



UTILICO EMERGING MARKETS LIMITED
Report and Accounts 2011

- 📊 Revenue earnings per share of 5.61p, up 20.1%
- 📊 Net asset value increased to 175.28p, up 18.1%
- 📊 Total Return of 31.71p*, equal to 21.4%
- 📊 Dividends per ordinary share of 5.20p up 8.3%
- 📊 Dividends per share represent a yield of 3.3% on ordinary share price
- 📊 Share price increase of 25.75p, up 19.5%

*dividends reinvested

Bloomberg Indices Performance*

31 March 2010 to 31 March 2011

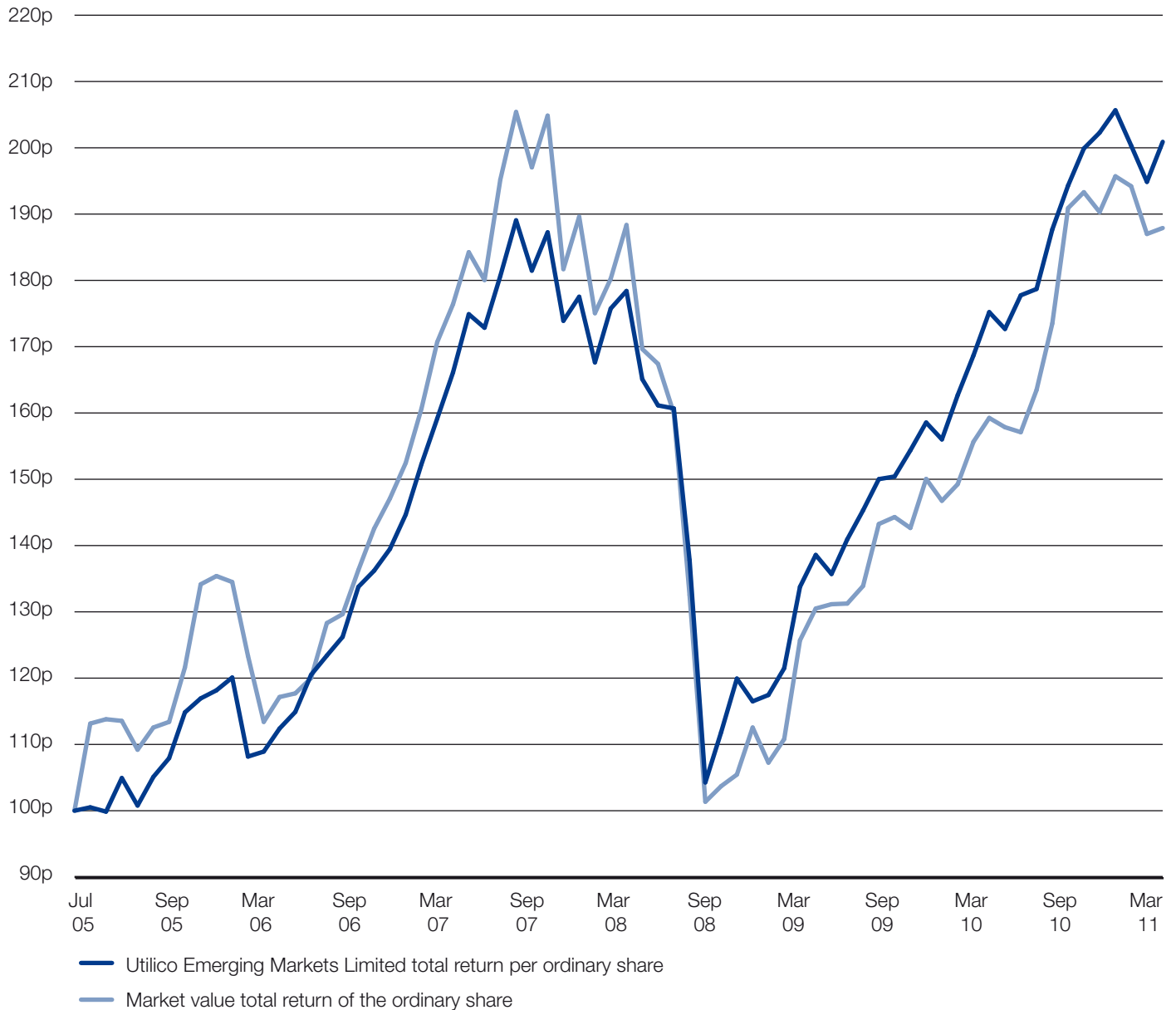


*GBP adjusted and rebased to 100 at 31 March 2010

Source: Bloomberg

- 📊 Cumulative Revenue earnings per share of 25.18p
- 📊 Cumulative Capital earnings per share of 85.50p
- 📊 Total return per share of 99.26p
- 📊 Average annual compound total return since inception of 13.8%
- 📊 Assets under management increased to £393.4m

UEM historic performance*
From 20 July 2005 to 31 March 2011

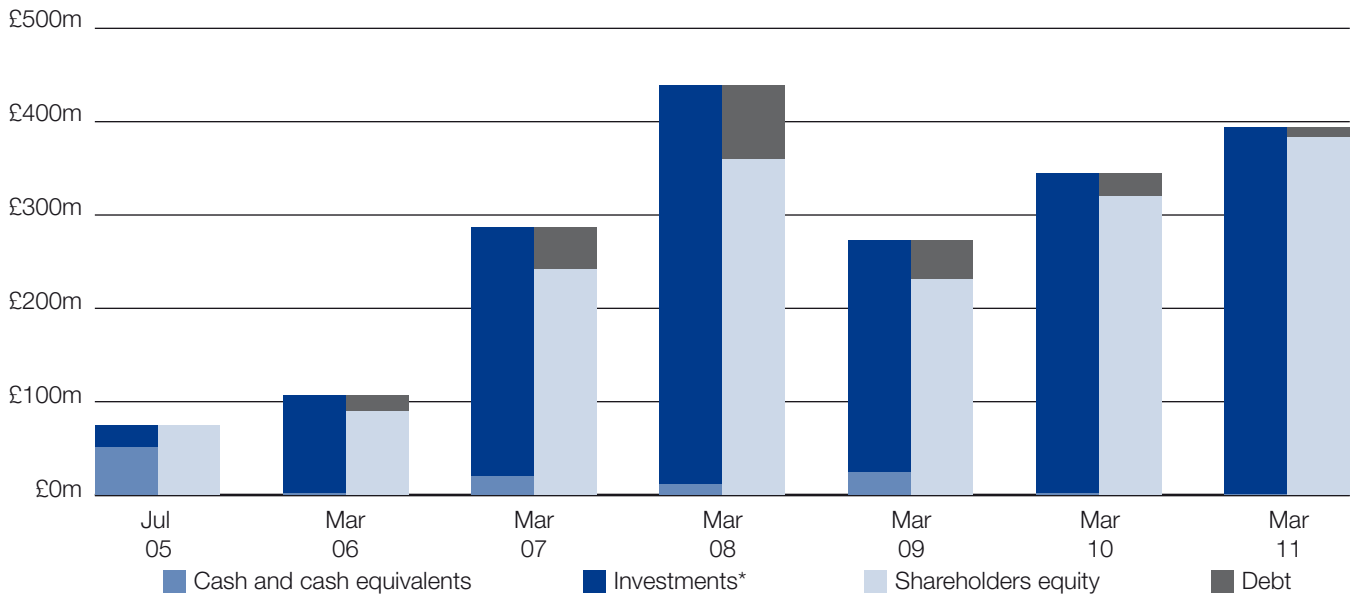


*Rebased to 100 at 20 July 2005

Source: Utilico Emerging Markets Limited

UEM portfolio progression and capital structure

(From 20 July 2005 to 31 March 2011)

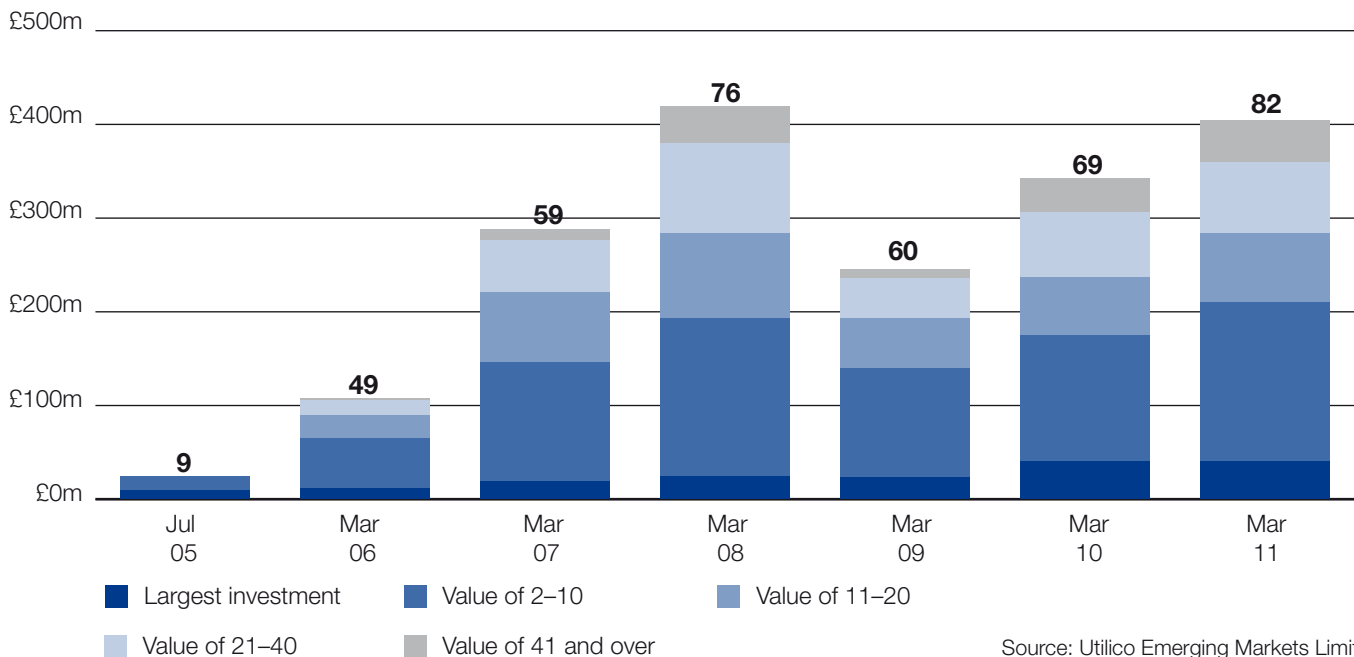


*gross assets less liabilities excluding cash and loans

Source: Utilico Emerging Markets Limited

UEM portfolio progression and number of companies

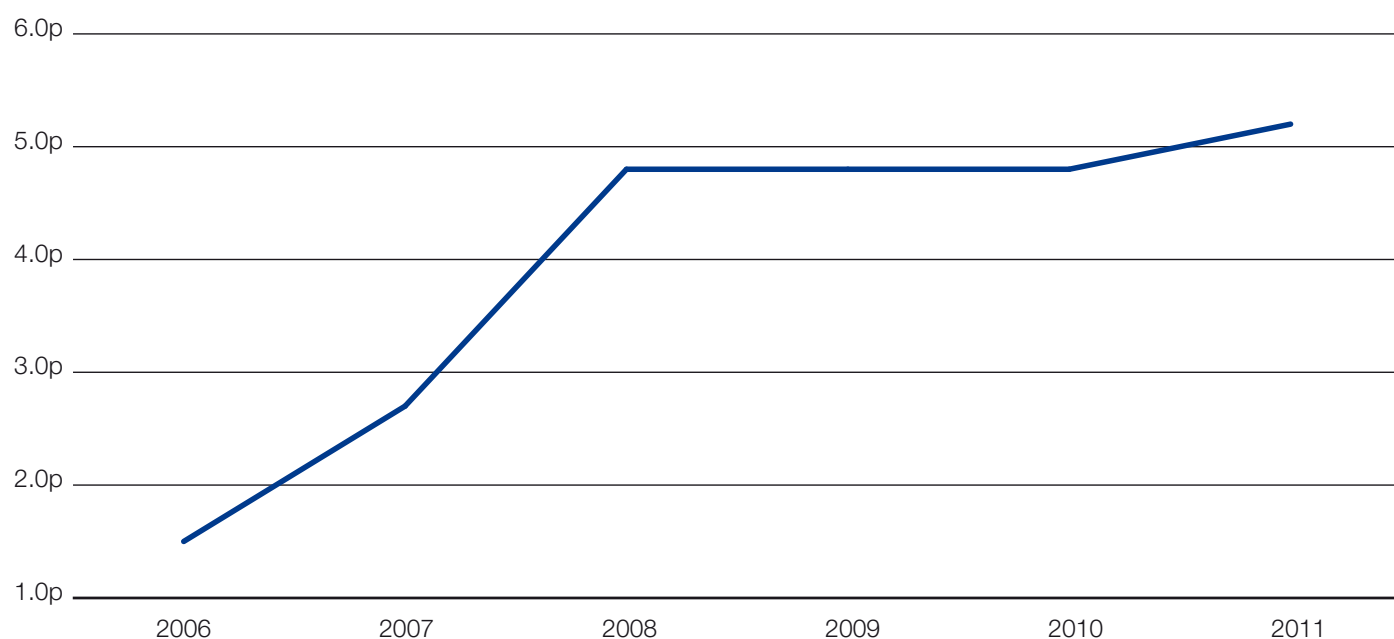
(From 20 July 2005 to 31 March 2011)



Source: Utilico Emerging Markets Limited

UEM dividend per share

From July 2006 to March 2011



Source: Utilico Emerging Markets Limited

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FINANCIAL CALENDAR

Ordinary shares ex-dividend (final)	29 June 2011
Dividend payment (final)	15 July 2011
AGM	12 September 2011
Half year September 2011 announcement	November 2011

Index Performance

	March 2010 to March 2011 change	Price earnings ratio 2011	Price earnings ratio 2010	Dividend Yield 2011	Dividend Yield 2010
Bloomberg World Index	11.9%	14.5x	22.8x	2.3%	2.5%
Bloomberg World Utilities Index	(0.3%)	7.1x	13.5x	4.1%	4.3%
Utilities over/(under) performance	(12.2%)	(51.0%)	(40.8%)		
Hang Seng Index	10.8%	12.5x	16.0x	2.6%	3.2%
Hang Seng Utilities Index	8.5%	16.3x	17.7x	3.2%	3.6%
Utilities over/(under) performance	(2.3%)	30.4%	10.6%		
Bovespa Index	(2.5%)	10.8x	17.3x	3.4%	3.7%
Bovespa Electric Energy Index	23.4%	13.4x	11.0x	8.2%	9.5%
Utilities over/(under) performance	25.9%	24.1%	(36.4%)		
MSCI Emerging Market Index (GBP adjusted)	9.6%	13.1x	17.8x	2.3%	2.4%
MSCI Emerging Markets Utilities Index (GBP adjusted)	(0.1%)	14.8x	21.7x	3.2%	3.8%
Utilities over/(under) performance	(9.7%)	13.0%	21.9%		

Source: Bloomberg

GROUP PERFORMANCE SUMMARY

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

	31 March 2011	31 March 2010	Change % 2011/2010
Total return ⁽¹⁾ (annual)	21.4%	44.0%	n/a
Annual compound total return (since inception)	13.8%	13.7%	n/a
Net asset value per ordinary share	175.28p	148.37p ⁽²⁾	18.1
Ordinary share price	157.75p	132.00p	19.5
Discount	(10.0%)	(11.0%)	n/a
Earnings per ordinary share (basic)			
– Capital	25.63p	48.57p	(47.2)
– Revenue	5.61p	4.67p	20.1
– Total	31.24p	53.24p	(41.3)
Dividends per ordinary share			
– Interim	3.75p	3.75p	–
– Final	1.45p⁽³⁾	1.05p	38.1
– Total	5.20p	4.80p	8.3
Equity holders' funds (£m)	383.2	319.9	19.8
Gross assets (£m) ⁽⁴⁾	393.4	344.5	14.2
Cash/(overdraft) (£m)	(0.7)	2.0	n/a
Bank debt (£m)	(10.2)	(24.7)	(58.7)
Net debt (£m)	(10.9)	(22.7)	(52.0)
Net debt gearing on gross assets	2.8%	6.6%	n/a
Management and administration fees (£m) ⁽⁵⁾			
– excluding performance fee	3.1	2.5	24.0
– including performance fee	9.6	2.5	n/a
Total expense ratio ⁽⁶⁾			
– excluding performance fee	0.8%	0.8%	n/a
– including performance fee	2.5%	0.8%	n/a

(1) Total return is calculated based on diluted NAV per share return plus dividends reinvested from the ex-dividend date

(2) 31 March 2010 based on diluted net asset value

(3) The final dividend declared has not been included as a liability in these accounts (see note 9 to the accounts)

(4) Gross assets less liabilities excluding loans

(5) Including other expenses for both the revenue and capital returns

(6) Management and administration fees over monthly average gross assets

The Company's investing policy is flexible and permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets. The Company seeks to minimise risk by investing mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position.

The Company's investing policy is flexible and permits it to make investments, predominantly in infrastructure, utility and related sectors, mainly in emerging markets including (but not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service and/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 Directors 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 promissory notes, contracts for difference ("CFD"), 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 include changes in regulation, technology, market motivation, potential for financial engineering, competition or shareholder indifference.

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

UEM believes it is generally appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach,

including 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 international shareholders.

The Company aims to maximise value for shareholders by holding a relatively concentrated portfolio of securities and invests through instruments appropriate to the particular situation. 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.

UEM achieved a total return of 21.4% in the year to 31 March 2011. The revenue earnings per share rose by 20.1%. This is an outstanding performance in challenging markets. Most of our investee companies continue to report excellent results. Our portfolio looks well positioned to meet challenges and delivery value for the longer term.

I am very pleased to report that Utilico Emerging Markets Limited ("UEM" or "the Company") achieved a total return per ordinary share of 21.4% in the year to 31 March 2011. The total return was achieved by a diluted net asset value ("NAV") per ordinary share gain of 18.1% to 175.28p and dividends paid during the year of 4.80p. This is an outstanding performance in challenging markets. The performance outstripped the MSCI Emerging Markets Index which rose 9.6% over the year (sterling adjusted).

Since inception UEM's NAV per ordinary share has gained 78.2%. Adding back dividends of 22.35p over the last six years results in an average annual compound total return per ordinary share of 13.8%.

The increase in UEM's NAV was driven by the continuing gains on the portfolio which amounted to £70.4m and arose across most of the portfolio.

The revenue earnings per share ("EPS") have been strong reflecting the underlying strengths of the investee companies. It is pleasing to report that the revenue EPS rose by 20.1% to 5.61p.

Against this background the Board has proposed an increased final dividend of 1.45p, up 38.1%. The total dividend for the year is 5.20p, up 8.3%.

The Company bought back a substantial number of warrants, S shares and ordinary shares over the year. UEM invested £11.5m, buying in 8.1m ordinary shares at an average share price of 141.90p per share. In addition, the Company invested £4.8m in buying back warrants and S shares. The balance of the warrants and S shares were exercised and increased the ordinary shares in issue by 23.4m and raised £23.4m. The net effect of all the above is that the number of shares in issue increased by some 15.3m and UEM's capital increased by £7.0m over the year.

It should be emphasised that buybacks are an investment decision and there is little evidence they reduce the discount. It is pleasing to see the Company continue to buy back shares in the current year.

ICM Limited (the "Investment Manager" or "ICM") earned a performance fee for the first time in two years due to the Company's strong results. This was settled in early April. Half the fee is payable in ordinary shares which were purchased in the market given the discounts available at the time. As a result UEM reduced its performance fee costs by £0.3m and this has been added back to the assets in the current year.

The Investment Manager has continued to exercise tight cost controls and the total expense ratio ("TER") (excluding the performance fee) has been maintained at 0.8%.

Your Board has adopted a policy of holding its Board meetings in countries where the underlying portfolio is invested. At the same time as attending the Board meetings the Directors have visited a number of investee companies. Over the last two years the Directors have met with over 50% of UEM's current investee companies by value. This has been a valuable and rewarding experience encouraged by the Investment Manager. This has placed considerable time demands on the Board and I would like to thank all my fellow Directors for their attendance.

In view of the increased time commitment and escalating demands placed on the Board the remuneration committee has resolved to increase the Directors' fees by £2,500 to £27,500 and the Chairman's fee by £3,000 to £38,000.

I am pleased to see the rising shareholdings of the Directors in UEM as a result not only of their fees being paid in shares but also as a result of the exercise of their warrants and subscription shares. As at 17 June 2011 the Directors held 1.7m ordinary shares with a market value of £2.8m.

The Bermuda Stock Exchange is now a recognised exchange and as a consequence enables ordinary shares to qualify for inclusion in ISAs in the UK. Given this change it is proposed that UEM will delist from the Channel Island Stock Exchange as there are no added benefits from maintaining this listing. It is expected that cancellation of the listing on CISX will take effect at 8.00 am on 15 July 2011.

During the year Garth Milne stepped down as a Director. I would like to thank Garth for his support and commitment to UEM and I am pleased he will be continuing as a consultant.

Anthony Muh joined the Board in October 2010 and stands for election accordingly. Anthony has already added considerably to the Board's deliberations.

It is with deep sadness I must report that Rupert Stevenson, of Westhouse Securities, passed away earlier this month. Rupert was instrumental in the formation of UEM. We will all miss his ability, energy, enthusiasm and drive.

Most of our investee companies continue to report excellent results both at the top line but also at the bottom line. There are a number of challenges which remain unresolved in the wider economies including high sovereign debt, artificially low interest rates, and inflation. However, our portfolio looks well positioned to meet these challenges and deliver value for the longer term.

Alexander Zagoreos
Chairman
20 June 2011

Revenue total income increased 11.1% to £15.2m. Investment gains of £70.4m. UEM's long-term performance since inception in 2005 has resulted in an average annual compound return of 13.8%, including dividends paid.

At the beginning of the 12 months under review markets were focused on European sovereign debt concerns, economic instability in Portugal, Ireland, Greece and Spain, Government austerity measures and possibilities of a double dip recession. Markets were also focusing on the need for quantitative easing ("QE2"). Markets picked up during the summer months, the emerging market economies more so than the developed world. Oil and gold prices continued to rise. Faced with ongoing weak economic conditions in the US the Federal Reserve Bank introduced QE2 in November last year. The first few months of 2011 brought with it political unrest in the Middle East, and the tsunami in Japan which added to general market uncertainty and to the already high oil price.

Against all this, UEM has performed well, achieving a total return of 21.4% in the year to 31 March 2011 which reflects UEM's successful stock selection approach. UEM has outperformed the MSCI Emerging Markets Index (Sterling adjusted) which was up 9.6% over the same 12 months.

The performance of the emerging markets index has been good. However, looking at the constituent parts, the underlying sector trends have remained divergent. The utilities sector continues to underperform the wider markets, while the mining sector continues

to strongly outperform. It has been very rewarding to see UEM's stock selection result in a strong outperformance by UEM.

It is worth emphasising that UEM is about stock selection and the Investment Managers travel extensively to achieve this. Over the 12 months to 31 March 2011 the Investment Manager has visited China, Malaysia, Thailand, Philippines, Singapore, Romania, Bulgaria and Egypt.

UEM's investment focus is mainly on listed companies which are operational and profitable. We believe this gives us a better governance environment and a higher visibility on investee companies' management abilities. On this latter point we maintain extensive databases which enable us to compare performance by a company against its international peer group.

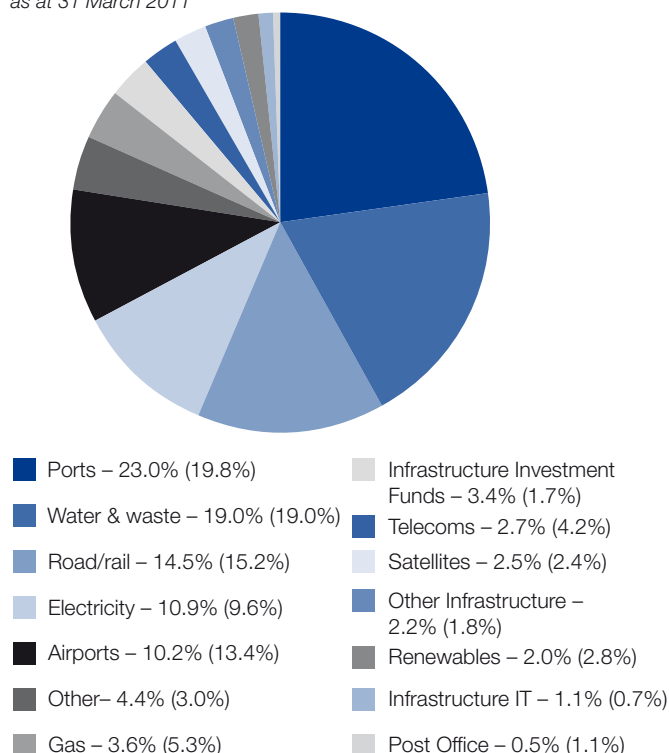
PORTFOLIO

UEM's gross assets (less liabilities excluding loans) increased from £344.5m at March 2010 year end to £393.4m at 31 March 2011.

The top ten investments remain broadly the same although there have been some positional changes. Further details on each company can be found in the Review of the Top Ten on pages 12 and 13.

Sectoral split of investments

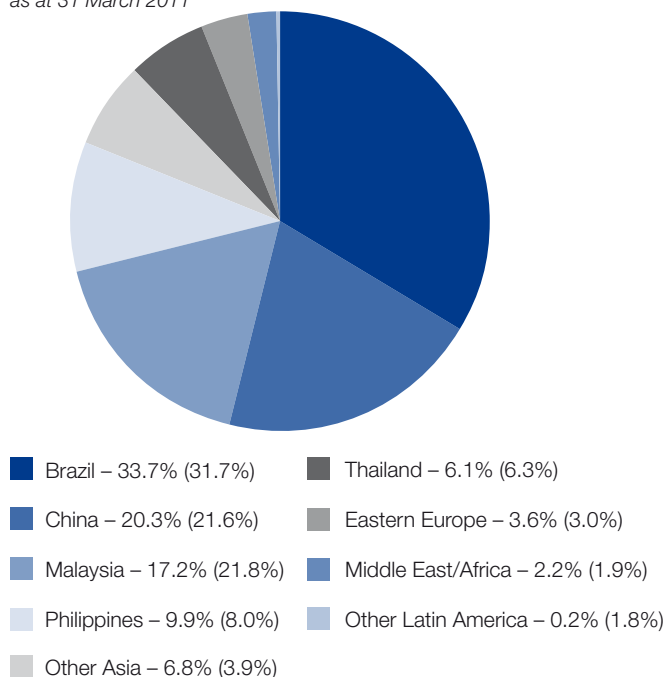
as at 31 March 2011



Source: Utilico Emerging Markets Limited

Geographical split of investments

as at 31 March 2011



Percentages in brackets as at 31 March 2010

The one new entry to the top ten is **Santos Brasil Participacoes** (“Santos”). A port operator with three Brazilian ports including Tecon Santos, the largest container terminal in Latin America. In the year to 31 March 2011, Santos’ share price was up 54.4%. Santos is at number nine in the portfolio and replaces ENN Energy Holdings (formerly Xinao Gas).

Santos is a classic UEM investment. It is listed in Brazil and is profitable. It is exhibiting strong growth as Brazil’s two way trade accelerates as a result of its growing consumer base. Over the period Santos’ throughput volumes increased 30.6% and, as a result of its strong operational leverage, net income jumped 72.0%. Santos looks well placed to continue this momentum.

Malaysia continues to offer growth combined with structural change. We believe many of the initiatives put forward by Prime Minister Najib Razak will deliver long term sustainable growth.

Malaysia Airport Holdings (“MAHB”) continued to perform well and its share price rose 26.4%. We took this opportunity to sell £10.3m of our holding in MAHB representing 25.6% of our opening holding of £40.2m. Despite this MAHB remains our largest investment at £40.2m at the year end. We remain convinced that MAHB will offer long term reward as it brings on its new low cost carrier terminal and introduces a third runway both of which are currently under construction at Kuala Lumpur International Airport (KLIA). Long term we remain committed to MAHB.

Puncak Niaga (“Puncak”) disappointingly under performed for the second year in a row. 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 awarded its full tariffs allowed under its concession contract. As a result of this continuing issue the share price fell 12.6% over the 12 months to 31 March 2011. Revenues for the year to December 2010 were up marginally at 1.5% and normalised net income fell 22.6% on higher depreciation charges and interest expense, the latter due to continued cash outflows throughout the year. After the year end Puncak’s bonds fell into a technical default and resulted in escalating concerns and a speedy resolution is now urgent.

Brazil continues to be a long-term investment focus. The outcome of the election was broadly positive for investors and the economy continues to benefit from a number of factors including the very significant economic activity around offshore oil exploration, robust commodity prices and the award of the football World Cup in 2014 and the Olympic Games 2016.

Ocean Wilsons Holdings Limited (“Ocean Wilsons”) had a strong year, with the share price increasing 25.4% to March 2011. While revenue was up 20.4% to US\$575.5m, the results were held back by the strong Brazilian Real. Most of Ocean

Wilson’s income is based in US dollars. We are not convinced that Ocean Wilsons has the right corporate structure and will continue to push for change and the demerger of Wilson Sons, a 58.3% owned Brazilian maritime services provider.

Companhia de Saneamento de Minas Gerais (“Copasa”), our largest investment in the Brazilian water sector, performed well, with the share price up 18.3% over the 12 months. Water and sewage volumes were up 4.0% and revenues up 1.7% in the company’s full year to December 2010.

AES Tiete (“AES”), a Brazilian hydro generator, had a poor share price performance, down 18.9% over the year to 31 March 2011. Net revenues were up 5.1% and net earnings up 4.4%. AES remains one of UEM’s highest yielding stocks with a dividend yield of 8.9% for the December 2010 full year. AES offers a defensive outlook and distributes 100.0% of its earnings as dividends.

Companhia de Concessoes Rodoviaras (“CCR”) share price has increased by 21.2% over the year to 31 March 2011. Full year company results to December 2010 have been reported in accordance with IFRS standards for the first time and included new revenue and cost components. The results reported vehicle volumes up 12.1% and core revenues up 20.4%.

The Philippines is pursuing a policy of improving its corporate governance, privatising infrastructure assets and changing legislation to enable the establishment of REITS. We expect these steps will benefit investors in the Philippines as economic activity rises. This approach, led by President Benigno Aquino III, will, in our view, benefit the wider Philippines economy.

International Container Terminal Services Inc (“ICT”) based in Manila was a strong performer in the top ten, with its share price up 81.1% over the 12 months to 31 March 2011. Port volumes were up 18.1% to the year ending December 2010 and revenues increased 25.0%, with net income of US\$97.9m up an impressive 78.8% on the year to December 2010. ICT is a well managed company focused on long term growth. We believe there is further substantial upside as they bring into operation a number of new ports around the world.

Eastern Water Resources PCL (“Eastwater”) showed a 31.1% rise in its share price over the year to 31 March 2011. The company’s full year results to December 2010 reported raw water sales up 11.0% and revenue increases of 62.4%.

Sichuan Expressway has reported increased toll volumes of 10.0% in the year to December 2010 with total revenue up 18.4% and net income up 38.4%. The share price was up 10.8% in the 12 months to 31 March 2011.

The geographic split of investments has not seen any major movement, with Brazil remaining our largest holding at 33.7%, China is down 1.3% to 20.3% due to disposals in China Mobile Limited, Zhejiang Expressway and Beijing Capital International Airport. Malaysia is third, down 4.6% to 17.2% due to disposals in Malaysia Airports and Integrax. Sectoral changes are also minimal, the most notable change being the increase in Ports to 23.0% as a result of strong share price movement in Ocean Wilsons, ICT, Santos and Integrax before its disposal.

Total investments of £87.5m were made in the 12 months under review, with proceeds from disposals amounting to £97.4m. The most notable transactions were the reduction of Malaysia Airports and exit from Integrax Berhad for £10.3m and £8.5m respectively. The largest investment of £5.4m was into Tractebel Energia, a Brazilian energy generation company.

CURRENCY

Currency has been a material factor for UEM. Over the year to 31 March 2011 the Brazilian Real, and Malaysian Ringgit appreciated by 3.7% and 1.9% respectively against Sterling.

BANK DEBT

Bank loans have been reduced to £10.2m since the March 2010 year end. The loan was drawn in US Dollars. The £25.0m multi-currency facility provided by HBOS remains available until March 2012 and will be utilised depending on investment opportunities and market conditions.

REVENUE RETURN

The revenue return remains a key feature of UEM. Revenue income was £15.2m compared to £13.7m last year, up 11.1%. This was achieved on a lower capital base, as bank debt for most of the year was lower than in past years. The revenue yield on the average portfolio gross assets is 4.1% and reflects the strong earnings growth in the portfolio.

Mainly as a result of the increase in gross assets by 14.2%, the management and administration fees increased by 18.2% to £0.8m and other expenses increased by 22.2% to £1.0m. The TER (including expenses charged to the capital return, but excluding the performance fee) remained at 0.8%.

Finance costs halved to £0.5m as a result of the reduced debt and the expiry of an interest rate swap.

Taxation has increased 9.8% to £1.0m despite our best efforts to reduce it. We continue to seek ways to minimise taxation on revenue.

Significantly, as a result of the increased revenue income and lower finance costs, the earnings per share increased to 5.61p (2010: 4.67p) up 20.1%.

CAPITAL RETURN

The portfolio gains on investment of £70.4m added to last year's gains of £112.5m. This was a pleasing outcome. Losses on derivative instruments of £5.5m arose mainly as a result of losses on the market hedging strategy.

We sharply curtailed our market hedging activity in the second half ending the year with a net position of £0.05m at 31 March 2011. While the losses are disappointing, this reflects the difficulty in maintaining a hedge position in rising markets.

As at year end, the market hedging position was 200 S&P 500 June 2011 put options at a strike price of 1100 providing hedge protection over a gross underlying asset value of \$22m. However, these put options were well out of the money and, given the high cost of protection, the Investment Manager decided not to move the strike price up to be closer to the market. There was also a small matched (no net long or short position) of S&P call options that was in close-out mode.

Management and administration fees increased to £7.8m mainly due to the accrual of a performance fee of £6.5m. Finance costs halved to £1.3m as a result of lower average debt over the year, together with expiry of an interest rate swap.

Taxation on capital gains fell sharply from £2.3m to £0.8m, due to lower portfolio gains in investments in Brazil in the period.

The net result is a gain on the capital account of £54.6m.

BUYBACKS AND WARRANT AND S SHARE EXERCISE

UEM bought back 8.1m ordinary shares at a cost of £11.5m during the year, at an average share price of 141.90p, within a price range of 130.00p and 162.25p.

UEM also bought back 14.3m 2010 warrants and S shares at a cost of £4.8m within a price range of 30.00p to 35.00p.

Following the final warrant and S share exercise in August 2010, 23.4m new ordinary shares were issued.

The net result of the above buybacks, warrant and S shares exercise is that the number of ordinary shares in issue increased by 15.3m to 218,597,234.

We continue to believe that buybacks are an investment decision, as evidence in the wider markets suggests they have a modest impact only on the discount to NAV.

TEN LARGEST HOLDINGS

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

At 31 March 2011

This Year	Last Year	Company (Country) Description	Fair Value £'000s	% of total investments
1	(1)	Malaysia Airports Holdings Berhad (Malaysia) Airport operator	40,167	10.0%
2	(2)	Ocean Wilsons Holdings Limited (Brazil) Port operator, provider of shipping services and investment fund	36,137	9.0%
3	(3)	International Container Terminal Services, Inc. (Philippines) Global container port operator	32,751	8.1%
4	(4)	Eastern Water Resources PCL (Thailand) Water treatment and supply	20,553	5.1%
5	(7)	Companhia de Saneamento de Minas Gerais (Brazil) Water treatment and supply	15,726	3.9%
6	(6)	AES Tiete S.A (Brazil) Electricity generator	15,485	3.8%
7	(8)	Companhia de Concessoes Rodoviaras S.A. (Brazil) Toll road operator	15,365	3.8%
8	(5)	Puncak Niaga Holdings Berhad (Malaysia) Water treatment and supply	13,260	3.3%
9	(-)	Santos Brasil Participacoes S.A. (Brazil) Port operator	10,884	2.7%
10	(9)	Sichuan Expressway Co. Limited (China) Toll road operator	9,745	2.4%
Other investments			192,953	47.9%
Total Portfolio			403,026	100.0%

The value of the ten largest holdings represents 52.1% of the Group'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 1.2% (2010: 1.0%) of the Group's portfolio and the value of fixed income securities represents 3.3% (2010: 2.4%) of the Group's portfolio. The total number of companies included in the portfolio is 82 (2010: 69).

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

“MAHB” is the sole civilian operator of airports in Malaysia and operates 39 airports in the country including Malaysia’s largest airport KLIA. Revenue growth is driven by air traffic volumes and in particular by the growth in the low cost travel market, which will be enhanced once the new low cost carrier terminal (KLIA2) is completed in April 2012. Future growth will also be driven by MAHB’s increasing focus on non-aeronautical revenues as well as its plan to invest in two to three international airports over the next few years. Currently, MAHB has overseas investments in India, Turkey, the Maldives and China where strong dynamics will create a significant increase in air traffic growth. The 2010 results saw a 10.8% increase in revenues with passenger traffic increasing 12.7% to 57.8m. Net profit however fell by 22.2% primarily due to a change in accounting policy. The dividend payout for the year nevertheless increased to 55%. Over the year the share price has increased by 26.4%.

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

“Ocean Wilsons” is a Bermuda company listed on the London and Bermuda Stock Exchanges and has a 58.3% stake in Wilson Sons, a listed Brazilian maritime services provider. In addition, Ocean Wilsons owns a managed investment portfolio. Wilson Sons operates a broad span of maritime support services from port operation (Tecon Rio Grande and Tecon Salvador) to ship building and currently has a leading market position as a towage operator. During 2010, revenues increased by 20.4% driven by higher yielding imports as well as increased activity at the port terminals. EBITDA and net income however decreased 8.3% and 20.9% respectively, partly due to the formation of an offshore joint venture in FY10 and partly due to lower margins in several divisions due to wage inflation and costs being denominated in Real’s and revenues in US dollars. The absolute dividend per share remained constant at US\$0.42 per share. During the year the share price has increased by 25.4%.

International Container Terminal Services Inc. (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, China, Ecuador and Syria. The company’s strategy is to focus on small to medium sized terminals (less than 1,500k TEUs per year) where the expensive civil infrastructure has already been put in place which allows ICT to utilise their management expertise to rapidly increase port throughput. During 2010, revenue increased by 25.0%, with EBITDA and net income increasing 41.1% and 78.8% respectively. Growth was driven by the 18.1% increase in TEUs and improvement in TEU yields, as

well as stringent cost controls being put in place. Consequently we have seen a 25.0% increase in dividend payments. Since the start of 2010, the company has also added three container terminals, illustrative of ICT’s growth potential. Over the period the share price has increased by 81.1%.

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

“EastWater” operates the main water pipeline systems which supply untreated water (so called “raw water”) to Thailand’s industrialised Eastern Seaboard. In addition the company has built up a treated water supply business which operates water treatment and supply concessions in nine separate areas. In their financial year to December 2010, raw water volumes grew by 11.0%, reflecting strong economic recovery in the Thai economy. Tap water volumes were similarly buoyant, up 11.1% year-on-year. This growth, combined with the completion of a major pipeline construction project, saw group turnover increase by 62.4%. Given the low-margin nature of the construction project, normalized earnings increased by 10.6% in 2010, reflecting core business growth. Thus far in 2011 Eastern Water continues to perform well, with the company recording growth of 8.9% in raw water volumes in the first three months of 2010. In UEM’s year to March 2011, Eastern Water’s share price increased by 31.1%.

Companhia de Saneamento de Minas Gerais (Brazil) www.copasa.com.br

“Copasa” is a water and sewerage company serving the state of Minas Gerais, Brazil’s second most populated state. Copasa supplies a population of 13.2m people with clean water, and provides waste water treatment and disposal for a population of 7.8m people. One of Copasa’s main growth areas is the provision of sewage treatment in areas where there is little effective treatment, or it is still being carried out by a public authority. In their financial year to December 2010, water and wastewater treatment volumes grew by 4.0% and 7.1% respectively with tariffs broadly flat. It should be noted that the consultation on tariffs by the new regulatory body is ongoing although a formalized structure is unlikely to be implemented until 2012. The growth in water and wastewater revenues was diluted by a reduction in construction revenue, with Copasa reporting group turnover growth of only 1.7% in 2010. Notwithstanding the impact of the inflationary environment on costs the business delivered normalized earnings growth of 1.3%. Copasa’s share price increased by 18.3% in the year to March 2010.

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

AES Tiete operates 10 hydro electricity generation plants in the state of Sao Paulo, Brazil with a total generation capacity of 2,651 MW. In addition the company is developing plans to

construct a 550 MW gas fired thermal generation plant. AES Tiete is a mature company representing a defensive earnings and dividend 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 2010 the company continued to record modestly improving results, showing revenue and earnings increasing by 5.1% and 4.4% respectively. As in prior years the company paid out 100% of its earnings as a dividend, giving a dividend yield on the shares held by UEM of approximately 10% (based on the closing 31st March share price). AES Tiete's share price decreased by 18.9% during UEM's year to March 2011.

Companhia de Concessionarios Rodoviaris S.A. (Brazil)
www.groupccr.com

"CCR" is Brazil's largest toll road operating company. It currently manages over 2,400km (including SPVias) of the country's highways which represents around 16.0% of the country's privatised toll roads. It currently manages eight concessions in the states of Sao Paulo, Rio and Parana with stakes in other investments including the management and operation of a subway contract for the Sao Paulo Metro. During 2010, core revenue increased 20.4% driven by a 12.1% increase in traffic volumes. Net income though decreased by 5.2% primarily due to accounting changes – excluding the accounting changes, we see an increase in net income of 17.5%. Given the strong cash flow position of the company, there was an increase in dividend payment, implying a dividend payout ratio of over 100%. Over the period the share price has increased by 21.2%.

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

"Puncak" is a water treatment and supply company serving the state of Selangor in Malaysia, covering a population of over 7 million people. Last year we reported uncertainty over the potential restructuring of the Malaysian water industry. Unfortunately this uncertainty is ongoing, with the Federal and State governments and water companies unable to agree on an appropriate structure and pricing of the water assets. At the same time Puncak has had to revert to the Courts to claim compensation from the Selangor state for the receivable due from the tariff increases that were due to commence in 2009. With little volume growth and tariffs flat on 2009, Puncak's results to December 2010 were lackluster, with revenues increasing by only 1.5% and normalized earnings falling by 22.6%, reflecting cost inflation and cash constraints negatively affecting the business. The poor financial performance and the continuing uncertainty

over the outlook for the water industry was reflected in the share price, which fell 12.6% in the year to March 2011.

Santos Brasil Participacoes S.A. (Brazil)
www.santosbrasil.com

Santos Brasil ("Santos") is one of the major container handling and logistics service providers in Brazil, currently being responsible for the throughput of approximately 25% of the container volumes in Brazil. Santos has three container terminals – the primary terminal being Tecon Santos in Sao Paulo, and operates integrated port logistics units as well as one of the largest vehicle terminals in the country. Given the strong recovery of the Brazilian domestic economy, throughput increased 30.6%, which translated into an increase in net revenues of 31.0% to R\$866m. As a result of this increase in volumes and improving efficiencies, Santos' net income increased 72.0% to R\$112m. Over the period, Santos' share price has increased 54.4%.

Sichuan Expressway Co. Limited (China)
www.cygs.com

"Sichuan" currently manages 380km of roads in the Sichuan Province, Western China, largely in the form of Chengyu Expressway and Chengya Expressway. It also owns 60% of Chengbei Expressway and 25% of Chengdu Airport Expressway. The company has benefited enormously from a major re-construction of the region following the earthquake and heavy snow storms a few years ago. It is also a beneficiary of the government's plan to shift investments further inland in China which has led to rapid regional GDP growth well above China's national GDP growth rate. During 2010 core revenue increased 18.4% driven by a strong increase in traffic on their major roads of between 10-25%. Net income increased 38.4% due to costs remaining fairly constant as revenue increased. Dividend payout (excluding 2009 special dividend) remained constant. Over the period the share price has increased by 10.8%.

INVESTMENT POLICY

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's day-to-day activities. The Company has, however, entered into an Investment Management Agreement with ICM under which ICM provides investment management services including portfolio monitoring and research to the Company.

ICM, is primarily responsible for the investment portfolio in conjunction with advice received from Mr C D O Jillings, a Director of the Company.

Duncan Saville

Mr Saville, aged 54, is a director of UEM's Investment Manager, ICM Limited. He is a chartered accountant. He is a non-executive director of Infratil Limited and Vix-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.

Charles Jillings (Director)

Mr Jillings, aged 55, is a Director of the Company. He is responsible for the day-to-day running of the Company and the investment portfolio in conjunction with the Investment Manager. Mr Jillings qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He has been a director of a number of listed companies and he is a director of East Balkan Properties plc (former Chairman) and Global Equity Risk Protection Limited.

Assisting them are:

Jacqueline Broers

Jacqueline Broers, aged 31, has been involved in the running of UEM and Utilico Investments Limited since September 2010. Prior to joining the investment team, Jacqueline worked in the Corporate Finance team at Lehman Brothers/Nomura. Jacqueline is also a qualified chartered accountant.

Jonathan Chi

Jonathan Chi, aged 41, has been involved in the running of UEM and Utilico Investments Limited since December 2005 and is based in Singapore. Prior to joining the investment team Mr Chi was a financial accountant for a funds management company and is a Fellow of the Institute of Chartered Accountants in Australia.

Jonathan Grocock

Jonathan Grocock, aged 33, has been involved in the running of UEM and Utilico Investments Limited since February 2011. Prior to joining the investment team Mr Grocock was an equity research analyst at Investec and is a CFA charterholder.

Mark Lebbell

Mark Lebbell, aged 39, has been involved in the running of UEM and Utilico Investments Limited since their inception and before that was involved 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 Engineering and Technology.

James Smith

James Smith, aged 38, has been involved in the running of UEM and Utilico Investments Limited since their inception and before that was involved 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.

Charles Jillings, Mark Lebbell and James Smith are all employees of UEM and are employees of ICM Analysis & Research Limited, a wholly-owned subsidiary of ICM Limited. Jacqueline Broers and Jonathan Grocock are employees of ICM Analysis & Research Limited. Jonathan Chi is an employee of ICM in Singapore.

Mr Alexander Zagoreos (Chairman)^{†*}

Mr Zagoreos, aged 73 and appointed in June 2005, was educated at Columbia University and was awarded an 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 40 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

Mr Jillings, aged 55 and appointed in June 2005, is qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He has been a director of a number of listed companies and he is a director of East Balkan Properties plc (former Chairman) and Global Equity Risk Protection Limited.

Mr Garry Madeiros OBE^{†*}

Mr Madeiros, aged 61 and appointed in June 2007, was formerly 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 Life 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 Anthony Muh^{†*}

Mr Muh, aged 47 and appointed in October 2010, is an investment professional with more than 25 years' experience in the investment management industry. He is an executive director of Morrison & Co. He previously headed up the Asia Pacific operations of the UK's largest closed-end listed investment company, Alliance Trust PLC. He is the Chairman and a Fellow of the Hong Kong Securities Institute and a member of the Asia Advisory Board for Euromoney Institutional Investor Plc and is a member of the New Zealand Business Advisory Board to the New Zealand Chamber of Commerce in Hong Kong.

Mr Kevin O'Connor (Deputy Chairman)^{†*}

Mr O'Connor, aged 70 and appointed in 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 was a member of the New Zealand Takeovers Panel for 15 years and is Chairman of the Nikau 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

The Directors present their report and the financial statements of the Company and Group for the year ended 31 March 2011.

Status of the Company

The Company is a Bermuda exempted, closed ended investment company with company registration number 36941. The Company is quoted on AIM and listed on the Bermuda Stock Exchange and Channel Islands Stock Exchange. It is a member of the Association of Investment Companies ("AIC") in the UK.

The accounting policies of the Company are detailed in note 1 to the accounts on pages 33 to 36.

The Company holds shares in a segregated account in GERP, an unquoted Bermuda segregated accounts company incorporated on 4 May 2006. This account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. In accordance with the IASB's interpretation in SIC-12, the segregated account in GERP is classified as a special purpose entity of the Company and its financial results are included within the accounts of the Group. Details of the special purpose entity and the interests of this company are given in note 11 to the accounts.

Revenue and Dividends

The results for the year are set out in the attached accounts.

The Company paid an interim dividend of 3.75p per ordinary share on 7 January 2011. The Directors have declared a final dividend of 1.45p per ordinary share, payable on 15 July 2011 to ordinary shareholders on the register as at the close of business on 1 July 2011.

Investing Policy

The Company's investing policy is to provide long-term total return by investing predominantly in infrastructure, utility and related sectors (including other investment companies investing in those companies) mainly in emerging markets. The Company's investing 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 under-developed and developing markets of Asia, Latin America, Emerging Europe and Africa but has the flexibility to invest in markets worldwide. The Company generally seeks to invest in emerging market countries where the

Directors believe that there are attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

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

There will be no material change to the Company's investing policy without prior shareholder approval.

Borrowings

Borrowings at the time of draw down must 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 corresponding asset in the portfolio).

Unquoted investments

Unquoted and untraded investments (excluding GERP) must not exceed 10% of the gross assets at the time the investment is made.

Single investment

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

Hedging

The Investment Manager may 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 Manager's Report within these accounts.

Review of the Business

A review of the business is given in the Chairman's Statement on page 7 and in the Investment Manager's Report on pages 8 to 10.

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 investing policy and gearing limits. Details of the Directors can be found on page 15.

Mr Garth Milne retired as a Director of the Company on 26 October 2010. Mr Anthony Muh was appointed as a Director of the Company on the same date. Mr Muh will retire at the Annual General Meeting, being the first such meeting following his appointment, and, being eligible, offers himself for election.

Mr Kevin O'Connor will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election (Resolution 6).

Mr Charles Jillings was appointed as a 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 25. Mr Jillings retires annually, and will do so at the forthcoming Annual General Meeting (Resolution 5).

The Board has considered the re-election of Mr Muh, Mr Jillings and Mr 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 independent Director has signed a letter of appointment setting out the terms of their engagement as a Director, but does not have a service agreement with the Company.

Directors' Remuneration and Shareholding

The Directors' Remuneration Report, which can be found on page 25, contains 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.

The Directors who held office at the year end and their interests in each class of share of the Company as at the year end are set out in Table A below:

	2011		2010	
	Ordinary Shares	Ordinary Shares	Warrants	S Shares
A E Zagoreos	408,298	378,898	–	5,423
C D O Jillings	433,216	108,278	293,093	10,846
G A Madeiros	137,435	110,135	–	–
A Y T Muh	7,847	–	–	–
K J O'Connor	455,671	434,672	59,668	5,423

Since the year end Mr C D O Jillings's holdings in the ordinary shares have increased by 305,000 to 738,216 as noted on page 25. There has been no change in any of the other Directors' shareholdings.

Management

The Company has an investment management agreement dated 6 December 2010 (the "Agreement") with 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 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 4 to the accounts.

Under the terms of the Agreement, ICM is obliged to provide the services of a Director approved by the Company and also provides the services of three further individuals to act as employees of the Company. These employees, who act under the supervision of Mr C D O Jillings, may be employed by Utilico Investments 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 year under review. The Management Engagement Committee reported that it was satisfied with the Investment Manager's 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 £210,000 per annum. 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.

Share Capital

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

At the last AGM, the Company was granted authority to make market purchases of up to 14.99% of its ordinary shares. During

the year under review 8,097,407 ordinary shares were bought back for cancellation.

Since the year end a further 3,068,441 ordinary shares have been bought back for cancellation.

Substantial Share Interests

As at 20 June 2011, the Company had received notification of the following holdings of voting rights:

	Number of Ordinary Shares held	% held
Utilico Investments Limited	59,259,303	27.5%
F&C Asset Management plc	22,800,452	10.6%
Rensburg Sheppards Investment Management Ltd	17,494,491	8.1%
Lazard Asset Management	13,270,859	6.2%
Rathbone Stockbrokers	10,728,364	5.0%
J O Hambro Investment Management Ltd	8,861,315	4.1%
Sarasin Investment Management Ltd	7,380,200	3.4%

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 subject to certain limitations and the Directors exercising their discretion to operate the Tender Facility. The Tender Facility is not expected to be made available in circumstances where the annual compound growth rate of the Company's Gross Assets exceeds 10% or where the Company's performance exceeds the benchmark index by 15% or more in the relevant period. The maximum number of ordinary shares which may be tendered pursuant to the Tender Facility in any financial year 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.

The Tender Facility has not been operated to date.

Dividend Reinvestment Scheme

The Company currently operates a Dividend Reinvestment Plan. If shareholders wish to participate they should contact the

Registrars (details found under Company Information) for an application form.

Individual Savings Account (ISA)

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

Risk Control

A summary of the risk control measures taken by the Board is set out in the Corporate Governance section on page 23.

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

Policy on Payment of Suppliers

The Company's principal suppliers are the Investment Manager and the Administrator. The Investment Manager is paid management fees 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.

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 5 to the accounts.

Going Concern

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

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with shareholders. The Investment Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of

the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and the Investment Manager of the Company. Shareholders will have received a separate enclosure containing the notice of the forthcoming Annual General Meeting for UEM to be held on 12 September 2011.

Authority for the Company to Purchase its Own Shares (Resolution 9)

Resolution 9 authorises the Company to purchase in the market initially up to a maximum of 32,307,766 ordinary shares (equivalent to approximately 14.99% of the issued ordinary shares as at the date of this Report). This authority will expire on 11 March 2013 unless it is varied, revoked or renewed prior to that date, at the Company's Annual General Meeting in 2012, or at any other general meeting by ordinary resolution. Any purchases will be made at prices below the prevailing net asset value per ordinary share. Such purchases are regarded as investment decisions. 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 value 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.

By order of the Board
F&C Management Limited, Secretary
20 June 2011

The Directors are responsible for preparing the Annual Report and accounts in accordance with applicable Bermuda law and IFRSs as adopted by the European Union.

The Directors are required to prepare accounts for each financial year which present fairly the financial position, financial performance and cash flows of the Group and of the Company for that year. In preparing the accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs have been followed, subject to any material departure disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with Bermuda law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

To the best of the knowledge of the Directors, the accounts give a true and fair view of the assets, liabilities, financial position and profit of the Company and its special purpose entity included

in the consolidation, and the Corporate Governance Statement includes a description of the principle risks and uncertainties that the Group and Company faces. The financial risks are also provided in note 31 to the accounts.

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 Annual Report and accounts 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 in the accounts since they were originally presented on the website. Visitors to the website need to be aware that the legislation governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Approved by the Board on 20 June 2011 and signed on its behalf by:

Alexander Zagoreos
Chairman

Bermuda does not have its own corporate governance code and, as a Bermuda incorporated company, the Company is not required to comply with the UK Combined Code on Corporate Governance issued by the Financial Reporting Council (the "Combined Code") available at website www.frc.org.uk. However, it is the Company's policy to comply with best practice on good corporate governance and maintain the same level of governance as UK listed investment companies.

The Board has considered the principles set out in the UK Combined Code and the AIC Code of Corporate Governance (the "AIC Code"). Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the Combined Code.

In view of the requirement of the Bye-Laws that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by provision A.7.2 of the UK Combined Code and Principle 3 of the AIC Code. However, the Bye-Laws require all Directors to retire every three years and the Board has agreed that each Director will be subject to annual re-election after the completion of nine years of service. Mr Charles Jillings, as a non-independent Director, is subject to annual re-election.

The Company does not have its own internal audit function (further explanation on this appears on page 23 of this report) and, as explained below, there is no Nomination Committee.

The Board

The Directors' biographical details on page 15 of this report demonstrate the wide range of skills and experience that the Directors bring to the Board. The independent Directors have each signed a letter of appointment to formalise in writing the terms of their engagement as independent Directors, and a service agreement is in place with Mr C D O Jillings 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 (see page 59) during normal business hours and will also be available at the Annual General Meeting.

One third of the Board, rounded up, 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 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.

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 Board members prior to formal appointment. An induction process will be undertaken with new appointees to the Board being given a full briefing on the workings and processes of the Company and the management of the Company by the Chairman, the Investment Manager, 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 in general meetings.

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 independent Directors, taking into account the views of Mr C D O Jillings. The relevant points arising from these meetings are then reported to, and discussed by, the Board as a whole. This process has been carried out in respect of the year under review and will be conducted on an annual basis. It is currently not felt appropriate to employ the services of, or to incur the additional expense of, an external third party to conduct the evaluation process as an appropriate process is in place; this will, however, be kept under review.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. A formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews investment performance as well as other high-level management information including financial reports and reports of a strategic nature. It monitors compliance

with the Company's objectives and is directly responsible for investing policy and approving asset allocation and gearing. Additional 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 Committee meetings were held on short notice to consider various matters, including the issue of shares arising from the exercise of warrants and S shares.

	Board	TCtee	AC	MEC	RC
No of meetings	4	4	2	1	1
A E Zagoreos	4	2	2	1	1
C D O Jillings*	4	3	2	1	1
G A Madeiros	4	4	2	1	1
G P D Milne†	3	–	1	1	1
A Y T Muh†	2	–	1	–	–
K J O'Connor	4	3	2	1	1

TCtee = Telephonic Committee

AC = Audit Committee

MEC = Management Engagement Committee

RC = Remuneration Committee

* CDO Jillings invited to attend the AC, MEC and RC at the Committee's invitation.

† Mr Milne resigned as a Director on 26 October 2010; Mr Muh was appointed on the same date.

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

Management and administration

The Company has a Management Agreement with 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 a Director of the Company and employees as detailed on page 17 of this report.

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 4 to the accounts.

Audit Committee

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by Mr G A 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, risk and compliance 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 Mr C D O Jillings, has reviewed the audit plan and findings of the work carried out by Grant Thornton UK LLP for the audit of the annual accounts. 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 of the Group, 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 year under review, non-audit fees amounted to £13,000. It is considered that the non-audit fees are non-material and that the services provided are cost effective and in no way impede the independence of the auditors.

Management Engagement Committee

The Board has appointed a Management Engagement Committee, chaired by Mr A E 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 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.

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 investing policy and restrictions under which the Investment Manager operates and Mr C D O Jillings

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 Mr C D O Jillings or the Administrator.

It is the management's role to monitor and manage the Company's exposure to the risks associated with GERP. The Board receives quarterly reports from the Investment Manager on investment performance in GERP and the controls operated in respect of investments and cash are reviewed at each Audit Committee meeting.

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 2010, 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 K J O'Connor. It

operates within written terms of reference setting out its authority and duties. Copies of the terms of reference are available on the Company's website.

The Remuneration Committee is responsible for reviewing the terms of the service agreement with, and the salary paid to, Mr C D O Jillings. It will also make recommendations to the Board in respect of the fees of Directors. Full details of the remuneration for individual Directors are set out in the Directors' Remuneration Report on page 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 59.

All shareholders are invited 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 served by investing in companies that adopt best practice in corporate governance and social responsibility. Where the Investment 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 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 Mr C D O Jillings. The Remuneration Committee comprises the independent Directors of the Company and meets annually or more frequently as required.

Under the investment management agreement, the Investment Manager is required to procure for the Company the services of an individual approved by the Company to act as a Director. This Director, Mr C D O Jillings, receives the same Directors' fees as is at the relevant time paid to the independent Directors of the Company (excluding the Chairman). Any additional remuneration to Mr C D O Jillings will be paid by the Investment Manager.

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 1(j) to the accounts.

Mr C D O Jillings has a service agreement with the Company which has no fixed end date and is terminable upon six months' notice. None of the independent Directors has a service agreement, but each has signed a letter of appointment setting out the terms of their engagement as independent Directors.

In the year under review, the Chairman was entitled to a fee of £35,000 and the other Directors to a fee of £25,000, both on an annualised basis. The Chairman of the Audit Committee, Mr G A Madeiros, receives an additional £7,500 per annum. Following a review, the Remuneration Committee concluded that, in view of the increased time commitment and escalating demands placed on the Board, Board fees should be increased by £2,500 to £27,500 and the Chairman's fee by £3,000 to £38,000 for the 2011/12 year.

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 the Directors.

Remuneration for Qualifying Services

Director	2011 Entitlement ⁽¹⁾ £'000s	2010 Entitlement ⁽¹⁾ £'000s
A E Zagoreos (Chairman)	35	35
C D O Jillings ⁽²⁾	25	25
G A Madeiros ⁽³⁾	33	33
G P D Milne ⁽⁴⁾	14	25
A Y T Muh ⁽⁵⁾	11	n/a
K J O'Connor	25	25
Total	143	143

(1) The Directors' entitlement to fees is calculated quarterly in arrears as set out in note 1(j) on page 35.

(2) In addition to the Directors' fees disclosed above, Mr C D O Jillings received from the Investment Manager £545,000 and 305,000 ordinary shares by reference to a share price of 160p per share in UEM for services provided in respect of the affairs of the Company.

(3) Mr G A Madeiros's fee includes entitlement of £7,500 (2010: £7,500) for being Chairman of the Audit Committee.

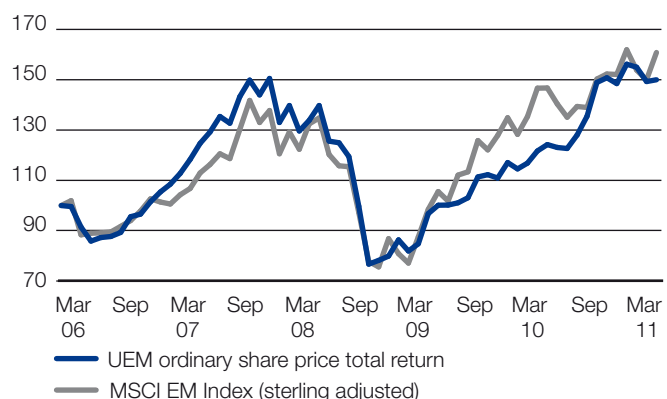
(4) Mr G P D Milne retired as a Director of the Company on 26 October 2010.

(5) Mr A Y T Muh was appointed as a Director of the Company on 26 October 2010.

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

UEM share price total return

From 31 March 2006 to 31 March 2011
(rebased to 100 at 31 March 2006)



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.

By order of the Board
F&C Management Limited, Secretary
20 June 2011

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 2011 which comprise the group and parent company statements of comprehensive income, the group and parent company statements of changes in equity, the group and parent company balance sheets, the group and parent company statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In addition to our audit of the accounts, the Directors of Utilico Emerging Markets Limited have engaged us to report as to whether:

1. the group and parent accounts have been properly prepared in accordance with the Bermuda Companies Act 1981; and
2. the information in the directors' remuneration report, described as having been audited, has been properly prepared in accordance with the United Kingdom Companies Act 2006, as if those requirements were to apply to Utilico Emerging Markets Limited.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the directors' statement of responsibilities set out on page 20, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of accounts is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the accounts

In our opinion:

- the accounts give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's and the parent company's profit for the year then ended;
- the group and parent company accounts have been properly prepared in accordance with IFRSs as adopted by the European Union.

Opinion on other matters

In our opinion:

- the group and parent company accounts have been properly prepared in accordance with the Bermuda Companies Act 1981;
- the part of the directors' remuneration report, which we were engaged to audit, has been properly prepared in accordance with the United Kingdom Companies Act 2006, as if those requirements were to apply to Utilico Emerging Markets Limited.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
20 June 2011

GROUP STATEMENT OF COMPREHENSIVE INCOME

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

		for the year to 31 March			2011			2010		
		Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s			
Notes										
10	Gains and losses on investments	–	70,427	70,427	–	112,515	112,515			
13	Gains and losses on derivative instruments	–	(5,461)	(5,461)	–	(4,426)	(4,426)			
	Exchange gains and losses	–	(433)	(433)	–	1,544	1,544			
2	Investment and other income	15,190	–	15,190	13,671	–	13,671			
	Total income	15,190	64,533	79,723	13,671	109,633	123,304			
3	Income not receivable	–	–	–	(261)	–	(261)			
4	Management and administration fees	(773)	(7,790)	(8,563)	(654)	(1,037)	(1,691)			
5	Other expenses	(963)	(26)	(989)	(788)	(22)	(810)			
	Profit before finance costs and taxation	13,454	56,717	70,171	11,968	108,574	120,542			
6	Finance costs	(547)	(1,277)	(1,824)	(1,150)	(2,683)	(3,833)			
	Profit before taxation	12,907	55,440	68,347	10,818	105,891	116,709			
7	Taxation	(951)	(805)	(1,756)	(866)	(2,331)	(3,197)			
	Profit for the year	11,956	54,635	66,591	9,952	103,560	113,512			
8	Earnings per ordinary share (basic) – pence	5.61	25.63	31.24	4.67	48.57	53.24			
8	Earnings per ordinary share (diluted) – pence	5.50	25.13	30.63	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 year, and therefore the 'profit for the year' is also the 'total comprehensive income for the year', as defined in International Accounting Standard 1 (revised).

All items in the above statement derive from continuing operations.

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

COMPANY STATEMENT OF COMPREHENSIVE INCOME

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

for the year to 31 March		2011			2010		
		Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s
Notes							
10	Gains and losses on investments	–	63,852	63,852	–	105,824	105,824
13	Gains and losses on derivative instruments	–	1,078	1,078	–	2,243	2,243
	Exchange gains and losses	–	(418)	(418)	–	1,529	1,529
2	Investment and other income	15,190	–	15,190	13,671	–	13,671
	Total income	15,190	64,512	79,702	13,671	109,596	123,267
3	Income not receivable	–	–	–	(261)	–	(261)
4	Management and administration fees	(773)	(7,790)	(8,563)	(654)	(1,037)	(1,691)
5	Other expenses	(942)	(26)	(968)	(751)	(22)	(773)
	Profit before finance costs and taxation	13,475	56,696	70,171	12,005	108,537	120,542
6	Finance costs	(547)	(1,277)	(1,824)	(1,150)	(2,683)	(3,833)
	Profit before taxation	12,928	55,419	68,347	10,855	105,854	116,709
7	Taxation	(951)	(805)	(1,756)	(866)	(2,331)	(3,197)
	Profit for the year	11,977	54,614	66,591	9,989	103,523	113,512
8	Earnings per ordinary share (basic) – pence	5.62	25.62	31.24	4.68	48.56	53.24
8	Earnings per ordinary share (diluted) – pence	5.51	25.12	30.63	4.54	47.12	51.66

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

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

All items in the above statement derive from continuing operations.

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

GROUP STATEMENT OF CHANGES IN EQUITY

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

for the year to 31 March 2011

Notes	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 year	–	–	–	–	–	–	54,635	11,956	66,591
⁹ Ordinary dividends paid	–	–	–	–	–	–	–	(10,354)	(10,354)
Conversion of warrants and S shares	2,339	21,044	–	(5,144)	(4,955)	10,099	–	–	23,383
Shares and warrants purchased by the Company	(810)	(8,908)	(1,807)	(2,945)	(3,774)	–	1,893	–	(16,351)
Balance at 31 March 2011	21,860	12,136	204,587	–	–	11,093	128,906	4,569	383,151

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
⁹ 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

COMPANY STATEMENT OF CHANGES IN EQUITY

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

for the year to 31 March 2011

Notes	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	72,305	3,040	319,882
Profit for the year	–	–	–	–	–	–	54,614	11,977	66,591
⁹ Ordinary dividends paid	–	–	–	–	–	–	–	(10,354)	(10,354)
Conversion of warrants and S shares	2,339	21,044	–	(5,144)	(4,955)	10,099	–	–	23,383
Shares and warrants purchased by the Company	(810)	(8,908)	(1,807)	(2,945)	(3,774)	–	1,893	–	(16,351)
Balance at 31 March 2011	21,860	12,136	204,587	–	–	11,093	128,812	4,663	383,151

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	(31,487)	2,751	230,733
Profit for the year	–	–	–	–	–	–	103,523	9,989	113,512
⁹ 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	72,305	3,040	319,882

BALANCE SHEETS

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

Notes	at 31 March	GROUP		COMPANY	
		2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
	Non-current assets				
10	Investments	403,026	342,451	403,098	344,540
	Current assets				
12	Other receivables	2,418	5,408	2,418	5,406
13	Derivative financial instruments	1,769	1,969	–	–
	Cash and cash equivalents	211	1,974	192	1,854
		4,398	9,351	2,610	7,260
	Current liabilities				
14	Bank loans	(10,231)	–	(10,231)	–
15	Other payables	(8,612)	(3,085)	(8,612)	(3,083)
13	Derivative financial instruments	(3,153)	(2,515)	(1,437)	(2,515)
		(21,996)	(5,600)	(20,280)	(5,598)
	Net current (liabilities)/assets	(17,598)	3,751	(17,670)	1,662
	Total assets less current liabilities	385,428	346,202	385,428	346,202
	Non-current liabilities				
16	Bank loans	–	(24,659)	–	(24,659)
17	Deferred tax	(2,277)	(1,661)	(2,277)	(1,661)
	Net assets	383,151	319,882	383,151	319,882
	Equity attributable to equity holders				
19	Ordinary share capital	21,860	20,331	21,860	20,331
20	Share premium account	12,136	–	12,136	–
21	Special reserve	204,587	206,394	204,587	206,394
22	Warrant reserve	–	8,089	–	8,089
23	S share reserve	–	8,729	–	8,729
24	Other non-distributable reserve	11,093	994	11,093	994
25	Capital reserves	128,906	72,378	128,812	72,305
25	Revenue reserve	4,569	2,967	4,663	3,040
	Total attributable to equity holders	383,151	319,882	383,151	319,882
26	Net asset value per ordinary share				
	Basic – pence	175.28	157.33	175.28	157.33

Approved by the Board on 20 June 2011 and signed on its behalf by

Alexander Zagoreos
Chairman

Charles Jillings
Director

STATEMENTS OF CASH FLOWS

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

Notes	for the year to 31 March	GROUP		COMPANY	
		2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
27	Cash flows from operating activities	15,467	17,886	15,554	18,069
	Cash flows from investing activities	–	–	–	–
	Cash flows before financing activities	15,467	17,886	15,554	18,069
	Financing activities:				
	Ordinary dividends paid	(10,354)	(9,700)	(10,354)	(9,700)
	Movements from loans	(14,576)	(16,341)	(14,576)	(16,341)
	Proceeds from warrants converted	18,497	1,522	18,497	1,522
	Proceeds from S shares converted	4,886	249	4,886	249
	Cost of ordinary shares purchased	(11,525)	(16,014)	(11,525)	(16,014)
	Cost of warrants purchased	(3,612)	(330)	(3,612)	(330)
	Cost of S shares purchased	(1,214)	(90)	(1,214)	(90)
	Cash flows from financing activities	(17,898)	(40,704)	(17,898)	(40,704)
	Net movement in cash and cash equivalents	(2,431)	(22,818)	(2,344)	(22,635)
	Cash and cash equivalents at the beginning of the year	1,974	24,058	1,854	23,770
	Effect of movement in foreign exchange	(285)	734	(271)	719
	Cash and cash equivalents at the end of the year	(742)	1,974	(761)	1,854
	Comprised of:				
	Cash	211	1,974	192	1,854
	Bank overdraft	(953)	–	(953)	–
	Total	(742)	1,974	(761)	1,854

1. ACCOUNTING POLICIES

The Company is an investment company incorporated in Bermuda with a primary quotation on AIM in London.

The consolidated accounts for the year ended 31 March 2011 comprise the results of the Company and of the segregated account underlying the 'B' shares of Global Equity Risk Protection Limited ("GERP"), a special purpose entity ("SPE") incorporated in Bermuda (together referred to as the "Group"). Details of GERP are included in note 11 to the accounts. The SPE has a reporting year end of 30 June which is non-concurrent with that of UEM. GERP's financial results included within the consolidated accounts are those for the year to 31 March 2011.

(a) Basis of accounting

The accounts 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 accounts 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 Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the Association of Investment Companies ("AIC") in January 2009, do not conflict with the requirements of IFRS, the Directors have prepared the accounts on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated in the United Kingdom.

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

Capital returns include, but are not limited to profits and losses on the disposal and the valuation of non-current investments, derivative instruments and on cash and borrowings, operating costs and finance costs (insofar as they are not allocated to revenue as described in note 1(i) below). Net capital returns 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 accounts, the following standards and interpretations have not been applied in these accounts since they were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date for accounting periods starting on or after
Amendments to IAS 24 – Related Party Disclosures	01 January 2011
IFRIC 19 Extinguishing financial liabilities with equity instruments	01 July 2010
IASB Improvements project – this project has not yet been adopted by the EU	Some changes effective 01 July 2010, other 01 January 2011

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 accounts 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(d).

(b) Basis of consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Associated undertakings held as part of the investment portfolio (see 1(d) below) are, in accordance with IAS 28, Investments in Associates, not accounted for in the Group accounts using the equity method of accounting, but are carried at fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

1. ACCOUNTING POLICIES (CONTINUED)**(c) Financial instruments**

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

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

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

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

(d) Valuation of investments and derivative instruments

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

Investments used for efficient portfolio management are classified as being at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition. Derivatives comprising forward 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.

Gains and losses on investments and on derivatives are analysed within the Statement of Comprehensive Income as capital return. Quoted investments are shown at fair value using market bid prices. The fair value of unquoted investments is determined by the Board. In exercising their judgement over the value of these investments, the Board uses valuation techniques which take into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors.

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

(e) Cash and cash equivalents

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

(f) Debt Instruments

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

1. ACCOUNTING POLICIES (CONTINUED)

(g) 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 Statement of Comprehensive Income and analysed as capital or revenue as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates.

(h) Other income

Dividends receivable are analysed as revenue return within the Statement of Comprehensive Income (except where, in the opinion of the Directors, their nature indicates they should be recognised as capital return) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

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

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

(i) Expenses

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

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

(j) Directors' fees

Directors fees are charged quarterly through the revenue column of the Statement of Comprehensive Income. The fee entitlement of each Director is satisfied in ordinary shares of the Company, purchased in the market on behalf of, or issued to, each Director as soon as possible after each quarter end.

The number of ordinary shares allocated is determined by dividing the entitlement by the lower of the market value and the fully diluted net asset value on the date of allocation.

(k) Finance costs

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

(l) Dividends payable

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

(m) Special reserve

The Special reserve is a reserve used to purchase the Company's own shares, in accordance with the Companies Act 1981 of Bermuda, as amended, and with the Bye-laws of the Company.

1. ACCOUNTING POLICIES (CONTINUED)

(n) Capital reserves

The following items are accounted for through the Statement of Comprehensive Income as capital returns and transferred to capital reserves:

Capital reserve – arising on investments sold

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

Capital reserve – arising on investments held

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

(o) 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, were transferred out of share premium account to the warrant reserve. On conversion, or cancellation, the imputed net proceeds are transferred to a separate non-distributable reserve.

(p) 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, were transferred out of share premium account to the S share reserve. On conversion, or cancellation, the imputed net proceeds are transferred to a separate non-distributable reserve.

2. INVESTMENT AND OTHER INCOME

Group	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Investment income:						
Overseas dividends	14,754	–	14,754	13,430	–	13,430
Overseas and UK interest	427	–	427	224	–	224
	15,181	–	15,181	13,654	–	13,654
Other income						
Interest on cash and short-term deposits	9	–	9	17	–	17
Total income	15,190	–	15,190	13,671	–	13,671

Company	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Investment income:						
Overseas dividends	14,754	–	14,754	13,430	–	13,430
Overseas and UK interest	427	–	427	224	–	224
	15,181	–	15,181	13,654	–	13,654
Other income						
Interest on cash and short-term deposits	9	–	9	17	–	17
Total income	15,190	–	15,190	13,671	–	13,671

3. INCOME NOT RECEIVABLE

Group and Company	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Accrued interest not to be received	–	–	–	261	–	261

4. MANAGEMENT AND ADMINISTRATION FEES

Group and Company	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Payable to:						
ICM Limited – management fee	563	1,313	1,876	444	1,037	1,481
ICM Limited – performance fee	–	6,477	6,477	–	–	–
F&C Management Limited – administration fee	210	–	210	210	–	210
	773	7,790	8,563	654	1,037	1,691

The Company agreed with Ingot Capital Management Pty Limited (“ICM Pty”) on 6 December 2010 for investment management services to the Company to be provided by ICM Limited (the “Investment Manager” or “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 were no changes to the terms of the investment management agreement or investment management personnel.

ICM provides investment management services to the Company 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(i)).

Included within the fees of £1,876,000 (2010: £1,481,000) paid to ICM is £78,000 (2010: £80,000) salary and PAYE costs relating to full time employees of the Company. These costs were deducted from the management fee payable by the Company to ICM. The average number of employees of the Company in the year was three.

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.

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.

Half of the performance fee is payable in cash and half in ordinary shares of the Company, based on the 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 £327.0m at 31 March 2010.

On 7 April 2011, the performance fee due to ICM in respect of the year ended 31 March 2011 was estimated to be £6,415,000. ICM received £3,207,000 of this fee in cash on that date. The remaining balance of £3,208,000 was settled through the purchase, based on the estimated net asset value of the Company at 31 March 2011, of 1,831,559 ordinary shares of the Company in the market. The cost of those shares to the Company, was £2,936,000. A further £62,000 is payable in cash to ICM, in final settlement of the full audited performance fee due of £6,477,000.

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.

5. OTHER EXPENSES

Group	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Auditors' remuneration:						
for audit services	33	–	33	32	–	32
for other services*	13	–	13	7	–	7
Custody fees	196	–	196	143	–	143
Directors' fees:						
fees for services to the Company (see Directors' Remuneration Report on page 25)	143	–	143	143	–	143
Directors' travel expenses	130	–	130	108	–	108
Sundry expenses	448	26	474	355	22	377
	963	26	989	788	22	810

Company	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Auditors' remuneration:						
for audit services	30	–	30	30	–	30
for other services*	13	–	13	7	–	7
Custody fees	196	–	196	143	–	143
Directors' fees:						
fees for services to the Company (see Directors' Remuneration Report on page 25)	143	–	143	143	–	143
Directors' travel expenses	130	–	130	108	–	108
Sundry expenses	430	26	456	320	22	342
	942	26	968	751	22	773

* Total Auditors' remuneration for other services amounts to £13,000 and was for reviewing interim accounts, performance fee and internal procedures (2010: £7,000 was for all other services, reviewing interim accounts and offshore status).

6. FINANCE COSTS

Group and Company	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
On loans and overdrafts:						
Loans and overdrafts repayable within 1 year	9	21	30	571	1,333	1,904
Loans and overdrafts repayable between 1 and 5 years	538	1,256	1,794	579	1,350	1,929
	547	1,277	1,824	1,150	2,683	3,833

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

7. TAXATION

Group and Company	Revenue £'000s	Capital £'000s	2011 Total £'000s	Revenue £'000s	Capital £'000s	2010 Total £'000s
Overseas taxation	951	–	951	866	–	866
Brazilian overseas investment taxation	–	77	77	–	148	148
Brazilian capital gains tax on sale of overseas investments	–	112	112	–	522	522
Total current taxation	951	189	1,140	866	670	1,536
Deferred tax (see note 17)	–	616	616	–	1,661	1,661
	951	805	1,756	866	2,331	3,197

Profits for the year are not subject to Bermuda tax.

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

8. EARNINGS PER SHARE

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

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

	Group		Company	
	2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
Revenue	11,956	9,952	11,977	9,989
Capital	54,635	103,560	54,614	103,523
Total	66,591	113,512	66,591	113,512
Weighted average number of shares in issue during the year for basic earnings per share calculations	213,169,337	213,193,027	213,169,337	213,193,027

Diluted earnings per share

Group and Company

Diluted earnings per share have been calculated in accordance with IAS 33 "Earnings per share", under which the Company's warrants and S shares in issue during the year are considered dilutive only if the conversion 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 warrant holders and S shareholders would have received on conversion as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market.

	2011 Number	2010 Number
Weighted average number of ordinary shares in issue during the period for basic earnings per share calculations	213,169,337	213,193,027
Dilutive potential shares – Warrants	3,300,025	5,028,609
Dilutive potential shares – S shares	935,658	1,487,935
Weighted average number of ordinary shares for diluted earnings per share calculations	217,405,020	219,709,571

9. DIVIDENDS

Group and Company	Record date	Payment date	2011 £'000s	2010 £'000s
2009 Final of 0.80p	19 June 2009	03 July 2009	–	1,711
2010 Interim of 3.75p	11 December 2009	31 December 2009	–	7,989
2010 Final of 1.05p	18 June 2010	02 July 2010	2,135	–
2011 Interim of 3.75p	17 December 2010	07 January 2011	8,219	–
			10,354	9,700

The Directors have declared a final dividend in respect of the year ended 31 March 2011 of 1.45p payable on 15 July 2011 to all ordinary shareholders on the register at close of business on 1 July 2011. The total cost of the dividend which has not been accrued in the results for the year to 31 March 2011, is £3,125,000 based on 215,528,793 ordinary shares in issue at the date of this report.

10. INVESTMENTS

Group	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2011 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2010 Total £'000s
Investments brought forward								
Cost	256,891	–	16,370	273,261	263,062	–	12,632	275,694
Gains/(losses)	73,749	–	(4,559)	69,190	(37,535)	–	7,352	(30,183)
Valuation	330,640	–	11,811	342,451	225,527	–	19,984	245,511
Movements in the year:								
Purchases at cost	79,814	–	7,689	87,503	95,917	–	3,738	99,655
Transfer to level 3*	(964)	–	964	–	–	–	–	–
Sales proceeds	(91,972)	–	(5,383)	(97,355)	(115,230)	–	–	(115,230)
Gains on investments sold in the year	27,791	–	299	28,090	13,142	–	–	13,142
Gains/(losses) on investments held at year end	45,280	–	(2,943)	42,337	111,284	–	(11,911)	99,373
Valuation at 31 March	390,589	–	12,437	403,026	330,640	–	11,811	342,451
Analysed at 31 March								
Cost	271,560	–	19,939	291,499	256,891	–	16,370	273,261
Gains/(losses)	119,029	–	(7,502)	111,527	73,749	–	(4,559)	69,190
Valuation	390,589	–	12,437	403,026	330,640	–	11,811	342,451

* Transfer due to company delisting.

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

Level 2 includes investments for which the quoted price has been recently suspended.

Level 3 includes investments in private companies or securities.

10. INVESTMENTS (CONTINUED)

Company	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2011 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2010 Total £'000s
Investments brought forward								
Cost	256,891	9,374	16,370	282,635	263,062	7,772	12,632	283,466
Gains/(losses)	73,749	(7,285)	(4,559)	61,905	(37,535)	(594)	7,352	(30,777)
Valuation	330,640	2,089	11,811	344,540	225,527	7,178	19,984	252,689
Movements in the year:								
Purchases at cost	79,814	4,558	7,689	92,061	95,917	1,602	3,738	101,257
Transfer to level 3*	(964)	–	964	–	–	–	–	–
Sales proceeds	(91,972)	–	(5,383)	(97,355)	(115,230)	–	–	(115,230)
Gains on investments sold in the year	27,791	–	299	28,090	13,142	–	–	13,142
Gains/(losses) on investments held at year end	45,280	(6,575)	(2,943)	35,762	111,284	(6,691)	(11,911)	92,682
Valuation at 31 March	390,589	72	12,437	403,098	330,640	2,089	11,811	344,540
Analysed at 31 March								
Cost	271,560	13,932	19,939	305,431	256,891	9,374	16,370	282,635
Gains/(losses)	119,029	(13,860)	(7,502)	97,667	73,749	(7,285)	(4,559)	61,905
Valuation	390,589	72	12,437	403,098	330,640	2,089	11,811	344,540

* Transfer due to company delisting.

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

Level 2 includes the investment in GERP.

Level 3 includes investments in private companies or securities.

Gains on investments	Group		Company	
	2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
Gains on investments sold	28,090	13,142	28,090	13,142
Gains on investments held	42,337	99,373	35,762	92,682
Total gains on investments	70,427	112,515	63,852	105,824

10. INVESTMENTS (CONTINUED)

Associated undertakings

The Company had the following associated undertakings at 31 March 2011:

	East Balkan Properties plc	Indian Energy Limited
	€'000s	£'000s
Country of Incorporation	Isle of Man	Guernsey
Country of listing	London	London
Country of operations	Romania	India
Number of ordinary shares held	32,360,483	5,197,792
Percentage of ordinary shares held	23.10%	20.50%
Income from associated undertaking included in the revenue account of the Group –		
Value of interest in associated undertakings included in the balance sheet of the Group	2,559	3,233
Gross assets	187,140 ⁽¹⁾	32,796 ⁽²⁾
Gross liabilities	128,916 ⁽¹⁾	18,170 ⁽²⁾
Gross revenues	12,953 ⁽¹⁾	2,212 ⁽²⁾
Net profit/(loss) before tax	(64,699) ⁽¹⁾	(2,111) ⁽²⁾
Share of profit/(loss) before tax	(14,945) ⁽¹⁾	(433) ⁽²⁾
Share of taxation charge	435 ⁽¹⁾	43 ⁽²⁾
Share of retained profit/(loss)	(16,930) ⁽¹⁾	(1,215) ⁽²⁾
Share of net assets	13,450 ⁽¹⁾	2,998 ⁽²⁾

(1) Based on the latest published accounts of East Balkan Properties plc for the year to 31 December 2009.

(2) Based on the latest published accounts of Indian Energy Limited for the year to 31 March 2010.

Transactions with Associated Undertakings

East Balkan Properties plc

There were no transactions in the year

Indian Energy Limited

During the year £1,843,000 was advanced to the Company as a secured loan.

Significant interests

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

Company	Country of registration & incorporation	Class of instruments held	2011 % of class of instruments held	2010 % of class of instruments held
Eastern Water Resources PCL	Thailand	Ordinary shares	10.2	10.2
Ocean Wilsons Holdings Limited	Bermuda	Ordinary shares	9.0	8.6
Puncak Niaga Holdings	Malaysia	Ordinary shares	6.8	6.8

11. SPECIAL PURPOSE ENTITY

The Company holds 3,920 Class B shares linked to a segregated account in Global Equity Risk Protection Limited ("GERP"), an unquoted Bermuda segregated accounts company incorporated on 4 May 2006. The segregated account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. The holding represents 100% of the issued Class B shares and on 27 November 2010 the voting rights of the shares were removed (2010: represented 19.9% of the voting rights of GERP). Under the IASB's interpretation SIC-12 the segregated account in GERP, represented by the Class B shares, is classified as a special purpose entity of the Company and its financial results are included within the accounts of the Group (see note 1(b)).

12. OTHER RECEIVABLES

	Group		Company	
	2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
Sales for future settlement	–	3,333	–	3,333
Accrued income	2,352	1,947	2,352	1,947
Prepayments and other debtors	66	128	66	126
	2,418	5,408	2,418	5,406

The Directors consider that the carrying values of other receivables are approximately their face value.

13. DERIVATIVE FINANCIAL INSTRUMENTS

All the following derivatives are classified as level 2 as defined in note 1(c).

Group	Current assets £'000s	Current liabilities £'000s	2011 Net current assets/ (liabilities) £'000s	Current assets £'000s	Current liabilities £'000s	2010 Net current assets/ (liabilities) £'000s
Futures and options – USD	1,769	(1,716)	53	1,969	–	1,969
Interest rate SWAPs – USD	–	(1,437)	(1,437)	–	(2,515)	(2,515)
Total derivative financial instruments	1,769	(3,153)	(1,384)	1,969	(2,515)	(546)

Company	Current assets £'000s	Current liabilities £'000s	2011 Net current assets/ (liabilities) £'000s	Current assets £'000s	Current liabilities £'000s	2010 Net current assets/ (liabilities) £'000s
Interest rate SWAPs – USD	–	(1,437)	(1,437)	–	(2,515)	(2,515)
Total derivative financial instruments	–	(1,437)	(1,437)	–	(2,515)	(2,515)

Changes in derivatives

	Group		Company	
	2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
Valuation brought forward	(546)	2,160	(2,515)	(4,758)
Purchases	30,193	24,978	–	–
Settlements	(25,570)	(23,258)	–	–
Gains and losses	(5,461)	(4,426)	1,078	2,243
Valuation at 31 March	(1,384)	(546)	(1,437)	(2,515)

14. BANK LOANS – CURRENT LIABILITY

Group and Company	2011 £'000s	2010 £'000s
US\$16.400 million repayable March 2012	10,231	–

The Company has a committed loan facility of £25,000,000, secured over the Company's assets, which expires on 15 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

	Group		Company	
	2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
Purchases for future settlement	476	1,691	476	1,691
Bank overdraft	953	–	953	–
Accrued finance costs	26	855	26	855
Accrued expenses	7,157	539	7,157	537
	8,612	3,085	8,612	3,083

16. BANK LOANS – NON-CURRENT LIABILITY

Group and Company	2011 £'000s	2010 £'000s
UK£6.600million repayable March 2012	–	19,700
US\$7.522 million repayable March 2012	–	4,959
	–	24,659

17. DEFERRED TAX

Group and Company	2011 £'000s	2010 £'000s
Balance brought forward	1,661	–
Increase in provision for Brazilian tax on capital gains	616	1,661
Balance carried forward	2,277	1,661

Provision is made for deferred tax in respect of capital gains tax on chargeable investment holding gains in Brazil, at a rate of 15% (2010: same).

18. OPERATING SEGMENTS

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

19. ORDINARY SHARE CAPITAL

2011	Authorised Number	£'000s	Issued and fully paid 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 year			23,381,822	2,339
Purchased for cancellation			(8,097,407)	(810)
Balance at 31 March 2011	1,350,009,078	135,001	218,597,234	21,860

2010	Authorised Number	£'000s	Issued and fully paid Number	£'000s
Equity share capital				
Ordinary shares of 10p each				
Balance at 31 March 2009	1,350,009,078	135,001	214,117,040	21,412
Issued during the year			1,770,779	177
Purchased for cancellation			(12,575,000)	(1,258)
Balance at 31 March 2010	1,350,009,078	135,001	203,312,819	20,331

Ordinary shares

18,496,620 ordinary shares were issued during the year on the conversion of warrants and 4,885,202 were issued on the conversion of S shares.

During the year 8,097,407 ordinary shares were purchased at a cost of £11,525,000 and cancelled. Since the year end a further 3,068,441 ordinary shares have been purchased at a cost of £4,931,000.

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 £1,214,000 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.

20. SHARE PREMIUM ACCOUNT

Group and Company	2011 £'000s	2010 £'000s
Balance brought forward	–	56
Premium on conversion of warrants	16,647	1,370
Premium on conversion of S shares	4,397	224
Purchase of ordinary shares	(8,908)	(1,650)
Balance carried forward	12,136	–

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

21. SPECIAL RESERVE

	2011	2010
Group and Company	£'000s	£'000s
Balance brought forward	206,394	219,500
Purchase of ordinary shares	(1,807)	(13,106)
Balance carried forward	204,587	206,394

22. WARRANT RESERVE

	2011	2010
Group and Company	£'000s	£'000s
Balance brought forward	8,089	8,897
Transfer to other non-distributable reserve on conversion of warrants	(5,144)	(423)
Transfer to capital reserve on purchase of warrants	(2,945)	(385)
Balance carried forward	-	8,089

This reserve, which is non-distributable, arose on issue of warrants and was utilised on conversion or cancellation of those warrants.

23. S SHARE RESERVE

	2011	2010
Group and Company	£'000s	£'000s
Balance brought forward	8,729	9,285
Transfer to other non-distributable reserve on conversion of S shares	(4,955)	(252)
Transfer to capital reserve on purchase of S shares	(3,774)	(304)
Balance carried forward	-	8,729

This reserve, which is non-distributable, arose on issue of S shares and was utilised on conversion or cancellation of those S shares

24. OTHER NON-DISTRIBUTABLE RESERVE

	2011	2010
Group and Company	£'000s	£'000s
Balance brought forward	994	319
Transfer from warrant reserve on conversion of warrants	5,144	423
Transfer from S share reserve on conversion of S shares	4,955	252
Balance carried forward	11,093	994

25. OTHER RESERVES

2011	Capital reserve (arising on investments sold)	Capital reserve (arising on investments held)	Capital reserves total	Revenue reserve
Group	£'000s	£'000s	£'000s	£'000s
Gains on investments sold	28,090	-	28,090	-
Gains on investments held	-	42,337	42,337	-
Losses on derivative financial instruments sold	(6,288)	-	(6,288)	-
Gains on derivative financial instruments held	-	827	827	-
Exchange losses	(433)	-	(433)	-
Management fee (see note 4)	(1,313)	-	(1,313)	-
Performance fee (see note 4)	(6,477)	-	(6,477)	-
Finance costs (see note 6)	(1,277)	-	(1,277)	-
Other capital charges	(26)	-	(26)	-
Taxation	(805)	-	(805)	-
Transfer from warrant reserve on purchase of warrants	2,945	-	2,945	-
Transfer from S share reserve on purchase of S shares	3,774	-	3,774	-
Cost of purchase of warrants	(3,612)	-	(3,612)	-
Cost of purchase of S shares	(1,214)	-	(1,214)	-
Revenue profit for the year	-	-	-	11,956
Total profit in current year	13,364	43,164	56,528	11,956
Dividends paid in the year	-	-	-	(10,354)
Balance at 31 March 2010	6,297	66,081	72,378	2,967
Balance at 31 March 2011	19,661	109,245	128,906	4,569

25. OTHER RESERVES (CONTINUED)

2010 Group	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	13,142	–	13,142	–
Gains on investments held	–	99,373	99,373	–
Losses on derivative financial instruments sold	(3,343)	–	(3,343)	–
Losses on derivative financial instruments held	–	(1,083)	(1,083)	–
Exchange gains	1,544	–	1,544	–
Management fee (see note 4)	(1,037)	–	(1,037)	–
Finance costs (see note 6)	(2,683)	–	(2,683)	–
Other capital charges	(22)	–	(22)	–
Taxation	(2,331)	–	(2,331)	–
Transfer from warrant reserve on purchase of warrants	385	–	385	–
Transfer from S share reserve on purchase of S shares	304	–	304	–
Cost of purchase of warrants	(330)	–	(330)	–
Cost of purchase of S shares	(90)	–	(90)	–
Revenue profit for the year	–	–	–	9,952
Total profit in current year	5,539	98,290	103,829	9,952
Dividends paid in the year	–	–	–	(9,700)
Balance at 31 March 2009	758	(32,209)	(31,451)	2,715
Balance at 31 March 2010	6,297	66,081	72,378	2,967

25. OTHER RESERVES (CONTINUED)

2011	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Company				
Gains on investments sold	28,090	-	28,090	-
Gains on investments held	-	35,762	35,762	-
Gains on derivative financial instruments held	-	1,078	1,078	-
Exchange losses	(418)	-	(418)	-
Management fee (see note 4)	(1,313)	-	(1,313)	-
Performance fee (see note 4)	(6,477)	-	(6,477)	-
Finance costs (see note 6)	(1,277)	-	(1,277)	-
Other capital charges	(26)	-	(26)	-
Taxation	(805)	-	(805)	-
Transfer from warrant reserve on purchase of warrants	2,945	-	2,945	-
Transfer from S share reserve on purchase of S shares	3,774	-	3,774	-
Cost of purchase of warrants	(3,612)	-	(3,612)	-
Cost of purchase of S shares	(1,214)	-	(1,214)	-
Revenue profit for the year	-	-	-	11,977
Total profit in current year	19,667	36,840	56,507	11,977
Dividends paid in the year	-	-	-	(10,354)
Balance at 31 March 2010	12,916	59,389	72,305	3,040
Balance at 31 March 2011	32,583	96,229	128,812	4,663

Group and Company

Included within the capital reserve movement for the year is £91,000 (2010: £137,000) of dividend receipts recognised as capital in nature, £285,000 (2010: £340,000) of transaction costs of purchases of investments and £327,000 (2010: £335,000) of transaction costs on sale of investments.

25. OTHER RESERVES (CONTINUED)

2010 Company	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	13,142	–	13,142	–
Gains on investments held	–	92,682	92,682	–
Gains on derivative financial instruments held	–	2,243	2,243	–
Exchange gains	1,529	–	1,529	–
Management fee (see note 4)	(1,037)	–	(1,037)	–
Finance costs (see note 6)	(2,683)	–	(2,683)	–
Other capital charges	(22)	–	(22)	–
Taxation	(2,331)	–	(2,331)	–
Transfer from warrant reserve on purchase of warrants	385	–	385	–
Transfer from S share reserve on purchase of S shares	304	–	304	–
Cost of purchase of warrants	(330)	–	(330)	–
Cost of purchase of S shares	(90)	–	(90)	–
Revenue profit for the year	–	–	–	9,989
Total profit in current year	8,867	94,925	103,792	9,989
Dividends paid in the year	–	–	–	(9,700)
Balance at 31 March 2009	4,049	(35,536)	(31,487)	2,751
Balance at 31 March 2010	12,916	59,389	72,305	3,040

26. NET ASSET VALUE PER ORDINARY SHARE

Group and Company

- (a) Net asset value per ordinary share is based on net assets at the year end of £383,151,000 (2010: £319,882,000) and on 218,597,234 (2010: 203,312,819) 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 assumes the receipt of proceeds arising from the exercise of warrants and S shares outstanding at £1 per warrant. At 31 March 2011 there are no warrants or S shares in issue and therefore there is no dilution. The diluted net asset value per ordinary share for year ended 31 March 2010 is based on the following:

	2010 Number
Ordinary shares in issue at the year end	203,312,819
Ordinary shares created on conversion of all warrants	29,087,134
Ordinary shares created on conversion of all S shares	8,606,709
Number of ordinary shares for diluted calculation	241,006,662
Attributable net assets – £'000s	357,576
Diluted net asset value per ordinary share – pence	148.37

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

	Group		Company	
	2011 £'000s	2010 £'000s	2011 £'000s	2010 £'000s
Profit before taxation	68,347	116,709	68,347	116,709
Adjust for non-cash flow items:				
Gains and losses on investments	(70,427)	(112,515)	(63,852)	(105,824)
Gains and losses on derivative financial instruments	5,461	4,426	(1,078)	(2,243)
Exchange (gains)/losses	433	(1,544)	418	(1,529)
Increase in accrued income	(413)	(305)	(413)	(305)
Increase in creditors	5,825	608	5,829	630
Decrease/(increase) in other debtors	24	(17)	22	(15)
Tax on overseas income	(942)	(763)	(942)	(763)
	(60,039)	(110,110)	(60,016)	(110,049)
Adjust for cash flow items not within Income Statement:				
Taxation on capital gains	(112)	(419)	(112)	(419)
Overseas investment taxation	(77)	(148)	(77)	(148)
Net cash flows on investments	11,971	13,574	7,412	11,976
Net cash flows on derivative financial instruments	(4,623)	(1,720)	-	-
	7,159	11,287	7,223	11,409
Net cash flows from operating activities	15,467	17,886	15,554	18,069

28. RELATED PARTY TRANSACTIONS

During the year the Company made payments to GERP, its special purpose entity, of £4.6m (2010: made payments of £1.6m) in settlement of investment transactions.

On consolidation, transactions between the Company and its special purpose entity have been eliminated.

Transactions between Mr Jillings and the Company are disclosed in the Directors' Remuneration Report on page 25.

The following are considered related parties of the Group: the associates of the Group set out under note 10, being East Balkan Properties plc and Indian Energy Limited; the Board of UEM and ICM.

There were no transactions between the above associates and the Company other than investments in the ordinary course of UEM's business.

The Directors received the following dividends in the year from the Company:

	2011 £'000s	2010 £'000s
A E Zagoreos	19	17
C D O Jillings	17	42
G A Madeiros	6	4
A Y T Muh	-	-
G P D Milne (resigned 26 October 2010)	n/a	23
K J O'Connor	21	22

There were no further transactions with the Board other than aggregate remuneration of £143,000 (2010: £143,000) included within "Other expenses" for services as Directors. At the year end £36,000 (2010: £36,000) remained outstanding to the Directors.

28. RELATED PARTY TRANSACTIONS (CONTINUED)

There were no transactions with ICM or ICM Analysis & Research Limited, a wholly owned subsidiary of ICM, other than investment management and performance fees as set out in note 4 and reimbursed expenses included within note 5 of £118,000 (2010: £87,000). At the year end £6,957,000 (2010: £382,000) remained outstanding to ICM.

29. POST BALANCE SHEET EVENTS

There are no post balance sheet events other than as set out in the Chairman's statement.

30. CAPITAL COMMITMENTS

On 31 March 2011, the Company committed to invest up to A\$223,100 buying 7,770,000 ordinary shares in a secondary placing by Transaction Solutions International Limited. The issue of these shares was conditional on approval at an EGM and they were admitted to the Australian Stock Exchange on 18th May 2011.

31. FINANCIAL RISK MANAGEMENT

The Group's investing policy is to provide long-term total return appreciation by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets. The Group seeks to meet its investing policy by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing the investing policy, the Group is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors, together with the Investment Manager, is responsible for the Group's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below. The Company's underlying risks include the risks within GERP and therefore only the Group risks are analysed below.

The Accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with International Financial Reporting Standards as adopted by the European Union and best practice, and include the valuation of financial assets and liabilities at fair value. The Company does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities held in the Group's portfolio and derivative financial instruments fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Group's investing policy and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Manager assesses exposure to market risks when making each investment decision and monitors on-going market risk within the portfolio of investments and derivatives.

The Group's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Investment Manager and the Board regularly monitor these risks. The Group does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Group's exposure to future changes in exchange rates. Gearing may be short or long-term, in Sterling and foreign currencies, and enables the Group to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

Income earned in foreign currencies is converted to Sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency exposure

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

	2011	Average	2010
BRL – Brazilian Real	2.6076	2.6757	2.7072
CNY – Chinese Yuan	10.4970	10.4316	10.3542
MYR – Malaysian Ringgit	4.8550	4.8869	4.9481
PHP – Philippine Peso	69.5681	69.2849	68.5487
THB – Thai Baht	48.4812	48.5108	49.0490
USD – United States Dollar	1.6030	1.5560	1.5169

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

2011	BRL £'000s	CNY £'000s	GBP £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Other receivables	942	327	65	–	128	784	–	172	2,418
Derivative financial instruments – assets	–	–	–	–	–	–	20,275	–	20,275
Cash and cash equivalents	–	–	128	–	–	–	20	63	211
Other payables	–	–	(7,179)	–	–	–	(957)	(476)	(8,612)
Derivative financial instruments – liabilities	–	–	–	–	–	–	(7,987)	–	(7,987)
Short term unsecured loans	–	–	–	–	–	–	(10,231)	–	(10,231)
Net monetary assets/(liabilities)	942	327	(6,986)	–	128	784	1,120	(241)	(3,926)
Investments	135,938	81,706	–	69,426	39,927	24,450	–	51,579	403,026
Deferred tax	(2,277)	–	–	–	–	–	–	–	(2,277)
Net exposures	134,603	82,033	(6,986)	69,426	40,055	25,234	1,120	51,338	396,823
Percentage of net exposures	33.9%	20.7%	(1.8)%	17.5%	10.1%	6.4%	0.3%	12.9%	100.0%

2010	BRL £'000s	CNY £'000s	GBP £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Other receivables	2,969	–	135	917	189	781	–	417	5,408
Derivative financial instruments – assets	–	–	–	–	–	–	41,697	–	41,697
Cash and cash equivalents	10	–	1,940	–	–	–	(67)	91	1,974
Other payables	–	(404)	(1,113)	–	–	–	(911)	(657)	(3,085)
Derivative financial instruments – liabilities	–	–	–	–	–	–	(2,515)	–	(2,515)
Long term unsecured loans	–	–	(19,700)	–	–	–	(4,959)	–	(24,659)
Net monetary assets/(liabilities)	2,979	(404)	(18,738)	917	189	781	33,245	(149)	18,820
Investments	108,705	73,859	–	74,556	27,381	21,467	–	36,483	342,451
Deferred tax	(1,661)	–	–	–	–	–	–	–	(1,661)
Net exposures	110,023	73,455	(18,738)	75,473	27,570	22,248	33,245	36,334	359,610
Percentage of net exposures	30.6%	20.4%	(5.2)%	21.0%	7.7%	6.2%	9.2%	10.1%	100.0%

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Weakening of Sterling	BRL	CNY	MYR	PHP	THB	2011	BRL	CNY	MYR	PHP	THB	2010
	£'000s	£'000s	£'000s	£'000s	£'000s	USD	£'000s	£'000s	£'000s	£'000s	£'000s	USD
Statement of Comprehensive Income return after tax												
Revenue return	698	236	264	55	180	(8)	518	90	280	55	148	(100)
Capital return	14,851	9,078	7,714	4,436	2,717	124	12,131	8,162	8,386	3,042	2,385	3,694
Total return	15,549	9,314	7,978	4,491	2,897	116	12,649	8,252	8,666	3,097	2,533	3,594
NAV per share												
Basic – pence	7.11	4.26	3.65	2.05	1.33	0.05	6.22	4.06	4.26	1.52	1.25	1.77
Diluted – pence	n/a	n/a	n/a	n/a	n/a	n/a	5.76	3.76	3.94	1.41	1.15	1.64

Strengthening of Sterling	BRL	CNY	MYR	PHP	THB	2011	BRL	CNY	MYR	PHP	THB	2010
	£'000s	£'000s	£'000s	£'000s	£'000s	USD	£'000s	£'000s	£'000s	£'000s	£'000s	USD
Statement of Comprehensive Income return after tax												
Revenue return	(698)	(236)	(264)	(55)	(180)	8	(518)	(90)	(280)	(55)	(148)	100
Capital return	(14,851)	(9,078)	(7,714)	(4,436)	(2,717)	(124)	(12,131)	(8,162)	(8,386)	(3,042)	(2,385)	(3,694)
Total return	(15,549)	(9,314)	(7,978)	(4,491)	(2,897)	(116)	(12,649)	(8,252)	(8,666)	(3,097)	(2,533)	(3,594)
NAV per share												
Basic – pence	(7.11)	(4.26)	(3.65)	(2.05)	(1.33)	(0.05)	(6.22)	(4.06)	(4.26)	(1.52)	(1.25)	(1.77)
Diluted – pence	n/a	n/a	n/a	n/a	n/a	n/a	(5.76)	(3.76)	(3.94)	(1.41)	(1.15)	(1.64)

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

31. 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:

	2011		2010			
	Within one year £'000s	More than one year £'000s	Total £'000s	Within one year £'000s	More than one year £'000s	Total £'000s
Exposure to floating rates						
Cash	(742)	–	(742)	1,974	–	1,974
Exposure to fixed rates						
Loans	(10,231)	–	(10,231)	–	(24,659)	(24,659)
Net exposures						
At year end	(10,973)	–	(10,973)	1,974	(24,659)	(22,685)
Maximum in year	12,329	–	12,329	16,015	–	16,015
Minimum in year	698	(24,614)	(23,916)	1,974	(24,659)	(22,685)
	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	12,329	–	12,329	16,015	–	16,015
Minimum in year	698	(24,614)	(23,916)	1,974	(24,659)	(22,685)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Group arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts is at ruling market rates. Interest paid on loans is fixed at 5% on USD50m using an interest rate swap and at ruling market rates on any loans in excess thereafter.

The Group's total returns and net assets are sensitive to changes in interest rates on cash and borrowings. Based on the financial assets and liabilities held, and the interest rates pertaining at each Balance Sheet date, a decrease or increase in market interest rates by 2% would have had the following approximate effects on the Statement of Comprehensive Income revenue and capital returns after tax and on the NAV per share.

	2011		2010	
	Increase in rate £'000s	Decrease in rate £'000s	Increase in rate £'000s	Decrease in rate £'000s
Revenue return	4	n/a*	37	n/a*
Capital return	–	–	–	–
Total return	4	n/a	37	n/a
NAV per share				
Basic – pence	–	–	0.02	–
Diluted – pence	–	–	0.02	–

* Interest rates on cash balances are negligible at 31 March 2011 and 31 March 2010.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other market risk exposures

The portfolio of investments, valued at £403,026,000 at 31 March 2011 (2010: £342,451,000) is exposed to market price changes. The Group enters into currency and index options in managing its exposure to other market risks. The Investment 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 8. A description of the derivative positions, which are also exposed to market price changes, together with the Investment Manager's and Board's strategies for using these positions for efficient portfolio management is contained within the Investment Manager's Report under "Capital Return" on page 10.

The exposure on the Group's options at 31 March was as follows:

	2011 £'000s	2010 £'000s
Current assets		
Put index options	13,725	41,697
Call index options	6,550	–
	20,275	41,697
Current Liabilities		
Put index options	–	–
Call index options	6,550	–
Interest rate SWAPs	1,437	2,515
	7,987	2,515

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 Statement of Comprehensive Income Capital Return after tax and on the net asset value (NAV) per share:

	Increase in value £'000s	2011 Decrease in value £'000s	Increase in value £'000s	2010 Decrease in value £'000s
Statement of Comprehensive Income capital return	76,776	(78,577)	65,229	(66,829)
NAV per share				
Basic – pence	35.12	(35.95)	32.08	(32.87)
Diluted – pence*	n/a	n/a	29.69	(30.42)

* See note 26.

(b) Liquidity risk exposure

The Group is required to raise funds to meet commitments associated with financial instruments. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Group not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Group's portfolio (82 at 31 March 2011); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts on page 8); and the existence of an on-going loan facility agreement. Cash balances are held with reputable banks.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Investment Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Group has loan facilities of £25m as set out in note 14. 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:

	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
2011				
Other payables	8,612	–	–	8,612
Derivative financial instruments	6,550	1,437	–	7,987
Bank loans	–	10,383	–	10,383
	15,162	11,820	–	26,982
	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
2010				
Other payables	3,085	–	–	3,085
Derivative financial instruments	–	–	2,515	2,515
Bank loans	–	–	24,659	24,659
	3,085	–	27,174	30,259

(c) Credit risk and counterparty exposure

The Group is exposed to potential failure by counterparties to deliver securities for which the Group has paid, or to pay for securities which the Group has delivered. The Board approves all counterparties used 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 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:

	Balance Sheet £'000s	2011 Maximum exposure in the year £'000s	Balance Sheet £'000s	2010 Maximum exposure in the year £'000s
Current assets				
Cash at bank	211	12,329	1,974	36,290
Financial assets through profit or loss – derivatives (put options and call options)	13,724	87,679	41,697	64,719

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values of financial assets and liabilities

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

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

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

(e) Capital risk management

The investing policy of the Group is stated as being to provide shareholders with long term capital appreciation by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets. In pursuing this long-term investing policy, the Board has a responsibility for ensuring the Group'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. Dividend payments are set out in note 9. Loans are set out in note 14.

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

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* Agreement signed after year end.

The Company is quoted on AIM, and listed on the Bermuda Stock Exchange and the Channel Islands Stock Exchange. The Company's ordinary shares can be held in an ISA.

HI HISTORICAL PERFORMANCE

UTILICO EMERGING MARKETS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MARCH 2011

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006 ⁽¹⁾	20 July 2005 ⁽²⁾	Change % 2011/10	Change % 2010/09	Change % 2010/08	Change % 2010/07	Change % 2007/06	Change % 2006/05
Total return ⁽³⁾ (Annual)	21.4%	44.0%	(28.9%)	16.3%	22.4%	18.2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Annual compound total return (since inception)	13.8%	13.7%	5.9%	24.5%	28.4%	32.2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Undiluted net asset value per ordinary share	175.28p	157.33p	107.76p	168.39p	146.45p	119.48p	98.36p	11.4	46.0	(36.0)	15.0	22.6	21.5
Diluted net asset value per ordinary share	175.28p	148.37p	106.51p	157.20p	138.80p	116.23p	98.36p ⁽³⁾	18.1	39.3	(32.2)	13.3	19.4	18.2
Ordinary share price	157.75p	132.00p	95.50p	153.75p	137.25p	126.00p	100.00p	19.5	38.2	(37.9)	12.0	8.9	26.0
(Discount)/premium ⁽⁴⁾	(10.0%)	(11.0%)	(10.3%)	(2.2%)	(1.1%)	8.4%	1.7%	n/a	n/a	n/a	n/a	n/a	n/a
Earnings per ordinary share (basic)													
– Capital	25.63p	48.57p	(60.28p)	17.89p	34.19p	19.50p	n/a	(47.2)	n/a	n/a	(47.7)	75.3	n/a
– Revenue	5.61p	4.67p	5.08p	5.24p	2.96p	1.62p	n/a	20.1	(8.1)	(3.1)	77.0	82.7	n/a
– Total	31.24p	53.24p	(55.20p)	23.13p	37.15p	21.12p	n/a	(41.3)	n/a	n/a	(37.7)	75.9	n/a
Dividends per ordinary share													
– Interim	3.75p	3.75p	4.00p	3.50p	2.00p	–	n/a	–	(6.3)	14.3	75.0	n/a	n/a
– Final	1.45⁽⁵⁾	1.05p	0.80p	1.30p	0.70p	1.50p	n/a	38.1	31.3	(38.5)	85.7	(53.3)	n/a
– Total	5.20p	4.80p	4.80p	4.80p	2.70p	1.50p	n/a	8.3	–	–	77.8	80.0	n/a
Equity holders' funds (£m)	383.2	319.9	230.7	359.5 ⁽⁷⁾	241.6 ⁽⁶⁾	89.7	73.8	19.8	38.7	(35.8)	48.8	169.4	n/a
Gross assets (£m) ⁽⁸⁾	393.4	344.5	272.5	441.3 ⁽⁷⁾	288.6 ⁽⁶⁾	107.2	73.8	14.2	26.4	(38.0)	53.3	169.2	n/a
Cash/(overdraft) (£m)	(0.7)	2.0	24.1	11.9	19.9	1.2	–	n/a	(11.2)	102.5	n/a	n/a	n/a
Bank debt (£m)	(10.2)	(24.7)	(41.8)	(79.9)	(45.0)	(17.5)	–	(58.7)	(0.7)	(47.7)	77.5	157.2	n/a
Net debt (£m)	(10.9)	(22.7)	(17.7)	(68.0)	(25.1)	(16.3)	–	(52.0)	0.22	(74.0)	170.9	54.0	n/a
Net debt gearing on gross assets	2.8%	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) ⁽⁹⁾													
– excluding performance fee	3.1	2.5	2.7	3.1	2.1	0.8	–	24.0	(7.4)	(12.9)	47.6%	n/a	n/a
– including performance fee	9.6	2.5	2.7	6.5	9.2	3.0	–	n/a	n/a	n/a	n/a	n/a	n/a
Total expense ratio ⁽¹⁰⁾													
– excluding performance fee	0.8%	0.8%	0.7%	0.8%	0.9%	0.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
– including performance fee	2.5%	0.8%	0.7%	1.7%	4.0%	3.4%	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) Based on diluted NAV per share return plus dividends re-invested from the ex-dividend date

(4) Based on diluted net asset value

(5) The final dividend declared has not been included as a liability in these accounts (see note 9 to the 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) Including other expenses for both the revenue and capital returns

(10) Management and administration fees over monthly average gross assets

