UTILICO

Emerging Markets Limited

2017

REPORT AND ACCOUNTS

MANAGED BY ICM

CONTENTS

UTILICO EMERGING MARKETS LIMITED

INVESTMENT OBJECTIVE

Utilico Emerging Markets Limited's investment objective is to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets.

NATURE OF THE COMPANY

Utilico Emerging Markets Limited ("UEM" or "the Company") is a Bermuda exempted closed-end investment company, whose ordinary shares are listed on the premium segment of the Official List of the Financial Conduct Authority and are traded on the Main Market of the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders in accordance with its investment objective and policy, with the aim of spreading investment risk and generating a return for shareholders. The Company has short-term borrowings ("gearing"), the proceeds from which can be invested with the aim of enhancing returns to shareholders. This gearing increases the potential risk to shareholders should the value of the investments fall. The joint portfolio managers of the Company are ICM Investment Management Limited ("ICMIM") and ICM Limited ("ICM"), together referred to as the "Investment Managers".

The Company's shares are traded on the Main Market of the London Stock Exchange.

The Company's ordinary shares and subscription shares can be held in an ISA.

The Company's shares qualify to be considered as a mainstream investment product suitable for ordinary retail investors.

GEOGRAPHICAL INVESTMENT EXPOSURE

FINANCIAL CALENDAR	
Year end	31 March
Annual General Meeting ("AGM")	18 September 2017
Half year	30 September
Quarterly dividends, payable in	September, December, March and June
Q4 interim dividend – Ex-dividend – Paid	1 June 2017 16 June 2017

FORWARD–LOOKING STATEMENTS

This annual report may contain "forward-looking statements" with respect to the financial condition, results of operations and business of the Company and the Group. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this report. Nothing in this publication should be construed as a profit forecast.

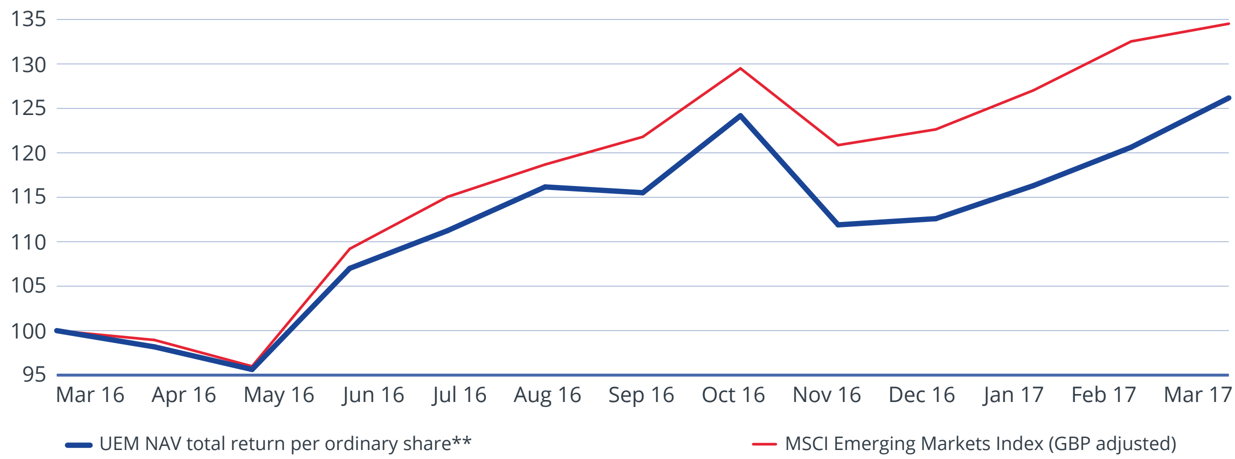
Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.

CURRENT YEAR PERFORMANCE

- **Net asset value ("NAV") total return of 26.2%**
- **Diluted NAV of 241.29p per ordinary share, up 19.1%**
- **Revenue earnings per ordinary share (diluted) of 7.70p**
- **Dividends per ordinary share increased to 6.65p**

TOTAL RETURN COMPARATIVE PERFORMANCE*

March 2016 to March 2017



*Rebased to 100 at 31 March 2016
** adjusted for the exercise of subscription shares

Source: ICM and Bloomberg

Other attributes

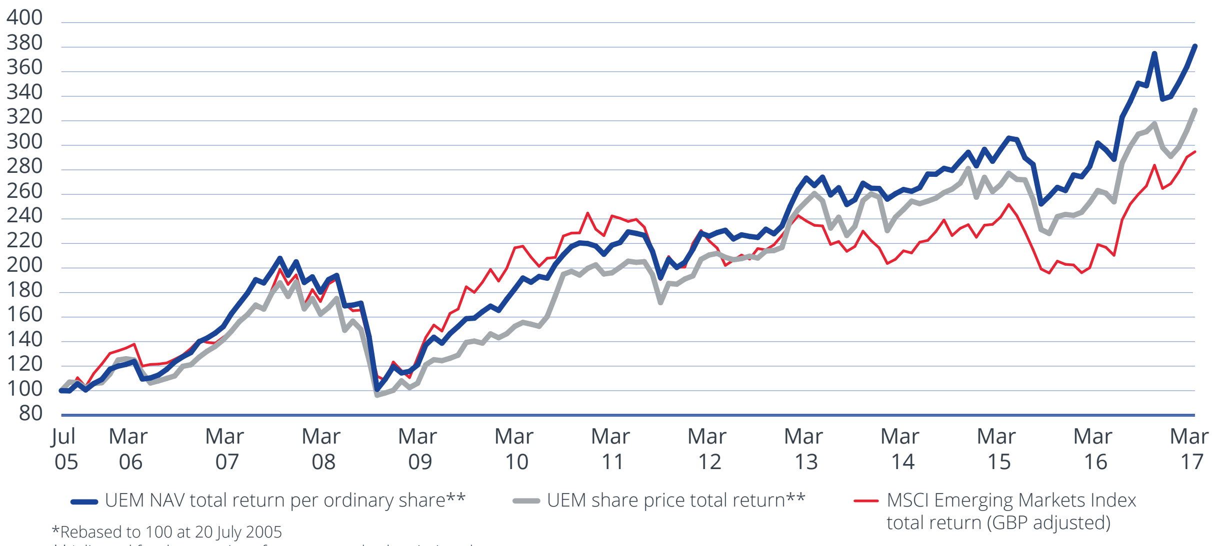
- Invested £161.2m and realised £142.2m
- Portfolio increased from 86 to 92 holdings
- Unlisted investments remain under 5.0% at 3.5% of the portfolio
- Brazil exposure increased and now the largest country investment at 19.6%
- Ongoing charges remain at 1.1% of average net assets (excluding performance fee)

PERFORMANCE SINCE INCEPTION (20 JULY 2005)

- **NAV annual compound total return since inception of 12.1%**
- **Dividends per ordinary share have increased from 1.50p to 6.65p**

HISTORIC NAV AND SHARE PRICE PERFORMANCE (pence)*

from July 2005 to March 2017

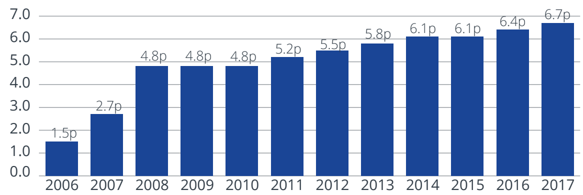


*Rebased to 100 at 20 July 2005
**Adjusted for the exercise of warrants and subscription shares

Source: ICM and Bloomberg

DIVIDENDS PER ORDINARY SHARE (pence)

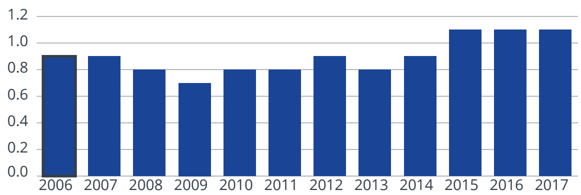
from March 2006 to March 2017



Source: ICM

ONGOING CHARGES* (%)

from March 2006 to March 2017

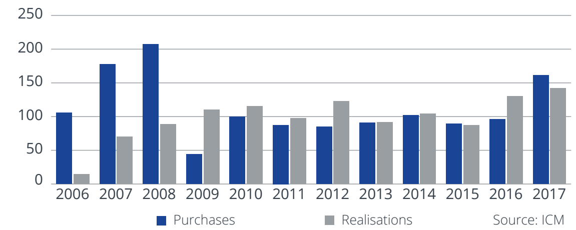


*Excluding performance fee

Source: ICM

INVESTMENT PURCHASES AND REALISATIONS (£m)

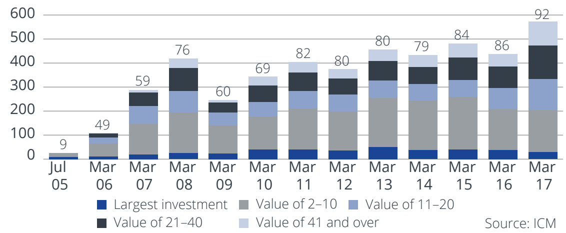
from March 2006 to March 2017



Source: ICM

PORTFOLIO PROGRESSION (£m) AND NUMBER OF HOLDINGS

from July 2005 to March 2017



Source: ICM

GROUP PERFORMANCE SUMMARY

	31 MARCH 2017	31 MARCH 2016	CHANGE % 2017/16
Total return[1] (annual) (%)	26.2	1.7	n/a
Annual compound total return[2] (since inception) (%)	12.1	10.9	n/a
Diluted NAV per ordinary share (pence)	241.29	202.52	19.1
Ordinary share price (pence)	214.50	178.50	20.2
Discount (%)	(11.1)	(11.9)	n/a
Subscription share price (pence)	27.25	17.25	58.0
Earnings per ordinary share (diluted) (pence)			
– Capital	43.90	(5.50)	n/a
– Revenue	7.70	8.23	(6.4)
Total (pence)	51.60	2.73	n/a
Dividends per ordinary share (pence)			
– 1st Quarter	1.625	1.525	6.6
– 2nd Quarter	1.625	1.625	0.0
– 3rd Quarter	1.700	1.625	4.6
– 4th Quarter[3]	1.700	1.625	4.6
Total (pence)	6.650	6.400	3.9
Equity holders' funds (£m)	532.2	436.6	21.9
Gross assets[4] (£m)	579.0	455.2	27.2
Ordinary shares bought back (£m)	10.0	3.0	233.3
Cash (£m)	15.3	12.6	21.4
Bank debt (£m)	(46.8)	(18.7)	150.3
Net debt (£m)	(31.5)	(6.1)	416.4
Net debt gearing on gross assets (%)	5.4	1.3	n/a
Management and administration fees and other expenses (£m)			
– excluding performance fee	5.2	4.5	15.6
– including performance fee	14.3	4.5	217.8
Ongoing charges figure[5] (%)			
– excluding performance fee	1.1	1.1	n/a
– including performance fee	2.9	1.1	n/a

(1) Total return is calculated based on NAV per ordinary share plus dividends reinvested from the payment date and adjusted for the exercise of subscription shares
(2) Annual compound total return is calculated based on NAV per ordinary share plus dividends reinvested from the payment date and adjusted for the exercise of warrants and subscription shares
(3) The fourth quarterly dividend has not been included as a liability in the accounts
(4) Gross assets less liabilities excluding loans
(5) Expressed as percentage of average net assets, ongoing charges comprise all operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments

CHAIRMAN'S STATEMENT

I am pleased to report that UEM's positive performance continued in the second half of the financial year, resulting in a NAV total return (adjusted for the exercise of subscription shares) of 26.2% for the full year to 31 March 2017.

The combination of robust underlying share prices and relative strengthening of emerging market currencies continued in the second half of the year and has resulted in a strong performance in UEM's investments. The impact of the Brexit vote and consequent negative effect on Sterling in the first half year has been positive for UK domestic emerging market investors, including UK based UEM shareholders.

UEM's NAV performance over the past five years was well ahead of the MSCI Emerging Markets Total Return Index (GBP adjusted), achieving a positive total return (adjusted for the exercise of warrants and subscription shares) of 68.5% versus the Index of 32.7%. Since inception, UEM has delivered a positive total return of 280.8% versus the Index which saw a positive total return of 194.8% over the same period. This strong performance continues to ensure that UEM receives strong industry recognition. UEM was selected as one of Money Observer's rated funds for 2017.

UEM's portfolio allocation shifted somewhat in the second half of the year due to several factors. Net debt was largely unchanged in the six months to 30 September 2016, decreasing from £6.1m to £3.0m. In the second half of the year, net debt increased to £31.5m. Adding back cash at year end, which was short term in nature, UEM was nearly fully drawn on its £50.0m bank facilities at £46.8m. This drawdown reflected the strong conviction the Investment Managers had on investment opportunities. As a result of increasing investments in Romania, Latam and India, the profile of UEM's portfolio has seen a shift. The portfolio weightings of several of UEM's top twenty positions have been reduced as new investments outside the top twenty were made. The new investments, together with strong portfolio gains, have resulted in UEM's overall Latam exposure increasing to 34.8% of the portfolio from 20.2% as at 31 March 2016 and an overall decrease in the top ten holdings weighting from 47.2% of the portfolio to 35.8% over the year to 31 March 2017.

UEM's positive performance resulted in a NAV total return of 26.2% for the full year to 31 March 2017. UEM's NAV performance over the past five years was well ahead of the MSCI Emerging Markets Total Return Index (GBP adjusted), achieving a positive total return of 68.5% versus the Index of 32.7%.

It should be noted that the profile of the portfolio's investee companies remains largely unchanged. UEM continues to focus on listed companies that are predominantly offering long-term growth, are profitable and are paying dividends. Notwithstanding the strong recent performance, valuations of these companies remain attractive as growth and profitability has often outpaced share price appreciation. With encouraging prospects for these underlying investee companies, the long term opportunity in the emerging markets utility and infrastructure sectors remains undimmed.

Emerging market economies in general sustained relatively robust growth in the year to 31 December 2016. China's economy expanded by 6.7%. India's economy, driven in part by the reform process being pursued by the Modi led government, saw its GDP expand by 6.8%. Brazil remains a laggard, although its economy looks

CHAIRMAN'S STATEMENT
(continued)

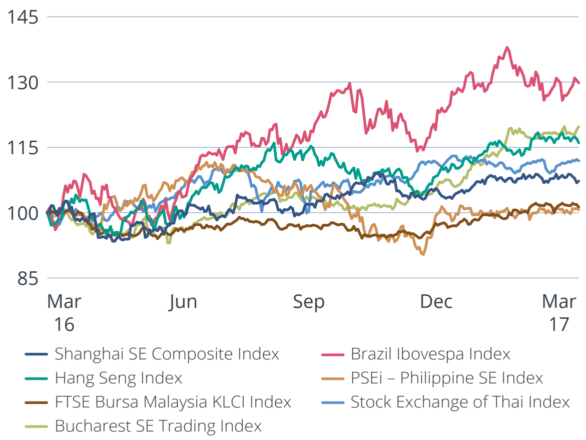
set to recover modestly in 2017. The indices and currencies of most major markets in which UEM invests were in positive territory for the period, with the Brazil Ibovespa Index being the outstanding contributor, up by 69.7% in Sterling terms.

UEM's revenue income decreased by 3.2% during the twelve months to 31 March 2017 to £20.6m from £21.3m. However, this is a very good result, as the prior year had benefitted from Asia Satellite Telecommunications Holdings Limited ("Asiasat") distributing a significant portion of its revenue reserves by way of a special dividend, with UEM receiving a payment of £7.4m. Excluding the impact of Asiasat's special dividend in both years, revenue income increased by 48.2%. This reflects a combination of dividend increases by investee companies due to improved profitability, the increased portfolio weighting in higher dividend paying investments such as those in Romania and Brazil, as well as Sterling weakness. Ongoing charges, excluding the performance fee, were 1.1%, in line with the last two years. As a result of the strong NAV growth over the period of £95.6m, a performance fee arose and total charges including the performance fee increased to 2.9%.

It is pleasing to report, earlier than we had expected, a return to normal covered dividends for the year, excluding Asiasat's special dividend. Group revenue earnings per share ("EPS") for the year of 7.70p comfortably covered the dividends of 6.65p. The Group's cumulative retained revenue reserves increased to £13.2m (31 March 2016: £10.5m), equivalent to 6.23p per share. The dividends of 6.65p represent an uplift of 3.9% on the prior year.

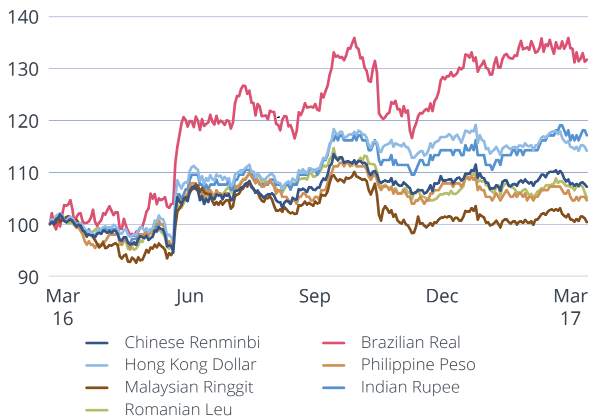
Given both the strong performance of the portfolio for the period and attractive dividend yield of 3.1%, UEM's share price discount to NAV remains disappointingly and stubbornly high, averaging 11.0% over the year. The Board keeps this under constant review and may exercise a buyback policy at a discount of over 10%. However, this remains an investment decision for the Investment Managers. Over the ten years the Company has exercised its investment discretion to buyback shares from time to time and has bought back 20.1m ordinary shares amounting to £33.3m. This includes 4.8m shares bought back in the past year at a cost of £10.0m, representing an average price of 207.72p per share.

INDICES MOVEMENTS
from March 2016 to March 2017



Source: Bloomberg

CURRENCY MOVEMENTS vs STERLING
from March 2016 to March 2017



Source: Bloomberg

In September 2015 UEM announced and the shareholders approved a one-for-five bonus issue of subscription shares. This resulted in 42.6m subscription shares being issued on 24 September 2015. In the year to 31 March 2017 4.8m of the subscription shares were exercised, raising £8.7m for UEM.

Amanda Marsh has retired as our company secretary. Amanda brought both efficiency and attention to detail but also a wry humour that we will all miss. On behalf of the Board and shareholders, I would like to thank Amanda for her strong input as company secretary. I am pleased to note Alastair Moreton has joined ICM as the new company secretary. Alastair was at Stockdale Securities where he was head of the Investment Trust Corporate Finance team and had been responsible for our corporate account. He brings a wealth of experience and we look forward to his contribution to UEM.

OUTLOOK

We have made the point for some time that markets in general remain outside normal historic parameters. From a monetary policy perspective, we remain in an environment where unconventional tools are deployed, such as negative interest rates in a number of countries and Quantitative Easing ("QE") is still being implemented in both Europe and Japan.

From a political perspective, we continue to witness a rise in populist politics with a move away from established parties and candidates as voters seek change. We are also witnessing an increase in geopolitical tensions in places such as North Korea and Turkey.

All of these factors individually and collectively create uncertainty and ultimately could lead to negative implications for markets. As such these issues are a concern from an investment perspective.

However, despite this uncertain backdrop, it is encouraging to see that most economies, including those in emerging markets, are still delivering positive GDP growth with low inflation which should be positive for markets. Furthermore, we continue to see positive reform policies being implemented in many emerging markets, including India, Argentina and Brazil.

While macro and political events will influence markets, UEM's investment approach and performance is driven by individual stock selection. The Board remains confident that the Investment Managers will continue to find attractive long term investments in the prevailing macroeconomic environment.

John Rennocks
Chairman
16 June 2017

INVESTMENT MANAGERS' REPORT

The year to 31 March 2017, particularly in the second half, was positive for emerging markets ("EM"). Most EM indices and currencies showed positive returns versus Sterling. Brazil in particular had strong returns with the Ibovespa Index up by 29.8% and the Brazilian Real up by 31.7% against Sterling.

UEM's portfolio allocation shifted somewhat in the second half of the year due to several factors. Net debt was largely unchanged in the six months to 30 September 2016, decreasing from £6.1m to £3.0m. But in the second half of the year, net debt increased to £31.5m. Excluding cash at year end, which was short term in nature, UEM was nearly fully drawn on its £50.0m bank facilities at £46.8m. This reflected our strong conviction in a number of investment opportunities, particularly in Romania, Latam and India. The portfolio weightings of several of UEM's top twenty positions were reduced as new investments, outside the top twenty, were made. The new investments, together with strong portfolio gains, have resulted in UEM's overall Latam exposure increasing to 34.8% from 20.2% and an overall decrease in the top ten holdings weighting from 47.2% of the portfolio to 35.8% over the year to 31 March 2017.

PORTFOLIO

UEM's gross assets less liabilities (excluding loans) increased by £123.8m, from £455.2m to £579.0m over the year to 31 March 2017. This was mainly due to gains of £94.2m on the capital account and increased bank borrowings of £28.1m.

Some of the constituents of the top twenty portfolio positions have changed over the year. **Rumo S.A. ("Rumo")**, a Brazilian rail transport operator and a new investment for UEM, is now the ninth largest individual position in the portfolio. **Transportadora de Gas del Sur S.A. ("TGS")**, an Argentinian gas distribution company, also a new investment, is the eighteenth largest position as at 31 March 2017. **Power Grid Corporation of India Limited ("Powergrid")**, India's biggest grid operator, an existing investment, is now the nineteenth largest position and **Grupo Aeroportuario del Centro Norte, S.A.B de C.V ("OMA")**, a Mexican regional airport operator, an existing investment, climbed to twentieth position in the portfolio.

Gasco S.A., which was the eighth largest position in the portfolio last year, was subject to a tender offer during the year at a premium and the Investment Managers took the decision to exit the holding. The Egyptian Satellite Company's share price decreased by 41.2% over the year; as a result, the investment fell from seventeenth to thirty-fifth position in the portfolio. Metro Pacific Investments Corporation's share price rose by 2.9%, but not enough to remain in the top twenty, falling from eighteenth to twenty-second position in the portfolio. Asiasat's share price fell by 9.0% and, as a result, the investment fell from nineteenth to twenty-seventh position in the portfolio.

Brazil is now UEM's largest country exposure, increasing from 9.8% to 19.6% of the portfolio.

Ocean Wilsons Holdings Limited ("Ocean Wilsons") had a solid share price performance, up by 36.5% over the period, reflecting the general positive sentiment of the Brazilian equity market. Ocean Wilsons owns 58.3% of Wilson Sons, a Brazilian port and shipping service provider. Wilson Sons continued to see a challenging operating environment, given the difficult macro environment in which it is operating. Volumes at its two container terminals, Tecon Rio Grande and Tecon Salvador, were marginally down in 2016 by 0.5%. The company's towage business was down, with the number of harbour manoeuvres flat at 0.4%. Trading at the shipyard, logistics and in the offshore oil and gas business remained weak given the downturn in the

Brazilian oil and gas sector and the weak import environment. Ocean Wilson Investment Limited ("OWIL"), Ocean Wilsons' 100% owned investment portfolio, saw funds under management fall by 2.3% to USD238.9m, with a modest return of 0.3% for the year to 31 December 2016. Given that global equity markets have risen by 7.9% and emerging markets by 11.2%, this result was disappointing. Over the year to 31 December 2016, revenues at Ocean Wilsons were down by 10.1%, with adjusted EBITDA down by 7.1% and normalised net income down by 66.7%. Dividends per share remained constant at USD0.63 per share.

There was no change to UEM's holding in Ocean Wilsons during the year to 31 March 2017.

Alupar Investimento S.A.'s ("Alupar") share price increased by 48.0% in the year to 31 March 2017. The past twelve months have been a particularly active period for Alupar as the regulator improved the rates of return on offer for new transmission line concessions. Alupar won five new 30-year concessions at auction, with a total investment requirement of BRL2.5bn at estimated real returns of over 12%, as well as one additional new concession in Colombia. To help fund these new projects, Alupar undertook a BRL350m capital increase at BRL12.30 per unit and disposed of its 51% stake in Transchile for USD58.9m. The lagged effect of inflation adjustments applied to its operating transmission asset revenues, combined with a 30.1% growth in energy volumes following the commissioning of the Energia dos Ventos wind farm and the Risaralda hydro plant, resulted in group revenues increasing by 4.0% in its financial year ended 31 December 2016. EBITDA growth was steady, posting a 9.6% increase, while normalised earnings grew by 15.8%. Dividends per share fell by 34.8%, reflecting both the circa 20% increase in the number of shares outstanding, as well as the company's desire to retain cash to fund investment in the new concessions. In the year to 31 March 2017 UEM increased its position in the company by 27.1%.

Rumo is a new investment for UEM and is Brazil's largest independent rail-based logistics operator. Rumo's share price increased by 155.4% in the year to 31 March 2017, partly driven by the positive equity market sentiment in Brazil during 2016, but mainly due to a successful BRL2.6bn equity raise in April 2016 which has refinanced its balance sheet and enabled new management to start executing its BRL8.5bn capex plan. With the new funding, the company has been able to improve the operational efficiency of the railway network to ensure that it is able to expand capacity. On the back of the capital raise, the new management team set out clear financial targets, indicating that EBITDA by 2020 will be BRL4.5bn. To date, management has delivered on its plans, which is helping the stock price rerate. Financial performance for the year to 31 December 2016 saw revenues increase by 4.4% despite a 10.3% decline in rail volumes and a 20.2% decline in container volumes, due to lower than expected corn volumes. EBITDA was up by 5.8%, with normalised net income still negative given higher depreciation and financial costs due to the implementation of its capex plan. UEM also has a £4.6m investment in Cosan Logistics, which owns 26.6% of Rumo. As at 31 March 2017, Cosan Logistics traded at a 25.7% discount to Rumo.

China (including Hong Kong) is UEM's second largest country exposure at 18.5%, decreasing during the year from 26.3% of the portfolio.

China Gas Holdings Limited's ("China Gas") share price increased by 9.6% in the year to 31 March 2017. Chinese gas distribution companies have continued to suffer from an uncertain regulatory backdrop as the market stutters towards liberalisation. A key issue has been the setting of the input gas price by the oil majors at levels which, for much of the year, were uncompetitive against fuel oil. This was surprising as it runs

INVESTMENT MANAGERS' REPORT
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contrary to the Chinese government's commitment to increase the proportion of natural gas in the energy matrix in order to reduce pollution. Nevertheless, China Gas has proven resilient, growing its customer base by 18.1% to 16.2m connections in the six months to 30 September 2016. This helped to deliver piped gas volume growth of 13.3%, while LPG volumes also grew by 25.7%. The financial impact of these strong operational figures was dampened by the lower tariffs reflecting the drop in commodity prices, resulting in group revenues falling by 6.9%. Lower cost of goods sold helped mitigate this decline with EBITDA increasing by 2.9%, though normalised net income still fell by 3.8%. Interim dividends were unchanged on the previous year. In the year ended 31 March 2017 UEM decreased its position in China Gas by 42.0%.

APT Satellite Holdings Limited's ("APT") share price decreased by 32.1% in the period, echoing the poor share price performances seen in the satellite sector globally due to concerns about excess capacity and technological changes. The pricing of bandwidth for data connectivity has fallen significantly in the past couple of years due to an increase in the number and capacity capabilities of satellites, lower government demand due to reductions in overseas troop deployments and competition from 3G and 4G mobile services as they reach more remote areas. In contrast, the television broadcast market remains stable and demand is growing from new applications such as in-flight Wi-Fi and connectivity to mobile towers.

For the year to 31 December 2016, the company yielded a modest growth with revenues advancing by 3.0%. The company launched a new satellite, Apstar 9, late in 2015 and migrated customers from a satellite that had been temporarily leased. The absence of rental costs in 2016 increased the company's EBITDA margin from 77.2% in 2015 to 82.5% in 2016, resulting in a rise in EBITDA of 11.1%. However, the depreciation on the new satellite and lower interest income resulted in a 4.0% decline in reported net profit. During the year, UEM increased its shareholding in APT by 2.5%.

Yuexiu Transport Infrastructure Limited ("Yuexiu") had a 14.8% increase in its share price for the year to 31 March 2017. During its financial year to 31 December 2016, Yuexiu saw continued momentum in traffic on its toll road operations, despite the concession on one of its roads, Xian Expressway, expiring on 30 September 2016 and being transferred to the local government. Total consolidated traffic growth for the period, excluding Xian Expressway, was up by 13.8%, with toll revenues increasing by 13.4%. Adjusted EBITDA increased ahead of revenues by 18.2%, whilst adjusted net income increased by 10.5%. Yuexiu remains a pure toll road operator having completed the disposal of its 51% stake in Wuzhou Chishui Port in Guangxi. At the end of 2016, Yuexiu announced that it had signed an agreement to subscribe for up to RMB340m in shares in Yuexiu Financial, which is engaged in financial services.

UEM increased its shareholding in Yuexiu by 41.7% in the period under review.

Although exposed to the same wider sector dynamics of the Chinese gas market as China Gas, **China Resources Gas Group Ltd ("CR Gas")** delivered a relatively strong performance, with its share price up by 24.2% in the year to 31 March 2017. As at 31 December 2016 CR Gas had 227 city gas concessions and over the financial period ended 31 December 2016 the company grew its customer base by 11.4% to 26.5m connections. In comparison to China Gas, residential piped gas penetration in its concession areas remains lower at 46.0% (China Gas at 51.8% as at 30 September 2016). In its financial year ended 31 December 2016 CR Gas reported natural gas volume growth of 9.1%, which was fully offset by price declines, resulting in group revenue growth of just 0.3%. However, CR Gas demonstrated excellent cost control, which helped adjusted

EBITDA to grow by 17.1% and normalised net income to increase by 15.9%. With the company delivering on its target to increase payout to 30% of earnings, dividends per share were increased by 36.4%. In the year ended 31 March 2017 UEM increased its holding in CR Gas by 0.7%.

Shanghai International Airport Co Ltd ("Shanghai Airport") saw a marginal decrease in its share price of 0.4% over the year to 31 March 2017 despite solid 2016 financial and operational results. Over its financial year to 31 December 2016, Shanghai Airport saw passenger numbers increase by 9.8%, which continues to be driven by the increase in average Chinese incomes, additional flights being offered by low cost carriers, as well as the growing appetite for travel from the Chinese population. However, the current flight restrictions at Shanghai Airport on ad hoc flights, chartered flights and additional routes issued by The Civil Aviation Administration of China in May 2016 due to an on-time departure rate of below 70% has hindered the airport from fully capturing its total passenger growth potential. For the financial year to 31 December 2016, revenues increased in line with passenger growth at 10.6%, adjusted EBITDA increased by 12.1% and net income was up by 13.3%.

In the year under review UEM increased its shareholding in Shanghai Airport by 14.6%.

Romania climbed from the fourth to third largest country exposure in the portfolio, increasing from 8.8% to 9.9%.

Transelectrica S.A.'s ("Transelectrica") shares increased by 13.4% in the year to 31 March 2017. In its financial year to 31 December 2016, domestic demand for electricity remained steady with growth at 1.2%, but with net exports falling by 25%, domestic production fell by 1.7%. With grid losses slightly improved at 2.3%, total volume billed by Transelectrica increased by 2.0%. As the company had over-recovered profits allowed by the regulatory regime in the previous year, tariffs were cut again in mid-2016 by an average of 9.0% and as a result effective tariffs fell by 9.4%. As such, group revenues fell by 7.4%, excluding balancing market services which are profit-neutral to the company. Wage pressures and operating leverage resulted in EBITDA falling by 10.9% and, with a higher effective tax rate, normalised earnings fell by 23.7%.

Similar to other Romanian companies that UEM has invested in, Transelectrica maintains a net cash position and continues to accrue excess cash reserves on its balance sheet. The Investment Managers have for several years sought a higher payout of retained earnings from these companies. It is pleasing to report that the new Romanian government has now proposed that all state-owned entities should pay higher dividends to support its budgetary process. As such, Transelectrica increased its payout to 90% of distributable earnings. This has meant that the impact of the decline in earnings was tempered modestly, with dividends per share down by 15%. In the year to 31 March 2017 UEM increased its position in Transelectrica by 16.8%.

Transgaz S.A.'s ("Transgaz") share price increased by 41.9% in the year to 31 March 2017. During the year Transgaz secured a financing agreement with the EU for a new 480km pipeline connecting Bulgaria and Hungary, which is scheduled to be commissioned in 2019. This is an important step towards increasing the regulated asset base and boosting longer-term returns for the company, which could be further enhanced if the Black Sea gas field discoveries are developed into producing assets. In its financial year to 31 December 2016 domestic gas volumes transmitted fell by 1.8%, while losses remained steady at just 0.7%. With the regulator increasing the fixed component of the tariff to 60%, reducing the volumetric (i.e. seasonality)

INVESTMENT MANAGERS' REPORT
(continued)

component to 40%, effective tariffs for Transgaz increased by 10.0%. As a result, domestic transport revenues grew by 8.0% which, combined with gas transit revenues which were up by 3.1%, delivered group revenue growth of 8.6%. With high operating leverage, EBITDA increased by 16.4% and normalised earnings by 21.9%. Dividends per share increased by 67.8% as the company's main shareholder sought to increase the dividend payout to 90% of earnings. In the year to 31 March 2017 UEM increased its position in Transgaz by 11.4%.

Conpet S.A.'s ("Conpet") share price increased by 28.5% in the year to 31 March 2017. As a consequence of the lower oil price, Romania's main producer, OMV Petrom, has significantly reduced investments in new wells causing a decline in oil production over the past year. As a result, in its financial year to 31 December 2016, Conpet reported a 5.6% decline in domestic oil transport volume growth, which was more than offset by a 10.0% increase in imports, bringing total volume growth to 1.3%. Following the implementation of relatively small adjustments to domestic tariffs and more significant hikes in the lower import tariffs, overall effective tariffs only fell by 1.3%, resulting in group revenues being broadly unchanged on last year. Lower transport costs enabled EBITDA to grow by 3.4%, which was accentuated at the bottom line by reduced depreciation, with normalised earnings growth of 18.5%. With no debt and cash amounting to over 40% of the market capitalisation accruing on the balance sheet, the company finally looks set to return some of this excess cash to shareholders. It announced a 10.5% increase in its ordinary dividend, as well as a special dividend, taking the total dividend increase to 127%. In the year to 31 March 2017 UEM increased its holding in Conpet by 8.3%.

UEM's exposure in **The Philippines** increased from 6.3% to 6.7% of the portfolio and is now the fifth largest country exposure.

International Container Terminal Services, Inc's ("ICT") share price increased by 34.5% in the year to 31 March 2017. For its financial year to 31 December 2016, ICT had a solid performance with consolidated volumes up by 11.7%. This was driven by an 11.2% increase in Asian volumes due to the ramp-up of its Pakistan terminals and improved trading activity in Manila; a 20.0% increase in volumes from EMEA due to the contribution from a newly acquired terminal in Iraq; and a 9.7% increase in volumes from the Americas boosted by new terminals in Mexico and Honduras. Total revenue growth for the period was up by 7.1%, not fully reflecting the growth in container volumes as yield per container box was down by USD5 to USD130. Of this, USD3 was due to foreign exchange weakness and USD2 due to less favourable volume mix. Adjusted EBITDA was up by 16.3% due to stringent cost control by management and lower start-up costs as new terminals came online. As a result, operational leverage is beginning to flow through. Normalised net income was up by 16.7%. ICT's management has indicated that it is slowly changing its investment philosophy from 'growth' to 'growth with dividends' as it looks to fully utilise its existing operations and to invest only in brownfield projects.

UEM's shareholding in ICT increased by 1.5% in the year to 31 March 2017.

Other Latin America exposure (which includes Mexico) increased from 3.9% to 6.6% of the portfolio and is now the portfolio's sixth largest geographic exposure.

OMA's share price over the period only increased by 1.6% despite the Mexican airport operator reporting solid 2016 financial results. In line with the wider Mexican markets, OMA's share price was unfortunately affected by the election in the US of Donald Trump whose threats of 'ripping up' NAFTA negatively impacted investors' sentiment. Operationally, its financial year ended 31 December 2016 was robust, with total revenues for OMA up 23.1%, with aeronautical revenues increasing by 27.7%, driven by a 10.9% increase in passengers in addition to a tariff increase in 2Q16. Non-aeronautical revenues over the period increased by 19.7%, benefiting from the growth in passenger numbers as well as from commercial diversification by the company. Adjusted EBITDA was up by 35.7%, with EBITDA margin expanding by 470bps to 63.8%. Normalised net income was up by 48.1%. Given the increase in average wages in Mexico, along with the increased airline capacity provided by the low-cost carriers, flight penetration is expected to continue to rise from its low base over the short term, providing a positive outlook for the sector.

In the period under review UEM increased its shareholding in OMA by 38.8%.

India's country exposure increased from 4.6% to 6.1% of the portfolio over the year to 31 March 2017.

SJVN Limited's ("SJVN") share price increased by 17.5% in the year to 31 March 2017. Following a period of growth subsequent to the commissioning of the Rampur hydro project, the past year has been one of more stable performance for SJVN. In the six months to 30 September 2016, SJVN reported that energy generation from its hydro facilities declined by 2.6%, as hydrology normalised downwards following the very strong prior year. Indeed, it is notable that with a load factor of 83.9%, production efficiency remains at excellent levels. By comparison the wind farm assets performed poorly, with output falling by 27.5% due to outages caused by turbine issues. That said, the wind assets are insignificant when compared to the scale of SJVN's hydro assets and overall output fell by just 2.7%. With minimal change in effective tariffs, this resulted in revenue and EBITDA falling by 2.5% and 3.5% respectively, while normalised earnings increased by 4.7%. SJVN has retained a very strong net cash balance sheet for many years, whilst maintaining a modest dividend payout policy of c.30% of earnings. However, this year the government has sought to address this situation in part by announcing an increase in the interim dividend of 257% (equivalent to an almost 100% payout of earnings). In the year to 31 March 2017, UEM increased its position in SJVN by 26.3%.

Powergrid is a new company in UEM's top twenty holdings and is the portfolio's second largest investment in India. This position was initiated towards the end of 2013. Powergrid is a "Navaratna" Central Public Sector Enterprise which has been listed since 2007 and is the dominant electricity transmission utility in India. The company operates a grid totalling c.140,000km of transmission lines and 219 substations, accounting for approximately 90% of the country's inter-state and inter-regional network. The company is 57.9% controlled by the Government of India and its assets are fully regulated by the Central Electricity Regulatory Commission under a regime which allows a 15.5% return on equity, though the company can often exceed this via performance incentives and efficiency gains. In addition to the transmission operations, Powergrid also offers some telecoms and consultancy services, although these are much less significant to overall financials, accounting for less than 5% of group revenues.

In recent years, there has been a rapid expansion of the transmission grid in India, which historically provided limited interconnections between regions and was divided into five separate zones. However, these zones have now been synchronised and the Modi government is pushing a flagship policy to ensure all villages in India are connected to the grid by the end of 2019. At the same time, there has been a marked increase in the construction and commission of new conventional and renewable electricity generation plants, all of

INVESTMENT MANAGERS' REPORT
(continued)

which require improved grid connections. As a result, Powergrid has had to invest heavily in its network, delivering strong financial growth under its regulatory return model. In the six months to 30 September 2016, Powergrid's revenues grew by 28.6% and with EBITDA margins of 90%, this translated to EBITDA growth of 30.6% and normalised earnings growth of 32.0%. As the company has robust assets that support a high degree of financial leverage and with investment requirements still elevated, Powergrid's dividend payout is relatively modest at circa 20% of earnings, although it increased its interim dividend by 25%. In the year to 31 March 2017, Powergrid's share price increased by 41.8%. UEM increased its shareholding in Powergrid by 10.7% during the year ended 31 March 2017.

Malaysian investments decreased from 13.7% to 5.3% of the portfolio and fell from second to the eighth largest country exposure.

Malaysia Airports Holdings Berhad's ("Malaysia Airports") share price increased by 2.8% in the year to 31 March 2017. Performance at the Malaysia-based airports improved during its financial year to 31 December 2016 with passenger growth for the year at 5.5%, up from the muted 0.6% passenger growth seen in 2015. Management has indicated that passenger growth for 2017 is expected to be up by 6.5% as traveller sentiment has improved since the tragic events of 2014. In addition, capacity has been added to the market through low-cost carriers, as well as by Malaysia Airlines following its restructuring in 2014/2015. The drag on Malaysia Airports' share price has come from its 100% investment in Sabiha Gokcen International Airport ("ISG") in Istanbul. ISG only saw 4.6% growth in passengers in 2016, compared to the highs of 19.7% growth that was seen in 2015. Passenger growth was deflated due to the political events that rocked Turkey throughout 2016. Management is hoping for traffic growth to improve in 2017 to around 7.2%. Financial performance for its financial year ended 31 December 2016 saw group revenues up by 7.8% and adjusted EBITDA up by 7.7%. Normalised net income was down for the period by 41.0%. Post full year results, Malaysia Airports reported that it has finally received government approval for the extension of its concession for its Malaysian airports until 2069.

UEM decreased its shareholding in Malaysia Airports by 55.6% during the year to 31 March 2017.

MyEG Services Berhad ("MyEG") continued to see strong upward momentum in its business during the period, with its share price advancing by 30.3% during the year to 31 March 2017, adjusted for a 1-for-2 bonus issue in December 2016.

For the six months to 31 December 2016, the company reported revenue growth of 39.0%, EBITDA growth of 44.5% and net profit growth of 49.8%, which were well ahead of expectations. The company continues to benefit from its exclusive contracts with the Immigration Department of Malaysia, which have widened in scope during the year.

UEM continued to take profits on its MyEG position during the year, selling 58.1% of the shares held as at 31 March 2016.

Argentina's exposure increased significantly from 0.3% to 4.8% of the portfolio in the year to 31 March 2017.

For many years, we had avoided investing in Argentina, which under the Peronist administration of Kirchner saw the abandonment of fiscal prudence, state interference, diminished rule of law and, of particular importance in UEM's target investment space, the failure to honour contracted returns in concession agreements. However, in December 2015, the Peronists were ousted by a slim margin and a new market-friendly government was voted into power under President Mauricio Macri. Immediately the new government set about reforming the country, from a social, political and economic standpoint. Of great significance was the decision to seek a cut in the ballooning energy subsidies which had resulted in many consumer households paying less than USD4 a month on electricity bills, allowing no profits (if not losses) for the utility companies.

We visited Argentina both before and after the elections and identified target companies for investment in the event that the Peronists were defeated. As such, **TGS** is one of the portfolio's most recent investments, having only been initiated in spring 2016 and is a new entry in the top twenty. TGS is the largest natural gas transmission company in Argentina. It transports almost two-thirds of the country's gas, predominantly to Buenos Aires from gas fields in the south of the country. It owns a pipeline network totalling over 9,000km in length and has an operating license through to 2027, with a ten-year extension beyond this. TGS also owns a hydrocarbon liquids processing plant which produces propane, butane and ethane. This is sold on commercial terms to its major client, Dow Chemical. Under the Kirchner administration, tariff increases for the gas transmission network significantly lagged inflation, failing to provide agreed regulatory returns. However, under the new government, regulation is being reapplied in steps. As a result, TGS saw effective tariffs hiked by over 100% in the year to 31 December 2016, with further hikes of 30% and 40% being implemented in April and December 2017.

In its financial year to 31 December 2016, TGS' gas transport and USD-based liquid productions business delivered revenue growth of 105.8% and 64.0% respectively, in Argentinian Pesos. Overall group revenues increased by 75.1% and EBITDA grew by 97.3%. Below this line, financials were modestly impacted by exchange rate effects on its USD-denominated debt. Nonetheless, normalised net income still grew by 57.3%. Given the constraints on international financing over the past decade, TGS has relatively low leverage and strong cash balances, which are expected to translate to strong dividend returns in future years. In the year to 31 March 2017 TGS' share price increased by 143.5% and in Sterling terms, TGS delivered a positive 112% return on funds invested by UEM during the year.

Thailand exposure has decreased from 6.8% to 4.8% of the portfolio.

Eastern Water Resources Development and Management PCL's ("Eastwater") shares performed poorly in the year to 31 March 2017, falling by 10.1% over the period. Eastwater continues to suffer from the lack of a proper regulatory framework. This has led to a failure by management to sustain returns through the implementation of tariff increases. This was reflected in operational figures, with raw water volumes falling by 7.4% in its financial year ended 31 December 2016. It is notable that while demand from industrial estates was relatively robust, up by 7.9%, demand from its largest customer (state-owned Provincial Waterworks Authority) fell by 17.7%. With no tariff increases, resulting raw water revenues fell by 7.0%. Meanwhile tap water demand has remained strong, boosted by recent corporate activity, with volumes up by 11.0% and effective tariffs up by 8.2%. As a result, group revenues were flat on last year; EBITDA growth was just 0.4% and normalised earnings fell by 4.6%. Dividends per share were unchanged on last year. In the period under review UEM decreased its holding in Eastwater by 19.3%.

INVESTMENT MANAGERS' REPORT
(continued)

Chilean exposure reduced from 6.2% to 3.8% of the portfolio in the year to 31 March 2017.

Engie Energia Chile S.A.'s ("E.CL") shares increased by 9.7% in the year to 31 March 2017. Over the past year, E.CL has continued construction of its USD1.1bn 375MW coal-fired facility, as well as its USD780m transmission line project ("TEN") to connect the central and northern grids, which are due to be connected in 2017 and 2018 respectively. In its financial year to 31 December 2016 E.CL reported electricity sales volumes down by 2.3%, as some smaller contracts from the unregulated sector (predominantly mining companies) rolled off and were not replaced. By comparison demand from regulated customers was stable at 0.9%, though revenues from these customers were impacted by the lagged effect of bi-annual indexation to Henry Hub prices and US CPI. As a result, revenues from energy sales fell by 7.2%. After a strong year for gas distribution sales in 2015, revenues from this business line fell by 90%, reflecting the volatile nature of these sales, which are dependent on E.CL's contracting of LNG cargos and third-party demand. As a result, overall group revenues fell by 15.3% and EBITDA declined by 8.8%. Reported net profits were boosted by the sale of a 50% stake in the TEN project, however, after adjusting for the gain on disposal, normalised earnings fell by 11.4%. E.CL increased its dividends per share by 227%, demonstrating good capital discipline following the disposal. UEM increased its shareholding in E.CL by 32.9% in the period under review.

PORTFOLIO GENERAL

Investments into the portfolio were £161.2m, compared to the prior year's £96.1m, funded by bank debt of £28.1m and in part due to the reinvestment of realisations, which were £142.2m and were broadly in line with the prior year's £130.5m. £56.4m was realised from the top twenty holdings, of which the most significant were £20.4m from Malaysia Airports, £12.3m from MyEG and £12.2m from China Gas. Investments in the top twenty were £36.6m and included £8.7m in Rumo and £5.5m in TGS.

Changes in the portfolio's geographic allocation reflect new investments plus the relative market performance as outlined above. The main change in the sector allocation has been an increase in weighting in electricity (mainly power transmission) from 16.3% to 24.3%, offset by airports which reduced from 13.1% to 8.5% and satellites which reduced from 9.4% to 5.7%.

BANK DEBT

Bank debt increased from £18.7m to £46.8m owing to investments made in the second half of the year to 31 March 2017. At the year end, debt was drawn in Hong Kong Dollars, HKD209.9m (£21.6m) and Euros, EUR29.5m (£25.2m). The two-year bank facility of £50.0m is due for renewal on 27 April 2018.

MARKET HEDGING

UEM started the year with net derivatives of £3.3m and ended the year almost unchanged at £3.1m. The loss on derivatives of £6.4m for the year to 31 March 2017 was primarily due to the continuing performance of the US S&P Index and has undermined the carrying value of the hedged position. UEM ended the year with net 350 S&P 500 put contracts at approximately 2325 versus the market S&P Index of 2363, giving UEM USD35.0m protection against any fall in the S&P Index below this level.

REVENUE RETURN

Revenue income decreased by 3.2% during the twelve months to 31 March 2017 to £20.6m from £21.3m. This is a very good result, as the prior year benefitted from the distribution by Asiasat of a significant portion of its revenue reserves by way of a special dividend, with UEM receiving a payment of £7.4m. Excluding the impact of Asiasat's special dividend in both years, revenue income increased by 48.2%. This reflects a combination of dividend increases by investee companies due to growth in profitability, the increased portfolio weighting in higher dividend paying investments such as in Romania and Brazil, as well as Sterling's weakness.

Management fees and other expenses increased from £2.6m to £2.9m as a result of increased custody fees. Finance costs increased from £0.1m to £0.2m as a result of increased bank debt in the second half of the year to 31 March 2017. Taxation was almost unchanged at £0.9m versus £1.1m last year.

CAPITAL RETURN

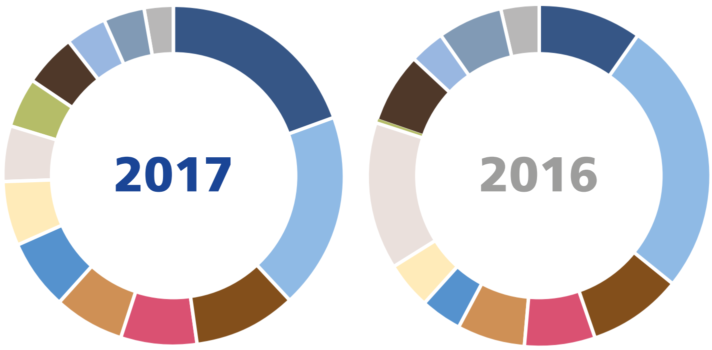
The portfolio recorded a capital return of £114.6m during the year, reflecting strong equity markets and weak Sterling. Offsetting this were net losses on derivatives and gains on foreign exchange of £5.4m, to give a capital return before costs of £109.2m (2015: a loss of £9.5m).

Management and administration fees were higher at £11.4m (prior year: £1.9m), mainly as a result of the performance fee payable in respect of the year to 31 March 2017. Finance costs increased from £0.3m to £0.5m as a result of increased bank debt in the second half of the year. Taxation rose to £3.2m and is in respect of capital gains tax on portfolio gains. The net effect of the above was a net capital return of £94.2m (2015: a loss of £11.7m).

Charles Jillings
ICM Investment Management Limited and ICM Limited
16 June 2017

GEOGRAPHICAL & SECTOR SPLIT OF INVESTMENTS

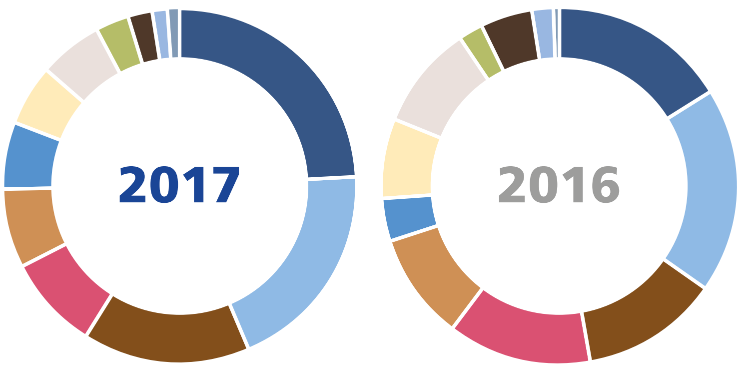
GEOGRAPHICAL SPLIT OF INVESTMENTS



COUNTRY	% OF TOTAL 2017	2016
Brazil	19.6	9.8
China	18.5	26.3
Romania	9.9	8.8
Middle East/Africa	7.2	6.6
The Philippines	6.7	6.3
Other Latin America	6.6	3.9
India	6.1	4.6
Malaysia	5.3	13.7
Argentina	4.8	0.3
Thailand	4.8	6.8
Other Europe	4.0	3.2
Chile	3.8	6.2
Other Asia	2.7	3.5

Source: ICM

SECTOR SPLIT OF INVESTMENTS



SECTOR	% OF TOTAL 2017	2016
Electricity	24.3	16.3
Gas	19.4	18.7
Ports	15.3	12.3
Airports	8.5	13.1
Water and waste	7.3	9.7
Toll Roads	6.1	3.9
Other	5.7	7.2
Satellites	5.7	9.4
Telecoms	3.1	2.2
Other Infrastructure	2.2	4.7
Infrastructure Investment Funds	1.5	2.2
Renewables	0.9	0.3

Source: ICM

TWENTY LARGEST HOLDINGS

2017	*2016*	**Company** *(Country)* Description	Fair Value £'000s	% of total investments
1	*(6)*	**International Container Terminal Services, Inc.** *(The Philippines)* Global container port operator	28,913	5.0
2	*(7)*	**Ocean Wilsons Holdings Limited** *(Brazil)* Port operator, provider of shipping services and worldwide investment fund	24,957	4.4
3	*(11)*	**Alupar Investimento S.A.** *(Brazil)* Electricity transmission and generation	23,926	4.2
4	*(3)*	**Eastern Water Resources Development and Management PCL** *(Thailand)* Water treatment and supply	20,787	3.6
5	*(2)*	**China Gas Holdings Limited** *(China)* Gas distribution	19,294	3.4
6	*(9)*	**Transelectrica S.A.** *(Romania)* Electricity transmission	18,894	3.3
7	*(12)*	**Transgaz S.A.** *(Romania)* Gas transmission	17,463	3.1
8	*(1)*	**Malaysia Airports Holdings Berhad** *(Malaysia)* Airport operator	17,450	3.0
9	–	**Rumo S.A.** *(Brazil)* Rail based logistics operator	16,544	2.9
10	*(4)*	**APT Satellite Holdings Limited** *(Hong Kong)* Satellite operator	16,499	2.9
11	*(15)*	**Yuexiu Transport Infrastructure Limited** *(China)* Toll roads operator	15,574	2.7
12	*(10)*	**China Resources Gas Group Ltd** *(China)* Gas distribution	15,355	2.7
13	*(14)*	**Conpet S.A.** *(Romania)* Oil pipeline operator	14,867	2.6
14	*(16)*	**SJVN Limited** *(India)* Electricity generation	13,939	2.4
15	*(13)*	**Shanghai International Airport Co Ltd** *(China)* Airport operator	12,546	2.2
16	*(5)*	**MyEG Services Berhad** *(Malaysia)* IT Services	12,480	2.2
17	*(20)*	**Engie Energia Chile S.A.** *(Chile)* Electricity generation and transmission	12,063	2.1
18	–	**Transportadora de Gas del Sur S.A.** *(Argentina)* Gas distribution	11,594	2.0
19	–	**Power Grid Corporation of India Limited** *(India)* Electricity transmission	10,096	1.8
20	–	**Grupo Aeroportuario del Centro Norte, S.A.B. de C.V.** *(Mexico)* Airport operator	9,702	1.7
		Other investments	239,321	41.8
			572,264	100.0

The value of the twenty largest holdings represents 58.2% (2016: 67.2%) of the Group's total investments. The country shown is the location of the major part of the investee company's business. The value of convertible securities represents 0.1% (2016: 0.7%) of the Group's portfolio and the value of fixed income securities represents 3.0% (2016: 1.6%) of the Group's portfolio. The total number of companies included in the portfolio is 92 (2016: 86).

REVIEW OF THE TWENTY LARGEST HOLDINGS

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (THE PHILIPPINES)

www.ictsi.com
Market Cap £2,890m

ICT acquires, develops, manages and operates small to-medium-sized container terminals across the globe. As at 31 December 2016 ICT's portfolio consisted of 29 terminal facilities spanning 19 countries, with 52% of volumes being generated in Asia, 35% in Americas and 13% in EMEA. During 2016, ICT had a solid performance despite operating in a tough global macro environment, as volumes over the period were up by 11.7% whilst total revenues were up by 7.1%. Total revenue growth failed to fully reflect the volume growth due to foreign exchange headwinds and unfavourable volume mix. Adjusted EBITDA was up by 16.3% due to improvement in operational leverage and normalised net income was up by 16.7%. Management have also clearly indicated that they are slowly changing their investment philosophy from growth to growth with dividends as they look to fully utilise their existing operations and only invest in brownfield projects. ICT's share price was up by 34.5% during the year ended 31 March 2017.

OCEAN WILSONS HOLDINGS LIMITED (BRAZIL)

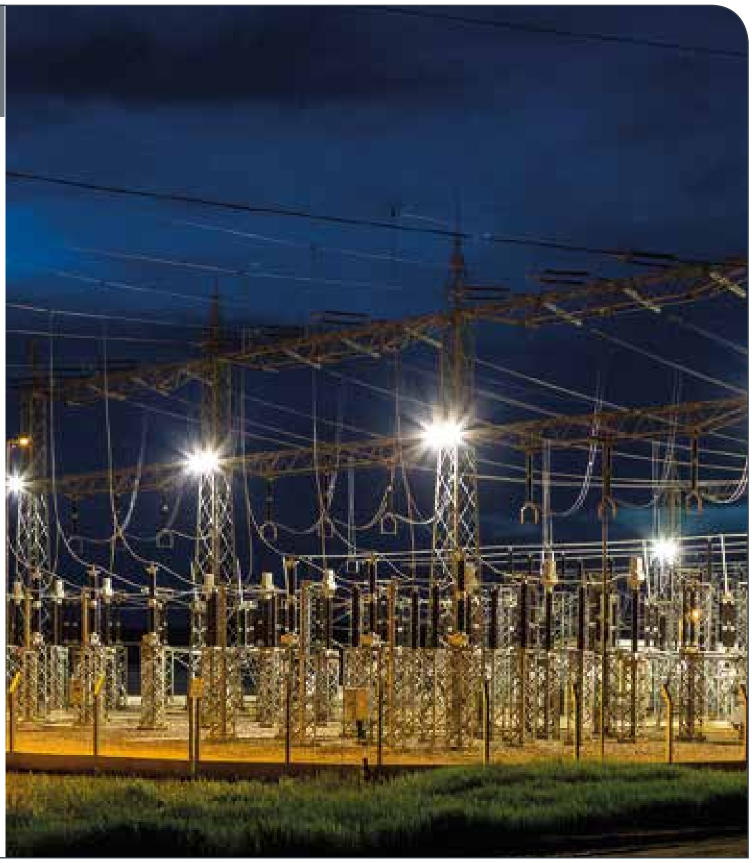
www.oceanwilsons.bm
Market Cap £359m

Ocean Wilsons has two principal subsidiaries: Wilson Sons, in which it owns a 58.3% controlling stake; and Ocean Wilsons Investment Limited. Wilson Sons is one of Brazil's largest maritime service providers (listed on the San Paulo and Luxembourg Stock Exchanges), engaged in activities including harbour and ocean towage, container terminal operation, offshore support, logistics, small vessel construction and ship agency operation. In the year to 31 December 2016, Ocean Wilsons recorded a 10.1% decline in revenue, a 7.1% decrease in EBITDA and a 66.7% decline in normalised net income. Underlying trading at the two largest divisions, 'Port Terminals and Logistics' and 'Towage and Ship Agency' faired the difficult Brazilian macro environment well, with container volumes increasing marginally by 0.5% over the year and towage harbour manoeuvres only down by 0.4%. The investment portfolio saw a reduction in valuation of 2.3% over the year to 31 December 2016. In the year to 31 March 2017, Ocean Wilson's share price increased by 36.5%.

ALUPAR INVESTIMENTO S.A. (BRAZIL)

www.alupar.com.br
Market Cap £1,306m

Alupar is a holding company for energy assets focused in the electricity transmission and generation sectors in Brazil, Peru and Colombia. It has concession rights to 25 transmission assets totalling 6,073km of electricity lines in Brazil, of which 4,750km are operational. It also has seven operational generation assets with total installed capacity of 550MW, including six hydro plants and one wind generation project. In addition, Alupar has three hydro projects under development with total capacity of 137MW. Alupar's transmission assets enjoy long-life 30-year concessions with fully protected returns due to annual IPCA or IGP-M inflation adjustments to regulated revenue. In its financial year ended 31 December 2016 Alupar reported 4.0% growth in revenues, a 9.6% increase in EBITDA and normalised earnings growth of 15.8%. Dividends per share fell by 34.8%, in part due to a c.20% increase in capital, but also reflecting the company's desire to retain cash to bid on new concessions with attractive returns. In the year to 31 March 2017 Alupar's share price increased by 48.0%.



EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PCL (THAILAND)

www.eastwater.com
Market Cap £452m

Eastwater operates the main water pipeline systems which supply untreated water (so called "raw water") to Thailand's industrialised Eastern Seaboard. In addition the company has a treated water supply business which operates water treatment and supply concessions in nine separate areas. In its financial year to 31 December 2016 raw water volumes sold fell by 7.4%, reflecting severe drought conditions induced by the El Nino phenomenon. Demand from the Provincial Waterworks Authority ("PWA"), Eastwater's principal customer which services residential households, fell by 17.7%, partly offset by strengthening demand from industrial estate customers. Meanwhile tap water volumes sold increased by 11.0%. In the year to 31 December 2016, group revenue was flat, EBITDA grew by 0.4% and normalised earnings fell by 4.6%. Dividends per share were unchanged on last year. In the year to 31 March 2017, Eastwater's share price fell by 10.1%.

REVIEW OF THE TWENTY LARGEST HOLDINGS
(continued)

CHINA GAS HOLDINGS LIMITED (CHINA)

www.chinagasholdings.com.hk
Market Cap £6,405m

China Gas owns and operates natural gas and liquefied petroleum gas ("LPG") infrastructure. As at 30 September 2016 China Gas had secured 311 city gas concessions, 98 LPG distribution projects and 573 compressed/liquefied natural gas refilling stations throughout China. Its concessions cover an urban population of 101m people, of which 51.8% of households were connected as of September 2016, although over 75% of its natural gas volumes sold is to commercial and industrial customers. In the six months to 30 September 2016 China Gas reported piped gas and LPG volume growth of 13.3% and 25.7% respectively and added 1.4m new customers. This very strong growth was offset by lower tariffs due to falling commodity prices, resulting in group revenues falling by 6.9%. Given lower input prices EBITDA increased by 2.9%, though normalised net income fell by 3.8% and interim dividends were unchanged on the previous year. In the year to 31 March 2017, China Gas' share price increased by 9.6%.

TRANSELECTRICA S.A. (ROMANIA)

www.transelectrica.ro
Market Cap £453m

Transelectrica manages and operates the Romanian electricity transmission system and provides the electricity exchanges between central and eastern European countries, including Hungary, Serbia and Bulgaria. It is a regulated entity currently in its third regulatory period which runs from 1 July 2014 to 30 June 2019 and the Romanian government holds a 59.7% stake in the company. In the year to 31 December 2016 energy transmitted by the network increased by 2.0%, but effective tariffs fell by 9.4% following regulatory cuts to transmission and system service tariffs in July 2016. As a result group revenues fell by 7.4% excluding balancing market services (which are profit-neutral to the company). Grid losses remained low at 2.3%, but some wage pressures pushed up costs resulting in EBITDA falling by 10.9%. Normalised earnings fell by 23.7%. In the year to 31 March 2017 Transelectrica's share price increased by 13.4%.

TRANSGAZ S.A. (ROMANIA)

www.transgaz.ro
Market Cap £836m

Transgaz is the national gas transmission company in Romania which controls the domestic gas transmission system and is 58.5% owned by the Romanian government. Its domestic transmission activities are fully regulated by the National Regulatory Authority for Energy and the company is in its third regulatory cycle. International transit activities include dispatch, maintenance and operation of dedicated pipelines transmitting Russian natural gas from Ukraine to Bulgaria. In its financial year to 31 December 2016 domestic gas volumes transmitted fell by 1.8% which, combined with effective tariff increases of 10.0%, saw domestic transport revenues grow by 8.0%. Meanwhile transit revenues were up by 3.1%, resulting in group revenue growth at 8.6% and EBITDA up by 16.4%. Normalised earnings grew by 21.9%, while dividends per share were increased by 67.8% as the company decided to payout some of its excess cash reserves after years of more modest payout ratios. In the year to 31 March 2017 Transgaz's share price was up by 41.9%.

MALAYSIA AIRPORTS HOLDINGS BERHAD (MALAYSIA)

www.malaysiaairports.com.my
Market Cap £2,078m

Malaysia Airports operates 39 (out of 40) airports in Malaysia, including the flagship Kuala Lumpar International Airport. It also owns 100% of ISG in Istanbul, Turkey and an 11% stake in Hyderabad's Rajiv Gandhi International Airport in India. Total passenger growth for 2016 was 5.3% in the year to 31 December 2016, with Malaysian operations seeing growth of 5.5% over the period as traveller sentiment has improved since the tragic events of 2014 and airline capacity growth is returning to the market. Unfortunately given the political headwinds Turkey has faced during 2016, passenger growth at ISG was only 4.6% compared to 19.7% in 2015. Over the year to 31 December 2016, total revenues increased by 7.8% whilst EBITDA increased by 7.7%. Normalised net income was down by 41.0%. In the year to 31 March 2017, Malaysia Airports' share price increased by 2.8%.

REVIEW OF THE TWENTY LARGEST HOLDINGS
(continued)

RUMO S.A. (BRAZIL)

en.rumolog.com
Market Cap £2,917m

Rumo is Brazil's largest independent rail based logistics operator offering a complete range of logistics services. Rumo owns and operates a railway network that consists of four concessions that extend over 12,000km with 1,000 locomotives and 25,000 rail cars. The rail network serves an area that accounts for approximately 80% of Brazil's GDP, where four of the most active ports in the country are located and through which most of the Brazilian grain product is exported. The company is currently undergoing an extensive investment plan of BRL8.5bn over the next five years with a clear focus to reduce operating costs and increase the capacity and efficiency as well as service level of the operations. In the year to 31 December 2016, Rumo's revenue increased by 4.4%, EBITDA was up 5.8%, with normalised net income negative given high interest costs and depreciation associated with the intensive capital expansion program. Rumo's share price over the year to 31 March 2017 increased by 155.4%.

APT SATELLITE HOLDINGS LIMITED (HONG KONG)

www.apstar.com
Market Cap £396m

APT is an owner and operator of telecommunications satellites used to broadcast television, radio and provide data connectivity services across Asia and Australasia. The company owns four satellites, with the most recent, Apstar 9, launched in October 2015.

Revenues increased by 3.0% over the year to 31 December 2016 and EBITDA increased by 11.1% as the company switched customers from a leased satellite on to its new satellite, Apstar 9. Net profits declined by 4.0%, primarily due to the depreciation on Apstar 9 and lower interest income.

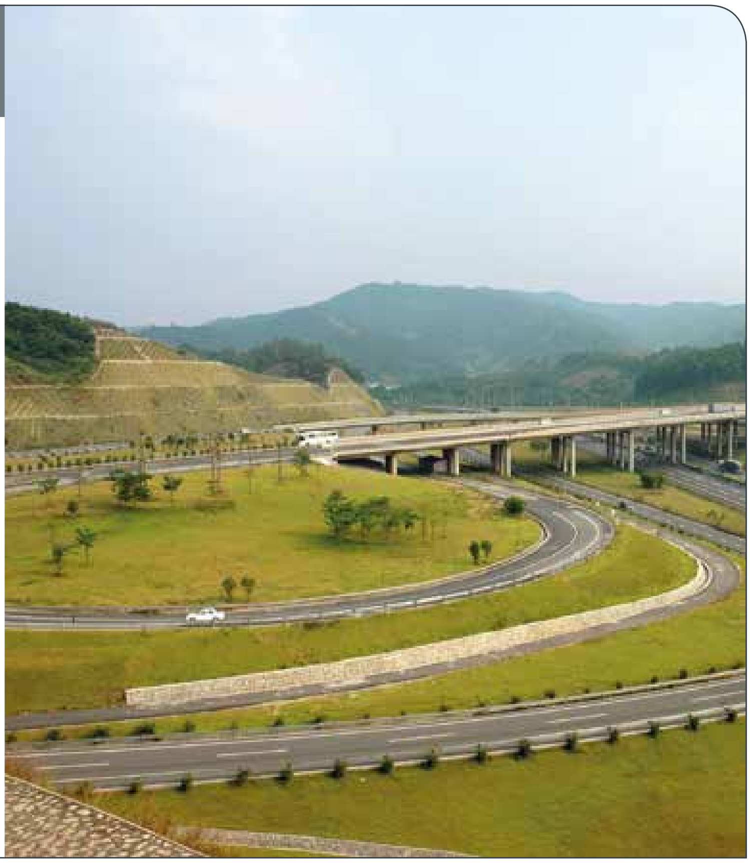
In the year to 31 March 2017, APT's share price decreased by 32.1%.

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED (CHINA)

www.yuexiutransportinfrastructure.com
Market Cap £1,032m

Yuexiu is principally engaged in the investment, operation and management of expressways and bridges in the Guangdong Province and other high growth provinces in China. The company currently has 12 operating expressways and bridge projects within its portfolio, with a total attributable toll length of 358km.

For the year ended 31 December 2016, Yuexiu saw toll revenues increase by 13.4% in line with traffic growth of 13.8%. Adjusted EBITDA increased ahead of revenue by 18.2%, whilst adjusted net income increased by 10.5%. Yuexiu's share price increased by 14.8% in the year to 31 March 2017.



CHINA RESOURCES GAS GROUP LTD (CHINA)

www.crgas.com.hk
Market Cap £6,275m

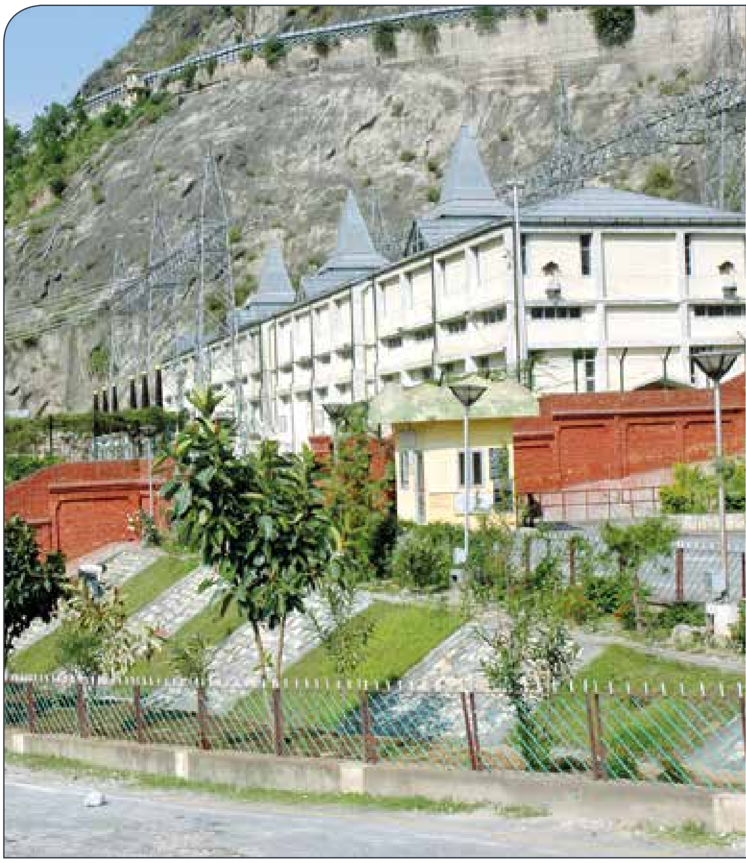
CR Gas owns and operates natural gas infrastructure focused on downstream city gas distribution and natural gas filling stations in China. It is a subsidiary of SOE China Resources and maintains one of the largest client bases in the country with 26.5m customers connected as at 31 December 2016, up by 11.4% on the prior year. Within its 227 operational projects only 46% of households were connected. Aside from residential customers, c.63% of its natural gas volumes sold is to commercial and industrial customers and c.10% of volumes is sold at CNG filling stations for vehicles. CR Gas delivered good growth in 2016, with total piped gas volumes up by 9.1% and 2.7m new connections. This offset tariff declines, with group revenues in its financial year to 31 December 2016 broadly unchanged at an 0.3% increase. The lower cost of input gas resulted in adjusted EBITDA increasing by 17.1% and normalised earnings up by 15.9%. Dividends per share increased by 36.4%. In the year to 31 March 2017 CR Gas' share price increased by 24.2%.

REVIEW OF THE TWENTY LARGEST HOLDINGS
(continued)

CONPET S.A. (ROMANIA)

www.conpet.ro
Market Cap £182m

Conpet is the operator of the national crude oil and condensate transport network in Romania, with a 30-year concession agreement which expires in 2032. Tariffs are regulated by the National Agency for Mineral Resources on a cost-plus basis. It manages a network of 3,800km of pipeline, as well as railway systems for both domestic and imported crude oil transport. Conpet is 58.7% owned by the Romanian State. In its financial year to 31 December 2016 Conpet reported oil transport volume growth of 1.3%, with a 5.6% decline in domestic transport more than offset by a 10.0% increase in imports. Effective tariffs fell by 1.3%, as a result of which group revenues were broadly unchanged on last year at 0.2%. Good cost discipline allowed EBITDA to grow by 3.4% and normalised earnings by 18.5%. With no debt and excess cash accruing on the balance sheet, the company announced a 127% increase in dividends. In the year to 31 March 2017 Conpet's share price increased by 28.5%.



SJVN LIMITED (INDIA)

www.sjvn.nic.in
Market Cap £1,711m

SJVN is an electricity generation company with an installed capacity of 1.96GW of hydro and wind farm capacity in India. The company is 90% co-owned by the Government of India and the Government of Himachal Pradesh, the State in which its flagship 1,500MW Nathpa Jhakri and 412MW Rampur hydro plants are located. SJVN also operates a 48MW wind farm in Maharashtra. The company has initiated projects in Bhutan via a joint venture with the Government of Bhutan totalling 1,170MW, and has additional hydro, thermal and solar projects under development in India. In the six months to 30 September 2016 SJVN reported energy generation down by 2.7% as the prior year yielded exceptionally strong hydrology. With little change in effective tariffs, this resulted in revenue and EBITDA falling by 2.5% and 3.5% respectively, while normalised earnings increased by 4.7%. With excess cash accruing on the balance sheet, SJVN increased its interim dividend by 257%. In the year to 31 March 2017 SJVN's share price increased by 17.5%.

SHANGHAI INTERNATIONAL AIRPORT CO LTD (CHINA)

www.shairport.com
Market Cap £6,697m

Shanghai Airport operates Pudong International Airport in Shanghai, one of China's two major international gateways (alongside Beijing Capital International Airport). In 2016, the airport handled 9.8% more passengers than in 2015 at 66.0m passengers, of which 48% were domestic and 52% were international. The airport currently has two terminals and four runways. The terminals are currently operating at a utilisation rate of 86% which is why the airport is undergoing a RMB20bn capital expansion plan to increase capacity to 100m passengers by 2020 by building a satellite terminal. For the year to 31 December 2016, revenues increased by 10.6%, adjusted EBITDA was up by 12.1% and net income was up by 13.3%. In the year to 31 March 2017, Shanghai Airport's share price decreased by 0.4%.

MYEG SERVICES BERHAD (MALAYSIA)

www.myeg.com.my
Market Cap £1,202m

MyEG is a concessionaire for the Malaysian E-Government programme. MyEG's systems allow Malaysian citizens and businesses to transact with the government electronically, as an alternative to visiting government counters or post offices. Through its portal, MyEG offers a range of services such as driving licence and car tax renewal, vehicle registration, payment of fines and renewal of immigrant workers' permits. For the six months to 31 December 2016, revenues grew by 39.0%, EBITDA grew by 44.5% and net profit grew by 49.8%.

MyEG's share price in the year to 31 March 2017 increased by 30.3% after adjusting for the 1-for-2 bonus issue during the period under review.

REVIEW OF THE TWENTY LARGEST HOLDINGS
(continued)

ENGIE ENERGIA CHILE S.A. (CHILE)

www.e-cl.cl
Market Cap £1,556m

E.CL is the largest electricity generation company operating in the northern grid in Chile, primarily serving mining companies on long-term energy contracts. It is controlled by Engie (formerly GDF Suez), with a 52.8% stake. E.CL has installed generation capacity of 2.0GW and owns and operates over 2,000km of transmission lines, a gas pipeline to Argentina and a port. In its financial year to 31 December 2016 E.CL reported electricity sales volumes down by 2.3% due to some older mining contracts rolling off which, combined with US Dollar based tariff declines averaging 5.0%, trimmed energy revenues by 7.2%. Aggregated with a material drop in volatile gas sales, group revenues fell by 15.3% and EBITDA dropped by 8.8%. Adjusting out the gain on disposal on the TEN project, normalised earnings fell by 11.4%, though dividends per share were hiked by 227%, partly reflecting this disposal. In the year to 31 March 2017 E.CL's share price increased by 9.7%.

TRANSPORTADORA DE GAS DEL SUR S.A. (ARGENTINA)

www.tgs.com.ar
Market Cap £1,802m

TGS is the largest natural gas transmission company in Argentina, transporting almost two-thirds of the country's gas through a pipeline network totalling over 9,000km in length. The company owns the network and has a license to operate it until 2027 (with a ten-year extension beyond this) under a regulatory regime. TGS also owns a hydrocarbon liquids processing plant producing propane, butane and ethane which is sold on commercial terms. For several years TGS suffered under the Kirchner administration which refused to increase tariffs sufficiently to provide adequate regulatory returns on the gas transmission network. In a very high-inflation environment this materially impacted financials. However, with the new government installed in Dec-15, regulation is being properly applied and, as a result, TGS saw effective tariffs hiked by over 100% in the year to 31 December 2016. Consequently, group revenues increased by 75.1% and EBITDA grew by 97.3%, while normalised net income grew by 57.3%. In the year to 31 March 2017 TGS' share price increased by 143.5%.

POWER GRID CORPORATION OF INDIA LIMITED (INDIA)

www.powergridindia.com
Market Cap £12,688m

Powergrid is the dominant electricity transmission utility in India, operating approximately 90% of the country's inter-state and inter-regional connections, with a total network length of c.140,000km. The company is 57.9% controlled by the Government of India and its assets are fully regulated by the Central Electricity Regulatory Commission under a regime which allows a 15.5% return on equity. With government policy seeking electrification of all villages in India by the end of 2019 and the rollout of new conventional and renewable electricity generation plants, there has been rapid expansion of the transmission grid. Powergrid is a direct beneficiary of this, as evidenced in financials in the six months to 30 September 2016 where revenues and EBITDA grew by 28.6% and 30.6% respectively and normalised earnings increased by 32.0%. In the period Powergrid increased its interim dividend by 25%. In the year to 31 March 2017 Powergrid's share price increased by 41.8%.

GRUPO AEROPORTUARIO DEL CENTRO NORTE, S.A.B DE C.V. (MEXICO)

www.oma.aero
Market Cap £1,700m

OMA is a Mexican airport operator managing 13 airports in nine states of central and northern Mexico, handling 18.8m passengers in 2016, of which 87% were domestic and 13% were international. OMA's largest airport asset is Monterey which handled 9.2m passengers in 2016. The operator's aeronautical services are regulated based on a guaranteed return and are reviewed every five years as per the Master Development Plan, whilst the non-aeronautical revenues are not regulated, resulting in OMA currently trying to drive non-aeronautical revenues and diversify its income stream. In the year to 31 December 2016, OMA's revenues increased by 23.1%, driven partly by the 10.9% growth in passenger traffic and the increase in tariffs in 2Q16, as well as the growth in diversified activities. Adjusted EBITDA over the period increased by 35.7% with improved operational leverage flowing through and normalised net income was up by 48.1%. OMA's share price in the year to 31 March 2017 was up by 1.6%.

STRATEGIC REPORT AND BUSINESS REVIEW

UEM is an investment company with gross assets of £579.0m as at 31 March 2017. Its principal activity is portfolio investment.

INVESTMENT OBJECTIVE

The Company's objective is to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets.

STRATEGY AND BUSINESS MODEL

The Company invests in accordance with the objective given above. It has no employees and outsources its activities to third party service providers. The strategy the Board of non-executive directors follows to achieve the investment objective is to appoint external investment managers to deliver investment performance, with the Board setting investment policy and risk guidelines, together with investment limits. The Board oversees and monitors the activities of the service providers, including the Investment Managers, who are the principal service providers.

ICMIM, an English incorporated company authorised and regulated by the Financial Conduct Authority ("FCA") as an alternative investment fund manager ("AIFM") pursuant to the AIFM Rules, is the Company's AIFM and joint portfolio manager alongside ICM. ICMIM also provided the company secretarial function for the year under review.

ICMIM and ICM managed the portfolio throughout the year. Successful implementation of the investment strategy is achieved by identifying undervalued stocks in the relevant sectors, which generally are asset-backed, have positive operational cash flows and pay annual dividends and selling them at the right point in the investee company's business cycle. This model, combined with the prudent use of gearing, should crystallise financial returns, generating a total return through both capital and income.

The investment team responsible for the management of the portfolio is headed by Charles Jillings.

The Board, together with the Investment Managers, consider how the business strategy and model have to be adapted to comply with new legislation and regulations.

F&C Management Limited, trading as BMO GAM (the "Administrator"), has been appointed to undertake general administration services, including dealing. Other administrative functions are contracted to external service providers.

INVESTMENT POLICY AND RISK

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

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

The Board and Investment Managers review the risk profile of the Company every six months. Agreed risk parameters are established and compliance is reviewed at quarterly board meetings.

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 American Depository Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options, warrants and similar instruments for investment purposes and efficient portfolio management, including protecting the Company's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. These investments will be long term in nature.

UEM seeks to identify and invest in undervalued investments predominantly in the infrastructure and utility sectors, mainly in emerging markets. The Investment Managers aim to identify securities where underlying value and growth prospects are not reflected in the market price. This is often as a result of strong growth drivers, but can include changes in regulation, technology, market motivation, potential for financial engineering, competition or shareholder indifference.

The Company seeks to minimise risk by investing mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications 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 seeks to invest in companies with strong management who have the potential to grow their business and who have an appreciation of, and ability to manage, risk.

UEM believes it is generally appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach through encouraging a review of capital structures and business efficiencies. The Investment Managers maintain regular contact with the investee companies and UEM is often among the largest international 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. 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. ICMIM, as the Company's AIFM, controls stock-specific and sector and geographic risk by continuously monitoring the exposures in the portfolio. In depth continual analysis of the fundamentals of investee companies allows ICMIM to assess the financial risks associated with any particular stock. The portfolio is typically made up of 60 to 90 stocks.

As required by the Listing Rules, there will be no material change to the investment policy without prior approval of the FCA and shareholders.

INVESTMENT LIMITS

The Board has prescribed the following limits on the investment policy, all of which are at the time of investment unless otherwise stated:

- Investments in unquoted and untraded investments in aggregate must not exceed 10% of gross assets at the time of investment. This restriction does not apply to the Company's holding of shares linked to a segregated account of Global Equity Risk Protection Limited ("GERP"), an unquoted Bermuda segregated accounts company;
- No single investment may exceed 20% of gross assets at the time of investment;
- Investments other than in infrastructure, utility and related companies (including GERP) must not exceed 20% of gross assets at the time of investment;
- Investments in a single country must not exceed 50% of gross assets at the time of investment;

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

- Not more than 10% in aggregate of the value of the total assets of the Company at the time the investment is made will be invested in other closed-ended investment funds which are listed on the Official List (except to the extent that those investment funds have stated investment policies to invest no more than 15% of their total assets in other investment companies which are listed on the Official List);
- Regardless of the investment policy of other closed-ended investment funds listed on the Official List and which are invested in by the Company, the Company shall not invest in such funds more than 15% in aggregate of the value of the total assets of the Company at the time the investment is made; and
- Equity markets derivative transactions are carried out by GERP on behalf of the Company to enable it to make investments more efficiently and for the purposes of efficient portfolio management. GERP spreads its investments risks by having the ability to establish an overall net short position in index options, contracts for difference, swaps and equity options. GERP may not hold more than 50% of the value of UEM's segregated portfolio in index options and GERP may not hold more than 100% of the relevant debt or of the relevant market value in foreign currency by way of foreign exchange options or forwards.

None of the above restrictions will require the realisation of any assets of the Company where any restriction is breached as a result of an event outside of the control of the Investment Managers which occurs after the investment is made, but no further relevant assets may be acquired or loans made by the Company until the relevant restriction can again be complied with.

VALUATION METHODOLOGY

Investments are measured at the Board's estimate of fair value at the reporting date, in accordance with IFRS 13 – Fair Value measurement.

Fair value is the amount for which an asset (or liability) could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Publicly traded securities

Investments listed in an active market are valued at their closing bid price on the reporting date. When a bid price is not available, the price of the most recent reported transaction would normally be used.

Market bid prices are used even in situations where the Company holds a large position and a sale could reasonably be expected to affect the quoted price. Active market quotations are included in level one and inactive in level two. Where there is an inactive market, the bid price is used unless there is reason to believe it is incorrect.

Unquoted securities

Unlisted loans are valued at the principal amount loaned or if impaired, at the impaired value. The determination of fair value for unquoted securities where there is little, if any, market activity is achieved by the application of a valuation technique that is appropriate for the circumstances, in accordance with the International Private Equity and Venture Capital Valuation Guidelines. This will make the maximum use of market based information and is consistent with methodology generally used by market participants.

Valuation is normally determined using one of the following valuation methodologies:

Recent investments

For an initial or most recent relevant transaction, the approach used is cost for a limited period following the transaction, where the transaction represents fair value.

Established investments

There are three approaches to valuing established investments: multiples, discounted cash flows or earnings and net assets. Depending on the investment and the relevance of the approach, any or all of these valuation methods could be used.

Appropriate market multiples will vary by instrument, but would typically be by reference to one or more of, but not limited to: net earnings ratio, EV/EBITDA ratio, dividend yield, discount to NAV, or yield to maturity.

Discounted earnings multiples will use maintainable earnings discounted at appropriate rates to reflect the value of the business. Generally, the latest historical accounts are used unless reliable forecast results for the current year are available. Earnings are adjusted where appropriate for exceptional or non-recurring items.

BORROWING AND GEARING POLICY

The Board carefully considers the Company's policy in respect of the level of equity exposure. The Board takes responsibility for the Company's gearing strategy and sets guidelines to control it, which it may change from time to time. The Company may use bank borrowings for short-term liquidity purposes. In addition, the Board may gear the Company by borrowing on a longer term basis for investment purposes.

The Board has set a current limit on gearing (being total borrowings measured against gross assets) not exceeding 25% at the time of drawdown. Borrowings may be drawn down in Sterling, US Dollars or any currency for which there are corresponding assets within the portfolio (at the time of drawdown the value drawn must not exceed the value of the relevant assets in the portfolio).

The Company has a £50m secured multicurrency revolving facility with Scotiabank Europe plc which has been extended until 27 April 2018; as at 31 March 2017 £46.8m was drawn down under the facility in Euros and Hong Kong Dollars. Further details of this loan facility are included in note 15 to the accounts.

DERIVATIVES

The Investment Managers may follow a policy of actively hedging the market and balance sheet risks faced by the Company.

A review of the investment portfolio and borrowings is included in the Investment Managers' report and also in the notes to the accounts.

KEY PERFORMANCE INDICATORS

Delivery of shareholder value is achieved through the increase in capital value of the Company's shares and by its income return.

The Board reviews performance by reference to a number of Key Performance Indicators ("KPIs") that include the following:

- NAV total return relative to the MSCI Emerging Markets Index Total Return (GBP adjusted)
- Share price
- Discount to NAV
- Revenue earnings
- Ongoing charges figure

While some elements of performance against KPIs are beyond management control, they provide measures of the Group's absolute and relative performance and are therefore monitored by the Board on a regular basis.

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

The Company reported a strong performance for the year with NAV total return (adjusted for the exercise of subscription shares) amounting to 26.2%. Whilst below the MSCI Emerging Markets Index Total Return (which covers all industry sectors) of 34.5% over the year, UEM's performance since inception of 280.8% compares to the MSCI Emerging Markets Index Total Return (Sterling adjusted) of 194.8% .

31 MARCH	2017	2016
NAV total return (%)*	26.2	1.7
MSCI Emerging Markets Index Total Return (Sterling adjusted) (%)	34.5	(8.8)
Share price (pence)	214.50	178.50
Discount to NAV (%)	(11.1)	(11.9)
Percentage of issued shares bought back during the year (based on opening share capital) (%)	2.29	0.86
Revenue earnings per ordinary share (diluted) (pence)	7.70	8.23
Ongoing charges figure – excluding performance fee (%)	1.1	1.1

*Total return is calculated based on NAV per ordinary share plus dividends reinvested from payment date and adjusted for the exercise of subscription shares

A graph showing the NAV total return performance compared to the MSCI Emerging Markets Index (GBP adjusted), can be found on page 4. The Investment Managers' Report, which comprises the first part of this Strategic Report, provides a commentary on how this performance was achieved.

The ten year record on page 107 shows historic data for the Company's metrics.

Discount to NAV: The Board monitors the premium/discount at which the Company's ordinary shares trade in relation to the assets. During the year the Company's shares traded at a discount relative to NAV in a range of 7.8% to 15.5% and an average discount of 11.0%. The Board and Investment Managers closely monitor both movements in the Company's share price and significant dealings in the shares.

The Board believes that the best way of addressing the discount over the long term is to continue to generate good performance and to create demand for the Company's shares in the secondary market through increasing awareness of the Company, its philosophy and management style. The Board has maintained the expenditure on marketing the Company. The Board will be seeking to renew the authority from shareholders to buyback and issue shares which can assist in the management of the discount and/or any premium at which the shares trade to their NAV. A total of 4,833,659 ordinary shares were bought back and cancelled during the year, representing 2.3% of the Company's issued share capital.

Earnings and dividends per share: The Board's objective is to maintain or increase the total annual dividend. The Board and the Investment Managers attach great importance to maintaining dividends per share since dividends form a key component of the total return to shareholders. The Board has the flexibility to pay dividends from capital reserves.

In determining dividend payments the Board takes account of factors such as income forecasts, retained revenue reserves and the Company's dividend payment record. The Board has declared two quarterly dividends of 1.625p and two quarterly dividends of 1.70p in respect of the year ended 31 March 2017. The fourth quarterly dividend was paid on 16 June 2017 to shareholders on the register on 2 June 2017. The total dividend for the year was 6.65p per share (2016: 6.40p per share).

Ongoing charges: These are the industry measure of costs as a percentage of NAV. The expenses of the Company are reviewed at every Board meeting, with the aim of managing costs incurred and their impact on performance. The ongoing charges figure, excluding the performance fee, for the year ended 31 March 2017 was 1.1%, the same as in the previous year. This ratio is sensitive to the size of the Company, as well as the level of costs.

FINANCIAL POSITION

As at 31 March 2017, the Company's net assets were valued at £532.2m (2016: £436.6m). These comprised a portfolio of mainly listed equity investments and net current assets.

As at the year end, the Company had a £50 million secured multicurrency revolving facility with Scotiabank Europe plc, which is repayable on 27 April 2018. As at 31 March 2017, a total of £46.8m (2016: £18.7m) was drawn under this facility.

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments and the income from investments, against which must be set the costs of borrowing, management and other expenses.

PRINCIPAL RISKS AND RISK MITIGATION

ICMIM is the Company's AIFM and has sole responsibility for risk management subject to the overall policies, supervision, review and control of the Board.

The Board considers carefully the Company's principal risks and seeks to mitigate these risks through continual and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with both the Investment Managers and the Company's Administrator.

The Board applies the principles and recommendations of the UK Code on Corporate Governance and the AIC's Code on Corporate Governance as described on page 57. The Company's internal controls are described in more detail on page 50. 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 on-going 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.

Most of the Company's principal risks are market-related and similar to those of other investment companies which invest primarily in listed investments. The principal ongoing risks and uncertainties currently faced by the Company, and the controls and actions to mitigate those risks, are described below. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 28 to the accounts.

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

Investment risk: the risk that the investment strategy does not achieve long-term positive total returns for the Company's shareholders

The Board monitors the performance of the Company and has established guidelines to ensure that the investment policy that has been approved is pursued by the Investment Managers. These guidelines include sector and market exposure limits.

The investment process employed by the Investment Managers combines assessment of economic and market conditions in the relevant countries with stock selection. Fundamental analysis forms the basis of the Company's stock selection process, with an emphasis on sound balance sheets, good cash flows, the ability to pay and sustain dividends, good asset bases and market conditions. The political risks associated with investing in these countries are also assessed. The Investment Managers try to reduce risk by ensuring that the Company's portfolio is always appropriately diversified. Overall, the investment process is aiming to achieve absolute returns through an active fund management approach.

The Company's results are reported in Sterling, whilst the majority of its assets are priced in foreign currencies. The impact of adverse movements in exchange rates can significantly affect the returns in Sterling of both capital and income. Such factors are out of the control of the Board and the Investment Managers and may give rise to distortions in the reported returns to shareholders. It is difficult and expensive to hedge emerging markets' currencies.

In addition, the ordinary shares of the Company may trade at a discount to their NAV. The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. The Board generally buys back shares for cancellation if they are trading at a discount in excess of 10% and the Investment Managers agree that it is a good investment decision.

The Board regularly reviews strategy in relation to a range of issues including the balance between quoted and unquoted stocks, the allocation of assets between geographic regions and sectors and gearing. Periodically the Board holds a separate meeting devoted to strategy, the most recent one having been held in November 2016.

A more detailed review of economic and market conditions is included in the Investment Managers' Report section of this Strategic Report.

There is no guarantee that the Company's strategy and business model will be successful in achieving its investment objective. The value of an investment in the Company and the income derived from that investment may go down as well as up and an investor may not get back the amount invested. Past performance of the Company is not necessarily indicative of future performance.

No material change in overall risk in the year.

Gearing: the risk that the use of gearing may adversely impact on the Company's performance

Gearing levels may change from time to time in accordance with the Board and Investment Managers' assessment of risk and reward. Whilst the use of borrowings should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. As at 31 March 2017, net debt gearing on gross assets was 5.4%.

No material change in overall risk in the year.

Banking: a breach of the Company's loan covenants might lead to funding being summarily withdrawn

ICMIM monitors compliance with the banking covenants when each drawdown is made and at the end of each month. The Board reviews compliance with the banking covenants at each Board meeting.

No material change in overall risk in the year.

Key staff: loss by the Investment Managers of key staff could affect investment returns
The quality of the management team is a crucial factor in delivering good performance. There are training and development programs in place for employees and the recruitment and remuneration packages have been developed in order to retain key staff. Any material changes to the management team are considered by the Board at its next meeting; the Board discusses succession planning with the Investment Managers at regular intervals.
No material change in overall risk in the year.

Reliance on the Investment Managers and other service providers: inadequate controls by the Investment Managers or Administrator or third party service providers could lead to misappropriation of assets
Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy. The Company's main service providers are listed on page 106. The Audit Committee monitors the performance of the service providers. All listed investments are held in custody for the Company by JPMorgan Chase Bank NA, Jersey; the unlisted investments are held in custody by Bermuda Commercial Bank Limited (together, the "Custodians"). J.P.Morgan Europe Limited ("JPMEL"), the Company's depositary services provider, also monitors the movement of cash and assets across the Company's accounts. The Audit Committee reviews the Administrator's annual internal control report which details the controls around the reconciliation of the Administrator's records to those of the Custodians. The Administrator reviews the control reports published by JPMorgan Chase and draws any issues to the attention of the Board. The Board reviews operational issues at each Board meeting and the Audit Committee receives reports on the operation of internal controls and the risk of cybercrime, as explained in more detail within Internal Controls on page 50. The risk of cybercrime is high, as it is with most organisations, but the Board regularly seeks assurances from the Investment Managers and other service providers on the preventative steps that they are taking to reduce this risk.
Although there has been no change in overall risk in the year, the possibility of cybercrime continues to be a concern. The Company's assets are considered to be relatively secure, so the risks are the inability to transact investment decisions for a period of time and reputational risk.

OUTLOOK AND FUTURE TRENDS

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Managers' Report section of this Strategic Report. Further details as to the risks affecting the Company are set out above under "Principal Risks and Risk Mitigation".

VIABILITY STATEMENT

In accordance with the provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in April 2016 (the "Code"), the Directors have assessed the prospects of the Company over the next three years. The Board has determined that a three year period is a reasonable time horizon to consider the continuing viability of the Company, given the current regulatory environment, as they do not expect there to be any significant change to the current principal risks and to the mitigating controls in place over this period.

In its assessment of the viability of the Company, the Board has considered each of the Company's principal risks and uncertainties detailed above, as well as the impact of a significant fall in the emerging market equity markets on the

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

value of the Company's investment portfolio. All of the key operations required by the Company are outsourced to third party providers and alternative providers could be engaged at relatively short notice if necessary. The Directors have also considered the Company's income and expenditure projections and the fact that the majority of the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

Based on the Company's processes for monitoring operating costs, share price discount, the Investment Managers' compliance with the investment objective and policy, asset allocation, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

This Strategic Report and Business Review was approved by the Board of Directors on 16 June 2017.

By order of the Board
ICM Investment Management Limited
Company Secretary

16 June 2017

INVESTMENT MANAGERS AND TEAM

ICMIM, a company authorised and regulated by the FCA as an alternative investment fund manager ("AIFM") pursuant to the AIFM Rules, is the Company's AIFM with sole responsibility for risk management, subject to the overall policies, supervision, review and control of the Board and is joint portfolio manager of the Company, alongside ICM.

The Investment Managers are focused on finding investments at valuations that do not reflect their true long term value. Their investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value. The Investment Managers are long term investors and see markets as a place to exchange assets.

ICM manages over £16.0bn in funds, directly and indirectly, in a range of mandates. ICM has over 40 staff based in offices in Bermuda, Cape Town, Dublin, Hong Kong, London, Melbourne, Singapore and Wellington.

The investment teams are led by Charles Jillings and Duncan Saville.

Charles Jillings, a director of ICM and chief executive of ICMIM, is responsible for the day-to-day running of the Company and the investment portfolio. He qualified as a chartered accountant and has extensive experience in corporate finance and asset management. He is an experienced director having previously been a non-executive director in the water, waste and financial services sectors. His current portfolio of directorships include One Communications Ltd, Somers Limited, Waverton Investment Management Limited, Merrion Capital Holdings Limited, Allectus Capital Limited and Global Equity Risk Protection Limited.

Duncan Saville, a director of ICM, is a chartered accountant with experience in corporate finance and asset management. He was formerly a non-executive director of Utilico Investment Trust plc and is an experienced director having been or is a non-executive director of a number of utility, financial services, resources and technology companies. He is currently a director of New Zealand Oil and Gas Limited, Cue Energy Resources Limited, Touchcorp Limited, Vix Technology Limited, Somers Limited, West Hamilton Holdings Limited and Global Equity Risk Protection Limited.

Core teams assisting them at a senior level on UEM are led by:

Jacqueline Broers, who has been involved in the running of UEM since September 2010. Prior to joining the investment team, Mrs Broers worked in the corporate finance team at Lehman Brothers and Nomura. Mrs Broers is focused on the transport sector worldwide with particular emphasis on emerging markets. Mrs Broers is a qualified chartered accountant.

Jonathan Groocock, who has been involved in the running of UEM since February 2011. Mr Groocock is focused on the utilities sector worldwide with particular emphasis on emerging markets. Prior to joining the investment team Mr Groocock had nine years of experience in sell side equity research, covering telecoms stocks at Investec. Mr Groocock qualified as a CFA charterholder in 2005.

Mark Lebbell, who has been involved in the running of UEM since its inception and before that was involved with Utilico Investment Trust plc and The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is focused on the communications sector worldwide with particular emphasis on emerging markets. Mr Lebbell is an associate member of the Institute of Engineering and Technology.

Company Secretary - ICM Investment Management Limited

Alastair Moreton, a chartered accountant, joined the team in 2017 to provide company secretarial services to the Company and UIL Limited. He has over thirty years' experience in corporate finance with Samuel Montagu, HSBC, Arbuthnot Securities and, prior to joining ICM, Stockdale Securities, where he was responsible for the company's closed end fund corporate clients.

DIRECTORS

John Rennocks (Chairman)*, appointed in November 2015 and elected Chairman in September 2016, has broad experience in conventional and renewable electricity generation and in biotechnology, support services and manufacturing, having previously served as deputy chairman and senior independent director of Inmarsat plc and as finance director of a number of public limited companies (including Smith and Nephew plc, PowerGen plc, British Steel plc and Corus Group plc) and as a non-executive chairman or director of several companies, including Foreign & Colonial Investment Trust plc and JP Morgan Overseas Investment Trust plc. He is currently chairman of Bluefield Solar Income Fund Limited and AFC Energy PLC. He is a Fellow of the Institute of Chartered Accountants of England and Wales.

Susan Hansen, appointed in September 2013, is a chartered accountant and MBA graduate and has worked in financial services since 1980. She has previous experience in chartered accountancy and investment banking and is a director of Homeloans Limited, a non-bank lending company listed on the Australian Stock Exchange, as well as the principal of a financial training organisation in New Zealand and a director of Cognitive Education Limited, a registered charity in New Zealand. She is a member of the Institute of Chartered Accountants of Australia and New Zealand.

Garry Madeiros OBE*, appointed in June 2007, was formerly president and chief executive officer of BELCO Holdings Limited (now named Ascendant Group Limited) and Bermuda Electric Light Company Limited. He is deputy chairman of the Bermuda Casino Gaming Commission, deputy chairman of the Legacy & Sustainability committee of the America's Cup Bermuda Limited and a director of BF&M Limited and BF&M Life Insurance Company. He is a chartered accountant, Chairman of the Company's Audit Committee and he has served on a number of corporate, education, community and Bermudian Government boards. He is a Justice of the Peace and a fellow of the Bermuda Institute of Chartered Accountants.

Garth Milne (Deputy Chairman), re-appointed in November 2014, has been involved in the investment company sector for over 40 years. He is chairman of the Company's Remuneration Committee. He is a director of Invesco Perpetual UK Smaller Companies Investment Trust plc.

Anthony Muh*, appointed in October 2010, is an investment professional with more than 25 years' experience in the investment management industry. He is a Partner and executive director of H.R.L. Morrison & Co, chairman of JIDA Capital Partners Limited, a China focused sustainable infrastructure investment management company and a director of a number of its subsidiary companies in China. He previously headed up the Asia Pacific operations of Alliance Trust PLC and for over 10 years was the Asia Pacific chief investment officer at Citigroup and Salomon Brothers Asset Management. He is past Chairman and a Fellow of the Hong Kong Securities Institute and a member of the Asia Advisory Board at Euromoney Institutional Investor Plc. Anthony is the current Vice Chairman and council member of Asia Corporate Governance Association, a regional body working closely with regulators and stakeholders to improve governance standards across the region.

None of the Directors have shared directorships with other Directors.

*Independent director and member of the Audit Committee (except for the Chairman) and Management Engagement Committee
All the Directors are members of the Remuneration Committee

REPORT OF THE DIRECTORS

The Directors submit the Annual Report and Accounts of the Company and Group for the year ended 31 March 2017. The Corporate Governance Statement commencing on page 56, the Report of the Audit Committee on page 63, and the Remuneration Policy and Remuneration Report on page 59, all form part of this Report of the Directors. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

STATEMENT REGARDING ANNUAL REPORT AND ACCOUNTS

The Directors consider that, following advice from the Audit Committee, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

STATUS OF THE COMPANY

The Company is a Bermuda exempted closed-end investment company with company registration number 36941. The Company's ordinary shares are admitted to listing on the premium segment of the Official List of the Financial Conduct Authority and are traded on the Main Market of the London Stock Exchange. It is a member of the Association of Investment Companies ("AIC") in the UK.

The Company has a subsidiary undertaking in Mauritius, Utilico Emerging Markets (Mauritius) ("UEM Mauritius"), to facilitate direct investments in India.

The Company holds shares in a segregated account in GERP, an unquoted Bermuda segregated accounts company. This account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. The segregated account in GERP is classified as a subsidiary of the Company and its financial results are included within the accounts of the Group.

Details of the subsidiary companies are given in note 10 to the accounts.

RESULTS AND DIVIDENDS

Details of the Company's performance in the year to 31 March 2017 are set out on page 4. The results for the year are set out in the attached accounts, which have been prepared on a going concern basis as disclosed in note 27 to the accounts; details of the dividends declared in respect of this financial year are included in note 8 to the accounts.

The dividends in respect of the year, which total 6.65p, have been declared and paid as four interim dividends in order to maintain quarterly payments (in September, December, March and June) as the Board and its Investment Managers believe, from discussions with shareholders, that the timely and regular payment of dividends is valued by the Company's shareholders.

THE EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

The Company is a non-EU Alternative Investment Fund for the purposes of the AIFMD. The Company has appointed ICMIM, an English incorporated company which is regulated by the FCA, as its AIFM, with sole responsibility for risk management and ICM and ICMIM jointly to provide portfolio management services.

The AIFMD requires certain information to be made available to investors in Alternative Investment Funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document ("IDD"), which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information, is available on the Company's website at www.uem.limited.

REPORT OF THE DIRECTORS
(continued)

The Company has also appointed JPMEL as its depositary service provider. JPMEL's responsibilities, which are set out in the IDD on the Company's website at www.uem.limited, include general oversight over the issue and cancellation of the Company's shares, the calculation of the NAV, cash monitoring and asset verification and record keeping. JPMEL receives an ad-valorem fee of 2.2bps for its services, subject to a minimum fee of £25,000 per annum, payable monthly in arrears.

There have been no material changes to the information in the IDD requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the market through a Regulatory Information Service. As a UK authorised AIFM, ICMIM will make the requisite disclosures on remuneration levels and policies to the FCA at the appropriate time.

FUND MANAGEMENT ARRANGEMENTS

The aggregate fees payable by the Company to ICMIM and ICM under the Investment Management Agreement ("IMA") are 0.65% per annum of net assets, payable quarterly in arrears, with such fees apportioned between ICMIM and ICM as agreed by them. ICMIM and ICM may also become entitled to a performance-related fee. Note 3 to the accounts provides detailed information in relation to the management and performance fees.

The IMA may be terminated on not less than six months' notice in writing.

Under the IMA, ICMIM has been appointed as Company Secretary.

The Board continually reviews the policies and performance of the Investment Managers. The Board's philosophy and the Investment Managers' approach are that the portfolio should consist of shares thought attractive irrespective of their inclusion or weighting in any index. The portfolio's composition and performance are likely, therefore, to be very different, for example, from those of the MSCI Emerging Markets Index. Over the short term, there may be periods of sharp underperformance or outperformance compared with the index. Over the long term, the Board expects the combination of the Company's and Investment Managers' approach to result in a significant degree of outperformance compared with the index. The Board continues to believe that the appointment of ICMIM and ICM on the terms agreed is in the interests of shareholders as a whole.

REGULATORY AND COMPETITIVE ENVIRONMENT

The Company is obliged to comply with Bermuda law, the Listing Rules of the FCA and International Financial Reporting Standards ("IFRS"). The financial statements are also presented, where relevant, in compliance with the Statement of Recommended Practice ("SORP") for Investment Trust Companies and Venture Capital Trusts issued by the AIC in November 2014 and updated in January 2017 with consequential amendments.

In addition to annual and half-yearly accounts published under these rules, the Company announces NAVs each business day via the London Stock Exchange's Regulatory News Service and provides more detailed statistical information on a monthly basis on its website and to the AIC in order to allow investors and brokers to review its performance. The Company also reports to shareholders on performance against the investment objective, Directors' dealings in the shares of the Company, corporate governance, investment activities and share buybacks.

The accounting policies of the Company are detailed in note 1 to the accounts.

The Company is exempt from taxation, except insofar as it is withheld from income received and charged against capital gains in some jurisdictions. Under Bermuda law, the Company may not distribute income or capital reserves by way of a dividend unless, after distribution of the dividend, the Company is able to pay its liabilities as they become due or the realisable value of the Company's assets would be greater than the aggregate of its liabilities and its issued share capital and share premium account. It is registered with the IRS in the USA under the Foreign Account Tax Compliance Act and as a Bermudan company, provides information to the Bermuda tax authorities under the Common Reporting Standard (see below).

THE COMMON REPORTING STANDARD

Tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the "Common Reporting Standard") was introduced on 1 January 2016. The legislation requires the Company, as an investment company, to provide personal information on shareholders to the Company's local tax authority in Bermuda. The Bermuda tax authority may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders, excluding those whose shares are held as depositary interests, who are entered on the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

DIRECTORS

The Company has a Board of five non-executive directors who oversee and monitor the activities of the Investment Managers and other service providers and ensure that the Company's investment policy is adhered to. Details of the Board's responsibilities and the information it relies upon are set out below. The Board is supported by an Audit Committee, a Management Engagement Committee and a Remuneration Committee, which deal with specific aspects of the Company's affairs as summarised on pages 63, 48 and 59 respectively.

The Directors have a range of business, financial and asset management skills, as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 42.

Under the Company's Bye-laws, the number of Directors on the Board shall be not less than two and shall not be subject to a maximum number.

There is no chief executive position within the Company, as day-to-day management of the Company's affairs has been delegated to the Investment Managers.

Chairman

Mr John Rennocks was elected as Chairman of the Board of Directors on 20 September 2016, in place of Mr Zagoreos, who retired from the Board with effect from the same date.

Mr Rennocks, a non-executive Director, is also currently chairman of Bluefield Solar Income Fund Limited and AFC Energy PLC. Mr Rennocks is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Board considers Mr Rennocks to be independent as he has no other connection with the Investment Managers.

Deputy Chairman

The nature of an investment company and the relationship between the Board and the Investment Managers are such that it is considered unnecessary to identify a senior independent director. Mr Garth Milne, the Deputy Chairman and the other Directors are available to shareholders if they have concerns which have not been resolved through

REPORT OF THE DIRECTORS
(continued)

the normal channels of contact with the Chairman or the Investment Managers, or for which such channels are inappropriate.

BOARD RESPONSIBILITIES

The Board is responsible for overall stewardship of the Company, including corporate strategy, corporate governance, risk and controls assessment, overall investment policy and gearing limits. Although the Company has appointed ICMIM as its AIFM with responsibility for risk management, in performing its services, ICMIM is subject to the overall policies, supervision, review and control of the Board.

Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Investment Managers and other advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company. The Directors are also responsible for the proper conduct of the Company's affairs and for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that the Company's policies and operations are in the best interests of all of its shareholders and that the interests of creditors and suppliers to the Company are properly considered.

The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company.

A formal schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. The main responsibilities include setting the Company's objectives, policies and standards, considering any major acquisitions or disposals of portfolio companies (more than 15% of the portfolio), ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure, setting long-term objectives and strategy, assessing and managing risk (including supervising and reviewing the performance of ICMIM as the Company's AIFM with responsibility for risk management), reviewing investment performance, monitoring the net borrowing position, approving recommendations made by the Audit Committee, undertaking Board nomination responsibilities and assessing the Investment Managers on an ongoing basis. The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares, through the portfolio details given in the annual and half-yearly financial reports, factsheets and NAV disclosures.

There is an agreed procedure for Directors, in the furtherance of their duties, to take legal advice at the Company's expense, having first consulted with the Chairman.

SUPPLY OF INFORMATION

To enable the Directors of the Board to fulfil their roles, the Investment Managers ensure that all Directors have timely access to all relevant management, financial and regulatory information.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Board and the Investment Managers have also put arrangements in place to address ongoing training requirements of Directors, which include briefings from the

Investment Managers' staff or external advisors and which ensure that Directors can keep up to date with new legislation and changing risks. The Board meets with various specialists of the auditor as required to discuss specific topics.

The Board meets on a regular basis at least four times each year. Additional meetings are arranged as necessary. Regular contact is maintained between the Investment Managers, the Chairman and the other Directors between formal meetings. Board meetings are usually held in countries where the Company holds its investments and the Board will often meet with investee companies and local experts.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Investment Managers on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues. The Board also receives reports from all the Board's standing Committees (Audit, Management Engagement and Remuneration).

BOARD DIVERSITY, APPOINTMENT, RE-ELECTION AND TENURE

The Board as a whole undertakes the responsibilities which would otherwise be assumed by a nomination committee. It considers the size and structure of the Board, including the balance of expertise and skills brought by individual Directors. It has regard to board diversity and recognises the value of progressive refreshing of and succession planning for, company boards, which matters are discussed by the Board as a whole at least annually. The Board also seeks to have Directors in different jurisdictions who understand the key influences on businesses in their area, whether they are economic, political, regulatory or other issues. On the issue of diversity, any new appointment is considered on the basis of the skills and experience that the individual would bring to the Board, regardless of gender.

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. No limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. The Board has put in place a policy whereby Directors who have served for nine years or more will be subject to annual re-election.

The Board reviews succession planning at least annually. 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 would meet with 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 Investment Managers, the company secretary and other appropriate persons. All appointments are subject to subsequent confirmation by shareholders in general meeting.

The Bye-laws require that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter.

Mr Madeiros has served over nine years on the Board and will be seeking re-election at the AGM; the Board has reviewed his independence and concluded that Mr Madeiros remains an independent non-executive director of the Company. Mrs Susan Hansen, who is a director of another company associated with ICM and Mr Garth Milne, who was previously chairman (until November 2014) of the company which owned Stockdale Securities, the Company's broker, are subject to annual re-election even though the Board views them both as independent. In addition, one-third of

REPORT OF THE DIRECTORS
(continued)

the Board, rounded up, is subject to retirement by rotation each year. As a result, Mr Muh will retire by rotation. Being eligible, Mr Muh, Mr Madeiros, Mrs Hansen and Mr Milne all offer themselves for re-election (Resolutions 5, 6, 7 and 8). The Bye-laws provide that the Company may, at a special general meeting, remove any Director from the Board.

The Board has considered the re-election of Mr Muh, Mr Madeiros, Mrs Hansen and Mr Milne and has reviewed the composition of the Board as a whole and borne in mind the need for a proper balance of skills and experience. Following an appraisal of the performance of these four Directors, the Board feels that all four Directors make a valuable contribution based on their individual skills, knowledge and experience. They have commitment to their roles and the Board believes that their re-election would be in the best interests of the Company.

AUDIT COMMITTEE

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 63 to 66. Copies of the terms of reference are available on the Company's website.

MANAGEMENT ENGAGEMENT COMMITTEE

The Board has appointed a Management Engagement Committee, chaired by Mr Rennocks, 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 at www.uem.limited.

The Management Engagement Committee is comprised of the independent Directors of the Company and meets at least once a year.

The Investment Managers' performance is considered by the Board at every meeting, with a formal evaluation by the Management Engagement Committee annually. The Board received detailed reports and views from the Investment Managers on investment policy, asset allocation, gearing and risk at each Board meeting in the year ended 31 March 2017, with *ad hoc* market/company updates if there were significant movements in the intervening period.

The Management Engagement Committee also considers the effectiveness of the administration services provided by the Investment Managers and Administrator, including the timely identification and resolution of areas of accounting judgement and implementation of new regulatory requirements and the performance of other third party service providers. In this regard the Committee assessed the services provided by the Investment Managers, the Administrator and the other service providers to be good.

REMUNERATION COMMITTEE

The composition and activities of the Remuneration Committee are summarised in the Directors' Remuneration Report on pages 59 to 62. Copies of the terms of reference are available on the Company's website at www.uem.limited.

BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE APPRAISAL

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Audit Committee, the Management Engagement Committee and the Remuneration Committee and individual Directors. The performance of the Board, Audit Committee, Management Engagement Committee and Remuneration Committee and Directors has been assessed during the year in terms of:

- attendance at meetings;
- the independence of individual Directors;
- the ability of Directors to make an effective contribution to the Board and Committees through the range and

diversity of skills and experience each Director brings to their role; and

- the Board's ability to challenge the Investment Managers' recommendations, suggest areas of debate and set the future strategy of the Company.

The Board opted to conduct performance evaluation through questionnaires and discussion between the Directors, the Chairman and the chairmen of the Committees. 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 Directors, taking into account the views of the Investment Managers. 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. The result of this year's performance evaluation process was that the Board, the Committees of the Board and the Directors individually were assessed to have performed satisfactorily. No follow-up actions were required.

It is not felt appropriate currently 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.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board meets at least quarterly, with additional Board and Committee meetings being held on an *ad hoc* basis to consider particular issues as they arise.

The quorum for any Board meeting is two Directors, however attendance by all Directors at each meeting is strongly encouraged. A committee of the Board is constituted to deal with any matters between scheduled Board meetings. The following table sets out the number of formal Board meetings (excluding Board committee meetings) and other Committee meetings held during the year under review and the number of meetings attended by each Director.

	BOARD	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	REMUNERATION COMMITTEE
Number of scheduled meetings per annum	4	3	1	1
John Rennocks	4	1/1	1	1
Susan Hansen	4	n/a	n/a	1
Garry Madeiros	4	3	1	1
Garth Milne	4	n/a	n/a	1
Anthony Muh	4	3	1	1

Apart from the meetings detailed above, there were a number of meetings held by committees of the Board to approve the final versions of the interim and annual financial statements, the declaration of quarterly dividends and other *ad hoc* items.

REPORT OF THE DIRECTORS
(continued)

DIRECTORS' REMUNERATION AND SHAREHOLDINGS

The Directors' Remuneration Report, which can be found on page 59, contains information on the remuneration policy and annual remuneration of the Directors of the Company and their share interests in the Company. Shareholders will be asked to approve the Directors' annual report on remuneration on page 60, including the remuneration policy.

DIRECTORS' INTERESTS

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 61.

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end. There are no agreements between the Company and its Directors concerning compensation for loss of office.

A Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Directors have declared any potential conflicts of interest to the Company, which are reviewed regularly by the Board. The Directors have undertaken to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains Directors' and officers' liability insurance which provides appropriate cover for any legal action brought against its Directors.

SAFE CUSTODY OF ASSETS

The Company's listed investments are held in safe custody by JPMorgan Chase Bank NA, Jersey, as custodian. Operational matters with the Custodian are carried out on the Company's behalf by ICMIM and the Administrator in accordance with the IMA and the Administration Agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and the location of the securities held.

The Company's unlisted investments continue to be held in safe custody by Bermuda Commercial Bank Limited.

INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS

The Directors acknowledge that they are responsible for ensuring that the Company maintains a sound system of internal financial and non-financial controls ("internal controls") to safeguard shareholders' investments and the Company's assets.

The Company's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/or adhere to the Company's investment policy and/or investment limits. The system can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

The Investment Managers, Administrator and Custodians maintain their own systems of internal controls and the Board and the Audit Committee receive regular reports from the Investment Managers and Administrator.

The Board meets regularly, at least four times a year. It reviews financial reports and performance against relevant stock market criteria and the Company's peer group, amongst other things. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least bi-annually against risk parameters approved by the Board. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from its review. No significant failings or weaknesses occurred during the year ended 31 March 2017 or subsequently up to the date of this annual financial report.

The Board has reviewed and accepted the Investment Managers' anti-bribery and corruption and "whistleblowing" policies. It has also noted the "whistleblowing" policy of the Administrator.

The Administrator produces an annual report on policies and procedures in operation in respect of Investment Trust Fund Accounting in accordance with AAF (AAF 01/06) issued by the Institute of Chartered Accountants in England and Wales for its clients. 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 committee, which receives regular reports from the Administrator's internal audit department. The Company's Audit Committee has received and reviewed the Statement for the period ended 31 October 2016, together with a report from the Administrator's group audit committee on the effectiveness of the internal controls maintained on behalf of the Company.

COMPANY SECRETARY

The Board has direct access to the advice and services of the company secretary, who is an employee of ICMIM. The company secretary, with advice from the Company's lawyers and financial advisers, is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The company secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. The company secretary is responsible for advising the Board, through the Chairman, on all governance matters.

ADMINISTRATION

The provision of accounting, dealing and administration services has been delegated to the Administrator. The Administrator provides dealing, financial and general administrative services to the Company for a fee, payable monthly in arrears, of £220,000 per annum (2016: £220,000). 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 six months' notice in writing.

Annually, the Management Engagement Committee also considers the ongoing administrative requirements of the Company and assesses the services provided. The Board, based on the recent review of activities by the Management Engagement Committee, believes that the continuing appointments of ICMIM as Company Secretary and F&C Management Limited as administrator remain in the best interests of the Company and its shareholders.

SHARE CAPITAL

As at 31 March and 16 June 2017 the issued share capital of the Company and the total voting rights were 211,406,551 ordinary shares of 10p each. All ordinary shares rank equally for dividends and distributions and carry one vote each. On 31 August 2016 and 28 February 2017, the holders of 3,463,903 and 1,313,708 subscription shares, respectively, converted their shares into ordinary shares; the number of subscription shares in issue as at 31 March 2017 and 16 June 2017 was 37,828,282.

At the last AGM, the Company was granted authority to make market purchases of up to 14.99% of its ordinary shares. A total of 4,833,659 ordinary shares were bought back and cancelled during the year under review.

REPORT OF THE DIRECTORS
(continued)

SUBSTANTIAL SHARE INTERESTS

As at 16 June 2017, the Company had received notification of the following holdings of voting rights:

	NUMBER OF ORDINARY SHARES HELD	% HELD
UIL Limited	35,829,628	16.9
Lazard Asset Management LLC	22,537,694	10.7
Bank of Montreal clients, including	19,828,309	9.4
Foreign & Colonial Investment Trust plc	14,450,000	6.8
Investec Wealth & Investment Limited	12,308,522	5.8
Rathbone Investment Management Limited	10,728,364	5.1

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 and social responsibility. Where the Investment Managers become aware that best practice in corporate governance and social responsibility is not followed, the Company and the Investment Managers will encourage changes towards this goal.

As an investment company, environmental policy has limited application. The Investment Managers consider various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Investment Managers do not necessarily decide to, or not to, make an investment on environmental and social grounds alone.

The Company is not within scope of the Modern Slavery Act 2015 (UK) because it has no or insufficient turnover and is therefore not obliged to make a human trafficking statement.

The exercise of voting rights attached to shares held by the Company lies with the Investment Managers. Their Stewardship and Voting policy is included on the Company's website at www.uem.limited. Generally, the Investment Managers will vote in favour of all resolutions at general meetings, unless they see clear investment reasons for doing otherwise. The Board periodically receives a report on instances where the Investment Managers have voted against the recommendation of an investee company's management on any resolution. It also expects to be informed of any sensitive voting issues involving the Company's investments.

The Company is a member of the Asian Corporate Governance Association, which seeks the implementation of effective corporate governance in Asia.

GREENHOUSE GAS EMISSIONS

The Company has no employees or property and it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling liquid for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes. All services are outsourced on a fee basis that is independent of any energy expended on its behalf and it is not practical for the Company to attempt to quantify emissions in respect of such proxy energy use.

CONTINUATION OF THE COMPANY

The Company's Bye-laws provide for a continuation vote to be put to shareholders every fifth year. Shareholders approved the continuation of the Company at the AGM held in 2016; the next continuation vote is due to be put to shareholders at the AGM in 2021 and every fifth AGM thereafter.

TENDER FACILITY

At the Directors' discretion, the Company can operate a tender facility subject to certain limitations. The tender facility is not expected to be made available in circumstances where the annual compound growth rate of the Company's gross assets exceeds 10% or where the Company's performance exceeds the benchmark index by 15% or more in the relevant period. The maximum number of ordinary shares which may be tendered pursuant to the tender facility in any financial year would be limited to 12.5% of the ordinary shares in issue at the commencement of the relevant financial year, with any excess tender requests being scaled back pro-rata.

The tender facility has not been operated to date.

DIVIDEND REINVESTMENT SCHEME

The Company currently operates a dividend reinvestment plan for its UK based shareholders. Further details are available on the Company's website if shareholders wish to participate: www.uem.limited.

FACILITATING RETAIL INVESTMENTS

The Company currently conducts its affairs so that its securities can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The securities are excluded from the FCA's restrictions which apply to non-mainstream investment products because the investment returns received in connection with the shares are wholly or predominantly linked to, contingent on, highly sensitive to or dependent on, the performance of or changes in the value of shares, debentures or government and public securities.

As a consequence, the Company's shares qualify to be considered as a mainstream investment product suitable for ordinary retail investors.

The Company's ordinary shares and subscription shares are eligible for inclusion in an ISA.

RELATIONS WITH SHAREHOLDERS

The Company welcomes the views of shareholders and places great importance on communication with shareholders.

The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the calculation and publication, via a Regulatory Information Service, of the net asset value of the Company's ordinary shares and by monthly fact sheets produced by the Investment Managers.

There is a regular dialogue between the Investment Managers and institutional shareholders, including private client wealth managers, to discuss aspects of investment performance, governance and strategy and to listen to shareholder

REPORT OF THE DIRECTORS
(continued)

views in order to help develop an understanding of their issues and concerns. General presentations to institutional shareholders and analysts follow the publication of the annual results. All meetings between the Investment Managers and institutional and other shareholders are reported to the Board. The Chairman and other Directors are available to discuss any concerns with shareholders if required.

Shareholders can visit the Company's website: www.uem.limited in order to access copies of half-yearly and annual financial reports, Company factsheets and regulatory announcements.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 18 September 2017.

The notice of the AGM and related notes can be found on pages 103 to 105. All resolutions are ordinary resolutions unless otherwise identified.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM.

Resolutions 11 and 12 Authority for the Company to purchase its own shares

The Directors' authority to buyback ordinary and subscription shares will expire at the end of the AGM in 2017.

The Directors are proposing to renew the authorities at the forthcoming AGM. They are seeking authority to purchase in the market up to 31,689,800 ordinary shares and up to 5,670,400 subscription shares (equivalent to approximately 14.99% of the issued shares of each class as at the date of this report) as set out in Resolutions 11 and 12 in the Notice of AGM. These authorities, unless they are varied, revoked or renewed, will expire at the conclusion of the Company's AGM in 2018.

Any purchases of ordinary shares will be made at prices below the prevailing NAV per ordinary share. The maximum price that can be paid for either class of share is the higher of: (a) 105% of the average of the mid-market quotations of the shares for the five business days immediately before the date of purchase; and (b) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. Any ordinary shares purchased by the Company may be held in treasury or cancelled; any subscription shares purchased will be cancelled.

Any purchases are regarded as investment decisions. 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 AGMs.

Resolution 13 Disapplication of pre-emption rights

The Company's Bye-laws provide that, unless otherwise determined by a special resolution, the Company is not able to allot ordinary shares for cash without offering them to existing shareholders first in proportion to their shareholdings. Resolution 13 will grant the Company authority to dis-apply these pre-emption rights in respect of up to £1,057,030 of relevant securities in the Group (equivalent to 10,570,300 ordinary shares of 10p each, representing 5% of its ordinary shares in issue as at 16 June 2017). This will allow the Company flexibility to issue further ordinary shares for cash without conducting a rights issue or other pre-emptive offer in circumstances where the Directors believe it may be advantageous to shareholders to do so. Any such issues would only be made at prices greater than the prevailing diluted NAV per share and would therefore increase the assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy.

Resolution 13 is a special resolution and will require the approval of a 75% majority of votes cast in respect of it.

RECOMMENDATION

The Board considers the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that shareholders should vote in favour of the resolutions to be proposed at the AGM.

By order of the Board
ICM Investment Management Limited, Secretary
16 June 2017

CORPORATE GOVERNANCE

THE COMPANY'S GOVERNANCE NETWORK

Responsibility for good governance lies with the Board. The Board is committed to maintaining high standards of corporate governance and is accountable to shareholders for the governance of the Company's affairs.

The governance framework of the Company reflects the fact that as an investment company it has no full-time employees and outsources investment management and company secretarial services to the Investment Managers and administration to the Administrator and other external service providers.

THE BOARD

Five non-executive directors (NEDs)

Chairman: John Rennocks

Key Objectives:

- to set strategy, values and standards;
- to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed; and
- to constructively challenge and scrutinise performance of all outsourced activities.

AUDIT COMMITTEE

All independent NEDs, with the exception of Mr Rennocks

Chairman: Garry Madeiros

Key Objective:

- to oversee the financial reporting and control environment.

MANAGEMENT ENGAGEMENT COMMITTEE

All independent NEDs

Chairman: John Rennocks

Key Objectives:

- to review the performance of the Investment Managers and the Administrator; and
- to review the performance of other service providers.

NOMINATION COMMITTEE FUNCTION

The Board as a whole performs this function

Key Objectives:

- to regularly review the Board's structure and composition; and
- to consider any new appointments.

REMUNERATION COMMITTEE

All NEDs

Chairman: Garth Milne

Key Objective:

- to set the remuneration policy of the Company.

INTRODUCTION

As a Bermuda incorporated company with a premium listing on the Official List, the Company is required to comply with the UK Corporate Governance Code issued by the Financial Reporting Council. The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC

Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

COMPLIANCE WITH THE AIC CODE

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- nomination of a senior independent director

For the reasons set out in the AIC Guide and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of UEM, being a Bermuda incorporated investment company with external investment managers. In particular, all of the Company's day-to-day investment management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company therefore has not reported further in respect of these provisions.

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 its Investment Managers and Administrator, whose controls are monitored by the Board and which include audit and risk assessment. It is therefore felt that there is no need for the Company to have its own internal audit function. However, this is reviewed annually by the Audit Committee. Action will be taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of the internal control system.

In view of the requirement of the Bye-laws that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by the AIC Code. In addition, the Board has considered provision B.7.1 in the UK Corporate Governance Code issued by the Financial Reporting Council published in September 2014 recommending that all directors of FTSE 350 companies should be subject to annual re-election. The Board believes that the current election system, with each Director being re-elected to the Board at least every three years or re-elected annually if they have served more than nine years or are "non-independent", is sufficient, as there could be risks in respect of continuity and stability on the Board with annual re-elections.

Details of the Group's twenty largest investments are published monthly and in this report; a full list of investments is not published.

Information on how the Company has applied the principles of the AIC Code and the UK Corporate Governance Code is provided in the Report of the Directors' as follows:

- The composition and operation of the Board and its Committees is summarised on pages 45 to 48, and pages 63 to 66 in respect of the Audit Committee.
- The Company's approach to risk management and internal control is summarised on pages 37 and 50.

CORPORATE GOVERNANCE
(continued)

- The contractual arrangements with, and assessment of, the Investment Managers are summarised on page 44.
- The Company's capital structure and voting rights are summarised on page 51. The substantial shareholders in the Company are listed on page 52.
- Powers to buyback the Company's shares or to issue new shares on a non-pre-emptive basis, which are sought annually, are summarised on page 54.

Details of how the Company communicates with its shareholders are included in the Report of the Directors, under "Relations with Shareholders" on page 53.

By order of the Board
ICM Investment Management Limited
Company Secretary
16 June 2017

DIRECTORS' REMUNERATION REPORT
for the year ended 31 March 2017

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company. Full details of the Company's policy with regards to Directors' fees and fees paid during the year ended 31 March 2017 are shown below. There were no changes to the policy during the year.

Under company law, the auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's report is contained on pages 68 to 71.

REMUNERATION COMMITTEE

The Company's Remuneration Committee is comprised of the whole Board and is chaired by Mr Milne. It operates within written terms of reference setting out its authority and duties. Copies of the terms of reference are available on the Company's website at www.uem.limited.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board in respect of the fees of Directors.

STATEMENT BY THE CHAIRMAN

The Board's policy on remuneration is set out below. A key element is that fees payable to Directors should reflect the time spent by them on the Company's affairs and should be sufficient to attract and retain individuals with suitable knowledge and experience.

DIRECTORS' REMUNERATION POLICY

The Board, on the recommendation of its Remuneration Committee, considers the level of the Directors fees at least annually. The Board determines the level of Directors' fees within the limit currently set by the Company's Bye-laws, which limit the aggregate fees payable to the Board of Directors to a total of £250,000 per annum.

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Directors and the chairman of the Audit Committee are taken into account. The policy aims to be fair and reasonable in relation to comparable investment companies.

The fees are fixed and the monetary amount is used to purchase ordinary shares in the Company on behalf of the Chairman and other Directors, quarterly in arrears. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at Board and general meetings and Committee meetings. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors are provided with a letter of appointment when they join the Board. There is no provision for compensation upon early termination of appointment. The letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes before and during the forthcoming AGM.

The Directors' Remuneration Policy was last approved by shareholders at the Company's AGM in September 2014, when over 99% of the votes cast were in favour of the resolution and less than 1% were against. An ordinary resolution will be put to shareholders at the forthcoming AGM to approve the current policy for a further three years, until the conclusion of the AGM to be held in 2020, unless changes are proposed to be made in the meantime.

DIRECTORS' REMUNERATION REPORT
(continued)

The Directors' Remuneration Report was approved by shareholders at the Company's AGM in September 2016. Over 99% of the votes cast were in favour of the resolution and less than 1% were against. The Board has not received any views from shareholders in respect of the levels of Directors' remuneration.

The Board reviews the fees payable to the Chairman and Directors annually. The fees payable to the Chairman and Directors were reviewed and increased with effect from 1 April 2016, such that the Directors received fees of £31,800 per annum, the chairman of the Audit Committee received £40,000 and the Chairman of the Board received £43,000. The review in respect 2017/2018 has resulted in the fees being increased with effect from 1 April 2017 as detailed in the table below.

ANNUAL FEE	2018 £'000s	2017* £'000s	2016* £'000s
Chairman	44.0	**43.0**	42.0
Directors	32.5	**31.8**	31.0
Chairman of Audit Committee	41.0	**40.0**	39.0

*Actual

Based on the levels of fees effective from 1 April 2017, Directors remuneration for the year ending 31 March 2018 would be as follows:

YEAR ENDING	2018 £'000s
John Rennocks (Chairman)	44.0
Susan Hansen	32.5
Garry Madeiros (Chairman of Audit Committee)	41.0
Garth Milne	32.5
Anthony Muh	32.5
Total	182.5

DIRECTORS' ANNUAL REPORT ON REMUNERATION

Shareholders will be asked to approve this Directors' annual report on remuneration at the forthcoming AGM.

During the year ended 31 March 2017, the Chairman received a fee equivalent to £37,800 (based on his position as a Director to 20 September 2016 and then his election as Chairman), the chairman of the Audit Committee received £40,000 per annum and the remaining Directors received £31,800 per annum.

The amounts paid to each Director are set out in the table below, which has been audited. These fees were for services to the Company solely in the capacity of non-executive Directors and have no performance related element.

REMUNERATION FOR QUALIFYING SERVICES TO THE COMPANY

DIRECTOR	2017 SHARES PURCHASED(1)	2017 ENTITLEMENT £'000s(2)	2016 SHARES PURCHASED(1)	2016 ENTITLEMENT £'000s(2)
John Rennocks (Chairman)(3)	18,482	37.8	6,680	11.7
Susan Hansen	15,564	31.8	17,744	31.0
Garry Madeiros(4)	19,604	40.0	22,353	39.0
Garth Milne	15,564	31.8	17,744	31.0
Anthony Muh	15,564	31.8	17,744	31.0
Alexander Zagoreos(5)	10,138	20.4	24,077	42.0
Totals	94,916	193.6	106,342	185.7

(1) All the shares were purchased in the market, as set out in note 1(j) on page 80
(2) The Directors' entitlement to fees is calculated in arrears
(3) Appointed as a Director on 16 November 2015 and became Chairman on 20 September 2016
(4) Mr Madeiros' fee includes entitlement of £8,200 (2016, £8,000) for being Chairman of the Audit Committee
(5) Resigned 20 September 2016

DIRECTORS' INTERESTS AND INDEMNIFICATION

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year.

The Company has insurance in place which indemnifies the Directors against certain liabilities arising in carrying out their duties.

There are no agreements between the Company and its Directors concerning compensation for loss of office.

DIRECTORS' BENEFICIAL SHARE INTERESTS

AT 31 MARCH	2017 ORDINARY SHARES	2017 SUBSCRIPTION SHARES	2016 ORDINARY SHARES	2016 SUBSCRIPTION SHARES
John Rennocks	60,220	40,000	42,330	40,000
Susan Hansen	53,483	5,562	37,217	5,562
Garry Madeiros	158,265	25,185	137,776	25,185
Garth Milne	637,222	122,309	620,956	122,309
Anthony Muh	112,846	16,406	93,141	16,406

Since the year end, the Chairman and Directors have acquired further ordinary shares in the Company in respect of their fees for the quarter ended 31 March 2017: Mr Rennocks, 4,942 shares; Mrs Hansen, 3,648 shares; Mr Madeiros, 4,595 shares; Mr Milne, 3,648 shares; and Mr Muh, 3,648 shares. No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than as stated above.

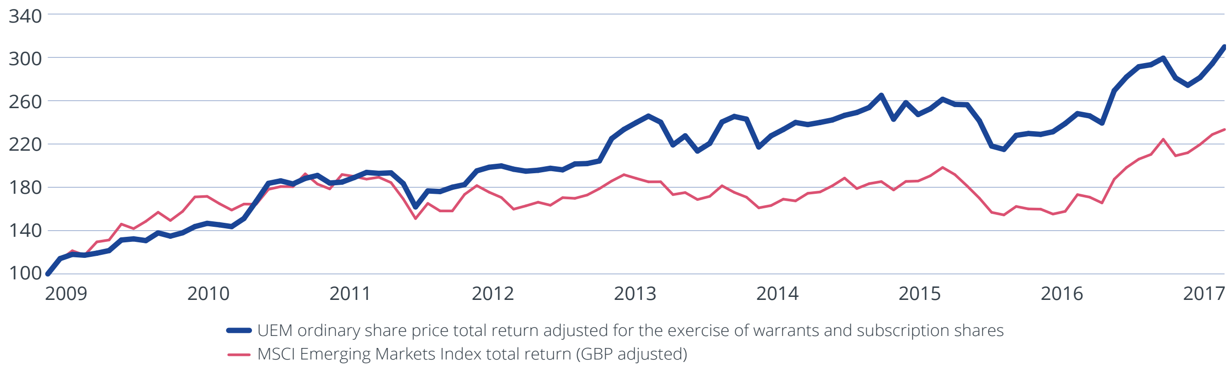
DIRECTORS' REMUNERATION REPORT
(continued)

COMPANY PERFORMANCE

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Managers pursuant to the IMA, as referred to in the Report of the Directors' on page 44. The graph below compares, for the eight years ended 31 March 2017, the share price total return (assuming all dividends are reinvested and adjusted for the exercise of warrants and subscription shares) to ordinary shareholders compared to the MSCI Emerging Markets Index total return (GBP adjusted). An explanation of the performance of the Company for the year ended 31 March 2017 is given in the Chairman's Statement and Investment Managers' Report.

SHARE PRICE TOTAL RETURN

from March 2009 to March 2017 (rebased to 100 at 31 March 2009)



Source: ICM

The MSCI Emerging Markets Index (total return) is shown because the objective of the Company is to provide long-term total return through investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders in the year to 31 March 2017 and the prior year. This disclosure is a statutory requirement; however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment company with an objective of providing shareholders with long-term total return.

	2017 £'000s	2016 £'000s	CHANGE £'000s
Aggregate Directors' emoluments	194	186	8
Aggregate shareholder distributions	13,906	13,406	500

On behalf of the Board

John Rennocks
Chairman
16 June 2017

AUDIT COMMITTEE REPORT

As Chairman of the Audit Committee, I am pleased to present the Committee's report to shareholders for the year ended 31 March 2017.

ROLE AND RESPONSIBILITIES

The Company has established a separately chaired Audit Committee whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and providing an opinion as to whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The terms of reference detailing the scope and duties of the Audit Committee are available on the Company's website http://www.uem.limited/investor-relations/other-documents/.

The Audit Committee meets at least three times a year. Two of the planned meetings are held prior to the Board meetings to approve the half yearly and annual results and the Committee receives information from the Investment Managers and Administrator on their internal controls. Representatives of the Investment Managers and the Administrator attend all meetings.

COMPOSITION

The Audit Committee is composed of the independent Directors of the Company, except John Rennocks, the Chairman of the Company. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

RESPONSIBILITIES AND REVIEW OF THE EXTERNAL AUDIT

During the year the principal activities of the Audit Committee included:

- regular review of the portfolio, particularly the unlisted investments;
- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditor's report;
- considering the Company's viability statement;
- considering the narrative elements of the annual financial report, including whether the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders;
- evaluation of reports received from the auditor with respect to the annual financial statements and its review of the interim report;
- management of the relationship with the external auditor, including its appointment and the evaluation of scope, effectiveness, independence and objectivity of its audit and non-audit services;
- evaluation of the effectiveness of the internal control and risk management systems including reports received on the operational controls of the Company's service providers and reports from the Company's depositary;
- monitoring developments in accounting and reporting requirements that impact on the Company's compliance with relevant statutory and listing requirements; and
- review of AAF and SSAE 16 reports or their equivalent from the Administrator and the Custodians.

AUDITOR AND AUDIT TENURE

KPMG LLP ("KPMG") has been the auditor of the Company since 2012, following a competitive tender process. The audit partner is Jonathan Martin. The Audit Committee has considered the independence of the auditor and the objectivity

AUDIT COMMITTEE REPORT
(continued)

of the audit process and is satisfied that KPMG has fulfilled its obligations to shareholders as independent auditor to the Company.

It is the Company's policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the interim report or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the Committee would consider whether the particular skills of the audit firm made it a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit. Non-audit fees paid to KPMG amounted to £4,000 for the year ended 31 March 2017 (2016: £4,000) and related to the review of the interim accounts; more details are included in note 4 to the accounts.

The partner and manager of the audit team at KPMG presented their audit plan to the Audit Committee and subsequently reported on the nature, scope and results of their audit at the meeting when the draft annual financial report was considered. Representatives of the Administrator's investment trust and business risk departments also attended the Audit Committee meetings at which the half yearly and annual financial reports were considered in order to inform the Committee on internal control, risk and regulatory matters that might have a bearing on the Company's business.

Members of the Audit Committee meet *in camera* with the external auditor at least annually.

The audit plan and timetable were presented by and agreed with KPMG in advance of the financial year end. Items of audit focus were discussed, agreed and given particular attention during the audit process. KPMG reported to the Audit Committee on these items, their independence and other matters. This report was considered by the Audit Committee and discussed with KPMG and the Investment Managers prior to approval of the annual financial report.

ACCOUNTING MATTERS AND SIGNIFICANT AREAS

The Audit Committee considered the appropriateness of the accounting policies at the meeting when it reviewed the annual financial statements and agreed with KPMG when discussing the audit plan the more significant accounting matters in relation to the Company's annual financial statements. For the year end the accounting matters that were subject to specific consideration by the Audit Committee and consultation with KPMG where necessary were as follows:

SIGNIFICANT AREA	HOW ADDRESSED
Carrying value of the listed investments	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. The Audit Committee regularly reviews the portfolio. The Audit Committee reviews the annual internal control report produced by the Administrator, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of the securities. KPMG independently tests the pricing of the listed investments.

The above was satisfactorily addressed through consideration of reports provided by, and discussed with, the Investment Managers, the Administrator and KPMG. As a result, and following a thorough review process, the Audit Committee advised the Board that it is satisfied that, taken as a whole, the annual financial report for the year to 31 March 2017 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Audit Committee has assumed that the reader of the report would have a reasonable level of knowledge of the investment company industry.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the financial statements.

EXTERNAL AUDIT, REVIEW OF ITS EFFECTIVENESS AND AUDITOR REAPPOINTMENT

The Audit Committee advises the Board on the appointment of the external auditor, its remuneration for audit and non-audit work and its cost effectiveness, independence and objectivity.

As part of the review of the effectiveness of the audit process, a formal evaluation process incorporating views from the members of the Audit Committee and relevant personnel at the Investment Managers and Administrator is followed and feedback is provided to KPMG. Areas covered by this review include:

- the calibre of the audit firm, including reputation and industry presence;
- the extent of quality controls including review processes, second director oversight and annual reports from its regulator;
- the performance of the audit team, including skills of individuals, specialist knowledge, partner involvement, team member continuity and quality and timeliness of audit planning and execution;
- audit communication including planning, relevant accounting and regulatory developments, approach to significant accounting risks, communication of audit results and recommendations on corporate reporting;
- ethical standards including independence and integrity of the audit team, lines of communication to the Committee and partner rotation; and
- reasonableness of the audit fees.

For the 2017 financial year, the Audit Committee is satisfied that the audit process was effective.

Resolutions proposing the reappointment of KPMG as the Company's auditor and authorising the Directors to determine its remuneration will be put to the shareholders at the forthcoming AGM.

AUDIT INFORMATION

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the UK Companies Act 2006.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Company's risk assessment focus and the way in which significant risks are managed is a key area of focus for the Audit Committee. Work here was driven by the Audit Committee's assessment of the risks arising in the Company's operations and identification of the controls exercised by the Board and its delegates, the Investment Managers, the Administrator and other service providers. These are recorded in risk matrices produced by ICMIM, as the Company's AIFM with responsibility for risk management, which continue to serve as an effective tool to highlight and monitor the principal risks, details of which are provided in the Strategic Report and Business Review. It also received and considered, together with representatives of the Investment Managers, reports in relation to the operational controls of the Investment Managers, Administrator, Custodians and share registrar. These reviews identified no issues of significance.

AUDIT COMMITTEE REPORT
(continued)

INTERNAL AUDIT

Due to the nature of the Company, being an externally managed investment company with no executive employees, the Company does not have its own internal audit function. The Committee and the Board have concluded that there is no current need for such a function, based on the satisfactory operation of controls within the Company's service providers.

COMMITTEE EVALUATION

The Audit Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under "Board, Committee and Directors' performance appraisal" on page 48.

Garry Madeiros
Chairman of the Audit Committee
16 June 2017

DIRECTORS' STATEMENT OF RESPONSIBILITIES
in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable law and regulations. The Group financial statements are required to be prepared in accordance with IFRSs as adopted by the EU and applicable law and the Directors have elected to prepare the Company financial statements on the same basis. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Bermuda Companies Act (1981). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and Corporate Governance Statement that complies with that law and those regulations. The Directors have additionally elected to prepare a Directors' Remuneration Report as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board on 16 June 2017 and signed on its behalf by:

John Rennocks
Chairman

ELECTRONIC PUBLICATION

The annual report and accounts are published on the Company's website, www.uem.limited, the maintenance and integrity of which is the responsibility of ICMIM. The work carried out by the auditor does not involve consideration of the maintenance and integrity of the website and accordingly, the auditor accepts no responsibility for any changes that have occurred in 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 accounts may differ from legislation in their jurisdiction.

Independent auditor's report

to the members of Utilico Emerging Markets Limited only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Utilico Emerging Markets Limited for the year ended 31 March 2017 set out on pages 72 to 102.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the group's and the Parent Company's profit for the year then ended;

— the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

Overview		
Materiality: Group financial statements as a whole	£5.9m (2016: £4.6m) 1% (2016: 1%) of total assets	
Risks of material misstatement		**vs 2016**
Recurring risks	Carrying amount of listed investments	◀▶
Event Driven	**New:** Valuation of unlisted investments	▲

2. Our assessment of risks of material misstatement

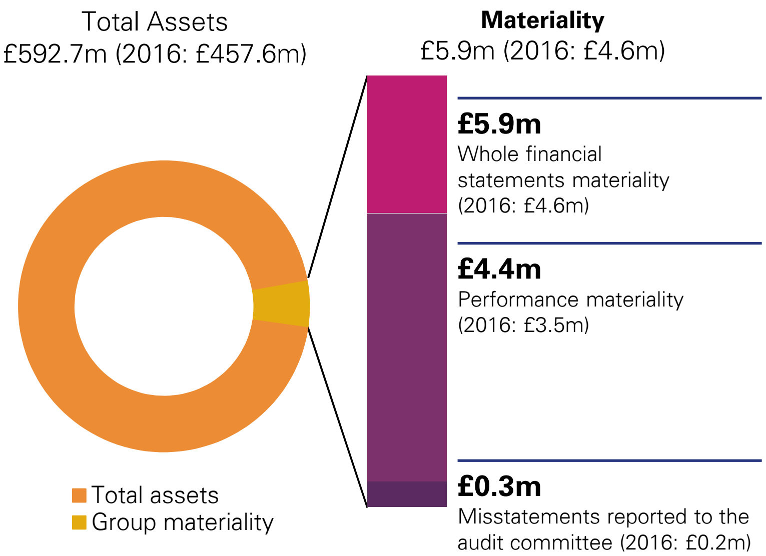
In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

	The risk	Our response
Carrying amount of listed investments (£552.4 million; 2016: £424.4m) *Refer to page 63 (Audit Committee Report), page 79 (accounting policy) and pages 85 to 87 (financial disclosures).*	**Low risk, high value** The Group's portfolio of listed investments makes up 93% of total Group assets (by value) and is considered to be the key driver of the Group's capital and revenue performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: — **Control design:** evaluating and testing the key controls designed to record investment transactions and to value the listed portfolio; — **Pricing:** agreeing the pricing of the listed investments to third party pricing sources; and — **Custodian confirmations:** agreeing 100% of the listed investment holdings to independently received third party confirmations.
Unlisted investments (£19.9 million; 2016: £14.2m) *Refer to page 63 (Audit Committee Report), page 79 (accounting policy) and pages 85 to 87 (financial disclosures).*	**Subjective valuation** 2.5% of the Group's total assets (by value) is held in unlisted investments where no quoted market price is available. Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines") by using measurements of value such as price of recent orderly transactions and valuing fund interests. There is a significant risk over the valuation of these investments.	Our procedures included: — **Control design:** evaluating and testing the key controls adopted by the Group over the review, challenge and subsequent approval of the fair value of unlisted investments; — **Methodology choice:** in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected; — **Independent re-performance:** obtaining and agreeing the latest reported net asset values (NAV) from the third party fund managers. Assessing the applicability of the GAAP applied in the fund accounts, discussing with the Investment Manager where there are any indications of adjustments required to the Group's share of the reported NAV; — **Comparing valuation:** where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. Where cost has been used as a proxy for fair value, corroborating a sample of unlisted investments to the legal documentation supporting the invested cost and the percentage of the investment acquired;

2. Our assessment of risks of material misstatement (cont.)

	The risk	Our response
Unlisted investments (cont.)	**Subjective valuation (cont.)**	— **Valuations expertise:** using our valuations expertise and the knowledge of the investments to challenge the Investment Manager on key judgements affecting investee company valuations, such as discount factors and investee performance subsequent to a recent transaction; — **Sensitivity analysis:** performing sensitivity analysis on inputs including discounts applied to cost; — **Benchmarking assumptions:** performing press searches and market research to identify potentially contradictory information in respect of key inputs; and — **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

3. Our application of materiality and an overview of the scope of our audit



The materiality for the Group financial statements as a whole was set at £5.9m (2016: £4.6m), determined with reference to a benchmark of Group total assets, of which it represents 1% (2016: 1%).

In addition, we applied a materiality of £0.9m (2016: £0.9m) to a number of income statement items, including investment and other income, management and administration fees, and other expenses, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.3m (2016: £0.2m); any corrected and uncorrected identified misstatements exceeding £0.05m (2016: £0.05m) for the financial statement captions described above; and, in addition, any other identified misstatements that warrant reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above and was all principally performed at the office of the manager, ICM Limited, in Epsom, United Kingdom and at our offices in London, United Kingdom.

4. Our opinion on other matters under the terms of our engagement is unmodified

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance the UK Companies Act 2006, as if it applied to the Company.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

— the Directors' statement of longer-term viability on pages 39 and 40, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the three year period of assessment; or

— the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or

— the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 57 to 58 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

In addition to our audit of the financial statements, the Directors have engaged us to review certain other disclosures as if the Company were required to comply with the Listing Rules applicable to companies incorporated in the UK. Under the terms of our engagement we are required to review the Directors' statement, set out on page 67, in relation to going concern.

We have nothing to report in respect of the above responsibilities.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 67, the Directors are responsible for the preparation of Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Group financial statements in accordance with applicable law and international Standards of Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

A description of the scope of an audit of financial statements is provided on our website at www.kpmg.com/uk/auditscopeother2014. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The purpose of our work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 90(2) of the Companies Act 1981 of Bermuda and, in respect of the separate opinion in relation to the Directors' Remuneration Report, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Martin (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
16 June 2017

GROUP INCOME STATEMENT

Notes	for the year to 31 March	2017 Revenue return £'000s	2017 Capital return £'000s	2017 Total return £'000s	2016 Revenue return £'000s	2016 Capital return £'000s	2016 Total return £'000s
9	Gains/(losses) on investments	–	114,638	114,638	–	(8,213)	(8,213)
12	Losses on derivative instruments	–	(6,411)	(6,411)	–	(896)	(896)
	Foreign exchange gains/(losses)	449	1,058	1,507	(136)	(404)	(540)
2	Investment and other income	20,153	–	20,153	21,418	–	21,418
	Total income	20,602	109,285	129,887	21,282	(9,513)	11,769
3	Management and administration fees	(1,234)	(11,374)	(12,608)	(1,102)	(1,870)	(2,972)
4	Other expenses	(1,701)	(22)	(1,723)	(1,496)	(19)	(1,515)
	Profit/(loss) before finance costs and taxation	17,667	97,889	115,556	18,684	(11,402)	7,282
5	Finance costs	(195)	(454)	(649)	(118)	(274)	(392)
	Profit/(loss) before taxation	17,472	97,435	114,907	18,566	(11,676)	6,890
6	Taxation	(935)	(3,188)	(4,123)	(1,056)	(24)	(1,080)
	Profit/(loss) for the year	16,537	94,247	110,784	17,510	(11,700)	5,810
7	**Earnings per ordinary share (basic) – pence**	7.80	44.46	52.26	8.23	(5.50)	2.73
7	**Earnings per ordinary share (diluted) – pence**	7.70	43.90	51.60	8.23	(5.50)	2.73

The total column of this statement represents the Group's Income Statement and the Group's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies ("AIC") in the UK.

The Group does not have any income or expense that is not included in the profit for the year and therefore the profit for the year is also the total comprehensive income for the year, as defined in International Accounting Standard 1 (revised).

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the Company. There are no minority interests.

COMPANY INCOME STATEMENT

Notes	for the year to 31 March	2017 Revenue return £'000s	2017 Capital return £'000s	2017 Total return £'000s	2016 Revenue return £'000s	2016 Capital return £'000s	2016 Total return £'000s
9	Gains/(losses) on investments	–	107,848	107,848	–	(8,776)	(8,776)
12	Gains on derivative instruments	–	239	239	–	–	–
	Foreign exchange gains/(losses)	320	737	1,057	(156)	(369)	(525)
2	Investment and other income	20,619	–	20,619	20,944	–	20,944
	Total income	20,939	108,824	129,763	20,788	(9,145)	11,643
3	Management and administration fees	(1,201)	(11,374)	(12,575)	(1,071)	(1,870)	(2,941)
4	Other expenses	(1,610)	(22)	(1,632)	(1,413)	(19)	(1,432)
	Profit/(loss) before finance costs and taxation	18,128	97,428	115,556	18,304	(11,034)	7,270
5	Finance costs	(195)	(454)	(649)	(118)	(274)	(392)
	Profit/(loss) before taxation	17,933	96,974	114,907	18,186	(11,308)	6,878
6	Taxation	(935)	(3,188)	(4,123)	(1,044)	(24)	(1,068)
	Profit/(loss) for the year	16,998	93,786	110,784	17,142	(11,332)	5,810
7	**Earnings per ordinary share (basic) – pence**	8.02	44.24	52.26	8.05	(5.32)	2.73
7	**Earnings per ordinary share (diluted) – pence**	7.92	43.68	51.60	8.05	(5.32)	2.73

The total column of this statement represents the Company's Income Statement and the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the AIC in the UK.

The Company does not have any income or expense that is not included in the profit for the year and therefore the profit for the year is also the total comprehensive income for the year, as defined in International Accounting Standard 1 (revised).

All items in the above statement derive from continuing operations.

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

GROUP STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2017

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2016	**21,146**	**771**	**204,587**	**11,093**	**188,428**	**10,537**	**436,562**
	Profit for the year	**–**	**–**	**–**	**–**	**94,247**	**16,537**	**110,784**
8	Ordinary dividends paid	**–**	**–**	**–**	**–**	**–**	**(13,906)**	**(13,906)**
18	Shares issued on exercise of subscription share rights	**478**	**8,265**	**–**	**–**	**–**	**–**	**8,743**
18	Shares purchased by the Company	**(483)**	**(8,121)**	**(1,418)**	**–**	**–**	**–**	**(10,022)**
	Balance at 31 March 2017	**21,141**	**915**	**203,169**	**11,093**	**282,675**	**13,168**	**532,161**

for the year to 31 March 2016

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2015	21,324	3,796	204,587	11,093	203,380	3,181	447,361
	(Loss)/profit for the year	–	–	–	–	(11,700)	17,510	5,810
8	Ordinary dividends paid	–	–	–	–	(3,252)	(10,154)	(13,406)
18	Shares issued on exercise of subscription share rights	4	74	–	–	–	–	78
18	Shares purchased by the Company	(182)	(2,800)	–	–	–	–	(2,982)
19	Issue cost of subscription shares	–	(299)	–	–	–	–	(299)
	Balance at 31 March 2016	21,146	771	204,587	11,093	188,428	10,537	436,562

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2017

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2016	**21,146**	**771**	**204,587**	**11,093**	**188,701**	**10,264**	**436,562**
	Profit for the year	**–**	**–**	**–**	**–**	**93,786**	**16,998**	**110,784**
8	Ordinary dividends paid	**–**	**–**	**–**	**–**	**–**	**(13,906)**	**(13,906)**
18	Shares issued on exercise of subscription share rights	**478**	**8,265**	**–**	**–**	**–**	**–**	**8,743**
18	Shares purchased by the Company	**(483)**	**(8,121)**	**(1,418)**	**–**	**–**	**–**	**(10,022)**
	Balance at 31 March 2017	**21,141**	**915**	**203,169**	**11,093**	**282,487**	**13,356**	**532,161**

for the year to 31 March 2016

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2015	21,324	3,796	204,587	11,093	203,285	3,276	447,361
	(Loss)/profit for the year	–	–	–	–	(11,332)	17,142	5,810
8	Ordinary dividends paid	–	–	–	–	(3,252)	(10,154)	(13,406)
18	Shares issued on exercise of subscription share rights	4	74	–	–	–	–	78
18	Shares purchased by the Company	(182)	(2,800)	–	–	–	–	(2,982)
19	Issue cost of subscription shares	–	(299)	–	–	–	–	(299)
	Balance at 31 March 2016	21,146	771	204,587	11,093	188,701	10,264	436,562

BALANCE SHEETS

Notes	at 31 March	GROUP 2017 £'000s	GROUP 2016 £'000s	COMPANY 2017 £'000s	COMPANY 2016 £'000s
	Non-current assets				
9	Investments	**572,264**	438,639	**579,471**	442,941
	Current assets				
11	Other receivables	**1,966**	2,686	**1,715**	2,676
12	Derivative financial instruments	**3,170**	3,636	**633**	–
	Cash and cash equivalents	**15,336**	12,609	**10,785**	11,629
		20,472	18,931	**13,133**	14,305
	Current liabilities				
13	Bank loans	**–**	(18,657)	**–**	(18,657)
14	Other payables	**(10,504)**	(1,787)	**(10,482)**	(1,763)
12	Derivative financial instruments	**(110)**	(300)	**–**	–
		(10,614)	(20,744)	**(10,482)**	(20,420)
	Net current assets/(liabilities)	**9,858**	(1,813)	**2,651**	(6,115)
	Total assets less current liabilities	**582,122**	436,826	**582,122**	436,826
	Non-current liabilities				
15	Bank loans	**(46,816)**	–	**(46,816)**	–
16	Deferred tax	**(3,145)**	(264)	**(3,145)**	(264)
	Net assets	**532,161**	436,562	**532,161**	436,562
	Equity attributable to equity holders				
18	Share capital	**21,141**	21,146	**21,141**	21,146
19	Share premium account	**915**	771	**915**	771
20	Special reserve	**203,169**	204,587	**203,169**	204,587
21	Other non-distributable reserve	**11,093**	11,093	**11,093**	11,093
22	Capital reserves	**282,675**	188,428	**282,487**	188,701
22	Revenue reserve	**13,168**	10,537	**13,356**	10,264
	Total attributable to equity holders	**532,161**	436,562	**532,161**	436,562
23	**Net asset value per ordinary share**				
	Basic – pence	**251.72**	206.45	**251.72**	206.45
	Diluted – pence	**241.29**	202.52	**241.29**	202.52

Approved by the Board on 16 June 2017 and signed on its behalf by

John Rennocks
Chairman

Garry Madeiros
Director

STATEMENTS OF CASH FLOWS

Notes	for the year to 31 March	GROUP 2017 £'000s	GROUP 2016 £'000s	COMPANY 2017 £'000s	COMPANY 2016 £'000s
24	Cash flows from operating activities	**12,487**	12,048	**13,321**	11,703
	Investing activities:				
	Purchases of investments	**(159,338)**	(97,303)	**(165,550)**	(99,017)
	Sales of investments	**141,232**	130,611	**137,748**	129,087
	Purchases of derivatives	**(9,014)**	(14,912)	**(394)**	–
	Settlement of derivatives	**2,879**	11,995	**–**	–
	Cash flows from investing activities	**(24,241)**	30,391	**(28,196)**	30,070
	Cash flows before financing activities	**(11,754)**	42,439	**(14,875)**	41,773
	Financing activities:				
	Ordinary dividends paid	**(13,906)**	(13,406)	**(13,906)**	(13,406)
25	Movements from loans	**26,858**	(14,133)	**26,858**	(14,133)
	Proceeds from issue of shares	**8,743**	78	**8,743**	78
	Cost of ordinary shares purchased	**(10,022)**	(2,982)	**(10,022)**	(2,982)
	Issue cost of subscription shares	**–**	(299)	**–**	(299)
	Cash flows from financing activities	**11,673**	(30,742)	**11,673**	(30,742)
	Net movement in cash and cash equivalents	**(81)**	11,697	**(3,202)**	11,031
	Cash and cash equivalents at the beginning of the year	**12,609**	526	**11,629**	195
	Effect of movement in foreign exchange	**2,808**	386	**2,358**	403
	Cash and cash equivalents at the end of the year	**15,336**	12,609	**10,785**	11,629
	Comprised of:				
	Cash	**15,336**	12,609	**10,785**	11,629

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The Company is an investment company incorporated in Bermuda and traded on the London Stock Exchange.

The consolidated accounts for the year ended 31 March 2017 comprise the results of the Company and its subsidiaries, Utilico Emerging Markets (Mauritius) and Global Equity Risk Protection Limited ("GERP") (together referred to as the "Group"). Details of Utilico Emerging Markets (Mauritius) and GERP are included in note 10 to the accounts. GERP has a reporting year end of 30 June which is non-concurrent with that of UEM. GERP's financial results included within the consolidated accounts are those for the year to 31 March 2017.

(a) Basis of accounting

The accounts have been prepared on a going concern basis in accordance with 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 and to the extent that they have been adopted by the European Union.

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

The Board has determined by having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, that Sterling is the functional and reporting currency.

Where presentational recommendations set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the AIC in November 2014 and updated in January 2017, do not conflict with the requirements of IFRS, the Directors have prepared the accounts 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 return (dealing with items of a revenue nature) and a capital return (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income, operating expenses, finance costs and taxation (insofar as they are not allocated to capital, as described in notes 1(h) and 1(i) below). Net revenue returns are allocated via the revenue return to the Revenue Reserve.

Capital returns include, but are not limited to, profits and losses on the disposal and the valuation of non-current investments, derivative instruments and on cash and borrowings, operating costs and finance costs (insofar as they are not allocated to revenue as described in note 1(i) below). Net capital returns are allocated via the capital return to Capital Reserves.

Dividends on ordinary shares may be paid out of Revenue Reserve and Capital Reserves.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these consolidated accounts. None of these is expected to have a significant effect on the consolidated accounts of the Company except for IFRS 9 'Financial Instruments'. IFRS 9 'Financial Instruments' could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

(b) Basis of consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. UEM is an investment entity as classified in IFRS 10. Associated undertakings held as part of the investment portfolio (see note 9) are not accounted for in the Group accounts using the equity method of accounting, but are carried at fair value through profit or loss.

1. ACCOUNTING POLICIES (continued)

(c) Financial instruments

Financial Instruments include fixed asset investments, derivative assets and liabilities and long-term debt instruments. Accounting Standards recognise a hierarchy of fair value measurements for Financial Instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of Instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments and derivatives listed on any recognised stock exchange or quoted on any secondary market.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been recently suspended, forward exchange contracts and certain other derivative financial instruments.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar Instrument. Included in Level 3 are investments in private companies or securities, whether invested in directly or through pooled private equity vehicles.

(d) Valuation of investments and derivative instruments

Investment purchases and sales are accounted for on the trade date, inclusive of transaction costs. Investments, including holdings in associated undertakings, used for efficient portfolio management 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. Derivatives comprising forward foreign exchange contracts, options and credit default swaps are accounted for as a financial asset/liability at fair value through profit or loss and are classified as held for trading. The Company manages and evaluates the performance of these investments and derivatives on a fair value basis in accordance with its investment strategy. Gains and losses on investments and on derivatives are analysed within the Income Statement as capital return. Investments and derivatives are valued in accordance with IFRS and International Private Equity and Venture Capital Valuation Guidelines. Quoted investments are shown at fair value using market bid prices. The fair value of unquoted investments is determined by the Board. In exercising their judgement over the value of these investments, the Board uses valuation techniques which take into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors.

(e) 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.

(f) Debt instruments

The Company's debt instruments can include short-term and long-term bank borrowings and overdrafts, initially measured at fair value and subsequently measured at amortised cost using the effective interest method. No debt instruments held during the year required hierarchical classification.

(g) Foreign currency

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

NOTES TO THE ACCOUNTS
(continued)

1. ACCOUNTING POLICIES (continued)

(h) Other income

Dividends receivable are shown gross of withholding tax and are analysed as revenue return within the Income Statement (except where, in the opinion of the Directors, their nature indicates they should be recognised as capital return) 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 method. Bank and short-term deposit interest is recognised on an accruals basis.

(i) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement and analysed under revenue return except as stated below:

– the management fee and finance costs are allocated 70% to capital return and 30% to revenue return.
– expenses incidental to the acquisition or disposal of Investments are allocated to capital return.
– performance related management fees (calculated under the terms of the Investment Management Agreement) are allocated to capital return.

(j) Directors' fees

Directors' fees are charged quarterly through the revenue column of the Income Statement. The fee entitlement of each Director is satisfied in ordinary shares of the Company, purchased in the market on behalf of, or issued to, each Director as soon as possible after each quarter end. The number of ordinary shares allocated is determined by dividing the entitlement by the lower of the market value and the Net Asset Value ("NAV") on the date of allocation.

(k) Finance costs

Finance costs are accounted for using the effective interest method, recognised through the Income Statement.

(l) Dividends payable

Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them and are reflected in the Statement of Changes in Equity.

(m) Capital reserves

Capital reserves are distributable reserves. The following items are accounted for through the Income Statement as capital returns and transferred to capital reserves:

Capital reserve – arising on investments sold

– gains and losses on disposal of investments and derivative instruments
– exchange differences of a capital nature
– expenses allocated in accordance with note 1(i)

Capital reserve – arising on investments held

– increases and decreases in the valuation of investments and derivative instruments held at the year end.

(n) Use of estimates and judgements

The presentation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 unquoted investments, details of which are set out in accounting policy 1(d).

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. INVESTMENT AND OTHER INCOME

Group	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Investment income						
Dividends	19,026	–	19,026	20,427	–	20,427
Interest	1,127	–	1,127	991	–	991
Total income	20,153	–	20,153	21,418	–	21,418

Company	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Investment income						
Overseas dividends	19,492	–	19,492	19,953	–	19,953
Overseas and UK interest	1,127	–	1,127	991	–	991
Total income	20,619	–	20,619	20,944	–	20,944

3. MANAGEMENT AND ADMINISTRATION FEES

Group	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Payable to:						
ICM/ICMIM						
– management, secretarial and administration fees	1,014	2,212	3,226	882	1,892	2,774
– performance fee in respect of relevant year	–	9,162	9,162	–	–	–
– performance fee adjustment in respect of prior year	–	–	–	–	(22)	(22)
F&C Management Limited – administration fee	220	–	220	220	–	220
	1,234	11,374	12,608	1,102	1,870	2,972

Company	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Payable to:						
ICM/ICMIM						
– management and secretarial fees	981	2,212	3,193	851	1,892	2,743
– performance fee in respect of relevant year	–	9,162	9,162	–	–	–
– performance fee adjustment in respect of prior year	–	–	–	–	(22)	(22)
F&C Management Limited – administration fee	220	–	220	220	–	220
	1,201	11,374	12,575	1,071	1,870	2,941

NOTES TO THE ACCOUNTS
(continued)

3. MANAGEMENT AND ADMINISTRATION FEES (continued)

The Company has appointed ICM Investment Management Limited ("ICMIM") as its Alternative Investment Fund Manager and Company Secretary and joint portfolio manager with ICM Limited ("ICM"), for which they are entitled to a management fee, a performance fee and a company secretarial fee. The aggregate fees payable by the Company are apportioned between the joint portfolio managers as agreed by them.

The relationship between ICMIM and ICM is compliant with the requirements of the EU Alternative Investment Fund Managers Directive and also such other requirements applicable to ICMIM by virtue of its regulation by the Financial Conduct Authority.

The annual management fee is 0.65% per annum of net assets, payable quarterly in arrears. The management fee is allocated 70% to capital return and 30% to revenue return. ICMIM also provides company secretarial services to the Company, with the Company paying one-third of the costs associated with this post. The investment management agreement may be terminated upon six months' notice.

In addition, the Investment Managers are 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 of the higher of (i) the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index, plus inflation (on the RPIX basis), plus 2%; and (ii) 8%. The maximum amount of a performance fee payable in respect of any financial year is 1.85% of the average net assets of the Company and any performance fee in excess of this cap is written off. The NAV must also exceed the high watermark established when the performance fee was last paid (at 31 March 2015), adjusted for capital events and dividends paid since that date. The high watermark was 209.79p as at 31 March 2015.

Half of the performance fee is payable in cash and half in ordinary shares of the Company ("Performance Shares"), based on the NAV per ordinary share at the year end. ICM will purchase the Performance Shares in the market at a price equal to or below the NAV per ordinary share at the time of purchase. If ICM is unable to purchase some or all of the Performance Shares in the market at or below the NAV per ordinary share, the Company will issue to ICM shares at NAV equivalent to any shortfall. The full performance fee is payable to ICM as soon as practicable following the year end date in order to reduce the risk to the Company of material movements in the price of ordinary shares between the year end date and the date of payment. Any subsequent adjustment to the fee arising out of the audit process is paid to or recouped from ICM in cash within seven days of the publication of the Report and Accounts.

On 10 April 2017, the performance fee due to ICM in respect of the year ended 31 March 2017 was estimated to be £9,162,000 (2016: £nil). ICM and ICMIM received £4,581,000 of this fee in cash on 11 April 2017. The remaining balance of £4,581,000 was settled through the purchase, based on the estimated NAV of the Company as at 31 March 2017, of 1,898,582 ordinary shares of the Company in the market. The cost of those shares to the Company was £4,160,000. The full audited performance fee is £9,162,000.

ICM Limited owns 100% of ICM Corporate Services (Pty) Ltd, making ICM Corporate Services (Pty) Ltd a related party to UEM. ICM Corporate Services (Pty) Ltd provides administration services to Utilico Emerging Markets (Mauritius) for a fee of USD24,000 per annum and to GERP for a fee of £15,000 per annum. The agreements are terminable upon one month's notice in writing.

F&C Management Limited ("FCM") provides accounting, dealing and administration services to the Company for a fixed fee of £220,000 per annum, payable monthly in arrears and is entitled to reimbursement of certain expenses incurred by it in connection with its duties. The agreement with FCM is terminable on six months' notice in writing.

4. OTHER EXPENSES

Group	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Auditor's remuneration:						
for audit services	43	–	43	45	–	45
for other services*	4	–	4	4	–	4
Broker and consultancy fees	157	–	157	147	–	147
Custody fees	521	–	521	371	–	371
Depositary fees	111	–	111	87	–	87
Directors' fees for services to the Company (see Directors' Remuneration Report on pages 59 to 62)	194	–	194	186	–	186
Directors' travel expenses	201	–	201	172	–	172
Other travel costs	124	–	124	105	–	105
Professional fees	69	–	69	105	–	105
Sundry expenses	277	22	299	274	19	293
	1,701	22	1,723	1,496	19	1,515

Company	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Auditor's remuneration:						
for audit services	30	–	30	30	–	30
for other services*	4	–	4	4	–	4
Broker and consultancy fees	157	–	157	147	–	147
Custody fees	507	–	507	358	–	358
Depositary fees	111	–	111	87	–	87
Directors' fees for services to the Company (see Directors' Remuneration Report on pages 59 to 62)	194	–	194	186	–	186
Directors' travel expenses	201	–	201	172	–	172
Other travel costs	124	–	124	105	–	105
Professional fees	18	–	18	61	–	61
Sundry expenses	264	22	286	263	19	282
	1,610	22	1,632	1,413	19	1,432

* Total Auditor's remuneration for other services amounts to £4,000 for reviewing the interim accounts (2016: £4,000 for reviewing the interim accounts).

5. FINANCE COSTS

Group and Company	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
On loans and bank overdrafts	195	454	649	118	274	392

Finance costs are allocated 70% to capital return and 30% to revenue return (see note 1(i)).

NOTES TO THE ACCOUNTS
(continued)

6. TAXATION

Group	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Overseas taxation	**935**	**–**	**935**	1,056	–	1,056
Brazilian capital gains tax on sale of overseas investments	**–**	**307**	**307**	–	693	693
Total current taxation	**935**	**307**	**1,242**	1,056	693	1,749
Deferred tax (see note 16)	**–**	**2,881**	**2,881**	–	(669)	(669)
	935	**3,188**	**4,123**	1,056	24	1,080

Company	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
Overseas taxation	**935**	**–**	**935**	1,044	–	1,044
Brazilian capital gains tax on sale of overseas investments	**–**	**307**	**307**	–	693	693
Total current taxation	**935**	**307**	**1,242**	1,044	693	1,737
Deferred tax (see note 16)	**–**	**2,881**	**2,881**	–	(669)	(669)
	935	**3,188**	**4,123**	1,044	24	1,068

Profits for the year are subject to nil rate Bermuda tax.

Deferred tax in the capital account is in respect of capital gains tax on Brazilian investment holding gains that will be taxed in future years on realisations of the investments.

7. EARNINGS PER ORDINARY SHARE

Earnings for the purpose of basic and diluted earnings per ordinary share is the profit/(loss) attributable to ordinary shareholders and based on the following data:

	Group		Company	
	2017 £'000s	2016 £'000s	**2017 £'000s**	2016 £'000s
Revenue return	**16,537**	17,510	**16,998**	17,142
Capital return	**94,247**	(11,700)	**93,786**	(11,332)
Total return	**110,784**	5,810	**110,784**	5,810
Weighted average number of shares in issue during the year for basic earnings per share calculations	**211,986,846**	212,871,538	**211,986,846**	212,871,538

Diluted earnings per share

Diluted earnings per share has been calculated in accordance with IAS33, under which the Company's outstanding subscription shares 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 subscription share holders would have received on exercise as compared with the number of shares which the subscription proceeds would have purchased in the open market.

	Group		Company	
	2017 £'000s	2016 £'000s	**2017 £'000s**	2016 £'000s
Weighted average number of shares in issue during the year for diluted earnings per share calculations	**214,716,963**	212,871,538*	**214,716,963**	212,871,538*

* Average market price of the ordinary shares was greater than exercise price of the subscription shares and therefore there is no dilution

8. DIVIDENDS

Group and Company	Record date	Payment date	Revenue £'000s	Capital £'000s	2017 Total £'000s	Revenue £'000s	Capital £'000s	2016 Total £'000s
2015 Fourth quarterly interim of 1.525p	15 May 15	09 Jun 15	–	–	–	–	3,252	3,252
2016 First quarterly interim of 1.525p	14 Aug 15	02 Sep 15	–	–	–	3,252	–	3,252
2016 Second quarterly interim of 1.625p	27 Nov 15	15 Dec 15	–	–	–	3,463	–	3,463
2016 Third quarterly interim of 1.625p	19 Feb 16	07 Mar 16	–	–	–	3,439	–	3,439
2016 Fourth quarterly interim of 1.625p	03 Jun 16	20 Jun 16	3,436	–	3,436	–	–	–
2017 First quarterly interim of 1.625p	26 Aug 16	21 Sep 16	3,436	–	3,436	–	–	–
2017 Second quarterly interim of 1.625p	02 Dec 16	16 Dec 16	3,444	–	3,444	–	–	–
2017 Third quarterly interim of 1.700p	24 Feb 17	17 Mar 17	3,590	–	3,590	–	–	–
			13,906	–	13,906	10,154	3,252	13,406

The Directors paid a fourth quarterly interim dividend in respect of the year ended 31 March 2017 of 1.700p per ordinary share on 16 June 2017 to shareholders on the register at close of business on 2 June 2017. The total cost of the dividend, which has not been accrued in the results for the year to 31 March 2017, was £3,594,000 and will be paid from the Revenue Reserve. The total cost of the four quarterly dividends in respect of the year ended 31 March 2017 is £14,064,000 (2016: £13,590,000).

9. INVESTMENTS

Group	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2017 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2016 Total £'000s
Investments brought forward								
Cost	288,743	12,234	41,246	342,223	291,268	–	30,645	321,913
Gains/(losses)	122,179	1,273	(27,036)	96,416	179,031	–	(19,676)	159,355
Valuation	410,922	13,507	14,210	438,639	470,299	–	10,969	481,268
Movements in the year:								
Purchases at cost	131,353	16,506	13,327	161,186	78,325	9,558	8,169	96,052
Transfer to level 2*	(37,498)	37,498	–	–	(5,452)	5,452	–	–
Transfer to level 3**	(390)	–	390	–	(1,772)	–	1,772	–
Sales proceeds	(130,507)	(6,287)	(5,405)	(142,199)	(123,509)	(4,584)	(2,375)	(130,468)
Gains on investments sold in the year	44,020	1,797	273	46,090	53,911	766	49	54,726
Gains/(losses) on investments held at year end	65,972	5,482	(2,906)	68,548	(60,880)	2,315	(4,374)	(62,939)
Valuation at 31 March	483,872	68,503	19,889	572,264	410,922	13,507	14,210	438,639
Analysed at 31 March								
Cost	295,647	61,296	50,357	407,300	288,743	12,234	41,246	342,223
Gains/(losses)	188,225	7,207	(30,468)	164,964	122,179	1,273	(27,036)	96,416
Valuation	483,872	68,503	19,889	572,264	410,922	13,507	14,210	438,639

*Transfer due to illiquidity of investee companies

**Transfer due to delisting of investee companies

Level 1 includes investments quoted on any recognised stock exchange or on any secondary market

Level 2 includes quoted investments that are thinly traded and participatory notes

Level 3 includes investments in private companies or securities

NOTES TO THE ACCOUNTS
(continued)

9. INVESTMENTS (continued)

Company	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2017 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2016 Total £'000s
Investments brought forward								
Cost	**273,322**	**65,367**	**41,246**	**379,935**	282,530	42,888	30,645	356,063
Gains/(losses)	**120,031**	**(29,989)**	**(27,036)**	**63,006**	177,102	(30,594)	(19,676)	126,832
Valuation	**393,353**	**35,378**	**14,210**	**442,941**	459,632	12,294	10,969	482,895
Movements in the year:								
Purchases at cost	**124,747**	**29,323**	**13,327**	**167,397**	69,793	19,803	8,169	97,765
Transfer to level 2*	**(23,997)**	**23,997**	**–**	**–**	(5,452)	5,452	–	–
Transfer to level 3**	**(390)**	**–**	**390**	**–**	(1,772)	–	1,772	–
Sales proceeds	**(127,023)**	**(6,287)**	**(5,405)**	**(138,715)**	(121,984)	(4,584)	(2,375)	(128,943)
Gains on investments sold in the year	**44,339**	**1,797**	**273**	**46,409**	54,235	766	49	55,050
Gains/(losses) on investments held at year end	**62,854**	**1,491**	**(2,906)**	**61,439**	(61,099)	1,647	(4,374)	(63,826)
Valuation at 31 March	**473,883**	**85,699**	**19,889**	**579,471**	393,353	35,378	14,210	442,941
Analysed at 31 March								
Cost	**288,783**	**115,886**	**50,357**	**455,026**	273,322	65,367	41,246	379,935
Gains/(losses)	**185,100**	**(30,187)**	**(30,468)**	**124,445**	120,031	(29,989)	(27,036)	63,006
Valuation	**473,883**	**85,699**	**19,889**	**579,471**	393,353	35,378	14,210	442,941

*Transfer due to illiquidity of investee companies

**Transfer due to delisting of investee companies

Level 1 includes investments quoted on any recognised stock exchange or on any secondary market

Level 2 includes investments in GERP, Utilico Emerging Markets (Mauritius), quoted investments that are thinly traded and participatory notes

Level 3 includes investments in private companies or securities

Gains/(losses) on investments in the year	Group 2017 £'000s	Group 2016 £'000s	Company 2017 £'000s	Company 2016 £'000s
Gains on investments sold	**46,090**	54,726	**46,409**	55,050
Gains/(losses) on investments held	**68,548**	(62,939)	**61,439**	(63,826)
Total gains/(losses) on investments	**114,638**	(8,213)	**107,848**	(8,776)

Associated undertaking

The Company had the following associated undertaking at 31 March 2017:

East Balkan Properties plc	
Country of incorporation	Isle of Man
Country of listing	Unlisted
Country of operations	Bulgaria
Number of ordinary shares held	37,485,483
Percentage of ordinary shares held	26.78%

9. INVESTMENTS (continued)

Transactions with associated undertaking

East Balkan Properties plc

There were no transactions in the year.

Significant interests

In addition to the above, the Group and Company have a holding of 3% or more of any class of share capital of the following undertakings, which are material in the context of the accounts:

Company	Country of registration and incorporation	Class of instruments held	2017 % of class of instruments held	2016 % of class of instruments held
APT Satellite Holdings Limited	Hong Kong	Ordinary shares	**4.2**	4.1
Conpet S.A.	Romania	Ordinary shares	**8.2**	7.6
Eastern Water Resources Development and Management PCL	Thailand	Ordinary shares	**4.6**	6.8
Ocean Wilsons Holdings Limited	Bermuda	Ordinary shares	**7.0**	7.0
Transelectrica S.A.	Romania	Ordinary shares	**4.2**	3.6

10. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company at 31 March 2017 and 31 March 2016:

Company	Country of registration and incorporation	Number and class of shares held	Holdings and voting rights %
Utilico Emerging Markets (Mauritius)[1]	Mauritius	38,752,635 ordinary shares	100
Global Equity Risk Protection Limited[2]	Bermuda	3,920 Class B shares linked to a segregated account in GERP	100

(1) Incorporated, and commenced trading, on 6 September 2011 to carry on business as an investment company.

(2) A Bermuda segregated accounts company which was incorporated and commenced trading on 4 May 2006. The segregated account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. The holding represents 100% of the issued Class B shares and has no voting rights.

11. OTHER RECEIVABLES

	Group		Company	
	2017 £'000s	2016 £'000s	**2017 £'000s**	2016 £'000s
Sales for future settlement	**513**	1,933	**513**	1,933
Accrued income	**1,102**	711	**1,102**	711
Prepayments and other debtors	**351**	42	**100**	32
	1,966	2,686	**1,715**	2,676

The Directors consider that the carrying values of other receivables are equivalent to their fair value.

NOTES TO THE ACCOUNTS
(continued)

12. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Current assets £'000s	Current liabilities £'000s	2017 Net current assets £'000s	Current assets £'000s	Current liabilities £'000s	2016 Net current assets £'000s
Forward foreign exchange contracts – EUR/GBP	**186**	**–**	**186**	–	–	–
Forward foreign exchange contracts – USD/GBP	**447**	**–**	**447**	–	–	–
Total forward foreign exchange contracts	**633**	**–**	**633**	–	–	–
Market options – USD	**2,537**	**(110)**	**2,427**	3,636	(300)	3,336
	3,170	**(110)**	**3,060**	3,636	(300)	3,336

Of the above instruments, £2,427,000 are classified as level 1 and £633,000 as level 2 (2016: £3,336,000 as level 2).

Company	Current assets £'000s	Current liabilities £'000s	2017 Net current assets/ (liabilities) £'000s	Current assets £'000s	Current liabilities £'000s	2016 Net current assets/ (liabilities £'000s
Forward foreign exchange contracts – EUR/GBP	**186**	**–**	**186**	–	–	–
Forward foreign exchange contracts – USD/GBP	**447**	**–**	**447**	–	–	–
Total forward foreign exchange contracts	**633**	**–**	**633**	–	–	–

The above instruments are classified as level 2.

Changes in derivatives

	Group		Company	
	2017 £'000s	2016 £'000s	**2017 £'000s**	2016 £'000s
Valuation brought forward	**3,336**	1,315	**–**	–
Purchases	**9,408**	14,912	**394**	–
Settlements	**(3,273)**	(11,995)	**–**	–
Net (losses)/gains on derivatives held and sold	**(6,411)**	(896)	**239**	–
Valuation at 31 March	**3,060**	3,336	**633**	–

13. BANK LOANS – CURRENT LIABILITY

Group and Company	**2017 £'000s**	2016 £'000s
HKD208m repaid April 2016	**–**	18,657

For details of the loan facility, see note 15.

14. OTHER PAYABLES

	Group		Company	
	2017 £'000s	2016 £'000s	**2017 £'000s**	2016 £'000s
Purchases for future settlement	**20**	692	**20**	692
Accrued finance costs	**66**	22	**66**	22
Accrued expenses	**10,418**	1,073	**10,396**	1,049
	10,504	1,787	**10,482**	1,763

The Directors consider that the carrying values of other payables are equivalent to their fair value.

15. BANK LOANS – NON-CURRENT LIABILITY

Group and Company	**2017 £'000s**	2016 £'000s
EUR29.5m repayable April 2018	**25,215**	–
HKD209.9m repayable April 2018	**21,601**	–
	46,816	–

The Company has a committed senior multicurrency revolving facility of £50,000,000 with Scotiabank Europe PLC, secured over the Company's assets, expiring on 27 April 2018. Commitment fees 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.

16. DEFERRED TAX

Group and Company	**2017 £'000s**	2016 £'000s
Balance brought forward	**264**	933
Increase/(decrease) in provision for Brazilian tax on capital gains	**2,881**	(669)
Balance carried forward	**3,145**	264

Provision is made for deferred tax on an undiscounted basis on timing differences that have originated but not reversed by the Balance Sheet date. The provision relates wholly to capital gains tax on chargeable investment holding gains in Brazil, at a rate of 15% (2016: same).

17. OPERATING SEGMENTS

The Directors are of the opinion that the Group and Company are 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.

NOTES TO THE ACCOUNTS
(continued)

18. SHARE CAPITAL

Ordinary shares of 10p each

Group and Company	Authorised Number	£'000s	Total shares in issue Number	2017 Total shares in issue £'000s	Total shares in issue Number	2016 Total shares in issue £'000s
Equity share capital						
Balance brought forward	**1,350,010,000**	**135,001**	**211,462,599**	**21,146**	213,243,793	21,324
Issued on exercise of subscription share rights	**–**	**–**	**4,777,611**	**478**	42,717	4
Purchased for cancellation by the Company	**–**	**–**	**(4,833,659)**	**(483)**	(1,823,911)	(182)
Balance at 31 March	**1,350,010,000**	**135,001**	**211,406,551**	**21,141**	211,462,599	21,146

During the year the Company bought back for cancellation 4,833,659 ordinary shares at a total cost of £10,022,000.

No further ordinary shares have been purchased for cancellation since the year end.

Subscription shares

The authorised number of subscription shares is 80,000,000 of 0.005p each. As at 31 March 2016, 42,605,893 subscription shares were in issue. On 31 August 2016, holders of 3,463,903 subscription shares exercised their right to subscribe for ordinary shares and on 28 February 2017, holders of 1,313,708 subscription shares exercised their right to subscribe for ordinary shares. As at 31 March 2017, 37,828,282 subscription shares remained in issue.

Holders of subscription shares have the right to subscribe for one ordinary share per subscription share at a price of £1.83 payable in cash. The subscription rights can be exercised on 31 August 2017 or on the final date of 28 February 2018.

Subscription shares rank equally with each other and do not carry the right to receive any dividends from the Company or to attend and/or vote at general meetings of the Company (although the subscription shareholders have the right to vote in certain circumstances where a variation of the subscription share rights is proposed). Ordinary shares arising on the exercise of the subscription shares will rank ***pari passu*** with the ordinary shares currently in issue except they will not rank for any dividend declared or paid on the ordinary shares by reference to a record date prior to the relevant subscription date.

19. SHARE PREMIUM ACCOUNT

Group and Company	2017 £'000s	2016 £'000s
Balance brought forward	**771**	3,796
Premium on conversion of subscription shares	**8,265**	74
Ordinary shares purchased for cancellation	**(8,121)**	(2,800)
Issue cost of subscription shares	**–**	(299)
Balance carried forward	**915**	771

This reserve arose on the issue of share capital and may be used under Bermuda law to purchase the Company's own shares.

20. SPECIAL RESERVE

Group and Company	2017 £'000s	2016 £'000s
Balance brought forward	**204,587**	204,587
Ordinary shares purchased for cancellation	**(1,418)**	–
Balance carried forward	**203,169**	204,587

The Special reserve is used to purchase the Company's share capital in accordance with Bermuda law and with the Bye-laws of the Company.

21. OTHER NON-DISTRIBUTABLE RESERVE

Group and Company	2017 £'000s	2016 £'000s
Balance brought forward and carried forward	**11,093**	11,093

The non-distributable reserve constitutes a reserve for the purpose of assessing the sufficiency of reserves for the purpose of making dividend payments to ordinary shareholders.

22. OTHER RESERVES

2017 Group	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	46,090	–	46,090	–
Gains on investments held	–	68,548	68,548	–
Losses on derivative financial instruments sold	(13,720)	–	(13,720)	–
Gains on derivative financial instruments held	–	7,309	7,309	–
Exchange gains	1,058	–	1,058	–
Management fee (see note 3)	(2,212)	–	(2,212)	–
Performance fee (see note 3)	(9,162)	–	(9,162)	–
Finance costs (see note 5)	(454)	–	(454)	–
Other capital charges	(22)	–	(22)	–
Taxation (see note 6)	(3,188)	–	(3,188)	–
Revenue profit for the year	–	–	–	16,537
Total profit in current year	18,390	75,857	94,247	16,537
Dividends paid in the year	–	–	–	(13,906)
Balance at 31 March 2016	96,261	92,167	188,428	10,537
Balance at 31 March 2017	114,651	168,024	282,675	13,168

NOTES TO THE ACCOUNTS
(continued)

22. OTHER RESERVES (continued)

2016 Group	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	54,726	–	54,726	–
Losses on investments held	–	(62,939)	(62,939)	–
Gains on derivative financial instruments sold	3,386		3,386	–
Losses on derivative financial instruments held	–	(4,282)	(4,282)	–
Exchange losses	(404)	–	(404)	–
Management fee (see note 3)	(1,892)	–	(1,892)	–
Performance fee (see note 3)	22	–	22	–
Finance costs (see note 5)	(274)	–	(274)	–
Other capital charges	(19)	–	(19)	–
Taxation (see note 6)	(24)	–	(24)	–
Revenue profit for the year	–	–	–	17,510
Total profit/(loss) in current year	55,521	(67,221)	(11,700)	17,510
Dividends paid in the year	(3,252)	–	(3,252)	(10,154)
Balance at 31 March 2015	43,992	159,388	203,380	3,181
Balance at 31 March 2016	96,261	92,167	188,428	10,537

2017 **Company**	**Capital reserve (arising on investments sold) £'000s**	**Capital reserve (arising on investments held) £'000s**	**Capital reserves total £'000s**	**Revenue reserve £'000s**
Gains on investments sold	**46,409**	**–**	**46,409**	**–**
Gains on investments held	**–**	**61,439**	**61,439**	**–**
Losses on derivative financial instruments sold	**(394)**	**–**	**(394)**	**–**
Gains on derivative financial instruments held	**–**	**633**	**633**	**–**
Exchange gains	**737**	**–**	**737**	**–**
Management fee (see note 3)	**(2,212)**	**–**	**(2,212)**	**–**
Performance fee (see note 3)	**(9,162)**	**–**	**(9,162)**	**–**
Finance costs (see note 5)	**(454)**	**–**	**(454)**	**–**
Other capital charges	**(22)**	**–**	**(22)**	**–**
Taxation (see note 6)	**(3,188)**	**–**	**(3,188)**	**–**
Revenue profit for the year	**–**	**–**	**–**	**16,998**
Total profit in current year	**31,714**	**62,072**	**93,786**	**16,998**
Dividends paid in the year	**–**	**–**	**–**	**(13,906)**
Balance at 31 March 2016	**125,695**	**63,006**	**188,701**	**10,264**
Balance at 31 March 2017	**157,409**	**125,078**	**282,487**	**13,356**

22. OTHER RESERVES (continued)

2016 Company	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	55,050	–	55,050	–
Losses on investments held	–	(63,826)	(63,826)	–
Exchange losses	(369)	–	(369)	–
Management fee (see note 3)	(1,892)	–	(1,892)	–
Performance fee (see note 3)	22	–	22	–
Finance costs (see note 5)	(274)	–	(274)	–
Other capital charges	(19)	–	(19)	–
Taxation (see note 6)	(24)	–	(24)	–
Revenue profit for the year	–	–	–	17,142
Total profit/(loss) in current year	52,494	(63,826)	(11,332)	17,142
Dividends paid in the year	(3,252)	–	(3,252)	(10,154)
Balance at 31 March 2015	76,453	126,832	203,285	3,276
Balance at 31 March 2016	125,695	63,006	188,701	10,264

Group and Company

Included within the capital reserve movement for the year is £440,000 (2016: £280,000) of dividend receipts recognised as capital in nature, £276,000 (2016: £178,000) of transaction costs on purchases of investments and £226,000 (2016: £296,000) of transaction costs on sale of investments.

23. NET ASSET VALUE PER ORDINARY SHARE

Group and Company

(a) NAV per ordinary share is based on net assets at the year end of £532,161,000 (31 March 2016: £436,562,000) and on 211,406,551 ordinary shares in issue at the period end (31 March 2016: 211,462,599).

(b) Diluted NAV per ordinary share is based on net assets at the year end and assuming the receipt of proceeds arising from the exercise of the subscription share rights of 37,828,282 subscription shares in issue at £1.83 per subscription share for one ordinary share (31 March 2016: 42,605,893 subscription shares).

	2017 Number	2016 Number
Ordinary shares in issue at the year end	**211,406,551**	211,462,599
Ordinary shares created on exercise of all subscription share rights	**37,828,282**	42,605,893
Number of ordinary shares for diluted calculation	**249,234,833**	254,068,492
	£'000s	£'000s
Attributable net assets for diluted calculation	**601,387**	514,531

NOTES TO THE ACCOUNTS
(continued)

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

	Group		Company	
	2017 £'000s	2016 £'000s	**2017 £'000s**	2016 £'000s
Profit before taxation	**114,907**	6,890	**114,907**	6,878
Adjust for non-cash flow items:				
(Gains)/losses on investments	**(114,638)**	8,213	**(107,848)**	8,776
Losses/(gains) on derivative financial instruments	**6,411**	896	**(239)**	–
Exchange (gains)/losses	**(1,507)**	540	**(1,057)**	525
Effective yield on debt instruments	**(133)**	(11)	**(133)**	(11)
(Increase)/decrease in accrued income	**(714)**	311	**(476)**	311
Increase/(decrease) in creditors	**9,335**	(2,986)	**9,341**	(2,992)
Increase in other debtors	**(18)**	(11)	**(18)**	(2)
Tax on overseas income	**(849)**	(1,101)	**(849)**	(1,089)
	(102,113)	5,851	**(101,279)**	5,518
Adjust for cash flow items not within Income Statement:				
Taxation on capital gains	**(307)**	(693)	**(307)**	(693)
Net cash flows from operating activities	**12,487**	12,048	**13,321**	11,703

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group and Company

2017	**Balance at 31 March 2016 £'000s**	**Cash flows £'000s**	**Non-cash flow changes foreign exchange movement £'000s**	**Balance at 31 March 2017 £'000s**
Bank loans	**18,657**	**26,858**	**1,301**	**46,816**

2016	Balance at 31 March 2015 £'000s	Cash flows £'000s	Non-cash flow changes foreign exchange movement £'000s	Balance at 31 March 2016 £'000s
Bank loans	31,862	(14,133)	928	18,657

26. RELATED PARTY TRANSACTIONS

During the year the Company made payments to its subsidiaries as follows: to GERP of £5.7m (2016: £4.2m) in settlement of investment transactions; and to Utilico Emerging Markets (Mauritius) of £10.2m (2016: £6.1m) for the settlement of the issue of ordinary shares. On consolidation, transactions between the Company and its subsidiaries have been eliminated.

The following are considered related parties of the Group: the associate of the Group set out under note 9, being East Balkan Properties plc (2016: same); the Board of UEM, ICM and ICMIM (UEM's joint investment managers), ICM Investment Research Limited and ICM Corporate Services (Pty) Ltd.

There were no transactions between the above associates and the Company other than investments in the ordinary course of UEM's business. As detailed in the Directors' Remuneration Report on page 61 the Board received aggregate remuneration of £194,000 (2016: £186,000) included within "Other expenses" for services as Directors. At the year end £45,000 (2016: £51,000) remained outstanding to the Directors. In addition to their fees, the Directors received dividends totalling £73,000 (2016: £89,000) during the year under review in respect of their shareholdings in the Company. There were no further transactions with the Board during the year.

There were no transactions with ICM, ICMIM, ICM Investment Research Limited and ICM Corporate Services (Pty) Ltd, subsidiaries of ICM, other than investment management, secretarial costs, administration fees and performance fees as set out in note 3 and reimbursed expenses included within note 4 of £307,000 (2016: £199,000). At the year end £9,162,000 (2016: £nil) remained outstanding to ICM in respect of performance fee and £830,000 (2016: £713,000) in respect of management and company secretarial fees.

27. GOING CONCERN

The financial statements have been prepared on a going concern basis. The Company's assets consist mainly of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

As at the year end, the Company had a £50m secured multicurrency loan facility with Scotiabank Europe PLC, expiring on 27 April 2018. Drawdowns under the facility are detailed in note 15 to the accounts.

28. FINANCIAL RISK MANAGEMENT

The Group's investment policy is to provide long-term total return by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets. The Group seeks to meet its investment policy 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 the investment policy, the Group is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors, together with the Investment Managers, is responsible for the Group's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below. The Company's underlying risks include the risks within its subsidiaries and therefore only the Group risks are analysed below. The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with IFRS as adopted by the European Union and best practice and include the valuation of financial assets and liabilities at fair value. The Company does not make use of hedge accounting rules.

NOTES TO THE ACCOUNTS
(continued)

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risks

The fair value of equity and other financial securities held in the Group's portfolio and derivative financial instruments fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Group's investment policy and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Managers assess exposure to market risks when making each investment decision and monitor on-going market risk within the portfolio of investments and derivatives. The Group's other assets and liabilities may be denominated in currencies other than Sterling and may also be exposed to interest rate risks. The Investment Managers and the Board regularly monitor these risks. The Group does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Group's exposure to future changes in exchange rates. Gearing may be short or long-term, in Sterling and foreign currencies, and enables the Group to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility. Income earned in foreign currencies is converted to Sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency exposure

The principal currencies to which the Group was exposed during the year are set out below. The exchange rates applying against Sterling at 31 March, and the average rates during the year, were as follows:

	2017	**Average**	2016
BRL – Brazilian Real	**3.9701**	**4.3333**	5.0938
HKD – Hong Kong Dollar	**9.7179**	**10.2004**	11.1485
INR – Indian Rupee	**81.1980**	**88.0112**	95.1816
PHP – Philippine Peso	**62.7413**	**63.3009**	66.1805
RON – Romanian New Leu	**5.3227**	**5.3770**	5.6370
USD – United States Dollar	**1.2505**	**1.3146**	1.4373

28. FINANCIAL RISK MANAGEMENT (continued)

The Group's assets and liabilities at 31 March (shown at fair value, except derivatives at gross exposure value), by currency based on the country of primary exposure, are shown below:

2017	**BRL £'000s**	**HKD £'000s**	**GBP £'000s**	**INR £'000s**	**PHP £'000s**	**RON £'000s**	**USD £'000s**	**Other £'000s**	**Total £'000s**
Other receivables	**15**	**–**	**108**	**251**	**74**	**–**	**–**	**1,518**	**1,966**
Derivative financial instruments – assets	**–**	**–**	**41,502**	**–**	**–**	**–**	**74,373**	**–**	**115,875**
Cash and cash equivalents	**3,149**	**–**	**2,323**	**4,277**	**–**	**–**	**1,625**	**3,962**	**15,336**
Other payables	**–**	**(26)**	**(10,400)**	**–**	**–**	**–**	**(18)**	**(60)**	**(10,504)**
Derivative financial instruments – liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**(39,191)**	**(11,034)**	**(50,225)**
Long-term loans	**–**	**(21,601)**	**–**	**–**	**–**	**–**	**–**	**(25,215)**	**(46,816)**
Net monetary assets/(liabilities)	**3,164**	**(21,627)**	**33,533**	**4,528**	**74**	**–**	**36,789**	**(30,829)**	**25,632**
Investments	**112,164**	**105,869**	**–**	**34,908**	**38,342**	**56,654**	**–**	**224,327**	**572,264**
Deferred tax	**(3,145)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,145)**
Net exposures	**112,183**	**84,242**	**33,533**	**39,436**	**38,416**	**56,654**	**36,789**	**193,498**	**594,751**
Percentage of net exposures	**18.9%**	**14.2%**	**5.6%**	**6.6%**	**6.5%**	**9.5%**	**6.2%**	**32.5%**	**100.0%**

2016	BRL £'000s	HKD £'000s	GBP £'000s	MYR £'000s	RON £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Other receivables	43	123	32	1,284	–	118	–	1,086	2,686
Derivative financial instruments – assets	–	–	–	–	–	–	126,365	–	126,365
Cash and cash equivalents	–	–	26	–	–	–	11,657	926	12,609
Short term loans	–	(18,657)	–	–	–	–	–	–	(18,657)
Other payables	–	(231)	(1,087)	–	–	–	(8)	(461)	(1,787)
Derivative financial instruments – liabilities	–	–	–	–	–	–	(48,355)	–	(48,355)
Net monetary assets/(liabilities)	43	(18,765)	(1,029)	1,284	–	118	89,659	1,551	72,861
Investments	42,987	115,362	–	60,093	38,600	29,827	–	151,770	438,639
Deferred tax	(264)	–	–	–	–	–	–	–	(264)
Net exposures	42,766	96,597	(1,029)	61,377	38,600	29,945	89,659	153,321	511,236
Percentage of net exposures	8.4%	18.9%	(0.2%)	12.0%	7.5%	5.9%	17.5%	30.0%	100.0%

NOTES TO THE ACCOUNTS
(continued)

28. FINANCIAL RISK MANAGEMENT (continued)

Based on the financial assets and liabilities held, and exchange rates applying, at each Balance Sheet date, a weakening or strengthening of Sterling against each of these currencies by 10% would have had the following approximate effect on annualised income after tax and on NAV per ordinary share:

Weakening of Sterling	**BRL £'000s**	**HKD £'000s**	**INR £'000s**	**PHP £'000s**	**RON £'000s**	**2017 USD £'000s**	BRL £'000s	HKD £'000s	MYR £'000s	RON £'000s	THB £'000s	2016 USD £'000s
Income Statement return after tax												
Revenue return	**263**	**221**	**148**	**32**	**353**	**529**	222	1,083	76	200	99	(3)
Capital return	**12,463**	**9,360**	**4,382**	**4,260**	**6,295**	**4,088**	4,747	10,719	6,820	4,289	3,327	9,962
Total return	**12,726**	**9,581**	**4,530**	**4,292**	**6,648**	**4,617**	4,969	11,802	6,896	4,489	3,426	9,959
NAV per share												
Basic – pence	**6.02**	**4.53**	**2.14**	**2.03**	**3.14**	**2.18**	2.35	5.58	3.26	2.12	1.62	4.71

Strengthening of Sterling	**BRL £'000s**	**HKD £'000s**	**INR £'000s**	**PHP £'000s**	**RON £'000s**	**2017 USD £'000s**	BRL £'000s	HKD £'000s	MYR £'000s	RON £'000s	THB £'000s	2016 USD £'000s
Income Statement return after tax												
Revenue return	**(263)**	**(221)**	**(148)**	**(32)**	**(353)**	**(529)**	(222)	(1,083)	(76)	(200)	(99)	3
Capital return	**(12,463)**	**(9,360)**	**(4,382)**	**(4,260)**	**(6,295)**	**(4,088)**	(4,747)	(10,719)	(6,820)	(4,289)	(3,327)	(9,962)
Total return	**(12,726)**	**(9,581)**	**(4,530)**	**(4,292)**	**(6,648)**	**(4,617)**	(4,969)	(11,802)	(6,896)	(4,489)	(3,426)	(9,959)
NAV per share												
Basic – pence	**(6.02)**	**(4.53)**	**(2.14)**	**(2.03)**	**(3.14)**	**(2.18)**	(2.35)	(5.58)	(3.26)	(2.12)	(1.62)	(4.71)

These analyses are broadly representative of the Group's activities during the current and prior year as a whole, although the level of the Group's exposure to currencies fluctuates in accordance with the investment and risk management processes.

28. FINANCIAL RISK MANAGEMENT (continued)

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate risks at 31 March is shown below:

	Within one year £'000s	**More than one year £'000s**	**2017 Total £'000s**	Within one year £'000s	More than one year £'000s	2016 Total £'000s
Exposure to floating rates						
– Cash	**15,336**	**–**	**15,336**	12,609	–	12,609
– Loans	**–**	**(46,816)**	**(46,816)**	(18,657)	–	(18,657)
	15,336	**(46,816)**	**(31,480)**	(6,048)	–	(6,048)
Net exposures						
– At year end	**15,336**	**(46,816)**	**(31,480)**	(6,048)	–	(6,048)
– Maximum in year	**3,150**	**(47,075)**	**(43,925)**	(31,336)	–	(31,336)
– Minimum in year	**18,228**	**(19,675)**	**(1,447)**	(3,598)	–	(3,598)

	Exposure to floating interest rates £'000s	**Fixed interest rates £'000s**	**Total £'000s**	Exposure to floating interest rates £'000s	Fixed interest rates £'000s	Total £'000s
Net exposures						
– Maximum in year	**(43,925)**	**–**	**(43,925)**	(31,336)	–	(31,336)
– Minimum in year	**(1,447)**	**–**	**(1,447)**	(3,598)	–	(3,598)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Group arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts and loans is at ruling market rates. The Group's total returns and net assets are sensitive to changes in interest rates on cash and borrowings. Based on the financial assets and liabilities held and the interest rates pertaining at each balance sheet date, a relative decrease or increase in market interest rates by 2% would have had the following approximate effects on the income statement revenue and capital returns after tax and on the NAV per ordinary share.

	Increase in rate £'000s	**2017 Decrease in rate £'000s**	Increase in rate £'000s	2016 Decrease in rate £'000s
Revenue return	**(189)**	**189**	(76)	76
Capital return	**(441)**	**441**	(176)	176
Total return	**(630)**	**630**	(252)	252
NAV per share				
Basic – pence	**(0.30)**	**0.30**	(0.12)	0.12

NOTES TO THE ACCOUNTS
(continued)

28. FINANCIAL RISK MANAGEMENT (continued)

Other market risk exposures

The portfolio of investments, valued at £572,264,000 as at 31 March 2017 (2016: £438,639,000) is exposed to market price changes. The Group enters into currency and index options in managing its exposure to other market risks. The Investment Managers assess these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out on page 20. The Investment Managers have operated a strategic market position via the purchase and sale of equity index put and call options, principally on the S&P500 Index. The level of the position is kept under constant review, and will depend upon several factors including the relative performance of markets, the price of options as compared to the market and the Investment Managers' view of likely future volatility and market movements. As at 31 March 2017 UEM's net position was 350 S&P put options (2016: 275 S&P put options). The total position was valued at £2.4m at year end (2016: £3.3m). The exposure on the Group's options at 31 March was as follows:

	2017 £'000s	2016 £'000s
Current assets		
Put index options	**74,373**	119,756
Call index options	**–**	6,609
	74,373	126,365
Current liabilities		
Put index options	**(9,357)**	41,397
Call index options	**–**	6,958
	(9,357)	48,355

Based on the portfolio of investments at each balance sheet date and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the Income Statement capital return after tax and on the basic NAV per ordinary share:

	2017 Increase in value	**2017 Decrease in value**	2016 Increase in value	2016 Decrease in value
Income Statement capital return £'000s	**111,088**	**(111,308)**	86,438	(87,464)
NAV per share				
Basic – pence	**52.55**	**(52.65)**	40.88	(41.36)

(b) Liquidity risk exposure

The Group is required to raise funds to meet commitments associated with financial instruments. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Group not having sufficient liquidity at any time is not considered by the Board to be significant given: the number of quoted investments held in the Group's portfolio (82 at 31 March 2017); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts on page 20); and the existence of the Scotiabank loan facility agreement expiring on 27 April 2018. The Company will either extend or replace the facility or repay the outstanding debt when due from portfolio realisations.

Cash balances are held with reputable banks.

28. FINANCIAL RISK MANAGEMENT (continued)

The Investment Managers review liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Group has loan facilities of £50m as set out in note 15. The remaining contractual maturities of the financial liabilities at 31 March, based on the earliest date on which payment can be required, were as follows:

2017	**Three months or less £'000s**	**More than three months but less than one year £'000s**	**More than one year £'000s**	**Total £'000s**
Other payables	**10,504**	**–**	**–**	**10,504**
Put index options	**9,356**	**–**	**–**	**9,356**
Forward foreign exchange contracts	**40,869**	**–**	**–**	**40,869**
Bank loans	**–**	**–**	**46,816**	**46,816**
	60,729	**–**	**46,816**	**107,545**

2016	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Other payables	1,787	–	–	1,787
Put index options	48,355	–	–	48,355
Bank loans	18,657	–	–	18,657
	68,799	–	–	68,799

(c) Credit risk and counterparty exposure

The Group is exposed to potential failure by counterparties to deliver securities for which the Group has paid, or to pay for securities which the Group has delivered. The Board approves all counterparties used by the Company in such transactions, which must be settled on the basis of delivery against payment (except where local market conditions do not permit). A list of pre-approved counterparties is maintained and regularly reviewed by ICMIM, by the Administrator and by the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Cash and deposits are held with reputable banks.

The Company has an on-going contract with its custodians for the provision of custody services. The contracts are reviewed regularly. Details of securities held in custody on behalf of the Company are received and reconciled monthly. To the extent that the Investment Managers and FCM carry out duties (or cause similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the Investment Managers and the business risk team of FCM.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk at 31 March was as follows:

Current assets	**31 March £'000s**	**2017 Maximum exposure in the year £'000s**	31 March £'000s	2016 Maximum exposure in the year £'000s
Cash at bank	**15,336**	**26,211**	12,609	13,592
Financial assets through profit or loss				
– derivatives (put options and call options)	**65,017**	**132,021**	78,010	78,010
– derivatives (forward foreign exchange contracts)	**41,502**	**41,502**	–	–

None of the Group's financial assets is past due or impaired.

NOTES TO THE ACCOUNTS
(continued)

28. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Group are, in the opinion of the Directors, reflected in the balance sheet at fair value, or at a reasonable approximation thereof. Borrowings under loan facilities do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into Sterling at exchange rates ruling at each valuation date.

Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments.

The Directors regularly review the principles applied by the Investment Managers to those valuations to ensure they comply with the Group's accounting policies and with fair value principles.

The Group level 3 financial instruments at the year end were valued at £19.9m (2016: £14.2m)

The valuation model is based on market multiples and valuations derived from quoted prices of companies comparable to the investee company. The estimated value is adjusted for the effect of the non-marketability of the equity securities.

The unobservable inputs have been consistently followed for both the years ended 31 March 2016 and 2017.

(e) Capital risk management

The investment policy of the Group is stated as being to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets. The capital of the Group comprises ordinary share capital and reserves equivalent to the net assets of the Group. In pursuing the long-term investment policy, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buyback share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term (up to a limit of 25% of gross assets); and pay dividends to shareholders out of reserves. Changes to ordinary share capital are set out in note 18. Dividend payments are set out in note 8. Loans are set out in notes 13 and 15.

29. ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, ICMIM, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy are available on ICMIM's website at www. icmim.limited, Pillar 3 disclosure.

The Company's maximum and actual leverage as at 31 March 2017 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	300%	300%
Actual	122%	121%

The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

30. SECURITIES FINANCING TRANSACTIONS ("SFT")

The Group has not, in the year to 31 March 2017 (2016: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Utilico Emerging Markets Limited, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the 2017 Annual General Meeting of Utilico Emerging Markets Limited will be held at Waldorf Astoria Hotel, Gershon Agron Street 26–28, Jerusalem, 9419008, Israel, on Monday, 18 September 2017 at 9:00am (local time) for the following purposes:

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

ORDINARY BUSINESS:

1. To confirm the Minutes of the last General Meeting.
2. To receive and adopt the Report of the Directors, the Auditor's Report and the accounts for the year ended 31 March 2017.
3. To approve the Directors' Remuneration Report for the year ended 31 March 2017.
4. To approve the Directors' Remuneration Policy.
5. To re-elect Mr A Muh as a Director.
6. To re-elect Mr G A Madeiros, who retires annually, as a Director.
7. To re-elect Mrs S Hansen, who retires annually, as a Director.
8. To re-elect Mr G P D Milne, who retires annually, as a Director.
9. To re-appoint KPMG LLP as auditor of the Company.
10. To authorise the Directors to determine the auditor's remuneration.

SPECIAL BUSINESS:

11. **As an Ordinary Resolution:** That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 10p in the Company ("Ordinary Shares"), the Company be and it is generally and unconditionally authorised to make market purchases of Ordinary Shares, provided that:
    (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 31,689,800 (being the equivalent of 14.99% of the issued Ordinary Shares as at the date of this notice);
    (b) the minimum price which may be paid for an Ordinary Share shall be 10 pence;
    (c) the maximum price (exclusive of expenses payable by the Company) which may be paid for an Ordinary Share shall be the higher of:
        (i) 105% of the average of the middle market quotations of the Ordinary Shares for the five business days prior to the date on which such shares are contracted to be purchased; and
        (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;
    (d) such purchases shall be made in accordance with the Bermuda Companies Act; and
    (e) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting in 2018 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the expiration of such authority.
12. **As an Ordinary Resolution:** That, in substitution for the Company's existing authority to make market purchases of subscription shares in the Company ("Subscription Shares") and in addition to any authority to make purchases of ordinary shares of 10p each, the Company be and it is generally and unconditionally authorised to make market purchases of Subscription Shares, provided that:

NOTICE OF ANNUAL GENERAL MEETING
(continued)

(a) the maximum number of Subscription Shares hereby authorised to be purchased is 5,670,400 (being the equivalent of 14.99% of the issued Subscription Shares as at the date of this notice);
(b) the minimum price which may be paid for a Subscription Share shall be 0.005 pence;
(c) the maximum price (exclusive of expenses payable by the Company) which may be paid for a Subscription Share shall be the higher of:
   (i) 105% of the average of the middle market quotations of the Subscription Shares for the five business days prior to the date on which such shares are contracted to be purchased; and
   (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;
(d) such purchases shall be made in accordance with the Bermuda Companies Act; and
(e) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting in 2018 save that the Company may, prior to such expiry, enter into a contract to purchase Subscription Shares which will or may be completed or executed wholly or partly after the expiration of such authority.

13. **As a Special Resolution:** That, for the purpose of Bye-law 11 of the Company's Bye-laws, the Company may issue Relevant Securities (as defined in the Bye-laws) representing up to 10,570,300 Ordinary Shares, equivalent to approximately 5% of the total number of Ordinary Shares in issue as at the date of this notice otherwise than on a pre-emptive basis, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution (as defined in the Bye-laws)) at the earlier of the conclusion of the Annual General Meeting to be held in 2018 or 18 months from the date of this resolution but so that this power shall enable the Company to make such offers or agreements before such expiry which would or might otherwise require Relevant Securities to be issued after such expiry and the Directors may issue Relevant Securities in pursuance of such offer or agreement as if such expiry had not occurred.

By order of the Board
ICM Investment Management Limited, Secretary
16 June 2017

Notes

1. Only the holders of ordinary shares registered on the register of members of the Company at the close of business on 15 September 2017 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 the close of business on 15 September 2017 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. 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.
3. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any person holding 5% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules need not make a separate notification to the Company and the Financial Conduct Authority.
4. Any such person holding 5% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
5. A form of proxy is provided with this notice of meeting. 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 (Bermuda) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 7:00 am (BST) on 15 September 2017. Shareholders may also lodge their votes electronically by visiting the website www.eproxyappointment.com (the on-screen instructions will give details on how to complete the instruction process).

In view of this requirement, investors holding shares in the Company through a depository interest should ensure that Forms of Instruction are returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 4:00 pm (BST) on 14 September 2017 or give an instruction via the CREST system as detailed below.

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by not later than 4:00 pm (BST) on 14 September 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

6. 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.
7. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Company's Bye-laws. The letters of appointment are available for inspection on request at the Company's registered office and at the annual general meeting.
8. The fourth quarterly interim dividend of 1.70p per ordinary share in respect of the year ended 31 March 2017 was paid on 16 June 2017 to the relevant holders on the register at the close of business on 2 June 2017.

COMPANY INFORMATION

DIRECTORS
John Rennocks (Chairman)
Garth Milne (Deputy Chairman)
Susan Hansen
Garry Madeiros OBE
Anthony Muh

REGISTERED OFFICE
34 Bermudiana Road,
Hamilton HM 11, Bermuda

Company Registration Number: 36941

AIFM, JOINT PORTFOLIO MANAGER AND SECRETARY
ICM Investment Management Limited
PO Box 208, Epsom, Surrey, KT18 7YF
Telephone 01372 271486

Authorised and regulated in the UK
by the Financial Conduct Authority

JOINT PORTFOLIO MANAGER
ICM Limited
34 Bermudiana Road
Hamilton HM 11, Bermuda

ASSISTANT SECRETARY
BCB Charter Corporate Services Limited
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Hamilton HM 11, Bermuda

ADMINISTRATOR
F&C Management Limited (trading as BMO GAM)
Exchange House, Primrose Street,
London EC2A 2NY

Authorised and regulated in the UK
by the Financial Conduct Authority

BROKER
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by the Financial Conduct Authority

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London SE1 2AQ

LEGAL ADVISOR TO THE COMPANY
(as to Bermuda law)
Appleby (Bermuda) Limited
Canon's Court, 22 Victoria Street,
Hamilton HM 12, Bermuda

REPORTING ACCOUNTANTS AND REGISTERED AUDITOR
KPMG LLP
15 Canada Square,
London E14 5GL

Member of the Institute of
Chartered Accountants in England and Wales

DEPOSITARY SERVICES PROVIDER
J.P. Morgan Europe Limited
25 Bank Street, Canary Wharf,
London E14 5JP

Authorised and regulated in the UK
by the Financial Conduct Authority

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St Helier, Jersey JE4 8QH

Bermuda Commercial Bank Limited
34 Bermudiana Road,
Hamilton HM 11, Bermuda

REGISTRAR
Computershare Investor Services (Bermuda) Limited
5 Reid Street,
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Telephone +44 (0) 370 707 4040

REGISTRAR TO THE DEPOSITARY INTERESTS AND CREST AGENT
Computershare Investor Services PLC
The Pavilions, Bridgwater Road,
Bristol BS99 6ZY

COMPANY BANKER
Scotiabank Europe PLC
201 Bishopsgate, 6th Floor,
London EC2M 3NS

HISTORICAL PERFORMANCE

at 31 March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total return(1) (annual) (%)	**26.2**	1.7	12.4	(3.4)	20.9	3.4	19.5	51.1	(32.9)	18.5	25.3
Annual compound total return(2) (since inception) (%)	**12.1**	10.9	11.9	11.8	13.9	12.9	14.7	13.7	5.3	24.4	28.1
Undiluted NAV per ordinary share (pence)	**251.72**	206.45	209.79	192.38	205.49	175.60	175.28	157.33	107.76	168.39	146.45
Diluted NAV per ordinary share (pence)	**241.29**	202.52	209.79(3)	192.38(3)	205.49(3)	175.60(3)	175.28(3)	148.37	106.51	157.20	138.80
Ordinary share price (pence)	**214.50**	178.50	188.50	180.00	191.20	164.00	157.75	132.00	95.50	153.75	137.25
(Discount)/premium(4) (%)	**(11.1)**	(11.9)	(10.1)	(6.4)	(7.0)	(6.6)	(10.0)	(11.0)	(10.3)	(2.2)	(1.1)
Earnings per ordinary share (basic)											
– Capital (pence)	**44.46**	(5.50)	18.53	(12.13)	30.71	1.19	25.63	48.57	(60.28)	17.89	34.19
– Revenue (pence)	**7.80**	8.23	4.98	4.80	5.20	4.12	5.61	4.67	5.08	5.24	2.96
Total (pence)	**52.26**	2.73	23.51	(7.33)	35.91	5.31	31.24	53.24	(55.20)	23.13	37.15
Dividends per ordinary share (pence)	**6.65**	6.40	6.10	6.10	5.80	5.50	5.20	4.80	4.80	4.80	2.70
Equity holders' funds (£m)	**532.2**	436.6	447.4	410.2	442.9	378.5	383.2	319.9	230.7	359.5(5)	241.6(6)
Gross assets(7) (£m)	**579.0**	455.2	479.2	433.4	452.1	382.9	393.4	344.5	272.5	441.3(5)	288.6(6)
Ordinary shares bought back (£m)	**10.0**	3.0	–	3.9	–	4.9	11.5	16.0	0.2	–	–
Cash/(overdraft) (£m)	**15.3**	12.6	0.5	(0.9)	2.6	(1.8)	(0.7)	2.0	24.1	11.9	19.9
Bank debt (£m)	**(46.8)**	(18.7)	(31.9)	(23.1)	(9.2)	(4.4)	(10.2)	(24.7)	(41.8)	(79.9)	(45.0)
Net debt (£m)	**(31.5)**	(6.1)	(31.4)	(24.0)	(6.6)	(6.2)	(10.9)	(22.7)	(17.7)	(68.0)	(25.1)
Net debt gearing on gross assets (%)	**5.4**	1.3	6.6	5.5	1.5	1.6	2.8	6.6	6.5	15.5	8.8
Management and administration fees											
– excluding performance fee (£m)	**5.2**	4.5	4.6	3.7	3.4	3.9	3.1	2.5	2.7	3.1	2.1
– including performance fee (£m)	**14.3**	4.5	7.7	3.7	12.9	3.6	9.6	2.5	2.7	6.5	9.2
Ongoing charges(8)											
– excluding performance fee (%)	**1.1**	1.1	1.1	0.9	0.8	0.9	0.8	0.8	0.7	0.8	0.9
– including performance fee (%)	**2.9**	1.1	1.8	0.9	3.2	0.9	2.5	0.8	0.7	1.7	4.0

(1) Total return is calculated based on NAV per ordinary share plus dividends reinvested from the payment date and adjusted for the exercise of warrants and subscription shares
(2) Annual compound total return is calculated based on NAV per ordinary share plus dividends reinvested from the payment date and adjusted for the exercise of warrants and subscription shares
(3) There was no dilution
(4) Based on diluted NAV
(5) Includes the £85.0m fund raising in December 2007
(6) Includes the £100.0m fund raising in May 2006
(7) Gross assets less liabilities excluding loans
(8) Expressed as percentage of average net assets, ongoing charges comprise all operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments

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