UTILICO

Emerging Markets Limited

2016

REPORT AND ACCOUNTS

MANAGED BY ICM

CONTENTS

UTILICO EMERGING MARKETS LIMITED

OBJECTIVE

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

NATURE OF THE COMPANY

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

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

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

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

GEOGRAPHICAL INVESTMENT EXPOSURE

FINANCIAL CALENDAR	
Year end	31 March
Annual General Meeting ("AGM")	20 September 2016
Half year	30 September
Quarterly dividends, payable in	September, December, March and June
Q4 interim dividend – Ex-dividend – Paid	2 June 2016 20 June 2016

FORWARD–LOOKING STATEMENTS

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

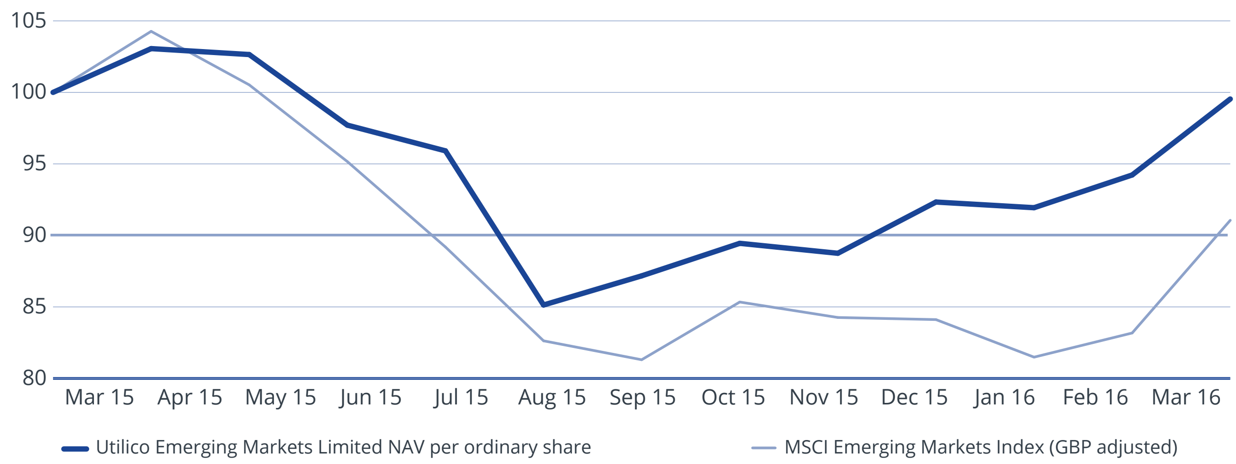
Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.

CURRENT YEAR PERFORMANCE

- **Diluted net asset value ("NAV") of 202.52p per ordinary share**
- **Dividends per ordinary share increased to 6.40p**

TOTAL RETURN COMPARATIVE PERFORMANCE*

March 2015 to March 2016



*GBP adjusted and rebased to 100 at 31 March 2015

Source: ICM and Bloomberg

Other attributes

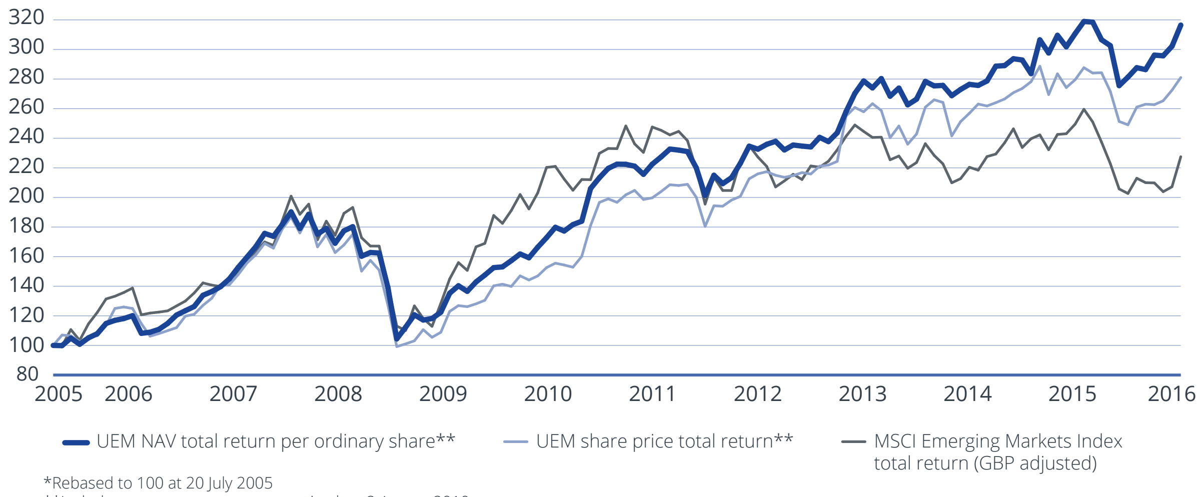
- Invested £96.1m and realised £130.5m
- Portfolio increased from 84 to 86 holdings
- Unlisted investments remain under 5.0% at 3.2% of the portfolio
- China exposure reduced but remains largest country investment at 26.3%
- Ongoing charges were 1.1% of average net assets

PERFORMANCE SINCE INCEPTION

- **NAV annual compound total return since inception of 11.4%**
- **Dividends per ordinary share have increased from 1.50p to 6.40p**

UEM HISTORIC NAV AND SHARE PRICE PERFORMANCE (pence)*

from July 2005 to March 2016

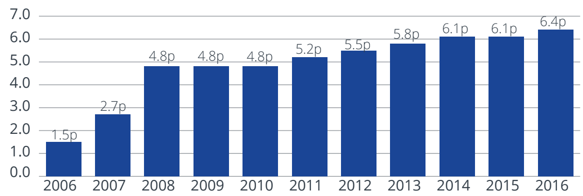


*Rebased to 100 at 20 July 2005
**Includes returns on warrants exercised on 2 August 2010

Source: ICM

UEM DIVIDENDS PER ORDINARY SHARE (pence)

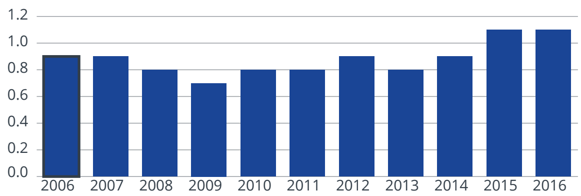
from March 2006 to March 2016



Source: ICM

ONGOING CHARGES* (%)

from March 2006 to March 2016

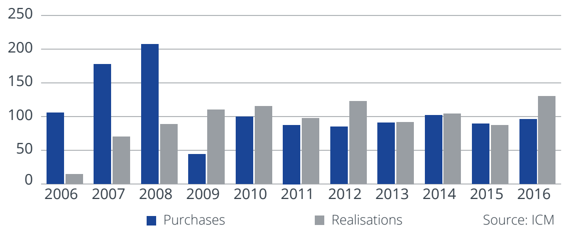


*Excluding performance fee

Source: ICM

INVESTMENT PURCHASES AND REALISATIONS (£m)

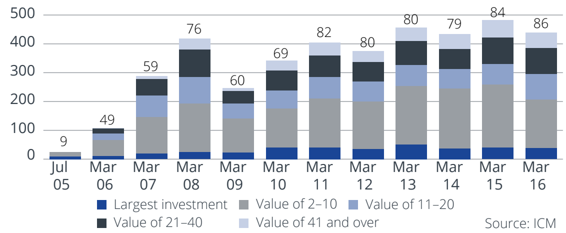
from March 2006 to March 2016



Source: ICM

PORTFOLIO PROGRESSION (£m) AND NUMBER OF HOLDINGS

from 20 July 2005 to 31 March 2016



Source: ICM

GROUP PERFORMANCE SUMMARY

	31 MARCH 2016	31 MARCH 2015	CHANGE % 2016/15
Total return[1] (annual) (%)	**(0.5)**	12.2	n/a
Annual compound total return (since inception)[2] (%)	**11.4**	12.4	n/a
Diluted net asset value per ordinary share (pence)	**202.52**	209.79	(3.5)
Ordinary share price (pence)	**178.50**	188.50	(5.3)
Discount (%)	**(11.9)**	(10.1)	n/a
Subscription share price (pence)	17.25	n/a	n/a
Earnings per ordinary share (pence)			
– Capital	**(5.50)**	18.53	n/a
– Revenue	**8.23**	4.98	65.3
Total (pence)	**2.73**	23.51	n/a
Dividends per ordinary share (pence)			
– 1st Quarter	**1.525**	1.525	0.0
– 2nd Quarter	**1.625**	1.525	6.6
– 3rd Quarter	**1.625**	1.525	6.6
– 4th Quarter[3]	**1.625**	1.525	6.6
Total (pence)	**6.400**	6.100	4.9
Equity holders' funds (£m)	**436.6**	447.4	(2.4)
Gross assets (£m)[4]	**455.2**	479.2	(5.0)
Ordinary shares bought back (£m)	**3.0**	–	n/a
Cash/(overdraft) (£m)	**12.6**	0.5	n/a
Bank debt (£m)	**(18.7)**	(31.9)	(41.4)
Net debt (£m)	**(6.1)**	(31.4)	(80.6)
Net debt gearing on gross assets (%)	**1.3**	6.6	n/a
Management and administration fees and other expenses (£m)			
– excluding performance fee	**4.5**	4.6	(2.2)
– including performance fee	**4.5**	7.7	(41.6)
Ongoing charges figure[5] (%)			
– excluding performance fee	**1.1**	1.1	n/a
– including performance fee	**1.1**	1.8	n/a

(1) Total return is calculated based on diluted NAV per ordinary share plus dividends reinvested from the payment date
(2) Annual total return based on diluted NAV per ordinary share, plus dividends reinvested from the payment date and return on warrants converted on 2 August 2010
(3) The fourth quarterly dividend has not been included as a liability in the accounts
(4) Gross assets less liabilities excluding loans
(5) Expressed as percentage of average net assets, ongoing charges comprise all operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments

CHAIRMAN'S STATEMENT

I am pleased to report UEM recovered nearly all the losses suffered in the first six months of the financial year and ended the year to 31 March 2016 almost unchanged at 202.52p. Based on a total return to an ordinary shareholder who received one subscription share for every five shares held, the total return on basic NAV over the twelve months was positive at 1.4%. The diluted NAV per ordinary share total return was negative 0.5% over the year. Having seen the NAV reach a low on 24 August 2015 of 170.88p, this is pleasing to see and reflects the resilience in UEM's portfolio of investments. This was a strong out performance in challenging times against the MSCI Emerging Markets Total Return Index, GBP adjusted, which lost 8.8% over the year.

UEM's performance over one, three and five years has been significantly ahead of the Index. Over three and five years, UEM achieved a total return of 7.6% and 32.5% versus the MSCI Emerging Markets Total Return Index (GBP adjusted) which lost 7.0% and 8.1% respectively over both periods. This strong performance continues to ensure UEM receives industry recognition. UEM was highly commended at the Money Observer Trust Awards 2016 for the Best Emerging Markets Trust, in recognition of consistently superior three year performance and was also one of Money Observer's rated funds for 2016.

A strong positive for the year has been the increased revenue earnings per share of 8.23p, up by 65.3%. On the back of its increased revenue, the Board declared a maintained first quarterly dividend of 1.525p followed by three increased quarterly dividends of 1.625p, amounting to 6.40p for the year to 31 March 2016, an increase of 4.9%. The retained revenue reserves carried forward after payment of the fourth quarter dividend are some 3.2p per share. The 6.40p distributed represents a yield on the opening share price of 188.50p of 3.4%.

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Management and administration fees excluding performance fees were 3.3% lower at £4.5m. No performance fee is payable in respect of the year to 31 March 2016.

Our share price discount to NAV remains stubbornly high, given both the strong performance and the current dividend yield offered by UEM's shares. The Board keeps this under constant review and may exercise a buyback investment policy at over a 10% discount, but this is an investment decision and will remain so. Over the ten years the Company has exercised its investment discretion and has bought back 27.8m ordinary shares amounting to £39.3m, including 115,000 shares bought back at 163.75p in October 2015 and 1.7m shares at an average cost of 163.88p per share in January to March this year. This was at a time when much of the market was withdrawing capital from the emerging markets and discounts widened.

In September 2015 UEM announced and the shareholders approved a one-for-five bonus issue of subscription shares. This resulted in 42.6m subscription shares being issued on 24 September 2015.

UEM has a continuation vote at this year's AGM in September. Your Board unanimously supports the continuation of UEM and will be voting in favour of the resolution. If passed, a similar resolution will be put to shareholders every fifth year hereafter.

Given the upcoming continuation vote it is an appropriate time for me to stand down as Chairman after ten enjoyable years. This will allow the next Chairman to take UEM forward

CHAIRMAN'S STATEMENT
(continued)

after the AGM. I would like to thank my fellow Board members for their support over this time. They have made my job as Chairman a pleasure and have been a delight to work with. I would like to thank the Investment Managers for their professionalism and drive in delivering what has been a strong performance. I would also like to thank our professional team who support us in this increasingly complex and regulated world. Thank you all and I wish you all every success.

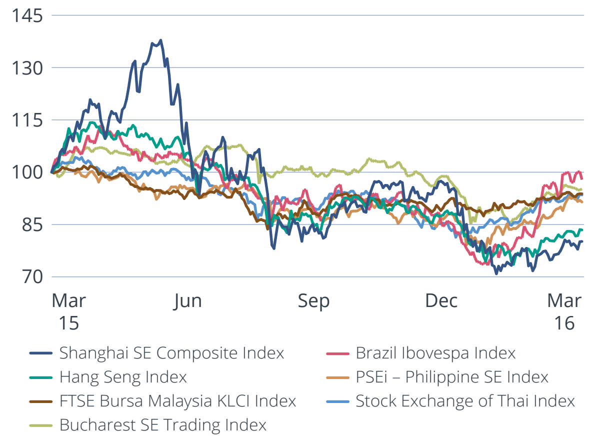
John Rennocks who joined the Board in November 2015 has agreed to become the new Chairman following the AGM in September 2016. John has both the capability and experience to take this investment company forward.

OUTLOOK

The markets remain outside normal historic parameters with negative interest rates in a number of countries and Quantitative Easing ("QE") still being implemented in Europe and Japan. The normalisation of monetary conditions will result in sharp volatility as global markets react to decisions in the main being made by central banks. The USA is looking to edge towards normalisation. Given this backdrop, it is encouraging that most emerging market economies continue to achieve positive GDP growth. UEM's performance is driven by stock selection and the Board remains confident that the Investment Managers will continue to find attractive long term investments.

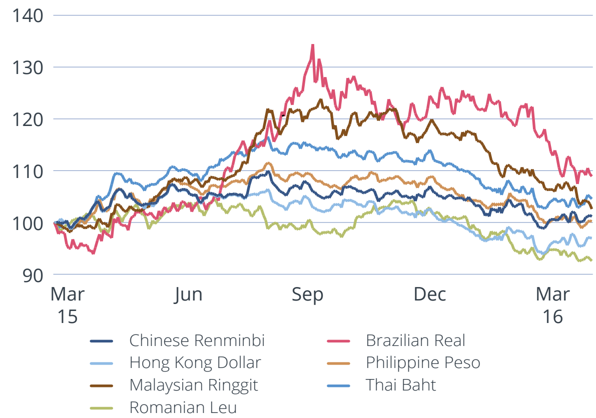
Alexander Zagoreos
Chairman
21 June 2016

INDICES MOVEMENTS
from March 2015 to March 2016



Source: Bloomberg

CURRENCY MOVEMENTS vs STERLING
from March 2015 to March 2016



Source: Bloomberg

INVESTMENT MANAGERS' REPORT

The year to 31 March 2016 was challenging for emerging markets, with most key emerging market indices negative over the twelve months. China was particularly weak, with Hong Kong's Hang Seng Index down by 16.6%. Currencies were more mixed, with the Brazilian Real up by 7.4% and the Romanian Leu down by 7.6%.

UEM's portfolio remained largely unchanged as it continues to focus on listed companies which are, for the most part, offering long-term growth, profitable and paying dividends.

PORTFOLIO

UEM's gross assets (less liabilities excluding loans) decreased from £479.2m to £455.2m over the twelve months to 31 March 2016, due to net realisations enabling the repayment of part of the loans and the purchase for cancellation of ordinary shares.

Some of the constituents of the top ten investments have changed over the year, with UEM partially exiting from China Everbright International Limited ("China Everbright") and **Asia Satellite Telecommunications Holdings Limited ("Asiasat")** moving from ninth to nineteenth. UEM partially exited China Everbright on valuation considerations at the time the Hang Seng Index gained substantially in April 2015. Asiasat moved lower in the portfolio as its share price fell following a substantial dividend to shareholders; UEM received some £7.4m, accounting for most of the value change in Asiasat. The investment in **MyEG Services Berhad ("MYEG")** was substantially reduced following its strong run, moving it from second to fifth position in the portfolio. As a result the top ten investments, as a percentage of the portfolio, reduced from 53.7% to 47.2%. Unlisted investments remain modest at 3.2%, prior year 2.3%, of the gross assets.

Since February 2016, UEM has been disclosing its top twenty holdings in response to increased investor interest in the portfolio. By doing so UEM has given visibility on some 67.2% of its portfolio.

China (including Hong Kong) continues to be UEM's biggest country investment, decreasing from 30.9% to 26.3% of the portfolio. This decline reflects mainly market realisations last April as the Hang Seng Index strengthened, following the A-share market, which jumped upwards. UEM exited a number of positions into this strength. In addition Asiasat's significant dividend resulted in Asiasat being marked lower after its distribution. The Shanghai Composite Index was a weak performer, down by 19.9% and the Hang Seng Index was little better, down by 16.6%. This combined with a weaker Hong Kong Dollar, down by 3.1%, resulted in the total investment in China being reduced. It should be noted UEM continues to be predominantly invested in China through the Hong Kong Stock Exchange.

China Gas Holdings Limited's ("China Gas") share price fell by 9.8% in the year to 31 March 2016. Chinese gas distribution companies continued to be impacted by the rapid drop in oil prices, which meant that natural gas was not competitive against fuel oil as an energy source for industrial customers. While the National Development and Reform Commission implemented gas price cuts for non-residential customers from 1 April 2015, this only temporarily improved the competitiveness of natural gas, a position which was swiftly eroded by falls in the oil price in the second half of calendar 2015. This was exacerbated by the slowdown in the Chinese manufacturing and industrial economy, to which China Gas is heavily exposed with approximately 75% of volumes sold to commercial and industrial customers. Driven by environmental concerns, the Chinese government has reiterated its commitment to increasing the proportion of natural gas in the energy matrix, with proposals to move towards liberalised gas markets. This would help restore the competitiveness of the gas distribution sector.

Against this tough backdrop, China Gas continued to deliver excellent operational and financial results. As at 30 September 2015 China Gas had expanded its total number of city gas concessions to 299, covering an urban population of 93m. It had 11.7m customer connections, up 20.9% on the previous year, and just 47% of households within its concession areas are connected to the gas network. In the six months to 30 September 2015 China Gas reported total piped gas and LPG volume growth of 7.0% and 18.6% respectively. Reflecting the aforementioned tariff cuts and

INVESTMENT MANAGERS' REPORT
(continued)

lower LPG prices, revenues fell by 9.2%, but with corresponding drops in input prices EBITDA increased by 8.7% and normalised earnings per share were up by 22.0%. The dividend per share was more than doubled. In the year ended 31 March 2016, UEM decreased its position in China Gas by 4.5%.

APT Satellite Holdings Limited ("APT") saw its share price increase by 4.7% in the period. For the year to December 2015, revenues disappointingly declined by 4.3%. However, in October the company successfully launched a new satellite, ApStar 9 and this came into service in December 2015. At the end of December, the satellite had a 48% utilisation rate and as a result of the new capacity, the company expects to report a return to revenue growth in 2016.

The satellite market in Asia has turned increasingly competitive over the past couple of years, as new capacity has been launched and some large customers, principally government users, have scaled back their use of satellite communications. The core television broadcast market remains a growth driver. During the year, UEM increased its holding in APT by 0.6%, adjusted for a bonus issue of one share for every two held.

China Resources Gas Group Ltd's ("CR Gas") share price fell by 8.3% in the year under review. CR Gas' operational assets are comparable to those of China Gas although it is purely focused on natural gas and does not participate in the LPG sector. CR Gas is a subsidiary of China Resources, one of the largest State-Owned Enterprises in the country. As at 31 December 2015, CR Gas had 220 city gas concessions and 23.8m customer connections, up by 13.9% on the previous year. In comparison to China Gas, residential piped gas penetration in its concession areas was slightly lower at 44.4%. In the year ended 31 December 2015 CR Gas reported natural gas volume growth of 11.9% and group revenue growth of 8.3%. Adjusted EBITDA grew by 13.7% and normalised earnings per share were up by 20.6%. The dividend per share was increased by 32.0%. UEM has been invested in CR Gas since 2011 and during the year ended 31 March 2016 it increased its position in CR Gas by 8.0%.

Shanghai International Airport Co Ltd's ("Shanghai Airport") share price increased by 19.6% over the year to 31 March 2016, driven by the strong passenger growth that is being witnessed at the airport. Over the year to 31 December 2015, total passenger growth was up by 16.2% on the back of strong aviation demand, which is being driven by the increasing level of the average Chinese income, as well as the introduction of more low cost carrier airlines to the market. With the upcoming opening of Disneyland in China in June 2016, the outlook for passenger growth remains strong. For the year to 31 December 2015, revenues were up by 9.3%, with EBIT up by 19.1%, helped by strong operational leverage and stringent cost control. Net income for the year was up by 20.8%.

In the year to 31 March 2016, UEM more than doubled its holding in Shanghai Airport.

Yuexiu Transport Infrastructure Limited ("Yuexiu") saw a 6.1% increase in its share price for the year to 31 March 2016. During the year, Yuexiu acquired Suiyuenan Expressway, which helped boost its revenue growth for the year ended 31 December 2015 by 19.8%. Excluding acquisitions, revenues increased by 8.4%, primarily due to the 6.0% increase in traffic volumes (excluding the new road). Adjusted EBITDA increased by 22.2% in line with revenue growth whilst adjusted net income increased by 36.8%. During the financial year 2015, Yuexiu also announced the disposal of its 51% equity interest in Wuzhou Chishui Port in Guangxi, which will be completed and realized in 2016, making Yuexiu a pure toll road operator.

Asiasat had a difficult year operationally in 2015. The company launched two new satellites in 2014 but faced problems in getting regulatory approval for services to commence. A permit to distribute video into China was granted on 1 January 2016, much later than originally anticipated. Another contract, which would have seen substantially all the capacity on Asiasat 8 taken up, failed to materialise due to the customer being unable to overcome regulatory issues.

The market for satellite services in Asia remains highly competitive and, as with APT, the company does not expect competition to lessen in the near term. The company reported a 1.9% decline in revenues in the year to December 2015 and EBITDA declined by 3.0%.

During the year, following the sale of GE's stake to a fund managed by Carlyle Group, Asiasat paid a special dividend of HK$11.89 per share, which was worth £7.4m to UEM. The company now has what we consider to be an appropriately geared balance sheet, having been in a net cash position for many years. The debt has increased interest charges, impacting net profit. Net profit (excluding exceptional items) declined by 11.2% in the year to December.

Asiasat's share price declined by 42.1%, mainly as a result of the distribution of the special dividend in the year to 31 March 2016. During the year, UEM increased its shareholding in Asiasat by 2.8%.

Malaysia continues to be UEM's second largest country investment, decreasing from 17.8% to 13.7% of the portfolio. This was due mainly to realisations and in particular the reduced investment in MYEG. Malaysia, as a producer of oil, has seen its economy negatively impacted by weakness of the oil price. This has affected the market, with the FTSE Bursa Malaysia KLCI Index down by 6.2%. The Malaysian Ringgit strengthened by 2.0% partly offsetting the prior year currency market weakness.

Malaysia Airports Holdings Berhad's ("Malaysia Airports") share price declined by 3.4% in the year to 31 March 2016. Passenger traffic at the Malaysia-based airports only grew by 0.6%, as volumes continued to be impacted by the difficult series of events that occurred in 2014, which has affected traveller sentiment. Traffic has also been affected by the restructuring of Malaysia Airlines, which has resulted in the reduction of some routes and flight frequencies, as well as the difficult macro environment. Malaysia Airports' investment in Sabiha Gokcen International Airport ("ISG") Istanbul, Turkey, however fared better, seeing strong passenger growth of 19.7%. With the release of Malaysia Airports' new business plan "Runway to Success 2020", management are working hard to ensure that the Group is poised for future growth. For 2016, management are expecting to see passenger growth of 2.5% for its Malaysian operations owing to visa free entry into Malaysia for Chinese tourists. ISG is also expected to see passenger growth in the high teens. Malaysia Airports' financials for the year to December 2015 saw revenues (excluding construction) and adjusted EBITDA increase by 10.1% and 9.9% respectively whilst normalised net income declined by 44.9% as a result of higher financing costs following the acquisition of the remaining 40% stake of ISG in 2014.

In the period under review UEM increased its holding in Malaysia Airports by 0.6%.

MYEG's share price continued to be very strong, gaining 53.2% in the year to 31 March 2016. The company once again split its shares on a two-for-one basis during the period.

Growth in the nine months to 31 March 2016 has been especially strong following the closure of government counters for processing immigrant workers' permit renewals in May 2015, making MYEG's online system mandatory for permit renewals. Revenues in the nine months to 31 March 2016 were up by 101.5%. EBITDA advanced by 86.9% and net profit increased by 103.4% compared to the nine months to 31 March 2015.

During the year to 31 March 2016, UEM took profits on its MYEG position, selling 64.3% of the position held at 31 March 2015 for proceeds of £30.8m. Despite these sales, MYEG remained a top 5 stock in the portfolio at the end of March 2016.

Brazil remains the third largest country investment but reduced to 9.8% from 11.2%, mainly due to portfolio investments underperforming the market. The Brazilian Real recovered 7.4% over the year to 31 March 2016 whilst the Brazil Ibovespa Index was down by 2.1%. Short term concerns are overshadowing the longer term outlook, with the investment environment remaining challenging.

INVESTMENT MANAGERS' REPORT
(continued)

Ocean Wilsons Holdings Limited ("Ocean Wilsons") had another year of poor share price performance, down by 12.4% despite a relatively sound operational performance at its 58.3% owned subsidiary, Wilson Sons. Wilson Sons, the Brazilian port and shipping service provider, saw volumes at its container terminals Tecon Rio Grande and Tecon Salvador increase by 6.2% in 2015 as export volumes were boosted by the weakness of the Brazilian Real, which depreciated 47.0% against the US Dollar. The towage business also remained resilient during the period with volumes essentially flat for the year. That said, trading at the shipyard, logistics and in offshore oil and gas was poor as a result of the weaker Brazilian oil and gas sector. Performance of the investment portfolio (Ocean Wilsons Investment Limited) saw its valuation fall by 2.9% to US$244.4m for the period to 31 December 2015 which, given the assets are weighted towards global equities including material exposure to weaker emerging markets, was respectable. Over the period to 31 December 2015, revenues were down by 19.7% as a result of the depreciation of the Brazilian Real, whilst adjusted EBITDA was up by 4.8% and normalised net income down by 23.6%.

There was no change in UEM's holding in Ocean Wilsons during the year to 31 March 2016.

UEM has been invested in Alupar Investimento S.A. ("Alupar") for the past three years. Alupar is a holding company for electricity transmission and generation assets located in Brazil, Peru, and Colombia. The majority of income is derived from 23 transmission concessions in Brazil, with the remainder coming from five operational hydro plants with capacity of 351MW. In Colombia and Peru it has five additional hydro and wind generation projects totalling 211MW, including two hydro plants under construction. Alupar's transmission assets are particularly attractive as they enjoy long-life concessions with fully inflation-protected returns due to annual IPCA or IGP-M inflation adjustments to regulated revenue. The majority of Alupar's transmission concessions are due to expire between 2030 and 2042, while its generation assets have concession lives extending to 2045. As well as new generation plants, Alupar has two new transmission projects under development in Brazil.

In its financial year ended 31 December 2015, Alupar fully commissioned its Ferreira Gomes hydro plant, its largest facility, resulting in an increase in installed capacity of 31.5%. Combined with the full-year effect on operations, this resulted in energy sales volumes at its generation business more than doubling, which was partly offset by lower effective tariffs. Combined with a 6.0% inflation adjustment to transmission tariffs, underlying revenues increased by 8.3%, though factoring in a decline in construction revenue reported figures showed a more modest 1.3% increase. EBITDA grew by 5.6%, but normalised earnings declined by 42.3% due to higher effective tax rates and fixed costs reflecting the inclusion of the new assets in financials. Dividends per share correspondingly fell by 44.4%, and in March 2016 Alupar announced a further reduction in cash dividends for its financial year to 31 December 2016, partly offset by the issuance of bonus shares at a ratio of 6.5 new shares for every 100 existing shares. In the year to 31 March 2016, Alupar's share price fell by 23.4% and UEM increased its position in the company by 22.2%.

Romania rose from seventh to be the fourth largest country investment in the portfolio, increasing from 5.3% to 8.8%, due to both increased investment and investee company performance. The Romanian BET Index was down by 4.8% and the currency was down by 7.6%.

Transelectrica S.A. ("Transelectrica") is a relatively recent holding accumulated over the past two years. Transelectrica manages and operates the Romanian electricity transmission system and provides the electricity exchanges between central and eastern European countries, including Hungary, Serbia and Bulgaria. It is a regulated entity which was created in 2000 when the National Regulatory Authority for Energy ("ANRE") split government-held assets into four independent entities. Transelectrica operates in a well-established regulatory regime and is currently in its third regulatory period which runs through to 30 June 2019, with a regulated rate of return set at 7.7%. With a net cash balance sheet and strong recurring cash flows, the company sustains a highly attractive dividend stream, with a yield typically approaching double digits.

In the year to 31 December 2015, billed energy volumes transmitted by the network increased by 2.2%, with domestic consumption up by 2.7%, partly offset by exports down by 5.6%. Effective tariffs fell by 4.2% following a regulatory adjustment in July 2015 due to over-recovery of profits in the previous regulatory year. This meant that group revenues fell by 2.5%, excluding balancing market services which are profit-neutral to Transelectrica. Good cost control including continued reductions in transmission losses, sustained absolute EBITDA, down by 0.2%, and normalised earnings grew by 4.7%. Dividends per share were slightly reduced by 5.5%. In the year to 31 March 2016, Transelectrica's share price increased by 2.1% and UEM increased its position in the company by 42.2%.

UEM has been a shareholder in Transgaz S.A. ("Transgaz") since 2013. Transgaz is the national gas transmission company in Romania whose domestic transmission activities are fully regulated by ANRE. Similar to Transelectrica, the company is in its third regulatory cycle with a regulated rate of return of 7.7%, which ends in September 2017. Transgaz separately has international transit activities which operates dedicated pipelines transmitting Russian natural gas from Ukraine to Bulgaria. These activities are not regulated and transit tariffs are set on a commercial basis. Transgaz currently has several major projects under development, including a new 480km pipeline connecting Bulgaria and Hungary which is expected to be commissioned in 2019, as well as a pipeline connection to the Black Sea if recent gas field discoveries are developed.

In its financial year to 31 December 2015, domestic gas volumes transmitted increased by 3.5%, which was offset by effective tariff cuts of 9.4% reflecting recent regulatory adjustments. This saw domestic transport revenues fall by 6.3%, but transit revenues were up by 16.4%, boosted by foreign currency movements under which capacity is contracted. This resulted in stable financials at a group level, with revenues and EBITDA softening by 0.3% and 0.4% respectively. Normalised earnings fell by 1.5%, but dividends per share were increased by 26.7% given Transgaz's strong net cash position and continued strong cash flow. This represents a dividend yield of just over 10%. In the year to 31 March 2016 Transgaz's share price was down by 1.6% and UEM increased its position in the company by 22.2%.

Towards the end of 2014 UEM participated in a placing of Conpet S.A. ("Conpet"), the monopoly operator of the national crude oil and condensate pipeline network in Romania. Since this time, UEM has steadily increased its position in Conpet which continues to offer exceptional value. Conpet has a 30-year concession agreement which expires in 2032 and manages a network of 3,800km of pipeline as well as railway systems for both domestic and imported crude oil transport. Tariffs are regulated on a cost-plus basis. Conpet transports crude from domestic oil fields and the Black Sea terminal at Constanta to oil refineries for its two main customers: Petrom and Petrotel Lukoil. Conpet's growth opportunities are limited but Conpet has a significant surplus cash balance, which it is starting to return to investors.

In its financial year to 31 December 2015, Conpet reported oil transport volume growth of 5.5%, with a 1.3% decline in domestic transport more than offset by a 15.6% increase in imports. Effective tariffs fell by 3.7%, resulting in group revenue growth of 2.2%. However strong cost control saw EBITDA up by 12.2% and normalised earnings up by 5.6%. With no debt and excess cash amounting to approximately half of the market capitalisation accruing on the balance sheet, Conpet announced a 22.9% increase in its ordinary dividends. In the year to 31 March 2016 Conpet's share price increased by 39.5% and UEM increased its position in the company by 41.9%.

Thailand has remained largely unchanged at 6.8%, up from 6.4% and is now the fifth largest country investment. The Thailand Set Index was down by 6.5% and the Thai Bhat was up by 4.7%.

Eastern Water Resources Development and Management PCL ("Eastwater") shares were up by 18.3% in the year to 31 March 2016. Eastwater's strategic direction has been impacted by a lack of stability within the board of directors and senior management team, including the arrival (and subsequent resignation in May 2015) of the CEO who cut the Provincial Waterworks Authority's ("PWA") tariffs and embarked on a hefty investment program in backup pipeline infrastructure. This was notable given that the PWA is one of Eastwater's main customers, is its largest shareholder with

INVESTMENT MANAGERS' REPORT
(continued)

a 40.2% stake and has board representation. Since the most recent change in management, Eastwater has announced plans to publicly list its tap water subsidiary, Universal Utilities Public Company Limited, on the Thailand Stock Exchange.

In its financial year to 31 December 2015 Eastwater's raw water volumes grew by 5.3%, wholly driven by a 27.8% rebound in demand by the PWA following the tariff cuts implemented in the previous year. By comparison, raw water volumes sold to more profitable private customers and industrial estates fell by 2.2%, primarily reflecting slower economic growth particularly in the manufacturing and petrochemical industries. Tap water demand has remained strong, with volumes up by 10.9%. With effective tariffs for raw water falling by 0.6% and tap water tariffs up by 5.7%, group revenues grew by 3.0%, with EBITDA up by 5.8% and normalised earnings per share up by 1.8%. Dividends per share were increased by 4.4%. In the period under review UEM decreased its position in Eastwater by 16.3%.

The Middle East/Africa increased from 5.5% to 6.6% and is now the sixth largest country investment; included in this in the top twenty is The Egyptian Satellite Company ("Nilesat").

Nilesat is a holding that UEM has held for many years, during which time there has been a significant growth in its revenues, profits and cash balances, as well as a significant appreciation in Nilesat's share price.

Nilesat's owned satellite, plus capacity leased from Eutelsat, broadcasts over 1,000 TV channels, principally in Arabic, directly to over 50 million homes across the Middle East and North Africa. Nilesat broadcasts a mixture of pay TV and free-to-air content on behalf of broadcasters based across its broadcast footprint. Unlike the other satellite operators that UEM holds, which service a number of different broadcasting and telecoms applications, Nilesat is solely focused on broadcasting direct-to-home television services and is able to charge a premium for the services it provides.

Revenues for the year to December 2015, which are reported in US Dollars, increased by 6.5% and EBITDA rose by 6.8%. Lower depreciation and interest costs helped reported net profit increase by 23.9% for the year to December 2015. Cashflow remains strong and Nilesat had net cash balances of US$226m at the year end. This is equivalent to 43.0% of its US$526m market capitalisation on 31 March 2016.

Shares in Nilesat, which are listed in Cairo but priced in US Dollars, increased by 26.0% during the year to 31 March 2016. UEM increased its shareholding in Nilesat by 4.3% during the period.

The Philippines reduced from 7.9% to 6.3% and fell from fourth to seventh largest country investment, as there are a number of countries around 6% to 7%. The Philippine PSEi Index and the Philippine Peso were both down, by 8.5% and 0.3% respectively, in the year to 31 March 2016.

International Container Terminal Services, Inc. ("ICT") share price declined by 38.1% in the year to 31 March 2016. For its financial year to 31 December 2015, ICT saw consolidated container volumes increase by 5% due to the volume expansion at its new terminals in Mexico and Honduras, the favourable impact of consolidating its terminal in Yantai, China, as well as benefiting from the contribution from its newly acquired terminal in Qsar, Iraq. Total revenue decreased by 0.9% as it was impacted by foreign exchange weakness and less favourable volume mix, which reduced yield per container box from US$143 to US$135. EBITDA only increased by 1.6%, whilst normalised net income for the period was up by 2.6%. ICT continues to target portfolio expansion, with new greenfield projects in Colombia and Buenos Aires expected to come on line in 2016 and the Port of Melbourne in 2017.

UEM increased its position in ICT by 1.0% during the period under review.

Metro Pacific Investments Corporation ("Metro Pacific") is an investment holding company of infrastructure assets in The Philippines and has been held by UEM for over five years. Metro Pacific is focused on five separate business lines. It owns a 52.8% stake in Maynilad Water, the concessionaire for water and sewerage services in the west zone of Metro

Manila. It has a 35.0% effective stake in Meralco, the largest electricity distribution utility in The Philippines, which is itself publicly listed. Through Metro Pacific Tollways Corporation ("MPTC") it has the concession rights to several toll roads in The Philippines, as well as minority stakes in toll roads in Thailand and Vietnam. It also has a shareholding in a group of hospitals, as well as a stake in the Light Rail Manila project due to come online in 2021. During the period under review, Metro Pacific has faced challenging political conditions whereby tariff increases for its toll road and water assets have been substantially delayed and referred for arbitration. Notwithstanding this, the assets have continued to deliver excellent growth and Metro Pacific has the potential to crystallise value from the partial sale or IPO of some of its subsidiaries.

In its financial year to 31 December 2015 Metro Pacific reported revenue growth of 10.1%, with adjusted EBITDA up by 11.9% and normalised earnings up by 20.2%. Billed volumes at Maynilad Water increased by 4.0%, which given the lack of tariff increase, was directly reflected in revenue growth. Meralco saw energy demand grow by 5.6%, which was only slightly diluted by effective tariffs down by 0.5%. At MPTC the daily traffic growth continued to be robust, up by 8.6%, further boosted by a 3.2% increase in effective tariffs. The number of beds at its hospital division also increased by 17.6%. Dividends per share fell by 11.6% as a special dividend paid in 2014 was not repeated. In the year to 31 March 2016 Metro Pacific's share price was up by 21.1% and UEM increased its position in the company by 6.1%.

Chile increased from 5.1% to 6.2% and is now the eighth largest country investment. The Chile IPSA index was up by 0.5% and the Chilean Peso was up by 3.9%.

Gasco S.A.'s ("Gasco") share price increased by 7.0% in the year to 31 March 2016. During this period there has been little progress with the draft of the new law which seeks to clarify both the asset base and allowable returns at Gasco's primary asset, Metrogas, Santiago's gas distribution monopoly. The main outstanding issue remains whether customer equipment installed by Metrogas could be included in the regulatory asset base. This is a significant factor in the cost of customer connections and the lack of certainty on this issue is an impediment to growth at the subsidiary. At present there seems to be little appetite from the government to resolve this issue, as it has been overtaken by other events including a government scandal which have resulted in other proposed reforms being shelved or watered down.

The most notable news for Gasco in the period under review was the announcement by its ultimate parent company, Gas Natural Fenosa and its major shareholder, the Perez Cruz family, of plans to demerge Gasco into two entities along the natural gas and LPG business lines. Following the split, Gas Natural Fenosa intends to launch a tender offer to increase its stake in Gasco Gas Natural to 100% at CLP3,200 per share and the Perez Cruz family also intends to increase its stake in Gasco LPG to 100% at CLP2,100 per share. The Investment Managers believe that the proposed offers do not fully reflect the value of the assets, however any decision to accept the tender offers will need to be assessed against the limited recourse given the existing controlling positions of the major shareholders and the potential impact on liquidity of shares post-tender.

In the year to 31 December 2015 natural gas volumes sold in Chile increased by 11.1%, primarily driven by a 38.6% increase in demand from lower-margin gas-fired thermal plants. LPG volumes sold fell by 2.6% due to continued competitive pressures in the Chilean and Colombian markets. Effective tariffs fell in both the natural gas and LPG operations, reflecting lower commodity pricing as well as lower allowable returns. As such group revenues fell by 22.1% and EBITDA decreased by 8.3%. Gasco did not repeat the special dividend paid out last year, with a resultant drop in dividends per share of 52.5%. In the period under review UEM increased its position in Gasco by 0.1%.

E.CL S.A. ("E.CL") is a relatively new investment for UEM, first entering the portfolio in early 2014. E.CL is the largest electricity generation company operating in the northern grid in Chile, primarily serving mining companies. It has installed generation capacity of 2,108MW, and also owns and operates 2,199km of transmission lines, a gas pipeline to Argentina and a port. The business is almost entirely dollarized, with long-term energy contracts signed in USD with limited exposure

INVESTMENT MANAGERS' REPORT
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to commodity prices, which are passed-through to customers. Recently E.CL secured a major 15-year contract to supply electricity to distribution companies in the central grid starting in 2019. To support this contract it has commenced construction of a $1.1bn 375MW facility ("IEM"), as well as a $780m transmission line project ("TEN"), to connect the northern and central grids. E.CL is a 50% shareholder in the 600km transmission line, which attracts fully inflation-protected regulated returns. E.CL sold the other half of TEN to Red Electrica for $218m, with a gain on disposal of $187m.

In its financial year to 31 December 2015 E.CL reported electricity generation volumes up by 1.0% and energy sales up by 2.8%. This growth was more than offset by declines in tariffs which are heavily indexed to commodity prices, with group revenues down by 7.9%. However the impact on profitability was minimal given the lower input costs, which combined with an improved efficiency of generation mix, resulted in EBITDA growth of 1.1% and normalised earnings up by 16.5%. Dividends per share fell by 19.4% to the legal minimum payout given the company's forthcoming investment requirements in IEM and TEN. In the year to 31 March 2016 E.CL's share price increased by 12.1% and there was no change in UEM's position in its shares.

India increased from 2.9% to 4.6% mainly as a result of investments and is now the ninth largest country investment. The Indian S&P BSE Sensex Index was down by 9.4% and the Indian Rupee rose by 3.2% during the year to 31 March 2016.

SJVN Limited ("SJVN") is UEM's largest investment in India, a position initiated at the end of 2013. SJVN owns and operates 1,960MW of hydro and wind farm capacity in India. SJVN is 90% co-owned by the Government of India and the Government of Himachal Pradesh, the State where its flagship 1,500MW Nathpa Jhakri hydro plant, being the country's largest, is located. SJVN recently commissioned a second hydro 412MW facility on the same water system at Rampur and also operates a 48MW wind farm in Maharashtra. SJVN has several projects at various stages of development. These include two major hydro plants in Bhutan via a joint venture with the Government of Bhutan totalling 1,170MW, which has started forest clearance for access roads, a 1,320MW thermal plant in Bihar, a 16% stake in a 4,000MW solar park in Rajasthan, as well as other additional hydro projects in both India and Nepal. SJVN hydro facilities are fully regulated to allow a 16.5% return on equity.

In the six months to 30 September 2015 SJVN reported energy generation up by 17.7% due to a combination of good hydrology and all six turbines being in operation at Rampur. It is notable that Nathpa Jhakri reported record output equating to a load factor of 86.5%, well above seasonal operating levels. While this was partly offset by a regulatory tariff reduction at Nathpa Jhakri, the tariff for the Rampur project was re-based higher, resulting in an overall effective tariff increase of 5.2%. This resulted in underlying revenue and EBITDA growth of 23.8% and 24.7% respectively, with normalised earnings per share up by 43.7%. These figures exclude the impact of the collection of arrears for the 2009-14 period in its financial year ended 31 March 2015. Notwithstanding a net cash balance sheet and continued strong cash generation, interim dividends were unchanged on the previous year. In the year to 31 March 2016 SJVN's share price strengthened by 16.2% and UEM increased its position in SJVN by 47.8%.

PORTFOLIO GENERAL

Investment purchases continued at similar levels to recent years, with purchases of £96.1m (2015: £89.3m). However, realisations were much higher at £130.5m (2015: £87.3m) as UEM sold a number of Chinese investments into the H-Share market rally in April 2015. Within the top twenty, UEM's most significant investments included £9.6m into Shanghai Airport, £5.5m into Yuexiu, £2.3m into SJVN and £2.2m into Conpet. Partial realisations in the top twenty include £30.8m from MYEG, £4.6m from Shanghai Airport and £4.2m from Eastwater.

Changes in the geographic split reflect the realisations plus relative market performance as discussed above. The main sector change has been an increase in weighting in electricity from 9.9% to 16.3%, airports from 9.4% to 13.1%, gas from 15.5% to 18.7% and toll roads down from 7.3% to 3.9%.

BANK DEBT

Bank debt decreased from £31.9m to £18.7m as a result of repayments over the twelve months to 31 March 2016. At the year end this debt was drawn as Hong Kong Dollars. The bank facility of £50.0m was renewed in April 2016 for two years to 27 April 2018, on similar terms to the existing facility at the time of renewal.

MARKET HEDGING

Having started the year with net derivatives of £1.3m, UEM ended the year with net derivatives contracts of £3.3m. The continuing good performance of the US S&P Index has undermined the carrying value of the hedged position and resulted in a moderate loss of £0.9m for the year to 31 March 2016. UEM ended the year with a net 575 S&P 500 put contract at approximately 1950 versus the market S&P Index of 2060, giving UEM US$57.5m protection against any fall in the S&P Index below this level.

REVENUE RETURN

Revenue income increased over the year by 45.9% from £14.6m to £21.3m. This reflects a yield on the average gross assets of 4.8% (prior year: 3.0%). As noted in UEM's interims much of this increase is as a result of Asiasat distributing its revenue reserves by way of dividends, with UEM receiving £7.4m in total from Asiasat.

Management fees and administration expenses were in line with last year at £1.1m (prior year £1.1m). The other expenses were again in line with prior years at £1.5m (prior year £1.5m).

Finance costs were lower at £0.1m from £0.3m the year before, reflecting lower borrowings over the year.

Taxation at £1.1m was in line with the prior year of £1.0m.

The net impact of the increased income and lower costs was an increased revenue return of £17.5m, up from £10.6m, an increase of 65.1% on last year.

CAPITAL RETURN

The portfolio lost £8.2m on capital accounts during the year reflecting weak markets. The total income loss on the capital return was £9.5m (2015: a gain of £45.3m).

Management and administration fees were lower at £1.9m (prior year: £5.0m) mainly as a result of no performance fee being payable in the year to 31 March 2016.

The lower borrowings resulted in lower interest costs, which reduced from £0.7m to £0.3m.

The net effect of the above was a loss on the capital return of £11.7m (2015: a gain of £39.5m).

Charles Jillings
ICM Investment Management Limited and ICM Limited
21 June 2016

STRATEGIC REPORT AND BUSINESS REVIEW

UEM is an investment company, with gross assets of £455.2m as at 31 March 2016. Its principal activity is portfolio investment.

INVESTMENT OBJECTIVE

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

STRATEGY AND BUSINESS MODEL

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

ICM Investment Management Limited ("ICMIM"), a company authorised and regulated by the Financial Conduct Authority ("FCA") as an alternative investment fund manager pursuant to the AIFM Rules, was appointed to act as the Company's AIFM with effect from 13 April 2015 and as joint portfolio manager alongside ICM Limited ("ICM"). ICMIM also provides the company secretarial function.

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

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

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

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

INVESTMENT POLICY AND RISK

The Company's investment policy is flexible and its investments include (but are not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and 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 Managers review the risk profile of the Company every six months. Agreed risk parameters are established and compliance is reviewed at quarterly board meetings.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. The Company may also use derivative instruments such as American Depository Receipts, promissory notes, contracts for difference, financial futures, call and put options, and warrants for the purpose of efficient portfolio management.

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

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

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

UEM believes it is generally appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach, 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. UEM is prepared to hold investments in unlisted securities when the attractiveness of the investment justifies the risks and lower liquidity associated with unlisted investments. ICMIM, as the Company's AIFM, controls stock-specific and sector and geographic risk by continuously monitoring the exposures in the portfolio. In depth continual analysis of the fundamentals of investee companies allows ICMIM to assess the financial risks associated with any particular stock. The portfolio is typically made up of 60 to 90 stocks.

There will be no material change to the Company's investment policy (including the investment limits set out below) without prior approval of the FCA and shareholders.

INVESTMENT LIMITS

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

- Unquoted and untraded investments (excluding the Company's investment in a segregated account of Global Equity Risk Protection Limited ("GERP"), an unquoted Bermuda segregated accounts company), must not exceed 10% of gross assets at the time of investment;
- No single investment may exceed 20% of gross assets at the time of investment;
- Investments other than in infrastructure, utility and related companies (including GERP) must not exceed 20% of gross assets at the time of investment;

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

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

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

VALUATION METHODOLOGY

Investments are measured at the Board's estimate of fair value at the reporting date, in accordance with IFRS 13 – Fair Value Measurement and International Private Equity and Venture Capital Valuation Guidelines.

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

Publicly traded securities

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

Market bid prices are used even in situations where the Company holds a large position and a sale could reasonably be expected to affect the quoted price.

Unquoted securities

The determination of fair value for unquoted securities where there is little, if any, market activity is achieved by the application of a valuation technique that is appropriate for the circumstances. This will make the maximum use of market based information and is consistent with methodology generally used by market participants.

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

Start up and early stage investments:

In the absence of revenues, profits, assets or cash flows, the approach used will be cost combined with set milestones to measure expectations and fair value.

Established investments

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

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

Discounted earnings multiples will use maintainable earnings discounted at appropriate rates to reflect the value of the business. Where there has been a recent investment in an investee company, the price of that investment will provide the basis of the valuation.

BORROWING AND GEARING POLICY

The Board carefully considers the Company's policy in respect of the level of equity exposure. The Board takes responsibility for the Company's gearing strategy and sets guidelines to control it, which it may change from time to time. The Company may, from time to time, use bank borrowings for short-term liquidity purposes. In addition, the Board may gear the Company by borrowing on a longer term basis for investment purposes. Borrowings at the time of drawdown must not result in gearing (being total borrowings measured against gross assets) exceeding 25%.

Borrowings may be drawn down in Sterling, US Dollars or any currency for which there is a corresponding asset within the Company's portfolio (at the time of draw down the value drawn must not exceed the value of the corresponding asset in the portfolio).

The Company has a £50m secured multicurrency revolving facility with Scotiabank Europe PLC; as at 31 March 2016 £18.7m was drawn down under the facility in Hong Kong Dollars. The facility was extended in April 2016 for two years to 27 April 2018. Further details of this loan facility are included in note 13 to the accounts.

DERIVATIVES

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

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

KEY PERFORMANCE INDICATORS

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

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

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

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

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

The Company's performance was ahead of the MSCI Emerging Markets Index (which covers all industry sectors) over the year, reflecting successful implementation of the investment policy by the Investment Managers, albeit it was a marginally negative total return of 0.5%.

31 MARCH	2016	2015
Net asset value total return (%)	(0.5)	12.2
MSCI Emerging Markets Index Total Return (GBP adjusted) (%)	(8.8)	13.2
Share price (pence)	178.50	188.50
Discount to net asset value (%)	(11.9)	(10.1)
Percentage of issued shares bought back during the year (based on opening share capital) (%)	0.86	–
Revenue earnings per share (pence)	8.23	4.98
Ongoing charges figure – excluding performance fee (%)	1.1	1.1

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

The ten year record on page 102 shows historic data for the Company's metrics.

Discount to net asset value: The Board monitors the premium/discount at which the Company's shares trade in relation to the assets. During the year the Company's shares traded at a discount relative to NAV in a range of 6.7% to 12.3% and an average discount of 10.1%. The Board and Investment Managers closely monitor both movements in the Company's share price and significant dealings in the shares.

The Board believes that the best way of addressing the discount over the longer term is to continue to generate good performance and to create demand for the Company's shares in the secondary market through increasing awareness of the Company, its philosophy and management style. The Board has maintained the expenditure on marketing the Company. The Board will be seeking to renew the authority from shareholders to buyback and issue shares which can assist in the management of the discount and/or any premium at which the shares trade to their net asset value. A total of 1,823,911 ordinary shares were bought back and cancelled during the year.

Earnings and dividends per share: The Board's objective is to maintain or increase the dividend. The Board and the Investment Managers attach great importance to maintaining dividends per share. The Board has the flexibility to pay dividends from capital reserves.

Dividends form a key component of the total return to shareholders, and the level of potential dividend payable and income from the portfolio is reviewed at every Board meeting. The Board has declared one quarterly dividend of 1.525p and three quarterly dividends of 1.625p in respect of the year ended 31 March 2016. The fourth quarterly dividend was paid on 20 June 2016 to shareholders on the register on 3 June 2016. The total dividend for the year was 6.40p per share (2015, 6.10p per share).

Ongoing charges: These are the industry measure of costs as a percentage of net asset value. The expenses of the Company are reviewed at every Board meeting, with the aim of managing costs incurred and their impact on performance. The ongoing charges figure, excluding the performance fee, for the year ended 31 March 2016 was 1.1%, the same as in the previous year. This ratio is sensitive to the size of the Company as well as the level of costs.

FINANCIAL POSITION

As at 31 March 2016, the Company's net assets were valued at £436.6m (2015: £447.4m). These comprised a portfolio of mainly listed equity investments and net current assets.

As at the year end, the Company had a £50 million secured multicurrency revolving facility with Scotiabank Europe PLC, which has been extended and is repayable on 27 April 2018.

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

As at 31 March 2016, the Company's ordinary shares were geared by borrowings in the form of drawings under the facility from Scotiabank of £18.7m (2015: £31.9m).

OUTLOOK AND FUTURE TRENDS

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

PRINCIPAL RISKS AND RISK MITIGATION

ICMIM was appointed as the Company's alternative investment fund manager with effect from 13 April 2015 and has sole responsibility for risk management, subject to the overall policies, supervision, review and control of the Board.

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

The Board applies the principles and recommendations of the UK Code on Corporate Governance and the AIC's Code on Corporate Governance as described on page 55. The Company's internal controls are described in more detail on page 48. Through these procedures, and in accordance with Internal Control: Revised Guidance for Directors on the Combined Code (the "FRC guidance"), the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems. This process has been in place throughout the year under review and to the date hereof and will continue to be regularly reviewed by the Board going forward.

Most of the Company's principal risks are market-related and similar to those of other investment companies which invest primarily in listed investments. The principal ongoing risks and uncertainties currently faced by the Company, and the controls and actions to mitigate those risks, are described below. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 27 to the accounts.

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

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

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

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

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

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

The Board regularly reviews strategy in relation to a range of issues including the balance between quoted and unquoted stocks, the allocation of assets between geographic regions and sectors and gearing. Periodically the Board holds a separate meeting devoted to strategy, the most recent one having been held in November 2015.

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

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

No material change in overall risk in year.

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

Gearing levels may change from time to time in accordance with the Investment Managers' and the Board's assessment of risk and reward. Whilst the use of borrowings by the Company should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. As at 31 March 2016, net debt gearing on gross assets was 1.3%.

No material change in overall risk in year.

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

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

No material change in overall risk in year.

Key staff: loss by the Investment Managers of key staff could affect investment returns

The quality of the management team is a crucial factor in delivering good performance. There are training and development programs in place for employees and the recruitment and remuneration package has been developed in order to retain key staff.

Any material changes to the management team are considered by the Board at its next meeting; the Board discusses succession planning with the Investment Managers at regular intervals.

No material change in overall risk in year.

Reliance on the Investment Managers and other service providers: inadequate controls by the Investment Managers or Administrator or third party service providers could lead to misappropriation of assets.

Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy. The Company's main service providers are listed on page 101. The Audit Committee monitors the performance of the service providers.

All listed investments are held in custody for the Company by JPMorgan Chase; the unlisted investments are held in custody by Bermuda Commercial Bank Limited (together, the "Custodians").

Following the appointment of J.P.Morgan Europe Limited ("JPMEL") as the Company's depositary services provider, JPMEL also monitors the movement of cash and assets across the Company's accounts.

The Audit Committee reviews the Administrator's annual internal control report which details the controls around the reconciliation of the Administrator's records to those of the Custodians. The Administrator reviews the control reports published by JPMorgan Chase and draws any issues to the attention of the Board.

The Board reviews operational issues at each Board meeting and the Audit Committee receives reports on the operation of internal controls, and the risk of cybercrime, as explained in more detail within Internal Controls on page 48. The risk of cybercrime is high, as it is with most organisations, but the Board regularly seeks assurances from the Investment Managers and other service providers on the preventative steps that they are taking to reduce this risk.

Although there has been no change in overall risk in the year, the possibility of cybercrime continues to be a concern. The Company's assets are considered to be relatively secure, so the risks are the inability to transact investment decisions for a period of time and reputational risk.

VIABILITY STATEMENT

In accordance with the provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 (the "Code"), the Directors have assessed the prospects of the Company over the next three financial years. The Board has determined that a three year period is a reasonable time horizon to consider the continuing viability of the Company, given the current regulatory environment, as they do not expect there to be any significant change to the current principal risks and to the mitigating controls in place over this period.

In its assessment of the viability of the Company, the Board has considered each of the Company's principal risks and uncertainties detailed above, as well as the impact of a significant fall in the emerging market equity markets on the value of the Company's investment portfolio. All of the key operations required by the Company are outsourced to third party providers and alternative providers could be engaged at relatively short notice if necessary. The Directors have also considered the Company's income and expenditure projections and the fact that the majority of the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary.

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

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

This Strategic Report and Business Review was approved by the Board of Directors on 21 June 2016.

By order of the Board
ICM Investment Management Limited
Company Secretary

21 June 2016

INVESTMENT MANAGERS AND TEAM

ICMIM, a company authorised and regulated by the FCA as an alternative investment fund manager ("AIFM") pursuant to the AIFM Rules, is the Company's AIFM with sole responsibility for risk management, subject to the overall policies, supervision, review and control of the Board, and is joint portfolio manager of the Company alongside ICM. Mr Jillings effectively owns and controls ICMIM. ICM is a Bermuda based global fund manager focused on finding investments at valuations that do not reflect their true long term value. The Investment Managers' investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value. The Investment Managers' are long term investors and see markets as a place to exchange assets.

ICM manages over £11.5bn in funds, directly and indirectly, in a range of mandates. ICM has over 40 staff based in offices in Bermuda, Cape Town, Dublin, Hong Kong, London, Melbourne, Singapore and Wellington.

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

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

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

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

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

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

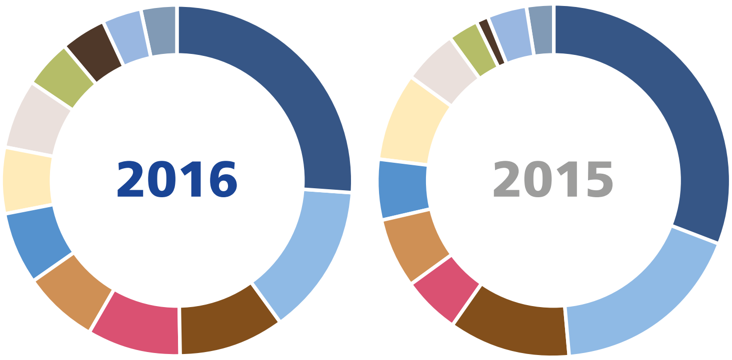
Mark Lebbell, who has been involved in the running of UEM since its inception and before that was involved with Utilico Investment Trust plc and The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is focused on the communications sector worldwide with particular emphasis on emerging markets.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

Company Secretary - ICM Investment Management Limited

Amanda Marsh, a chartered secretary, joined the team in March 2012 and provides company secretarial services for the Company and UIL Limited. Miss Marsh has over 30 years of experience administering closed-end investment companies. Miss Marsh is a qualified chartered secretary.

GEOGRAPHICAL & SECTOR SPLIT OF INVESTMENTS

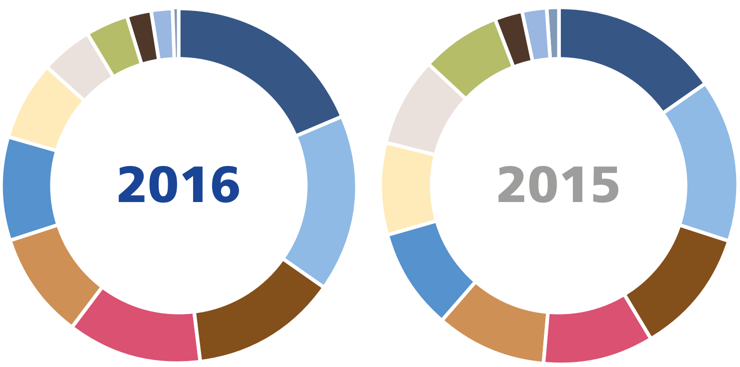
GEOGRAPHICAL SPLIT OF INVESTMENTS



COUNTRY	% OF TOTAL 2016	2015
China	26.3	30.9
Malaysia	13.7	17.8
Brazil	9.8	11.2
Romania	8.8	5.3
Thailand	6.8	6.4
Middle East/Africa	6.6	5.5
The Philippines	6.3	7.9
Chile	6.2	5.1
India	4.6	2.9
Other Latin America	4.2	1.0
Other Asia	3.5	3.7
Other Europe	3.2	2.3

Source: ICM

SECTOR SPLIT OF INVESTMENTS



SECTOR	% OF TOTAL 2016	2015
Gas	18.7	15.5
Electricity	16.3	9.9
Airports	13.1	9.4
Ports	12.3	14.7
Water and waste	9.7	11.4
Satellites	9.4	10.1
Other	7.2	8.0
Other Infrastructure	4.7	8.0
Toll Roads	3.9	7.3
Telecoms	2.2	2.2
Infrastructure Investment Funds	2.2	2.6
Renewables	0.3	0.9

Source: ICM

TWENTY LARGEST HOLDINGS

2016	2015	Company *(Country)* Description	Fair Value £'000s	% of total investments
1	*(1)*	**Malaysia Airports Holdings Berhad** *(Malaysia)* Airport operator	37,701	8.6%
2	*(4)*	**China Gas Holdings Limited** *(China)* Gas distribution	26,460	6.0%
3	*(5)*	**Eastern Water Resources Development and Management PCL** *(Thailand)* Water treatment and supply	24,335	5.5%
4	*(8)*	**APT Satellite Holdings Limited** *(Hong Kong)* Satellite operator	20,833	4.7%
5	*(2)*	**MyEG Services Berhad** *(Malaysia)* IT Services	20,646	4.7%
6	*(3)*	**International Container Terminal Services, Inc.** *(The Philippines)* Global container port operator	20,085	4.6%
7	*(6)*	**Ocean Wilsons Holdings Limited** *(Brazil)* Port operator, provider of shipping services and worldwide investment fund	18,286	4.2%
8	*(10)*	**Gasco S.A.** *(Chile)* Gas distribution	14,943	3.4%
9	*(13)*	**Transelectrica S.A.** *(Romania)* Electricity transmission	13,472	3.1%
10	*(12)*	**China Resources Gas Group Ltd** *(China)* Gas distribution	10,705	2.4%
11	*(11)*	**Alupar Investimento S.A.** *(Brazil)* Electricity generation and transmission	10,640	2.4%
12	*(14)*	**Transgaz S.A.** *(Romania)* Gas transmission	10,432	2.4%
13	–	**Shanghai International Airport Co Ltd** *(China)* Airport operator	10,192	2.3%
14	–	**Conpet S.A.** *(Romania)* Crude oil transmission	10,092	2.3%
15	–	**Yuexiu Transport Infrastructure Limited** *(China)* Toll roads operator	8,351	1.9%
16	–	**SJVN Limited** *(India)* Electricity generation	8,014	1.8%
17	–	**The Egyptian Satellite Company** *(Egypt)* Satellite operator	7,774	1.8%
18	*(20)*	**Metro Pacific Investments Corporation** *(The Philippines)* Infrastructure investment holding	7,676	1.8%
19	*(9)*	**Asia Satellite Telecommunications Holdings Limited** *(Hong Kong)* Satellite operator	7,236	1.7%
20	*(15)*	**E.CL S.A.** *(Chile)* Electricity generation and transmission	7,127	1.6%
		Other investments	143,639	32.8%
		Total Portfolio	438,639	100.0%

The value of the twenty largest holdings represents 67.2% (2015: 69.4%) of the Group's total investments. The country shown is the location of the major part of the investee company's business. The value of convertible securities represents 0.7% (2015: 0.6%) of the Group's portfolio and the value of fixed income securities represents 1.6% (2015: 2.0%) of the Group's portfolio. The total number of companies included in the portfolio is 86 (2015: 84).

REVIEW OF THE TWENTY LARGEST HOLDINGS

MALAYSIA AIRPORTS HOLDINGS BERHAD (MALAYSIA)

www.malaysiaairports.com.my
Market Cap £2,024m

Malaysia Airports operates 39 (out of 40) airports in Malaysia, including the flagship Kuala Lumpar International Airport. It also owns 100% of Sabiha Gokcen International Airport ("ISG") in Istanbul, Turkey and an 11% stake in Hyderabad's Rajiv Gandhi International Airport in India. Total passenger growth in 2015 was 4.7% in the year to 31 December 2015 as travelling sentiment is still being affected by the tragic events of MH370 and MH17, as well as the route rationalisation of Malaysia Airlines post nationalisation and a slowdown in the global economy. Over the year to 31 December 2015, total revenues (excluding construction income) increased by 10.1% whilst EBITDA increased by 9.9%. Normalised net income was down by 44.9% due to the additional financing costs arising from the acquisition of ISG in 2014. In the year to 31 March 2016, Malaysia Airports' share price declined by 3.4%.

CHINA GAS HOLDINGS LIMITED (CHINA)

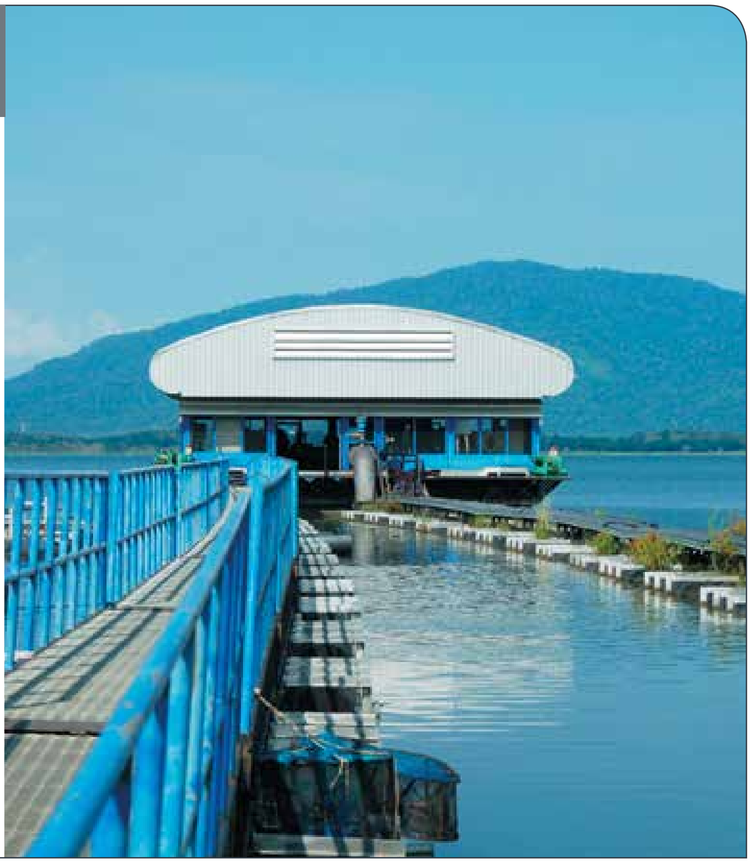
www.chinagasholdings.com.hk
Market Cap £5,057m

China Gas owns and operates natural gas and liquefied petroleum gas ("LPG") infrastructure, including city gas pipelines, gas storage and transmission facilities, and gas refilling stations. As at 30 September 2015 China Gas had secured 299 city gas concessions, 13 long-distance natural gas pipeline projects, 98 LPG distribution projects and 544 compressed/liquefied natural gas refilling stations throughout China. Its concessions cover an urban population of 93m people, of which only 47% of households were connected as at 30 September 2015. In the six months to 30 September 2015 China Gas reported piped gas and LPG volume growth of 7.0% and 18.6% respectively. The strong volume and connections growth was offset by price cuts both to end-users and input costs, reflecting wider global falls in commodity prices. Group revenues, over the six months to 30 September 2015, fell by 9.2%, but EBITDA increased by 8.7%, and normalised earnings by 22.0%. Interim dividends were more than doubled. In the year to 31 March 2016, China Gas Holdings' share price fell by 9.8%.

EASTERN WATER RESOURCES DEVELOPMENT AND MANAGEMENT PCL (THAILAND)

www.eastwater.com
Market Cap £425m

Eastwater operates the main water pipeline systems which supply untreated water (so called "raw water") to Thailand's industrialised Eastern Seaboard. In addition the company has a treated water supply business which operates water treatment and supply concessions in nine separate areas. In its financial year to 31 December 2015 raw water volumes sold grew by 5.3%, while tap water volumes sold increased by 10.9%. The improvement in growth in raw water volumes reflects a 27.8% rebound in usage by the Provincial Waterworks Authority, Eastwater's principal customer which services residential households. This was partly offset by waning demand from more profitable industrial estates and other customers. In the year to December 2015, group revenues grew by 3.0%, EBITDA by 5.8%, and normalised earnings by 1.8%. Dividends per share were increased by 4.4%. In the year to 31 March 2016, Eastwater's share price increased by 18.3%.



APT SATELLITE HOLDINGS LIMITED (HONG KONG)

www.apstar.com
Market Cap £513m

APT is an owner and operator of telecommunications satellites. The company has four owned satellites, with the most recent, APStar 9, launched successfully in October 2015.

Revenues declined by 4.3% over the year to 31 December 2015, as competition in the Asian satellite market intensified. EBITDA declined by 4.6% but reported net profit was up 1.2%. The company expects its new satellite to make a positive contribution to revenues and profits in 2016, ending 2015 with an impressive 48% utilisation rate. Overall, the company remains cautious on the short term outlook for the satellite market in Asia.

In the year to 31 March 2016, APT's share price increased by 4.7%.

REVIEW OF THE TWENTY LARGEST HOLDINGS
(continued)

MYEG SERVICES BERHAD (MALAYSIA)

www.myeg.com.my
Market Cap £923m

MYEG is a concessionaire for the Malaysian E-Government programme. MYEG's systems allow Malaysian citizens and businesses to transact with the government electronically, as an alternative to visiting government counters or post offices. Through its portal, MYEG offers a range of services such as driving licence and car tax renewal, vehicle registration, payment of fines and renewal of immigrant workers' permits. The closure of government counters processing immigrant workers' permit renewals in May 2015 effectively made MYEG's system mandatory. This has resulted in very strong growth for MYEG in recent quarters. For the nine months to 31 March 2016, revenues increased by 101.5%, EBITDA rose by 86.9% and the net profit increased by 103.4% compared to the same period a year earlier.

MYEG's share price in the year to 31 March 2016 increased by 53.2% after adjusting for the 2-for-1 stock split during the period.

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC. (THE PHILIPPINES)

www.ICTSI.com
Market Cap £2,082m

ICT is a Philippines-based port operator which acquires, develops, manages and operates small to-medium-sized container terminals across the globe. As at 31 December 2015 ICT's portfolio consisted of 30 terminal facilities spanning 20 countries. Even with the tough operating macro environment and headwinds resulting from foreign exchange depreciation experienced in a number of ICT's operating countries, volumes for 2015 actually managed to increase by 5%, to 7.8m TEUs. This was helped by the expansion of operations in new terminals in Mexico and Honduras, as well as the favourable impact of consolidating the terminal in Yantai, China. Total revenues for the year ended 31 December 2015 declined by 0.9%, with EBITDA up by 1.6% and normalised net income up by 2.6%. ICT's share price was down by 38.1% during the period ended 31 March 2016.

OCEAN WILSONS HOLDINGS LIMITED (BRAZIL)

www.oceanwilsons.bm
Market Cap £265m

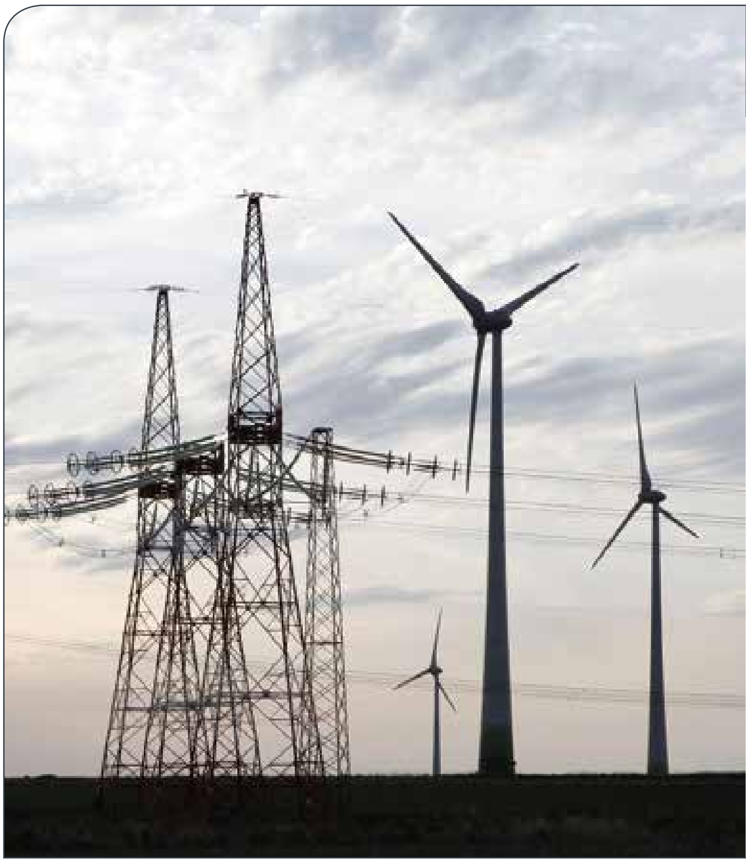
Ocean Wilsons has two principal subsidiaries: Wilson Sons, in which it owns a 58.3% controlling stake; and Ocean Wilsons Investment Limited. Wilson Sons is one of Brazil's largest maritime service providers (listed on the San Paulo and Luxembourg Stock Exchanges), engaged in activities including harbour and ocean towage, container terminal operation, offshore support, logistics, small vessel construction and ship agency operation. In the year to 31 December 2015, Ocean Wilsons recorded a 19.7% decline in revenue, a 4.8% increase in EBITDA and a 23.6% decline in normalised net income as a result of a 47% depreciation of the Brazilian Real in 2015. Underlying trading at the two largest divisions, 'Port Terminals and Logistics' and 'Towage and Ship Agency' proved resilient as container volumes were up by 6.2%, whilst vessel towage movements were flat. The investment portfolio saw a reduction in its valuation, down by 2.9%. In the year to 31 March 2016, Ocean Wilson's share price declined by 12.4%.

GASCO S.A. (CHILE)

www.gasco.cl
Market Cap £914m

Gasco owns and operates natural gas and LPG infrastructure in Chile, Columbia and Argentina. Its main assets include a 51.8% stake in Metrogas, the monopoly city gas supplier in Santiago with 614,000 customers and a 20% stake in GNL Quintero. In its financial year to 31 December 2015 natural gas volumes sold in Chile increased by 3.2%, excluding the impact of increased demand from lower-margin thermal electricity plants which was up by 38.6%. By comparison LPG volumes sold fell by 2.6%. Proposed legislation to cap Metrogas' returns, combined with lower commodity prices worldwide has seen a cut in the effective gas tariff of over 20%. This resulted in revenues falling by 22.1% and EBITDA down by 8.3%. Gasco did not repeat the special dividend from last year such that dividends per share fell by 52.5%. In the year to 31 March 2016 Gasco's share price increased by 7.0%. Gasco's parent company has proposed a demerger of the natural gas and LPG businesses, followed by a tender offer, which is expected to complete in 2016.

REVIEW OF THE TWENTY LARGEST HOLDINGS
(continued)



TRANSELECTRICA SA (ROMANIA)

www.transelectrica.ro
Market Cap £381m

Transelectrica operates the Romanian electricity transmission system and provides the international collections between central and eastern European countries, including Hungary, Serbia and Bulgaria. It is a regulated entity which is currently in its third regulatory period which runs from 1 July 2014 to 30 June 2019, and the Romanian government holds a 59.7% stake in the company. In the year to 31 December 2015 energy transmitted through the network increased by 2.2%, but effective tariffs fell by 4.2% following a regulatory cut in July 2015. As such, overall revenues fell by 2.5% excluding balancing market services. Improved transmission losses sustained EBITDA, down by just 0.2%, and normalised earnings grew by 4.7%. Dividends per share were trimmed by 5.5%. In the year to 31 March 2016 Transelectrica's share price increased by 2.1%.

CHINA RESOURCES GAS GROUP LTD (CHINA)

www.crgas.com.hk
Market Cap £4,413m

CR Gas owns and operates natural gas infrastructure focused on downstream city gas distribution and natural gas filling stations in China. It is a subsidiary of SOE China Resources and has one of the largest customer bases in the country with 23.6m households connected as at end-December 2015. Within its 220 operational projects, only 44% of households were connected. Approximately 63% of its natural gas volumes is sold to commercial and industrial customers, with a further 12% sold at CNG filling stations for vehicles. CR Gas delivered strong growth in 2015, with total piped gas volumes up by 11.9% and 2.9m new connections. This offset modest tariff declines following the implementation of gas price cuts announced in April 2015. Group revenues in its financial year to 31 December 2015 grew by 8.3%, with adjusted EBITDA up by 13.7%, and normalised earnings up by 20.6%. Dividends per share were increased by 32.0% in the year. In the year to 31 March 2016 CR Gas' share price declined by 8.3%.

ALUPAR INVESTIMENTO S.A. (BRAZIL)

www.alupar.com.br
Market Cap £603m

Alupar is a holding company for energy assets focused in the electricity transmission and generation sectors in Brazil, Peru and Colombia. It has concession rights to 23 transmission systems totalling 5,723km of electricity lines in Brazil. It also has five operational hydro plants in the country with total proportional capacity of 351MW, and five additional hydro and wind generation projects totalling 211MW, including two hydro plants under construction in Colombia and Peru. Alupar's transmission assets enjoy long-life 30-year concessions with fully protected returns due to annual IPCA or IGP-M inflation adjustments to regulated revenue. In its financial year ended 31 December 2015 Alupar reported 1.3% growth in revenues, a 5.6% increase in EBITDA, but a normalised earnings decline of 42.3% due to higher effective tax rates and interest expenses. Dividends per share correspondingly fell by 44.4%. In the year to 31 March 2016 Alupar's share price declined by 23.4%.

TRANSGAZ S.A. (ROMANIA)

www.transgaz.ro
Market Cap £560m

Transgaz is the national gas transmission company in Romania which controls the domestic gas transmission system and is 58.5% owned by the Romanian government. Its domestic transmission activities are fully regulated by the National Regulatory Authority for Energy and the company is in its third regulatory cycle. International transit activities include dispatch, maintenance and operation of dedicated pipelines transmitting Russian natural gas from Ukraine to Bulgaria. In its financial year to 31 December 2015 domestic gas volumes transmitted increased by 3.5% which, combined with effective tariff cuts of 9.4% following regulatory adjustments, saw domestic transport revenues fall by 6.3%. By comparison transit revenues were up by 16.4%, resulting in group revenue down by 0.3% and EBITDA down by 0.4%. Normalised earnings fell by 1.5%, but dividends per share were increased by 26.7% given the company's strong net cash position. In the year to 31 March 2016 Transgaz's share price was down by 1.6%.

REVIEW OF THE TWENTY LARGEST HOLDINGS
(continued)

SHANGHAI INTERNATIONAL AIRPORT CO LTD (CHINA)

www.shairport.com
Market Cap £6,243m

Shanghai Airport operates Pudong International Airport in Shanghai, one of China's two major international gateways (alongside Beijing Capital International Airport). In 2015, the airport handled 60.1m passengers, an increase of 16.2% on the prior year. The airport currently has two terminals and four runways operating at a utilisation rate of 78% and 56% respectively which, compared to its capacity constrained competitors, puts Shanghai Airport in a strong operational position within China. For the year to 31 December 2015, revenues increased by 9.3%, with EBIT up 19.1% and net income up by 20.8%. In the year to 31 March 2016, Shanghai Airport's share price increased by 19.6%.

CONPET S.A. (ROMANIA)

www.conpet.ro
Market Cap £135m

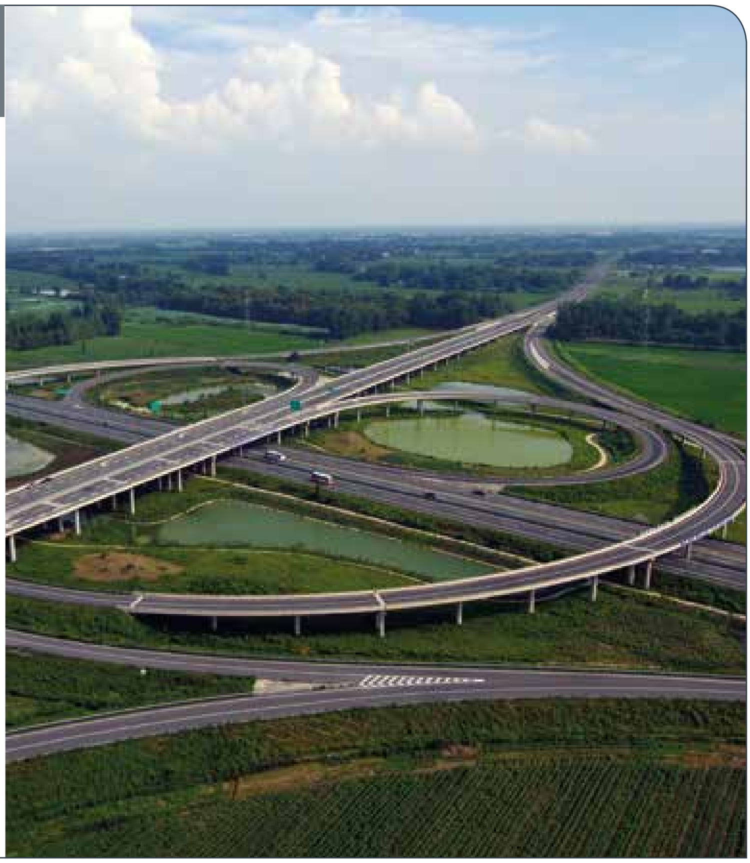
Conpet, which is 58.7% owned by the Romanian State, manages a network of 3,800km of pipeline as well as railway systems for both domestic and imported crude oil transport. It is the operator of the national crude oil and condensate transport network in Romania, with a 30-year concession agreement which expires in 2032. Tariffs are regulated by the National Agency for Mineral Resources on a cost-plus basis. In its financial year to 31 December 2015 Conpet reported volume growth of 5.5%, with a 1.3% decline in domestic transport offset by a 15.6% increase in imports. Effective tariffs fell by 3.7%, which resulted in group revenues growing by 2.2%, with EBITDA up by 12.2% and normalised earnings up by 5.6%. Dividends per share were increased by 22.9%. In the year to 31 March 2016, Conpet's share price increased by 39.5%.

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED (CHINA)

www.yuexiutransportinfrastructure.com
Market Cap £782m

Yuexiu is principally engaged in the investment, operation and management of expressways and bridges in the Guangdong Province and other high growth provinces in China. The company currently has 13 operating expressways and bridge projects within its portfolio with a total attributable toll length of 378km. For the year ended 31 December 2015, the company saw solid revenue growth of 19.8% driven mainly by acquisition of a new road, Suiyuenan Expressway in July 2015. Excluding the new expressway, revenue growth for the year ended 31 December 2015 would have been 8.4%. Traffic growth for Yuexiu for 2015 was 7.3%. Adjusted EBITDA increased by 22.2% in line with revenue growth, whilst adjusted net income increased by 36.8%.

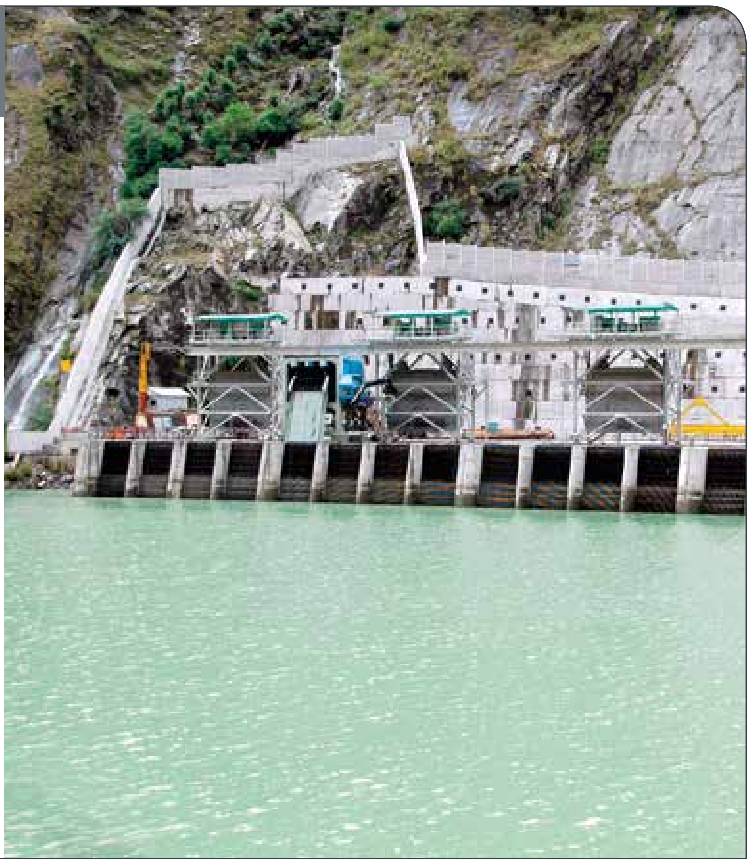
Yuexiu's share price increased by 6.1% in the year to 31 March 2016.



SJVN LIMITED (INDIA)

www.sjvn.nic.in
Market Cap £1,245m

SJVN is an electricity generation company with an installed capacity of 1,960MW of hydro and wind farm capacity in India. The company is 90% co-owned by the Government of India and the Government of Himachal Pradesh. The company has initiated projects in Bhutan via a joint venture with the Government of Bhutan totalling 1,170MW and has additional hydro, thermal and solar projects under development in India. In the six months to 30 September 2015 SJVN's energy generation increased by 17.7% with underlying revenue and EBITDA growth of 23.8% and 24.7% respectively and normalised earnings per share up by 43.7%. Interim dividends were unchanged on the previous year. In the year to 31 March 2016 SJVN's share price increased by 16.2%.



REVIEW OF THE TWENTY LARGEST HOLDINGS (continued)

THE EGYPTIAN SATELLITE COMPANY (NILESAT)

www.nilesat.com.eg
Market Cap £366m

Nilesat is the owner and operator of telecommunications satellites. The company currently owns one operational satellite and additionally leases capacity under an agreement with Eutelsat.

The company's signals are received by over 50 million homes across the Middle East and North Africa, giving it a presence in the majority of homes across the region. Nilesat's owned and leased satellite capacity transmits over one thousand Arabic and international language channels on behalf of pay TV and free to air broadcasters from across the region and beyond.

Revenues in the year to December 2015, which are reported in US Dollars, increased by 6.5% and EBITDA increased by 6.8%. Reported net income rose by 23.9%. Net cash balances increased to US$226m from US$152m a year earlier.

The company's shares, which are listed in Cairo but priced in US Dollars, increased by 26.0% over the year to 31 March 2016.

METRO PACIFIC INVESTMENTS CORPORATION (THE PHILIPPINES)

www.mpic.com.ph
Market Cap £2,475m

Metro Pacific is an investment holding company of infrastructure assets in The Philippines, including a 52.8% stake in Maynilad Water, the concessionaire for water and sewerage services in the west zone of Metro Manila, and a 35.0% effective stake in subsidiary Meralco, the largest electricity distribution utility in The Philippines. Subsidiary Metro Pacific Tollways Corporation has investments in several toll roads in The Philippines, Thailand and Vietnam. Metro Pacific also has a 60% shareholding in a group of hospitals, as well as a 55% stake in the Light Rail Manila project. In its financial year to 31 December 2015 Metro Pacific reported revenue growth of 10.1%, with adjusted EBITDA up by 11.9% and normalised earnings up by 20.2%. Dividends per share fell by 11.6%. In the year to 31 March 2016 Metro Pacific's share price increased by 21.1%.

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS LIMITED (CHINA)

www.asiasat.com
Market Cap £369m

Asiasat is an owner and operator of telecommunications satellites and has six operational satellites broadcasting television and radio signals to over 50 countries in the Asia-Pacific region.

The company saw a change in one of its major shareholders in May 2015, when GE sold its stake to a fund managed by Carlyle Group. In July 2015, Asiasat distributed a special dividend of US$600m or HK$11.89 per share to shareholders, which was worth £7.4m to UEM.

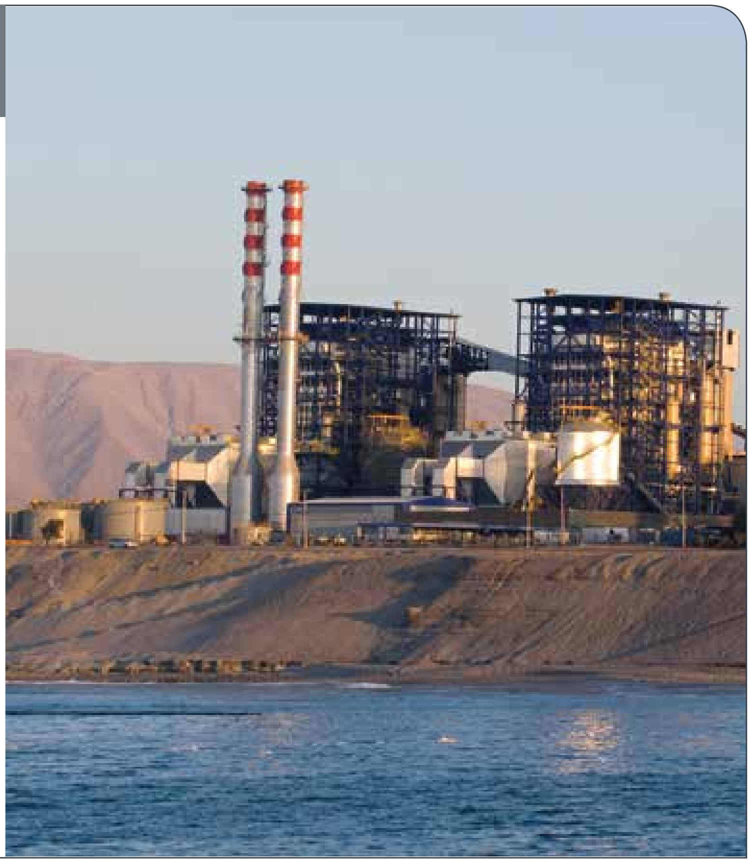
Operationally, 2015 was disappointing with the company reporting a 1.9% decline in revenues in the year to December 2015 and EBITDA declining by 3.0%. Asiasat faced delays in gaining the licences required for its two new satellites launched in 2014 to operate in certain key markets. A highly strategic licence to operate in China was finally awarded on 1 January 2016.

In the year to 31 March 2016, Asiasat's share price (adjusted for the special dividend) declined by 42.1%.

E.CL S.A. (CHILE)

www.e-cl.cl
Market Cap £1,202m

E.CL is an electricity generation company operating in the northern grid in Chile, primarily serving mining companies on long-term energy contracts. It is controlled by Engie (formerly GDF Suez), with a 52.8% stake. E.CL has installed generation capacity of 2,108MW, operates 2,199km of transmission lines, a gas pipeline to Argentina, and a port. Recently E.CL started construction of a $1.1bn 375MW facility and is joint venture partner in a project to connect the northern and southern grids. In its financial year to 31 December 2015 E.CL reported electricity volumes up by 1.0%, revenues were down by 7.9%, EBITDA increased by 1.1% and normalised earnings were up by 16.5%. Dividends per share fell by 19.4%. In the year to 31 March 2016 E.CL's share price increased by 12.1%.



DIRECTORS

Alexander Zagoreos (Chairman)*, appointed in June 2005, was educated at Columbia University and was awarded a BA, MBA and Masters degree in International Affairs. He is Chairman of the Company and the Company's Management Engagement and Nominations Committees. He was 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 chairman of Alpha Andromeda Trust and Taiwan Opportunities Fund and a director of Aberdeen Emerging Markets Smaller Companies Opportunities Fund, Inc. He is a special adviser to The World Trust Fund and former manager of Lazard Emerging World Investors LP, and is on the boards of a number of investment companies and charitable organisations. Mr Zagoreos is retiring from the Board at the forthcoming AGM.

Susan Hansen, appointed in September 2013, is a chartered accountant and MBA graduate and has worked in financial services since 1980. She has previous experience in chartered accountancy and investment banking and is a director of RESIMAC Limited, a securitisation company, as well as the principal of a financial training organisation in New Zealand and a director of Conrad Funds Management Limited (New Zealand) and Cognitive Education Limited, a registered Not for Profit organisation in New Zealand. She is a member of the Institute of Chartered Accountants in Australia.

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

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

Anthony Muh*, appointed in October 2010, is an investment professional with more than 25 years' experience in the investment management industry. He is an executive director of H.R.L. Morrison & Co, chairman of JIDA Capital Partners Limited, a China focused sustainable infrastructure investment management company and a director of a number of its subsidiary companies in China. He previously headed up the Asia Pacific operations of Alliance Trust PLC and for more than 10 years was the Asia Pacific chief investment officer at Citigroup and Salomon Brothers Asset Management. He is a past 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 the current Vice Chairman and council member of Asia Corporate Governance Association.

John Rennocks*, appointed in November 2015, has broad experience in conventional and renewable electricity generation and in biotechnology, support services and manufacturing, having previously served as deputy chairman and senior independent director of Inmarsat plc and as finance director of a number of public limited companies (including Smith and Nephew plc, PowerGen plc, British Steel plc and Corus Group plc) and as a non-executive chairman or director of several companies, including Foreign & Colonial Investment Trust plc and JP Morgan Overseas Investment Trust plc. He is currently chairman of Bluefield Solar Income Fund Limited and a non-executive director of Greenko Group plc. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Mr Rennocks will become Chairman after the AGM on 20 September 2016.

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

REPORT OF THE DIRECTORS

The Directors submit the Annual Report and Accounts of the Company and Group for the year ended 31 March 2016. The Corporate Governance Statement commencing on page 54, the Report of the Audit Committee on page 61, and the Remuneration Policy and Remuneration Report on page 57, all form part of this Report of the Directors. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

STATEMENT REGARDING ANNUAL REPORT AND ACCOUNTS

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

STATUS OF THE COMPANY

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

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

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

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

RESULTS AND DIVIDENDS

Details of the Company's performance in the year to 31 March 2016 are set out on page 4. The results for the year are set out in the attached accounts; details of the dividends declared in respect of this financial year are included in note 8 to the accounts.

The dividends in respect of the year, which total 6.40p, have been declared and paid as four interim dividends in order to maintain quarterly payments (in September, December, March and June) as the Board and its Investment Managers believe, from discussions with shareholders, that the timely and regular payment of dividends is valued by the Company's shareholders.

THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

The Company is a non-EU Alternative Investment Fund for the purposes of the EU AIFMD. The Company has appointed ICMIM as its AIFM, with effect from 13 April 2015, with sole responsibility for risk management, and ICM and ICMIM jointly to provide portfolio management services.

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

REPORT OF THE DIRECTORS
(continued)

The Company has also appointed JPMEL as its depositary service provider, with effect from 13 April 2015. JPMEL's responsibilities, which are set out in the IDD on the Company's website at www.uem.limited, include general oversight over the issue and cancellation of the Company's shares, the calculation of the net asset value, cash monitoring and asset verification and record keeping. JPMEL receives an ad-valorem fee of 2.2bps for its services, subject to a minimum fee of £25,000 per annum, payable monthly in arrears.

There have been no material changes to the information in the IDD requiring disclosure, other than a correction to the maximum leverage exposure, which was amended to 300%. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a Regulatory Information Service. As a UK authorised AIFM, ICMIM will make the requisite disclosures on remuneration levels and policies to the FCA at the appropriate time.

FUND MANAGEMENT ARRANGEMENTS

With effect from 13 April 2015 ICMIM, an English incorporated company which is regulated by the FCA, was appointed to act as the Company's AIFM with sole responsibility for risk management and ICMIM and ICM were appointed with joint responsibility for portfolio management. The aggregate fees payable by the Company under the Investment Management Agreement ("IMA") are 0.65% of net assets, payable quarterly in arrears, with such fees to be apportioned between ICMIM and ICM as agreed by them. ICMIM and ICM may also become entitled to a performance-related fee. Note 3 to the accounts provides detailed information in relation to the management and performance fees.

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

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

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

REGULATORY AND COMPETITIVE ENVIRONMENT

The Company is obliged to comply with Bermuda law, the Listing Rules of the FCA and International Financial Reporting Standards ("IFRS"). The financial statements are also presented, where relevant, in compliance with the Statement of Recommended Practice ("SORP") for Investment Trust Companies and Venture Capital Trusts issued by the AIC in November 2014. The Company is exempt from taxation, except insofar as it is withheld from income received and capital gains taxes in some jurisdictions. Under Bermuda law, the Company may not distribute income or capital reserves by way of a dividend unless, after distribution of the dividend, the realisable value of the Company's assets would be greater than the aggregate of its liabilities and its issued share capital and share premium account. It is registered with the IRS in the USA under the Foreign Account Tax Compliance Act.

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

The accounting policies of the Company are detailed in note 1 to the accounts on pages 75 to 77.

DIRECTORS

The Company has a Board of six non-executive directors who oversee and monitor the activities of the Investment Managers and other service providers and ensure that the Company's investment policy is adhered to. Details of the Board's responsibilities and the information it relies upon are set out below. The Board is supported by an Audit Committee, a Management Engagement Committee and a Remuneration Committee, which deal with specific aspects of the Company's affairs as summarised on pages 61, 46 and 57 respectively.

Mr John Rennocks was appointed as an additional Director of the Company on 16 November 2015. John has broad experience in conventional and renewable electricity generation and in biotechnology, support services and manufacturing. He retired as deputy chairman and senior independent director of Inmarsat plc in October 2015. He is currently chairman of Bluefield Solar Income Fund Limited and a non-executive director of Greenko Group plc and was previously a director of Foreign & Colonial Investment Trust plc and of JP Morgan Overseas Investment Trust plc.

The Directors have a range of business, financial and asset management skills, as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 40.

Under the Company's Bye-laws, the number of Directors on the Board may not exceed ten.

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

Chairman

The Chairman of the Company is Alexander Zagoreos, a non-executive Director, who is an adviser to Lazard Asset Management whose clients have a significant shareholding in the Company and to The World Trust Fund, in which the Company has a minor investment. Mr Zagoreos, who has been a Director since 2005, has been Chairman throughout the year and is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. Mr Zagoreos has advised that he will be retiring from the Board at the AGM in September.

Deputy Chairman

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

BOARD RESPONSIBILITIES

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

Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Investment Managers and other advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company. The Directors are also responsible for the proper conduct of the Company's affairs

REPORT OF THE DIRECTORS
(continued)

and for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that the Company's policies and operations are in the best interests of all of its shareholders and that the interests of creditors and suppliers to the Company are properly considered.

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

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

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

SUPPLY OF INFORMATION

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

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Board and the Investment Managers have also put arrangements in place to address ongoing training requirements of Directors which include briefings from the Investment Managers' staff or external advisors and which ensure that Directors can keep up to date with new legislation and changing risks. The Board meets with various specialists of the auditor as required to discuss specific topics.

The Board meets on a regular basis at least four times each year. Additional meetings are arranged as necessary. Regular contact is maintained between the Investment Managers, the Chairman and the other Directors between formal meetings.

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

BOARD DIVERSITY, APPOINTMENT, RE-ELECTION AND TENURE

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

The Board is of the view that length of service does not necessarily compromise the independence or contribution of directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AIC Code. No limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. The Board has put in place a policy whereby Directors who have served for nine years or more will be subject to annual re-election.

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

The Bye-laws require that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter. Mr Rennocks will retire at the forthcoming AGM and, being eligible, will offer himself for election to the Board (Resolution 4).

Mrs Susan Hansen is a director of another company associated with ICM and Mr Garth Milne was previously chairman (until November 2014) of the company which owned Stockdale Securities, the Company's broker. Both Mrs Hansen and Mr Milne are subject to annual re-election even though the Board views them both as independent. In addition, one-third of the Board, rounded up, is subject to retirement by rotation each year. As a result, Mr Madeiros will retire by rotation. Being eligible, Mr Madeiros, Mrs Hansen and Mr Milne all offer themselves for re-election (Resolutions 5, 6 and 7). The Bye-laws provide that the Company may, in a Special General Meeting, remove any Director from the Board.

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

AUDIT COMMITTEE

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 61 to 64. Copies of the terms of reference are available on the Company's website.

REPORT OF THE DIRECTORS
(continued)

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 at www.uem.limited.

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

The Investment Managers' performance is considered by the Board at every meeting, with a formal evaluation by the Management Engagement Committee annually. The Board received detailed reports and views from the Investment Managers on investment policy, asset allocation, gearing and risk at each Board meeting in the year ended 31 March 2016, with ad hoc market/company updates if there were significant movements in the intervening period.

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

REMUNERATION COMMITTEE

The composition and activities of the Remuneration Committee are summarised in the Directors' Remuneration Report on pages 57 to 60. Copies of the terms of reference are available on the Company's website at www.uem.limited.

BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE APPRAISAL

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

- attendance at meetings;
- the independence of individual Directors;
- the ability of Directors to make an effective contribution to the Board and Committees through the range and diversity of skills and experience each Director brings to their role; and
- the Board's ability to challenge the Investment Managers' recommendations, suggest areas of debate and set the future strategy of the Company.

The Board opted to conduct performance evaluation through questionnaires and discussion between the Directors, the Chairman and the chairmen of the Committees. This process is conducted by the Chairman reviewing individually with each of the Directors their performance, contribution and commitment to the Company and the possible further development of skills. In addition, the Deputy Chairman reviews the performance of the Chairman with the other Directors, taking into account the views of the Investment Managers. The relevant points arising from these meetings are then reported to, and discussed by, the Board as a whole. This process has been carried out in respect of the year under review and will be conducted on an annual basis. The result of this year's performance evaluation process was that the Board, the Committees of the Board and the Directors individually were assessed to have performed satisfactorily. No follow-up actions were required.

It is not felt appropriate currently to employ the services of, or to incur the additional expense of, an external third party to conduct the evaluation process as an appropriate process is in place; this will, however, be kept under review.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

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

	BOARD	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	REMUNERATION COMMITTEE
Number of scheduled meetings per annum	6	3	1	1
Alexander Zagoreos	5	n/a	1	1
Susan Hansen	6	n/a	n/a	1
Garry Madeiros	6	3	1	1
Garth Milne	6	n/a	n/a	1
Anthony Muh	5	3	1	1
John Rennocks (appointed 16 November 2015)	2/2	1/2	0/0	0/0

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

DIRECTORS' REMUNERATION AND SHAREHOLDINGS

The Directors' Remuneration Report, which can be found on page 57, contains information on the remuneration policy and annual remuneration of the Directors of the Company and their share interests in the Company. Shareholders will be asked to approve the Directors' annual report on remuneration on page 58 (excluding the remuneration policy which is next due for approval in 2017).

DIRECTORS' INTERESTS

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 59.

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

REPORT OF THE DIRECTORS
(continued)

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

SAFE CUSTODY OF ASSETS

The Company's listed investments are held in safe custody by JPMorgan Chase Bank NA, Jersey, as custodian ("Custodian"), who was appointed on 13 April 2015, in place of JPMorgan Chase, London Branch. Operational matters with the Custodian are carried out on the Company's behalf by ICMIM and the Administrator in accordance with the IMA and the Administration Agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and the location of the securities held.

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

INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS

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

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

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

The Board meets regularly, at least four times a year. It reviews financial reports and performance against relevant stock market criteria and the Company's peer group, amongst other things. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least bi-annually against risk parameters approved by the Board. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from its review. No significant failings or weaknesses occurred during the year ended 31 March 2016 or subsequently up to the date of this annual financial report.

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

The Administrator produces an annual report on policies and procedures in operation in respect of Investment Trust Fund Accounting in accordance with AAF (AAF 01/06) issued by the Institute of Chartered Accountants in England and Wales for its clients. This sets out the control policies and procedures with respect to the duties carried out by the Administrator on the Company's behalf. The effectiveness of these controls is monitored by the Administrator's group audit committee, which receives regular reports from the Administrator's internal audit department. The Company's

Audit Committee has received and reviewed the Statement for the year ended 31 December 2015, together with a report from the Administrator's group audit committee on the effectiveness of the internal controls maintained on behalf of the Company.

COMPANY SECRETARY

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

ADMINISTRATION

The provision of accounting, dealing and administration services has been delegated to the Administrator. The Company and the Investment Managers entered into a new administration agreement with the Administrator on 19 June 2015, in place of the previous agreement, under which the Administrator agreed to continue to provide dealing, financial and general administrative services to the Company for a fee, payable monthly in arrears, of £220,000 per annum (previously £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 six months' notice in writing.

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

SHARE CAPITAL

As at 31 March and 21 June 2016 the issued share capital of the Company and the total voting rights were 211,462,599 ordinary shares of 10p each. All ordinary shares rank equally for dividends and distributions and carry one vote each. On 22 September 2015 the authorised share capital of the Company was increased from £135,001,000 to £135,005,000 by the creation of 80 million subscription shares of 0.005 pence. On 24 September 2015 42,648,610 subscription shares were allotted and issued as a bonus issue to qualifying ordinary shareholders on the basis of one subscription share for every five ordinary shares held. On 29 February 2016, the holders of 42,717 subscription shares converted their shares into ordinary shares; the number of subscription shares in issue as at 31 March 2016 was 42,605,893.

At the last AGM, the Company was granted authority to make market purchases of up to 14.99% of its ordinary shares. A total of 1,823,911 ordinary shares were bought back and cancelled during the year.

REPORT OF THE DIRECTORS
(continued)

SUBSTANTIAL SHARE INTERESTS

As at 21 June 2016, the Company had received notification of the following holdings of voting rights:

	NUMBER OF ORDINARY SHARES HELD	% HELD
UIL Limited	40,871,179	19.3
Lazard Asset Management LLC	21,966,801	10.3
Bank of Montreal clients, including	19,828,309	9.5
Foreign & Colonial Investment Trust plc	14,450,000	6.8
Investec Wealth & Investment Limited	12,308,522	5.8
Rathbone Investment Management Limited	10,728,364	5.0

CORPORATE GOVERNANCE, SOCIALLY RESPONSIBLE INVESTMENT AND VOTING POLICY

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

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

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

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

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

GREENHOUSE GAS EMISSIONS

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

CONTINUATION OF THE COMPANY

The Company's Bye-laws provide for a continuation vote to be put to shareholders at the AGM to be held in 2016 and at every fifth annual general meeting thereafter.

Resolution 10 as set out in the Notice of the AGM seeks Shareholder approval that the Company should continue as presently constituted. If this resolution is passed, shareholders will have further opportunities to vote on the continuation of the Company in 2021 and every fifth annual general meeting thereafter.

If a continuation resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders relating to the future of the Company having regard, inter alia, to prevailing market conditions and applicable regulations and legislation.

TENDER FACILITY

At the Directors' discretion, the Company can operate a tender facility subject to certain limitations. The tender facility is not expected to be made available in circumstances where the annual compound growth rate of the Company's gross assets exceeds 10% or where the Company's performance exceeds the benchmark index by 15% or more in the relevant period. The maximum number of ordinary shares which may be tendered pursuant to the tender facility in any financial year 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 for its UK based shareholders. Further details are available on the Company's website if shareholders wish to participate: www.uem.limited.

FACILITATING RETAIL INVESTMENTS

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

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

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

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

THE COMMON REPORTING STANDARD

New tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the "Common Reporting Standard") was introduced

REPORT OF THE DIRECTORS
(continued)

on 1 January 2016. The legislation requires the Company, as an investment company, to provide personal information on shareholders to the Company's local tax authority in Bermuda. The Bermuda tax authority may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

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

RELATIONS WITH SHAREHOLDERS

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

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

There is a regular dialogue between the Investment Managers and institutional shareholders, including private client wealth managers, to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. General presentations to institutional shareholders and analysts follow the publication of the annual results. All meetings between the Investment Managers and institutional and other shareholders are reported to the Board. The Chairman and other Directors are available to discuss any concerns with shareholders if required.

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

ANNUAL GENERAL MEETING

The Company's AGM will be held on 20 September 2016.

The notice of the AGM and related notes can be found on pages 98 to 100. All resolutions are ordinary resolutions unless otherwise identified.

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

Resolution 10 Continuation of the Company

As described above, the Directors are required, under the Company's Bye-Laws, to seek shareholder approval to the continuation of the Company at the AGM in 2016 and every fifth year thereafter.

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

The Directors' authority to buy back ordinary and subscription shares will expire at the end of the AGM in 2016.

The Directors are proposing to renew the authorities at the forthcoming AGM. They are seeking authority to purchase in the market up to 31,698,240 ordinary shares and up to 6,386,620 subscription shares (equivalent to approximately 14.99% of the issued shares of each class as at the date of this report) as set out in Resolutions 11 and 12 in the Notice of AGM. These authorities, unless they are varied, revoked or renewed, will expire at the conclusion of the Company's AGM in 2017.

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

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

The Board intends to seek a renewal of such authorities at subsequent AGMs.

Resolution 13 Disapplication of pre-emption rights

The Company's Bye-laws provide that, unless otherwise determined by a special resolution, the Company is not able to allot ordinary shares for cash without offering them to existing shareholders first in proportion to their shareholdings. Resolution 13 will grant the Company authority to dis-apply these pre-emption rights in respect of up to £2,114,625 of relevant securities in the Group (equivalent to 21,146,250 ordinary shares of 10p each, representing 10% of its ordinary shares in issue as at 21 June 2016). This will allow the Company flexibility to issue further ordinary shares for cash without conducting a rights issue or other pre-emptive offer in circumstances where the Directors believe it may be advantageous to shareholders to do so. Any such issues would only be made at prices greater than the prevailing net asset value per share and would therefore increase the assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy.

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

RECOMMENDATION

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

By order of the Board
ICM Investment Management Limited, Secretary
21 June 2016

CORPORATE GOVERNANCE

THE COMPANY'S GOVERNANCE NETWORK

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

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

THE BOARD

Six non-executive directors (NEDs)

Chairman: Alexander Zagoreos

Key Objectives:

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

AUDIT COMMITTEE

All independent NEDs, with the exception of Mr Zagoreos

Chairman: Garry Madeiros

Key Objective:

- to oversee the financial reporting and control environment.

MANAGEMENT ENGAGEMENT COMMITTEE

All independent NEDs

Chairman: Alexander Zagoreos

Key Objectives:

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

NOMINATION COMMITTEE FUNCTION

The Board as a whole performs this function

Key Objectives:

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

REMUNERATION COMMITTEE

All NEDs

Chairman: Garth Milne

Key Objective:

- to set the remuneration policy of the Company.

INTRODUCTION

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

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

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

COMPLIANCE WITH THE AIC CODE

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

The UK Corporate Governance Code includes provisions relating to:

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

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

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

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

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

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

- The composition and operation of the Board and its Committees are summarised on pages 43 to 46, and pages 61 to 64 in respect of the Audit Committee.

CORPORATE GOVERNANCE
(continued)

- The Company's approach to internal control and risk management is summarised on pages 23 to 25 and page 48.
- The contractual arrangements with, and assessment of, the Investment Managers are summarised on page 42.
- The Company's capital structure and voting rights are summarised on page 49. The substantial shareholders in the Company are listed on page 50.
- Powers to buy back the Company's shares or to issue new shares on a non-pre-emptive basis, which are sought annually, are summarised on pages 52 and 53.

Details of how the Company communicates with its shareholders are included in the Report of the Directors, under "Relations with Shareholders" on page 52.

By order of the Board

ICM Investment Management Limited
Company Secretary
21 June 2016

DIRECTORS' REMUNERATION REPORT
for the year ended 31 March 2016

The Board is composed solely of non-executive Directors. Full details of the Company's policy with regards to Directors' fees and fees paid during the year ended 31 March 2016 are shown below. There were no changes to the policy during the year.

Under company law, the auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's report is contained on pages 66 to 68.

REMUNERATION COMMITTEE

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

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

STATEMENT BY THE CHAIRMAN

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

DIRECTORS' REMUNERATION POLICY

The Board, on the recommendation of its Remuneration Committee, considers the level of the Directors fees at least annually. It is the responsibility of the Board to determine the level of Directors' fees. The Company's Bye-laws currently limit the aggregate fees payable to the Board of Directors to a total of £250,000 per annum (increased from £200,000 at the annual general meeting in 2015). Within that limit, the Remuneration Committee reviews the Directors' fees in line with the Board's policy that the fees payable to Directors should reflect the time spent by them on the Company's affairs and should be sufficient to attract and retain individuals with suitable knowledge and experience. The level of Directors' fees should reflect the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of the Board and committee responsibilities and the time committed to the Company's affairs.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company.

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

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

The Directors' Remuneration Policy was approved by shareholders at the Company's AGM in September 2014. Over 99% of the votes cast were in favour of the resolution and less than 1% were against. The Directors' Remuneration Policy will next be put to shareholders for approval at the AGM in 2017 unless changes are proposed to be made in the meantime. The Directors' Remuneration Report was approved by shareholders at the Company's AGM in September 2015. Over 99% of the votes cast were in favour of the resolution and less than 1% were against.

DIRECTORS' REMUNERATION REPORT (continued)

	2017 £'000s	2016* £'000s	2015* £'000s
Chairman	43.0	42.0	40.5
Directors	31.8	31.0	30.0
Chairman of Audit Committee	40.0	39.0	37.5

*Actual

The Board reviews the fees payable to the Chairman and Directors annually. The fees payable to the Chairman and Directors were reviewed and increased with effect from 1 April 2015, such that the Directors received fees of £31,000 per annum, the chairman of the Audit Committee received £39,000 and the Chairman of the Board received £42,000. The review in respect 2016/17 has resulted in the fees being increased with effect from 1 April 2016 as detailed in the table above.

Based on the levels of fees effective from 1 April 2016, Directors' remuneration for the year ending 31 March 2017 would be as follows:

YEAR ENDING	2017 £'000s
Alexander Zagoreos (Chairman, retiring 20 September 2016)	20.4
John Rennocks (Director and Chairman with effect from 20 September 2016)	37.7
Susan Hansen	31.8
Garry Madeiros (Chairman of Audit Committee)	40.0
Garth Milne	31.8
Anthony Muh	31.8
Total	193.5

DIRECTORS' ANNUAL REPORT ON REMUNERATION

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

During the year ended 31 March 2016, the Chairman received a fee equivalent to £42,000 per annum, the Chairman of the Audit Committee received £39,000 per annum and the remaining Directors received £31,000 per annum. The Chairman and Directors receive their fees in the form of ordinary shares in the Company, which usually are purchased in the market for them.

The amounts paid to each Director are set out in the table on page 59, which has been audited. These fees were for services to the Company solely in the capacity of non-executive Directors and have no performance related element.

REMUNERATION FOR QUALIFYING SERVICES TO THE COMPANY

DIRECTOR	SHARES PURCHASED[(1)]	2016 ENTITLEMENT £'000s[(2)]	SHARES PURCHASED[(1)]	2015 ENTITLEMENT £'000s[(2)]
Alexander Zagoreos (Chairman)	24,077	42.0	21,445	40.5
Susan Hansen	17,744	31.0	15,870	30.0
Garry Madeiros[(3)]	22,353	39.0	19,853	37.5
Garth Milne[(4)]	17,744	31.0	5,878	11.2
Anthony Muh	17,744	31.0	15,870	30.0
John Rennocks[(5)]	6,680	11.7	-	-
Kevin O'Connor[(6)]	-	-	9,601	19.0
Totals	106,342	185.7	88,517	168.2

(1) All the shares were purchased in the market, as set out in note 1(j) on page 77
(2) The Directors' entitlement to fees is calculated in arrears
(3) Mr Madeiros' fee includes entitlement of £8,000 (2015, £7 ,500) for being Chairman of the Audit Committee
(4) Appointed 17 November 2014, previously a consultant, receiving a fee of £30,000 per annum
(5) Appointed 16 November 2015
(6) Resigned 17 November 2014

DIRECTORS' INTERESTS AND INDEMNIFICATION

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

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

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

DIRECTORS' BENEFICIAL SHARE INTERESTS

AT 31 MARCH	2016 ORDINARY SHARES	2016 SUBSCRIPTION SHARES	2015 ORDINARY SHARES
Alexander Zagoreos	516,916	100,831	493,467
Susan Hansen	37,217	5,562	19,923
Garry Madeiros	137,776	25,185	116,021
Garth Milne	620,956	122,309	603,662
Anthony Muh	93,141	16,406	72,785
John Rennocks (appointed 16 November 2015)	42,330	40,000	–*

*at date of appointment

Since the year end, the Chairman and Directors have acquired further ordinary shares in the Company in respect of their fees for the quarter ended 31 March 2016: Mr Zagoreos, 5,902 shares; Mrs Hansen, 4,350 shares; Mr Madeiros,

DIRECTORS' REMUNERATION REPORT
(continued)

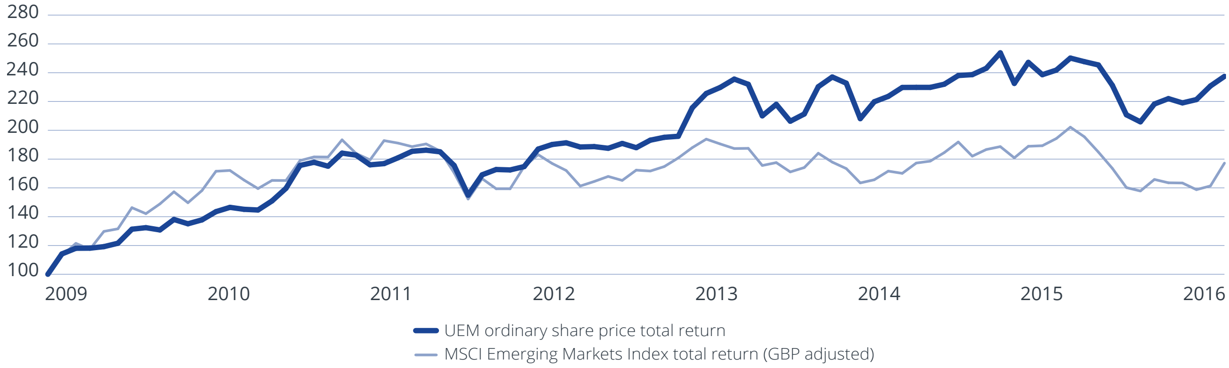
5,480 shares; Mr Milne, 4,350 shares; Mr Muh, 4,350 shares; and Mr Rennocks, 4,350 shares. No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than as stated above.

COMPANY PERFORMANCE

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Managers pursuant to the IMA, as referred to in the Report of the Directors' on page 42. The graph below compares, for the seven years ended 31 March 2016, the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the MSCI Emerging Markets Index total return (GBP adjusted). An explanation of the performance of the Company for the year ended 31 March 2016 is given in the Chairman's Statement and Investment Managers' Report.

SHARE PRICE TOTAL RETURN

from March 2009 to March 2016 (rebased to 100 at 31 March 2009)



Source: ICM

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

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders in the year to 31 March 2016 and the prior year. This disclosure is a statutory requirement; however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment company with an objective of providing shareholders with long-term total return.

	2016 £'000s	2015 £'000s	CHANGE £'000s
Aggregate Directors' emoluments	186	168	18
Aggregate shareholder distributions	13,406	13,008	398

On behalf of the Board

Alexander Zagoreos
Chairman
21 June 2016

AUDIT COMMITTEE REPORT

As Chairman of the Audit Committee, I am pleased to present the Committee's report to shareholders for the year ended 31 March 2016.

ROLE AND RESPONSIBILITIES

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

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

COMPOSITION

The Audit Committee consists of all the independent Directors of the Company, except Alexander Zagoreos, the Chairman of the Company. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

RESPONSIBILITIES AND REVIEW OF THE EXTERNAL AUDIT

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

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

AUDITOR AND AUDIT TENURE

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

AUDIT COMMITTEE REPORT
(continued)

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

It is the Company's policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the interim report or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the Committee would consider whether the particular skills of the audit firm made it a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit. Non-audit fees paid to KPMG amounted to £4,000 for the year ended 31 March 2016 (2015: £4,000) and related to the review of the interim accounts; more details are included in note 4 to the accounts.

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

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

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

ACCOUNTING MATTERS AND SIGNIFICANT AREAS

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

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

The above was satisfactorily addressed through consideration of reports provided by, and discussed with, the Investment Managers, the Administrator and KPMG. As a result, and following a thorough review process, the Audit Committee advised the Board that it is satisfied that, taken as a whole, the annual financial report for the year to 31 March 2016 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Audit Committee has assumed that the reader of the report would have a reasonable level of knowledge of the investment company industry.

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

EXTERNAL AUDIT, REVIEW OF ITS EFFECTIVENESS AND AUDITOR REAPPOINTMENT

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

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

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

For the 2016 financial year, the Audit Committee is satisfied that the audit process was effective.

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

AUDIT INFORMATION

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

AUDIT COMMITTEE REPORT
(continued)

INTERNAL AUDIT

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

COMMITTEE EVALUATION

The Audit Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under "Board, Committee and Directors' performance appraisal" on page 46.

Garry Madeiros
Chairman of the Audit Committee
21 June 2016

DIRECTORS' STATEMENT OF RESPONSIBILITIES
in respect of the Financial Statements

The Directors are responsible for preparing the annual report and accounts, which is required to include a Strategic Report, a Corporate Governance Statement, a Directors' Remuneration Report and a Report of the Directors.

The Directors must not approve the Group financial statements unless in their opinion they give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2016 and of the results for the year then ended. The Directors are also responsible for ensuring that the annual report and accounts is fair, balanced and understandable and that the accounting records are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' annual report on remuneration comply with IFRS. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors of the Company, whose names are shown on page 40 of this report, each confirm to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with applicable Bermuda law and IFRS, as adopted by the European Union, on a going concern basis, give a true and fair view of the assets, liabilities, financial position and net return of the Company and Group;
- the annual financial report includes a fair review of the development and performance of the Company and the important events that have occurred during the financial year and their impact on the financial statements, including a description of the principal risks and uncertainties that it faces; and
- the financial statements and the Report of the Directors include details of any related party transactions.

Approved by the Board on 21 June 2016 and signed on its behalf by:

Alexander Zagoreos
Chairman

ELECTRONIC PUBLICATION

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

REPORT OF THE INDEPENDENT AUDITOR

To the members of Utilico Emerging Markets Limited only

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Utilico Emerging Markets Limited for the year ended 31 March 2016 set out on pages 69 to 97. In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 March 2016 and of the profit of the Group and Parent Company for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2015):

Carrying amount of Listed Investments (£424.4m (2015: £470.3m)) Risk vs 2015 ◀▶

Refer to page 61 *(Audit Committee Report), page* 76 *(accounting policy) and pages* 82 *to* 84 *(financial disclosures).*

- The risk: The Group's portfolio of listed investments makes up 93% of total Group assets (by value) and is considered to be the key driver of the Group's capital and revenue performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
- Our response: Our procedures over the existence, completeness, ownership and valuation of the Group's portfolio of listed investments included:
  - documenting and assessing the processes in place to record investment transactions and to value the listed portfolio;
  - agreeing the pricing of the listed investments to third party pricing sources; and
  - agreeing 100% of the listed investment holdings to independently received third party confirmations.

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

The materiality for the financial statements as a whole was set at £4.6m (2015: £7.3m), determined with reference to a benchmark of Total Assets of which it represents 1% (2015: 1.5%) reflecting industry consensus levels.

In addition, we applied a materiality of £0.9m (2015: £0.6m) to a number of income statement items, including Investment and other income, Management and administration fees, and other expenses, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the company.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.2m (2015: £0.4m); any corrected and uncorrected identified misstatements exceeding £0.05m (2015: £0.03m) for the financial statement captions described above; and, in addition any other identified misstatements that warrant reporting on qualitative grounds are also communicated.

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

4 Our opinion on the Directors' Remuneration Report is unmodified

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

In our opinion the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with SI 2008 No. 410 made under the UK Companies Act 2006, as if those requirements were to apply to the Company.

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

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

- the Directors' statement of longer-term viability on pages 25 and 26, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the three year period of assessment; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

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

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

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 55 to 56 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

In addition to our audit of the financial statements, the Directors have engaged us to review certain other disclosures as if the Company were required to comply with the Listing Rules applicable to companies incorporated in the UK. Under the terms of our engagement we are required to review the Directors' statement, set out on page 65, in relation to going concern.

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

REPORT OF THE INDEPENDENT AUDITOR
(continued)

SCOPE AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMPANY'S MEMBERS AS A BODY

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

Neil Palmer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
21 June 2016

GROUP INCOME STATEMENT

Notes	for the year to 31 March	2016 Revenue return £'000s	2016 Capital return £'000s	2016 Total return £'000s	2015 Revenue return £'000s	2015 Capital return £'000s	2015 Total return £'000s
9	(Losses)/gains on investments	–	(8,213)	(8,213)	–	45,390	45,390
12	Losses on derivative instruments	–	(896)	(896)	–	(2,721)	(2,721)
	Exchange (losses)/gains	(136)	(404)	(540)	38	2,623	2,661
2	Investment and other income	21,418	-	21,418	14,531	–	14,531
	Total income	**21,282**	**(9,513)**	**11,769**	14,569	45,292	59,861
3	Management and administration fees	(1,102)	(1,870)	(2,972)	(1,117)	(5,014)	(6,131)
4	Other expenses	(1,496)	(19)	(1,515)	(1,534)	(23)	(1,557)
	Profit/(loss) before finance costs and taxation	18,684	(11,402)	7,282	11,918	40,255	52,173
5	Finance costs	(118)	(274)	(392)	(299)	(698)	(997)
	Profit/(loss) before taxation	**18,566**	**(11,676)**	**6,890**	11,619	39,557	51,176
6	Taxation	(1,056)	(24)	(1,080)	(1,000)	(42)	(1,042)
	Profit/(loss) for the year	**17,510**	**(11,700)**	**5,810**	10,619	39,515	50,134
7	**Earnings per ordinary share (basic) – pence**	**8.23**	**(5.50)**	**2.73**	4.98	18.53	23.51
7	**Earnings per ordinary share (diluted) – pence**	**8.23**	**(5.50)**	**2.73**	n/a	n/a	n/a

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

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

All items in the above statement derive from continuing operations.

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

COMPANY INCOME STATEMENT

Notes	for the year to 31 March	2016 Revenue return £'000s	2016 Capital return £'000s	2016 Total return £'000s	2015 Revenue return £'000s	2015 Capital return £'000s	2015 Total return £'000s
9	(Losses)/gains on investments	–	(8,776)	(8,776)	–	42,887	42,887
	Exchange (losses)/gains	(156)	(369)	(525)	2	2,539	2,541
2	Investment and other income	20,944	–	20,944	14,324	–	14,324
	Total income	20,788	(9,145)	11,643	14,326	45,426	59,752
3	Management and administration fees	(1,071)	(1,870)	(2,941)	(1,104)	(5,014)	(6,118)
4	Other expenses	(1,413)	(19)	(1,432)	(1,438)	(23)	(1,461)
	Profit/(loss) before finance costs and taxation	18,304	(11,034)	7,270	11,784	40,389	52,173
5	Finance costs	(118)	(274)	(392)	(299)	(698)	(997)
	Profit/(loss) before taxation	18,186	(11,308)	6,878	11,485	39,691	51,176
6	Taxation	(1,044)	(24)	(1,068)	(1,000)	(42)	(1,042)
	Profit/(loss) for the year	17,142	(11,332)	5,810	10,485	39,649	50,134
7	**Earnings per ordinary share (basic) – pence**	8.05	(5.32)	2.73	4.92	18.59	23.51
7	**Earnings per ordinary share (diluted) – pence**	8.05	(5.32)	2.73	n/a	n/a	n/a

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

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

All items in the above statement derive from continuing operations.

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

GROUP STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2016

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

for the year to 31 March 2015

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2014	21,324	3,796	204,587	11,093	167,117	2,318	410,235
	Profit for the year	–	–	–	–	39,515	10,619	50,134
8	Ordinary dividends paid	–	–	–	–	(3,252)	(9,756)	(13,008)
	Balance at 31 March 2015	21,324	3,796	204,587	11,093	203,380	3,181	447,361

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2016

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

for the year to 31 March 2015

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2014	21,324	3,796	204,587	11,093	166,888	2,547	410,235
	Profit for the year	–	–	–	–	39,649	10,485	50,134
8	Ordinary dividends paid	–	–	–	–	(3,252)	(9,756)	(13,008)
	Balance at 31 March 2015	21,324	3,796	204,587	11,093	203,285	3,276	447,361

BALANCE SHEETS

Notes	at 31 March	GROUP 2016 £'000s	GROUP 2015 £'000s	COMPANY 2016 £'000s	COMPANY 2015 £'000s
	Non-current assets				
9	Investments	**438,639**	481,268	**442,941**	482,895
	Current assets				
11	Other receivables	**2,686**	3,082	**2,676**	3,082
12	Derivative financial instruments	**3,636**	1,839	**–**	–
	Cash and cash equivalents	**12,609**	1,804	**11,629**	195
		18,931	6,725	**14,305**	3,277
	Current liabilities				
13	Bank loans	**(18,657)**	–	**(18,657)**	–
14	Other payables	**(1,787)**	(7,313)	**(1,763)**	(6,016)
12	Derivative financial instruments	**(300)**	(524)	**–**	–
		(20,744)	(7,837)	**(20,420)**	(6,016)
	Net current liabilities	**(1,813)**	(1,112)	**(6,115)**	(2,739)
	Total assets less current liabilities	**436,826**	480,156	**436,826**	480,156
	Non-current liabilities				
15	Bank loans	**–**	(31,862)	**–**	(31,862)
16	Deferred tax	**(264)**	(933)	**(264)**	(933)
	Net assets	**436,562**	447,361	**436,562**	447,361
	Equity attributable to equity holders				
18	Ordinary share capital	**21,146**	21,324	**21,146**	21,324
19	Share premium account	**771**	3,796	**771**	3,796
20	Special reserve	**204,587**	204,587	**204,587**	204,587
21	Other non-distributable reserve	**11,093**	11,093	**11,093**	11,093
22	Capital reserves	**188,428**	203,380	**188,701**	203,285
22	Revenue reserve	**10,537**	3,181	**10,264**	3,276
	Total attributable to equity holders	**436,562**	447,361	**436,562**	447,361
23	**Net asset value per ordinary share**				
	Basic – pence	**206.45**	209.79	**206.45**	209.79
	Diluted - pence	**202.52**	n/a	**202.52**	n/a

Approved by the Board on 21 June 2016 and signed on its behalf by

Alexander Zagoreos
Chairman

Garry Madeiros
Director

STATEMENTS OF CASH FLOWS

Notes	for the year to 31 March	GROUP 2016 £'000s	GROUP 2015 £'000s	COMPANY 2016 £'000s	COMPANY 2015 £'000s
24	Cash flows from operating activities	**12,048**	7,718	**11,703**	7,609
	Investing activities:				
	Purchases of investments	**(97,303)**	(87,749)	**(99,017)**	(88,972)
	Sales of investments	**130,611**	85,255	**129,087**	85,255
	Purchases of derivatives	**(14,912)**	(3,004)	**–**	–
	Sales of derivatives	**11,995**	825	**–**	–
	Cash flows from investing activities	**30,391**	(4,673)	**30,070**	(3,717)
	Cash flows before financing activities	**42,439**	3,045	**41,773**	3,892
	Financing activities:				
	Ordinary dividends paid	**(13,406)**	(13,008)	**(13,406)**	(13,008)
	Movements from loans	**(14,133)**	10,973	**(14,133)**	10,973
	Cost of ordinary shares purchased	**(2,982)**	–	**(2,982)**	–
	Issue cost of subscription shares	**(299)**	–	**(299)**	–
	Proceeds from issue of shares	**78**	–	**78**	–
	Cash flows from financing activities	**(30,742)**	(2,035)	**(30,742)**	(2,035)
	Net movement in cash and cash equivalents	**11,697**	1,010	**11,031**	1,857
	Cash and cash equivalents at the beginning of the year	**526**	(875)	**195**	(1,960)
	Effect of movement in foreign exchange	**386**	391	**403**	298
	Cash and cash equivalents at the end of the year	**12,609**	526	**11,629**	195
	Comprised of:				
	Cash	**12,609**	1,804	**11,629**	195
	Bank overdraft	**–**	(1,278)	**–**	–
	Total	**12,609**	526	**11,629**	195

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

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

The consolidated accounts for the year ended 31 March 2016 comprise the results of the Company, its subsidiaries, Utilico Emerging Markets (Mauritius) and Global Equity Risk Protection Limited ("GERP") (together referred to as the "Group"). Details of Utilico Emerging Markets (Mauritius) and GERP are included in note 10 to the accounts. GERP has a reporting year end of 30 June which is non-concurrent with that of UEM. GERP's financial results included within the consolidated accounts are those for the year to 31 March 2016.

(a) Basis of accounting

The accounts have been prepared on a going concern basis in accordance with IFRS, which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect, and to the extent that they have been adopted by the European Union.

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

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

Where presentational recommendations set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the AIC in November 2014, do not conflict with the requirements of IFRS, the Directors have prepared the accounts on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated in the United Kingdom.

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

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

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

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

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. UEM is an investment entity as classified in IFRS 10. Associated undertakings held as part of the investment portfolio (see note 9) are not accounted for in the Group accounts using the equity method of accounting, but are carried at fair value through profit or loss.

NOTES TO THE ACCOUNTS
(continued)

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 financial instruments.

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

(d) Valuation of investments and derivative instruments

Investment purchases and sales are accounted for on the trade date, inclusive of transaction costs. Investments 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 Income Statement as capital return. Investments are valued in accordance with IFRS 13 – Fair Value Measurement and International Private Equity and Venture Capital Valuation Guidelines. Quoted investments are shown at fair value using market bid prices. The fair value of unquoted investments is determined by the Board. In exercising their judgement over the value of these investments, the Board uses valuation techniques which take into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors. 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.

(g) Foreign currency

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

1. ACCOUNTING POLICIES (continued)

(h) Other income

Dividends receivable are shown gross of withholding tax and are analysed as revenue return within the Income Statement (except where, in the opinion of the Directors, their nature indicates they should be recognised as capital return) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is allocated as revenue in the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is allocated as capital in the Income Statement. Interest on debt securities is accrued on a time basis using the effective interest method. Bank and short-term deposit interest is recognised on an accruals basis.

(i) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement and analysed under revenue return except as stated below:
- the management fee and finance costs are allocated 70% to capital return and 30% to revenue return.
- expenses incidental to the acquisition or disposal of Investments are allocated to capital return.
- performance related management fees (calculated under the terms of the Investment Management Agreement) are allocated to capital return.

(j) Directors' fees

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

(k) Finance costs

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

(l) Dividends payable

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

(m) 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.

(n) Capital reserves

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

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

Capital reserve – arising on investments held
- increases and decreases in the valuation of investments and derivative instruments held at the year end.

NOTES TO THE ACCOUNTS
(continued)

2. INVESTMENT AND OTHER INCOME

Group	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Investment income						
Dividends	20,427	–	20,427	13,615	–	13,615
Interest	991	–	991	916	–	916
Total income	21,418	–	21,418	14,531	–	14,531

Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Investment income						
Overseas dividends	19,953	–	19,953	13,408	–	13,408
Overseas and UK interest	991	–	991	916	–	916
Total income	20,944	–	20,944	14,324	–	14,324

3. MANAGEMENT AND ADMINISTRATION FEES

Group	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Payable to:						
ICM/ICMIM – management, secretarial and administration fees	882	1,892	2,774	907	1,958	2,865
ICM – performance fee in respect of relevant year	–	–	–	–	3,056	3,056
– performance fee adjustment in respect of prior year	–	(22)	(22)	–	–	–
F&C Management Limited – administration fee	220	–	220	210	–	210
	1,102	1,870	2,972	1,117	5,014	6,131

Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Payable to:						
ICM/ICMIM – management, secretarial and administration fees	851	1,892	2,743	894	1,958	2,852
ICM – performance fee in respect of relevant year	–	–	–	–	3,056	3,056
– performance fee adjustment in respect of prior year	–	(22)	(22)	–	–	–
F&C Management Limited – administration fee	220	–	220	210	–	210
	1,071	1,870	2,941	1,104	5,014	6,118

3. MANAGEMENT AND ADMINISTRATION FEES (continued)

The investment management agreement with ICM was terminated and replaced with a new agreement (the "IMA") on 13 April 2015, pursuant to which ICM Investment Management Limited ("ICMIM") was appointed as the Company's Alternative Investment Fund Manager and joint portfolio manager with ICM.

The IMA is based on the previous agreement with changes only to the extent necessary to ensure that the relationship between the Company, ICMIM and ICM is compliant with the requirements of the EU Alternative Investment Fund Manager Directive and also such other requirements applicable to ICMIM by virtue of its regulation by the Financial Conduct Authority. The aggregate fees payable by the Company under the IMA are the same as those previously payable under the previous agreement, with such fees to be apportioned between the joint portfolio managers as agreed by them.

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

Included within the management fees of £2,703,000 (2015: £2,797,000) paid to ICM is £nil (2015: £43,000) salary and PAYE costs relating to employees of the Company. The average number of employees of the Company in the year was nil.

In addition, the Investment Managers are entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount of any outperformance in that period by equity funds attributable to shareholders of the higher of (i) the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index, plus inflation (on the RPIX basis), plus 2%; and (ii) 8%. The maximum amount of a performance fee payable in respect of any financial year is 1.85% of the average net assets of the Company and any performance fee in excess of this cap is written off. The Net Asset Value ("NAV") must also exceed the high watermark established when the performance fee was last paid (at 31 March 2015), adjusted for capital events and dividends paid since that date. The high watermark was 209.79p as at 31 March 2015. For the year ended 31 March 2016 the attributable shareholders' funds were below the high watermark and therefore no performance fee has been accrued.

ICM was paid a performance fee in respect of the year ended 31 March 2015 of £3,056,000. Of this ICM received £1,524,000 in cash and 730,483 ordinary shares were purchased in the market at a cost to the Company of £1,510,000. The saving arising on buying the shares at a discount in the market was £22,000. This saving has been recognised in the accounts for the year ended 31 March 2016.

ICM Limited owns 100% of ICM Corporate Services (Pty) Ltd, making ICM Corporate Services a related party to UEM. ICM Corporate Services (Pty) Ltd provides administration services to UEM (Mauritius) for a fee of US$24,000 per annum and to GERP for a fee of £15,000 per annum. The agreements are terminable upon one month's notice in writing.

F&C Management Limited ("FCM") provides accounting, dealing and administration services to the Company for a fixed fee of £220,000 per annum (prior to 1 April 2015 £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 six months' notice in writing.

NOTES TO THE ACCOUNTS
(continued)

4. OTHER EXPENSES

Group	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Auditor's remuneration:						
for audit services	45	–	45	43	–	43
for other services*	4	–	4	4	–	4
Broker and consultancy fees	147	–	147	181	–	181
Custody fees	371	–	371	390	–	390
Depositary fees	87	–	87	–	–	–
Directors' fees for services to the Company (see Directors' Remuneration Report on pages 57 to 60)	186	–	186	168	–	168
Directors' travel expenses	172	–	172	217	–	217
Other travel costs	105	–	105	116	–	116
Professional fees	105	–	105	132	–	132
Sundry expenses	274	19	293	283	23	306
	1,496	19	1,515	1,534	23	1,557

Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Auditor's remuneration:						
for audit services	30	–	30	30	–	30
for other services*	4	–	4	4	–	4
Broker and consultancy fees	147	–	147	181	–	181
Custody fees	358	–	358	390	–	390
Depositary fees	87	–	87	–	–	–
Directors' fees for services to the Company (see Directors' Remuneration Report on pages 57 to 60)	186	–	186	168	–	168
Directors' travel expenses	172	–	172	217	–	217
Other travel costs	105	–	105	116	–	116
Professional fees	61	–	61	86	–	86
Sundry expenses	263	19	282	246	23	269
	1,413	19	1,432	1,438	23	1,461

* Total Auditor's remuneration for other services amounts to £4,000, for reviewing the interim accounts (2015: £4,000 for reviewing the interim accounts).

5. FINANCE COSTS

Group and Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
On loans and bank overdrafts	118	274	392	299	698	997

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

6. TAXATION

Group	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Overseas taxation	**1,056**	**–**	**1,056**	1,000	–	1,000
Brazilian capital gains tax on sale of overseas investments	**–**	**693**	**693**	–	92	92
Total current taxation	**1,056**	**693**	**1,749**	1,000	92	1,092
Deferred tax (see note 16)	**–**	**(669)**	**(669)**	–	(50)	(50)
	1,056	**24**	**1,080**	1,000	42	1,042

Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Overseas taxation	**1,044**	**–**	**1,044**	1,000	–	1,000
Brazilian capital gains tax on sale of overseas investments	**–**	**693**	**693**	–	92	92
Total current taxation	**1,044**	**693**	**1,737**	1,000	92	1,092
Deferred tax (see note 16)	**–**	**(669)**	**(669)**	–	(50)	(50)
	1,044	**24**	**1,068**	1,000	42	1,042

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

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

7. EARNINGS PER ORDINARY SHARE

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

Diluted revenue return has been calculated in accordance with IAS 33, under which the Company's outstanding subscription shares are considered dilutive only if the exercise price is lower than the average market price of the ordinary shares during the period. The dilution is calculated by reference to the additional number of ordinary shares which subscription shareholders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market. The calculation of the basic and diluted earnings per ordinary share from continuing operations is based on the following data:

		Group		**Company**
	2016 £'000s	2015 £'000s	**2016 £'000s**	2015 £'000s
Revenue	**17,510**	10,619	**17,142**	10,485
Capital	**(11,700)**	39,515	**(11,332)**	39,649
Total	**5,810**	50,134	**5,810**	50,134
Weighted average number of shares in issue during the period for basic and diluted earnings per share calculations	**212,871,538***	213,243,793*	**212,871,538****	213,243,793**

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

**Dilutions are not applicable as no subscription shares were in issue.

NOTES TO THE ACCOUNTS
(continued)

8. DIVIDENDS

Group and Company	Record date	Payment date	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
2014 Fourth quarterly interim of 1.525p	23-May-14	06-Jun-14	–	–	–	–	3,252	3,252
2015 First quarterly interim of 1.525p	15-Aug-14	01-Sep-14	–	–	–	3,252	–	3,252
2015 Second quarterly interim of 1.525p	05-Dec-14	17-Dec-14	–	–	–	3,252	–	3,252
2015 Third quarterly interim of 1.525p	13-Feb-15	04-Mar-15	–	–	–	3,252	–	3,252
2015 Fourth quarterly interim of 1.525p	15-May-15	09-Jun-15	–	3,252	3,252	–	–	–
2016 First quarterly interim of 1.525p	14-Aug-15	02-Sep-15	3,252	–	3,252	–	–	–
2016 Second quarterly interim of 1.625p	27-Nov-15	15-Dec-15	3,463	–	3,463	–	–	–
2016 Third quarterly interim of 1.625p	19-Feb-16	07-Mar-16	3,439	–	3,439	–	–	–
			10,154	3,252	13,406	9,756	3,252	13,008

The Directors have paid a fourth quarterly interim dividend in respect of the year ended 31 March 2016 of 1.625p per ordinary share on 20 June 2016 to shareholders on the register at close of business on 3 June 2016. The total cost of the dividend, which has not been accrued in the results for the year to 31 March 2016, was £3,436,000 and will be paid from Revenue.

9. INVESTMENTS

Group	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2016 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2015 Total £'000s
Investments brought forward								
Cost	291,268	–	30,645	321,913	268,240	–	30,525	298,765
Gains/(losses)	179,031	–	(19,676)	159,355	156,541	–	(21,351)	135,190
Valuation	470,299	–	10,969	481,268	424,781	–	9,174	433,955
Movements in the year:								
Purchases at cost	78,325	9,558	8,169	96,052	88,374	–	880	89,254
Transfer to level 2*	(5,452)	5,452	–	–	–	–	–	–
Transfer to level 3**	(1,772)	–	1,772	–	(453)	–	453	–
Sales proceeds	(123,509)	(4,584)	(2,375)	(130,468)	(86,395)	–	(936)	(87,331)
Gains/(losses) on investments sold in the year	53,911	766	49	54,726	21,235	–	(10)	21,225
(Losses)/gains on investments held at year end	(60,880)	2,315	(4,374)	(62,939)	22,757	–	1,408	24,165
Valuation at 31 March	410,922	13,507	14,210	438,639	470,299	–	10,969	481,268
Analysed at 31 March								
Cost	288,743	12,234	41,246	342,223	291,268	–	30,645	321,913
Gains/(losses)	122,179	1,273	(27,036)	96,416	179,031	–	(19,676)	159,355
Valuation	410,922	13,507	14,210	438,639	470,299	–	10,969	481,268

*Transfer due to illiquidity of investee companies.

**Transfer due to delisting of investee company

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

Level 2 includes participatory notes

Level 3 includes investments in private companies or securities.

9. INVESTMENTS (continued)

Company	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2016 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2015 Total £'000s
Investments brought forward								
Cost	**282,530**	**42,888**	**30,645**	**356,063**	263,769	37,260	30,525	331,554
Gains/(losses)	**177,102**	**(30,594)**	**(19,676)**	**126,832**	156,535	(30,014)	(21,351)	105,170
Valuation	**459,632**	**12,294**	**10,969**	**482,895**	420,304	7,246	9,174	436,724
Movements in the year:								
Purchases at cost	**69,793**	**19,803**	**8,169**	**97,765**	84,107	5,628	880	90,615
Transfer to level 2*	**(5,452)**	**5,452**	**–**	**–**	–	–	–	–
Transfer to level 3**	**(1,772)**	**–**	**1,772**	**–**	(453)	–	453	–
Sales proceeds	**(121,984)**	**(4,584)**	**(2,375)**	**(128,943)**	(86,395)	–	(936)	(87,331)
Gains/(losses) on investments sold in the year	**54,235**	**766**	**49**	**55,050**	21,235	–	(10)	21,225
(Losses)/gains on investments held at year end	**(61,099)**	**1,647**	**(4,374)**	**(63,826)**	20,834	(580)	1,408	21,662
Valuation at 31 March	**393,353**	**35,378**	**14,210**	**442,941**	459,632	12,294	10,969	482,895
Analysed at 31 March								
Cost	**273,322**	**65,367**	**41,246**	**379,935**	282,530	42,888	30,645	356,063
Gains/(losses)	**120,031**	**(29,989)**	**(27,036)**	**63,006**	177,102	(30,594)	(19,676)	126,832
Valuation	**393,353**	**35,378**	**14,210**	**442,941**	459,632	12,294	10,969	482,895

*Transfer due to illiquidity of investee companies.

**Transfer due to delisting of investee company

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

Level 2 includes investments in GERP, Utilico Emerging Markets (Mauritius) and participatory notes.

Level 3 includes investments in private companies or securities.

	Group		Company	
Gains on investments held at fair value	**2016 £'000s**	2015 £'000s	**2016 £'000s**	2015 £'000s
Gains on investments sold	**54,726**	21,225	**55,050**	21,225
(Losses)/gains on investments held	**(62,939)**	24,165	**(63,826)**	21,662
Total (losses)/gains on investments	**(8,213)**	45,390	**(8,776)**	42,887

Associated undertaking

The Company had the following associated undertaking at 31 March 2016:

East Balkan Properties plc	
Country of incorporation	Isle of Man
Country of listing	Unlisted
Country of operations	Bulgaria
Number of ordinary shares held	37,360,483
Percentage of ordinary shares held	26.69%

NOTES TO THE ACCOUNTS
(continued)

9. INVESTMENTS (continued)

Transactions with associated undertaking

East Balkan Properties plc

There were no transactions in the year.

Significant interests

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

Company	Country of registration and incorporation	Class of instruments held	2016 % of class of instruments held	2015 % of class of instruments held
Ocean Wilsons Holdings Limited	Bermuda	Ordinary shares	**7.0**	7.0
Eastern Water Resources Development and Management PCL	Thailand	Ordinary shares	**5.7**	6.8

10. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company at 31 March 2016 and 31 March 2015.

Company	Country of registration and incorporation	Number and class of shares held	Holdings and voting rights %
Utilico Emerging Markets (Mauritius)(1)	Mauritius	25,502,635 ordinary shares	100
Global Equity Risk Protection Limited(2)	Bermuda	3,920 Class B shares linked to a segregated account in GERP	100

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

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

11. OTHER RECEIVABLES

	Group		Company	
	2016 £'000s	2015 £'000s	**2016 £'000s**	2015 £'000s
Sales for future settlement	**1,933**	2,076	**1,933**	2,076
Accrued income	**711**	977	**711**	977
Prepayments and other debtors	**42**	29	**32**	29
	2,686	3,082	**2,676**	3,082

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

12. 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	2016 Net current assets £'000s	Current assets £'000s	Current liabilities £'000s	2015 Net current assets £'000s
Market options – USD	**3,636**	**(300)**	**3,336**	1,839	(524)	1,315

Changes in derivatives

Group	2016 £'000s	2015 £'000s
Valuation brought forward	**1,315**	1,857
Purchases	**14,912**	3,004
Settlements	**(11,995)**	(825)
Net losses on derivatives held and sold (see note 22)	**(896)**	(2,721)
Valuation at 31 March	**3,336**	1,315

13. BANK LOANS – CURRENT LIABILITY

Group and Company	2016 £'000s	2015 £'000s
HKD208 million repayable April 2016	**18,657**	–

The Company has a committed senior multicurrency revolving facility of £50,000,000 with Scotiabank Europe PLC, secured over the Company's assets, expiring on 30 April 2016. Commitment fees are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature. Since the year end, the facility with Scotiabank Europe PLC has been extended to 27 April 2018 on substantially the same terms.

14. OTHER PAYABLES

	Group		Company	
	2016 £'000s	2015 £'000s	**2016 £'000s**	2015 £'000s
Purchases for future settlement	**692**	1,956	**692**	1,956
Bank overdraft	**–**	1,278	**–**	–
Accrued finance costs	**22**	16	**22**	16
Accrued expenses	**1,073**	4,063	**1,049**	4,044
	1,787	7,313	**1,763**	6,016

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

15. BANK LOANS – NON-CURRENT LIABILITY

Group and Company	2016 £'000s	2015 £'000s
€31.6million repaid April 2015	**–**	22,862
£9.0 million repaid April 2015	**–**	9,000
	–	31,862

For details of the loan facility, see note 13 above.

NOTES TO THE ACCOUNTS
(continued)

16. DEFERRED TAX

Group and Company	**2016 £'000s**	2015 £'000s
Balance brought forward	**933**	983
Decrease in provision for Brazilian tax on capital gains	**(669)**	(50)
Balance carried forward	**264**	933

Provision is made for deferred tax in respect of capital gains tax on chargeable investment holding gains in Brazil, at a rate of 15% (2015: same).

17. OPERATING SEGMENTS

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

18. ORDINARY SHARE CAPITAL

Group and Company	**Authorised Number**	**£'000s**	**Total shares in issue Number**	**2016 Total shares in issue £'000s**	Total shares in issue Number	2015 Total shares in issue £'000s
Equity share capital						
Ordinary shares of 10p each						
Balance brought forward	**1,350,010,000**	**135,001**	**213,243,793**	**21,324**	213,243,793	21,324
Issued on exercise of subscription share rights	**–**	**–**	**42,717**	**4**	–	–
Purchased for cancellation by the Company	**–**	**–**	**(1,823,911)**	**(182)**	–	–
Balance at 31 March	**1,350,010,000**	**135,001**	**211,462,599**	**21,146**	213,243,793	21,324

Ordinary shares

During the year the Company bought back for cancellation 1,823,911 ordinary shares at a total cost of £2,982,000.

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

Subscription shares

A bonus issue of subscripiton shares on a one for five basis, as described in the prospectus published on 3 September 2015, was approved by shareholders at the Special General Meeting held on 22 September 2015. The authorised number of subscription shares is 80,000,000 of 0.005p each. On 24 September 2015, 42,648,610 subscription shares were issued to shareholders and were admitted to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. On 29 February 2016, holders of 42,717 subscription shares exercised their right to subscribe for ordinary shares. As at 31 March 2016, 42,605,893 subscription shares were in issue.

Holders of subscription shares have the right to subscribe for one ordinary share per subscription share at a price of £1.83 payable in cash. The subscription rights can be exercised on 31 August 2016, 28 February 2017, 31 August 2017 or on the final date of 28 February 2018.

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

19. SHARE PREMIUM ACCOUNT

Group and Company	2016 £'000s	2015 £'000s
Balance brought forward	3,796	3,796
Premium on conversion of subscription shares	74	–
Ordinary shares purchased for cancellation	(2,800)	–
Issue cost of subscription shares	(299)	–
Balance carried forward	771	3,796

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

20. SPECIAL RESERVE

Group and Company	2016 £'000s	2015 £'000s
Balance brought forward and carried forward	204,587	204,587

The special reserve constitutes a reserve under Bermuda law for assessing the sufficiency of reserves for the purpose of making dividend payments to ordinary shareholders.

21. OTHER NON-DISTRIBUTABLE RESERVE

Group and Company	2016 £'000s	2015 £'000s
Balance brought forward and carried forward	11,093	11,093

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

NOTES TO THE ACCOUNTS
(continued)

22. OTHER RESERVES

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

2015 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	21,225	–	21,225	–
Gains on investments held	–	24,165	24,165	–
Losses on derivative financial instruments sold	(4,988)	–	(4,988)	–
Gains on derivative financial instruments held	–	2,267	2,267	–
Exchange gains	2,623	–	2,623	–
Management fee (see note 3)	(1,958)	–	(1,958)	–
Performance fee (see note 3)	(3,056)	–	(3,056)	–
Finance costs (see note 5)	(698)	–	(698)	–
Other capital charges	(23)	–	(23)	–
Taxation (see note 6)	(42)	–	(42)	–
Revenue profit for the year	–	–	–	10,619
Total profit in current year	13,083	26,432	39,515	10,619
Dividends paid in the year	(3,252)	–	(3,252)	(9,756)
Balance at 31 March 2014	34,161	132,956	167,117	2,318
Balance at 31 March 2015	43,992	159,388	203,380	3,181

22. OTHER RESERVES (continued)

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

2015 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	21,225	–	21,225	–
Gains on investments held	–	21,662	21,662	–
Exchange gains	2,539	–	2,539	–
Management fee (see note 3)	(1,958)	–	(1,958)	–
Performance fee (see note 3)	(3,056)	–	(3,056)	–
Finance costs (see note 5)	(698)	–	(698)	–
Other capital charges	(23)	–	(23)	–
Taxation (see note 6)	(42)	–	(42)	–
Revenue profit for the year	–	–	–	10,485
Total profit in current year	17,987	21,662	39,649	10,485
Dividends paid in the year	(3,252)	–	(3,252)	(9,756)
Balance at 31 March 2014	61,718	105,170	166,888	2,547
Balance at 31 March 2015	76,453	126,832	203,285	3,276

Group and Company

Included within the capital reserve movement for the year is £280,000 (2015: £764,000) of dividend receipts recognised as capital in nature, £178,000 (2015: £223,000) of transaction costs on purchases of investments and £296,000 (2015: £268,000) of transaction costs on sale of investments.

NOTES TO THE ACCOUNTS
(continued)

23. 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 £436,562,000 (31 March 2015: £447,361,000) and on 211,462,599 ordinary shares in issue at the period end (31 March 2015: 213,243,793).

(b) Diluted net asset value per ordinary share is based on net assets at the year end and assuming the receipt of proceeds arising from the exercise of the subscription share rights of 42,605,893 subscription shares in issue at £1.83 per subscription share for one ordinary share (31 March 2015: no subscription shares were in issue).

	Number
Ordinary shares in issue at the year end	211,462,599
Ordinary shares created on exercise of all subscription share rights	42,605,893
Number of ordinary shares for diluted calculation	254,068,492
	£'000s
Attributable net assets	514,531

There was no dilution of net assets per ordinary share as at 31 March 2015.

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

	Group		**Company**	
	2016 £'000s	2015 £'000s	**2016 £'000s**	2015 £'000s
Profit before taxation	**6,890**	51,176	**6,878**	51,176
Adjust for non-cash flow items:				
Losses/(gains) on investments	**8,213**	(45,390)	**8,776**	(42,887)
Losses on derivative financial instruments	**896**	2,721	**–**	–
Exchange losses/(gains)	**540**	(2,661)	**525**	(2,541)
Effective yield on debt instruments	**(11)**	(119)	**(11)**	(119)
Decrease/(increase) in accrued income	**311**	(178)	**311**	(178)
(Decrease)/increase in creditors	**(2,986)**	3,248	**(2,992)**	3,237
(Increase)/decrease in other debtors	**(11)**	15	**(2)**	15
Tax on overseas income	**(1,101)**	(1,002)	**(1,089)**	(1,002)
	5,851	(43,366)	**5,518**	(43,475)
Adjust for cash flow items not within Income Statement:				
Taxation on capital gains	**(693)**	(92)	**(693)**	(92)
Net cash flows from operating activities	**12,048**	7,718	**11,703**	7,609

25. RELATED PARTY TRANSACTIONS

During the year the Company made payments to its subsidiaries as follows: to GERP of £4.2m (2015: £0.9m) in settlement of investment transactions; and to Utilico Emerging Markets (Mauritius) of £6.1m (2015: £4.7m) for the settlement of the issue of ordinary shares.

On consolidation, transactions between the Company and its subsidiaries have been eliminated. The following are considered related parties of the Group: the associate of the Group set out under note 9, being East Balkan Properties plc (2015: same); the Board of UEM, ICM and ICMIM (UEM's joint investment managers), ICM Investment Research Limited and ICM Corporate Services (Pty) Ltd.

There were no transactions between the above associates and the Company other than investments in the ordinary course of UEM's business. As detailed in the Directors' Remuneration Report on page 59 the Board received aggregate remuneration of £186,000 (2015: £168,000) included within "Other expenses" for services as Directors. At the year end £51,000 (2015: £42,000) remained outstanding to the Directors. In addition to their fees, the Directors received dividends totalling £89,000 (2015: £76,000) during the year under review in respect of their shareholdings in the Company. There were no further transactions with the Board during the year.

There were no transactions with ICM, ICMIM, ICM Investment Research Limited and ICM Corporate Services (Pty) Ltd, subsidiaries of ICM, other than investment management, secretarial costs and performance fees as set out in note 3 and above, and reimbursed expenses included within note 4 of £199,000 (2015: £263,000). At the year end £nil (2015: £3,056,000) remained outstanding to ICM in respect of performance fee and £713,000 (2015: £709,000) in respect of management and company secretarial fees.

26. GOING CONCERN

The financial statements have been prepared on a going concern basis. The Company's assets consist mainly of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is putting its five-yearly continuation vote to its shareholders at the AGM in September. The Board has no reason to believe that this resolution will not be passed.

As at the year end, the Company had a £50m secured multicurrency loan facility with Scotiabank Europe PLC, which has been extended, post the year end, to 27 April 2018. Drawdowns under the facility are detailed in note 13 to the accounts.

27. FINANCIAL RISK MANAGEMENT

The Group's investment 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 investment policy by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing the investment policy, the Group is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors, together with the Investment Managers, is responsible for the Group's risk management. The Directors' policies and processes for managing the financial risks are set out in (a),(b) and (c) below. The Company's underlying risks include the risks within its subsidiaries and therefore only the Group risks are analysed below. The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with IFRS as adopted by the European Union and best practice, and include the valuation of financial assets and liabilities at fair value. The Company does not make use of hedge accounting rules.

NOTES TO THE ACCOUNTS
(continued)

27. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risks

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

Currency exposure

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

	2016	**Average**	2015
BRL – Brazilian Real	**5.0938**	**5.3904**	4.7446
HKD – Hong Kong Dollar	**11.1485**	**11.6373**	11.5094
MYR – Malaysian Ringgit	**5.6076**	**6.0252**	5.4978
RON – Romanian New Leu	**5.6370**	**6.0751**	6.1014
THB – Thai Baht	**50.5642**	**52.4113**	48.3057
USD – United States Dollar	**1.4373**	**1.5005**	1.4845

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

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

27. FINANCIAL RISK MANAGEMENT (continued)

2015	BRL £'000s	HKD £'000s	GBP £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Other receivables	130	2,247	37	–	32	89	–	547	3,082
Derivative financial instruments – assets	–	–	–	–	–	–	28,292	–	28,292
Cash and cash equivalents	–	–	7	–	–	1	234	1,562	1,804
Other payables	–	(1,937)	(4,064)	–	–	–	(1,293)	(19)	(7,313)
Derivative financial instruments – liabilities	–	–	–	–	–	–	(26,945)	–	(26,945)
Long term loans	–	–	(9,000)	–	–	–	–	(22,862)	(31,862)
Net monetary assets/(liabilities)	130	310	(13,020)	–	32	90	288	(20,772)	(32,942)
Investments	53,757	150,459	–	85,119	37,864	30,814	–	123,255	481,268
Deferred tax	(933)	–	–	–	–	–	–	–	(933)
Net exposures	52,954	150,769	(13,020)	85,119	37,896	30,904	288	102,483	447,393
Percentage of net exposures	11.8%	33.7%	(2.9)%	19.0%	8.5%	6.9%	0.1%	22.9%	100.0%

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

Weakening of Sterling	2016 BRL £'000s	2016 HKD £'000s	2016 MYR £'000s	2016 RON £'000s	2016 THB £'000s	2016 USD £'000s	2015 BRL £'000s	2015 HKD £'000s	2015 MYR £'000s	2015 PHP £'000s	2015 THB £'000s	2015 USD £'000s
Income Statement return after tax												
Revenue return	**222**	**1,083**	**76**	**200**	**99**	**(3)**	325	135	93	28	112	(2)
Capital return	**4,747**	**10,719**	**6,820**	**4,289**	**3,327**	**9,962**	5,869	16,733	9,458	4,207	3,424	32
Total return	**4,969**	**11,802**	**6,896**	**4,489**	**3,426**	**9,959**	6,194	16,868	9,551	4,235	3,536	30
NAV per share												
Basic – pence	**2.35**	**5.58**	**3.26**	**2.12**	**1.62**	**4.71**	2.90	7.91	4.48	1.99	1.66	0.01

Strengthening of Sterling	2016 BRL £'000s	2016 HKD £'000s	2016 MYR £'000s	2016 RON £'000s	2016 THB £'000s	2016 USD £'000s	2015 BRL £'000s	2015 HKD £'000s	2015 MYR £'000s	2015 PHP £'000s	2015 THB £'000s	2015 USD £'000s
Income Statement return after tax												
Revenue return	**(222)**	**(1,083)**	**(76)**	**(200)**	**(99)**	**3**	(325)	(135)	(93)	(28)	(112)	2
Capital return	**(4,747)**	**(10,719)**	**(6,820)**	**(4,289)**	**(3,327)**	**(9,962)**	(5,869)	(16,733)	(9,458)	(4,207)	(3,424)	(32)
Total return	**(4,969)**	**(11,802)**	**(6,896)**	**(4,489)**	**(3,426)**	**(9,959)**	(6,194)	(16,868)	(9,551)	(4,235)	(3,536)	(30)
NAV per share												
Basic – pence	**(2.35)**	**(5.58)**	**(3.26)**	**(2.12)**	**(1.62)**	**(4.71)**	(2.90)	(7.91)	(4.48)	(1.99)	(1.66)	(0.01)

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.

NOTES TO THE ACCOUNTS
(continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Interest rate exposure

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

	Within one year £'000s	**More than one year £'000s**	**2016 Total £'000s**	Within one year £'000s	More than one year £'000s	2015 Total £'000s
Exposure to floating rates						
– Cash	**12,609**	**–**	**12,609**	1,804	–	1,804
– Bank overdrafts	**–**	**–**	**–**	(1,278)	–	(1,278)
– Loans	**(18,657)**	**–**	**(18,657)**	–	(31,862)	(31,862)
	(6,048)	**–**	**(6,048)**	526	(31,862)	(31,336)
Net exposures						
– At year end	**(6,048)**	**–**	**(6,048)**	526	(31,862)	(31,336)
– Maximum in year	**(3,598)**	**–**	**(3,598)**	9,122	(11,888)	(2,766)
– Minimum in year	**(31,336)**	**–**	**(31,336)**	526	(31,862)	(31,336)

	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	**(3,598)**	**–**	**(3,598)**	(2,766)	–	(2,766)
– Minimum in year	**(31,336)**	**–**	**(31,336)**	(31,336)	–	(31,336)

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

	Increase in rate £'000s	**2016 Decrease in rate £'000s**	Increase in rate £'000s	2015 Decrease in rate £'000s
Revenue return	**(76)**	**76**	(188)	188
Capital return	**(176)**	**176**	(439)	439
Total return	**(252)**	**252**	(627)	627
NAV per share				
Basic – pence	**(0.12)**	**0.12**	(0.29)	0.29

27. FINANCIAL RISK MANAGEMENT (continued)

Other market risk exposures

The portfolio of investments, valued at £438,639,000 as at 31 March 2016 (2015: £481,268,000) is exposed to market price changes. The Group enters into currency and index options in managing its exposure to other market risks. The Investment Managers assess these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out on page 28. The Investment Managers have operated a strategic market position via the purchase and sale of equity index put and call options, principally on the S&P500 Index. The level of the position is kept under constant review, and will depend upon several factors including the relative performance of markets, the price of options as compared to the market, and the Investment Managers' view of likely future volatility and market movements. As at 31 March 2016 UEM's net position was 275 S&P put options (2015: 500 S&P put options). The total position was valued at £3.3m at year end (2015: £1.3m). The exposure on the Group's options at 31 March was as follows:

	2016 £'000s	2015 £'000s
Current assets		
Put index options	**119,756**	28,292
Call index options	**6,609**	–
	126,365	28,292
Current liabilities		
Put index options	**41,397**	28,292
Call index options	**6,958**	–
	48,355	28,292

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

	Increase in value	**2016 Decrease in value**	Increase in value	2015 Decrease in value
Income Statement capital return (£'000s)	**86,438**	**(87,464)**	94,641	(95,321)
NAV per share				
Basic – pence	**40.88**	**(41.36)**	44.38	(44.70)

(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 (72 at 31 March 2016); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts on page 28); and the existence of the Scotiabank loan facility agreement expiring on 27 April 2018. The Company will either extend or replace the facility or repay the outstanding debt when due from portfolio realisations.

Cash balances are held with reputable banks.

NOTES TO THE ACCOUNTS
(continued)

27. FINANCIAL RISK MANAGEMENT (continued)

The Investment Managers review liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Group has loan facilities of £50m as set out in note 13. 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:

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

2015	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Other payables	7,314	–	–	7,314
Put index options	26,945	–	–	26,945
Bank loans	–	–	31,862	31,862
	34,259	–	31,862	66,121

(c) Credit risk and counterparty exposure

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

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

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

Current assets	**31 March £'000s**	**2016 Maximum exposure in the year £'000s**	31 March £'000s	2015 Maximum exposure in the year £'000s
Cash at bank	**12,609**	**13,592**	1,804	9,122
Financial assets through profit or loss – derivatives (put options and call options)	**78,010**	**78,010**	1,347	79,819

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

27. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair values of financial assets and liabilities

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

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

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

The Group level 3 financial instruments at the year end were valued at £14.2m (2015: £11.0m)

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

The unobservable inputs have been consistently followed for both the years ended 31 March 2015 and 2016.

(e) Capital risk management

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

28. ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIMFD")

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, ICMIM, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy are available on the Company's website or from ICMIM on request. The numerical remuneration disclosures in relation to the AIFM's first relevant accounting period will be made available in due course.

The Company's maximum and actual leverage as at 31 March 2016 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	300%	300%
Actual	117%	115%

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

NOTICE OF ANNUAL GENERAL MEETING

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

Notice is hereby given that the 2016 Annual General Meeting of Utilico Emerging Markets Limited will be held at JW Marriott Bucharest Grand Hotel, Calea 13 Septembrie 90, 050726, Bucharest 5, Romania on Tuesday, 20 September 2016 at 9.00am (local time) for the following purposes:

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

ORDINARY BUSINESS:

1. To confirm the Minutes of the last General Meeting.
2. To receive and adopt the Report of the Directors, the auditor's report and the accounts for the year ended 31 March 2016.
3. To approve the Directors' Remuneration Report for the year ended 31 March 2016.
4. To elect Mr JL Rennocks as a Director.
5. To re-elect Mr GA Madeiros as a Director.
6. To re-elect Mrs S Hansen, who retires annually, as a Director.
7. To re-elect Mr GPD Milne, who retires annually, as a Director.
8. To re-appoint KPMG LLP as auditor of the Company.
9. To authorise the Directors to determine the auditor's remuneration.

SPECIAL BUSINESS:

10. **As an Ordinary Resolution:** That, in accordance with Bye-law 69 of the Company's Bye-laws, the Company should continue as presently constituted.
11. **As an Ordinary Resolution:** That in substitution for the Company's existing authority to make market purchases of ordinary shares of 10p in the Company ("Ordinary Shares"), the Company be and it is generally and unconditionally authorised to make market purchases of Ordinary Shares, provided that:
    (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 31,698,240 (being the equivalent of 14.99% of the issued Ordinary Shares as at the date of this notice);
    (b) the minimum price which may be paid for an Ordinary Share shall be 10 pence;
    (c) the maximum price (exclusive of expenses payable by the Company) which may be paid for an Ordinary Share shall be the higher of:
        (i) 105% of the average of the middle market quotations of the Ordinary Shares for the five business days prior to the date on which such shares are contracted to be purchased; and
        (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;
    (d) such purchases shall be made in accordance with the Bermuda Companies Act; and
    (e) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the expiration of such authority.
12. **As an Ordinary Resolution:** That, in substitution for the Company's existing authority to make market purchases of subscription shares in the Company ("Subscription Shares") and in addition to any authority to make purchases of ordinary shares of 10p each, the Company be and it is generally and unconditionally authorised to make market purchases of Subscription Shares, provided that:

(a) the maximum number of Subscription Shares hereby authorised to be purchased is 6,386,620 (being the equivalent of 14.99% of the issued Subscription Shares as at the date of this notice);
(b) the minimum price which may be paid for a Subscription Share shall be 0.005 pence;
(c) the maximum price (exclusive of expenses payable by the Company) which may be paid for an Subscription Share shall be the higher of:
    (i) 105% of the average of the middle market quotations of the Subscription Shares for the five business days prior to the date on which such shares are contracted to be purchased; and
    (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;
(d) such purchases shall be made in accordance with the Bermuda Companies Act; and
(e) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase Subscription Shares which will or may be completed or executed wholly or partly after the expiration of such authority.

13. **As a Special Resolution:** That, for the purpose of Bye-law 11 of the Company's Bye-laws, the Company may issue Relevant Securities (as defined in the Bye-laws) representing up to 21,146,250 Ordinary Shares, equivalent to approximately 10% of the total number of Ordinary Shares in issue as at the date of this notice otherwise than on a pre-emptive basis, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution (as defined in the Bye-laws)) at the earlier of the conclusion of the Annual General Meeting to be held in 2017 or 18 months from the date of this resolution but so that this power shall enable the Company to make such offers or agreements before such expiry which would or might otherwise require Relevant Securities to be issued after such expiry and the Directors may issue Relevant Securities in pursuance of such offer or agreement as if such expiry had not occurred.

By order of the Board
ICM Investment Management Limited, Secretary
21 June 2016

Notes

1. Only the holders of ordinary shares registered on the register of members of the Company at close of business on 16 September 2016 shall be entitled to attend and vote or to be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register after close of business on 16 September 2016 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules need not make a separate notification to the Company and the Financial Conduct Authority.
4. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

NOTICE OF ANNUAL GENERAL MEETING
(continued)

5. A form of proxy is provided with this notice of meeting. The return of a form of proxy will not preclude a member from attending the meeting and voting in person if he/she wishes to do so. To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services (Bermuda) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 10:00am (BST) on 16 September 2016. Shareholders may also lodge their votes electronically by visiting the website www.eproxyappointment.com (the on-screen instructions will give details on how to complete the instruction process).

   In view of this requirement, investors holding shares in the Company through a depository interest should ensure that Forms of Instruction are returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 10:00am (BST) on 15 September 2016 or give an instruction via the CREST system as detailed below.

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

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by not later than 10:00am (BST) on 15 September 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

6. The register of Directors' holdings is available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.
7. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Company's Bye-laws. The letters of appointment are available for inspection on request at the Company's registered office and at the annual general meeting.
8. The fourth quarterly interim dividend of 1.625p per ordinary share in respect of the year ended 31 March 2016 was paid on 20 June 2016 to the relevant holders on the register at the close of business on 3 June 2016.

COMPANY INFORMATION

DIRECTORS
Alexander Zagoreos (Chairman)
(retiring 20 September 2016)
John Rennocks
(Chairman with effect from 20 September 2016)
Garth Milne (Deputy Chairman)
Susan Hansen
Garry Madeiros OBE
Anthony Muh

REGISTERED OFFICE
34 Bermudiana Road,
Hamilton HM 11 Bermuda
Company Registration Number: 36941

AIFM, JOINT PORTFOLIO MANAGER AND SECRETARY
ICM Investment Management Limited
PO Box 208, Epsom, Surrey, KT18 7YF
Telephone 01372 271486
Authorised and regulated in the UK
by the Financial Conduct Authority

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

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

ADMINISTRATOR
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London EC2A 2NY
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by the Financial Conduct Authority

BROKER
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Authorised and regulated in the UK
by the Financial Conduct Authority

PUBLIC RELATIONS
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Telephone + 44 (0) 20 3772 2562

LEGAL ADVISOR TO THE COMPANY
(as to English law)
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3 More London Riverside
London SE1 2AQ

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

REPORTING ACCOUNTANTS AND REGISTERED AUDITOR
KPMG LLP
15 Canada Square,
London E14 5GL
Member of the Institute of Chartered Accountants in England and Wales

DEPOSITARY SERVICES PROVIDER
J.P. Morgan Europe Limited
25 Bank Street, Canary Wharf,
London E14 5JP
Authorised and regulated in the UK by the Financial Conduct Authority

CUSTODIANS
JPMorgan Chase Bank N.A.
JPMorgan House, Grenville Street,
St Helier, Jersey JE4 8QH

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

REGISTRAR
Computershare Investor Services (Bermuda) Limited
5 Reid Street
Hamilton HM11, Bermuda
Telephone +44 (0) 370 707 4040

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

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

HISTORICAL PERFORMANCE

at 31 March	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006[2]
Total return[1] (annual) (%)	**(0.5)**	12.2	(3.4)	20.5	3.1	21.4	44.0	(28.9)	16.3	22.4	18.2
Annual compound total return (since inception)[3] (%)	**11.4**	12.4	12.4	14.2	13.5	15.1	12.6	5.6	21.5	24.5	27.1
Undiluted net asset value per ordinary share (pence)	**206.45**	209.79	192.38	205.49	175.60	175.28	157.33	107.76	168.39	146.45	119.48
Diluted net asset value per ordinary share (pence)	**202.52**	209.79[4]	192.38[4]	205.49[4]	175.60[4]	175.28[4]	148.37	106.51	157.20	138.80	116.23
Ordinary share price (pence)	**178.50**	188.50	180.00	191.20	164.00	157.75	132.00	95.50	153.75	137.25	126.00
(Discount)/premium[5] (%)	**(11.9)**	(10.1)	(6.4)	(7.0)	(6.6)	(10.0)	(11.0)	(10.3)	(2.2)	(1.1)	8.4
Earnings per ordinary share (basic)											
– Capital (pence)	**(5.50)**	18.53	(12.13)	30.71	1.19	25.63	48.57	(60.28)	17.89	34.19	19.50
– Revenue (pence)	**8.23**	4.98	4.80	5.20	4.12	5.61	4.67	5.08	5.24	2.96	1.62
Total (pence)	**2.73**	23.51	(7.33)	35.91	5.31	31.24	53.24	(55.20)	23.13	37.15	21.12
Dividends per ordinary share (pence)	**6.40**	6.10	6.10	5.80	5.50	5.20	4.80	4.80	4.80	2.70	1.50
Equity holders' funds (£m)	**436.6**	447.4	410.2	442.9	378.5	383.2	319.9	230.7	359.5[6]	241.6[7]	89.7
Gross assets[8] (£m)	**455.2**	479.2	433.4	452.1	382.9	393.4	344.5	272.5	441.3[6]	288.6[7]	107.2
Ordinary shares bought back (£m)	**3.0**	–	3.9	–	4.9	11.5	16.0	0.2	–	–	–
Cash/ (overdraft) (£m)	**12.6**	0.5	(0.9)	2.6	(1.8)	(0.7)	2.0	24.1	11.9	19.9	1.2
Bank debt (£m)	**(18.7)**	(31.9)	(23.1)	(9.2)	(4.4)	(10.2)	(24.7)	(41.8)	(79.9)	(45.0)	(17.5)
Net debt (£m)	**(6.1)**	(31.4)	(24.0)	(6.6)	(6.2)	(10.9)	(22.7)	(17.7)	(68.0)	(25.1)	(16.3)
Net debt gearing on gross assets (%)	**1.3**	6.6	5.5	1.5	1.6	2.8	6.6	6.5	15.5	8.8	15.2
Management and administration fees											
– excluding performance fee (£m)	**4.5**	4.6	3.7	3.4	3.9	3.1	2.5	2.7	3.1	2.1	0.8
– including performance fee (£m)	**4.5**	7.7	3.7	12.9	3.6	9.6	2.5	2.7	6.5	9.2	3.0
Ongoing charges[9]											
– excluding performance fee (%)	**1.1**	1.1	0.9	0.8	0.9	0.8	0.8	0.7	0.8	0.9	0.9
– including performance fee (%)	**1.1**	1.8	0.9	3.2	0.9	2.5	0.8	0.7	1.7	4.0	3.4

(1) Total return is calculated based on NAV per ordinary share return plus dividends reinvested from the payment date
(2) Period from 9 June 2005, the date of incorporation of the Company, to 31 March 2006
(3) Annual total return is calculated based on NAV per ordinary share plus dividends reinvested from the payment date and return on warrants converted on 2 August 2010
(4) There was no dilution
(5) Based on diluted net asset value
(6) Includes the £85.0m fund raising in December 2007
(7) Includes the £100.0m fund raising in May 2006
(8) Gross assets less liabilities excluding loans
(9) Expressed as percentage of average net assets, ongoing charges comprise all operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments

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