and BF&M General Insurance Company. He is a Chartered Accountant and has served on a number of corporate, community and Government boards. He is a Justice of the Peace and a fellow of the Bermuda Institute of Chartered Accountants.

1 Independent Director.

2 Member of the Audit Committee, Management Engagement Committee and Remuneration Committee.

3 Subject to potential Board changes, as set out in the Report of the Directors on pages 13 and 14.

The Directors present their report and the financial statements of the Company for the year ended 31 March 2007.

### Status of the Company
The Company is a Bermuda exempted, closed ended investment company quoted on AIM and the Bermuda Stock Exchange.

The accounting policies of the Company are detailed in Note 1 to the Accounts on pages 29 to 31.

### Going Concern
The Directors believe that it is appropriate to adopt the going concern basis in preparing the Accounts as the Company has adequate resources to continue in operation for the foreseeable future and its assets consist mainly of securities that are readily realisable.

### Investment Objective and Policy
The Company's investment objective is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related companies (including other investment companies investing in those companies) in emerging markets. The Company's investment policy is flexible and permits it to make investments predominantly in emerging markets and in existing utilities, infrastructure and related sectors, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the utilities, infrastructure and related sectors.

The Company focuses on the frontier and developing markets of Asia, Latin America, emerging Europe and Africa but has the flexibility to invest in markets world-wide. The Company generally seeks to invest in emerging market countries where the Directors believe that there are positive investment attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

There will be no material change to the investment objective and policy without prior shareholder approval. In line with AIM requirements, the Company will seek approval of the objective and policy annually.

Shareholders are asked to note that the word "utilities" has been replaced by the words "infrastructure, utility" so that the investment objective reads as above.

### Review of the Business
A review of the business is given in the Chairman's Statement on page 5 and in the Investment Report on pages 6 and 7.

### Revenue and Dividends

| | £'000s |
|---|---|
| Revenue profit for the year | 4,568 |
| Dividends paid on ordinary shares: | |
| Final of 1.50p paid on 7 August 2006* | (1,126) |
| Interim of 2.00p paid on 29 December 2006** | (3,292) |
| Amount transferred to revenue reserve | 150 |

* in respect of prior period's profit.
** in respect of current year's profit.

A final dividend of 0.70p per ordinary share will be payable on 29 June 2007 to ordinary shareholders on the register as at the close of business on 15 June 2007.

### Share Capital
Full details of changes to the Company's authorised and issued share capital during the period can be found in note 18 to the Accounts.

The Board has discretion to operate a regular tender facility subject to certain limitations whereby shareholders may request the repurchase of all or part of their holding of ordinary shares for cash. No tender was held in the year under review.

At the last AGM, the Company was granted authority to make market purchases of up to 14.99% of its ordinary shares. No such purchases have been made.

### Directors
The Directors of the Company are detailed on page 12. Mr Collier has been appointed Chairman of Utilico Limited, a company which, subject to shareholder approval, will receive the assets of Utilico Investment Trust plc, under a proposed scheme of reconstruction. Utilico Limited is a Bermuda registered company, which is scheduled to be listed on the London Stock Exchange on 20 June 2007. Under listing rule 15.2.9 of the UK Listing Authority, Mr Collier may not act as Chairman of an investment company where he is also director of another investment company which is managed by the same investment manager. Utilico Limited and UEM are both managed by Ingot Capital Management Pty Limited ("ICM"). Accordingly, subject to the approval of the proposals, Mr. Collier will step down from the Board of UEM prior to the admission of the shares in Utilico Limited to trading on the London Stock Exchange. Upon the resignation of Mr Collier it is anticipated that Mr Garry Madeiros

will be appointed to the Board of Directors, and will assume the role of Chairman of the Audit Committee. Following such appointment Mr Madeiros (having been appointed since year end) will retire at the Annual General Meeting and, being eligible, offer himself for election.

If Mr Madeiros is not appointed as a Director, Resolution 6 will be struck out by the Chairman of the AGM pursuant to the Chairman's authority under Bye-Law 65. Pursuant to the Company's Bye-Laws, one third of the Directors will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr Zagoreos and Mr Jillings will retire and offer themselves for re-election by rotation.

Following an appraisal of each of their performances the Board believes that these Directors make a valuable contribution based on their individual skills, knowledge and experience, and that they have commitment to the role.

Mr Jillings is the executive Director of the Company. He was appointed as an executive Director on 14 June 2005 under a service agreement of that date. Details of the service agreement can be found in the Directors' Remuneration Report on page 22.

None of the other Directors has a service agreement with the Company. Each non-executive Director has signed a letter of appointment setting out the terms of their engagement as Directors.

Details of the Directors' shareholdings in the Company and their interests in contracts and agreements are contained in note 5 to the Accounts.

### Directors' Remuneration

The Directors' Remuneration Report, which can be found on pages 22 and 23, and note 5 to the Accounts provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Report at the Annual General Meeting (Resolution 3). The Directors' remuneration is not conditional upon the resolution being passed.

### Substantial Share Interests

As at 4 June 2007, the Company is aware of the following holdings of 3% and over of its share capital.

| | | |
|---|---|---|
| Utilico Investment Trust plc* | 42,683,384 | 25.93% |
| Foreign & Colonial Investment Trust plc** | 18,951,662 | 11.65% |
| Rensburg Sheppards Investment Management Limited*** | 12,601,079 | 7.64% |
| Smith & Williamson Holdings Ltd | 8,211,029 | 4.98% |

* Includes the holding of Utilico Investment Trust plc subsidiary, UEM Holdings Limited.

** F&C Management Limited, its parent company, F&C Asset Management plc and Friends Provident Group (as ultimate holding company) are deemed to be interested in these shares.

*** Client holdings registered in the name of Nominee companies 100% owned by Rensburg Sheppards Investment Management Limited.

### Management

The Company has an Investment Management Agreement dated 14 July 2005 (the "Agreement") with Ingot Capital Management Pty Limited (the "Investment Manager" or "ICM"). The Investment Manager provides portfolio monitoring, research and other investment management services to the Company and is entitled to receive a fee equal to 0.5% per annum of the Company's gross assets after deducting current liabilities (excluding borrowings incurred for investment purposes), payable quarterly in arrears. The Investment Manager is also reimbursed its reasonable out of pocket expenses, including travel and related costs.

The Investment Manager may also become entitled to a performance-related fee, details of which can be found in note 3 to the Accounts.

The Agreement may be terminated by either party by giving not less than six months' notice in writing, such notice not to be effective before the expiry of an initial period of two years (or such lesser notice period as agreed by both parties).

Under the terms of the Agreement, ICM is obliged to provide the services of an executive Director approved by the Company and also provides the services of three further individuals to act as employees of the Company. These employees, who act under the supervision of the executive Director, are also employed by Utilico Investment Trust plc, another investment company managed by ICM. The remuneration paid to the employees is paid by ICM on behalf of the Company.

The Directors review the activities of the Investment Manager on an ongoing basis. In addition, the Management Engagement

Committee carries out a formal annual review of the investment strategy, process and performance, and this has been carried out in respect of the year under review. The Management Engagement Committee reported that it was satisfied with the performance and with the way the Company was currently being managed. Based on this assessment, it is the Board's opinion that the continuing appointment of ICM as investment manager on the agreed terms is in the interests of shareholders as a whole.

### Administration

The Company and the Investment Manager also have an administration agreement with F&C Management Limited (the "Administrator"), dated 14 July 2005, under which the Administrator provides company secretarial, financial and general administrative services to the Company for a fixed fee, payable monthly in arrears. This fee was increased from £205,000 per annum to £235,000 per annum with effect from 1 October 2006. The Administrator and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Company or the Administrator may terminate this agreement upon three months' notice in writing.

### Duration of the Company

Although the Company does not have a fixed life, the Directors consider it desirable to give shareholders the opportunity to review periodically the future of the Company. At the Annual General Meeting of the Company to be held in 2012, a resolution will be proposed that the Company should continue as presently constituted. If that resolution is not passed, the Directors will be required to formulate proposals to put to shareholders to wind-up, reorganise or reconstruct the Company.

### Policy on Payment of Suppliers

The Company's principal suppliers are the Investment Manager and the Administrator, the payment terms of which are set out on page 14 and above. Investment creditors are settled in accordance with the terms and conditions typical within the relevant markets in which they operate. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

### Risk Control

A summary of the risk control measures taken by the Board is set out in the Corporate Governance section on page 20.

Through these procedures, and in accordance with Internal Control: Revised Guidance for Directors on the Combined Code (the "FRC guidance") the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the year. This process has been in place throughout the year under review and to the date hereof and will continue to be regularly reviewed by the Board going forward.

### Auditors

The Auditors have indicated their willingness to continue in office and a resolution concerning their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The auditors provide some non-audit services to the Company, the details of which are set out in note 4 to the Accounts.

### Special Business at the Annual General Meeting

Shareholders will find on page 46 the Notice of the forthcoming Annual General Meeting of the Company to be held on 7 September 2007 at 12 noon. In addition to the ordinary business of the meeting, resolutions numbered 10 and 11 are to be proposed as special business.

### Authority for the Company to Purchase its Own Shares (Resolution 10)

Resolution 10 authorises the Company to purchase in the market initially up to a maximum of 24,734,083 ordinary shares (equivalent to approximately 14.99% of the issued ordinary shares as at the date of this Report). This authority will expire on 7 March 2009 unless it is varied, revoked or renewed prior to that date at the Company's Annual General Meeting in 2008 or at any other general meeting by ordinary resolution. Any purchases will be made at prices below the prevailing net asset value of an ordinary share where the Directors believe such purchases would result in an increase in the net asset value per share of the remaining shares and to assist in narrowing any discount to net asset value per ordinary share at which such shares may trade. The maximum price to be paid will be no more than 5% above the average of the mid-market values of the ordinary shares for the five business days immediately before the date of purchase. Any ordinary shares purchased by the Company will either be placed into treasury, subject to the passing of Resolution 11, or, failing that, cancelled.

The Directors consider that it would be advantageous to shareholders for the Company to have the authority to make such purchases as and when it considers the timing to be favourable. However, use of this authority, if given, will ultimately depend upon market conditions and the Board's judgement of its likely effectiveness in increasing net asset values and/or reducing the discount.

It is proposed that any purchase of shares would be funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

The Board intends to seek a renewal of such authority at subsequent Annual General Meetings.

Under the terms of the warrant instrument the Company has the ability to buy-back warrants. Any warrants bought back by the Company will be cancelled.

### Amendments to the Bye-Laws (Resolution 11)

It is proposed that amendments be made to the Bye-Laws as follows:

The Board currently has authority to buy back shares and cancel such shares, and now seeks authority to buy back shares and hold them in treasury, as permitted under the new Bermuda Companies Amendment Act 2006 (the "Act"). The Directors consider that it would be advantageous to shareholders for the Company to have the authority to make such purchases and have flexibility to retain such shares, when it considers the timing to be favourable. The new Bye-Law 8.1 provides this authority to buy back, and new Bye-Law 8.2 gives the Board authority to hold, dispose of, transfer or cancel such treasury shares. The amendment to Bye-Law 20 excludes shares held in treasury from capital calls.

Execution of documents with or without the affixing of the seal, is now recognised under Bermuda law, provided that one Director or the Secretary signs. The amendments to Bye-Laws 14 and 131 reflect these changes, and will allow the Company greater flexibility in the execution of documents.

It is proposed that a shareholder dividend re-investment plan be introduced, enabling shareholders to elect to receive new shares instead of monetary dividend payments. This is reflected in the recommended change to Bye-Law 132.

The Act introduced new provisions dealing with, inter alia, the Company's communications with shareholders and other provisions which facilitate communications in electronic form and by means of a website. Shareholders should note that this method of communication may only be used in respect of shareholders who have consented to such electronic delivery, and for the remainder of shareholders, hard copies will be despatched in the usual way.

The Act has also standardised the use of the terms "Resolution" and "resolution in writing" and this is reflected in the Bye-Laws.

The previous limitation on the application of share premium (to crediting shares of the same class from which it was derived) has been removed by the Act, and Bye-Law 142 has been revised to reflect this.

The Act has provided clarification on a previous area of uncertainty relating to whether certain transactions were beyond the powers of the Directors and required Shareholder authorisation. The Act now specifically authorises the Directors of a Company, subject to its Bye-Laws, to exercise all the powers of the Company, and accordingly the specific listing of the Board's powers is no longer required. This is set out in the revised Bye-Law 107.

Bye-Laws 165 and 166 have been amended to reflect more closely the language of the Act.

By order of the Board
F&C Management Limited, Secretary
4 June 2007

# DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company at 31 March 2007 and of the results for the year then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with International Financial Reporting Standards. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on the Company's website, www.utilicoemergingmarkets.com, the maintenance and integrity of which is the responsibility of the Company. The work carried out by the auditors does not involve consideration of the maintenance and integrity of the website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were originally presented on the website. Visitors to the website need to be aware that the legislation governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The Company is committed to high standards of corporate governance and endeavours to maintain the same level of governance as UK listed investment companies. The Board has considered the principles set out in the Combined Code on Corporate Governance issued by the UK's Financial Reporting Council in July 2003 (the "Combined Code") and the AIC Code of Corporate Governance revised in February 2006 (the "AIC Code"). The Board believes that during the year under review the Company has complied with the provisions of the Combined Code, in so far as they relate to the Company's business, and that it is adhering to the principles and recommendations of the AIC Code. The only exceptions are that the Company does not have its own internal audit function (further explanation on this appears on pages 20 and 21 of this report) and, as explained below, there is no Nomination Committee.

## The Board

The Directors' biographical details on page 12 of this report demonstrate the wide range of skills and experience that the Directors bring to the Board. The non-executive Directors have each signed a letter of appointment to formalise in writing the terms of their engagement as non-executive Directors, and a service agreement is in place with the executive Director which has no fixed end date and is terminable on six months' notice. Copies of these letters and the service agreement are available for inspection at the Company's registered office during normal business hours and will also be available at the Annual General Meeting.

One third of the Board (rounded upwards) is subject to retirement by rotation each year. In addition, all Directors are required to submit themselves for re-election at least every three years.

The Board, with only five Directors, operates without a Nomination Committee. The Directors recognise the value of progressive refreshing of, and succession planning for, company boards. The Directors will regularly review the structure of the Board, including the balance of expertise and skills brought by individual Directors. The Board is of the view that length of service does not necessarily compromise the independence or contribution of Directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AIC Code. However, the Board has put a policy into place where Directors who have served for nine years or more will be subject to annual re-election.

Appointments of new Directors will be made on a formalised basis with the Chairman agreeing in conjunction with his colleagues a job specification and other relevant selection criteria, and the methods of recruitment (where appropriate using an external recruitment agency), selection and appointment. The potential Director will meet with the Board members prior to formal appointment. An induction process will be undertaken with new appointees to the Board being given a full briefing on the workings and processes of the Company and the management of the Company by the Chairman, the executive Director, the Secretary and other appropriate persons. They will also be issued with a Directors' Handbook, which details relevant information on the Company, and other key documentation. All appointments are subject to subsequent confirmation by shareholders.

The Combined Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self-appraisal. The Directors consider how the Board functions as a whole and also reviews the individual performance of its members. This process is conducted by the Chairman reviewing individually with each of the Directors their performance, contribution and commitment to the Company and the possible further development of skills. In addition, the Deputy Chairman reviews the performance of the Chairman with the other non-executive Directors, taking into account the views of the executive Director. The relevant points arising from these meetings are then reported to, and discussed by, the Board as a whole. This process has been carried out in respect of the year under review and will be conducted on an annual basis. It is currently not felt appropriate to employ the services of, or to incur the additional expense of, an external third party to conduct the evaluation process as an appropriate process is in place; this will, however, be kept under review.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. A formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews investment performance as well as other high-level management information including financial reports and reports of a strategic nature. It monitors compliance with the Company's objectives and is directly responsible for investment strategy and approving asset allocation and gearing. There were five full Board meetings held in the period under review. All Directors were present at each of these meetings, with the exception of Mr O'Connor who was present at three of the meetings. The quorum for any Board meeting is two Directors.

Board and Committee meetings are also held on short notice to consider particular issues as they arise. During the period under review, five such meetings were held to consider various matters, including the issue of shares arising from the exercise of warrants, the issue of shares to satisfy Directors' fee payments and to consider the conversion of the "C" shares. Of these meetings, Mr Zagoreos attended four, Mr Collier attended four, Mr Jillings attended three, Mr O'Connor attended three and Mr Milne did not attend these meetings.

The Audit, Management Engagement and Remuneration Committees were established on 13 March 2006. The Audit Committee met twice during the year under review and the other Committees met once. These Committees have met once since the period end, when all members were present. Mr Jillings is not a member of these Committees, but was in attendance at the Committees' invitation.

The Board has established a procedure whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice or training at the Company's expense.

The Board has direct access to the advice and services of the Company Secretary, F&C Management Limited, which is responsible for ensuring that Board and Committee procedures are followed and applicable regulations are complied with.

During the period, the Board has maintained appropriate Directors' and Officers' liability insurance cover.

## Management

The Company has an Investment Management Agreement with Ingot Capital Management Pty Limited (the "Investment Manager" or "ICM"), which provides portfolio monitoring, research and other investment management services to the Company. Under the terms of this Agreement, ICM provides the services of an executive Director of the Company and three employees as detailed on page 11 of this report.

The operation of custodial services and the provision of accounting and company secretarial services have been delegated to the Administrator, F&C Management Limited.

The terms of the Investment Management and Administration Agreements are set out in note 3 to the Accounts.

## Audit Committee

The Board has appointed an Audit Committee. The Audit Committee, which was chaired by Mr Collier during the year under review, operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Company's website at www.utilicoemergingmarkets.com.

The Audit Committee is comprised of Directors who are considered by the Board to be independent of management and will meet at least twice a year. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

The primary role of the Audit Committee is to review the Company's accounting policies, the contents of the financial statements, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. In addition, it also reviews the provision of non-audit services by the external auditor, the risks to which the Company is exposed and the controls in place to mitigate those risks.

A "whistle blowing" policy has been put into place for employees of the Company, under which they may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company. This policy will be reviewed from time to time by the Audit Committee. The Audit Committee will also review the "whistle blowing" policy that has been put into place by F&C Management Limited as Administrator of the Company for use by its staff.

The Audit Committee has access to the internal audit department of the Administrator and to the Administrator's group audit committee, and reports its findings to the Board.

The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information.

## Auditors

The Audit Committee has direct access to the auditors, RSM Robson Rhodes LLP. The auditors attend the Audit Committee meeting to review the annual results and provide a comprehensive review of the audit of the Company. The Audit Committee also has the opportunity to meet with the auditors without management being present.

The Audit Committee, together with the executive Director, has reviewed the audit plan and findings of the work carried out by

RSM Robson Rhodes LLP for the audit of the annual financial statements. On the basis of this and their experience in auditing the affairs of the Company, the Audit Committee has assessed and is satisfied with the effectiveness of the external audit. The Audit Committee has taken into account the standing, experience and tenure of the audit partner, the nature and level of services provided and has received confirmation that the auditors have complied with all relevant and professional regulatory and independence standards. The Audit Committee considers RSM Robson Rhodes LLP to be independent both of the Company, the Investment Manager and the Administrator in all respects.

The Audit Committee has also reviewed the provision of non-audit services by the auditors. In the period under review, non-audit fees amounted to £46,000 (for details see note 4 to the Accounts). It is considered that the non-audit fees are not material and that the services provided are cost effective and in no way impede the independence of the auditors.

### Management Engagement Committee

The Board has appointed a Management Engagement Committee, chaired by Mr Zagoreos, which operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Company's website.

The Management Engagement Committee is comprised of the independent non-executive Directors of the Company and meets at least once a year. The Management Engagement Committee annually reviews the performance of, and fee paid to, the Investment Manager for the services provided under the Investment Management Agreement, together with the fee and other terms of that Agreement.

### Internal Controls and Management of Risk

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness and ensuring that the risk management and control processes are embedded in day-to-day operations. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Typical areas of risk material to investment companies in general, and which have been identified and are monitored as part of the control process, include excessive gearing, inappropriate long-term investment strategy, asset allocation and loss of management personnel. A risk specific to the Company is the loss of its offshore tax status.

Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised by the Board through regular reports provided by the Investment Manager on investment performance, performance attribution and other management issues. The Board has agreed with the Investment Manager the investment policy and restrictions under which the Investment Manager operates and the executive Director reports on compliance with this at every meeting. The Board also receives quarterly control reports from the Administrator and the Investment Manager that provide details of any known internal control failures. These reports incorporate a risk table that identifies the key risks to which the Company is exposed and the controls in place to mitigate them. These include risks for which the monitoring has been delegated to third party providers as well as those risks that are not directly the responsibility of the executive Director or the Administrator.

In addition, the Administrator produces an annual Report of Internal Corporate Governance to the standards of the Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06) issued by the Institute of Chartered Accountants in England and Wales for its clients. This is in accordance with the framework set out in the Financial Reporting and Auditing Group Technical Release 21/94 (revised) issued by the Institute of Chartered Accountants in England and Wales. This sets out the control policies and procedures with respect to the duties carried out by the Administrator on the Company's behalf. The effectiveness of these controls is monitored by the Administrator's group audit and compliance committee, which receives regular reports from the Administrator's audit and risk department. The Company's Audit Committee has received and reviewed the Statement for the year ended 31 December 2006, together with a report from the Administrator's group audit and compliance committee on the effectiveness of the internal controls maintained on behalf of the Company.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Investment Manager and Administrator, which have their own internal audit and risk assessment and whose controls are monitored by the Board. It is therefore felt that there is no need for the Company to have its own internal audit function. However, this will be reviewed annually by the Audit Committee. Action will be taken to remedy any significant failings or weakness identified from the review of the effectiveness of the internal control system.

### Remuneration Committee

The Company's Remuneration Committee is comprised of all of the independent Directors and is chaired by Mr O'Connor. It operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Company's website.

The Remuneration Committee is responsible for reviewing the terms of the service agreement with, and the salary paid to, the executive Director. It will also make recommendations to the Board in respect of the fees of Directors. Full details of the remuneration for individual Directors is set out in the Directors' Remuneration Report on pages 22 and 23.

### Investor Relations

Communication with shareholders is given a high priority. The Company's Annual Report and Accounts, containing a detailed review of performance and the investment portfolio, is sent to all shareholders. At the half year stage, an half-year report, containing updated information in a more abbreviated form, is also sent to all shareholders. Updated information, including details of the current portfolio and a commentary (updated monthly) is also available on the Company's website.

Shareholders wishing to communicate with the Chairman, the Deputy Chairman (who acts as Senior Independent Director) or other members of the Board may do so by writing to the Company at its registered office address, which can be found on page 53.

All shareholders are encouraged to attend the Annual General Meeting, at which shareholders will be given an opportunity to question the Chairman, the Committee chairmen and the Board. Mr O'Connor was, however, not able to attend the Annual General Meeting in 2006. The Chairman and the Deputy Chairman are also available to meet with the Company's institutional shareholders between such meetings. Proxy voting figures are announced to shareholders at the Annual General Meeting.

### Corporate Governance, Socially Responsible Investment and Voting Policy

The Company has developed a policy on corporate governance, socially responsible investment and voting. The Company believes that the interests of its shareholders are served by investing in companies that adopt best practice in corporate governance. Where best practice in corporate governance is not followed, the Company will encourage changes towards this goal.

The Company seeks to encourage companies to be socially responsible and is attracted to invest in those that are. It also aims to avoid investing in any company that does not meet generally accepted standards of social responsibility unless there is a reasonable prospect of improvements that would raise that company's standards up to an adequate level.

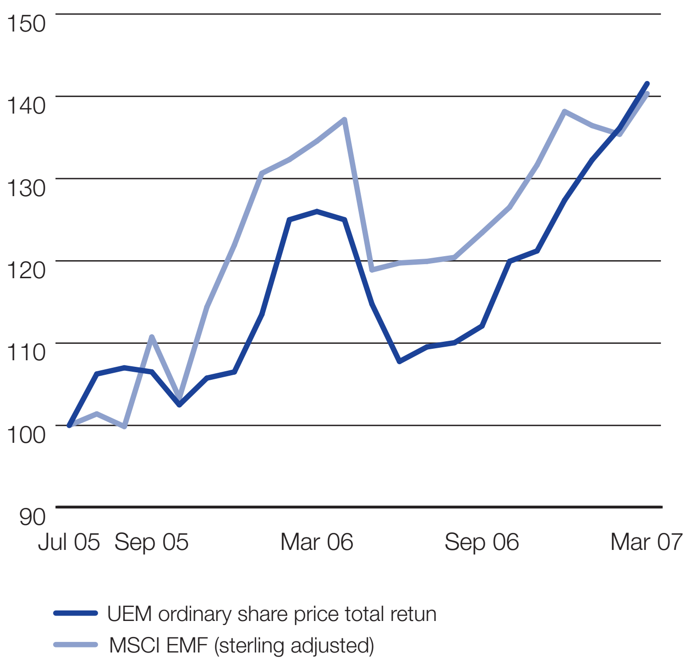
The Company supports the boards of companies with its vote unless it sees clear investment reasons for doing otherwise. It is the Company's policy to exercise its voting rights at shareholder meetings of investee companies. Decisions on contested takeover bids are always referred to the Board.

### Remuneration Committee

The Board is comprised of four non-executive Directors and one executive Director. The Board has appointed a Remuneration Committee to review and make recommendations to the Board on the remuneration of the Directors and the conditions of service of the executive Director. The Remuneration Committee comprises the non-executive Directors of the Company and meets annually or more frequently as required.

Under the Investment Management Agreement with Ingot Capital Management Pty Limited (the "Investment Manager"), the Investment Manager is required to procure for the Company the services of an individual approved by the Company to act as an executive Director. The executive Director receives the same Directors' fees as is at the relevant time paid to the non-executive Directors of the Company (excluding the Chairman). Any additional remuneration to the executive Director will be paid by the Investment Manager.

**UEM share price total return**
*From 20 July 2005 to 31 March 2007*
*(rebased to 100 at 20 July 2005)*




Source: Utilico Emerging Markets Limited

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.

The Company's Bye-Laws limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Company's policy to determine the remuneration of the Directors having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs.

Directors receive their remuneration in the form of shares in the Company. Further details on the calculation of the number of shares due to each Director are given in note 5 to the Accounts.

The executive Director has a service agreement with the Company which has no fixed end date and is terminable upon six months' notice after an initial 12 month term. None of the non-executive Directors has a service agreement, but each has signed a letter of appointment setting out the terms of their engagement as non-executive Directors.

In the year under review, the Chairman received a fee of £28,500 and the other Directors received £20,000, both on an annualised basis. The Chairman of the Audit Committee, Mr Collier, received an additional £5,000 per annum. He also received an additional one-off payment of £2,000 in recognition of additional services performed by him in respect of the Company.

No element of the Directors' remuneration is performance-related.

No Director past or present has any entitlement to pensions, other benefits in kind or any other non-cash benefit. The Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of Directors.

## Directors' Emoluments

| Director | Fees for services to the Company 2007 £'000s | 2006 £'000s |
|---|---|---|
| A E Zagoreos (Chairman) | **29** | 19 |
| J M Collier | **27** | 13 |
| C D O Jillings (Executive Director)* | **20** | 13 |
| G P D Milne | **20** | 13 |
| K J O'Connor | **20** | 13 |
| Total | **116** | 71 |

* In addition to the Directors' fees disclosed above Mr C D O Jillings will receive 300,000 ordinary shares in UEM and £400,000 (2006: 107,545 ordinary shares in UEM and £125,000) from the Investment Manager for services provided in respect of the affairs of the Company in the period.

The information in the above table has been audited (see the Independent Auditors' Report on page 24).

By order of the Board
F&C Management Limited, Secretary
4 June 2007

# INDEPENDENT AUDITORS' REPORT

**TO THE SHAREHOLDERS OF UTILICO EMERGING MARKETS LIMITED**

We have audited the accounts on pages 25 to 45. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable Bermuda law and International Financial Reporting Standards (IFRSs) are set out in the Directors' Statement of Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared in accordance with the Companies Act 1981 of Bermuda.

We read other information contained in the Annual Report on pages 1 to 23, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

## Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with IFRSs, as adopted by the EU, of the state of affairs of the Company as at 31 March 2007 and of its profit for the year then ended; and

- the accounts have been properly prepared in accordance with the Companies Act 1981 of Bermuda.

RSM Robson Rhodes LLP
Chartered Accountants
London, England
4 June 2007

# INCOME STATEMENT

| Notes | | Year to 31 March 2007 | | | Period from 9 June 2005 to 31 March 2006* | | |
|---|---|---|---|---|---|---|---|
| | | **Revenue £'000s** | **Capital £'000s** | **Total £'000s** | Revenue £'000s | Capital £'000s | Total £'000s |
| 10 | Gains and losses on investments | **–** | **58,094** | **58,094** | – | 17,057 | 17,057 |
| 12 | Gains and losses on derivative instruments | **–** | **2,450** | **2,450** | – | (18) | (18) |
| | Exchange gains and losses | **–** | **1,830** | **1,830** | 1 | (234) | (233) |
| 2 | Investment and other income | **8,457** | **–** | **8,457** | 2,073 | – | 2,073 |
| | **Total income** | **8,457** | **62,374** | **70,831** | 2,074 | 16,805 | 18,879 |
| 3 | Management and administration fees | **(1,275)** | **(7,102)** | **(8,377)** | (431) | (2,141) | (2,572) |
| 4 | Other expenses | **(709)** | **(77)** | **(786)** | (290) | (30) | (320) |
| | Profit before finance costs and taxation | **6,473** | **55,195** | **61,668** | 1,353 | 14,634 | 15,987 |
| 6 | Finance costs | **(1,417)** | **–** | **(1,417)** | (81) | – | (81) |
| | **Profit before tax** | **5,056** | **55,195** | **60,251** | 1,272 | 14,634 | 15,906 |
| 7 | Taxation | **(488)** | **(2,421)** | **(2,909)** | (57) | – | (57) |
| | **Profit for the period** | **4,568** | **52,774** | **57,342** | 1,215 | 14,634 | 15,849 |
| 8 | **Earnings per share (basic) – pence** | **2.96** | **34.19** | **37.15** | 1.62 | 19.50 | 21.12 |
| 8 | **Earnings per share (diluted) – pence** | **2.87** | **33.14** | **36.01** | 1.59 | 19.15 | 20.74 |

The total column of this statement represents the Company's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies in the UK. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the Company.

*The Company was incorporated on 9 June 2005 and commenced trading on 20 July 2005.

# STATEMENT OF CHANGES IN EQUITY

**for the year to 31 March 2007**

| Notes | | Ordinary share capital £'000s | Share premium account £'000s | Warrant reserve £'000s | Non-distributable reserve £'000s | Retained earnings: Capital reserves £'000s | Retained earnings: Revenue reserve £'000s | Total £'000s |
|---|---|---|---|---|---|---|---|---|
| | Balance at 31 March 2006 | 7,507 | 62,284 | 4,050 | 1 | 14,634 | 1,215 | 89,691 |
| | Profit for the year | – | – | – | – | 52,774 | 4,568 | 57,342 |
| 9 | Ordinary dividends paid | – | – | – | – | – | (4,418) | (4,418) |
| | Issue of ordinary share capital and warrants | 8,991 | 86,308 | 5,000 | 100 | – | – | 100,399 |
| | Cost of issuing ordinary share capital | – | (1,398) | – | – | – | – | (1,398) |
| | **Balance at 31 March 2007** | **16,498** | **147,194** | **9,050** | **101** | **67,408** | **1,365** | **241,616** |

for the period 9 June 2005 to 31 March 2006

| | Ordinary share capital £'000s | Share premium account £'000s | Warrant reserve £'000s | Non-distributable reserve £'000s | Retained earnings: Capital reserves £'000s | Retained earnings: Revenue reserve £'000s | Total £'000s |
|---|---|---|---|---|---|---|---|
| Profit for the period | – | – | – | – | 14,634 | 1,215 | 15,849 |
| Issue of ordinary share capital and warrants | 7,507 | 63,514 | 4,050 | 1 | – | – | 75,072 |
| Cost of issuing ordinary share capital | – | (1,230) | – | – | – | – | (1,230) |
| Balance at 31 March 2006 | 7,507 | 62,284 | 4,050 | 1 | 14,634 | 1,215 | 89,691 |

# BALANCE SHEET

| Notes | At 31 March | | 2007 | | 2006 |
|---|---|---|---|---|---|
| | | **£'000s** | **£'000s** | £'000s | £'000s |
| | **Non current assets** | | | | |
| 10 | Investments | | **273,708** | | 108,056 |
| | **Current assets** | | | | |
| 11 | Other receivables | **2,229** | | 780 | |
| 12 | Derivative financial instruments | **7,605** | | 883 | |
| | Cash and cash equivalents | **19,904** | | 1,238 | |
| | | | **29,738** | | 2,901 |
| | **Current liabilities** | | | | |
| 13 | Bank Loans | **(20,000)** | | (17,528) | |
| 14 | Other payables | **(14,335)** | | (3,575) | |
| 12 | Derivative financial instruments | **(482)** | | (163) | |
| | | | **(34,817)** | | (21,266) |
| | **Net current liabilities** | | **(5,079)** | | (18,365) |
| | **Total assets less current liabilities** | | **268,629** | | 89,691 |
| | **Non-current liabilities** | | | | |
| 15 | Bank loans | **(25,014)** | | – | |
| 16 | Deferred tax | **(1,999)** | | – | |
| | | | **(27,013)** | | – |
| | **Net assets** | | **241,616** | | 89,691 |
| | **Equity attributable to equity holders** | | | | |
| 18 | Ordinary share capital | | **16,498** | | 7,507 |
| 19 | Share premium account | | **147,194** | | 62,284 |
| 20 | Warrant reserve | | **9,050** | | 4,050 |
| 21 | Non-distributable reserve | | **101** | | 1 |
| 22 | Capital reserves | | **67,408** | | 14,634 |
| 22 | Revenue reserve | | **1,365** | | 1,215 |
| | **Total attributable to equity holders** | | **241,616** | | 89,691 |
| 23 | **Net asset value per ordinary share** | | | | |
| | **Basic – pence** | | **146.45** | | 119.48 |
| | **Diluted – pence** | | **138.80** | | 116.23 |

Approved by the Board on 4 June 2007 and signed on its behalf by

Alexander Zagoreos

Charles Jillings

# CASH FLOW STATEMENT

| Notes | | Year to 31 March 2007 £'000s | Period to 31 March 2006 £'000s |
|---|---|---|---|
| 24 | Cash flows from operating activities | **(105,201)** | (67,324) |
| | Cash flows from investing activities | **–** | – |
| | Cash flows before financing activities | **(105,201)** | (67,324) |
| | **Financing activities** | | |
| 9 | Equity dividends paid | **(4,418)** | – |
| | Proceeds from borrowings | **29,839** | 17,428 |
| | Proceeds from warrants exercised | **361** | 4 |
| | Proceeds from issue of ordinary share capital | **98,608** | 51,264 |
| | Cash flows from financing activities | **124,390** | 68,696 |
| | Net increase in cash and cash equivalents | **19,189** | 1,372 |
| | Cash and cash equivalents at the beginning of the period | **1,238** | – |
| | Effect of movement in foreign exchange | **(523)** | (134) |
| | **Cash and cash equivalents at the end of the period** | **19,904** | 1,238 |

### 1. ACCOUNTING POLICIES

The Company is an Investment Company incorporated in Bermuda on 9 June 2005 and quoted on the Alternative Investment Market in London with effect from 20 July 2005 (the date of commencement of trading).

**(a) Basis of accounting**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investments and derivative financial instruments.

Where presentational recommendations set out in the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP"), issued in the UK by the Association of Investment Companies ("AIC") in December 2005, do not conflict with the requirements of IFRS, the Directors have prepared the financial statements on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated in the United Kingdom.

In accordance with the SORP, the Income Statement has been analysed between a Revenue Account (dealing with items of a revenue nature) and a Capital Account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as they are not allocated to capital, as described in note 1(e) below). Net revenue returns are allocated via the revenue account to the Revenue Reserve, out of which dividends are paid.

Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and derivative instruments and on cash and borrowings. Net capital returns may not be distributed by way of a dividend and are allocated via the capital account to Capital Reserves.

Certain Standards and Interpretations to Standards have been issued, but are not yet effective and have not been early adopted by the Company. These Standards and Interpretations are not expected to have any significant impact on the Company's financial statements, in their periods of initial application, except for the disclosures about financial instruments required by IFRS 7, Financial Instruments: Disclosures, and the additional disclosures about capital required by the amendment to IAS 1, Presentation of Financial Statements, when the relevant Standard and amendment come into effect for periods commencing on or after 1 January 2007.

In the process of applying the Company's accounting policies, judgements relating to investments have had the most significant effect on the amounts recognised in the financial statements, and details of those judgements are set out in accounting policy (b).

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unlisted investments, details of which are set out in accounting policy (b).

**(b) Valuation of investments and derivative instruments**

Investment purchases and sales are accounted for on the trade date.

Investments and derivative instruments used for efficient portfolio management that do not qualify for hedge accounting are classified as being at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments and derivatives on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Company's Directors and key management personnel.

Gains and losses on investments and on derivatives are analysed within the Income Statement as capital. Listed investments are shown at fair value using market bid prices. The fair value of unlisted investments is determined by the Board. The Board's valuation technique takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors. Listed options and similar derivative instruments are valued at listed market prices.

### 1. ACCOUNTING POLICIES (CONTINUED)

**(c) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

**(d) Foreign currency**

The functional and reporting currency is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to the income statement and analysed as capital or income as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates.

**(e) Other income**

Dividends receivable are allocated to the revenue column within the income statement (except where, in the opinion of the Directors, their nature indicates they should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is allocated as revenue in the income statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is allocated as capital in the Income Statement.

Interest on debt securities is accrued on a time basis using the effective interest rate method. Bank and short-term deposit interest is recognised on an accruals basis.

**(f) Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged through the income statement and allocated to the revenue column except those expenses incidental to the acquisition or disposal of investments and performance related management fees (calculated under the terms of the Investment Management Agreement) which are allocated to the capital account.

**(g) Share–based payments**

Directors' fees, expensed in the income statement in the revenue column, are satisfied in ordinary shares. The number of shares to which each Director is entitled is the number of ordinary shares that, when valued at fully diluted net asset value per ordinary share, equates to the Director's fees due. The Company puts the relevant Director in funds for such purpose. Should the Directors be unable to procure the purchase of some or all of the shares in the market at or below the fully diluted net asset value per ordinary share, the funds are returned and the Company issues such new ordinary shares as is equivalent to any shortfall to each Director.

**(h) Finance costs**

Finance costs are accounted for on an effective yield basis, recognised through the income statement and allocated to the revenue column.

**(i) Dividends payable**

Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them.

**(j) Capital reserves**

The following items are accounted for through the Income Statement and then transferred to capital reserves:

**Capital reserve – realised**

– gains and losses on the realisation of investments and derivative instruments

– realised exchange differences of a capital nature

– expenses allocated in accordance with note 1(f)

## 1. ACCOUNTING POLICIES (CONTINUED)

**Capital reserve – unrealised**

– increases and decreases in the valuation of investments held at the period end

– unrealised exchange differences of a capital nature

**(k) Warrant reserve**

The imputed net proceeds on initial issue of warrants, based on the market value of the warrants on the first day of listing, are transferred out of share premium account to the warrant reserve. On exercise, or cancellation, the imputed net proceeds are transferred to a separate non-distributable reserve.

## 2. INVESTMENT AND OTHER INCOME

| | **Year to 31 March 2007 Revenue £'000s** | **Year to 31 March 2007 Capital £'000s** | **Year to 31 March 2007 Total £'000s** | Period to 31 March 2007 Revenue £'000s | Period to 31 March 2007 Capital £'000s | Period to 31 March 2006 Total £'000s |
|---|---|---|---|---|---|---|
| **Investment income**: | | | | | | |
| Overseas dividends | **7,334** | **–** | **7,334** | 1,588 | – | 1,588 |
| Overseas and UK interest | **704** | **–** | **704** | 89 | – | 89 |
| | **8,038** | **–** | **8,038** | 1,677 | – | 1,677 |
| **Other income** | | | | | | |
| Interest on cash and short-term deposits | **419** | **–** | **419** | 396 | – | 396 |
| Total income | **8,457** | **–** | **8,457** | 2,073 | – | 2,073 |
| | | | | | | |
| Income from investments comprises: | | | | | | |
| Listed | **7,610** | **–** | **7,610** | 1,640 | – | 1,640 |
| Unlisted | **428** | **–** | **428** | 37 | – | 37 |
| | **8,038** | **–** | **8,038** | 1,677 | – | 1,677 |

## 3. MANAGEMENT AND ADMINISTRATION FEES

| | **Year to 31 March 2007** | | | Period to 31 March 2006 | | |
|---|---|---|---|---|---|---|
| | **Revenue £'000s** | **Capital £'000s** | **Total £'000s** | Revenue £'000s | Capital £'000s | Total £'000s |
| Payable to: | | | | | | |
| Ingot Capital Management Pty Limited ("ICM") – management fee | **1,055** | **–** | **1,055** | 284 | – | 284 |
| ICM – performance fee in respect of relevant period | **–** | **7,187** | **7,187** | – | 2,141 | 2,141 |
| – performance fee adjustment in respect of prior period | **–** | **(85)** | **(85)** | – | – | – |
| F&C Management Limited – administration fee | **220** | **–** | **220** | 147 | – | 147 |
| | **1,275** | **7,102** | **8,377** | 431 | 2,141 | 2,572 |

### 3. MANAGEMENT AND ADMINISTRATION FEES (CONTINUED)

ICM provides investment management services for a fee of 0.5% per annum, payable quarterly in arrears. The Agreement with ICM may be terminated upon six months notice.

In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount of any outperformance in that period by equity funds attributable to shareholders compared to the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index, plus inflation (on the RPIX basis), plus two per cent. Half of the performance fee is payable in ordinary shares of the Company, based on the diluted NAV per share at the period end. The performance fee of £7,187,000 accrued at 31 March 2007 will be payable within 21 days of publication of the Annual Report and Accounts and will comprise £3,594,000 in cash together with ICM endeavouring to purchase 2,601,992 ordinary shares in the market at a price equal to or below the fully diluted net asset value at 31 March 2007 as adjusted for the proposed final dividend of 0.70p per ordinary share. The Company will reimburse ICM in cash for such purchases. In the event ICM is unable to purchase some or all of the ordinary shares in the market at or below the fully diluted NAV per share at the time of such purchase, the Company will issue sufficient shares to ICM based on the diluted net asset value per share as at 31 March 2007, to make up any shortfall.

F&C Management Limited ("FCM") provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £235,000 per annum (prior to 1 October 2006: £205,000), payable monthly in arrears, and will be entitled to reimbursement of certain expenses incurred by it in connection with its duties. In respect of the period to 31 March 2007, FCM also received a £10,000 fee in respect of the issue of the "C" shares of the Company. The Agreement with FCM is terminable on three months' notice in writing.

### 4. OTHER EXPENSES

| | **Year to 31 March 2007** | | | Period to 31 March 2006 | | |
|---|---|---|---|---|---|---|
| | **Revenue £'000s** | **Capital £'000s** | **Total £'000s** | Revenue £'000s | Capital £'000s | Total £'000s |
| Auditors' remuneration: | | | | | | |
| for audit services | **17** | **–** | **17** | 18 | – | 18 |
| for other services* | **8** | **–** | **8** | 3 | – | 3 |
| Directors' fees: | | | | | | |
| fees for services to the Company (see Directors' Remuneration Report on pages 22 and 23) | **116** | **–** | **116** | 71 | – | 71 |
| Other expenses | **568** | **77** | **645** | 198 | 30 | 228 |
| | **709** | **77** | **786** | 290 | 30 | 320 |

* Total Auditors' remuneration for other services amounts to £46,000. £3,000 was in relation to review of interim accounts, £5,000 was taxation advice and £38,000 was charged to share premium account in connection with the share issue on 12 May 2006 (2006: Total auditors' remuneration for other services amounted to £23,000 of which £3,000 was charged to revenue account in relation to review of the interim results for the period ended 30 September 2005 and £20,000 was charged to the share premium account for work undertaken in respect of the Initial Public Offering of the Company).

## 5. DIRECTORS' REMUNERATION CONTRACTS AND SHARE BASED PAYMENTS

**(a) Remuneration**

The amounts paid by the Company to Mr Jillings, which was for services as an executive Directors of the Company, and to the other Directors, which were for services as non-executive Directors, did not include any payments or rights to pensions and are detailed in the Directors' Remuneration Report on pages 22 and 23.

**(b) Directors' interests in securities**

The beneficial interests of the Directors in the securities of the Company were as follows:

| | **31 March 2007** | | 31 March 2006 | |
|---|---|---|---|---|
| | **Ordinary shares** | **Warrants** | Ordinary shares | Warrants |
| A E Zagoreos | **275,830** | **–** | 111,825 | 20,000 |
| J M Collier | **177,046** | **29,384** | 58,278 | 10,000 |
| C D O Jillings | **260,175** | **193,093** | 108,278 | 20,000 |
| C D O Jillings – SIPP | **–** | **100,000** | – | – |
| G P D Milne | **448,845** | **86,239** | 208,278 | 40,000 |
| K J O'Connor | **398,547** | **74,668** | 83,278 | 15,000 |

Since the period end, the Directors were issued with further shares to satisfy fee entitlements on 17 April 2007 (see 5(d) below).

Mr Jillings received 107,545 shares from ICM, as detailed in the Directors' Remuneration Report on pages 22 and 23. As at the date of this report, the beneficial interests of the Directors in the securities of the Company are as follows:

| | Ordinary shares | Warrants |
|---|---|---|
| A E Zagoreos | 280,974 | – |
| J M Collier | 181,559 | 29,384 |
| C D O Jillings | 371,330 | 193,093 |
| C D O Jillings – SIPP | – | 100,000 |
| G P D Milne | 452,455 | 86,239 |
| K J O'Connor | 402,157 | 74,668 |

**(c) Directors' interests in contracts**

Mr Jillings is also an executive director of Utilico Investment Trust plc ("UIT") which owned 25.9% of the issued ordinary shares of the Company at 31 March 2007 (31 March 2006: 25.9%).

**(d) Share based payments**

On 2 May 2006, 13,204 ordinary shares were issued by the Company and in addition payment was made for PAYE tax in order to satisfy directors fee payments of £26,000 for the quarter ended 31 March 2006.

On 7 August 2006, 22,130 ordinary shares were issued by the Company in order to satisfy directors fee payments of £30,000 for the quarter ended 30 June 2006.

On 13 October 2006, 24,113 ordinary shares were purchased in the market in order to satisfy directors' fee payments of £28,375 for the quarter ended 30 September 2006.

On 10 January 2007, 22,609 ordinary shares were purchased in the market in order to satisfy directors' fee payments of £28,375 for the quarter ended 31 December 2006.

Since the year end, a further 20,487 ordinary shares were issued by the Company in order to satisfy directors fee payments of £28,000 for the quarter ended 31 March 2007.

## 6. FINANCE COSTS

| | Year to 31 March 2007 | | | Period to 31 March 2006 | | |
|---|---|---|---|---|---|---|
| | **Revenue £'000s** | **Capital £'000s** | **Total £'000s** | Revenue £'000s | Capital £'000s | Total £'000s |
| On loans and overdrafts: | | | | | | |
| Loans and overdrafts repayable within 1 year | **1,115** | **–** | **1,115** | 81 | – | 81 |
| Loans and overdrafts repayable between 2 and 5 years | **48** | **–** | **48** | – | – | – |
| Finance costs on Contracts for Difference | **254** | **–** | **254** | – | – | – |
| | **1,417** | **–** | **1,417** | 81 | – | 81 |

## 7. TAXATION

| | Year to 31 March 2007 | | | Period to 31 March 2006 | | |
|---|---|---|---|---|---|---|
| | **Revenue £'000s** | **Capital £'000s** | **Total £'000s** | Revenue £'000s | Capital £'000s | Total £'000s |
| Overseas taxation | **488** | **–** | **488** | 57 | – | 57 |
| Capital gains tax on sale of overseas investments | **–** | **422** | **422** | – | – | – |
| Total current taxation | **488** | **422** | **910** | 57 | – | 57 |
| Deferred tax | **–** | **1,999** | **1,999** | – | – | – |
| | **488** | **2,421** | **2,909** | 57 | – | 57 |

Profits for the year are not subject to taxation in Bermuda.

Deferred tax in the capital account is in respect of capital gains tax on overseas unrealised investment gains that will be subject to taxation in future years.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share from continuing operations is based on the following data:

Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders

| | **Year to 31 March 2007 £'000s** | Period to 31 March 2006 £'000s |
|---|---|---|
| Revenue | **4,568** | 1,215 |
| Capital | **52,774** | 14,634 |
| Total | **57,342** | 15,849 |
| | | |
| Weighted average number of shares in issue during the period for basic earnings per share calculations | **154,365,003** | 75,043,340 |

### Diluted earnings per share

Diluted earnings per share has been calculated in accordance with IAS33, under which the Company's outstanding warrants are considered dilutive only if the exercise price is lower than the average market price of the shares during the period. The dilution is calculated by reference to the additional number of shares which warrantholders would have received on exercise as compared with the number of shares which the subscription proceeds would have purchased in the open market.

## 8. EARNINGS PER SHARE (CONTINUED)

| | **Year to 31 March 2007 Number** | Period to 31 March 2006 Number |
|---|---|---|
| Weighted average number of shares in issue during the period for basic earnings per share calculations | **154,365,003** | 75,043,340 |
| Dilutive potential shares | **4,868,838** | 1,393,396 |
| Weighted average number of shares for diluted earnings per share calculations | **159,233,841** | 76,436,736 |

## 9. DIVIDENDS

| | **Record date** | **Payment date** | **Year to 31 March 2007 £'000s** | Period to 31 March 2006 £'000s |
|---|---|---|---|---|
| Final dividend for the period ended 31 March 2006 | **16 June 2006** | **07 August 2006** | **1,126** | – |
| Interim dividend for the year ended 31 March 2007 | **15 December 2006** | **29 December 2006** | **3,292** | – |
| | | | **4,418** | – |

A final dividend in respect of the year ended 31 March 2007 of 0.70p per ordinary share will be paid on 29 June 2007 to all shareholders on the register at close of business on 15 June 2007. This dividend has not been included as a liability in these accounts.

## 10. INVESTMENTS

| | | | **2007** | | | 2006 |
|---|---|---|---|---|---|---|
| | **Listed £'000s** | **Unlisted £'000s** | **Total £'000s** | Listed £'000s | Unlisted £'000s | Total £'000s |
| Cost brought forward | **85,963** | **6,466** | **92,429** | – | – | – |
| Unrealised appreciation brought forward | **15,393** | **234** | **15,627** | – | – | – |
| Valuation at 31 March | **101,356** | **6,700** | **108,056** | – | – | – |
| Movements in the period: | | | | | | |
| Purchases at cost | **163,680** | **14,175** | **177,855** | 98,796 | 6,940 | 105,736 |
| Sales | | | | | | |
| proceeds | **(64,624)** | **(5,673)** | **(70,297)** | (14,231) | (506) | (14,737) |
| realised net gains on sales | **3,725** | **26** | **3,751** | 1,398 | 32 | 1,430 |
| Increase in unrealised appreciation | **53,364** | **979** | **54,343** | 15,393 | 234 | 15,627 |
| Valuation at 31 March | **257,501** | **16,207** | **273,708** | 101,356 | 6,700 | 108,056 |
| Cost at 31 March | **193,566** | **15,215** | **208,781** | 85,963 | 6,466 | 92,429 |
| Unrealised appreciation at 31 March | **63,935** | **992** | **64,927** | 15,393 | 234 | 15,627 |
| | **257,501** | **16,207** | **273,708** | 101,356 | 6,700 | 108,056 |

### 10 INVESTMENTS (CONTINUED)

| Gains on investments | 2007 £'000s | 2006 £'000s |
|---|---|---|
| Realised gains based on historical cost | **8,797** | 1,430 |
| Less amounts recognised in previous periods | **(5,046)** | – |
| Realised gains based on carrying value at previous balance sheet date | **3,751** | 1,430 |
| Increase in unrealised appreciation | **54,343** | 15,627 |
| Gains on investments | **58,094** | 17,057 |

**Significant interests**

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

| Company | Class of instruments held | 2007 % of class of instruments held | 2006 % of class of instrument held |
|---|---|---|---|
| Datang International Power Generation Company Limited | convertible notes | **12.2** | – |
| Hainan Meilan International Airport Company Limited | ordinary shares | **5.1** | 5.1 |
| Ocean Wilsons Holdings Limited | ordinary shares | **6.5** | 6.8 |
| POS Malaysia & Services Holdings Berhad | ordinary shares | **5.0** | – |
| Puncak Niaga Holdings Berhad | ordinary shares | **5.7** | – |

### 11. OTHER RECEIVABLES

| | 2007 £'000s | 2006 £'000s |
|---|---|---|
| Sales for future settlement | **156** | – |
| Accrued income | **1,556** | 737 |
| Prepayments and other debtors | **517** | 43 |
| | **2,229** | 780 |

The Directors consider that the carrying value of other receivables approximates to their face value.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2007 £'000s | 2006 £'000s |
|---|---|---|
| Forward foreign exchange contracts | | |
| – Sterling | **25,047** | – |
| – US dollar | **(25,055)** | – |
| Net current liability forward foreign exchange contracts | **(8)** | – |

These arrangements are designed to address significant exchange and market exposures.

| Futures and options | 2007 £'000s | 2006 £'000s |
|---|---|---|
| Current assets | | |
| – US dollar | **7,605** | 883 |
| Net current assets futures and options | **7,605** | 883 |
| Current liabilities | | |
| – US dollar | **(474)** | (163) |
| Net current liabilities futures and options | **(474)** | (163) |
| Total net current asset futures and options | **7,131** | 720 |
| Total net current asset derivative financial instruments | **7,123** | 720 |
| Total current asset derivative financial instruments | **7,605** | 883 |
| Total net current liability derivative financial instruments | **482** | 163 |

**Changes in derivatives**

| | Valuation 31 March 2006 £'000s | Purchases £'000s | Settlements £'000s | Gains and losses £'000s | Valuation 31 March 2007 £'000s |
|---|---|---|---|---|---|
| Total net current asset derivative financial instruments | 720 | 1,323 | 2,630 | 2,450 | 7,123 |

## 13. BANK LOANS – CURRENT LIABILITY

| | 2007 £'000s | 2006 £'000s |
|---|---|---|
| UK£20.000 million repayable March 2008 | **20,000** | – |
| US$17.373 million repayable February 2007 | **–** | 7,512 |
| HK$101.111 million repayable February 2007 | **–** | 10,016 |
| | **20,000** | 17,528 |

The Company has a committed loan facility of £60,000,000 of which £20,000,000 expires on 15 March 2008, £20,000,000 expires on 16 March 2010 and £20,000,000 expires on 16 March 2012. Commissions are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature.

### 14. OTHER PAYABLES

| | 2007 £'000s | 2006 £'000s |
|---|---|---|
| Purchases for future settlement | **6,439** | 1,166 |
| Accrued interest on bank loans and overdrafts | **186** | 8 |
| Accrued expenses | **7,710** | 2,401 |
| | **14,335** | 3,575 |

### 15. BANK LOANS – NON-CURRENT LIABILITY

| | 2007 £'000s | 2006 £'000s |
|---|---|---|
| UK£15.000 million repayable March 2010 | **15,000** | – |
| US$9.820 million repayable March 2010 | **5,007** | – |
| US$9.820 million repayable March 2012 | **5,007** | – |
| | **25,014** | – |

See note 13 for details of the loan facility.

### 16. DEFERRED TAX

| | 2007 £'000s |
|---|---|
| Balance at 31 March 2006 | – |
| Increase in provision for Brazilian tax on capital gains | 1,999 |
| **Balance at 31 March 2007** | **1,999** |

Provision is made for deferred tax In respect of chargeable investments in Brazil, at a rate of 15%, on unrealised capital gains.

### 17. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies operating and generating revenue in emerging markets, and therefore no segmental reporting is provided.

### 18. ORDINARY SHARE CAPITAL

| | Authorised Number | £'000s | Issued and fully paid Number | £'000s |
|---|---|---|---|---|
| Equity share capital | | | | |
| Ordinary shares of 10p each | | | | |
| Balance at 31 March 2006 | 150,000,000 | 15,000 | 75,070,776 | 7,507 |
| Authorised during the year | 600,000,000 | 60,000 | – | – |
| Issued during the year | | | 89,912,631 | 8,991 |
| **Balance at 31 March 2007** | **750,000,000** | **75,000** | **164,983,407** | **16,498** |

## 18. ORDINARY SHARE CAPITAL (CONTINUED)

**Ordinary shares**

Pursuant to a Special Resolution passed at a Special General meeting of the Company held on 26 April 2006, the authorised share capital of the Company was increased from £15,000,000 to £75,000,000.

On 8 May 2006, the Company raised £98,602,000 (net of expenses) through an open offer, when 100,000,000 "C" shares of 50p and 20,000,000 new warrants were issued. On 23 June 2006 the Investment Manager, Ingot Capital Management Pty Limited, notified the Directors that 80% of the net proceeds of the issue had been invested and in compliance with the terms of the issue, the Directors determined the calculation date for the conversion of the "C" shares into ordinary shares was 30 June 2006. On 14 July 2006 the "C" shares were converted into 89,516,516 ordinary shares of 10p each and 10,483,385 deferred shares of 10p each in accordance with the rights attaching to the "C" shares as set out in the Company's Bye-Laws and on the basis of a conversion ration of 0.89516615 calculated as at 30 June 2006. The deferred shares were non-voting and were entitled to a non-cumulative dividend at a fixed rate of one per cent of their nominal amount on the date falling six months after the conversion date and on every anniversary thereafter. On a winding up of the Company the holders of the deferred shares would have been entitled out of the surplus assets of the Company to 1p for every 1,000,000 deferred shares held by them. In accordance with the rights attaching to the deferred shares, the Company was deemed to have given notice to repurchase all the deferred shares on 13 July 2006 and all such shares were so repurchased and cancelled on 14 July 2006. The aggregate purchase price of the shares was £nil (based on a price of 1p for every 1,000,000 deferred shares held by each holder), but the Company was not required to account for the purchase price following such repurchase to any of the shareholders. The deferred shares so cancelled and the resulting authorised but unissued share capital was reclassified and redesignated as ordinary shares of 10p each in the Company.

35,334 ordinary shares were issued during the period in order to satisfy Directors' fee payments and 360,781 were issued on the exercise of warrants.

Since the year end a further 20,487 ordinary shares have been issued to satisfy Directors' fee payments.

**Warrants**

At 31 March 2006, 15,000,847 warrants were in issue. On 8 May 2006, 20,000,000 new warrants were issued (see above) and subsequently reduced into 17,903,242 existing warrants on 14 July 2006. On 31 July 2006, 947 warrants and on 31 January 2007, 359,834 warrants were exercised. At 31 March 2007, 32,543,308 warrants were in issue. Holders have the right to subscribe for one ordinary share per warrant at £1 in cash on 31 January or on 31 July in any of the years 2007 to 2010 (inclusive).

## 19. SHARE PREMIUM ACCOUNT

| | £'000s |
|---|---|
| Balance at 31 March 2006 | 62,284 |
| Premium on issue of ordinary share capital | 91,083 |
| Issue costs of ordinary share capital | (1,398) |
| Transfer to warrant reserve on issue of 20,000,000 warrants | (5,100) |
| Premium on exercise of 360,781 warrants | 325 |
| **Balance at 31 March 2007** | **147,194** |

This is a non-distributable reserve arising on the issue of share capital.

## 20. WARRANT RESERVE

| | £'000s |
|---|---|
| Balance at 31 March 2006 | 4,050 |
| Transfer from share premium | 5,100 |
| Transfer to other non-distributable reserve on exercise of warrants | (100) |
| **Balance at 31 March 2007** | **9,050** |

This reserve, which is non-distributable, arises on issue of warrants and may be utilised only on exercise or cancellation of those warrants.

### 21. NON-DISTRIBUTABLE RESERVE

| | £'000s |
|---|---|
| Balance at 31 March 2006 | 1 |
| Transfer from warrant reserve | 100 |
| **Balance at 31 March 2007** | **101** |

### 22. OTHER RESERVES

| | Capital reserve (realised) £'000s | Capital reserve (unrealised) £'000s | Capital reserves Total £'000s | Revenue reserve £'000s |
|---|---|---|---|---|
| Realised gains on investments | 3,751 | – | 3,751 | – |
| Transfer on disposal of investments | 5,046 | (5,046) | – | – |
| Gains on derivative financial instruments | (217) | | (217) | – |
| Transfer on disposal of derivative financial instruments | (70) | 70 | – | – |
| Exchange gains and losses | 1,830 | – | 1,830 | – |
| Performance fee (see note 3) | (7,102) | – | (7,102) | – |
| Other capital charges | (77) | – | (77) | – |
| Taxation | (2,421) | – | (2,421) | – |
| Increase in unrealised appreciation on investments | – | 54,343 | 54,343 | – |
| Increase in unrealised appreciation on derivative instruments | – | 2,667 | 2,667 | – |
| Profit for the year | – | – | – | 4,568 |
| Total profit in current year | 740 | 52,034 | 52,774 | 4,568 |
| Dividends paid in the year | – | – | – | (4,418) |
| Balance at 31 March 2006 | (1,104) | 15,738 | 14,634 | 1,215 |
| **Balance at 31 March 2007** | **(364)** | **67,772** | **67,408** | **1,365** |

### 23. NET ASSET VALUE PER SHARE

(a) Net asset value per ordinary share is based on net assets at the year end of £241,616,000 (2006: £89,691,000) and on 164,983,407 (2006: 75,070,776) ordinary shares in issue at the year end.

(b) Diluted net asset value per ordinary share is based on net assets at the period end and assuming the receipt of proceeds arising from the exercise of 32,543,308 (2006: 15,000,847) warrants outstanding at £1 per warrant.

| | **2007 Number** | 2006 Number |
|---|---|---|
| Ordinary shares in issue at the period end | **164,983,407** | 75,070,776 |
| Ordinary shares created on exercise of all warrants | **32,543,308** | 15,000,847 |
| Number of ordinary shares for diluted calculation | **197,526,715** | 90,071,623 |
| | | |
| Attributable net assets – £'000s | **274,159** | 104,692 |
| Diluted net asset value per ordinary share – pence | **138.80** | 116.23 |

### 24. RECONCILIATION OF TOTAL RETURN BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2007 £'000s | 2006 £'000s |
|---|---|---|
| Profit before taxation | **60,251** | 15,906 |
| Adjust for non-cash flow items: | | |
| Gains and losses on investments | **(58,094)** | (17,057) |
| Gains on derivative financial instruments | **(2,450)** | 18 |
| Exchange gains/(losses) | **(1,830)** | 233 |
| Effective yield interest | **(460)** | (34) |
| Directors' remuneration paid in shares | **38** | 48 |
| Increase in accrued income | **(835)** | (752) |
| Increase in creditors | **5,514** | 2,382 |
| Increase in other debtors | **(507)** | (11) |
| Tax on overseas income | **(894)** | (42) |
| | **(59,518)** | (15,215) |
| Adjust for cash flow items not within Income Statement: | | |
| Net cash flows on investments | **(101,982)** | (67,277) |
| Net cash flows on derivative financial instruments | **(3,952)** | (738) |
| | **(105,934)** | (68,015) |
| Net cash flows from operating activities | **(105,201)** | (67,324) |

### 25. RELATED PARTY TRANSACTIONS

As part of the open offer of issuing "C" shares and new warrants on 8 May 2006, the Company issued 22,522,239 "C" shares and 4,504,447 warrants to Utilico Investment Trust PLC ("UIT") for a consideration of £22,522,239. The shareholding by UIT (including UIT's subsidiary, UEM Holdings Limited) in the Company, represented 25.9% of the then-issued share capital.

Transactions entered into by Mr Jillings are disclosed in the Directors' Remuneration Report on page 23 and in Notes 3 and 5 to the Accounts. There are no other related party transactions.

### 26. RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The Company's investment objective is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related companies in emerging markets. The Company seeks to meet its investment objective by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing its investment objectives, the Company faces risks to both assets and revenue. These financial risks, and the Directors' approach to the management of the risks, are set out in the table below. These policies have been consistently applied throughout the period under review.

### 26. RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

## Management of Financial Risks

| Risk | Management of Risk |
|---|---|
| **Credit** | |
| Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. There is also a credit risk associated with deposit takers. | All transactions are settled on the basis of delivery against payment, except where local market conditions do not permit. All counterparties to derivative instruments are approved by the Board.<br>The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by International credit rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties. |
| **Market Price** | |
| The Company's assets consist principally of quoted equities, convertible bonds and fixed interest stocks, the values of which are determined by market forces. | The Company's risk is managed through investment in a diversity of stocks, most of which are listed on recognised stock exchanges. The Board manages the market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information. The Board meets regularly and at each meeting reviews performance and financial results. Equity and index derivatives are used on a selective basis to hedge market risk.<br>When appropriate, the Company has the ability to buy put options on the investments in its portfolio, and also put and call stock index options. |
| **Currency** | |
| Certain of the Company's assets, liabilities, and income, are denominated in currencies other than sterling (the currency in which the Company reports its results). As a result, movements in exchange rates may affect the sterling value of those items. | The Company has borrowings denominating in the same currencies as the portfolio.<br>Forward foreign exchange contracts are used on a selective basis to hedge currency risk. Income denominated in foreign currencies is converted to sterling on receipt. |
| **Interest Rate** | |
| Interest rate movements may affect assets, liabilities and net revenue. | The Company's assets include convertible bonds and fixed interest rate stocks, the income from which, and the values of which, are reviewed by the Board on a regular basis.<br>The risks that could arise as a result of changes in interest rates are taken into account when making investment decisions.<br>The Company finances part of its activities through borrowings with appropriate interest rates in currencies and at levels approved and monitored by the Board. |
| **Liquidity** | |
| Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. | The Company invests principally in equities and other investments that are readily realisable. The Company has the power to take out borrowings, and in addition has an overdraft facility of £2.0 million, and a multi-currency loan facility of £60.0 million.<br>The Board gives guidance to investment managers 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. |

## 26 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### Financial assets

The Company's financial assets comprise equity investments, convertible bonds, fixed interest securities, CFDs, short-term receivables and cash balances. The profile of those financial assets at 31 March 2007, by currency was:

| | BRL £'000s | GBP £'000s | HKD £'000s | MYR £'000s | PHP £'000s | THB £'000s | USD £'000s | Other £'000s | Total £'000s |
|---|---|---|---|---|---|---|---|---|---|
| Non-current investments | 60,014 | 29,517 | 33,585 | 47,394 | 17,675 | 25,793 | 41,270 | 18,460 | 273,708 |
| Derivative financial instruments | – | 25,047 | – | – | – | – | 164,522 | – | 189,569 |
| Cash and cash equivalents | – | 106 | – | – | – | – | 19,564 | 234 | 19,904 |
| Other receivables | 672 | 125 | 20 | – | – | – | 477 | 421 | 1,715 |
| | 60,686 | 54,795 | 33,605 | 47,394 | 17,675 | 25,793 | 225,833 | 19,115 | 484,896 |

The profile of those financial assets at 31 March 2006, by currency was:

| | BRL £'000s | GBP £'000s | HKD £'000s | THB £'000s | USD £'000s | Other £'000s | Total £'000s |
|---|---|---|---|---|---|---|---|
| Non-current investments | 25,916 | 17,038 | 13,009 | 10,394 | 28,993 | 12,706 | 108,056 |
| Derivative financial instruments | – | – | – | – | 883 | – | 883 |
| Cash and cash equivalents | 352 | 409 | – | – | 476 | 1 | 1,238 |
| Other receivables | 289 | 92 | – | 130 | 269 | – | 780 |
| | 26,557 | 17,539 | 13,009 | 10,524 | 30,621 | 12,707 | 110,957 |

### Financial liabilities

The Company finances its investment activities through the Company's ordinary share capital, reserves and borrowing.

The profile of the Company's financial liabilities at 31 March 2007, by currency, was:

| | GBP £'000s | USD £'000s | Other £'000s | Total £'000s |
|---|---|---|---|---|
| Multi-currency loan facility | (35,000) | (10,014) | – | (45,014) |
| Derivative financial instruments | – | (182,446) | – | (182,446) |
| Other payables | (7,815) | (6,253) | (267) | (14,335) |
| | (42,815) | (198,713) | (267) | (241,795) |

The profile of the Company's financial liabilities at 31 March 2006, by currency, was:

| | GBP £'000s | USD £'000s | HKD £'000s | BRL £'000s | Total £'000s |
|---|---|---|---|---|---|
| Multi-currency loan facility | – | (10,016) | (7,512) | – | (17,528) |
| Derivative financial instruments | – | (163) | – | – | (163) |
| Other payables | (3,142) | (5) | (3) | (425) | (3,575) |
| | (3,142) | (10,184) | (7,515) | (425) | (21,266) |

### 26 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

**Interest rate risk**

**Financial assets**

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a stated maturity date. Those financial assets that are exposed to fair value interest rate risk at 31 March 2007 were:

| | Fixed rate financial assets £'000s | Weighted average interest rate % |
|---|---|---|
| Non-current investments | | |
| Sterling | 1,600 | 5.00 |
| Euro | 1,385 | 5.00 |
| United States dollar | 21,431 | 6.75 |

The financial assets exposed to cash flow interest rate risk are cash and cash equivalents. These assets have floating interest rates and amount to £19,904,000 (2006: £1,238,000).

The financial assets that are exposed to fair value interest risk at 31 March 2006 were:

| | Fixed rate financial assets £'000s | Weighted average interest rate % |
|---|---|---|
| Non-current investments | | |
| Sterling | 1,100 | 4.99 |
| Euro | 1,067 | 5.00 |
| United States dollar | 7,319 | 5.54 |

**Financial liabilities**

The interest rate profile of the Company's financial liabilities at 31 March 2007 was:

| | Fixed rate financial liabilities £'000s | Weighted average interest rate % |
|---|---|---|
| Multi-currency loan facility: | | |
| Sterling | 35,000 | 5.00 |
| United States dollar | 10,014 | 5.47 |
| | 45,014 | |

No other financial liabilities are subject to interest rate risks.

### 26 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The interest rate profile of the Company's financial liabilities at 31 March 2006 was:

| | Fixed rate financial liabilities £'000s | Weighted average interest rate % |
|---|---|---|
| Multi-currency loan facility: | | |
| Hong Kong dollar | 7,512 | 5.00 |
| United States dollar | 10,016 | 5.47 |
| | 17,528 | |

**Fair Value of financial assets**

All of the financial assets of the Company are held at fair value.

Included within cash and cash equivalents is £10.2m held as collateral against the Company's CFD exposures (2006: £nil). The agreement requires that between 50% and 60% of the gross exposure to the underlying security in the individual CFD contract is held on deposit with the counterparty.

# NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that the 2007 Annual General Meeting of Utilico Emerging Markets Limited will be held at Lazards, 58th Floor, 30 Rockefeller Plaza, New York, NY 10020 USA on Friday, 7 September 2007 at 12 noon for the following purposes:

### Ordinary Business

1. Minutes of the last Annual General Meeting to be read and confirmed.
2. To receive and adopt the Directors' report and auditor's report and accounts for the year ended 31 March 2007.
3. To approve the Directors' Remuneration Report for the year ended 31 March 2007.
4. To re-elect Mr A E Zagoreos as a Director.
5. To re-elect Mr C D O Jillings as a Director.
6. To elect Mr G A Madeiros as a Director.
7. To re-appoint the auditors, or to appoint Grant Thornton UK LLP (or a subsidiary undertaking thereof).
8. To authorise the Directors to determine the auditors' remuneration.
9. To approve the Company's investment objective and policy.

### Special Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

10. Resolve that the Directors be generally and unconditionally authorised to make market purchases of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares"), provided that:
    (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall equal 14.99% of the issued Ordinary Shares as at the date of this notice, being 24,734,083;
    (b) the maximum price which may be paid for an Ordinary Share will be equal to 105% of the average of the mid-market quotation for the share taken from the London Stock Exchange for the five business days immediately preceding the date of purchase (or such other amount as may be specified by the London Stock Exchange from time to time);
    (c) the maximum price payable referred to in paragraph (b) above is exclusive of any expenses payable by the Company in connection with such purchase;
    (d) such purchases shall be made in accordance with the Bermuda Companies Act;
    (e) the authority to purchase Ordinary Shares conferred hereby shall expire on 7 March 2009 unless it is varied, revoked or renewed prior to that date at the Company's 2008 annual general meeting or any other special general meeting by ordinary resolution; and
    (f) the Company may enter into any contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.
11. Accept the recommendation of the Directors to amend the Bye-Laws as set out in the attached schedule of amendments.

By order of the Board
F&C Management Limited, Secretary
4 June 2007

**Notes:**

RSM Robson Rhodes LLP ("Robson Rhodes") has announced its intention to merge its audit practice with that of Grant Thornton LLP (or a subsidiary undertaking thereof) with effect from 1 July 2007.

Only the holders of ordinary shares registered on the register of members of the Company at 5.00pm on 5 September 2007 shall be entitled to attend and vote or to be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register after 5.00pm on 5 September 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

The return of a Form of Proxy will not preclude a member from attending the meeting and voting in person if he/she wishes to do so. To be valid, a Form of Proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through a depositary interest should ensure that Forms of Instruction are returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE not later than 5.00pm on 3 September 2007.

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

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

The final dividend in respect of the year ended 31 March 2007 for the ordinary shares will be paid on 29 June 2007 to the relevant holders on the register at the close of business on 15 June 2007

# SCHEDULE OF AMENDMENT TO THE BYE-LAWS



All references to “Utilico Emerging Markets Utilities Limited” shall be deleted and replaced by the wording “Utilico Emerging Markets Limited” or “Utilico Emerging Markets Limited formerly Utilico Emerging Markets Utilities Limited” as appropriate.

The Interpretation clauses shall be amended to include the following additional definition:

““Market” means any formal or informal market on which the shares are or can be dealt in or traded”.

The Interpretation clauses shall be amended by the replacement of the current definition of Resolution with the following:

““Resolution” means a resolution of the Shareholders passed in general meeting or, where required, of a separate class or separate classes of Shareholders passed in a separate general meeting or in either case adopted by resolution in writing in accordance with the provisions of these Bye-Laws”.

Clause 1.2 shall be replaced with the following:

“1.2 For the purposes of these Bye-Laws, a corporation which is a shareholder shall be deemed to be present in person at a general meeting if, in accordance with the Companies Acts its authorised representative is present”.

Clause 1.6 shall be amended by the addition of the words “electronic record” at the end of the sentence, and the deletion of the words “other modes of representing or reproducing words in a legible and non-transitory form”.

Bye-Law 4 shall be renamed Bye-Law 4.1.

A new Bye-Law 4.2 shall be added, which reads: “The Board may, at its discretion and without the sanction of a Resolution, authorise the acquisition by the Company of its own shares, to be held as treasury shares, upon such terms as the Board may in its discretion determine, provided always that such acquisition is effected in accordance with the provisions of the Companies Acts. The Company shall be entered in the Register as a Shareholder in respect of the shares held by the Company as treasury shares and shall be a Shareholder of the Company but subject always to the provisions of the Companies Acts and for the avoidance of doubt the Company shall not exercise any rights and shall not enjoy or participate in any of the rights attaching to those shares save as expressly provided for in the Companies Acts”.

Bye-Law 8 shall be renamed Bye-Law 8.1.

A new Bye-Law 8.2 shall be added, which reads: “Subject to the provisions of these Bye-Laws, any shares of the Company held by the Company as treasury shares shall be at the disposal of the Board, which may hold all or any of the shares, dispose of or transfer all or any of the shares for cash or other consideration, or cancel all or any of the shares”.

Bye-Law 14 shall be amended by the addition of the word “and” before the words “issued under the Seal” and the words “or signed by a Director, the Secretary or any person authorised by the Board for that purpose” after the words “issued under the Seal”. Accordingly this sentence shall read “All certificates for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall, except to the extent that the terms and conditions for the time being relating thereto otherwise provide, be in such form as the Board may determine and issued under the Seal or signed by a Director, the Secretary or any other person authorised by the Board for that purpose…”

Bye-Law 20 shall be amended by the addition of the words “(for the avoidance of doubt excluding the Company in respect of any nil or partly paid shares held by the Company as treasury shares)” after the words “The Board may from time to time make calls upon the Shareholders”.

The heading of Bye-Law 55 shall be replaced with the words “GENERAL MEETINGS AND RESOLUTIONS IN WRITING”.

The sub-clauses of Bye-Law 56 shall be deleted and replaced with:

56.1 Except in the case of the removal of auditors and Directors, anything which may be done by resolution of the Shareholders in general meeting, or by resolution of any class of Shareholders in a separate meeting may be done by resolution in writing, signed by all of the Shareholders (or the holders of such class of Shares) who at the date of the notice of the resolution in writing represent the majority of votes that would be required if the resolution had been voted on at a meeting of the Shareholders. Such Resolution in writing may be signed by the Shareholder or its proxy, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts) by its representative on behalf of such Shareholder in as many counterparts as may be necessary.

# SCHEDULE OF AMENDMENT TO THE BYE-LAWS (CONTINUED)

56.2 Notice of any resolution in writing to be made under this Bye-Law shall be given to all the Shareholders who would be entitled to attend a meeting and vote on the resolution. The requirement to give notice of any resolution in writing to be made under this Bye-Law to such Shareholders shall be satisfied by giving to those Shareholders a copy of that resolution in writing in the same manner as that required for a notice of a general meeting of the Company at which the resolution could have been considered, except that the length of the period of notice shall not apply. The date of the notice shall be set out in the copy of the resolution in writing.

56.3 The accidental omission to give notice in accordance with this Bye-Law of a resolution in writing to, or the non-receipt of such notice by, any person entitled to receive such notice shall not invalidate the passing of the resolution in writing.

56.4 For the purposes of this Bye-Law, the date of the Resolution in writing is the date when the resolution in writing is signed by, or on behalf of, the Shareholder who establishes the majority of votes required for the passing of the resolution in writing and any reference in any enactment to the date of passing of a resolution is, in relation to a resolution in writing made in accordance with this Bye-Law, a reference to such date.

56.5 A resolution in writing made in accordance with this Bye-Law is as valid as if it had been passed by the Company in general meeting or, if applicable, by a meeting of the relevant class of Shareholders of the Company, as the case may be. A resolution in writing made in accordance with this section shall constitute minutes for the purposes of the Companies Acts and these Bye-Laws".

Bye-Laws 72, 74 and 80 shall be amended by the addition of the words "or by count of votes received in the form of electronic records," after all instances of the words "… show of hands".

Bye-Laws 88, 89, 90 and 91 shall be amended by the replacement of the words "written resolution" by "resolution in writing".

Bye-Law 107 shall be replaced by the words:

"107 The Board may exercise all the powers of the Company except those powers that are required by the Companies Acts or these Bye-Laws to be executed by the Shareholders".

The final sentence of Bye-Law 110 shall be replaced by the words: "Such attorney may, if so authorised by the power of attorney, execute any deed, instrument or other document on behalf of the Company".

Bye-Law 126 shall be replaced by the words:

"126. The Officers of the Company who may or may not be Directors, may be appointed by the Board at any time. Any person appointed pursuant to this Bye-Law shall hold office for such period and upon such terms as the Board may determine and the Board may revoke or terminate any such appointment. Any such revocation or termination shall be without prejudice to any claim for damages that such Officer may have against the Company or the Company may have against such Officer for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Save as provided in the Companies Acts or these Bye-Laws, the powers and duties of the Officers of the Company shall be such (if any) as are determined from time to time by the Board".

Bye-Law 131 shall be deleted and replaced with new Bye-Laws 131.1, 131.2 and 131.3 stating as follows:

"131.1 The Board may authorise the production of a common seal of the Company and one or more duplicate common seals of the Company, which shall consist of a circular metal device with the name of the Company around the outer margin thereof and the country and year of registration in Bermuda across the centre thereof. Should the Seal not have been received at the Registered Office in such form at the date of adoption of this Bye-Law then, pending such receipt, any document requiring to be sealed with the Seal shall be sealed by affixing a red wafer seal to the document with the name of the Company, and the country and year of registration in Bermuda type written across the centre thereof.

131.2 Any document required to be under seal or executed as a deed on behalf of the Company may be

131.2.1 executed under the Seal in accordance with these Bye-Laws; or

131.2.2 signed or executed by any person authorised by the Board for that purpose, without the use of the Seal.

131.3 The Board shall provide for the custody of every Seal. A Seal shall only be used by authority of the Board or of a committee constituted by the Board. Subject to these Bye-Laws, any instrument to which a Seal is affixed shall be signed by the signature of:

131.3.1 a Director or

131.3.2 a Secretary; or

131.3.3 any one person authorised by the Board for that purpose".

Bye-Law 132 shall be amended by the addition of the wording "The Board, at the discretion and direction of the Shareholder entitled to the dividend, may purchase issued shares in the market for that Shareholder out of their cash dividend, in accordance with any dividend reinvestment plan established by the Company to which that Shareholder is a participant", before the words "The Board may also pay any fixed cash dividend which is payable on any shares of the Company half yearly or on such other dates, whenever the position of the Company, in the opinion of the Board, justifies such payment".

Bye-Law 142 shall be amended by the deletion of the words "and provided further that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived".

Bye-Laws 150-152 shall be replaced by the following words:

"150. Any notice or other document (including but not limited to a share certificate, any notice of a general meeting of the Company, any instrument of proxy and any document to be sent in accordance with Bye-Law 148) may be sent to, served on or delivered to any Shareholder by the Company either:

150.1 personally; or

150.2 by sending it through the post (by airmail where applicable) in a pre-paid letter addressed to such Shareholder at his address as appearing in the Register; or

150.3 by sending it by courier to or leaving it at the Shareholder's address appearing in the Register; or

150.4 by sending it by email or facsimile or other mode of representing or reproducing words in a legible and non transitory form or by sending an electronic record of it by electronic means, in each case to an address or number supplied by such Shareholder for the purposes of communication in such manner; or

150.5 by publication of an electronic record of it on a website and notification of such publication (which shall include the address of the website, the place on the website where the document may be found, and how the document may be accessed on the website) by any of the methods set out in paragraphs 150.1, 150.2. 150.3 or 150.4 of this Bye-Law, in accordance with the Companies Acts.

In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed as sufficient service on or delivery to all the joint holders."

151. Any notice or other document shall be deemed to have been served on or delivered to any Shareholder of the Company

151.1.1 if sent by personal delivery, at the time of delivery;

151.1.2 if sent by post forty-eight (48) hours after it was put in the post;

151.1.3 if sent by courier or facsimile twenty-four (24) hours after sending;

151.1.4 if sent by email or other mode of representing or reproducing words in a legible and non-transitory form or as an electronic record by electronic means, twelve (12) hours after sending;

151.1.5 if published as an electronic record on a website, at the time that the notification of such publication shall be deemed to have been delivered to such Shareholder.

and in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed and stamped and put in the post, published on a website in accordance with the Companies Acts and the provisions of these Bye-Laws, or sent by courier, facsimile, email or as an electronic record by electronic means, as the case may be, in accordance with these Bye-Laws.

Each Shareholder and each person becoming a Shareholder for the Company subsequent to the adoption of these Bye-Laws, by virtue of its holding or its acquisition and continued holding of a shares, as applicable, shall be deemed to have acknowledged and agreed that any notice or other document (excluding a share certificate) may be provided by the Company by way of accessing them on a website instead of being provided by other means.

152. Any notice or other document delivered, sent or given to a Shareholder in any manner permitted by these Bye-Laws shall, notwithstanding that such Shareholder is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Shareholder as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed as sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

Bye-Law 165 shall be amended by removing the words: “Subject to the Companies Acts” and replacing the words “it shall ultimately be determined that” with the words “any allegation of fraud or dishonesty is proved against the Indemnified Person or” and by the removal of the words: “Each Shareholder of the Company, by virtue of its acquisition and continued holding of a share, shall be deemed to have acknowledged and agreed that the advances of funds may be made by the Company as aforesaid, and when make by the Company under this Bye-Law 165 are made to meet expenditures incurred for the purpose of enabling such Indemnified Person to properly perform his or her duties to the Company”.

In order to bring the Bye-Laws into line with the definition of “Resolution” some references to “resolution” have been amended to be stated as “Resolution” and vice versa.

# COMPANY INFORMATION

**Utilico Emerging Markets Limited**
**Company Registration Number: 36941**
**www.utilicoemergingmarkets.com**

## Directors
**Alexander Zagoreos** (Chairman)
**Michael Collier**
**Charles Jillings** (Executive)
**Garth Milne**
**Kevin O'Connor** (Deputy Chairman)

## Registered Office
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

## Investment Manager
Ingot Capital Management Pty Ltd
Level 11
1 York Street
Sydney 2000
Australia
Australian Financial Services Licence No. 239075

## Nominated Advisor and UK Broker
Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR
Authorised and regulated in the UK by the Financial Services Authority

## Bermuda Broker
First Bermuda Group Ltd
Maxwell R. Roberts Building
1 Church Street
Hamilton HM11
Bermuda

## Solicitors
Norton Rose
3 More London Riverside
London SE1 2AQ

Appleby
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

## Company Secretary and Administrator
F&C Management Limited
Exchange House
Primrose Street
London
EC2A 2NY
Telephone 020 7628 8000
Facsimile 020 7628 8188
Authorised and regulated in the UK by the Financial Services Authority

## Auditors
RSM Robson Rhodes LLP
30 Finsbury Square
London
EC2P 2YU

## Custodian
JPMorgan Chase Bank
60 Victoria Embankment
London
EC4Y 0JP

www.utilicoemergingmarkets.com

UEM/ANN-07