UTILICO EMERGING MARKETS LIMITED

Report and Accounts 2008

Ingot Capital Management Pty Ltd

CONTENTS

FINANCIAL CALENDAR

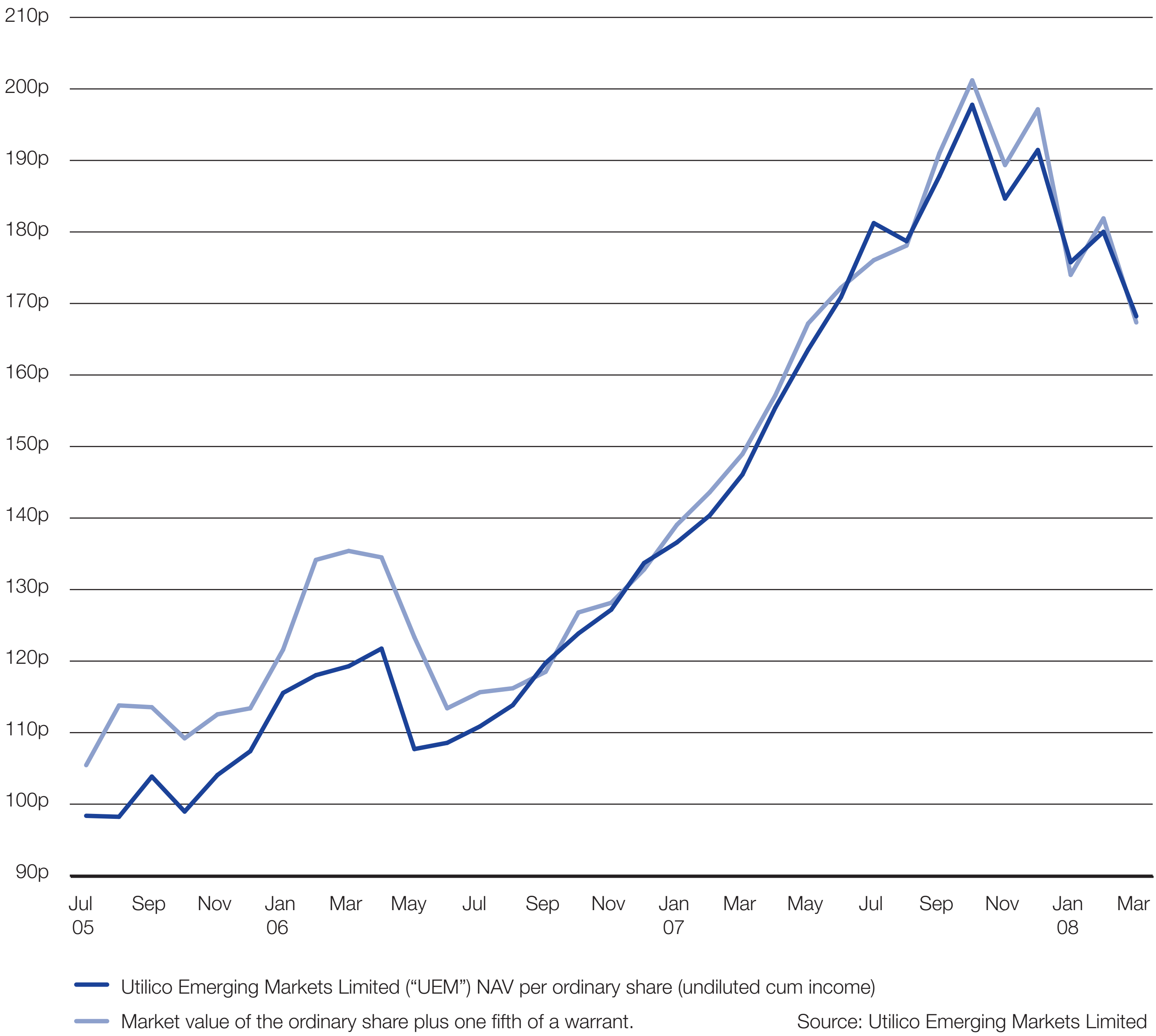
Ordinary shares ex-dividend	18 June 2008
Dividend payment	4 July 2008
AGM	5 September 2008
Half year September 2008 announcement	December 2008

The Company is listed on AIM, the Bermuda Stock Exchange and the Channel Islands Stock Exchange. The Company’s ordinary shares and S shares can be held in a PEP/ISA. The warrants are not eligible for inclusion in a PEP or ISA.

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

UEM recorded a profit for the year of £38.9m resulting in the undiluted net asset value per ordinary share increasing from 146.45p to 168.39p. UEM has delivered an annual compound return (including dividends) of 24.5% since inception in July 2005.

UEM ordinary share plus one fifth of a warrant and NAV performance
From 20 July 2005 to 31 March 2008

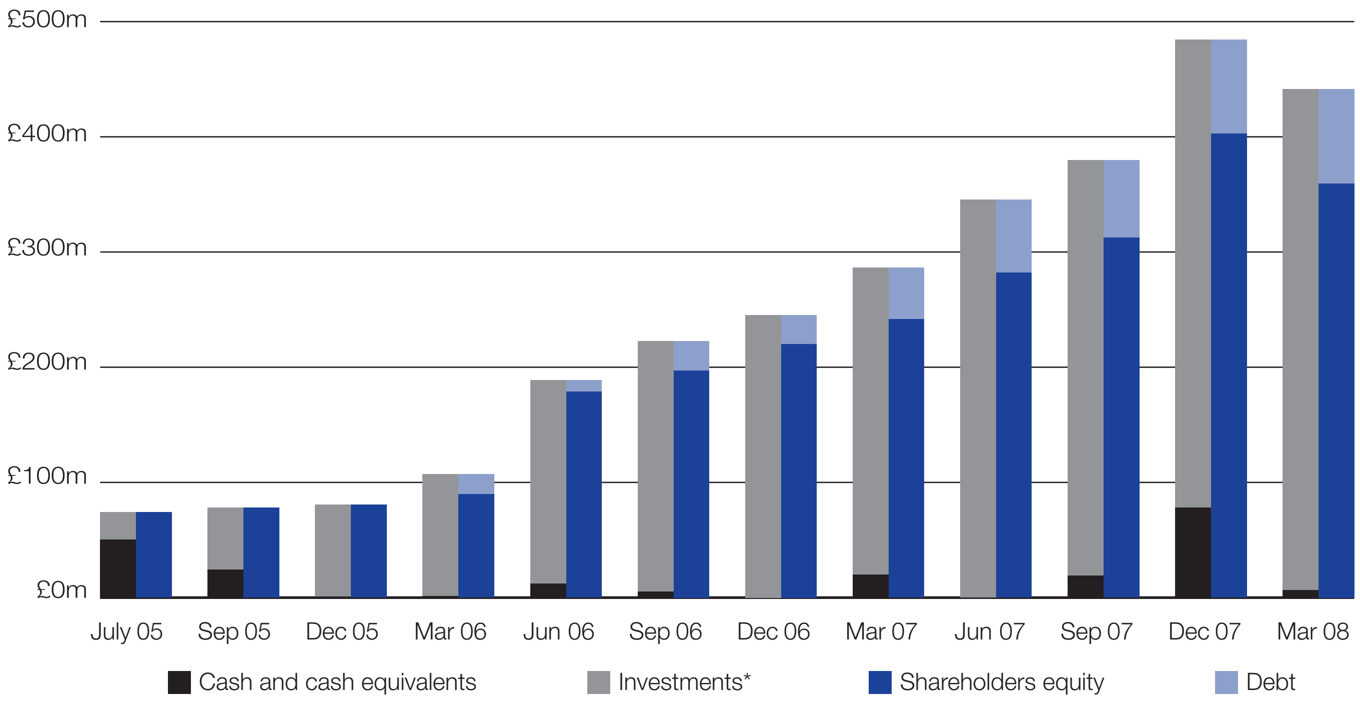


Source: Utilico Emerging Markets Limited

- Profit for the year of £38.9m
- Revenue account earnings per ordinary share of 5.24p up 28.4%(1)
- Dividends per ordinary share of 4.80p (final 1.30p) up 77.8%
- Gross assets (less liabilities excluding loans) increased to £439.4m, up 53.3%
- Net asset value increased to 168.39p up 15.0%
- Total return of 26.14p (including dividends paid) a gain of 17.8%
- Increased capital by £85.0m in December 2007
- Increased bank facility to £80.0m from £60.0m
- Gain on options £17.1m

(1) Based on pro forma March 2007 revenue earnings per ordinary share of 4.08p assuming revised allocation.

UEM portfolio progression and capital structure
(From 20 July 2005 to 31 March 2008)



*gross assets less liabilities excluding loans

Source: Utilico Emerging Markets Limited

PERFORMANCE SUMMARY

	31 March 2008	31 March 2007	31 March 2006(1)	20 July 2005(2)	Change % 2008/07	Change % 2007/06	Change % 2006/05
Undiluted net asset value per ordinary share	**168.39p**	146.45p	119.48p	98.36p	**15.0**	22.6	21.5
Diluted net asset value per ordinary share	**157.20p**	138.80p	116.23p	98.36p(3)	**13.3**	19.4	18.2
Ordinary share price	**153.75p**	137.25p	126.00p	100.00p	**12.0**	8.9	26.0
(Discount)/Premium(4)	**(2.2%)**	(1.1%)	8.4%	1.7%			
Earnings per ordinary share (basic)							
– Capital	**17.89p**	34.19p	19.50p	n/a	**(47.7)**	75.3	n/a
– Revenue	**5.24p**	2.96p	1.62p	n/a	**77.0**	82.7	n/a
– Total	**23.13p**	37.15p	21.12p	n/a	**(37.7)**	75.9	n/a
Dividends per ordinary share							
– Interim dividend per ordinary share paid	**3.50p**	2.00p	–	n/a	**75.0**	n/a	n/a
– Final dividend per ordinary share declared(5) (2007 and 2006 paid)	**1.30p**	0.70p	1.50p	n/a	**85.7**	(53.3)	n/a
– Total	**4.80p**	2.70p	1.50p	n/a	**77.8**	80.0	n/a
Equity holders' funds (£m)	**359.5(7)**	241.6(6)	89.7	73.8	**48.8**	169.4	21.5
Gross assets (£m)(8)	**439.4(7)**	286.6(6)	107.2	73.8	**53.3**	169.2	45.3
Bank debt (£m)	**79.9**	45.0	17.5	–	**77.5**	157.2	n/a
Gearing on gross assets	**18.2%**	15.7%	16.3%	–			
Management and administration fees (£m)(9)	**3.1**	2.1	0.8	n/a	**47.6**	n/a	n/a
Total expense ratio(10)	**0.8%**	0.9%	0.9%	n/a			

(1) Period from 9 June 2005, the date of incorporation of the Company to 31 March 2006.
(2) Date of admission to trading on Alternative Investment Market.
(3) There was no dilution.
(4) Based on diluted net asset value.
(5) The dividends declared have not been included as a liability in these accounts.
(6) Includes £100.0m fund raising in May 2006.
(7) Includes £85.0m fund raising in December 2007.
(8) Gross assets less liabilities excluding loans.
(9) Excluding performance fee, including other expenses.
(10) Management and administration fees over monthly average gross assets

UEM seeks to invest in undervalued investments in the fast growing infrastructure and utility sectors mainly in emerging markets.

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

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

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

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

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

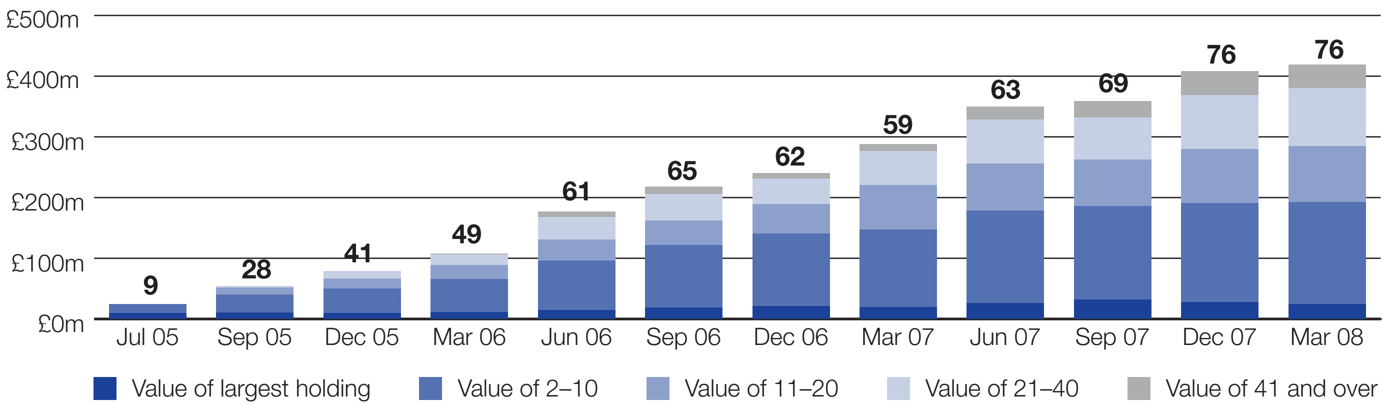
UEM seeks to identify and invest in undervalued investments in the fast growing infrastructure and utility sectors mainly in emerging markets. The Company aims to identify securities where underlying values and growth prospects are not reflected in the market price. This is often as a result of strong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

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

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

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

Portfolio progression and number of companies
From 20 July 2005 to 31 March 2008



Source: Utilico Emerging Markets Limited

Gross assets less liabilities excluding loans increased from £286.6m to £439.4m, up 53.3%. This represents a significant step change in UEM's size.

Inflation is a rising factor for economies and distortions in the commodity markets, especially soft commodities, are a concern. Longer-term we continue to expect sound economic progress in the emerging markets and UEM's portfolio is positioned to benefit from this.

I am pleased to report that Utilico Emerging Markets Limited's ("UEM's") undiluted NAV per ordinary share recorded a gain of 15.0% from 146.45p to 168.39p in the full year. Adding back dividends paid during the year of 4.2p the gain was 17.8%. The average annual compound return per ordinary share including dividends since inception stood at 24.5% at the end of the year.

There was a deepening of the issues facing the markets, including the emerging markets, in the second half of the year. As a result, markets retreated and volatility increased sharply. UEM was not immune from this and its undiluted NAV per ordinary share declined from 187.80p at the half year to 168.39p at year end.

Over the year the MSCI Emerging Markets Index gained 17.3% ahead of UEM's 15.0%. Since inception UEM's NAV per ordinary share has gained 71.2% while the MSCI Emerging Markets Index has gained 64.7%.

UEM raised £85.0m in December 2007 by way of a C share and subscription share issue and these funds were fully invested shortly after the year end. At this time the Company listed on the Channel Islands Stock Exchange to permit the ordinary shares, C shares and S shares to qualify for inclusion in PEP/ISAs in the UK. At the end of February 2008 the C shares were converted into ordinary shares on the basis of 55.46 ordinary shares for every 100 C shares. The subscription shares were converted into S shares on the basis of 54.23 S shares for every 100 subscription shares.

During the year the bank facility was increased from £60.0m to £80.0m. Having started the year with £45.0m drawn, UEM ended the year with £79.9m drawn, an increase of £34.9m. UEM started the year with a gross contracts for difference ("CFD") position of £14.1m. Towards the end of March 2008, UEM took the majority of the position onto its balance sheet using its cash balances.

The gross assets less liabilities excluding loans increased by 53.3% from £286.6m to £439.4m, as a result of the gains in the year, the C share issue and increased bank debt offset by the reduction in the CFD positions This represents a significant step change in UEM's size, and improves the Company's strategic position.

Once again UEM's revenue earnings per share remained strong at 5.24p for the year. The second half was again lower than the first half as a result of the higher weighting of dividends received in the first half of the year. At 5.24p this represents an increase of 28.4% over the 2007 pro forma revenue earnings per share of 4.08p and is ahead of expectations.

The Board declared an interim dividend of 3.50p in the first half (2.00p in 2007) and is declaring a final dividend of 1.30p (0.70p in 2007) bringing the total dividends to 4.80p (2.70p in 2007). The Board is introducing a Dividend Reinvestment Plan and this will be in place for the interim dividend payable in December 2008.

The income statement for the year to 31 March 2008 is based on the changed allocation policy previously reported to shareholders to capitalise 70.0% of finance costs and management fees. Total management fees (excluding the performance fee) and administration costs were £3.1m for the year giving rise to a TER ratio of 0.8%, slightly lower than last year.

A key feature for the year has been the strong net gains on derivative instruments. These contributed £15.2m to total income up from £2.5m in the prior period. This represents in the main, gains from the net put option positions held by UEM. This hedge has been actively managed and gave rise to gains of £17.1m. Currently these positions are being moved closer to a market neutral position.

A performance fee of £2.8m was payable to the investment manager, Ingot Capital Management Pty Limited ("ICM"). In prior years this has been paid after the publication of the Report and Accounts. However, as half of the fee is payable in shares this gives rise to a premium or discount at the time of issue depending on the share price at the time. To reduce this risk going forward, the board have resolved to settle the performance fee as soon as practicable following the year end.

UEM's shares have seen their discount widen marginally as a result of market uncertainty, from 1.1% at the start of the year to 2.2% at the end of the year. On a combined basis the market capitalisation of UEM's ordinary shares, S shares and warrants was £357.0m at the year end, a discount of 0.6% to UEM's net assets.

Since the year end, UEM has seen its portfolio valuations strengthen. As at 31 May 2008 the undiluted NAV per ordinary share stood at 181.05p, up 7.5% on the year end value.

Markets remain unsettled. The majority of our investee companies are reporting good results. However, the difficulties which continue in the main to face credit markets are expected to reduce levels of economic activity for this year. Rising inflation is a factor for economies and distortions in the commodity markets, especially soft commodities, are a concern, more so if political stability is challenged as a result. Longer term we continue to expect sound economic progress in the emerging markets and UEM's portfolio is positioned to benefit from this.

Alexander Zagoreos
June 2008

The Company's objective of absolute return was achieved once again with total returns of 26.14p (including dividends paid) a gain of 17.8%.

Taking into account dividends paid, the annual compound return for UEM's shareholders since inception has been 24.5%. Since inception UEM's NAV per ordinary share has gained 71.2% while the MSCI EMF Index (sterling adjusted) has gained 64.7%.

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Strategy

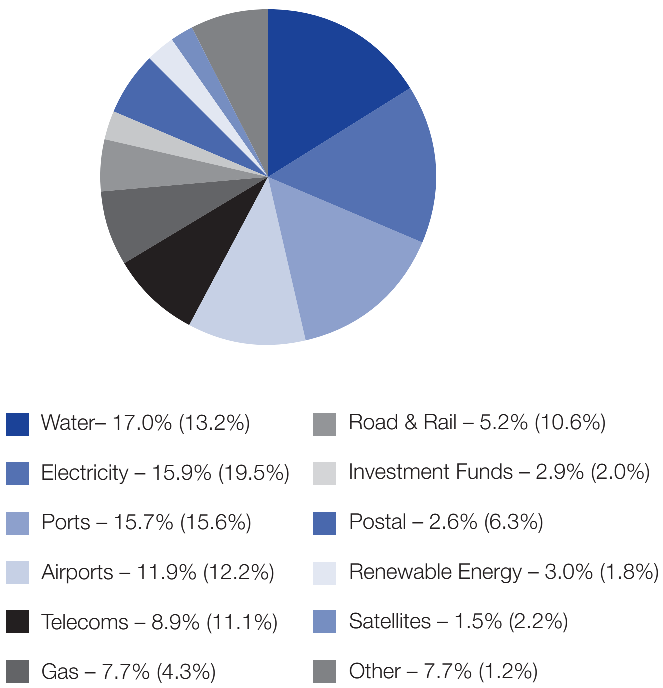
UEM is running a long equity market portfolio, predominantly invested in local companies in emerging markets with strong domestic economies. Investments are predominantly in countries which offer sound economic fundamentals and, on the whole, strengthening currencies. UEM has bank debt and CFDs, both of which are used to increase leverage and diversify risk. Further, UEM's put options offer both a level of protection and liquidity. The portfolio, on balance, offers both capital and earnings growth potential and the costs of UEM are controlled. The above has led to a balanced and positive outcome in capital, revenue and cost level.

Portfolio

UEM raised £85.0m by way of a C share issue in December 2007 and also increased its bank facilities from £60.0m to £80.0m during the year. UEM invested all but £5.8m of the C share issue by year-end and increased its bank drawings from £45.0m to £79.9m, an increase of £34.9m. UEM increased its CFD position during the year but then significantly reduced it at year-end due to increasing concerns about counter-party risk. Having started with a gross CFD position of £14.1m, UEM ended the year with a gross position of £4.7m.

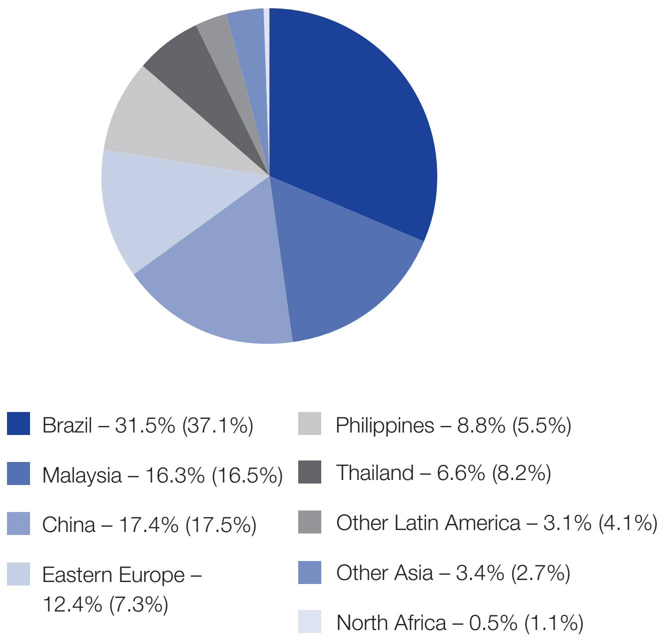
The above, together with the profit for the year, resulted in the value of the investments increasing sharply from £273.7m to £441.4m. At the time of raising the £85.0m and increasing the bank facility, it was anticipated that the portfolio concentration would reduce further. This has happened with the top ten now accounting for 42.7%, down from 47.7% at the half-year and 48.3% at the end of last year. The number of investments, having peaked at 80 and has been reduced to 76.

Sectoral split of investments
as at 31 March 2008



Source: Utilico Emerging Markets Limited

Geographical split of investments
as at 31 March 2008



Percentages in brackets: as at 31 March 2007 as per published re-classified figures in September 2007 semi-annual report and accounts

The portfolio itself has seen changes driven by both investments made and market values. This is amply reflected by Datang International Power Generation Co Ltd which was the fifth largest holding last year at £15.5m, rose to first at the half year at £31.0m and ended the year at ninth position with a value of £12.7m. The gain reflects a strong upward swing in valuations; the decline reflects a downward revision coupled with realisations. During the year £10.1m of the position was realised for cash. As such, the overall gain was £7.3m or 47.1% on the opening position. This reflects some of the stresses and changes UEM faced in the portfolio.

Within the top ten we have seen the inclusion of Malaysia Airports Holdings at number three. Malaysia Airports was number twelve last year and has moved up as a result of investment. Malaysia Airports benefited from the strong regional growth in air travel and has both the capacity and location to continue to provide long-term sustainable growth. Malaysia Airports entered the top ten at the half year.

Equest Balkan Properties plc, a recent investment for UEM entered the top ten at number four. Equest Balkan is a property company operating in the Balkans, principally Romania and Bulgaria. The reported NAV at 31 December 2007 was 110.00p. UEM purchased a 19.9% stake at an average cost of 73.02p; this represents a discount of 33.6% to the recently reported NAV and a diversity in asset class and region for UEM. Charles Jillings has been appointed to the board of Equest Balkan.

Eastern Water Resources has risen to number ten from number fifteen last year. Eastern Water Resources principal business is the supply of untreated water in Thailand on the Eastern Seaboard south of Bangkok.

Companhia de Concessoes Rodoviarias ("CCR") and Beijing Capital International Airport are both no longer in the top ten as a result of selling down and lower valuations. CCR and Beijing Capital were one and ten as at 31 March 2007 respectively.

POS Malaysia and Services Holdings ("POSM") which was third last year has been a disappointment in the short term. Following the Malaysian elections, the local market back significantly reduced the value of those investments which are seen as political. POSM clearly falls in this category. Its shares are down from MYR 316.0 to MYR 188.0 over the last twelve months, a loss of 40.5%. POSM has both the opportunity and the stated objective of improving its performance. Whether it has the political support to become an efficient, well managed, profitable service to the public will remain an issue and overhang the shares in the short term.

While companies in the portfolio have differing year ends, it is interesting to note the operating companies' growth in earnings before interest, tax, depreciation and amortisation ("EBITDA") at the last reported year-end for each as a yardstick. Looking at the top 10, Companhia de Gas de Sao Paulo ("Comgas") gained 7.6%, Ocean Wilsons 1.4%, Malaysia Airport 42.6%, Saneamento Basico do Estado de Sao Paulo ("SABESP") 11.2%, International Container Terminals 25.7%, Puncak Niaga 16.3%, AES Tiete 0.2%, Datang Power 25.5% and Eastern Water 3.6%. As a quick comment, the majority obviously reflect strong progress. Comgas is modest as expected, due to the fact that gas supplies are currently limited. However, as Brazil brings its new fields on line we expect Comgas to show strong growth. Eastern Water was held back by poor results from its pipeline business, which has now been sold. Equest Balkan is excluded as it is an expanding property company to which EBITDA is not an appropriate measure.

UEM invested £232.6m during the year with disposals amounting to £88.5m. Within the top ten, UEM invested £18.9m in Equest Balkan, £14.8m in Comgas, £7.2m in Malaysia Airport, £4.6m in Puncak Niaga and £3.2m in Ocean Wilsons. Within the top ten, UEM disposed of £12.0m in Beijing Airport, £10.9m in CCR and £10.1m in Datang Power.

Following this activity there was some movement in the portfolio both by sector and geography. Moves of note by sector were water up 3.8% and now the biggest sector; gas up 3.4%; other up 6.5% with electricity down 3.6%; road and rail down 5.4% and postal down 3.7%.

By geography, the major moves were Brazil down from 37.1% to 31.5%; Eastern Europe up from 7.3% to 12.4% and the Philippines up from 5.5% to 8.8%.

UEM has four unlisted and untraded investments with a combined value of £13.8m representing 3.1% of its investment portfolio (excluding Global Equity Risk Protection Ltd ("GERP"), the vehicle through which the company's derivative position is traded). During the year UEM increased its investments in unlisted securities by investing in a convertible loan note in an Indian Energy project and also increased its investment in Comanche Clean Energy, a Brazilian fuel ethanol and biodiesel business.

Hedging

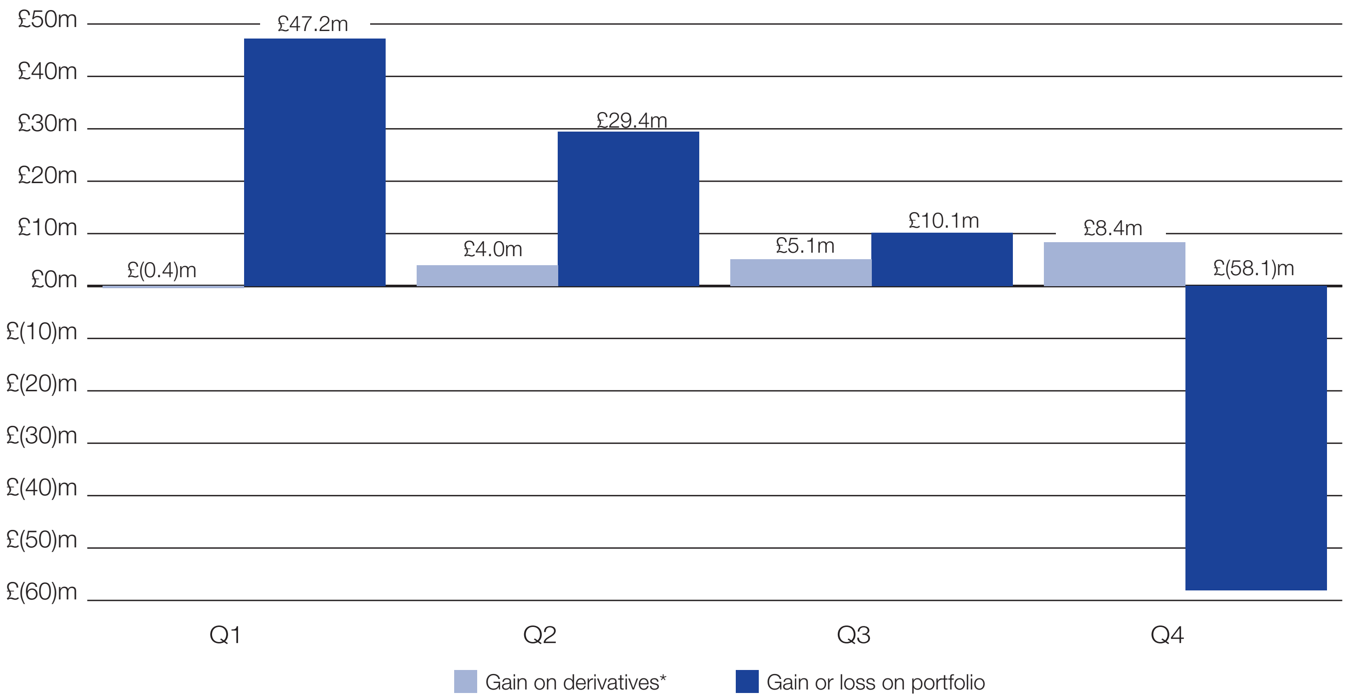
UEM has established over the past 24 months a net long equity index put option position. Initially the capital committed was small to take advantage of low premiums for long dated equity index put options. In a rising market these put options were partially funded by selling short dated put options. As the markets fell and volatility increased the long dated positions were converted into put spread positions. UEM started the year with £6.7m invested in options and ended the year with £27.4m invested. This additional increase represents further investments of £3.6m together with gains of £17.1m. The S&P Index was chosen for the put option position owing to liquidity of the market. In addition, the S&P Index also offers UEM protection in the event the US headed into a deep recession. This has been an excellent hedging strategy.

As an effective hedge it has delivered a profit of £17.1m. This arose as a loss of £0.4m and gains of £4.0m, £5.1m and £8.4m, in the first, second, third and fourth quarters respectively. The portfolio (including CFDs) gained £47.2m, £29.4m and £10.2m in the first, second and third quarters and then lost £58.1m in the last quarter. This is a very credible performance as the hedge delivered gains even at times when the portfolio was strong but these gains were sharply higher when the portfolio declined in value. In the final quarter the hedge covered 14.4% of the losses in the final quarter. An overview is set out below.

In March 2008 ICM sponsored a new Bermuda segregated account company, GERP, with the sole purpose being the holding of derivative positions. UEM is a shareholder in GERP and has funded a segregated account within GERP into which all the UEM market option positions have been transferred. This segregated account is solely the asset or liability of UEM and is, under the structure, protected from the rest of the segregated accounts within GERP. This step has allowed ICM to better manage the option positions for all its clients.

At the year end UEM's segregated account in GERP was valued at £27.4m. This has not been included in the top ten holdings as it is not reflective of the investments but rather a hedge. For accounting purposes the investment in GERP is regarded as a portfolio investment and is included in investments in the balance sheet. Last year the market options positions now held by GERP were held by the Company and included in derivative financial instruments. Gains and losses in GERP are now included in "Gains and Losses on investments" in the Capital account. Within those gains and losses is £1.6m which would have been included in "Gains and Losses on derivative

Hedging strategy overview to 31 March 2008



* *includes profit/loss on derivatives held via GERP on a look through basis.*

Source: Utilico Emerging Markets Limited

instruments" had the positions continued to be held directly by UEM and not transferred to GERP.

UEM has used CFD's as a tax efficient method of investing. As noted above, UEM reduced its CFD position over the year from a gross position of £14.1m to £4.7m.

Bank debt

UEM increased its bank facility with Halifax Bank of Scotland from £60.0m to £80.0m during the year. Drawings under the facility rose from £45.0m to £79.9m at year end.

This facility was drawn principally in UK sterling at the start of the year. This was switched fully into US dollars in the first half. The US dollar rapidly depreciated in early November, with the exchange rate exceeding 2.10 for a period. Against this background, UEM bought currency options giving the option to sell £42.0m and buy US$85.3m at an average rate of 2.03, therefore offering currency downside protection. Subsequently the US dollar has strengthened and these positions have now been closed out at attractive rates.

In October 2007 UEM fixed its US dollar interest rate forward using an interest rate swap agreement until April 2012 at 4.965%. With hindsight better rates are available today but a cost of long-term capital at this rate was seen as attractive at the time. This swap is marked to market and has resulted in a loss in the period of £3.2m.

Revenue Account

Total income increased sharply from £8.5m to £12.8m. This represents a revenue yield of 3.5% on the average gross assets. However, it should be noted that the equity issue during the second half when dividend payments are historically lower would mean the 3.5% is understated. The portfolio continues to generate healthy and growing dividend flows.

The Revenue Account fees and expenses now include only 30% of the management fee. Adding back the portion of the management fee capitalised the total fees and expenses were £3.1m (£2.1m for 2007), representing a TER of 0.8% based on average gross assets less liabilities excluding loans. This is slightly lower than last year and in line with expectations.

Finance costs rose as a result of increased bank debt. Again, 70.0% was allocated to the Capital Account. Adding this back the total finance costs were £5.6m.

After allowing for taxation, the Revenue Account profit for the period was £8.8m. The resultant EPS of 5.24p was ahead of our expectations and well ahead of last year's comparable figure of 4.08p.

Capital return

The portfolio gained £23.5m to which is added gains on derivatives (including options) of £15.2m and exchange gains of £0.8m resulting in total income of £39.6m.

The fees reflect both a performance fee plus 70.0% of the allocated management fee. The finance costs represent 70.0% of the allocated interest costs.

Profit for the year of £30.1m represents a NAV gain per share of 17.89p on the Capital Account.

Outlook

Markets remain unstable and the impact of restricted credit will slow economic progress. This fact coupled with rising inflation will challenge the World's central banks and ultimately markets. As before, the majority of our investee companies continue to deliver strong top line growth, rising earnings and increasing dividend payments.

TEN LARGEST HOLDINGS

At 31 March 2008

This Year	*Last Year*	Company *(Country)* Description	Fair Value £'000s	% of total investments
1	*(7)*	**Companhia de Gas de Sao Paulo S.A** *(Brazil)* Gas distribution company	24,229	5.5
2	*(2)*	**Ocean Wilsons Holdings Limited** *(Brazil)* Ports operator, provider of shipping services and investment holding company	23,258	5.3
3	*(–)*	**Malaysia Airport Holdings Berhad** *(Malaysia)* Airport operator	22,438	5.1
4	*(–)*	**Equest Balkan Properties plc** *(Bulgaria and Romania)*(1) Property investment	22,316	5.1
5	*(4)*	**Saneamento Basico do Estado de Sao Paulo S.A** *(Brazil)* Water and sewerage company	21,334	4.8
6	*(6)*	**International Container Terminals** *(Philippines)* Global container port operator	20,279	4.6
7	*(9)*	**Puncak Niaga Holdings** *(Malaysia)* Water treatment and supply company	18,667	4.2
8	*(8)*	**AES Tiete S.A** *(Brazil)*(1) Electricity generator	15,680	3.6
9	*(5)*	**Datang International Power Generation Co. Ltd.** *(China)* Electricity generator	12,721	2.9
10	*(–)*	**Eastern Water Resources PCL** *(Thailand)* Water treatment and supply company	12,054	2.7
		Other investments(1) (2)	253,095	57.3
		Total investments including CFDs	446,071	
		Less CFDs	(4,711)	(1.1)
		Total Portfolio	441,360	100.0

(1) includes CFDs.

(2) includes GERP.

The value of the ten largest holdings represents 42.7% (2007: 48.3%) of the Company's total investments. The country shown is the location of the major part of the company's business. The value of the convertible securities represents 6.7% (2007:7.9%) of the Company's portfolio and the value of fixed income securities represents 0.4% (2007:1.8%) of the Company's portfolio. The total number of companies included in the portfolio is 76 (2007:59)

REVIEW OF THE TEN LARGEST HOLDINGS

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

"Comgas" is a gas distribution business in the State of Sao Paulo in Brazil. Historically, natural gas has formed a relatively low proportion of the total Brazilian energy mix, however, large gas discoveries in neighbouring Bolivia, and also the discovery of domestic Brazilian gas fields, have spurred an increasing take up of the fuel. This has been driven mainly by industrial and commercial uses, but residential demand is becoming increasingly important. During 2007, a tightening market for gas reserves as a result of reduced supplies coming in from Bolivia and continued demand growth in Brazil, meant that volume growth was less than that seen in previous years, at only 6.5%. However Brazilian domestic gas sources should be available in the early part of the next decade which are expected to help alleviate concerns over supply. Comgas continued to grow its residential gas supply business with a 10.6% increase in residential clients during the year. In the year to March 2008, Comgas' share price increased by 8.4%.

Ocean Wilsons Holdings Limited (Brazil)
www.oceanwilsons.bm

"Ocean Wilsons" is a Bermuda company with a 58.25% stake in Wilson Sons, based in Brazil, providing port and shipping services. The remainder of the business is in investment holdings. The company is listed on the London and Bermuda Stock Exchanges. Wilson Sons operates two container terminals in Brazil, Tecon Rio Grande and Tecon Salvador, and is the country's largest provider of vessel towage services. During April 2007 Ocean Wilsons completed the floatation of Wilson Sons the holding company for its Brazilian business. The sale resulted in net proceeds to Ocean Wilsons of US$205.6m and a reduction in its stake in Wilson Sons to 58.25%. During 2007 revenue increased by 20.9% and operating profit decreased by 4.7% due mainly to reduced margins and an increase in personnel expenses. During the year the share price has decreased by 3.1%. On the investment side, the investment portfolio is managed by Hanseatic Asset Management Ltd. The funds under management were boosted during the year by the US$183m proceeds from the sale of Wilson Sons shares, finishing the year at US$274.0m. The performance of Ocean Wilsons investment portfolio produced returns of 16.0% over one year (after stripping out the sale proceeds) and 46.4% over three years.

Malaysia Airports Holdings Berhad (Malaysia)
www.malaysiaairports.com.my

"MAHB" is the sole civilian operator of airports in Malaysia and operates 37 airports in the country including Kuala Lumpur International Airport (KLIA). MAHB is currently involved in discussions with the Malaysian government regarding the renegotiation of the terms of the KLIA concession agreement together with a number of other unresolved issues including annual lease payments owed to the government and future permitted increases in airport charges. Discussions have been ongoing for three years but there is an increased likelihood that a resolution will be reached during 2008. In the 2007 results revenue increased 22.1% with passenger traffic increasing 6.3% to 45.2m. Net profit increased by 60.1%. Over the year the share price has increased by 2.0%.

Equest Balkan Properties plc (Bulgaria)
www.equestbalkan.com

Equest Balkan Properties plc ("EBP") is a commercial property investment company investing in the Balkan region with gross assets of £390.5m. The company is incorporated in the Isle of Man and listed on AIM. The assets portfolio is invested in 54 properties, located principally in Bulgaria and Romania and to a lesser extent Serbia and Macedonia. Retail accounts for 67%, mixed use 18%, office premises 9% and logistics 5%. The company comprises of 65% completed developments and 35% development projects. The Board, together with the managers, are currently conducting a strategic review of the business. During the year to 31 December 2007 the net asset value, after payment of dividends during the year of €0.10, fell from €1.58 to €1.49 per ordinary share. EBP's current gearing stands at 39.6%. The company's ordinary share price was £0.78 at 31 March 2008, representing a discount of 33.6% to the published NAV of €1.49.

Saneamento Basico do Estado de Sao Paulo (Brazil)
www.sabesp.com.br

"Sabesp" is a water and sewerage company serving the State of Sao Paulo, including Sao Paulo City in Brazil. In total Sabesp serves a population of 25 million people, making it one of the worlds' largest water companies. 2007 was another successful year for Sabesp with billed volumes increasing by 3.1%, revenue by 8.0% and normalised earnings by 20.0%. Sabesp is continuing to improve its levels of productivity, which, together with a 4.1% tariff increase implemented in September 2007, should enable the company to enjoy another positive year in 2008. During the year to March 2008, Sabesp's share price increased by 11.7%, this being a creditable performance considering the 53% increase in the share price seen in the year to March 2007.

International Container Terminal Services (Philippines)
www.ictsi.com

"ICT" manages and operates container terminals in the Philippines and throughout the world. As well as its operation in

Manila, ICT also manages ports in Brazil, Poland, Madagascar, Indonesia and Japan. During 2007 ICT announced a further five international ports acquisitions: in China, Ecuador, Syria, Colombia and Georgia. The company's strategy is to focus on small to medium sized terminals where the expensive civil infrastructure has already been put in place which allows ICT to utilise their management expertise and rapidly increase port throughput. During 2007 revenue increased by 26.6% driven by strong throughput growth at ICT's foreign operations, which now make up 69% of total revenue compared to 57% in 2006. Net income increased by 45.8%. Over the period the share price has increased by 16.6%.

Puncak Niaga Holdings Berhad (Malaysia)
www.puncakniaga.com

"Puncak" is a water treatment and supply company serving the state of Selangor in Malaysia. Their assets were formerly owned and operated by the state Government, and Puncak, having received the concession in 2005, is focused on improving efficiency, increasing security of supply, and ensuring greater access to water for the population of over 7 million people within their service area. 2007 benefited from a full year of the 15% tariff increase received during 2006, with revenue from their water business increasing by 5.3%. Despite this however, normalised earnings fell marginally as a result of higher expenses resulting from the substantial capital expenditure and asset improvement programme being undertaken. Puncak's share price performed very strongly for most of the year, but fell back sharply in late February and early March 2008, due to the Malaysian election where the opposition gained ground on the incumbent Government. This caused investors to fear that Puncak's concession contract may possibly not be respected in full, in particular the 37% tariff increase that the company should become entitled to in 2009. Overall, in the year to March 2008, Puncak's share price increased by 8.7%

AES Tiete S.A (Brazil)
www.aestiete.com.br

AES Tiete operates 10 hydro electricity generation plants within the State of Sao Paulo, Brazil, with a total generation capacity of 2,600 MW. AES Tiete is a mature company representing a defensive earnings stream for UEM, selling its power output to the local electricity distribution company at index linked prices, together with strong cash flows and a conservatively financed balance sheet. During 2007 revenue increased by 5.5%, with stable net earnings. AES Tiete's share price increased by 6.2% during UEM's financial year, and the company paid gross dividends equivalent to a yield of 10% on the opening share price during the year.

Datang International Power Generation (China)
www.dtpower.com

"Datang" is a Chinese electricity generation company, owning and operating plants with a combined capacity of over 20,000MW, sufficient to power several large cities, and plans further substantial capacity expansion. Datang generates mainly using coal but is increasingly broadening its generation base to include hydro, nuclear, and wind power, together with investing in coal mines and other upstream resource projects. During 2007 Datang increased its revenue by 31.9%, increased electricity generation by 26.6%, and increased net earnings by 22.6%. Despite this strong performance during the year, the near term future of Datang, and also other Chinese power generators, is less certain than previously. Theoretically, electricity generation companies are allowed a six monthly tariff review to ensure that tariffs reflect the cost of generating raw materials, principally coal. However, the Chinese Government has suspended tariff increases as it tries to reduce levels of inflation, and this has led to a reduction in both profitability and share prices within the power generation sector. Longer term we would remain hopeful that tariffs will be reinstated as China requires new power stations to satisfy its growing need for electricity, and without adequate tariffs it will be difficult for the country to meet its power requirements. During the year to March 2008, Datang's share price increased by 11.6%.

Eastern Water Resources PCL (Thailand)
www.eastwater.co.th

"Eastern Water" operates the main water pipeline systems which supply untreated water to Thailand's industrialised Eastern Seaboard. In addition the company has built up a treated water supply business which now has water treatment and supply concessions in nine separate areas. The Thai Government has a policy to encourage private sector participation in the water industry, and Eastern Water is the leading private player in this area. Eastern Water's reporting year to September 2007 was successful in many respects. Revenue from the core raw water and treated water businesses increased by 19.5% due to both tariff and volume increases. Normalised earnings increased by 3.8%, being less than the revenue increase, as the company incurred substantially higher interest and depreciation charges as a result of their high levels of recent capital expenditure. One negative issue which overshadowed 2007 was that Eastern Water had a 50% owned pipeline manufacturing business which performed poorly during the year, a result of which was that reported group earnings fell by 13.1%. This business has now been sold so the company can focus all its efforts on its core activities. Eastern Water's share price fell by 13.8% during the year.

INVESTMENT TEAM

The Investment Manager Ingot Capital Management Pty Limited ("ICM") through its main representative, Mr Duncan Saville, is primarily responsible for the investment portfolio in conjunction with advice received from the Executive Director

Investment Manager Ingot Capital Management Pty Limited represented by Mr Duncan Saville

Mr Saville aged 51, is a director of UEM's investment manager, Ingot Capital Management Pty Limited ("ICM"). He is a non-executive director of Infratil Limited and ERG Limited and was formerly a non-executive director of Utilico Investment Trust plc, The Special Utilities Investment Trust PLC, East Surrey Holdings plc, Dee Valley Group plc, Glasgow Prestwick International Airport Limited and Wellington International Airport Limited.

Mr Charles Jillings (Executive Director)

Mr Jillings, aged 52, is the executive Director of the Company. He is responsible for the running of the Company and the investment portfolio in conjunction with the Investment Manager. Mr Jillings is a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He set up The Analysis & Research Company Limited in 1995 and has been a director of a number of listed companies. He was a director of Utilico Investment Trust plc up until 19 June 2007. He is a director of Global Equity Risk Protection Limited and of Equest Balkan Properties plc and Newtel Limited.

Assisting them are three employees of UEM who are:

Mr James Smith

Mr Smith, aged 35, has been involved in the running of UEM and Utilico Limited since their inception and before that with Utilico Investment Trust plc and The Special Utilities Investment Trust PLC since 1999. Mr Smith is a barrister and a member of the Institute of Chartered Accountants in England and Wales.

Mr Mark Lebbell

Mr Lebbell, aged 36, has been involved in the running of UEM and Utilico Limited since their inception and before that with Utilico Investment Trust plc and The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is an associate member of the Institute of Electrical Engineers.

Mr David McIlroy

Mr McIlroy, aged 46, has been involved in the running of UEM and Utilico Limited since its inception and before that with Utilico Investment Trust plc since July 2005 having previously been employed for 10 years within the emerging markets team at F&C Management Ltd. Mr McIlroy is an Associate of the UK Society of Investment Professionals and an Associate of the Chartered Institute of Bankers (Scotland).

Investment Manager

The Company has an Investment Management Agreement with ICM under which ICM provides investment management services including portfolio monitoring and research to the Company. ICM holds an Australian Financial Service License. The Investment Manager receives an annual fee equal to 0.5% per annum of the Company's total assets less liabilities (excluding loans) payable quarterly in arrears. The Investment Manager is also entitled to a performance fee, which is based on 15% of the net asset value outperformance of the Company attributable to holders of ordinary shares.

DIRECTORS

Mr Alexander Zagoreos (Chairman) *†
Mr Zagoreos, aged 70 and appointed on 14 June 2005, was educated at Columbia University and was awarded a MBA, BA and Masters degree in International Affairs. He is Chairman of the Company and the Company's Management Engagement Committee. He is senior adviser of Lazard Asset Management, where he was formerly responsible for emerging market products and closed-end investment companies. He has over 39 years of investment experience. He is currently a director of The World Trust Fund, chairman of The Egypt Trust and formerly manager of Lazard Emerging World Investors LP., and is on the boards of a number of investment companies and charitable organisations.

Mr Charles Jillings (Executive Director)
Mr Jillings, aged 52 and appointed on 14 June 2005, is the executive Director of the Company. Mr Jillings is a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He set up The Analysis & Research Company Limited in 1995 and has been a director of a number of listed companies.

Mr Garry Madeiros†*
Mr Madeiros, aged 58, and appointed on 19 June 2007, was until recently president and Chief Executive Officer of BELCO Holdings Limited and Bermuda Electric Light Company Limited. He is a director of BF&M Limited and BF&M General Insurance Company. He is a Chartered Accountant, Chairman of the Company's Audit Committee and he has served on a number of corporate, community and Government boards. He is a Justice of the Peace and a fellow of the Bermuda Institute of Chartered Accountants.

Mr Garth Milne †*
Mr Milne, aged 65 and appointed on 14 June 2005, was formerly head of the investment funds division at UBS Warburg, having originally set up the team at Laing and Cruickshank. He has been involved in investment trusts in the UK for over 30 years and is a director of several investment companies, including Real Estate Opportunities Limited, INVESCO Perpetual UK Smaller Companies Investment Trust Plc, Eaglet Investment Trust and SovGEM Limited.

Mr Kevin O'Connor (Deputy Chairman) †*
Mr O'Connor, aged 67 and appointed on 14 June 2005, was formerly the Chairman of Infratil Limited, a New Zealand based specialist investor in international infrastructure and utility assets. He is Chairman of the Company's Remuneration Committee. Previously he had a 35 year career in investment banking and stock broking with Daysh Renouf & Co and O'Connor Grieve & Co amongst others. He is a member of the New Zealand Takeovers Panel, Chairman of the Wellington Region Foundation, a trustee of the Catholic Foundation of Wellington as well as being involved with a number of other charitable bodies.

* Independent Director
† Member of the Audit Committee, Management Engagement Committee and Remuneration Committee

REPORT OF THE DIRECTORS

The Directors present their report and the financial statements of the Company for the year ended 31 March 2008.

Status of the Company

The Company is a Bermuda exempted, closed ended investment company listed on AIM, the Bermuda Stock Exchange and Channel Islands Stock Exchange.

The accounting policies of the Company are detailed in Note 1 to the Accounts on pages 31 to 33.

Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the Company has adequate resources to continue in operation for the foreseeable future.

Investment Objective and Policy

The Company's investment objective is to provide long term capital appreciation by investing predominantly in infrastructure, utility and related sectors (including other investment companies investing in those sectors) mainly in emerging markets. The Company's investment policy is flexible and permits it to make investments predominantly in infrastructure, utility and related sectors, including (but not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in 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, utilities and related sectors.

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

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

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

The parameters adopted by the Board are reviewed at each board meeting. There will be no material change without shareholder approval.

- **Borrowings**
  Borrowings at the time of draw down will not result in gearing (being total borrowings measured against gross assets) exceeding 25.0%. Borrowings will be drawn down in Sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of drawing down the value drawn must not exceed the value of the asset in the portfolio).

- **Unquoted Investments**
  Unquoted and untraded investments (excluding GERP) not to exceed 10.0% of the gross assets at the time the investment is made.

- **Single Investment**
  No single investment to exceed 20.0% of the gross assets at the time of investment. Investments other than in infrastructure, utility and related companies (including GERP) to be limited in total to 20.0% of the gross assets. Investments in a single country not to exceed 50.0% of the gross assets at the time the investment is made.

- **Hedging**
  The managers will follow a policy of actively hedging the market and balance sheet risks faced by UEM.

  A review of the investment portfolio, borrowings and hedging is included in the Investment Report within these accounts.

Review of the Business

A review of the business is given in the Chairman's Statement on page 5 and in the Investment Manager's Report on pages 6 to 9.

	£'000s
Revenue profit for the year	8,814
Dividends paid on ordinary shares:	
Final of 0.70p paid on 29 June 2007*	(1,155)
Interim of 3.50p paid on 14 December 2007**	(5,822)
Amount transferred to reserves	1,837

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

The Directors propose to pay a final dividend of 1.30p per ordinary share, payable on 4 July 2008 to ordinary shareholders on the register as at the close of business on 20 June 2008.

Share Capital

Full details of changes to the Company's authorised and issued share capital during the period can be found in note 19 to the accounts.

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

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

Directors

The Company's Board of Directors is responsible for overall stewardship of the Company, including corporate strategy, corporate governance, risk and controls assessment, overall investment policy and gearing limits. Details of the Directors can be found on page 14.

Mr G P D Milne and Mr K J O'Connor will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. (Resolutions 5 and 6).

Mr C D O Jillings is an executive Director of the Company. He was appointed as an executive Director on 14 June 2005 under a service agreement of that date. Details of the service agreement can be found in the Directors' Remuneration Report on page 24. As an executive Director, Mr C D O Jillings retires annually, and will do so at the forthcoming Annual General Meeting (Resolution 4).

The Board has considered the re-election of Mr C D O Jillings, Mr G P D Milne and Mr K J O'Connor. Following an appraisal of their performance, the Board believes that these Directors should be put forward for re-election. The Board feels that the 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 interests of the Company.

Each non-executive Director has signed a letter of appointment setting out the terms of their engagement as Directors, but does not have a service agreement with the Company.

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

Directors' Remuneration

The Directors' Remuneration Report, which can be found on pages 24 and 25, and note 5 to the accounts provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Report at the Annual General Meeting (Resolution 3). The Directors' remuneration is not conditional upon the resolution being passed.

Substantial Share Interests

As at 10 June 2008, the Company is aware of the following holdings of 3% and over of its ordinary share capital.

Utilico Limited	52,333,424	24.51%
Sarasin & Partners LLP	22,135,200	10.37%
Foreign & Colonial Investment Trust plc	18,951,682	8.88%
Rensburg Shepphards Investment Management Limited	12,064,759	5.65%
Smith & Williams Holdings Ltd	8,211,029	3.85%
J&O Hambro Investment Management Limited	6,910,849	3.24%

Management

The Company has an investment management agreement dated 14 July 2005 (the "Agreement") with Ingot Capital Management Pty Limited (the "Investment Manager" or "ICM"). The Investment Manager provides investment management services including portfolio monitoring and research to the Company and is entitled to receive a fee equal to 0.5% per annum of the Company's gross assets after deducting current liabilities (excluding borrowings incurred for investment purposes), payable quarterly in arrears. The Investment Manager will also be reimbursed its reasonable out of pocket expenses, including travel and related costs. The Investment Management Agreement may be terminated by either party by giving not less than six months' notice in writing (or such lesser notice period as agreed by both parties).

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

Under the terms of the Agreement, ICM is obliged to provide the services of an executive Director approved by the Company and also provides the services of three additional individuals to act as employees of the Company. These employees, who act under the supervision of the executive Director, may be employed by Utilico Limited, another investment company managed by ICM. The remuneration paid to the employees is paid on behalf of the Company and deducted from ICM's management fee.

The Directors review the activities of the Investment Manager on an ongoing basis. In addition, the Management Engagement Committee carries out a formal annual review of the investment strategy, process and performance. Such a review was carried out in respect of the period under review. The Management Engagement Committee reported that it was satisfied with the performance and with the way the Company was currently being managed. Based on this assessment, it is the Board's opinion that the continuing appointment of ICM as investment manager on the agreed terms is in the interests of shareholders as a whole.

Administration

The Company and the Investment Manager also have an administration agreement with F&C Management Limited (the "Administrator"), dated 14 July 2005, under which the Administrator provides company secretarial, financial and general administrative services to the Company for a fee, payable monthly in arrears, of £235,000 per annum from 1 October 2006. The fee was decreased to £210,000 per annum with effect from 1 July 2007. The Administrator and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Company or the Administrator may terminate this agreement upon three months' notice in writing. In respect of the year to 31 March 2008, FCM also received a £10,000 fee in respect of the issue of the C shares of the Company (year to 31 March 2007: £10,000 fee also in respect of the issue of the C shares of the Company).

Duration of the Company

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

Regular Tender Facility

The Company operates an annual Tender Facility which 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 will 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.

Given the Company's performance to date the Tender Facility has not yet been operated.

Policy on Payment of Suppliers

The Company's principal suppliers are the Investment Manager and the Administrator. The Investment Manager is paid quarterly in arrears in accordance with the terms of the Agreement. The Administrator is paid monthly in arrears. Investment creditors are settled in accordance with the terms and conditions of the relevant markets in which they operate. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

Risk Control

A summary of the risk control measures taken by the Board is set out in the Corporate Governance section on page 22.

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

Company's authorised share capital (Resolution 10)

The Chairman noted that the Shareholders of the Company on recommendation from the Board, approved at a Special General Meeting held on 13 December 2007, the increase in the share capital of the Company from £75,000,000 to £135,100,000 by the creation of 120,000,000 Class C shares of par value £0.50 each and 20,000,000 Subscriptions Shares of par value £0.005 each (the "Resolution").

The Chairman further noted, that as a result of a couple of scriveners errors, it was desirable that the Secretary of the Company be authorised to make manuscript amendments to the Resolution amending the par value of the Subscription Shares from £0.005 to £0.00005 and amending the sum of the total increased capital created by the increase in share capital from £135,100,000 to £135,001,000.

REPORT OF THE DIRECTORS (CONTINUED)

Resolution 10 is to accept the recommendation of the Directors and resolve that the Secretary of the Company is hereby authorised to make manuscript amendments to the Resolution amending the par value of the Subscription Shares from £0.005 to £0.00005 and amending the sum of the total increased capital created by the increase in share capital from £135,100,000 to £135,001,000.

It is further resolved that the Secretary be and is hereby authorised to file amended documents with the Registrar of Company.

Auditors

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

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

RSM Robson Rhodes LLP merged its audit practice with that of Grant Thornton UK LLP with effect from 1 July 2007. Accordingly Grant Thornton UK LLP were appointed as auditors of the Company and re-appointed at the AGM on 7 September 2007.

Special Business at the Annual General Meeting

Shareholders will find on page 51 the Notice of the forthcoming Annual General Meeting of the Company to be held on 5 September 2008 at 12.00 noon. In addition to the ordinary business of the meeting, resolution number 11 is to be proposed as special business.

Authority for the Company to Purchase its Own Shares (Resolution 11)

Resolution 11 authorises the Company to purchase in the market initially up to a maximum of 32,004,894 ordinary shares (equivalent to approximately 14.99% of the issued ordinary shares as at the date of this Report). This authority will expire on 5 March 2010 unless it is varied, revoked or renewed prior to that date at the Company's Annual General Meeting in 2009 or at any other general meeting by ordinary resolution. Any purchases will be made at prices below the prevailing net asset value of an ordinary share where the Directors believe such purchases would result in an increase in the net asset value per share of the remaining shares and to assist in narrowing any discount to net asset value per ordinary share at which such shares may trade. The maximum price to be paid will be no more than 5% above the average of the mid-market values of the ordinary shares for the five business days immediately before the date of purchase. Any ordinary shares purchased by the Company will be held in Treasury or cancelled.

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

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

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

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

By order of the Board
F&C Management Limited,
Secretary
10 June 2008

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company at 31 March 2008 and of the results for the year then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and on a going concern basis. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Insofar as the directors are aware:
- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and endeavours to maintain the same level of governance as UK listed investment companies. The Board has considered the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the "Combined Code") and the AIC Code of Corporate Governance revised in May 2007 (the "AIC Code"). The Board believes that during the period under review the Company has complied with the provisions of the Combined Code, in so far as they relate to the Company's business, and that it is adhering to the principles and recommendations of the AIC Code. The only exceptions are that the Company does not have its own internal audit function (further explanation on this appears on page 22 of this report) and, as explained below, there is no Nomination Committee.

The Board

The Directors' biographical details on page 14 of this report demonstrate the wide range of skills and experience that the Directors bring to the Board. The non-executive Directors have each signed a letter of appointment to formalise in writing the terms of their engagement as non-executive Directors, and a service agreement is in place with the executive Director which has no fixed end date and is terminable on six months' notice. Copies of these letters and the service agreement are available for inspection at the Company's registered office during normal business hours and will also be available at the Annual General Meeting.

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

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

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

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

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. A formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews investment performance as well as other high-level management information including financial reports and reports of a strategic nature. It monitors compliance with the Company's objectives and is directly responsible for investment strategy and approving asset allocation and gearing. Board and Committee meetings are 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. The following table sets out the number of meetings (including Committee meetings) held during the year under review and the number of meetings attended by each Director. The telephonic Board meetings were held on short notice to consider various matters, including the issue of shares arising from the exercise of warrants, the issue of shares to satisfy Directors' fee payments and to consider the conversion of the C shares.

	Board	TBd	AC	MEC	RC
No of meetings	**4**	**7**	**2**	**1**	**1**
A E Zagoreos	4	7	2	1	1
C D O Jillings	4	3	2	1	1
G A Madeiros	4	7	2	1	1
G P D Milne	4	2	2	1	1
K J O'Connor	4	7	2	1	1

TBd = Telphonic Board
AC = Audit Committee
MEC = Management Engagement Committee
RC = Remuneration Committee

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

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

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

Management

The Company has a Management Agreement with Ingot Capital Management Pty Limited (the "Investment Manager" or "ICM"), which provides portfolio monitoring, research and other investment management services to the Company. Under the terms of this Agreement, ICM provides the services of an executive Director of the Company and three employees as detailed on page 13 of this report.

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

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

Audit Committee

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by Mr Madeiros, 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.bm.

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

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

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

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

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

Auditors

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

The Audit Committee, together with the executive Director, has reviewed the audit plan and findings of the work carried out by Grant Thornton UK LLP for the audit of the annual financial statements. On the basis of this and their experience in auditing the affairs of the Company, the Audit Committee has assessed and is satisfied with the effectiveness of the external audit. The Audit Committee has taken into account the standing, experience and tenure of the audit partner, the nature and level of services provided and has received confirmation that the auditors have complied with all relevant and professional regulatory and independence standards. The Audit Committee considers Grant Thornton UK LLP to be independent both of the Company, the Investment Manager and the Administrator in all respects.

The Audit Committee has also reviewed the provision of non-audit services by the auditors. In the period under review, non-audit fees amounted to £30,000 (see note 4). It is considered that the non-audit fees are nonmaterial and that the services provided are cost effective and in no way impede the independence of the auditors.

Management Engagement Committee

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

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

Internal Controls and Management of Risk

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

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

In addition, the Administrator produces an annual Report of Internal Corporate Governance to the standards of the Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06) issued by the Institute of Chartered Accountants in England and Wales for its clients. This sets out the control policies and procedures with respect to the duties carried out by the Administrator on the Company's behalf. The effectiveness of these controls is monitored by the Administrator's group audit and compliance committee, which receives regular reports from the Administrator's audit and risk department. The Company's Audit Committee has received and reviewed the Statement for the year ended 31 December 2007, together with a report from the Administrator's group audit and compliance committee on the effectiveness of the internal controls maintained on behalf of the Company.

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

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

Remuneration Committee

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

The Remuneration Committee is responsible for reviewing the terms of the service agreement with, and the salary paid to, the executive Director. It will also make recommendations to the Board in respect of the fees of Directors. Full details of the remuneration for individual Directors is set out in the Directors' Remuneration Report on pages 24 and 25.

Investor Relations

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

Shareholders wishing to communicate with the Chairman, the Deputy Chairman (who acts as Senior Independent Director) or other members of the Board may do so by writing to the Company at its registered office address, which can be found on page 52.

All shareholders are encouraged to attend the Annual General Meeting, at which shareholders will be given an opportunity to question the Chairman and the Board. The Chairman and the Deputy Chairman are also available to meet with the Company's institutional shareholders between such meetings. Proxy voting figures are announced to shareholders at the Annual General Meeting.

Corporate Governance, Socially Responsible Investment and Voting Policy

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

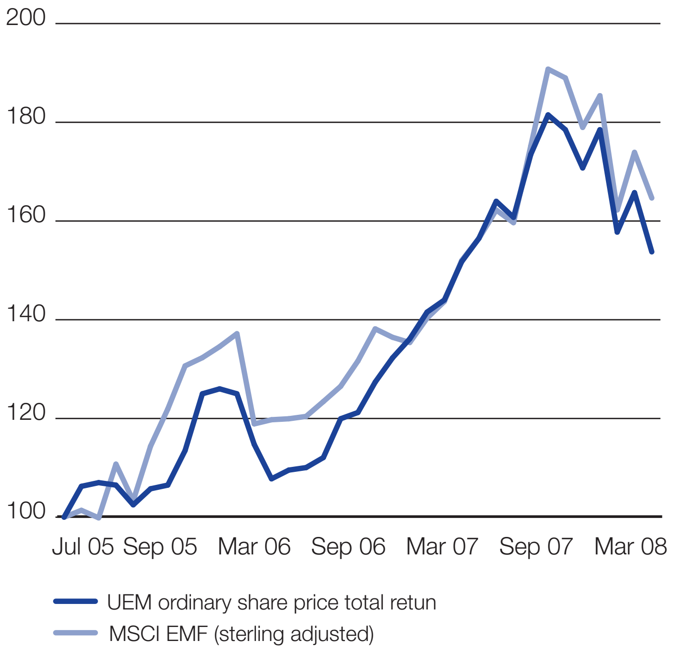
The Company supports the boards of investee companies with its vote unless it sees clear investment reasons for doing otherwise. It is the Company's policy to exercise its voting rights at shareholder meetings of investee companies.

Remuneration Committee

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

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

UEM share price total return
From 20 July 2005 to 31 March 2008
(rebased to 100 at 20 July 2005)



Source: Utilico Emerging Markets Limited

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

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

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

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

In the period under review, the Chairman received a fee of £31,500 and the other Directors received £22,000, both on an annualised basis. The Chairman of the Audit Committee, Mr G A Madeiros, received an additional £5,500 per annum.

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

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

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

Directors' Emoluments

Director	Fees for services to the Company 2008 £'000s	2007 £'000s
A E Zagoreos (Chairman)	**31**	29
C D O Jillings (Executive Director)*	**22**	20
J M Collier (resigned 14 June 2007)	**6**	27
G A Madeiros (appointed 14 June 2007)**	**22**	–
G P D Milne	**22**	20
K J O'Connor	**22**	20
Total	**125**	116

* In addition to the Directors' fees disclosed above Mr C D O Jillings received 145,000 ordinary shares in UEM and £225,000 (2007: 300,000 ordinary shares in UEM and £400,000) from the Investment Manager for services provided in respect of the affairs of the Company in the year.

**Mr G A Madeiros's fee includes £5,500 for being Chairman of the Audit Committee.

The information in the above table has been audited (see the Independent Auditors' Report on page 26).

By order of the Board
F&C Management Limited, Secretary
10 June 2008

INDEPENDENT AUDITORS' REPORT

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UTILICO EMERGING MARKETS LIMITED

We have audited the accounts of Utilico Emerging Markets Limited for the year ended 31 March 2008 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and notes 1 to 28. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

As regards the accounts, this report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1981 of Bermuda. As regards the Directors' Remuneration Report, our report is made solely to the Company's shareholders at the request of the Directors. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding other transactions is not disclosed.

We read other information contained in the Annual Report on pages 1 to 25 and consider whether it is consistent with the accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2008 and its profit for the year then ended;

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

- the part of the Directors' Remuneration Report that is stated as having been audited shows the fees paid by the Company to its Directors, and the shares received by Mr C D O Jillings.

Grant Thornton UK LLP
Chartered Accountants
London
10 June 2008

INCOME STATEMENT

Notes	for the year to 31 March	2008 Revenue £'000s	2008 Capital £'000s	2008 Total £'000s	2007 Revenue £'000s	2007 Capital £'000s	2007 Total £'000s
10	Gains and losses on investments	**–**	**23,504**	**23,504**	–	58,094	58,094
12	Gains and losses on derivative instruments	**–**	**15,245**	**15,245**	–	2,450	2,450
	Exchange gains and losses	**–**	**808**	**808**	–	1,830	1,830
2	Investment and other income	**12,780**	**–**	**12,780**	8,457	–	8,457
	Total income	**12,780**	**39,557**	**52,337**	8,457	62,374	70,831
3	Management and administration fees	**(802)**	**(4,743)**	**(5,545)**	(1,275)	(7,102)	(8,377)
4	Other expenses	**(852)**	**(55)**	**(907)**	(709)	(77)	(786)
	Profit before finance costs and taxation	**11,126**	**34,759**	**45,885**	6,473	55,195	61,668
6	Finance costs	**(1,676)**	**(3,912)**	**(5,588)**	(1,417)	–	(1,417)
	Profit before tax	**9,450**	**30,847**	**40,297**	5,056	55,195	60,251
7	Taxation	**(636)**	**(787)**	**(1,423)**	(488)	(2,421)	(2,909)
	Profit for the year	**8,814**	**30,060**	**38,874**	4,568	52,774	57,342
8	**Earnings per ordinary share (basic) – pence**	**5.24**	**17.89**	**23.13**	2.96	34.19	37.15
8	**Earnings per ordinary share (diluted) – pence**	**4.88**	**16.64**	**21.52**	2.87	33.14	36.01

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

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

STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2008

Notes		Ordinary share capital £'000s	Share premium account £'000s	Warrant reserve £'000s	S share reserve £'000s	Other non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2007	16,498	147,194	9,050	–	101	67,408	1,365	241,616
	Profit for the year	–	–	–	–	–	30,060	8,814	38,874
9	Ordinary dividends paid	–	–	–	–	–	–	(6,977)	(6,977)
	Issue of ordinary shares, S shares and warrants	4,853	73,074	(2)	9,350	2	–	–	87,277
	Cost of issuing ordinary share capital	–	(1,260)	–	–	–	–	–	(1,260)
	Balance at 31 March 2008	**21,351**	**219,008**	**9,048**	**9,350**	**103**	**97,468**	**3,202**	**359,530**

for the year to 31 March 2007

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

BALANCE SHEET

Notes	At 31 March		2008		2007
		£'000s	£'000s	£'000s	£'000s
	Non current assets				
10	Investments		**441,360**		273,708
	Current assets				
11	Other receivables	**3,171**		2,229	
12	Derivative financial instruments	**458**		7,605	
13	Cash and cash equivalents	**11,236**		19,904	
			14,865		29,738
	Current liabilities				
14	Bank Loans	**(29,962)**		(20,000)	
15	Other payables	**(11,732)**		(14,335)	
12	Derivative financial instruments	**(3,163)**		(482)	
			(44,857)		(34,817)
	Net current liabilities		**(29,992)**		(5,079)
	Total assets less current liabilities		**411,368**		268,629
	Non-current liabilities				
16	Bank loans	**(49,937)**		(25,014)	
17	Deferred tax	**(1,901)**		(1,999)	
			(51,838)		(27,013)
	Net assets		**359,530**		241,616
	Equity attributable to equity holders				
19	Ordinary share capital		**21,351**		16,498
20	Share premium account		**219,008**		147,194
21	Warrant reserve		**9,048**		9,050
22	S share reserve		**9,350**		–
23	Other non-distributable reserve		**103**		101
24	Capital reserves		**97,468**		67,408
24	Revenue reserve		**3,202**		1,365
	Total attributable to equity holders		**359,530**		241,616
25	**Net asset value per ordinary share**				
	Basic – pence		**168.39**		146.45
	Diluted – pence		**157.20**		138.80

Approved by the Board on 10 June 2008 and signed on its behalf by

Alexander Zagoreos

Charles Jillings

CASH FLOW STATEMENT

Notes	for the year to 31 March	2008 £'000s	2007 £'000s
26	Cash flows from operating activities	**(121,146)**	(105,201)
	Cash flows from investing activities	**–**	–
	Cash flows before financing activities	**(121,146)**	(105,201)
	Financing activities		
	Ordinary dividends paid	**(6,977)**	(4,418)
	Proceeds from borrowings	**35,626**	29,839
	Proceeds from warrants exercised	**6**	361
	Proceeds from issue of ordinary share capital	**83,756**	98,608
	Cash flows from financing activities	**112,411**	124,390
	Net movements in cash and cash equivalents	**(8,735)**	19,189
	Cash and cash equivalents at the beginning of the year	**19,904**	1,238
	Effect of movement in foreign exchange	**67**	(523)
	Cash and cash equivalents at the end of the year	**11,236**	19,904

1. ACCOUNTING POLICIES

The Company is an Investment Company incorporated in Bermuda with a primary listing on the Alternative Investment Market in London.

(a) Basis of accounting

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

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

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

In accordance with the SORP, the Income Statement has been analysed between a Revenue 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 note 1(e) below). Net revenue returns are allocated via the revenue return to the Revenue Reserve, out of which dividends are paid.

Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments, 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(f) below). Net capital returns may not be distributed by way of a dividend and are allocated via the capital return to Capital Reserves.

At the date of authorisation of these financial statements, the following standards and interpretations have not been applied in these financial statements since they were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date
IAS 1 (revised) Presentation of Financial Statements Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009

The Directors have chosen not to early adopt these standards and interpretations as they do not anticipate that they would have a material impact on the Company's financial statements in the period of initial application.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unlisted investments, details of which are set out in accounting policy 1(b).

(b) Valuation of investments and derivative instruments

Investment purchases and sales are accounted for on the trade date, inclusive of transaction costs.

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

1. ACCOUNTING POLICIES (CONTINUED)

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

Listed options and similar derivative instruments are valued at open market prices.

(c) Cash and cash equivalents

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

(d) Foreign currency

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

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

(e) Other income

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

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

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

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the income statement and allocated to the revenue column except as stated below:

– With effect from 1 April 2007, the management fee and finance costs are allocated 70% to capital return and 30% to revenue return. Previously these costs were fully charged to revenue return. As recommended by the Statement of Recommended Practice Finance Statements of Investment Trust Companies issued in the UK by the Association of Investment Companies in December 2005, prior year figures have not been restated. Had this policy been in place for the previous year the basic earnings per share on the revenue return would have been 4.08p and the capital return would have been 33.07p for year ended 31 March 2007. The basic earnings per share on the total return remains the same at 37.15p.

– 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) which are allocated to the capital return

(g) Directors' fees

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

(h) Finance costs

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

1. ACCOUNTING POLICIES (CONTINUED)

(i) Dividends payable

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

(j) Capital reserves

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

Capital reserve – realised

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

– realised exchange differences of a capital nature

– expenses allocated in accordance with note 1(f)

Capital reserve – unrealised

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

– unrealised exchange differences of a capital nature

(k) Warrant reserve

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

(l) S share reserve

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

2. INVESTMENT AND OTHER INCOME

	Revenue £'000s	**Capital £'000s**	**2008 Total £'000s**	Revenue £'000s	Capital £'000s	2007 Total £'000s
Investment income:						
Overseas dividends	**10,471**	**–**	**10,471**	7,334	–	7,334
Overseas and UK interest	**881**	**–**	**881**	704	–	704
	11,352	**–**	**11,352**	8,038	–	8,038
Other income						
Interest on cash and short-term deposits	**1,428**	**–**	**1,428**	419	–	419
Total income	**12,780**	**–**	**12,780**	8,457	–	8,457

Income from investments comprises:						
Listed	**10,766**	**–**	**10,766**	7,610	–	7,610
Unlisted	**586**	**–**	**586**	428	–	428
	11,352	**–**	**11,352**	8,038	–	8,038

3. MANAGEMENT AND ADMINISTRATION FEES

	Revenue £'000s	**Capital £'000s**	**2008 Total £'000s**	Revenue £'000s	Capital £'000s	2007 Total £'000s
Payable to:						
Ingot Capital Management Pty Limited ("ICM") – management fee	**586**	**1,366**	**1,952**	1,055	–	1,055
ICM – performance fee in respect of relevant period	**–**	**2,771**	**2,771**	–	7,187	7,187
– performance fee adjustment in respect of prior period	**–**	**606**	**606**	–	(85)	(85)
F&C Management Limited – administration fee	**216**	**–**	**216**	220	–	220
	802	**4,743**	**5,545**	1,275	7,102	8,377

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

The management fee is allocated 70% to capital return and 30% to revenue return (see note 1).

In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount of any outperformance in that period by equity funds attributable to shareholders of the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index, plus inflation (on the RPIX basis), plus two per cent.

Half of the performance fee is payable in cash and half in ordinary shares of the Company, based on the audited diluted NAV per share at the year end. Whereas previously the full performance fee was payable to ICM within 21 days of publication of the annual Report and Accounts, the Directors have resolved with effect from April 2008 to settle the performance fee 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 will be paid to or recouped from ICM in cash within 7 days of the publication of the Report and Accounts.

On 22 April 2008, in accordance with the new arrangements and based upon an unaudited fee of £2,763,000, ICM was paid £1,382,000 in cash and was awarded 879,912 ordinary shares of the Company (based upon the fully diluted NAV of those shares at 31 March 2008). The shares were purchased in the market on 24 April 2008 at a cost of £1,356,000, a saving of £25,000 to the Company which will be recognised in the Accounts for the year ended 31 March 2009.

The audited performance fee of £2,771,000, recognised in the Accounts for the year ended 31 March 2008, is £8,000 more than that paid to ICM in April in cash and shares. This amount will be paid to ICM in cash within 7 days of the publication of the Report and Accounts.

The performance fee in respect of the year ended 31 March 2007 was paid after publication of the Report and Accounts. 1,300,000 ordinary shares were bought in the market and 1,301,992 ordinary shares were issued at fair market value (see note 19) in satisfaction of half of that fee in June 2007. The cost of these shares exceeded the diluted net asset value attributed to that portion of the fee by £606,000. This amount has been included in the current year as a cost adjustment in respect of the prior period.

F&C Management Limited ("FCM") provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £210,000 per annum (prior to 1 July 2007: £235,000), payable monthly in arrears and will be entitled to reimbursement of certain expenses incurred by it in connection with its duties. In respect of the year to 31 March 2008, FCM also received a £10,000 fee in respect of the issue of the C shares of the Company charged to share premium (year to 31 March 2007: £10,000 fee also in respect of the issue of the C shares of the Company charged to share premium). The Agreement with FCM is terminable on three months' notice in writing.

4. OTHER EXPENSES

	Revenue £'000s	**Capital £'000s**	**2008 Total £'000s**	Revenue £'000s	Capital £'000s	2007 Total £'000s
Auditors' remuneration:						
for audit services	**23**	**–**	**23**	17	–	17
for other services*	**3**	**–**	**3**	8	–	8
Directors' fees:						
fees for services to the Company (see Directors' Remuneration Report on pages 24 and 25)	**125**	**–**	**125**	116	–	116
Sundry expenses	**701**	**55**	**756**	568	77	645
	852	**55**	**907**	709	77	786

* Total Auditors' remuneration for other services amounts to £30,000 (2007: £46,000). £27,000 was for services relating to corporate finance transactions, charged to share premium and £3,000 for all other services (2007: £38,000 was for services relating to corporate finance transactions charged to share premium, £5,000 for services relating to taxation and £3,000 for all other services).

5. DIRECTORS' REMUNERATION CONTRACTS AND SHARE BASED PAYMENTS

(a) Remuneration
The amounts paid by the Company to Mr Jillings, which was for services as executive Director of the Company, and to the other Directors, which were for services as non-executive Directors, did not include any payments or rights to pensions and are detailed in the Directors' Remuneration Report on pages 24 and 25.

(b) Directors' interests in securities
The beneficial interests of the Directors in the securities of the Company were as follows:

	Ordinary shares	**Warrants**	**2008 S shares**	Ordinary shares	2007 Warrants
A E Zagoreos	**324,401**	**–**	**5,423**	275,830	–
J M Collier (resigned 19 June 2007)	**n/a**	**n/a**	**n/a**	177,046	29,384
C D O Jillings	**628,263**	**193,093**	**10,846**	260,175	193,093
C D O Jillings – SIPP	**108,268**	**100,000**	**–**	–	100,000
G A Madeiros	**50,050**	**–**	**8,134**	n/a	n/a
G P D Milne	**462,196**	**86,239**	**–**	448,845	86,199
K J O'Connor	**439,448**	**74,668**	**5,423**	398,547	74,668

Since the year end, the Directors received ordinary shares purchased in the market to satisfy Director fee entitlements on 8 April 2008 and Charles Jillings received ordinary shares from ICM (see page 25). As at the date of this report, the beneficial interests of the Directors in the securities of the Company are as follows:

5. DIRECTORS' REMUNERATION CONTRACTS AND SHARE BASED PAYMENTS (CONTINUED)

	Ordinary shares	Warrants	S shares
A E Zagoreos	329,456	–	5,423
C D O Jillings	776,793	193,093	10,846
C D O Jillings – SIPP	108,268	100,000	–
G A Madeiros	54,463	–	8,134
G P D Milne	465,726	86,239	–
K J O'Connor*	442,978	74,668	5,423

* includes the following interests held as trustee and discretionary beneficiary
K J O'Connor and J M O'Connor (as trustees) 75,000 ordinary shares, 15,000 warrants
Bowen Securities Limited 186,443 ordinary shares, 37,289 warrants and 5,423 S shares.

(c) Directors' interests in contracts

Mr Jillings resigned as an executive director of Utilico Investment Trust PLC ("UIT") on 19 June 2007, at which date UIT was placed in members' voluntary liquidation. UIT transferred its investment in UEM to a successor company of which Mr Jillings is an employee. As at 31 March 2007, UIT owned 25.9% of the issued ordinary shares of the Company.

(d) Directors' payments

On 17 April 2007, 20,487 ordinary shares were issued by the Company in order to satisfy directors fee payments in shares of £28,000 for the quarter ended 31 March 2007.

On 6 August 2007, 19,574 ordinary shares were issued by the Company in order to satisfy directors fee payments in shares of £31,000 for the quarter ended 30 June 2007.

On 16 October 2007, 18,089 ordinary shares were issued by the Company in order to satisfy directors fee payments in shares of £31,000 for the quarter ended 30 September 2007.

On 14 January 2008, 17,705 ordinary shares were issued by the Company in order to satisfy directors fee payments in shares of £31,000 for the quarter ended 31 December 2007.

Since the year end, a further 20,058 ordinary shares were purchased by the Directors and reimbursed by the Company of which 19,898 satisfied directors' fee payments equivalent to £31,000 for the quarter ended 31 March 2008. The remaining shares relate to emoluments for the quarter ended 30 June 2008.

6. FINANCE COSTS

	Revenue £'000s	**Capital £'000s**	**2008 Total £'000s**	Revenue £'000s	Capital £'000s	2007 Total £'000s
On loans and overdrafts:						
Loans and overdrafts repayable within 1 year	**473**	**1,104**	**1,577**	1,115	–	1,115
Loans and overdrafts repayable between 2 and 5 years	**834**	**1,947**	**2,781**	48	–	48
Finance costs on Contracts for Difference	**369**	**861**	**1,230**	254	–	254
	1,676	**3,912**	**5,588**	1,417	–	1,417

7. TAXATION

	Revenue £'000s	Capital £'000s	2008 Total £'000s	Revenue £'000s	Capital £'000s	2007 Total £'000s
Overseas taxation	**636**	**–**	**636**	488	–	488
Capital gains tax on sale of overseas investments	**–**	**885**	**885**	–	422	422
Total current taxation	**636**	**885**	**1,521**	488	422	910
Deferred tax (see note 17)	**–**	**(98)**	**(98)**	–	1,999	1,999
	636	**787**	**1,423**	488	2,421	2,909

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

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

8. EARNINGS PER ORDINARY SHARE

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

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

	2008 £'000s	2007 £'000s
Revenue	**8,814**	4,568
Capital	**30,060**	52,774
Total	**38,874**	57,342

Weighted average number of ordinary shares in issue during the period for basic earnings per share calculations	**168,065,113**	154,365,003

Diluted earnings per ordinary share

Diluted revenue return has been calculated in accordance with IAS33, under which the Company's outstanding warrants and S shares are considered dilutive only if the exercise price is lower than the average market price of the ordinary shares during the year. The dilution is calculated by reference to the additional number of ordinary shares which warrantholders and S shareholders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market. The exercise rights of warrants and S shares are described in note 19.

	2008 Number	2007 Number
Weighted average number of ordinary shares in issue during the period for basic earnings per share calculations	**168,065,113**	154,365,003
Dilutive potential shares	**12,605,987**	4,868,838
Weighted average number of shares for diluted earnings per share calculations	**180,671,100**	159,233,841

9. DIVIDENDS

	Record date	Payment date	**Year to 31 March 2008 £'000s**	Year to 31 March 2007 £'000s
2006 Final of 1.50p	16 June 2006	07 August 2006	**–**	1,126
2007 Interim of 2.00p	15 December 2006	29 December 2006	**–**	3,292
2007 Final of 0.70p	15 June 2007	29 June 2007	**1,155**	–
2008 Interim of 3.50p	30 November 2007	14 December 2007	**5,822**	–
			6,977	4,418

A final dividend in respect of the year ended 31 March 2008 of 1.30p per ordinary share will be paid on 4 July 2008 to all shareholders on the register at close of business on 20 June 2008. The estimated cost of the dividend, based on 213,508,303 ordinary shares in issue at 6 June 2008, is £2,776,000.

10. INVESTMENTS

	Listed £'000s	**Unlisted £'000s**	**2008 Total £'000s**	Listed £'000s	Unlisted £'000s	2007 Total £'000s
Cost brought forward	**193,566**	**15,215**	**208,781**	85,963	6,466	92,429
Unrealised appreciation brought forward	**63,935**	**992**	**64,927**	15,393	234	15,627
Valuation brought forward	**257,501**	**16,207**	**273,708**	101,356	6,700	108,056
Movements in the year:						
Purchases at cost	**159,907**	**72,694**	**232,601**	163,680	14,175	177,855
Sales						
proceeds	**(85,390)**	**(3,063)**	**(88,453)**	(64,624)	(5,673)	(70,297)
realised net gains on sales	**16,717**	**1,263**	**17,980**	3,725	26	3,751
Increase/(decrease) in unrealised appreciation	**12,018**	**(6,494)**	**5,524**	53,364	979	54,343
Valuation at 31 March	**360,753**	**80,607***	**441,360**	257,501	16,207	273,708
Cost at 31 March	**296,901**	**85,842**	**382,743**	193,566	15,215	208,781
Unrealised appreciation/(depreciation) at 31 March	**63,852**	**(5,235)**	**58,617**	63,935	992	64,927
	360,753	**80,607***	**441,360**	257,501	16,207	273,708

* Includes £39,398,000 of investments quoted on a regulated exchange and £27,393,000 investment in GERP.

Gains on investments	**2008 £'000s**	2007 £'000s
Realised gains based on historical cost	**29,812**	8,797
Less amounts recognised in previous periods	**(11,832)**	(5,046)
Realised gains based on carrying value at previous balance sheet date	**17,980**	3,751
Increase in unrealised appreciation	**5,524**	54,343
Gains on investments	**23,504**	58,094

10 INVESTMENTS (CONTINUED)

Significant interests

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

Company	**Country of registration & incorporation**	**Class of instruments held**	**2008 % of class of instruments held**	2007 % of class of instruments held
AES Tiete S.A.	Brazil	ordinary shares	**5.0**	–
Datang International Power Generation Company Ltd	China	convertible notes	**8.9**	12.2
Eastern Water	Thailand	ordinary shares	**10.1**	–
Equest Balkan Properties	Isle of Man	ordinary shares	**19.9**	–
Hainan Meilan International Airport	China	ordinary shares	**–**	5.1
Malaysia Airports	Malaysia	ordinary shares	**4.4**	–
Ocean Wilsons Holdings Limited	Bermuda	ordinary shares	**8.4**	6.5
POS Malaysia & Services	Malaysia	ordinary shares	**7.0**	5.0
Puncak Niaga Holdings	Malaysia	ordinary shares	**8.3**	5.7

In addition, the Company held 100% of the B shares representing 19.9% of the votes in GERP, a Bermuda domiciled company.

11. OTHER RECEIVABLES

	2008 £'000s	2007 £'000s
Sales for future settlement	**1,283**	156
Accrued income	**1,419**	1,556
Prepayments and other debtors	**469**	517
	3,171	2,229

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

Contracts for difference	**2008 £'000s**	2007 £'000s
Current assets		
– US dollar	**37**	–
Net current assets contracts for difference	**37**	–
Current liabilities		
– US dollar	**(10)**	–
Net current liabilities contracts for difference	**(10)**	–
Total net current assets contracts for difference	**27**	–

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Forward foreign exchange contracts	2008 £'000s	2007 £'000s
– Sterling	–	25,047
– US dollar	–	(25,055)
Net current liabilities forward foreign exchange contracts	–	(8)

Futures and options	2008 £'000s	2007 £'000s
Current assets		
– US dollar	421	7,605
Net current assets futures and options	421	7,605
Current liabilities		
– US dollar	–	(474)
Net current liabilities futures and options	–	(474)
Total net current assets futures and options	421	7,131

Interest rate SWAPs	2008 £'000s	2007 £'000s
Current liabilities		
– US dollar	(3,153)	–
Total net current liabilities interest rate SWAPs	(3,153)	–
Total net current assets derivative financial instruments	458	7,605
Total net current liabilities derivative financial instruments	(3,163)	(482)

Changes in derivatives

Total net current derivative financial instruments are as follows:

	2008 £'000s	2007 £'000s
Valuation brought forward	7,123	720
Purchases	(2,152)	1,323
Settlements	(22,921)	2,630
Gains and losses	15,245	2,450
Valuation at 31 March	(2,705)	7,123

13. CASH AND CASH EQUIVALENTS

	2008 £'000s	2007 £'000s
Cash at bank	5,805	9,661
Cash in margin accounts	5,431	10,243
	11,236	19,904

14. BANK LOANS – CURRENT LIABILITY

	2008 £'000s	2007 £'000s
US$59.550 million repayable May 2008	**29,962**	–
£20.000 million repayable March 2008	**–**	20,000
	29,962	20,000

The Company has a committed loan facility of £80,000,000, secured over the Company's assets, of which £30,000,000 expires on 15 June 2008, £25,000,000 expires on 16 March 2010 and £25,000,000 expires on 16 March 2012. Commissions are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature.

15. OTHER PAYABLES

	2008 £'000s	2007 £'000s
Purchases for future settlement	**7,844**	6,439
Accrued finance costs	**337**	186
Accrued expenses	**3,551**	7,710
	11,732	14,335

16. BANK LOANS – NON-CURRENT LIABILITY

	2008 £'000s	2007 £'000s
US$49.625 million repayable March 2010	**24,969**	–
US$49.625 million repayable March 2012	**24,968**	–
£15.000 million repayable March 2010	**–**	15,000
US$9.820 million repayable March 2010	**–**	5,007
US$9.820 million repayable March 2012	**–**	5,007
	49,937	25,014

See note 14 for details of the loan facility.

17. DEFERRED TAX

	2008 £'000s
Balance at 31 March 2007	1,999
Increase in provision for Brazilian tax on capital gains	(98)
Balance at 31 March 2008	**1,901**

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

18. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

19. ORDINARY SHARE CAPITAL

	Authorised Number	£'000s	Issued and fully paid Number	£'000s
Equity share capital				
Ordinary shares of 10p each				
Balance at 31 March 2007	750,000,000	75,000	164,983,407	16,498
Authorised during the year	600,009,078	60,001		
Issued during the year			48,524,896	4,853
Balance at 31 March 2008	**1,350,009,078**	**135,001**	**213,508,303**	**21,351**

Ordinary shares

Pursuant to the Special Resolution passed at a Special General meeting of the Company held on 13 December 2007, the authorised share capital of the Company was stated to be increased from £75,000,000 to £135,100,000. This resolution contained an error as the share capital should have been increased to £135,001,000. A resolution to correct this error will be tabled at the AGM.

On 18 December 2007, the Company raised £83,734,000 (net of expenses) through a placing and offer for subscription, when 85,000,000 C shares of 50p and 17,000,000 subscription shares were issued. On 19 February 2008 the Investment Manager, ICM, notified the Directors that 80% of the net proceeds of the issue had been invested and in compliance with the terms of the issue, the Directors determined the calculation date for the conversion of the C shares into ordinary shares was 29 February 2008. On 13 March 2008 the C shares were converted into 47,141,000 newly issued ordinary shares and 377,859,000 Deferred Shares of 10p each (in accordance with the rights attaching to the "C" shares as set out in the Company's Bye-Laws). The Deferred Shares were all repurchased immediately upon conversion on 13 March 2008 by the Company for an aggregate of 1p for every 1,000,000 Deferred Shares. On repurchase, each Deferred Share was treated as cancelled and the resulting authorised but unissued share capital was reclassified and redesignated as Ordinary shares. The aggregate price of these shares was £nil.

75,855 ordinary shares were issued at various dates during the year in order to satisfy Directors' fee payments (see note 5), 1,301,992 were issued in order to satisfy the performance fee payment to the Investment Manager in June 2007 (see note 3) and 6,049 were issued on the exercise of warrants.

Since 31 March 2008 no further ordinary shares have been issued.

Warrants

At 31 March 2007, 32,543,308 warrants were in issue. On 31 July 2007, 790 warrants and on 31 January 2008, 5,259 warrants were exercised. At 31 March 2008, 32,537,259 warrants were in issue. Holders have the right to subscribe for one ordinary share per warrant at £1 in cash on 31 January or on 31 July in any of the years 2008 to 2010 (inclusive).

S shares

On 13 March 2008 17,000,000 subscription shares were converted into 9,219,100 S shares and 75,780,900 Deferred Subscription Shares of 0.001p each (in accordance with the rights attaching to the Subscription Shares as set out in the Company's Bye-Laws). The Deferred Subscription Shares were all repurchased immediately upon conversion on 13 March 2008 by the Company for an aggregate of 1p for every 1,000,000 Deferred Subscription Shares. On repurchase, each Deferred Subscription Share was treated as cancelled and the resulting authorised but unissued share capital was reclassified and redesignated as Ordinary shares. The aggregate price of these shares was £nil. Holders have the right to subscribe for one ordinary share per S share at £1 in cash on 31 January or on 31 July in any of the years 2008 to 2010 (inclusive). The authorised number of S shares is 9,219,100 of 0.001p each. The S shares do not carry the right to any dividend nor any right to receive notice or attend and vote at any general meeting of the Company.

20. SHARE PREMIUM ACCOUNT

	£'000s
Balance at 31 March 2007	147,194
Premium on issue of ordinary share capital	82,418
Issue costs of ordinary share capital	(1,260)
Transfer to S share reserve on issue of S shares	(9,350)
Premium on conversion of warrants	6
Balance at 31 March 2008	**219,008**

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

21. WARRANT RESERVE

	£'000s
Balance at 31 March 2007	9,050
Transfer to other non-distributable reserve on exercise of warrants	(2)
Balance at 31 March 2008	**9,048**

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

22. S SHARE RESERVE

	£'000s
Balance at 31 March 2007	–
Transfer from share premium	9,350
Balance at 31 March 2008	**9,350**

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

23. OTHER NON-DISTRIBUTABLE RESERVE

	£'000s
Balance at 31 March 2007	101
Transfer from warrant reserve	2
Balance at 31 March 2008	**103**

24. OTHER RESERVES

	Capital reserve (realised) £'000s	Capital reserve (unrealised) £'000s	Capital reserves Total £'000s	Revenue reserve £'000s
Realised gains on investments	17,980	–	17,980	–
Transfer on disposal of investments	11,832	(11,832)	–	–
Gains on derivative financial instruments	18,433	–	18,433	–
Transfer on disposal of derivative financial instruments	2,847	(2,847)	–	–
Exchange gains	808	–	808	–
Management fee	(1,366)	–	(1,366)	–
Performance fee (see note 3)	(3,377)	–	(3,377)	–
Finance costs	(3,912)	–	(3,912)	–
Other capital charges	(55)	–	(55)	–
Taxation	(787)	–	(787)	–
Increase in unrealised appreciation on investments	–	5,524	5,524	–
Decrease in unrealised appreciation on derivative instruments	–	(3,188)	(3,188)	–
Revenue profit for the year	–	–	–	8,814
Total profit in current year	42,403	(12,343)	30,060	8,814
Dividends paid in the year	–	–	–	(6,977)
Balance at 31 March 2007	(364)	67,772	67,408	1,365
Balance at 31 March 2008	42,039	55,429	97,468	3,202

24. OTHER RESERVES (CONTINUED)

Distributable capital reserve

The Institute of Chartered Accountants in England and Wales (ICAEW), in its technical guidance TECH 01/08, states that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be recognised as distributable, provided the change recognised can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities, currently included within the Unrealised Capital Reserve, may be regarded as distributable.

The technical interpretation of the meaning of distributable reserve would, as a consequence, give rise at 31 March 2008 to capital reserves available for distribution of approximately £100.2m and non-distributable capital reserves of approximately £(2.7m).

25. NET ASSET VALUE PER ORDINARY SHARE

(a) Net asset value per ordinary share is based on net assets at the year end of £359,530,000 (2007: £241,616,000) and on 213,508,303 (2007: 164,983,407) ordinary shares in issue at the year end.

(b) Diluted net asset value per ordinary share is based on net assets at the period end and assuming the receipt of proceeds arising from the exercise of 32,537,259 warrants outstanding at £1 per warrant and the exercise of 9,219,100 S shares outstanding at £1 per S share.

	2008 Number	2007 Number
Ordinary shares in issue at the year end	**213,508,303**	164,983,407
Ordinary shares created on exercise of all warrants	**32,537,259**	32,543,308
Ordinary shares created on exercise of all S shares	**9,219,100**	–
Number of ordinary shares for diluted calculation	**255,264,662**	197,526,715
Attributable net assets – £'000s	**401,287**	274,159
Diluted net asset value per ordinary share – pence	**157.20**	138.80

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

	2008 £'000s	2007 £'000s
Profit before taxation	**40,297**	60,251
Adjust for non-cash flow items:		
Gains and losses on investments	**(23,504)**	(58,094)
Gains on derivative financial instruments	**(15,245)**	(2,450)
Exchange gains and losses	**(808)**	(1,830)
Effective yield interest	**(223)**	(460)
Directors' remuneration paid in shares	**122**	38
Performance fee paid in shares	**2,148**	–
(Decrease)/increase in accrued income	**83**	(835)
(Decrease)/increase in creditors	**(3,969)**	5,514
Increase in other debtors	**(7)**	(507)
Tax on overseas income	**(1,467)**	(894)
	(42,870)	(59,518)
Adjust for cash flow items not within Income Statement:		
Net cash flows on investments	**(143,646)**	(101,982)
Net cash flows on derivative financial instruments	**25,073**	(3,952)
	(118,573)	(105,934)
Net cash flows from operating activities	**(121,146)**	(105,201)

27. RELATED PARTY TRANSACTIONS

As part of the open offer of issuing C shares and new warrants on 18 December 2007, the Company issued 17,400,000 C shares and 3,480,000 subscription shares to Utilico Limited ("UL") for a consideration of £17,400,000. The shareholding by UL (including UL's subsidiary, UEM Holdings Limited) in the Company, represented 24.5% of the then-issued share capital.

On 19 December 2007 UL also sold at market fair value to UEM, 480,000 shares of Ocean Wilsons for a consideration of £3,540,000 and on 25 January 2008 7,948,500 ordinary shares of Malaysia Airport for a consideration of £3,709,000.

During the year, UEM purchased 3,290 shares in Global Equity Risk Protection Ltd ("GERP"), a Bermuda registered company for £3,290. On 14 March 2008, all of UEM's outstanding S&P options were transferred to GERP at £25,446,000, representing fair market value at that date, in exchange for an equivalent increase in the value of UEM's holding in GERP representing 19.9% of the votes. In addition, a further £1,803,000 of cash has been invested at various dates by UEM in GERP to fund further investments in index options on behalf of UEM.

Transactions entered into by Mr Jillings are disclosed in the Directors' Remuneration Report on page 25 and in Note 5 to the Accounts. There are no other related party transactions.

28. FINANCIAL RISK MANAGEMENT

The Company's investment objective is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets. The Company seeks to meet its investment objective by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing the objective, the Company 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 Manager, is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 on the accounts. The policies are in compliance with International Financial Reporting Standards 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.

(a) Market Risks

The fair value of equity and other financial securities held in the Company'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 Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors on-going market risk within the portfolio.

The Company's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company 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 Company's exposure to future changes in exchange rates.

Gearing may be short or long-term, in Sterling and foreign currencies, and enables the Company 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 Company was exposed were the Brazilian Real, Hong Kong Dollar, Malaysian Ringgit, Philippine Peso, Thai Baht and US Dollar. The exchange rates applying against Sterling at 31 March, and the average rates during the year, were as follows:

	2008	**Average**	2007
BRL – Brazilian Real	**3.4752**	**3.6996**	4.0129
CNY – Chinese Yuan	**13.9364**	**14.9437**	15.1617
MYR – Malaysian Ringgit	**6.3570**	**6.7575**	6.7814
PHP – Philippine Peso	**83.0179**	**88.5274**	94.6352
THB – Thai Baht	**62.5765**	**67.7551**	68.6669
USD – United States Dollar	**1.9875**	**2.0125**	1.9614

The fair value of the Company's assets and liabilities at 31 March, by currency based on the country of primary operations, are shown below.

2008	BRL £'000s	CNY £'000s	GBP £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Investments	127,356	66,386	–	68,265	36,905	27,716	27,393	87,339	441,360
Derivative financial instruments – assets	–	–	–	–	–	–	30,132	–	30,132
Cash and cash equivalents	24	–	4,151	–	–	–	7,046	15	11,236
Other receivables	720	–	1,898	57	10	406	65	15	3,171
Short term unsecured loan	–	–	–	–	–	–	(29,962)	–	(29,962)
Other payables	(421)	–	(7,610)	(111)	(149)	(198)	(2,495)	(748)	(11,732)
Derivative financial instruments – liabilities	–	–	(28,153)	–	–	–	(4,684)	–	(32,837)
Long term unsecured loans	–	–	–	–	–	–	(49,937)	–	(49,937)
Deferred tax	(1,901)	–	–	–	–	–	–	–	(1,901)
Net assets	**125,778**	**66,386**	**(29,714)**	**68,211**	**36,766**	**27,924**	**(22,442)**	**86,621**	**359,530**
Percentage of net assets	**35.0%**	**18.4%**	**(8.3)%**	**19.0%**	**10.2%**	**7.8%**	**(6.2)%**	**24.1%**	**100.0%**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

2007	BRL £'000s	CNY £'000s	GBP £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Investments	60,014	33,585	29,517	47,394	17,675	25,793	41,270	18,460	273,708
Derivative financial instruments – assets	–	–	25,047	–	–	–	164,522	–	189,569
Cash and cash equivalents	–	–	106	–	–	–	19,564	234	19,904
Other receivables	672	20	639	–	–	–	477	421	2,229
Short term unsecured loan	–	–	(20,000)	–	–	–	–	–	(20,000)
Other payables	–	–	(7,815)	–	–	–	(6,253)	(267)	(14,335)
Derivative financial instruments – liabilities	–	–	–	–	–	–	(182,446)	–	(182,446)
Long term unsecured loans	–	–	(15,000)	–	–	–	(10,014)	–	(25,014)
Deferred tax	(1,999)	–	–	–	–	–	–	–	(1,999)
Net assets	58,687	33,605	12,494	47,394	17,675	25,793	27,120	18,848	241,616
Percentage of net assets	24.3%	13.9%	5.2%	19.6%	7.3%	10.7%	11.2%	7.8%	100.00%

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 net asset value (NAV) per share:

						2008						2007
Weakening of Sterling	**BRL £'000s**	**CNY £'000s**	**MYR £'000s**	**PHP £'000s**	**THB £'000s**	**USD £'000s**	BRL £'000s	CNY £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s
Income Statement return after tax												
Revenue return	**473**	**57**	**147**	**44**	**59**	**(136)**	341	5	43	8	88	(30)
Capital return	**13,895**	**7,376**	**7,579**	**4,086**	**3,148**	**(2,494)**	6,046	3,734	5,266	1,964	2,564	2,507
Total return	**14,368**	**7,433**	**7,726**	**4,130**	**3,207**	**(2,630)**	6,387	3,739	5,309	1,972	2,652	2,477
NAV per share												
Basic – pence	**6.73**	**3.48**	**3.62**	**1.93**	**1.50**	**(1.23)**	3.87	2.27	3.22	1.20	1.61	1.50
Diluted – pence	**5.63**	**2.91**	**3.03**	**1.62**	**1.26**	**(1.03)**	3.23	1.89	2.69	1.00	1.34	1.25

						2008						2007
Strengthening of Sterling	**BRL £'000s**	**CNY £'000s**	**MYR £'000s**	**PHP £'000s**	**THB £'000s**	**USD £'000s**	BRL £'000s	CNY £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s
Income Statement return after tax												
Revenue return	**(473)**	**(57)**	**(147)**	**(44)**	**(59)**	**136**	(341)	(5)	(43)	(8)	(88)	30
Capital return	**(13,895)**	**(7,376)**	**(7,579)**	**(4,086)**	**(3,148)**	**2,494**	(6,046)	(3,734)	(5,266)	(1,964)	(2,564)	(2,507)
Total return	**(14,368)**	**(7,433)**	**(7,726)**	**(4,130)**	**(3,207)**	**2,630**	(6,387)	(3,739)	(5,309)	(1,972)	(2,652)	(2,477)
NAV per share												
Basic – pence	**(6.73)**	**(3.48)**	**(3.62)**	**(1.93)**	**(1.50)**	**1.23**	(3.87)	(2.27)	(3.22)	(1.20)	(1.61)	(1.50)
Diluted – pence	**(5.63)**	**(2.91)**	**(3.03)**	**(1.62)**	**(1.26)**	**1.03**	(3.23)	(1.89)	(2.69)	(1.00)	(1.34)	(1.25)

These analyses are broadly representative of the Company's activities during the current and prior year as a whole, although the level of the Company'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**	**2008 Total £'000s**	Within one year £'000s	More than one year £'000s	2007 Total £'000s
Exposure to floating rates						
Cash	**11,236**	**–**	**11,236**	19,904	–	19,904
Borrowings	**(11,094)**	**(18,868)**	**(29,962)**	(20,000)	(25,014)	(45,014)
	142	**(18,868)**	**(18,726)**	(96)	(25,014)	(25,110)
Exposure to fixed rates						
Borrowings	**(18,491)**	**(31,446)**	**(49,937)**	–	–	–
Net exposures						
At year end	**(18,349)**	**(12,578)**	**(31,211)**	(96)	(25,014)	(25,110)
Maximum in year	**(20,870)**	**(49,937)**	**(70,807)**	(133)	(25,008)	(25,141)
Minimum in year	**66,496**	**(51,198)**	**15,298**	29,255	–	29,255

	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	**(20,870)**	**(49,937)**	**(70,807)**	(25,141)	–	(25,141)
Minimum in year	**92,095**	**(76,797)**	**15,298**	29,255	–	29,255

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Company arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts is at ruling market rates. Interest paid on borrowings is fixed at 5.0% on USD100m using an interest rate SWAP and at ruling market rates on any borrowings in excess thereof.

The Company'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 decrease or increase in 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 share.

	Increase in rate £'000s	**2008 Decrease in rate £'000s**	Increase in rate £'000s	2007 Decrease in rate £'000s
Revenue return	**2**	**(2)**	128	(128)
Capital return	**(419)**	**419**	(630)	630
Total return	**(417)**	**417**	(502)	502
NAV per share				
Basic – pence	**(0.20)**	**0.20**	(0.30)	0.30
Diluted – pence	**(0.16)**	**0.16**	(0.25)	0.25

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other Market Risk exposures

The portfolio of investments, valued at £441,360,000 at 31 March 2008 (2007: £273,708,000) is exposed to market price changes. The Company enters into currency and index options in managing its exposure to other market risks. The Company also enters into Contracts for Difference that are exposed to market price changes. The Manager assesses 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 in the Investment Manager's Report on page 6. A description of the derivative positions together with the Manager's and Board's strategies for using these positions for efficient portfolio management is contained within the Investment Manager's Report under "Hedging" on pages 7 and 8.

The exposure on the Company's options and Contracts for Difference at 31 March was as follows:

	2008 £'000s	2007 £'000s
Current assets		
Call index options	**–**	36,221
Put Index options	**–**	101,420
Put currency options	**25,421**	–
Contracts for Difference	**4,711**	14,424
	30,132	152,065
Current Liabilities		
Call index options	**–**	35,694
Put Index options	**–**	100,951
Put currency options	**25,000**	–
Contracts for Difference	**4,684**	(14,069)
Interest rate SWAPs	**3,153**	–
	32,837	122,576

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 net asset value (NAV) per share:

	2008 Increase in value £'000s	**2008 Decrease in value £'000s**	2007 Increase in value £'000s	2007 Decrease in value £'000s
Income statement capital return	**86,239**	**(86,239)**	54,740	(54,740)
NAV per share				
Basic – pence	**40.39**	**(40.39)**	33.18	(33.18)
Diluted – pence	**33.78**	**(33.78)**	27.71	(27.71)

(b) Liquidity risk exposure

The Company 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 Company 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 Company's portfolio (72 at 31 March 2008); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts page 6); and the existence of an on-going loan facility agreement.

Cash balances are held with reputable banks.

The manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Company has loan facilities of £80m as set out in note 14 to the accounts. 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:

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities				
Other creditors – 2008	**11,732**	**–**	**–**	**–**
Other creditors – 2007	14,335	–	–	–

(c) Credit Risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. The Board approves all counterparties used in such transactions, which must be settled on a 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 the Administrator and 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 ICM (the Manager) and F&C Management Limited (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 management and internal auditors of ICM and 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	**Balance Sheet £'000s**	**2008 Maximum exposure £'000s**	Balance Sheet £'000s	2007 Maximum exposure £'000s
Financial assets through profit or loss – derivatives (put options and call options)	**458**	**29,955**	7,605	189,569

None of the Company's financial liabilities is past due or impaired.

(d) Fair Values of financial assets and liabilities

The assets and liabilities of the Company 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 exchanges 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 managers to those valuations to ensure they comply with the Company's accounting policies and with fair value principles.

(e) Capital Risk Management

The Objective of the Company is stated as being to provide shareholders with long term capital appreciation by investing predominantly in infrastructure, utility and related companies in emerging markets. In pursuing this long term Objective, 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 buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves.

Changes to ordinary share capital are set out in note 19 to the accounts. Dividend payments are set out in note 9 on the accounts. Borrowings are set out in notes 14 and 16 to the accounts.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2008 Annual General Meeting of Utilico Emerging Markets Limited will be held at Lazards, 58th Floor, 30 Rockefeller Plaza, New York, NY 10020 USA on Friday, 5 September 2008 at 12.00 noon for the following purposes:

Ordinary Business

1. Minutes of the last General Meeting to be read and confirmed.
2. To receive and adopt the Directors' report and auditor's report and accounts for the year ended 31 March 2008.
3. To approve the Directors' Remuneration Report for the year ended 31 March 2008.
4. To re-elect Mr C D O Jillings, who retires annually, as a Director
5. To re-elect Mr G P D Milne as a Director
6. To re-elect Mr K J O'Connor as a Director
7. To re-appoint the auditors.
8. To authorise the Directors to determine the auditors' remuneration.
9. To approve the Company's investment objective and policy.
10. To amend the authorised share capital of the Company from £135,100,000 to £135,001,000.

Special Business

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

11. Resolve that the Directors be generally and unconditionally authorised to make market purchases of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares"), provided that:
    (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall equal 14.99% of the issued Ordinary Shares as at the date of this notice, being 32,004,894;
    (b) the maximum price which may be paid for an Ordinary Share will be equal to 105% of the average of the mid-market quotation for the share taken from the London Stock Exchange for the five business days immediately preceding the date of purchase (or such other amount as may be specified by the London Stock Exchange from time to time);
    (c) the maximum price payable referred to in paragraph (b) above is exclusive of any expenses payable by the Company in connection with such purchase;
    (d) such purchases shall be made in accordance with the Bermuda Companies Act;
    (e) the authority to purchase Ordinary Shares conferred hereby shall expire on 5 March 2010 unless it is varied, revoked or renewed prior to that date at the Company's 2009 annual general meeting or any other special general meeting by ordinary resolution; and
    (f) the Company may enter into any contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.

By order of the Board
F&C Management Limited, Secretary
10 June 2008

Notes:

Only the holders of ordinary shares registered on the register of members of the Company at 5.00 pm on 3 September 2008 shall be entitled to attend and vote or to be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register after 5.00 pm on 3 September 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

The return of a form of proxy will not preclude a member from attending

the meeting and voting in person if he/she wishes to do so. To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordinance House, 31 Pier Road, St Helier, Jersey, JE4 8PW, not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through a depository interest should ensure that Forms of instruction are returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE not later than 5 pm on 3 September 2008.

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

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

The final dividend in respect of the year ended 31 March 2008 for the ordinary shares will be paid on 4 July 2008 to the relevant holders on the register at the close of business on 20 June 2008.

COMPANY INFORMATION

Utilico Emerging Markets Limited
Company Registration Number: 36941
www.uem.bm

Directors
Alexander Zagoreos (Chairman)
Charles Jillings (Executive)
Garth Milne
Garry Madeiros
Kevin O'Connor (Deputy Chairman)

Registered Office
Canon's Court
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Hamilton HM 12
Bermuda

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

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

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

Channel Islands Broker
Cenkos Channel Islands Limited
Suite F1 Hirzel Court
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Solicitors
Norton Rose LLP
3 More London Riverside
London SE1 2AQ

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

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Custodian
JPMorgan Chase Bank
60 Victoria Embankment
London
EC4Y 0JP

The Company is listed on AIM, the Bermuda Stock Exchange and the Channel Islands Stock Exchange. The Company's ordinary shares and S shares can be held in a PEP/ISA. The warrants are not eligible for inclusion in a PEP or ISA.

www.uem.bm

UEM/ANN-08