**Date:** 9 December 2010

**Contact:** Charles Jillings
Utilico Emerging Markets Limited
01372 271 486

Alastair Moreton
Westhouse Securities Limited
0207 601 6100

# Utilico Emerging Markets Limited
# Unaudited Statement of Results
# for the six months to 30 September 2010

Highlights of results

UEM's diluted NAV ordinary share increased by 16.3% to 172.53p

UEM's revenue earnings per share have risen in the six months by 25.5% to 4.09p

The Board has declared a dividend of 3.75p

UEM's long term performance since inception in 2005 has resulted in an average annual compound return of 14.3%

## CHAIRMAN'S STATEMENT

I am pleased to report that Utilico Emerging Markets Limited's ("UEM") diluted net asset value ("NAV") per ordinary share increased by 16.3% to 172.53p during the period. This was achieved despite most world markets retreating over the six months. The Bloomberg World Index, the S&P 500 Index (both GBP adjusted) and FTSE All-Share Index retreated by 1.1%, 2.4% and 1.5% respectively. The MSCI Emerging Markets Index (GBP adjusted) was up 2.8%.

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

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

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

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

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

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

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

Alexander Zagoreos
Chairman
9 December 2010

## INVESTMENT MANAGER'S REPORT

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

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

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

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

The composition of the top ten investments remain broadly the same although there have been some positional changes. A new entry to the top ten is My EG Services Berhad ("MYEG") a Malaysian company offering online governmental transactional services for items such as road tax renewal and vehicle insurance renewal. In the six months to September 2010, the share price of MYEG has increased by 82.8%, taking the value of UEM's holding to £8.5m and replacing ENN Gas (formerly Xinao Gas) as the tenth largest investment.

**Malaysia Airports Holdings Berhad's ("MAHB")** share price rose 19.5% over the six months to 30 September 2010, hitting an all time high in August 2010. First half results to 30 June 2010, announced passenger traffic increases of 17.8% on the prior period and revenues up 11.4%.

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

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

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

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

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

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

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

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

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

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

## MARKET HEDGING

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

## BANK DEBT

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

## REVENUE RETURN

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

## CAPITAL RETURN

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

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

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

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

The profit for the six months on the Capital account was £44.0m, compared with £6.2m in the previous period.

## BUYBACKS, WARRANT AND S SHARE EXERCISE

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

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

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

## SUMMARY OF UNAUDITED RESULTS

| | **Half-year 30 Sep 10** | Half-year 30 Sep 09 | Annual 31 Mar 10 | Half-year change % |
|---|---|---|---|---|
| Undiluted net asset value per ordinary share | **172.53p** | 140.35p | 157.33p | 9.7 |
| Diluted net asset value per ordinary share | **172.53p** | 133.82p | 148.37p | 16.3 |
| Ordinary share price | **160.25p** | 124.50p | 132.00p | 21.4 |
| (Discount)/premium - (based on diluted NAV) | **(7.1%)** | (7.0%) | (11.0%) | n/a |
| Earnings per ordinary share (basic) | | | | |
| - Capital | **21.19p** | 30.04p | 48.57p | (29.5) |
| - Revenue | **4.09p** | 3.26p | 4.67p | 25.5 |
| - Total | **25.28p** | 33.30p | 53.24p | (24.1) |
| Dividend per ordinary share | | | | |
| - Interim | **3.75p[(1)]** | 3.75p | 3.75p | - |
| - Final | **n/a** | n/a | 1.05p | n/a |
| - Total | **n/a** | n/a | 4.80p | n/a |
| Equity holders' funds (£m) | **378.1** | 299.0 | 319.9 | 18.2 |
| Gross assets (£m)[(2)] | **378.1** | 299.0 | 344.5 | 9.8 |
| Cash (£m) | **1.8** | 18.9 | 2.0 | (10.0) |
| Bank debt (£m) | **-** | - | (24.7) | n/a |
| Net cash/(debt) (£m) | **1.8** | 18.9 | (22.7) | n/a |
| Net debt gearing on gross assets | **n/a** | n/a | 6.6% | n/a |
| Management and administration fees (£m)[(3)] | **1.8** | 1.2 | 2.5 | n/a |
| Total expense ratio [(4)] | **0.9%** | 0.8% | 0.8% | n/a |

(1) The dividend declared has not been included as a liability in these accounts.
(2) Gross assets less liabilities excluding loans.
(3) Excluding performance fee , including other expenses
(4) Annualised management and administration fees over average gross assets.

## DIRECTORS' STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

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

These risks and the way they are mitigated are described in more detail under the heading Internal Controls and Management of Risk in the Corporate Governance section of the Group's Annual Report for the year ended 31 March 2010. The Group's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Group's financial year. The Annual Report and Accounts is published on the Company's website, www.uem.bm.

## DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors confirm that to the best of our knowledge:

i) the condensed set of financial statements has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and return of the Group;

ii) the Chairman's Statement and Investment Manager's Report (constituting the interim report) includes a fair review of the important events that have occurred in the six months to 30 September 2010 and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

iii) the Interim Report includes a fair review of the material related party transactions that have taken place in the six months to 30 September 2010 and that have materially affected the financial position or performance of the Group during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

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

## UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

| | **Six months to 30 September 2010** | | | Six months to 30 September 2009 | | |
|---|---|---|---|---|---|---|
| | **Revenue return £'000s** | **Capital return £'000s** | **Total Return £'000s** | Revenue return £'000s | Capital return £'000s | Total return £'000s |
| Gains and losses on investments | **-** | **50,637** | **50,637** | - | 69,078 | 69,078 |
| Gains and losses on derivative instruments | **-** | **(1,421)** | **(1,421)** | - | (2,946) | (2,946) |
| Exchange gains and losses | **-** | **(251)** | **(251)** | - | 1,562 | 1,562 |
| Investment and other income | **10,333** | **-** | **10,333** | 9,157 | - | 9,157 |
| **Total income** | **10,333** | **48,965** | **59,298** | 9,157 | 67,694 | 76,851 |
| Interest not receivable | **-** | **-** | **-** | (261) | - | (261) |
| Management and administration fees | **(395)** | **(4,461)** | **(4,856)** | (315) | (490) | (805) |
| Other expenses | **(479)** | **(19)** | **(498)** | (393) | (6) | (399) |
| Profit before finance costs and taxation | **9,459** | **44,485** | **53,944** | 8,188 | 67,198 | 75,386 |
| Finance costs | **(304)** | **(710)** | **(1,014)** | (498) | (1,163) | (1,661) |
| **Profit before taxation** | **9,155** | **43,775** | **52,930** | 7,690 | 66,035 | 73,725 |
| Taxation | **(682)** | **185** | **(497)** | (724) | (1,808) | (2,532) |
| **Profit for the period** | **8,473** | **43,960** | **52,433** | 6,966 | 64,227 | 71,193 |
| **Earnings per ordinary share (basic) – pence** | **4.09** | **21.19** | **25.28** | 3.26 | 30.04 | 33.30 |
| **Earnings per ordinary share (diluted) – pence** | **3.95** | **20.49** | **24.44** | 3.19 | 29.44 | 32.63 |

The total column of this statement represents the Group's Condensed Income Statement and the Group's Condensed Statement of Comprehensive Income, prepared in accordance with IFRS.
The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies in the UK.
The Group does not have any income or expense that is not included in the profit for the period, and therefore the 'profit for the period' is also the 'total comprehensive income for the period', as defined in International Accounting Standard 1 (revised).
All items in the above statement derive from continuing operations.
All income is attributable to the equity holders of the Company. There are no minority interests.

## UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
**for the six months to 30 September 2010**

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

for the six months to 30 September 2009

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

for the year to 31 March 2010

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

## UNAUDITED CONDENSED GROUP BALANCE SHEET

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

## UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

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

**NOTES**

The Directors have declared an interim dividend in respect of the six months to 30 September 2010 of 3.75p per ordinary share payable on 7 January 2011 to shareholders on the register at close of business on 17 December 2010. This interim dividend has not been accrued in the results for the six months to 30 September 2010.

The half-yearly report will be posted to shareholders in mid December 2010. Copies may be obtained during normal business hours from Exchange House, Primrose Street, London EC2A 2NY.

By order of the Board
F&C Management Limited, Secretary
9 December 2010