UTILICO

UTILICO EMERGING MARKETS UTILITIES LIMITED

Report and accounts 2006

CONTENTS

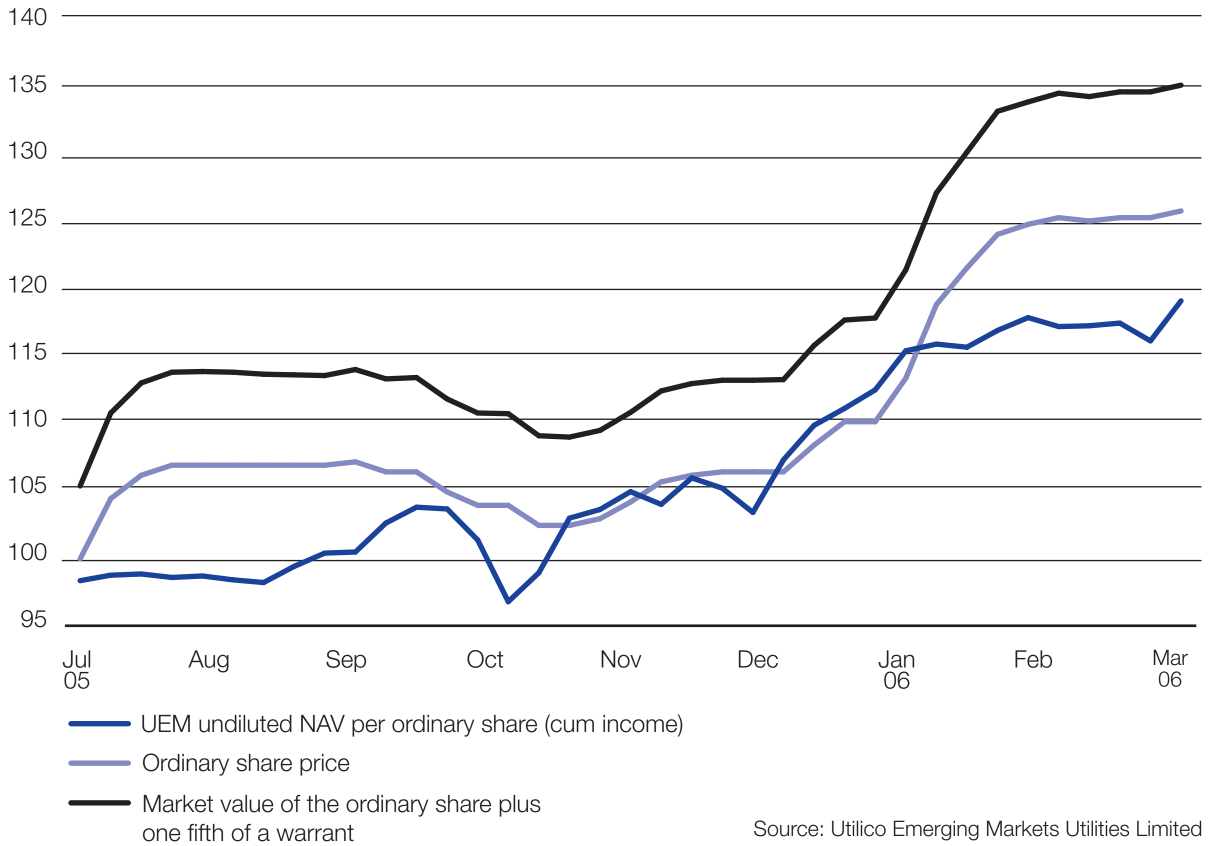
FINANCIAL CALENDAR

Ordinary shares ex-dividend	14 June 2006
AGM	31 July 2006
Dividend payment	7 August 2006
Interim September 2006 announcement	December 2006

Our objective is to provide long-term capital appreciation by investing predominantly in utilities and related companies (including other investment companies investing in those companies) in emerging markets.

UEM recorded a profit for the period of £15.8m resulting in the net asset value per ordinary share increasing from 98.36p to 119.48p on an undiluted basis.

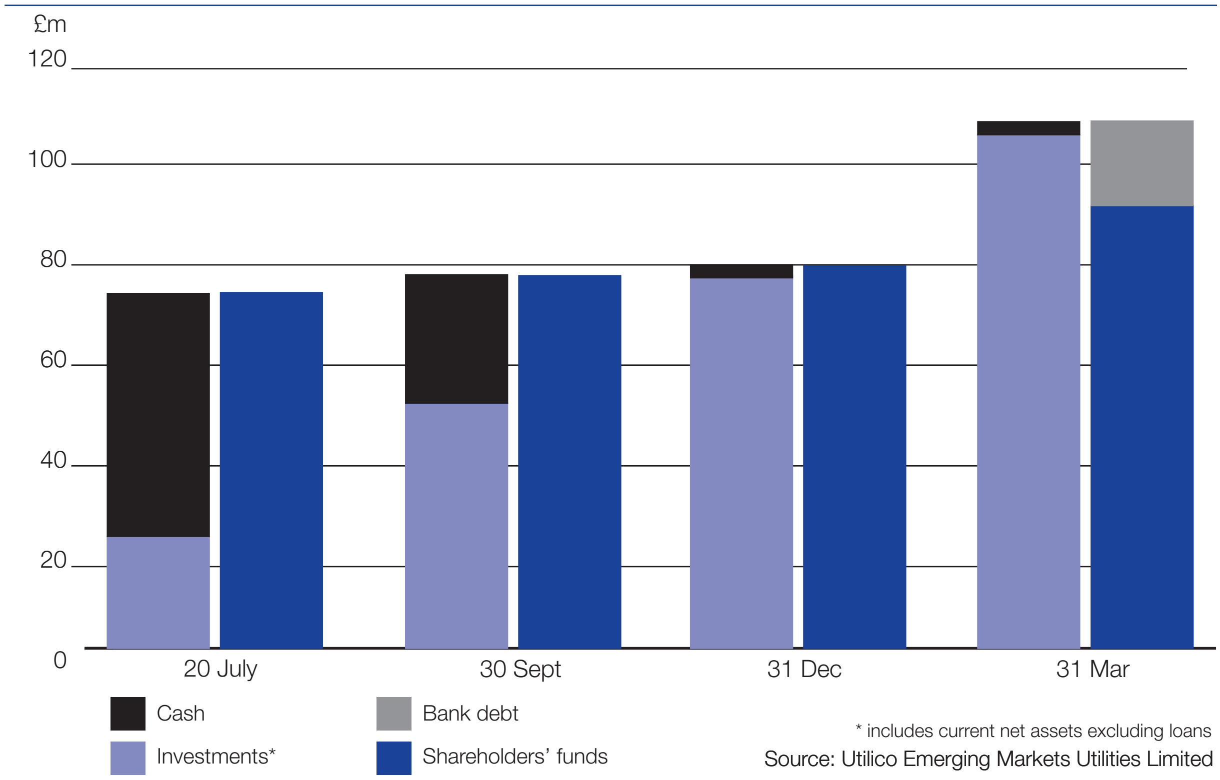
UEM ordinary share and NAV performance
From 20 July 2005 to 31 March 2006



Source: Utilico Emerging Markets Utilities Limited

- Raised £51.3m net of expenses
- Acquired seed portfolio of 9 holdings for £22.5m
- Fully invested in 41 positions in early December 2005
- Established a £25.0m bank facility
- Net asset value increased by 21.5%
- Earnings per share of 1.62p on the revenue account
- Dividend per share of 1.50p proposed

UEM portfolio progression and capital structure
(From 20 July 2005 to 31 March 2006)



* includes current net assets excluding loans
Source: Utilico Emerging Markets Utilities Limited

PERFORMANCE SUMMARY

Summary of audited results for the period from 9 June 2005(1) to 31 March 2006

	31 March 2006	*20 July 2005(2)*	*Change %*
Undiluted net asset value per ordinary share	119.48p	98.36p	21.5
Diluted net asset value per ordinary share	116.23p	98.36p*	18.2
Ordinary share price	126.00p	100.00p	26.0
Premium - (based on diluted net asset value)	8.4%	1.7%	
Earnings per share (basic)			
– Capital	19.50p	n/a	
– Revenue	1.62p	n/a	
– Total	21.12p	n/a	
Dividend per share (proposed)	1.50p	n/a	
Equity holders' funds (£'m)	89.7	73.8	21.5
Debt (£'m)	17.5	–	
Gearing on gross assets	15.8%	–	

* There is no dilution

(1) Date of incorporation of the Company

(2) Date of admission to trading on Alternative Investment Market

UEM seeks to invest in undervalued investments.
The Company looks to minimise risk by investing predominantly in companies and sectors displaying the characteristics of natural monopolies.

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

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

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds where suitable opportunities arise. The Company also has the flexibility to invest in unlisted securities.

The Company may use derivative instruments such as financial futures, options and warrants. The Company may also from time to time hedge into sterling, foreign currency exposures of the investment portfolio, particularly where future foreign currency receipts are expected. The Company may also, where appropriate, hedge general foreign currency exposures on a longer-term basis.

UEM seeks to invest in undervalued investments. The Company aims to identify situations where underlying value is not reflected in the market price either as a result of changes in regulation, technology, market motivation, financial engineering, competition or shareholder apathy.

The Company looks to minimise risk by investing predominantly in companies and sectors displaying the characteristics of natural monopolies such as utilities, transportation infrastructure or companies with a unique product or market position. UEM generally looks to invest in companies with strong management who have the potential to grow their business and an appreciation of and ability to manage risk.

UEM believes it is appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach and encouraging the optimisation of capital structures and business efficiencies. The investment team maintains regular contacts with investee companies and UEM is often among its investee companies' largest institutional 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, investing not only through equity but also through debt securities and derivative instruments such as warrants and options. UEM is prepared to hold investments in unlisted securities when the attractiveness of the investment justifies the risks and lower liquidity associated with unlisted investments.

The inaugural eight month period has seen a pleasing performance resulting in the undiluted net asset value per ordinary share increasing from 98.4p to 119.5p.

The emerging markets have experienced a significant loss of investor confidence resulting in sharp declines in most markets. Longer-term the investment opportunities remain attractive

I am pleased to be writing my inaugural Chairman's Statement for Utilico Emerging Markets Utilities Limited ("UEM"). UEM was successfully listed in July 2005, raising £52.5m from investors and acquiring the emerging markets portfolio of Utilico Investment Trust plc ("UIT") for £22.5m. Since the period end UEM has raised a further £100.0m through an open offer and placing. As at 31 May 2006 UEM has gross assets of some £172.7m UIT remains our largest shareholder having received shares for the emerging markets portfolio and taken up its open offer entitlement in full.

The inaugural eight month period to 31 March 2006 has seen a pleasing performance for UEM. UEM recorded a total profit for the period of £15.8m resulting in the undiluted net asset value ("NAV") per ordinary share increasing from 98.4p to 119.5p. The Company started with 30% of its funds invested and only achieved a fully invested position in early December 2005; this represents a satisfactory performance.

A key feature of the current portfolio has been the strong yield characteristics. In the eight months to 31 March 2006 the undiluted revenue earnings per share was 1.62p. This equates to an annualised return on the shareholders' funds at the period end of 2.0%. This return is expected to be higher in a full year as a result of a number of companies paying an annual dividend in the period from April to June, and as such have not been received in this financial period. The Directors have recommended paying a final dividend of 1.5p for the period ended 31 March 2006. This will be payable on 7 August 2006.

The ordinary shares and warrants continue to be well supported, with the ordinary shares standing at 126.0p at period end, a premium of 8.4% to the diluted NAV per ordinary share. The warrants stood at 47.0p. On a combined basis, the market capitalisation of the Company's instruments traded at £101.6m, a premium of 13.3% to the NAV of UEM.

The emerging markets have experienced a significant loss of investor confidence resulting in sharp declines in most markets. This has negatively impacted on UEM's portfolio, and since the period end the undiluted NAV per ordinary share has declined to 107.70p at 31 May 2006. This sentiment is likely to prevail while investors remain concerned over the return of inflation, high oil prices, and rising interest rates which could impact negatively on developed markets and as a result emerging markets. Longer-term the investment opportunities remain attractive. Most of the economic drivers in the emerging markets remain encouraging.

Since the period end UEM has successfully raised £100.0m through an open offer and placing of 100 million C shares and 20 million new warrants. These proceeds will be invested in the market over the coming months. Some £25.0m was invested immediately in buying a pro-rata amount of the existing portfolio from the ordinary shareholders. The ordinary shareholders used this £25.0m to repay their bank debt. Once the C share pool becomes 80% invested and subject to the Directors' approval, the C shares will be converted into ordinary shares based on the relative NAV of both on an undiluted basis.

Alexander Zagoreos

June 2006

The undiluted NAV per ordinary share has increased by 21.5% to stand at 119.5p

We continue to identify attractive long-term investments which meet our investment criteria.

The Company's objective of absolute return was achieved with the undiluted net asset value ("NAV") per ordinary share increasing by 21.5% to stand at 119.48p at 31 March 2006. The MSCI (EMF) sterling adjusted index increased by 34.3% over this period. However, it should be remembered that UEM only achieved a fully invested position in early December 2005. For the period 1 January 2006 to 31 March 2006, UEM's undiluted NAV increased by 11.2% against the MSCI (EMF) sterling adjusted index which increased by 10.2%.

Portfolio

The portfolio increased from nine holdings with a value of £22.5m which were transferred from Utilico Investment Trust plc on 20 July 2005 to 49 holdings with a value of £108.1m as at 31 March 2006. This increase of £85.6m represents investment of the net proceeds of the fund raising of £51.3m and £17.5m arising from a bank facility together with a gain of £16.8m.

The top 10 holdings, which are set out in this report, accounted for 60.4% of the portfolio, and the next 10 for a further 22.0%. This concentration has arisen in part from investment decisions and in part from performance. Looking forward this is expected to continue.

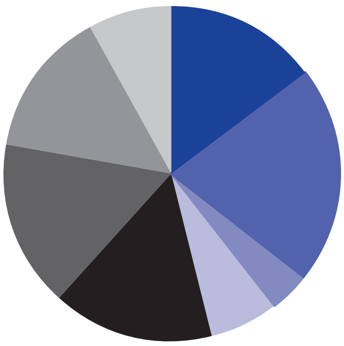
Amongst the top 10 we added Saneamento Basico do Estado de Sao Paulo, Electricity Generating Company, Companhia de Gas de Sao Paulo, AES Tiete and TIM Particpacéos. We also invested further in Companhia de Concesseos Rodoviarias, Ocean Wilsons Holdings, Grupo Aeroportuario del Sureste and Datang International Power Generation.

The top 10 are covered in more detail on pages 9 to 11 of this report.

The balanced sector spread of investments is an outcome of the stock selection approach rather than a set objective of the investment process.

The geographical split of the portfolio is weighted towards Latin America partly as a result of new investment in the region and partly from the strong performance of the Brazilian investments in the portfolio. Looking forward, the expectation is for Latin American exposure as a percentage to decrease as further investments are made. By the end of April the full £25.0m bank facility had been drawn down and invested and the Latin American percentage of the portfolio had reduced to 51.2%.

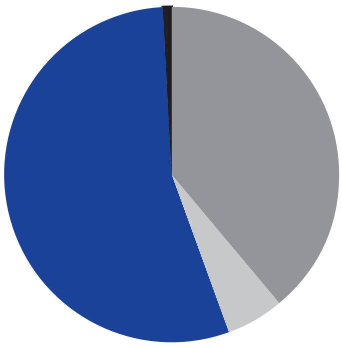
Sectoral split of investments
as at 31 March 2006



Airports 14.9%
4 investments
Electricity 20.9%
7 investments
Gas 3.9%
1 investment
Other 6.6%
5 investments
Ports 15.6%
8 investments
Roads/Rail 15.9%
4 investments
Telecoms 14.2%
16 investments
Water 8.0%
4 investments

Source: Utilico Emerging Markets Utilities Limited

Geographical split of investments
as at 31 March 2006



Latin America 54.6%
Asia 39.0%
Eastern Europe 5.7%
Other 0.7%

Bank Debt

UEM has established a £25.0m facility with the Royal Bank of Scotland. At 31 March 2006 £17.5m of the facility had been drawn down; £7.5m in Hong Kong dollars and £10.0m in United States dollars. Both these currencies offer some natural protection against the foreign currency exposure of the portfolio while interest rates for these currencies are considered reasonable.

Revenue Account

The total income amounted to £2.1m in the period and represented a gross return of 3.3% on an annualised average basis. However, a number of companies only declare and pay an annual dividend in the period from April to June. Had the Company's current period included these months, the portfolio would have had a gross yield of over 4.0%.

The Revenue Account fees and expenses amount to £721,000, representing an annualised cost of some 1.2% based on average equity shareholders' funds. This included a management fee of £284,000 payable to Ingot Capital Management Pty Limited ("ICM") representing 0.5% of the gross assets, less current liabilities excluding bank debt per annum. The balance of the fees and expenses are more fixed in nature and will be expected to reduce as a percentage as the Company's size increases following the £100.0m C share issue.

The exchange gains and losses were modest during the period.

A performance fee of £2.1m was earned by ICM under its management contract and will be paid to them half in shares, 920,804 shares based on the period end diluted NAV per ordinary share of 116.23p, and half in cash (£1.1m), following the publication of this report and accounts. The share entitlement will be settled either by ICM buying an equivalent number of shares in the market if it can do so at a discount to NAV at the time (such purchases to be reimbursed by the Company in cash) or by the issue of new ordinary shares to them by the Company.

£100.0m C Share Issue

UEM raised £100.0m through the open offer and placing of 100.0m C shares and 20.0m warrants after the period end. The costs were £1.4m and the resultant starting NAV per C share was 98.6p. The proceeds have been used in the first instance to purchase some £25.0m of the existing portfolio from the ordinary shareholders. The balance has been placed on deposit in UK sterling. It is expected that these proceeds will be invested over the coming months mainly in the existing positions within the portfolio. As at 31 May 2006 £62.7m had been invested. The shape and profile of the portfolio is not expected to materially change as a result of this investment activity.

Outlook

We continue to identify attractive long-term investments which meet our investment criteria. Further the investable universe continues to expand as new listings add to the existing opportunities. Our main focus remains in Brazil, Mexico, China, Malaysia and Thailand. All these markets offer investable companies at attractive valuations in improving economies.

TEN LARGEST HOLDINGS

At 31 March 2006

Position	Company/*(Country)*	Market value £'000s	% of total investments
1	**Companhia de Concessoes Rodoviarias S.A.** *(Brazil)* Toll road operator	11,423	10.6
2	**Ocean Wilsons Holdings Limited** *(Brazil)* Ports operator and provider of shipping services	11,412	10.6
3	**Grupo Aeroportuario del Sureste S.A. de C.V.** *(Mexico)* Airport operator	9,931	9.2
4	**Datang International Power Generation Co. Ltd.** *(China)* Electricity generator	6,438	5.9
5	**Saneamento Basico de Estado de Sao Paulo S.A.** *(Brazil)* Water and sewerage company	5,390	5.0
6	**Electricity Generating PCL** *(Thailand)* Electricity generator	4,422	4.1
7	**Companhia de Gas de Sao Paulo S.A.** *(Brazil)* Gas distribution company	4,274	4.0
8	**AES Tiete S.A.** *(Brazil)* Electricity generator	4,165	3.8
9	**Hainan Meilan International Airport Co. Ltd.** *(China)* Airport operator	3,986	3.7
10	**TIM Participacoes S.A.** *(Brazil)* Mobile telecommunications provider	3,789	3.5
	Other investments	42,826	39.6
	Total investments	108,056	100.0

The value of the ten largest holdings represents 60.4% of the Company's total investments. The country shown is the location of the major part of the company's business.

The value of convertible securities represents 6.7% of the Company's portfolio and the value of fixed income securities represents 2.0% of the Company's portfolio. The total number of companies included in the portfolio is 49.

REVIEW OF TOP TEN HOLDINGS

Companhia de Concessoes Rodoviarias (Brazil)

www.ccrnet.com.br

"CCR" is the largest private toll road operator in Latin America and is listed on the Novo Mercardo of the Brazilian Stock Exchange, a sub grouping of the exchange for companies having high standards of corporate governance. CCR operates six toll roads with a combined length of 1,450km in the Brazilian states of Parana, Sao Paulo and Rio de Janeiro. The strong performance established in recent years continued in the year to December 2005, with turnover increasing by 34% and net income by 90%. The investment in CCR has been substantially increased during the period, with UEM investing a further £4.3m on top of the £3.3m of CCR stock transferred from UIT at the time of inception. During the period CCR's share price increased by 54%, this contributed to it becoming UEM's largest holding at the end of March. The value of UEM's holding in GBP terms at the end of March showed a 50% gain on book cost. Like most toll road companies, CCR benefits from having high margins and strong cash flows. In future, CCR should benefit from participation in further road privatisations as Brazil continues to look to the private sector for the delivery of its road improvement and expansion policy.

Ocean Wilsons Holdings (Brazil)

www.oceanwilsons.bm

"Ocean Wilsons" is based in Brazil and provides port and shipping services. The company is listed on the London and Bermuda Stock Exchanges. It operates two container terminals in Brazil at Tecon Rio Grande and Tecon Salvador and is the country's largest provider of vessel towage services. The investment in Ocean Wilsons was increased during the period, bringing the total book cost to £7.9m. Volume at the company's ports has continued to increase and will expand further following completion of the third berth at Tecon Rio Grande. In terms of future prospects, the company remains well placed to benefit from the continued strong outlook for Brazilian trade. Ocean Wilsons has performed strongly during the period, with its share price increasing by 51%.

Grupo Aeroportuario del Sureste (Mexico)

www.asur.com.mx

"ASUR" administers and operates a group of nine airports in the southeast region of Mexico in the cities of Cancun, Cozumel, Merida, Huatulco, Oaxaca, Veracruz, Villahermosa, Tapachula and Minatitlan. The company is listed on both the New York and Mexican Stock Exchanges. During 2005 approximately 13.3m passengers passed through the company's airports. The investment in ASUR was increased during the period bringing the total book cost to £9.6m. The stock has had a volatile few months with a strong advance in the third quarter of 2005 then a sharp decline in October as a result of Hurricane Wilma which resulted in the closure of Cancun airport for forty-eight hours. The resultant damage to both the airport and the hotel infrastructure in Cancun caused a sharp fall in traffic. However passenger numbers have been recovering strongly in conjunction with the rebuilding of hotel accommodation in Cancun, the vast majority of which has now been completed. The net effect on the share price over the period was a slight decline of 3.6%.

Datang International Power Generation (China)

www.dtpower.com

"Datang" is a Chinese electricity generation company, owning and operating plant with a capacity of over 18,000MW, (sufficient to power several large cities). Datang generates mainly using coal, but is increasingly investing in hydro, nuclear, and renewable energy sources. During 2005, Datang performed well with revenue increased by 32% and electricity output increased by 27%. However, sharply rising coal prices pegged earnings back to a 2.6% growth. Datang is investing in a pipeline of new development projects which should drive future growth. Chinese electricity demand shows little sign of slowing driven by both increasing industrialisation and consumer affluence. During the period UEM swapped out of holding ordinary shares in the company, to holding a convertible loan note denominated in US dollars. This investment offers a more favourable balance of risk and reward in the Investment Manager's view. The investment was showing a marginal increase on book cost at the end of the period.

Saneamento Basico do Estado de Sao Paulo (Brazil)

www.sabesp.com.br

"Sabesp" is a water and sewerage company serving the State of Sao Paulo, including Sao Paulo City, in Brazil. In total Sabesp serves a population of 25 million people. 2005 was a successful year for Sabesp with revenue increasing by 15% and earnings by 69%. During 2005 water volumes supplied increased by 4.4%. In future years Sabesp should continue to benefit from increasing demand and improved efficiency. Sabesp is a new investment for UEM, the holding having been wholly acquired during the period rather than transferred from UIT. Sabesp's share price increased by 45% during the period, with UEM's investment showing a 34% gain on book cost at the end of March.

Electricity Generating (Thailand)

www.egco.com

"Egco" is an electricity production company operating in Thailand, generating almost 10% of Thailand's total electricity requirements. Egco is expanding its generation capacity in order to keep pace with Thai electricity demand growth. 2005 showed a relatively flat performance due to a lack of new projects entering service during the year. Egco is another new investment for UEM, with a total amount invested of £4.4m by the period end. The value of the investment is showing a marginal loss as compared to book cost at the end of March.

Companhia de Gas de Sao Paulo (Brazil)

www.comgas.com.br

"Comgas" is a gas distribution business in the state of Sao Paulo in Brazil. Historically, natural gas has formed a low proportion of the total Brazilian energy mix. However, large gas discoveries in neighbouring Bolivia, and also the discovery of domestic Brazilian gas fields, have spurred an increasing take up of the fuel. This has been driven mainly by industrial and commercial uses, but residential demand should also be a factor in the future. One complicating factor that the company will have to address is the possible re-nationalisation of the ownership of Bolivian gas fields by the new Bolivian Government and Comgas will have to ensure supplies continue to be delivered. During 2005 Comgas continued their strong growth with gas volumes distributed rising by 14%, leading to an increase in net income of 31%. Comgas is another new investment in the period for UEM, with the position showing a moderate gain over book cost at the end of March.

AES Tiete (Brazil)

www.aestiete.com.br

AES Tiete operates 10 hydro electricity generating plants within the state of Sao Paulo, Brazil. 2005 was a successful year for the company, with a favourable combination of increasing wholesale Brazilian electricity prices combined with a substantially fixed cost base. Generation volumes increased by 8%, revenue by 28%, and earnings by 91%. AES Tiete will continue to be underpinned by its high levels of cash flow, strong Brazilian electricity demand growth, and a high yield. This is another new investment for UEM during the period, and at the end of March the holding recorded a profit of 25% when compared to the book cost.

Hainan Meilan International Airport (China)
www.mlairport.com

"Hainan Meilan" operates the Hainan Meilan International Airport situated on the island of Hainan in China. The company is listed on the Hong Kong Stock Exchange. During 2005 approximately seven million passengers passed through the airport. The investment in Hainan Meilan was increased substantially during the period resulting in a total book cost of £3.8m. The airport is primarily a destination for domestic Chinese tourists as only a very small percentage of visitors are foreign. Tourism on Hainan has been increasing strongly in recent years encouraged by the growing wealth of the Chinese middle-class and the expansion of hotel infrastructure on the island. Concerns over competition with neighbouring Sanya airport has led to the stock losing some of the gains from earlier in the year resulting in a net increase of 8% over the period.

TIM Participacoes (Brazil)
www.timsul.com.br

"TIM Participacoes" is the holding company of Telecom Italia's Brazilian interests. The company is listed on both the New York and Sao Paulo Stock Exchanges and provides mobile telecommunications services throughout Brazil. The Brazilian telecommunications network is divided into 10 regions. TIM Participacoes originally only provided telecommunication services in two regions. However in January parent company Telecom Italia announced the consolidation of all its mobile interests in Brazil. This transaction has transformed TIM Participacoes from a very attractively valued but relatively low growth company into a more expensive stock with superior growth prospects. Following the merger, TIM Participacoes is the only mobile telecommunications company in Brazil with coverage throughout the country. The initial investment was made at the beginning of August resulting in a total book cost of £1.8m. The stock has performed strongly, increasing by 124% since the time of the original investment.

INVESTMENT TEAM

The investment team consists of five individuals. Primary responsibility for the running of the Company and the investment portfolio falls to the Company's executive Director, Mr Charles Jillings, and the main representative of the Investment Manager, Mr Duncan Saville.

Mr Charles Jillings (Executive Director)

Mr Jillings, aged 50, is the executive Director of the Company. He is responsible for the running of the Company and the investment portfolio in conjunction with the Investment Manager. Mr Jillings is qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He set up The Analysis & Research Company Limited in 1995 and has been a director of a number of listed companies. He is currently a director of Hemscott plc and Utilico Investment Trust plc.

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

Mr Saville, aged 49, is a director of UEM's Investment Manager, Ingot Capital Management Pty Limited ("ICM"). He is a non-executive director of Infratil Limited and ERG Limited and was formerly a non-executive director of Utilico Investment Trust plc, The Special Utilities Investment Trusts PLC, East Surrey Holdings plc, Dee Valley Group plc, Glasgow Prestwick International Airport Limited and Wellington International Airport.

Assisting them are three employees of UEM who are:

Mr James Smith

Mr Smith, aged 33, has been involved in the running of UEM and Utilico Investment Trust plc since their inception and before that with The Special Utilities Investment Trust PLC since 1999. Mr Smith is a barrister and a member of the Institute of Chartered Accountants in England and Wales.

Mr Mark Lebbell

Mr Lebbell, aged 34, has been involved in the running of UEM and Utilico Investment Trust plc since their inception and before that with The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is an associate member of the Institute of Electrical Engineers.

Mr David McIlroy

Mr McIlroy, aged 44, has been involved in the running of UEM since its inception. He joined Utilico Investment Trust plc in July 2005 having previously been employed for 10 years within the emerging markets team at F&C Management Ltd. Mr McIlroy is an associate of the UK Society of Investment Professionals and an associate of the Chartered Institute of Bankers (Scotland).

Investment Manager

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

DIRECTORS

Mr Alexander Zagoreos (Chairman) †*

Mr Zagoreos, aged 68 and appointed on 14 June 2005, was educated at Columbia University and was awarded a BA, MBA and Masters degree in international affairs. He is a limited managing director and senior adviser of Lazard Asset Management, where he was formerly responsible for emerging market products and closed-end investment companies. He has over 37 years of investment experience. He is currently a director of The World Trust Fund, chairman of The Egypt Trust and formerly co-manager of Lazard Emerging World Investors LP. He is on the board of a number of investment companies and charitable organisations.

Mr John Michael Collier †*

Mr Collier, aged 60 and appointed on 14 June 2005, was educated in Bermuda, the UK and North America. He joined the Bank of Butterfield in Bermuda in 1963 and was appointed president and chief operating officer in 1992 and chief executive in 1994. He retired from this position in 1996. He is currently chairman of Belco Holdings Limited, a director of Exelon Generation Finance Company LLC, ATNP Finance Company and Exelon Enterprises Investment Inc., all Delaware entities and subsidiaries of Exelon Corporation. He is also a director of a number of US and Bermuda companies.

Mr Charles Jillings (Executive Director)

Mr Jillings, aged 50 and appointed on 14 June 2005, is the executive Director of the Company. Mr Jillings is qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He set up The Analysis & Research Company Limited in 1995 and has been a director of a number of listed companies. He is currently a director of Hemscott plc and Utilico Investment Trust plc.

Mr Garth Milne †*

Mr Milne, aged 63 and appointed on 14 June 2005, was formerly head of the investment funds division at UBS Warburg, having originally set up the team at Laing and Cruickshank. He has been involved in investment trusts in the UK for over 30 years and is a director of several investment companies, including Premier UK Dual Return Trust Plc, Real Estate Opportunities Limited, INVESCO Perpetual UK Smaller Companies Trust Plc, Henderson Far East Income Trust Plc and The Ukraine Opportunity Trust Plc.

Mr Kevin O'Connor (Deputy Chairman) †*

Mr O'Connor, aged 65 and appointed on 14 June 2005, was until recently the chairman of Infratil Limited, a New Zealand based specialist investor in international infrastructure and utility assets. Previously he had a 35 year career in investment banking and stock broking with Daysh Renouf & Co and O'Connor Grieve & Co amongst others. He is a member of the New Zealand Takeovers Panel, chairman of the Wellington Regional Community Foundation, a trustee of the Catholic Foundation of Wellington as well as being involved with a number of other charitable bodies.

† Independent Director

* Member of the Audit Committee, Management Engagement Committee and Remuneration Committee

The Directors present their report and the financial statements of the Company for the period from incorporation on 9 June 2005 to 31 March 2006. The Company commenced trading on 20 July 2005.

Status of the Company

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

Note 1 to the accounts contains full details of the accounting policies adopted.

Going Concern

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

Investment Objective and Policy

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

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

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

Review of the Business

A review of the business is given in the Chairman's Statement on page 5 and in the Investment Report on pages 6 and 7.

Revenue and Dividends

	£'000s
Revenue profit for the period	1,215
Amount transferred to reserves	1,215

The Directors propose to pay a final dividend of 1.50p per ordinary share, payable on 7 August 2006 to ordinary shareholders on the register as at the close of business on 16 June 2006.

Share Capital

Full details of changes to the Company's authorised and issued share capital during the period can be found in note 15 to the accounts.

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

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

Directors

The Directors of the Company are detailed on page 13.

On incorporation, and for that purpose only, the Directors of the Company were Ms Sarah Moule, Mrs Bernett Cox, Mr Robert Dummett and Ms Marcia Gilbert.

Messrs Zagoreos, Collier, Jillings, Milne and O'Connor were appointed as Directors in place of the aforementioned on 14 June 2005.

Mrs Ruby Rawlins and Mrs Bernett Cox were appointed as Directors on 14 June 2005 solely for the purpose of ensuring the initial statutory meetings taking place on that date were quorate and they ceased to be Directors immediately thereafter.

Directors are subject to retirement by rotation. All Directors, having been appointed during the period under review, will retire at the Annual General Meeting and, being eligible, offer themselves for election.

Following an appraisal of each of their performance the Board believes that these Directors make a valuable contribution based on their individual skills, knowledge and experience, that they have commitment to the role.

Mr Jillings is the executive Director of the Company. He was appointed as an executive Director on 14 June 2005 under a service agreement of that date. Details of the service agreement can be found in the Directors' Remuneration Report on page 22.

None of the other Directors has a service agreement with the Company. Each non-executive Director has signed a letter of appointment setting out the terms of their engagement as Directors.

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

Directors' Remuneration

The Directors' Remuneration Report, which can be found on pages 22 and 23, and note 5 to the accounts provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Report at the Annual General Meeting (Resolution 2). The Directors' remuneration is not conditional upon the resolution being passed.

Substantial Share Interests

As at 5 June 2006, the Company is aware of the following holdings of 3% and over of its share capital.

Ordinary Shares

Foreign & Colonial Investment Trust plc*	10,000,000	13.32%
Utilico Investment Trust plc	22,522,239	30.00%

C Shares

Foreign & Colonial Investment Trust plc*	10,000,000	10.00%
Utilico Investment Trust plc	22,522,239	22.52%

* F&C Management Limited, its parent company F&C Asset Management plc and Friends Provident Group (as ultimate holding company) are also deemed to be interested in these shares.

Management

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

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

Under the terms of the Agreement, ICM is obliged to provide the services of an executive Director approved by the Company and also provides the services of three further individuals to act as employees of the Company. These employees, who act under the supervision of the executive Director, are also employed by Utilico Investment Trust plc, another investment company managed by ICM. The remuneration paid to the employees is paid by ICM on behalf of the Company.

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

Administration

The Company and the Investment Manager also have an administration agreement with F&C Management Limited (the "Administrator"), under which the Administrator provides company secretarial, financial and general administrative services to the Company for a fee, payable monthly in arrears, of £200,000 per annum. The fee was increased to £205,000 per annum with effect from 1 April 2006. The Administrator and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Company or the Administrator may terminate this agreement upon three months' notice in writing.

Duration of the Company

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

Policy on Payment of Suppliers

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

Risk Control

A summary of the risk control measures taken by the Board is set out in the Corporate Governance section on pages 20 and 21.

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

Auditors

RSM Robson Rhodes LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

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

Special Business at the Annual General Meeting

Shareholders will find on pages 39 and 40 the Notice of the forthcoming Annual General Meeting of the Company to be held on 31 July 2006 at 10.00am. In addition to the ordinary business of the meeting, resolutions numbered 12 and 13 are to be proposed as special business.

Authority for the Company to Purchase its Own Shares (Resolution 12)

Resolution 12 authorises the Company to purchase in the market initially up to a maximum of 11,255,088 ordinary shares (equivalent to approximately 14.99% of the issued ordinary shares as at the date of this Report). Upon conversion of the C shares into ordinary shares, the authority to purchase ordinary shares will be increased to such number of ordinary shares as shall equal 14.99% of the issued ordinary share capital of the Company immediately following conversion of the C shares. This authority will expire on 30 January 2008 unless it is varied, revoked or renewed prior to that date at the Company's Annual General Meeting in 2007 or at any other general meeting by ordinary resolution. Any purchases will be made at prices below the prevailing net asset value of an ordinary share where the Directors believe such purchases would result in an increase in the net asset value per share of the remaining shares and to assist in narrowing any discount to net asset value per ordinary share at which such shares may trade. The maximum price to be paid will be no more than 5% above the average of the mid-market values of the ordinary shares for the five business days immediately before the date of purchase. Any ordinary shares purchased by the Company will be cancelled.

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

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

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

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

Change in Company name (Resolution 13)

The Board believes that the reference to utilities within the Company's name does not reflect the wider remit of its policy, and makes the name unnecessarily cumbersome. The Board is therefore proposing that the name of the Company be changed to"Utilico Emerging Markets Limited". A resolution to this effect is set out in the Notice of Annual General Meeting. The Company's investment objective remains unchanged.

By order of the Board
F&C Management Limited, Secretary
5 June 2006

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company at 31 March 2006 and of the results for the period then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with International Financial Reporting Standards. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Company is committed to high standards of corporate governance and endeavours to maintain the same level of governance as UK listed investment companies. The Board has considered the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the "Combined Code") and the AITC Code of Corporate Governance revised in February 2006 (the "AITC Code"). The Board believes that during the period under review the Company has complied with the provisions of the Combined Code, in so far as they relate to the Company's business, and that it is adhering to the principles and recommendations of the AITC Code. The only exceptions are that the Company does not have its own internal audit function (further explanation on this appears on page 21 of this report) and, as explained below, there is no Nomination Committee.

The Board

The Directors' biographical details on page 13 of this report demonstrate the wide range of skills and experience that the Directors bring to the Board. The non-executive Directors have each signed a letter of appointment to formalise in writing the terms of their engagement as non-executive Directors, and a service agreement is in place with the executive Director which has no fixed end date and is terminable on six months' notice. Copies of these letters and the service agreement are available for inspection at the Company's registered office during normal business hours and will also be available at the Annual General Meeting.

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

The Board, with only five Directors, operates without a Nomination Committee. The Directors recognise the value of progressive refreshing of, and succession planning for, company boards. The Directors will regularly review the structure of the Board, including the balance of expertise and skills brought by individual Directors. The Board is of the view that length of service does not necessarily compromise the independence or contribution of Directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AITC Code. However, the Board has put a policy into place where Directors who have served for nine years or more will be subject to annual re-election. Directors over the age of 70 will also be subject to annual re-election.

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

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

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. A formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews investment performance as well as other high-level management information including financial reports and reports of a strategic nature. It monitors compliance with the Company's objectives and is directly responsible for investment strategy and approving asset allocation and gearing. There were three full Board meetings held in the period under review. All Directors were present at each of these meetings, with the exception of Mr O'Connor who was present at two of the meetings. The quorum for any Board meeting is two Directors.

Board and committee meetings are also held on short notice to consider particular issues as they arise. During the period under review, 12 such meetings were held to consider various matters, including the establishment of the Company, the issue of shares arising from the exercise of warrants, the issue of shares to satisfy Directors' fee payments and to consider the C share issue. Of these meetings, Mr Zagoreos attended 5, Mr Collier attended 11, Mr Jillings attended 5, Mr Milne attended 1 and Mr O'Connor attended 10.

The Audit, Management Engagement and Remuneration Committees were established on 13 March 2006 and no meetings were held in the period under review. These Committees have met once since the period end, when all members were present. Mr Jillings is not a member of these Committees, but was in attendance at the Committees' invitation.

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

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

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

Management

The Company has a Management Agreement with Ingot Capital Management Pty Limited (the "Investment Manager" or "ICM"), which provides portfolio monitoring, research and other investment management services to the Company. Under the terms of this Agreement, ICM provides the services of an executive Director of the Company and three employees as detailed on page 15 of this report.

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

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

Audit Committee

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by Mr Collier, operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on request.

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

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

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

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

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

Auditors

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

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

The Audit Committee has also reviewed the provision of non-audit services by the auditors. In the period under review, non-audit fees amounted to £23,000 of which £3,000 is in relation to review of the interim results for the period ended 30 September 2005 and £20,000 is work undertaken in respect of the initial public offering of the Company. It is considered that the non-audit fees are non-material and that the services provided are cost effective and in no way impede the independence of the auditors.

Management Engagement Committee

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

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

Internal Controls and Management of Risk

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

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

In addition, the Administrator produces an annual Statement of Internal Corporate Governance to the standards of the Financial Reporting and Auditing Group Technical Release 21/94 (FRAG21) Report for its clients. This is in accordance with the framework set out in the Financial Reporting and Auditing Group Technical Release 21/94 (revised) issued by the Institute of Chartered Accountants in England and Wales. This sets out the control policies and procedures with respect to the duties carried out by the Administrator on the Company's behalf. The effectiveness of these controls is monitored by the Administrator's group audit and compliance committee, which receives regular reports from the Administrator's audit, compliance and risk department. The

Company's Audit Committee has received and reviewed the Statement for the year ended 31 December 2005, together with a report from the Administrator's group audit and compliance committee on the effectiveness of the internal controls maintained on behalf of the Company.

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

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

Remuneration Committee

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

The Remuneration Committee is responsible for reviewing the terms of the service agreement with, and the salary paid to, the executive Director. It will also make recommendations to the Board in respect of the fees of Directors. Full details of the remuneration for individual Directors is set out in the Directors' Remuneration Report on pages 22 and 23.

Investor Relations

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

Shareholders wishing to communicate with the Chairman, the Deputy Chairman (who acts as Senior Independent Director) or other members of the Board may do so by writing to the Company at its registered office address, which can be found on page 41.

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

Corporate Governance, Socially Responsible Investment and Voting Policy

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

The Company seeks to encourage companies to be socially responsible and is attracted to invest in those that are. It also aims to avoid investing in any company that does not meet generally accepted standards of social responsibility unless there is a reasonable prospect of improvements that would raise that company's standards up to an adequate level.

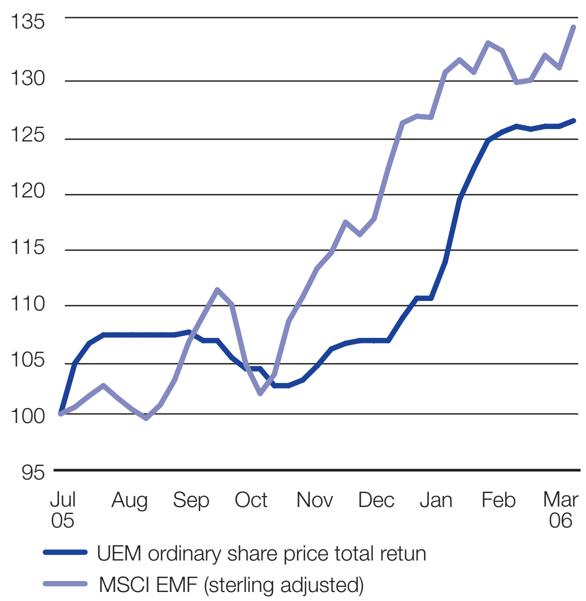
The Company supports the boards of companies with its vote unless it sees clear investment reasons for doing otherwise. It is the Company's policy to exercise its voting rights at shareholder meetings of investee companies. Decisions on contested takeover bids are always referred to the Board.

Remuneration Committee

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

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

UEM share price total return
From 20 July 2005 to 31 March 2006
(rebased to 100 at 20 July 2005)



Source: Utilico Emerging Markets Utilities Limited

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

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

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

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

In the period under review, the Chairman received a fee of £25,000 and the other Directors received £17,500, both on an annualised basis. Fees are paid in the form of shares in the Company. With effect from 1 April 2006, fees were increased to £28,500 per annum for the Chairman and £20,000 per annum for the other Directors. The Chairman of the Audit Committee will receive an additional £5,000 per annum.

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

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

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

Remuneration for Qualifying Services

Director	Fees for services to the Company £'000s
A E Zagoreos (Chairman)	19
J M Collier	13
C D O Jillings (Executive Director)*	13
G P D Milne	13
K J O'Connor	13
Total	71

* In addition to the Directors' fees disclosed above Mr C D O Jillings will receive 107,545 Ordinary Shares and £125,000 from the Investment Manager for services provided in respect of the affairs of the Company in the period.

The information in the above table has been audited (see the Independent Auditors' Report on page 24).

By order of the Board
F&C Management Limited, Secretary
5 June 2006

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Members of Utilico Emerging Markets Utilities Limited

We have audited the financial statements on pages 25 to 38, together with the information in the Directors' Remuneration Report on page 23 that is described as having been audited. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1981 of Bermuda.

We read other information contained in the Annual Report on pages 1 to 23 and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs, of the state of affairs of the company as at 31 March 2006 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1981 of Bermuda.

RSM Robson Rhodes LLP
Chartered Accountants
London, England
5 June 2006

INCOME STATEMENT

for the period from 9 June 2005 to 31 March 2006

Notes		Revenue £'000s	Capital £'000s	Total £'000s
10	Gains and losses on investments	–	17,057	17,057
19	Gains and losses on derivative instruments	–	(18)	(18)
	Exchange gains/(losses)	1	(234)	(233)
2	Investment income	1,677	–	1,677
2	Other income	396	–	396
		2,074	16,805	18,879
3	Management and administration fees	(431)	(2,141)	(2,572)
4	Other expenses	(290)	(30)	(320)
	Profit before finance costs and taxation	1,353	14,634	15,987
6	Finance costs	(81)	–	(81)
	Profit before taxation	1,272	14,634	15,906
7	Taxation	(57)	–	(57)
	Profit for the period	1,215	14,634	15,849
8	**Earnings per share (basic) - pence**	1.62	19.50	21.12
8	**Earnings per share (diluted) - pence**	1.59	19.15	20.74

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

All income is attributable to the equity holders of the Company.
The Company was incorporated on 9 June 2005 and commenced trading on 20 July 2005.

STATEMENT OF CHANGES IN EQUITY

for the period from 9 June 2005 to 31 March 2006

	Ordinary share capital £'000s	Share premium account £'000s	Warrant reserve £'000s	Non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
Profit for the period	–	–	–	–	14,634	1,215	15,849
Issue of ordinary shares and warrants	7,507	63,514	4,050	1	–	–	75,072
Issue costs of ordinary share capital	–	(1,230)	–	–	–	–	(1,230)
Balance at 31 March 2006	7,507	62,284	4,050	1	14,634	1,215	89,691

BALANCE SHEET

Notes		at 31 March 2006 £'000s
	Non-current assets	
10	Investments	108,056
	Current assets	
11	Other receivables	780
	Derivative instruments	883
	Cash and cash equivalents	1,238
		2,901
	Current liabilities	
12	Bank loans	(17,528)
	Purchases for future settlement	(1,166)
13	Other payables	(2,409)
	Derivative instruments	(163)
		(21,266)
	Net current liabilities	(18,365)
	Net assets	89,691
	Equity attributable to equity holders	
15	Ordinary share capital	7,507
16	Share premium account	62,284
17	Warrant reserve	4,050
18	Non-distributable reserve	1
19	Capital reserves	14,634
19	Revenue reserve	1,215
	Total attributable to equity holders	89,691
20	**Net asset value per ordinary share**	
	Basic - pence	119.48
	Diluted - pence	116.23

Approved by the Board on 5 June and signed on its behalf by

Alexander Zagoreos

Charles Jillings

CASH FLOW STATEMENT

Notes		for the period from 9 June 2005 to 31 March 2006 £'000s
21	Cash flows from operating activities	(67,324)
	Cash flows from investing activities	–
	Cash flows before financing activities	(67,324)
	Cash flows from financing activities	68,696
	Effect of foreign exchange changes	(134)
	Cash and cash equivalents at the end of the period	1,238

1 ACCOUNTING POLICIES

The Company is an Investment Company incorporated in Bermuda on 9 June 2005 and listed on the Alternative Investment Market in London with effect from 20 July 2005 (the date of commencement of trading). The Financial Statements are for the Company's first financial period ended 31 March 2006 and thus there are no comparatives.

(a) Basis of accounting

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

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

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

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

Capital returns include, but are not limited to, realised and unrealised profits and losses on fixed asset investments and derivative instruments and on cash and borrowings. Net capital returns may not be distributed by way of a dividend and are allocated via the capital account to Capital Reserves.

(b) Valuation of investments and derivative instruments

Investment purchases and sales are accounted for on the trade date.

Investments and derivative instruments used for efficient portfolio management that do not qualify for hedge accounting are classified as being at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition. 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. Listed investments are shown at fair value using market bid prices. The fair value of unlisted investments is determined by the Board. The Board's valuation technique takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors. Listed options and similar derivative instruments are valued at listed market prices.

(c) Foreign currency

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

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

(d) Other income

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

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

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the income statement and allocated to the revenue column except those expenses incidental to the acquisition or disposal of investments and performance related management fees (calculated under the terms of the Investment Management Agreement) which are allocated to the capital account.

1 ACCOUNTING POLICIES (CONTINUED)

(f) Share–based payments

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

(g) Finance costs

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

(h) Dividends payable

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

(i) Capital reserves

The following items are accounted for in these reserves:

Capital reserve – realised

- gains and losses on the realisation of investments and derivative instruments
- realised exchange differences of a capital nature
- expenses allocated in accordance with note 1(e)

Capital reserve – unrealised

- increases and decreases in the valuation of investments held at the period end
- unrealised exchange differences of a capital nature

(j) Warrant reserve

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

2 INVESTMENT AND OTHER INCOME

	Period ended 31 March 2006 £'000s
Investment income:	
Overseas dividends	1,588
Overseas and UK interest	89
	1,677
Other income:	
Interest on cash and short-term deposits	396
Total investment and other income	2,073

Investment income comprises:

Listed	1,640
Unlisted	37
	1,677

3 MANAGEMENT AND ADMINISTRATION FEES

	Period ended 31 March 2006		
	Revenue £'000s	Capital £'000s	Total £'000s
Payable to:			
Ingot Capital Management Pty Limited			
– management fee	284	–	284
– performance fee	–	2,141	2,141
F&C Management Limited – administration fee	147	–	147
	431	2,141	2,572

Ingot Capital Management Pty Ltd ("ICM") provides investment management services for a fee of 0.5% per annum, payable quarterly in arrears. The Agreement with ICM may be terminated upon six months notice, such notice not to be effective before the expiry of an initial term of 24 months from the date of appointment on 14 July 2005.

In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount of any outperformance in that period by equity funds attributable to shareholders of the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years, plus inflation, plus 2%. Half of the performance fee is payable in ordinary shares of the Company, based on the diluted NAV per share at the period end. The performance fee of £2,141,000 accrued at 31 March 2006 will be payable within 21 days of publication of the annual Report and Accounts and will comprise £1,071,000 in cash together with ICM endeavouring to purchase 920,804 ordinary shares in the market at a price equal to or below the fully diluted net asset value at 31 March 2006. The Company will reimburse ICM in cash for such purchases. In the event ICM is unable to purchase some or all of the ordinary shares in the market at or below the fully diluted NAV at 31 March 2006, the Company will issue sufficient shares to ICM based on the diluted net asset value per share as at 31 March 2006, to make up any shortfall.

F&C Management Limited ("FCM") provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £200,000 per annum, payable monthly in arrears and will be entitled to reimbursement of certain expenses incurred by it in connection with its duties. In respect of the period to 31 March 2006, FCM also received a £10,000 fee in respect of the initial issue of the share capital of the Company. With effect from 1 April 2006 the fee was increased to £205,000 per annum. The Agreement with FCM is terminable on three months' notice in writing after an initial one year term.

4 OTHER EXPENSES

	Period ended 31 March 2006		
	Revenue £'000s	Capital £'000s	Total £'000s
Auditors' remuneration			
for audit services	18	–	18
for other services*	3	–	3
Directors' fees:			
fees for services to the Company (see Directors' Remuneration Report on pages 22 and 23)	71	–	71
Other expenses	198	30	228
	290	30	320

* Total auditors' remuneration for other services amounts to £23,000, of which £3,000 is charged to revenue account in relation to review of the interim results for the period ended 30 September 2005 and £20,000 is charged to the share premium account for work undertaken in respect of the Initial Public Offering of the Company.

5 DIRECTORS' REMUNERATION, CONTRACTS AND SHARED BASED PAYMENTS

(a) Remuneration

The amounts paid by the Company to Mr Jillings, which were for services as an executive Director of the Company, and to the other Directors, which were for services as non-executive Directors, did not include any payments or rights to pensions and are detailed in the Directors' Remuneration Report on pages 22 and 23.

(b) Directors' interests in securities

The beneficial interests of the Directors in the securities of the Company as at 31 March 2006 were as follows:

	Ordinary shares	Warrants
A E Zagoreos	111,825	20,000
J M Collier	58,278	10,000
C D O Jillings	108,278	20,000
G P D Milne	208,278	40,000
K J O'Connor	83,278	15,000

Since the period end, the non-executive Directors resident outside the UK were issued with further shares to satisfy fee entitlements on 25 April 2006. As at the date of this report, the beneficial interests of the Directors in the securities of the Company are as follows:

	C shares	New warrants	Ordinary shares	Warrants
A E Zagoreos	111,825	22,365	117,327	20,000
J M Collier	108,278	21,655	62,129	10,000
C D O Jillings	158,278	31,655	108,278	20,000
G P D Milne	258,278	51,655	208,278	40,000
K J O'Connor	333,278	66,655	87,129	15,000

(c) Directors' interests in contracts

Mr Jillings is also an executive director of Utilico Investment Trust PLC ("UIT") which owned 30% of the issued ordinary shares of the Company at 31 March 2006.

(d) Share based payments

On 18 October 2005, 23,011 ordinary shares were issued by the Company in order to satisfy Directors' fee payments in shares of £24,000 for the quarter ended 30 September 2005.

On 23 January 2006, 21,926 ordinary shares were issued by the Company in order to satisfy Directors' fee payments in shares of £24,000 for the quarter ended 31 December 2005.

6 FINANCE CHARGES

	Period ended 31 March 2006		
	Revenue £'000s	Capital £'000s	Total £'000s
On loans and overdrafts repayable within one year	81	–	81

7 TAXATION

	Period ended 31 March 2006		
	Revenue £'000s	Capital £'000s	Total £'000s
Overseas taxation withheld from overseas dividends	57	–	57
Total current taxation	57	–	57

Profits for the period are not subject to Bermuda tax.

8 EARNINGS PER SHARE

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

	Revenue	Capital	Total
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders (£'000s)	1,215	14,634	15,849
Weighted average number of ordinary shares in issue during the period	75,043,340	75,043,340	75,043,340

Diluted earnings per share

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

	Number
Weighted average number of shares in issue during the period for basic earnings per share calculations	75,043,340
Dilutive potential shares	1,393,396
Weighted average number of shares for diluted earnings per share calculations	76,436,736

9 DIVIDENDS

The Directors propose to pay a final dividend in respect of the period ended 31 March 2006 of 1.50p per ordinary share payable on 7 August 2006 to all shareholders on the register at close of business on 16 June 2006.

10 INVESTMENTS

	Listed £'000s	Unlisted £'000s	Total £'000s
Movements in the period:			
Purchases at cost	98,796	6,940	105,736
Sales:			
proceeds	(14,231)	(506)	(14,737)
realised gains and losses on sales	1,398	32	1,430
Increase in unrealised appreciation	15,393	234	15,627
Valuation at 31 March 2006	101,356	6,700	108,056
Cost at 31 March 2006	85,963	6,466	92,429
Unrealised appreciation at 31 March 2006	15,393	234	15,627
	101,356	6,700	108,056

Gains on investments

	£'000s
Realised gains based on historical cost	1,430
Increase in unrealised appreciation	15,627
Gains on investments	17,057

Significant interests

As at 31 March 2006 the Company had holdings of 3% or more of any class of share capital or other instrument of the following investments, which are material in the context of the financial statements:

Company	Country of incorporation	Class of instruments held	% of class of instruments held
Hainan Meilan International Airport Co. Ltd.	China	ordinary shares	5.1
Ocean Wilsons Holdings Limited	Bermuda	ordinary shares	6.8

11 OTHER RECEIVABLES

	31 March 2006 £'000s
Accrued income	737
Other debtors	43
	780

12 BANK LOANS

	31 March 2006 £'000s
Hong Kong dollar 101.111m repayable February 2007	7,512
United States dollar 17.373m repayable February 2007	10,016
	17,528

The Company has a committed loan facility of £25,000,000 which expires on 28 February 2007. Commissions are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature.

13 OTHER PAYABLES

	31 March 2006 £'000s
Accrued interest on bank loans and overdrafts	8
Accrued expenses	2,401
	2,409

14 BUSINESS AND GEOGRAPHICAL SEGMENTS

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

15 ORDINARY SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number	£'000s	Number	£'000s
Equity share capital				
Ordinary shares of 10p each issued on 20 July 2005	150,000,000	15,000	75,022,239	7,502
Issued during the period			48,537	5
Balance at 31 March 2006	150,000,000	15,000	75,070,776	7,507

The Company was incorporated on 9 June 2005 with an authorised share capital of £10,000 divided into 100,000 ordinary shares of 10p each, issued at par with the call payment deferred. On 20 July 2005 75,022,239 ordinary shares of 10p each were authorised, issued and fully paid up. On 27 July 2005, the 100,000 nil paid shares, issued at the date of incorporation, were bought back by the Company for nil consideration and cancelled.

44,937 Ordinary shares were issued during the period in order to satisfy Directors' fee payments (see note 5(d)) and 3,600 were issued on the exercise of warrants (see below).

Since the period end for the Directors resident outside the UK 13,204 ordinary shares have been issued in order to satisfy Directors' fee payments totalling £16,500 for the quarter ended 31 March 2006 in accordance with the Company's prospectus.

Under the terms of the issue of ordinary shares on 20 July 2005, 15,004,447 warrants were issued to ordinary shareholders on the basis of one warrant for every five shares. Holders have the right to subscribe for one ordinary share per warrant at £1 in cash on 31 January or on 31 July in any of the years 2006 to 2010 (inclusive). On 31 January 2006, 3,600 warrants were exercised. At 31 March 2006 15,000,847 were in issue.

16 SHARE PREMIUM ACCOUNT

	£'000s
Premium on issue of ordinary share capital	67,562
Issue costs of ordinary share capital	(1,230)
Transfer to warrant reserve on issue of warrants	(4,051)
Premium on conversion of warrants	3
Balance at 31 March 2006	62,284

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

17 WARRANT RESERVE

	£'000s
Transfer from share premium on issue of warrants	4,051
Transfer to other non-distributable reserve on exercise of warrants	(1)
Balance at 31 March 2006	4,050

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

18 NON-DISTRIBUTABLE RESERVE

	£'000s
Transfer from warrant reserve on exercise of warrants	1
Balance at 31 March 2006	1

19 OTHER RESERVES

	Capital reserve (realised) £'000s	Capital reserve (unrealised) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains and losses on investments (see note 10)	1,430	15,627	17,057	–
Gains and losses on derivative instruments	(129)	111	(18)	–
Exchange gains	(234)	–	(234)	–
Performance fee (see note 3)	(2,141)	–	(2,141)	–
Other capital charges	(30)	–	(30)	–
Revenue profit for the period	–	–	-	1,215
Balance at 31 March 2006	(1,104)	15,738	14,634	1,215

20 NET ASSET VALUE PER SHARE

(a) Net asset value per ordinary share is based on net assets at the period end of £89,691,000 and on 75,070,776 ordinary shares in issue at the period end.

(b) Diluted net asset value per ordinary share is based on net assets at the period end and assumes the receipt of proceeds arising from the exercise of 15,000,847 warrants outstanding at £1 per warrant.

	Number
Ordinary shares in issue at the period end	75,070,776
Ordinary shares created on exercise of all warrants	15,000,847
Number of ordinary shares for diluted calculation	90,071,623

Attributable net assets - £'000s	104,692
Diluted net asset value per ordinary share – pence	116.23

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

	£'000s	£'000s
Profit before taxation		15,906
Adjust for non-cash flow items:		
Gains and losses on investments	(17,057)	
Gains and losses on derivative instruments	18	
Exchange gains	233	
Effective yield interest	(34)	
Directors' remuneration paid in shares	48	
Increase in accrued income	(752)	
Increase in creditors	2,382	
Increase in other debtors	(11)	
Tax on overseas income	(42)	
		(15,215)
Adjust for cash flow items not within the Income Statement		
Net cash flows on investments	(67,277)	
Net cash flows on derivatives	(738)	
		(68,015)
Net cash flows from operating activities		(67,324)

22 CASH FLOWS FROM OPERATING AND FINANCING ACTIVITIES

Excludes £22,522,239 of investments received in-specie on 20 July 2005, in consideration for 22,522,239 ordinary shares issued pursuant to the admission of the Company's shares to the Alternative Investment Market and to the Bermuda Stock Exchange.

23 RELATED PARTY TRANSACTIONS

On 20 July 2005, the initial date of the listing on the Alternative Investment Market (AIM) in London, the Company issued ordinary share capital to Utilico Investment Trust PLC ("UIT") in exchange for an in-specie transfer of £22,522,000 of investment holdings. The shareholding by UIT in the Company represented 30% of the then-issued share capital.

24 POST BALANCE SHEET EVENTS

In accordance with the Special General Meeting on 26 April 2006, 100,000,000 C shares of 50p, a new class of share in the Company, were issued at a price of 100p on 12 May 2006. 20,000,000 new warrants were attached to the C shares on a one for five basis. The C shares are convertible into ordinary shares on the basis that reflects the relative net asset value of the pool of new capital attributable to the C shares as compared to the net asset value attributable to the ordinary shares in issue at the calculation date. The calculation date will fall within 10 business days of the date at which at least 80% of the net proceeds of the C share issue have been invested, or if earlier, 30 November 2006. The ordinary shares arising on conversion will rank pari passu with the ordinary shares then in issue.

Prior to conversion, the C shares will carry the right to any dividends declared only in respect of the assets attributable to the C shares.

The new warrants issued in connection with the C shares will be converted into existing warrants at the same date as the C shares are converted into ordinary shares. The ratio of conversion of the warrants will be based upon the C share conversion ratio.

25 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The Company’s investment objective is to provide long-term capital appreciation by investing predominantly in utility and related businesses in emerging markets. The Company seeks to meet its investment objective by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing its investment objectives, the Company faces risks to both assets and revenue. These risks, and the Directors’ approach to the management of the risks, are set out in the table below. These policies have been consistently applied throughout the period under review.

Risk Management

Risk	Management of Risk
Credit Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. There is also a credit risk associated with deposit takers.	All transactions are settled on the basis of delivery against payment, except where local market conditions do not permit. All counterparties to derivative instruments are approved by the Board.
Market Price The Company’s assets consist principally of quoted equities, convertible bonds and fixed interest stocks, the values of which are determined by market forces.	The Company’s risk is managed through investment in a diversity of stocks, most of which are listed on recognised stock exchanges. The Board manages the market price risks inherent in the Company’s portfolio by ensuring full and timely access to relevant information. The Board meets regularly and at each meeting reviews performance and financial results. Equity and index derivatives are used on a selective basis to hedge market risk. When appropriate, the Company has the ability to buy put options on the investments in its portfolio, and also put and call stock index options.
Currency Certain of the Group's assets, liabilities, and income, are denominated in currencies other than sterling (the currency in which the Company reports its results). As a result, movements in exchange rates may affect the sterling value of those items.	The Company has borrowings denominating in the same currencies as the portfolio. Forward foreign exchange contracts are used on a selective basis to hedge currency risk. Income denominated in foreign currencies is converted to sterling on receipt.
Interest Rate Interest rate movements may affect assets, liabilities and net revenue.	The Company's assets include convertible bonds and fixed interest rate stocks, the income from which, and the values of which, are reviewed by the Board on a regular basis. The risks that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Company finances part of its activities through borrowings with appropriate interest rates in currencies and at levels approved and monitored by the Board.
Liquidity Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.	The Company invests principally in equities and other investments that are readily realisable. The Company has the power to take out borrowings, and in addition has an overdraft facility of £1.0 million, and a multi-currency loan facility of £25.0 million. The Board gives guidance to the investment managers as to the maximum amount of the Company's resources that should be invested in any one holding. The policy is that the Company should remain fully invested in normal market conditions.

25 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets
The Company's financial assets comprise equity investments, convertible bonds, fixed interest securities, short-term receivables and cash balances.

The profile of those financial assets at 31 March 2006, by currency was:

	BRL £'000	GBP £'000	HKD £'001	THB £'000	USD £'000	Other £'000	Total £'000
Non-current investments at fair value through profit or loss	25,916	17,038	13,009	10,394	28,993	12,706	108,056
Derivatives designated as fair value through profit or loss	–	–	–	–	883	–	883
Cash and cash equivalents	352	409	–	–	476	1	1,238
Other receivables	289	92	–	130	269	–	780
	26,557	17,539	13,009	10,524	30,621	12,707	110,957

Financial liabilities
The Company finances its investment activities through the Company's ordinary share capital, reserves and borrowing.

The profile of the Company's financial liabilities at 31 March 2006, by currency, was:

	GBP £'000	USD £'000	HKD £'000	BRL £'000	Total £'000
Multi-currency loan facility	–	(10,016)	(7,512)	–	(17,528)
Derivatives designated as fair value through profit or loss	–	(163)	–	–	(163)
Purchases for future settlement	(741)	–	–	(425)	(1,166)
Other payables	(2,401)	(5)	(3)	–	(2,409)
	(3,142)	(10,184)	(7,515)	(425)	(21,266)

Interest rate risk

Financial assets
The interest rate profile of the Company's financial assets at 31 March 2006 was:

	Fixed rate financial assets £'000	Weighted average interest rate %	Weighted average period for which the rate is fixed years
Non-current investments:			
Sterling	1,100	4.99	1.8
Euro	1,067	5.00	2.1
United States dollar	7,319	5.54	2.6

Financial liabilities
The interest rate profile of the Company's financial assets at 31 March 2006 was:

	Fixed rate financial assets £'000	Weighted average interest rate %	Weighted average period for which the rate is fixed days
Multi currency loan facility:			
Hong Kong dollar	7,512	5.00	38
United States dollar	10,016	5.47	38
	17,528		

Fair values of financial assets
All of the financial assets of the Company are held at fair value.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2006 Annual General Meeting of Utilico Emerging Markets Utilities Limited will be held at Ciragan Palace Kempinski, Ciragan Caddesi, 32 Besiktas, 34349, Istanbul, Turkey on Monday, 31 July 2006 at 10.00am for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' report and accounts for the period ended 31 March 2006.
2. To approve the Directors' Remuneration Report for the period ended 31 March 2006.
3. To declare a final dividend on the ordinary shares.
4. To elect Mr A Zagoreos as a Director.
5. To elect Mr J M Collier as a Director.
6. To elect Mr C D O Jillings as a Director.
7. To elect Mr G D P Milne as a Director.
8. To elect Mr K J O'Connor as a Director.
9. To re-appoint the auditors.
10. To authorise the Directors to determine the auditors' remuneration.
11. To approve the Company's investment objective and policy, which are unchanged.

Special Business

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

12. Accept the recommendation of the Directors and resolve that the Directors be generally and unconditionally authorised to make market purchases of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares"), provided that:
    - (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased:
        - (i) prior to conversion of the C shares in the issued capital of the Company ("C Shares"), is 11,255,088 Ordinary Shares (representing 14.99% of the issued Ordinary Shares as at 5 June 2006); and
        - (ii) after conversion of the C Shares, is such number of Ordinary Shares as shall equal 14.99% of the issued Ordinary Shares immediately following such conversion;
    - (b) the maximum price which may be paid for an Ordinary Share will be equal to 105% of the average of the mid-market quotation for the share taken from the London Stock Exchange for the five business days immediately preceding the date of purchase (or such other amount as may be specified by the London Stock Exchange from time to time);
    - (c) the maximum price payable referred to in paragraph (b) above is exclusive of any expenses payable by the Company in connection with such purchase;
    - (d) such purchases shall be made in accordance with the Bermuda Companies Act;
    - (e) the authority to purchase Ordinary Shares conferred hereby shall expire on 30 January 2008 unless it is varied, revoked or renewed prior to that date at the Company's 2007 annual general meeting or any other special general meeting by ordinary resolution; and
    - (f) the Company may enter into any contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.
13. That the name of the Company be changed to Utilico Emerging Markets Limited.

By order of the Board
F&C Management Limited, Secretary
5 June 2006

Notes:

Only the holders of ordinary shares and C shares registered on the register of members of the Company at 11.00 pm on 29 July 2006 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 11.00 pm on 29 July 2006 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

The return of a form of proxy will not preclude a member from attending the meeting and voting in person if he/she wishes to do so.

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3ZZ, not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through a depository interest should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 11.00 am on 27 July 2006.

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

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

The final dividend in respect of the period ended 31 March 2006 for the ordinary shares, if approved, will be paid on 7 August 2006 to the relevant holders on the register at the close of business on 16 June 2006.

COMPANY INFORMATION

Utilico Emerging Markets Utilities Limited
Company Registration Number: 36941
www.utilicoemergingmarkets.com

Directors

Alexander Zagoreos (Chairman)
Michael Collier
Charles Jillings (Executive)
Garth Milne
Kevin O'Connor

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Bermuda Broker

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Company Secretary and Administrator

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