

**UTILICO EMERGING MARKETS LIMITED**  
Report and accounts  
for the six months to 30 September 2010

**To provide long-term capital appreciation by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets.**

Utilico Emerging Markets Limited's diluted NAV per ordinary share increased by 16.3% to 172.53p. This was achieved despite most world markets retreating over the six months.

UEM's revenue earnings per ordinary share have risen in the six months by 25.5% to 4.09p reflecting the underlying progress made by investee companies.

#### UEM historic performance (total return)

From 20 July 2005 to 30 September 2010



Source: Utilico Emerging Markets Limited

	Half-year 30 Sep 10	Half-year 30 Sep 09	Annual 31 Mar 10	Half-year change % 2010
Undiluted net asset value per ordinary share	172.53p	140.35p	157.33p	9.7
Diluted net asset value per ordinary share	172.53p	133.82p	148.37p	16.3
Ordinary share price	160.25p	124.50p	132.00p	21.4
(Discount)/premium <sup>(2)</sup>	(7.1%)	(7.0%)	(11.0%)	n/a
Earnings per ordinary share (basic)				
– Capital	21.19p	30.04p	48.57p	(29.5)
– Revenue	4.09p	3.26p	4.67p	25.5
– Total	25.28p	33.30p	53.24p	(24.1)
Dividends per ordinary share				
– Interim	3.75p <sup>(3)</sup>	3.75p	3.75p	–
– Final	n/a	n/a	1.05p	n/a
– Total	n/a	n/a	4.80p	n/a
Equity holders' funds (£m)	378.1	299.0	319.9	18.2
Gross assets (£m) <sup>(4)</sup>	378.1	299.0	344.5	9.8
Cash (£m)	1.8	18.9	2.0	(10.0)
Bank debt (£m)	–	–	(24.7)	n/a
Net cash/(debt) (£m)	1.8	18.9	(22.7)	n/a
Net debt gearing on gross assets	n/a	n/a	6.6%	n/a
Management and administration fees (£m) <sup>(5)</sup>	1.8	1.2	2.5	n/a
Total expense ratio <sup>(6)</sup>	0.9%	0.8%	0.8%	n/a

(1) Historical performance can be found on pages 26 and 27.

(2) Based on diluted net asset value.

(3) The dividend declared has not been included as a liability in these accounts.

(4) Gross assets less liabilities excluding loans.

(5) Excluding performance fee, including other expenses.

(6) Annualised management and administration fees over average gross assets.

I am pleased to report that Utilico Emerging Markets Limited's ("UEM") diluted net asset value ("NAV") per ordinary share increased by 16.3% to 172.53p during the period. This was achieved despite most world markets retreating over the six months. The Bloomberg World Index, the S&P 500 Index (both GBP adjusted) and FTSE All-Share Index retreated by 4.5%, 5.7% and 1.5% respectively. The MSCI Emerging Markets Index (GBP adjusted) was up 2.8%.

During the six months UEM remained fully invested. UEM started the period fully drawn on its bank facility and ended the period ungeared. The bank debt was largely repaid through the exercise of the warrants and S shares in August this period. The investment manager has remained confident about the rising levels of economic activity and their positive impact on the emerging markets. However, caution about the wider issues facing the developed economies have resulted in the investment manager and Board continuing to be cautious on gearing.

There continues to be a strong inflow of capital into the emerging economies. Coupled with rising levels of activity, these have both resulted in GDP growth and strong currencies across most emerging markets, so much so that a number of countries have taken steps to address their currency strength.

UEM's revenue earnings per share have risen in the six months by 25.5% to 4.09p reflecting the underlying progress made by investee companies. There continues to be strong increases in earnings within the investments of the portfolio. The Board has declared a dividend of 3.75p in line with the prior year's interim dividend. This period's interim dividend is well covered by the 4.09p earnings per share in contrast to last year's interim dividend which was not fully covered.

During the six months the warrants and S shares were exercised. This together with wider market

uncertainties resulted in the discount on the ordinary shares widening to over 10.0%. The investment manager viewed this as an investment opportunity and UEM bought back both ordinary shares, warrants and S shares on a number of occasions. UEM bought back 7.5m ordinary shares for cancellation at between 130.00p and 150.00p at a total cost of £10.6m. In addition UEM bought back warrants and S shares between 30.00p to 35.00p at a total cost of £4.8m. The warrants and S shares which were exercised raised £23.4m and increased the shares in issue by 23.4m. The net effect of the above over the six months was an increase in the number of shares in issue by 15.9m and a net capital increase of £8.0m.

UEM appointed Westhouse Securities Limited as Nominated Adviser and broker during the period under review. Garth Milne has stepped down from the Board of UEM as a result. Garth has contributed significantly to the Board since its inception and I am pleased he has agreed to continue his involvement as a consultant to UEM. I am delighted Anthony Muh has joined the Board of UEM, as he will clearly add to our abilities as a Board especially with regard to the Asia region.

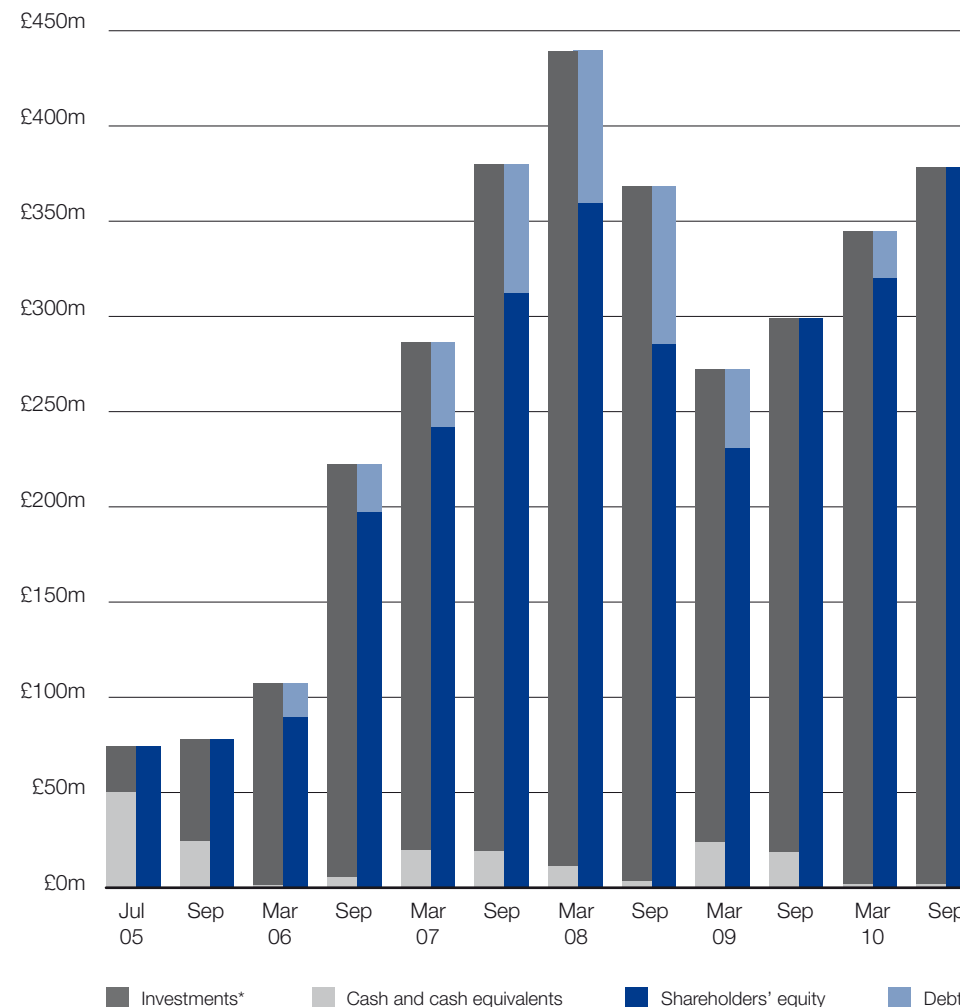
We remain optimistic about the long term performance of UEM. We continue to see strong evidence of a growing middle class in the developing economies, and this is key to the longer term outlook. Strong earnings performance by our underlying investments means valuations remain attractive.

We continue to be vigilant to the issues facing the sovereign debt markets. Nevertheless we are increasingly of the view that they will not disrupt the long term outlook for the emerging economies.

Alexander Zagoreos  
Chairman  
9 December 2010

**UEM capital structure**

From 20 July 2005 to 30 September 2010



\*gross assets less liabilities excluding cash and loans.

Source: Utilico Emerging Markets Limited

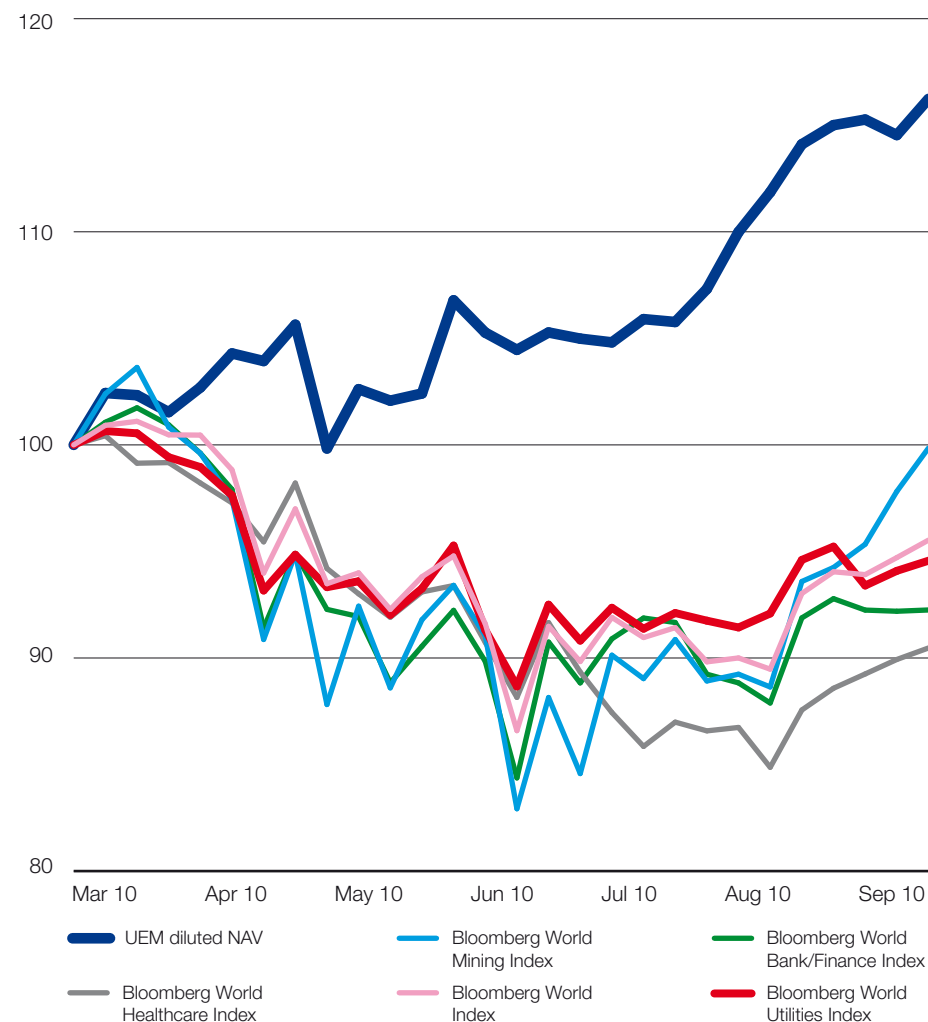
	Mar 10 to Sep 10 <sup>(1)</sup> % change	Price earnings ratio 2010
Bloomberg World Index	(4.5%)	17.5x
Bloomberg World Utilities Index	(5.4%)	13.4x
<b>Utilities Underperformance</b>	<b>(0.9%)</b>	<b>(23.4%)</b>
Hang Seng Index	1.7%	14.8x
Hang Seng Utilities Index	4.5%	16.6x
<b>Utilities Outperformance</b>	<b>2.8%</b>	<b>12.2%</b>
Bovespa Index	–%	15.4x
Bovespa Electric Energy Index	6.7%	48.0x
<b>Utilities Outperformance</b>	<b>6.7%</b>	<b>211.7%</b>
FTSE All-Share Index	(1.5%)	14.5x
FTSE All-Share Utilities Index	4.4%	9.9x
<b>Utilities Outperformance/(Underperformance)</b>	<b>5.9%</b>	<b>(31.7%)</b>
S&P500 Index	(5.7%)	15.6x
S&P500 Utilities Index	2.1%	13.0x
<b>Utilities Outperformance/(Underperformance)</b>	<b>7.8%</b>	<b>(16.7%)</b>

(1) GBP adjusted.

Source: Bloomberg

**UEM diluted NAV versus the Bloomberg Indices Performance\***

From 31 March 2010 to 30 September 2010



\*rebased to 100 at 31 March 2010 and GBP adjusted

Source: Bloomberg

The six months to 30 September 2010 have seen a setback in the equity markets. The Bloomberg World Index, the S&P 500 Index and the FTSE All-Share Index all ended the six months marginally lower. The Asian emerging markets have mostly strengthened. This has been driven by an exit from the US Dollar (resulting in its weakness) into higher risk assets particularly in Asia. During the three months to June 2010 the emerging markets declined. In the next three months to September 2010, the flow of capital into the emerging markets has moved both exchange rates and asset values, and as a consequence most emerging markets have benefited. The net result is the MSCI Emerging Markets Index (GBP adjusted) being up 2.8%.

Over the six months there has also been a strengthening of the utilities and infrastructure valuations, which has reversed some of the weakness seen in the previous twelve months.

UEM has performed well in this environment and its diluted NAV has increased by 16.3% to 172.53p. UEM's long term performance since inception in 2005 has resulted in an average annual compound return of 14.3%, assuming dividends re-invested.

**PORTFOLIO**

UEM's gross assets (less liabilities excluding loans) increased from £344.5m at the March year end to £378.1m at 30 September 2010, arising mainly from gains on investments.

The composition of the top ten investments remain broadly the same although there have been some positional changes. A new entry to the top ten is MY EG Services Berhad ("MYEG") a Malaysian company offering online governmental transactional services for items such as road tax renewal and vehicle insurance renewal. In the six months to September

2010, the share price of MYEG has increased by 82.8%, taking the value of UEM's holding to £8.5m and replacing ENN Gas (formerly Xiniao Gas) as the tenth largest investment.

**Malaysia Airports Holdings Berhad's ("MAHB")**

share price rose 19.5% over the six months to 30 September 2010, hitting an all time high in August 2010. First half results to 30 June 2010, announced passenger traffic increases of 17.8% on the prior period and revenues up 11.4%.

**Ocean Wilsons Holdings Limited ("Ocean Wilsons")**

had a strong six months, with the share price value increasing 25.4%. Financial results were as strong. Revenues for the first half to 30 June 2010 were up 20.0% with increases in all business areas. Gains of US\$20.4m were realised on the formation of an offshore joint venture with Ultragas, a South American shipping company focused on the offshore oil and gas markets.

**International Container Terminal Services Inc ("ICT")**

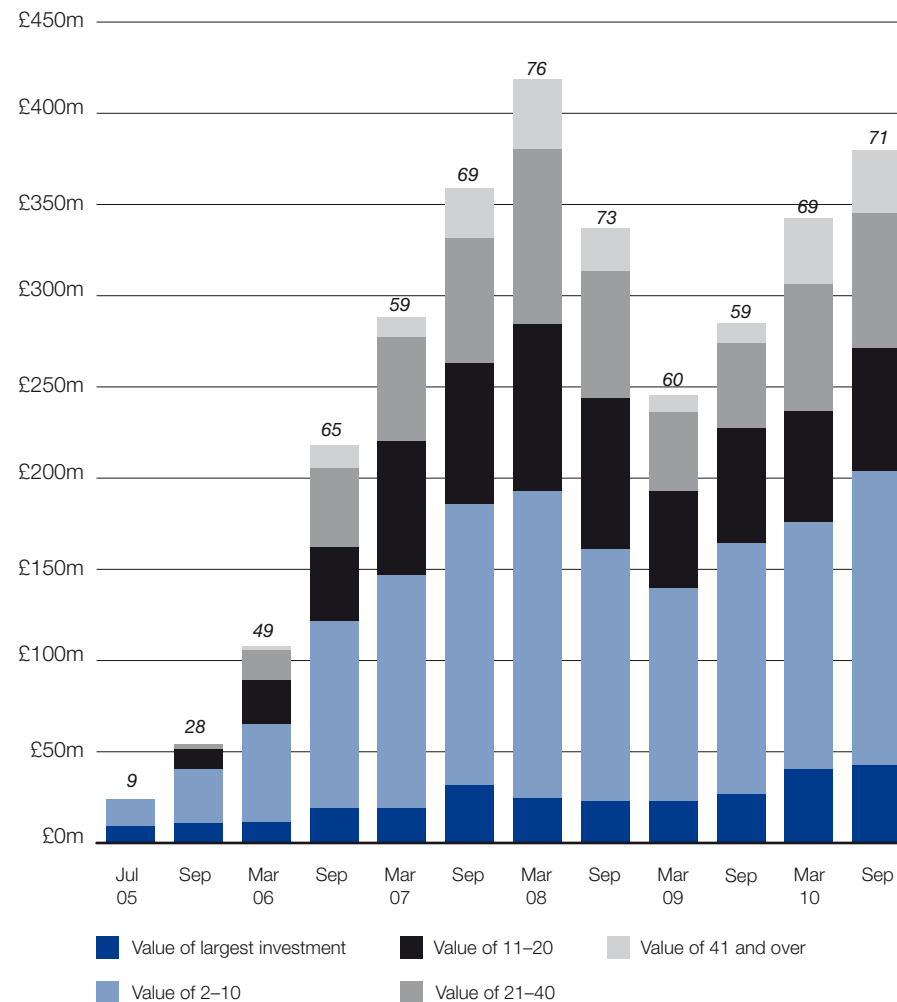
was another strong performer in the top ten, with its share price up 67.0% over the six months. Port volumes were up 26% against the prior period and revenues increased by 31.0% with net income of US\$42.4m up an impressive 83.0% on the first half to June 2009.

**Eastern Water Resources PCL ("Eastwater")**

benefited from both recent investment and also the strong performance in the Thai economy, to record an interim increase in bulk raw water volumes of 16.5% and 14.4% in its tap water business, with a consequent healthy increase in profits. Eastwater's share price increased by 26.7% in the six month period and we continue to see the emerging market water sector as defensive coupled with reasonable growth prospects.

**Portfolio progression and number of investments**

*From 20 July 2005 to 30 September 2010*



Source: Utilico Emerging Markets Limited

**Puncak Niaga ("Puncak")** is continuing its protracted negotiation with the Malaysian government regarding a possible sale of its assets back to the state, and in the meantime it has not been charging on the full tariffs allowed under its concession contract. We are hopeful of a resolution within a reasonable time frame, but given the delays experienced to date, we remain realistic that a final outcome may take time to be settled. We remain of the view that either outcome of a continuation of their concession contract as it stands, or a sale of assets back to the Government, will result in a higher valuation than that implied by the current share price, and we therefore continue to hold the shares. In the meantime, the stock performed well in UEM's first six month of the current financial year, increasing by 10.7%.

**Companhia de Saneamento de Minas Gerais ("Copasa")** our largest investment in the Brazilian water sector also performed well, receiving a delayed tariff increase, and seeing a first half increase of 4.3% in clean water supplied, combined with 9.6% growth in waste water treated. Copasa's share price increased by 1.0% in the six months to 30 September 2010.

**Companhia de Concessões de Rodovias ("CCR")** share price has increased by 11.6% over the period. The half year to June 2010 results reported an increase in net revenue of 19.6% and a 21.0% increase on traffic numbers. The company intends to distribute a gross dividend of R\$1.70 up from R\$1.16 in the prior period.

**AES Tiete ("AES")** performed reasonably well increasing its share price by 6.7%. The Brazilian electricity sector continues to provide opportunities for investors, although bidding for new plants remains competitive.

**Sichuan Expressway** has reported traffic numbers up 16.8% and increased toll income of 21.2% in the six months to 30 June 2010. Net income was up 49.1%, and the share price increased 6.7% in the six months to 30 September 2010.

The geographic split of investments has not seen any major movement, with Brazil remaining our largest exposure at 31.3%, Malaysia is second at 22.4%, up from 21.8% at 31 March 2010 and China is down 3.2% to 18.4% due to disposals in China Mobile Limited, Zhejiang Expressway and Beijing Capital International Airport. Sectoral changes are also minimal, the most notable change being the increase in Ports to 24.0% as a result of strong share price movement in Ocean Wilsons and ICT.

Total investments of £32.6m were made in the six months under review, with proceeds from disposals amounting to £46.1m. The most notable transactions were sales of Malaysia Airports and China Mobile totalling £5.2m and £4.6m respectively. The largest investment of £2.8m was into Plus Expressways, a Malaysian toll road company.

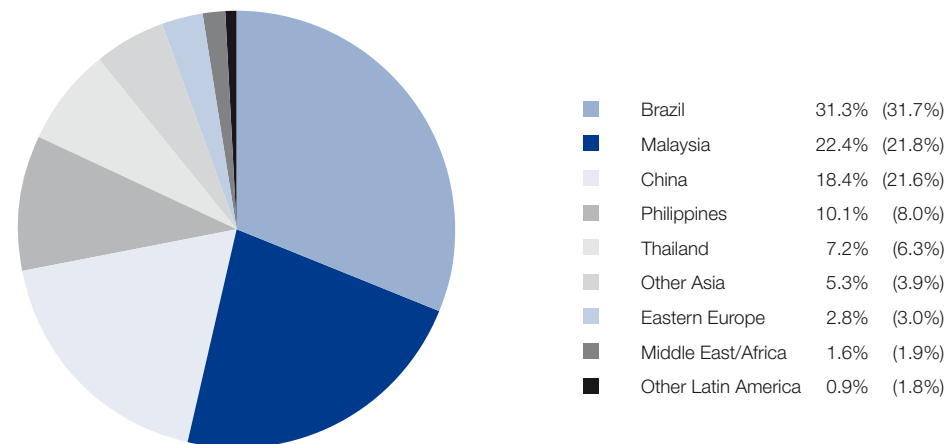
**MARKET HEDGING**

The investment in our market hedging position has increased over the six months to £3.8m, with losses of £1.4m during that period. Maintenance of a hedged position during rising markets is difficult and the hedging strategy is constantly kept under review.

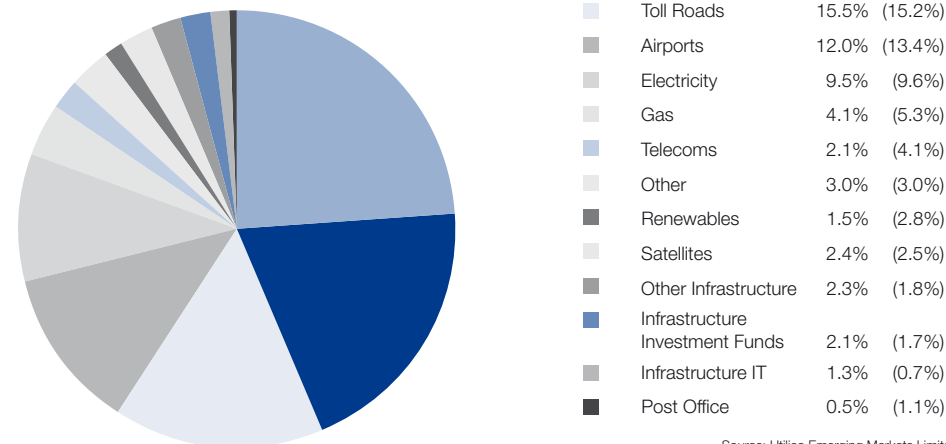
**BANK DEBT**

Bank debt has been reduced to nil since the March 2010 year end. The £25.0m HBOS facility remains in place and will be utilised depending on investment opportunities and market conditions. At 30 September 2010, there was net cash of £1.8m.

**Geographical split of investments**  
As at 30 September 2010



**Sectoral split of investments**  
As at 30 September 2010



Source: Utilico Emerging Markets Limited  
Figures in brackets 31 March 2010

**REVENUE RETURN**

Revenue returns were higher than in the comparable period to 30 September 2009, at £10.3m an increase of 12.8%. The revenue yield on average gross assets was 3.0% at 30 September 2010. Management and administration fees increased marginally to £0.4m due to increased gross assets. Other expenses also increased to £0.5m. The increase in expenses has caused the total expense ratio to increase to 0.9%, up 0.1% since 31 March 2010. Significantly, as a result of the increased revenue, the earnings per share increased to 4.09p (2009:3.26p) up 25.5%.

**CAPITAL RETURN**

The portfolio gains on investment were lower than the same period in 2009, at £50.6m, prior year £69.1m. This is a result of the slowdown of growth in the markets in comparison to the swift recoveries seen in the six months to 30 September 2009.

Gains and losses on derivatives comprised mainly of the losses on the market hedging position with slight losses on foreign exchange movements of £0.3m.

Management and administration fees increased to £4.5m, largely as a result of the accrual of a performance fee, with the NAV having now passed its highwater mark.

Finance costs decreased in comparison to the prior period due to the reduction of bank debt and taxation was a positive £0.2m as a result of a reduction in the Brazilian capital gains tax accrual since the year end at 31 March 2010.

The profit for the six months on the Capital account was £44.0m, compared with £64.2m in the previous period.

**BUYBACKS, WARRANT AND S SHARE****EXERCISE**

UEM has bought back 7.5m ordinary shares in the six month period at an average cost of 140.5p, within a price range of 130.00p to 150.00p. UEM also bought back 14.3m warrants and S shares between 30.00p to 35.00p. We continue to believe that buybacks are an investment decision as evidence in the wider markets suggests it has a modest impact on the discount to NAV.

Following the warrant and S shares exercise in August this year 23.4m new ordinary shares were issued. As a result of the above buybacks and warrant and S share exercise the number of ordinary shares increased by 15.9m to 219.2m and the net capital increased by £8.0m.

We continue to be encouraged by the strong operational performances within the majority of our investments. This has resulted in rising earnings and in some cases lower valuation metrics as market values have not always mirrored the rising performance.

30 Sep 2010	31 Mar 2010	Company (Country)	Fair value £'000s	% of total investments
1	1	<b>Malaysia Airport Holdings Berhad (Malaysia)</b> Airport operator	42,562	11.2%
2	2	<b>Ocean Wilsons Holdings Limited (Brazil)</b> Ports operator, provider of shipping services and investment fund	34,749	9.1%
3	3	<b>International Container Terminal Services, Inc. (Philippines)</b> Global container port operator	30,034	7.9%
4	4	<b>Eastern Water Resources PCL (Thailand)</b> Water treatment and supply company	20,128	5.3%
5	5	<b>Puncak Niaga Holdings Berhad (Malaysia)</b> Water treatment and supply company	16,644	4.4%
6	7	<b>Companhia de Saneamento de Minas Gerais (Brazil)</b> Water treatment and supply company	14,617	3.9%
7	8	<b>Companhia de Concessoes Rodoviaras (Brazil)</b> Toll road operator	13,826	3.6%
8	6	<b>AES Tiete S.A. (Brazil)</b> Hydroelectric generator	12,279	3.2%
9	9	<b>Sichuan Expressway Co. Limited (China)</b> Toll road operator	10,188	2.7%
10	-	<b>My EG Services Berhad (Malaysia)</b> Electronic payment services	8,553	2.3%
<b>Other investments</b>			175,999	46.4%
<b>Total Portfolio</b>			379,579	100.0%

The principal risk faced by the Group is the failure to maintain its objective of capital appreciation, meaning that the NAV would not rise over the longer term. The risks which might give rise to this can be categorised as investment and strategy, manager, gearing, operational and financial.

These risks and the way they are mitigated are described in more detail under the heading Internal Controls and Management of Risk in the

Corporate Governance section of the Group's Annual Report for the year ended 31 March 2010. The Group's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Group's financial year.

The Annual Report and Accounts is published on the Company's website, [www.uem.bm](http://www.uem.bm).

The Directors confirm that to the best of our knowledge:

- i) the condensed set of financial statements has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and return of the Group;
- ii) the Chairman's Statement and Investment Manager's Report (constituting the interim report) includes a fair review of the important events that have occurred in the six months to 30 September 2010 and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- iii) the Interim Report includes a fair review of the material related party transactions that have taken place in the six months to 30 September 2010 and that have materially affected the financial position or performance of the Group during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

The current Directors of the Company are listed on page 24 of this Report.

Approved by the Board on 9 December 2010  
and signed on its behalf by  
**Alexander Zagoreos**  
Chairman



Notes	Six months to 30 September 2010			Six months to 30 September 2009			Year to 31 March 2010		
	Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s
	–	50,637	50,637	–	69,078	69,078	–	112,515	112,515
	–	(1,421)	(1,421)	–	(2,946)	(2,946)	–	(4,426)	(4,426)
	–	(251)	(251)	–	1,562	1,562	–	1,544	1,544
	10,333	–	10,333	9,157	–	9,157	13,671	–	13,671
	<b>10,333</b>	<b>48,965</b>	<b>59,298</b>	9,157	67,694	76,851	13,671	109,633	123,304
	–	–	–	(261)	–	(261)	(261)	–	(261)
2	(395)	(4,461)	(4,856)	(315)	(490)	(805)	(654)	(1,037)	(1,691)
	(479)	(19)	(498)	(393)	(6)	(399)	(788)	(22)	(810)
	9,459	44,485	53,944	8,188	67,198	75,386	11,968	108,574	120,542
	(304)	(710)	(1,014)	(498)	(1,163)	(1,661)	(1,150)	(2,683)	(3,833)
	<b>9,155</b>	<b>43,775</b>	<b>52,930</b>	7,690	66,035	73,725	10,818	105,891	116,709
3	(682)	185	(497)	(724)	(1,808)	(2,532)	(866)	(2,331)	(3,197)
	<b>8,473</b>	<b>43,960</b>	<b>52,433</b>	6,966	64,227	71,193	9,952	103,560	113,512
4	<b>4.09</b>	<b>21.19</b>	<b>25.28</b>	3.26	30.04	33.30	4.67	48.57	53.24
4	<b>3.95</b>	<b>20.49</b>	<b>24.44</b>	3.19	29.44	32.63	4.53	47.13	51.66

The total column of this statement represents the Group's Income Statement and the Group's Statement of Comprehensive Income, prepared in accordance with IFRS.

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

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

All items in the above statement derive from continuing operations.

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

Notes	for the six months to 30 September 2010	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Warrant reserve £'000s	S share reserve £'000s	Other non-distributable reserve £'000s	Retained earnings		Total £'000s
								Capital reserves £'000s	Revenue reserve £'000s	
	Balance at 31 March 2010	20,331	–	206,394	8,089	8,729	994	72,378	2,967	319,882
	Profit for the period	–	–	–	–	–	–	43,960	8,473	52,433
5	Ordinary dividend paid	–	–	–	–	–	–	–	(2,135)	(2,135)
6	Conversion of warrants and S shares	2,338	21,044	–	(5,144)	(4,955)	10,099	–	–	23,382
	Shares and warrants purchased by the Company	(752)	(8,041)	(1,807)	(2,945)	(3,774)	–	1,893	–	(15,426)
	<b>Balance at 30 September 2010</b>	<b>21,917</b>	<b>13,003</b>	<b>204,587</b>	<b>–</b>	<b>–</b>	<b>11,093</b>	<b>118,231</b>	<b>9,305</b>	<b>378,136</b>

Notes	for the six months to 30 September 2009	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Warrant reserve £'000s	S share reserve £'000s	Other non-distributable reserve £'000s	Retained earnings		Total £'000s
								Capital reserves £'000s	Revenue reserve £'000s	
	Balance at 31 March 2009	21,412	56	219,500	8,897	9,285	319	(31,451)	2,715	230,733
	Profit for the period	–	–	–	–	–	–	64,227	6,966	71,193
	Ordinary dividend paid	–	–	–	–	–	–	–	(1,711)	(1,711)
	Conversion of warrants and S shares	6	55	–	(5)	(44)	49	–	–	61
	Ordinary shares purchased by the Company	(115)	(111)	(1,069)	–	–	–	–	–	(1,295)
	<b>Balance at 30 September 2009</b>	<b>21,303</b>	<b>–</b>	<b>218,431</b>	<b>8,892</b>	<b>9,241</b>	<b>368</b>	<b>32,776</b>	<b>7,970</b>	<b>298,981</b>

Notes	for the year to 31 March 2010	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Warrant reserve £'000s	S share reserve £'000s	Other non-distributable reserve £'000s	Retained earnings		Total £'000s
								Capital reserves £'000s	Revenue reserve £'000s	
	Balance at 31 March 2009	21,412	56	219,500	8,897	9,285	319	(31,451)	2,715	230,733
	Profit for the year	–	–	–	–	–	–	103,560	9,952	113,512
	Ordinary dividends paid	–	–	–	–	–	–	–	(9,700)	(9,700)
	Conversion of warrants and S shares	177	1,594	–	(423)	(252)	675	–	–	1,771
	Shares and warrants purchased by the Company	(1,258)	(1,650)	(13,106)	(385)	(304)	–	269	–	(16,434)
	Balance at 31 March 2010	20,331	–	206,394	8,089	8,729	994	72,378	2,967	319,882

Notes	30 September 2010 £'000s	30 September 2009 £'000s	31 March 2010 £'000s
<b>Non-current assets</b>			
Investments	379,579	284,789	342,451
<b>Current assets</b>			
Other receivables	3,587	2,049	5,408
Derivative financial instruments	6,451	1,691	1,969
Cash and cash equivalents	1,789	18,869	1,974
	<b>11,827</b>	<b>22,609</b>	<b>9,351</b>
<b>Current liabilities</b>			
Other payables	(7,037)	(3,301)	(3,085)
Derivative financial instruments	(4,829)	(3,368)	(2,515)
	<b>(11,866)</b>	<b>(6,669)</b>	<b>(5,600)</b>
<b>Net current (liabilities)/assets</b>	<b>(39)</b>	<b>15,940</b>	<b>3,751</b>
<b>Total assets less current liabilities</b>	<b>379,540</b>	<b>300,729</b>	<b>346,202</b>
<b>Non-current liabilities</b>			
Bank loans	–	–	(24,659)
Deferred tax	(1,404)	(1,748)	(1,661)
<b>Net assets</b>	<b>378,136</b>	<b>298,981</b>	<b>319,882</b>
<b>Equity attributable to equity holders</b>			
6 Ordinary share capital	21,917	21,303	20,331
Share premium account	13,003	–	–
Special reserve	204,587	218,431	206,394
Warrant reserve	–	8,892	8,089
S share reserve	–	9,241	8,729
Other non-distributable reserve	11,093	368	994
Capital reserves	118,231	32,776	72,378
Revenue reserve	9,305	7,970	2,967
<b>Total attributable to equity holders</b>	<b>378,136</b>	<b>298,981</b>	<b>319,882</b>
<b>Net asset value per ordinary share</b>			
7 Basic – pence	172.53	140.35	157.33

Notes	Six months to 30 September 2010 £'000s	Six months to 30 September 2009 £'000s	Year to 31 March 2010 £'000s
8 Cash flows from operating activities	18,905	38,004	17,886
Cash flows from investing activities	–	–	–
Cash flows before financing activities	18,905	38,004	17,886
<b>Financing activities</b>			
Ordinary dividends paid	(2,135)	(1,711)	(9,700)
Movements from loans	(24,620)	(40,474)	(16,341)
Proceeds from warrants converted	18,497	17	1,522
Proceeds from S shares converted	4,885	44	249
Cost of ordinary shares purchased	(10,600)	(1,295)	(16,014)
Cost of warrants purchased	(3,612)	–	(330)
Cost of S shares purchased	(1,215)	–	(90)
Cash flows from financing activities	(18,800)	(43,419)	(40,704)
Net movement in cash and cash equivalents	105	(5,415)	(22,818)
Cash and cash equivalents at the beginning of the period	1,974	24,058	24,058
Effect of movement in foreign exchange	(290)	226	734
<b>Cash and cash equivalents at the end of the period</b>	<b>1,789</b>	<b>18,869</b>	<b>1,974</b>

**1. ACCOUNTING POLICIES**

The condensed group Accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 31 March 2010. The condensed consolidated Accounts do not include all of the information required for full annual accounts and should be read in conjunction with the consolidated Accounts of the Group for the year ended 31 March 2010, which were prepared under full IFRS requirements.

**2. MANAGEMENT AND ADMINISTRATION FEES**

The Company agreed with Ingot Capital Management Pty Limited ("ICM Pty") on 7 December 2010 for investment management services to the Company to be provided by ICM Limited ("ICM"), an associated company of ICM Pty, with effect from 1 July 2010. This change is expected to have no impact on the Company since there will be no changes to the terms of the investment management agreement or investment management personnel.

The Board has amended the terms of the high watermark, as set out in the performance fee calculation within the investment management agreement, to take account of dividends paid following the period in respect of which a performance fee was last paid. This change removes the anomaly that higher levels of dividends reduce the ability of the investment manager to earn a performance fee.

The management fee is allocated 70% to capital return and 30% to revenue return.

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 percent.

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. The full performance fee is payable to ICM as soon as practicable following the year end date in order to reduce the risk to the Company of material movements in the price of ordinary shares between the year end date and the date of payment. Any subsequent adjustment to the fee arising out of the audit process will be paid to or recouped from ICM in cash within 7 days of the publication of the Report and Accounts. Under the terms of the performance fee agreement, no future performance fee is payable until the net asset value exceeds the high watermark established at the last payment of the performance fee at 31 March 2008. The high watermark adjusted for capital events and dividends paid following the period in respect of which a performance fee was last paid is £324.5m at 31 March 2010.

The accrued performance fee of £3,784,000 (£nil accrued at 30 September 2010 and £nil at 31 March 2010) is in respect of the year to 31 March 2011. The final amount payable is dependent upon the performance of the Company in the year to 31 March 2011 and may therefore be greater or less than the fee accrued at 30 September 2010.

F&C Management Limited ("FCM") provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £210,000 per annum, payable monthly in arrears and will be entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Agreement with FCM is terminable on three months' notice in writing.

**3. TAXATION**

The revenue return taxation charge of £682,000 (30 September 2009: £724,000 and 31 March 2010: £866,000) relates to overseas taxation. The capital return taxation income of £185,000 (30 September 2009: charge of £1,808,000 and 31 March 2010: charge of £2,331,000) relates to capital gains on realised gains on sale of overseas investments and deferred tax in respect of capital gains tax on overseas unrealised investment gains that may be subject to taxation in future years. Profits for the period to 30 September 2010 are not subject to Bermuda tax.

**4. EARNINGS PER ORDINARY SHARE**

Earnings for the purpose of basic and diluted earnings per ordinary share is the profit attributable to ordinary shareholders.

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

	Six months to 30 Sep 2010 £'000s	Six months to 30 Sep 2009 £'000s	Year to 31 Mar 2010 £'000s
Revenue	8,473	6,966	9,952
Capital	43,960	64,227	103,560
<b>Total</b>	<b>52,433</b>	<b>71,193</b>	<b>113,512</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares in issue during the period for basic earnings per share calculations	<b>207,436,675</b>	213,819,879	213,193,027

**Diluted earnings per ordinary share**

Diluted earnings per share have been calculated in accordance with IAS 33 "Earnings per share", 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 period. The dilution is calculated by reference to the additional number of ordinary shares which warrant holders 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.

	Six months to 30 Sep 2010 £'000s	Six months to 30 Sep 2009 £'000s	Year to 31 Mar 2010 £'000s
Weighted average number of shares in issue during the period for basic earnings per share calculations	<b>207,436,675</b>	213,819,879	213,193,027
Dilutive potential shares – Warrants	<b>5,559,903</b>	3,376,815	5,028,609
Dilutive potential shares – S shares	<b>1,576,402</b>	962,242	1,487,935
<b>Weighted average number of shares for diluted earnings per share calculations</b>	<b>214,572,980</b>	218,158,936	219,709,571

**5. DIVIDENDS**

The final dividend of 1.05p in respect of the year ended 31 March 2010 was paid on 2 July 2010 to shareholders on the register at 18 June 2010.

The Directors have declared an interim dividend in respect of the period ended 30 September 2010 of 3.75p per ordinary share payable on 7 January 2011 to shareholders on the register at close of business on 17 December 2010.

**6. ORDINARY SHARE CAPITAL**

	Authorised		Issued and fully paid	
	number	£'000s	Number	£'000s
Equity share capital:				
Ordinary shares of 10p each				
Balance at 31 March 2010	1,350,009,078	135,001	203,312,819	20,331
Issued during the period on conversion of warrants and S shares			23,381,822	2,338
Purchased for cancellation			(7,522,407)	(752)
<b>Balance at 30 September 2010</b>	<b>1,350,009,078</b>	<b>135,001</b>	<b>219,172,234</b>	<b>21,917</b>

**Ordinary shares**

During the period 7,522,407 ordinary shares were purchased at a cost of £10,600,000 and cancelled. 18,496,620 ordinary shares were issued on the exercise of warrants and 4,885,202 were issued on exercise of S shares.

Since the period end no further ordinary shares have been issued or purchased for cancellation.

**Warrants**

At 31 March 2010, 29,087,134 warrants were in issue. During the period 10,590,514 warrants were purchased at a cost of £3,612,000 and on 2 August 2010, the final conversion date, the remaining 18,496,620 warrants were converted, at £1 per warrant, into 18,496,620 ordinary shares.

**S Shares**

At 31 March 2010, 8,606,709 S shares were in issue. During the period 3,721,507 S shares were purchased at a cost of £1,215,000 and on 2 August 2010, the final conversion date, the remaining 4,885,202 S shares were converted, at £1 per S share, into 4,885,202 ordinary shares.

**7. NET ASSET VALUE PER ORDINARY SHARE**

- (a) Net asset value per ordinary share is based on net assets at the period end of £378,136,000 (30 September 2009: £298,981,000 and 31 March 2010: £319,882,000) and on 219,172,234 ordinary shares in issue at the period end (30 September 2009: 213,028,513 and 31 March 2010: 203,312,819).
- (b) Diluted net asset value per ordinary share is based on net assets at the period end and assumes the receipt of proceeds arising from the exercise of warrants and S shares outstanding at £1 per warrant .
- (c) At 30 September 2010 there are no warrants or S shares in issue and therefore there is no dilution. The diluted net asset value per ordinary share for the period to 30 September 2009 and year ended 31 March 2010 are based on the following:

	30 Sep 2009 Number	31 Mar 2010 Number
Ordinary shares in issue at the period end	213,028,513	203,312,819
Ordinary shares created on exercise of all warrants	31,974,763	29,087,134
Ordinary shares created on exercise of all S shares	9,111,386	8,606,709
Number of ordinary shares for diluted calculation	254,114,662	241,006,662
Attributable net assets – £'000s	340,067	357,576
Diluted net asset value per ordinary share – pence	133.82	148.37

**8. RECONCILIATION OF LOSS BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	30 Sep 2010 £'000s	30 Sep 2009 £'000s	31 Mar 2010 £'000s
Profit before taxation	52,930	73,725	116,709
Adjust for non-cash flow items:			
Gains on investments	(50,637)	(69,078)	(112,515)
Losses on derivative financial instruments	1,421	2,946	4,426
Exchange losses/(gains)	251	(1,562)	(1,544)
(Increase)/decrease in accrued income	1,150	757	(305)
Increase in creditors	3,190	84	608
Decrease/(increase) in other debtors	17	1	(17)
Tax on overseas income	(839)	(739)	(763)
	(45,447)	(67,591)	(110,110)
Adjust for cash flow items not within Income Statement			
Taxation on capital gains	(24)	30	(419)
Overseas investment tax	(47)	–	(148)
Net cash flows on investments	15,083	30,949	13,574
Net cash flows on derivatives	(3,590)	891	(1,720)
	11,422	31,870	11,287
<b>Net cash flows from operating activities</b>	<b>18,905</b>	<b>38,004</b>	<b>17,886</b>

**9. BUSINESS AND GEOGRAPHICAL SEGMENTS**

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

**10. RELATED PARTY TRANSACTIONS**

There have been no significant changes to related party transactions post 31 March 2010.

**11. RESULTS**

The condensed set of financial statements, forming the half-year accounts, has been neither audited nor reviewed by the Company's auditors. The latest published accounts are for the year ended 31 March 2010; the report of the auditors thereon was unqualified. The condensed financial statements shown above for the year ended 31 March 2010 are an extract from those accounts.

By order of the Board

F&C Management Limited, Secretary

Exchange House, Primrose Street, London EC2A 2NY

9 December 2010

**UTILICO EMERGING MARKETS LIMITED**  
**COMPANY REGISTRATION NUMBER: 36941**  
**www.uem.bm****Directors**

**Alexander Zagoreos** (Chairman)  
**Kevin O'Connor** (Deputy Chairman)  
**Charles Jillings** (Executive)  
**Garry Madeiros**  
**Garth Milne** (resigned 26 October 2010)  
**Anthony Muh** (appointed 26 October 2010)

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**Channel Islands Broker**

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**Company Secretary and Administrator**

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 Authorised and regulated in the UK by  
 the Financial Services Authority

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**Custodian**

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**Depository and CREST Agent**

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	Half-year 30 Sep 2010	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006 <sup>(1)</sup>	20 July 2005 <sup>(2)</sup>	Half-year change % 2010	Change % 2010/09	Change % 2009/08	Change % 2008/07	Change % 2007/06	Change % 2006/05
<b>Undiluted net asset value per ordinary share</b>	172.53p	157.33p	107.76p	168.39p	146.45p	119.48p	98.36p	9.7	46.0	(36.0)	15.0	22.6	21.5
<b>Diluted net asset value per ordinary share</b>	172.53p	148.37p	106.51p	157.20p	138.80p	116.23p	98.36p <sup>(3)</sup>	16.3	39.3	(32.2)	13.3	19.4	18.2
Ordinary share price	160.25p	132.00p	95.50p	153.75p	137.25p	126.00p	100.00p	21.4	38.2	(37.9)	12.0	8.9	26.0
(Discount)/premium <sup>(4)</sup>	(7.1%)	(11.0%)	(10.3%)	(2.2%)	(1.1%)	8.4%	1.7%	n/a	n/a	n/a	n/a	n/a	n/a
Warrant and S share price	–	30.50p	11.50p	68.00p	58.80p	47.00p	27.25p	n/a	165.2	(83.1)	12.0	8.9	26.0
Earnings per ordinary share (basic)													
– Capital	21.19p	48.57p	(60.28p)	17.89p	34.19p	19.50p	n/a	(29.5)	n/a	n/a	(47.7)	75.3	n/a
– Revenue	4.09p	4.67p	5.08p	5.24p	2.96p	1.62p	n/a	25.5	(8.1)	(3.1)	77.0	82.7	n/a
– Total	25.28p	53.24p	(55.20p)	23.13p	37.15p	21.12p	n/a	(24.1)	n/a	n/a	(37.7)	75.9	n/a
<b>Dividends per ordinary share</b>													
– Interim	3.75p <sup>(5)</sup>	3.75p	4.00p	3.50p	2.00p	–	n/a	–	(6.3)	14.3	75.0	n/a	n/a
– Final	n/a	1.05p	0.80p	1.30p	0.70p	1.50p	n/a	n/a	31.3	(38.5)	85.7	(53.3)	n/a
– Total	n/a	4.80p	4.80p	4.80p	2.70p	1.50p	n/a	n/a	0.0	–	77.8	80.0	n/a
<b>Equity holders' funds (£m)</b>	378.1	319.9	230.7	359.5 <sup>(7)</sup>	241.6 <sup>(6)</sup>	89.7	73.8	18.2	38.7	(35.8)	48.8	169.4	n/a
Gross assets (£m) <sup>(8)</sup>	378.1	344.6	272.5	441.3 <sup>(7)</sup>	288.6 <sup>(6)</sup>	107.2	73.8	9.8	26.4	(38.0)	53.3	169.2	n/a
Cash (£m)	1.8	2.0	24.1	11.9	19.9	1.2	–	(10.0)	(91.7)	102.5	n/a	n/a	n/a
Bank debt (£m)	–	(24.7)	(41.8)	(79.9)	(45.0)	(17.5)	–	n/a	(40.9)	(47.7)	77.5	157.2	n/a
<b>Net cash/(debt) (£m)</b>	1.8	(22.7)	(17.7)	(68.0)	(25.1)	(16.3)	–	n/a	28.2	(74.0)	170.9	54.0	n/a
<b>Net debt gearing on gross assets</b>	n/a	6.6%	6.5%	15.5%	8.8%	15.2%	–	n/a	n/a	n/a	n/a	n/a	n/a
Management and administration fees (£m) <sup>(9)</sup>	1.8	2.5	2.7	3.1	2.1	0.8	n/a	n/a	(7.4)	(12.9)	47.6%	n/a	n/a
<b>Total expense ratio<sup>(10)</sup></b>	0.9%	0.8%	0.7%	0.8%	0.9%	0.9%	n/a	n/a	n/a	n/a	n/a	n/a	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 dividend declared has not been included as a liability in these accounts

(6) Includes the £100.0m fund raising in May 2006

(7) Includes the £85.0m fund raising in December 2007

(8) Gross assets less liabilities excluding loans

(9) Excluding performance fee, including other expenses

(10) Annualised management and administration fees over monthly gross assets

The Company is quoted on AIM, and listed on the Bermuda Stock Exchange and the Channel Islands Stock Exchange.

The Company currently operates a Dividend Reinvestment Plan. Please contact the Registrars for an application form if you wish to participate.