

**UTILICO EMERGING MARKETS UTILITIES LIMITED**  
Interim report and accounts  
for the period to 30 September 2005

**To provide long-term capital appreciation by investing predominantly in utility and related companies in emerging markets.**

**Summary of unaudited results for the period from 9 June 2005<sup>(1)</sup> to 30 September 2005**

	30 September 2005	20 July 2005 <sup>(2)</sup>	Change
Undiluted net asset value per ordinary share	103.87p	98.36p	5.6%
Diluted net asset value per ordinary share	103.22p	98.36p*	4.9%
Ordinary share price	106.50p	100.00p	6.5%
Premium – (based on diluted NAV)	3.2%	1.7%	
Earnings per share (basic)	5.51p		
Equity shareholders' funds (£'m)	77.93	73.79	5.6%

\* There is no dilution

(1) Date of incorporation of the Company

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

Utilico Emerging Markets Utilities Limited (UEM) was successfully launched on 20 July 2005 with initial shareholders' funds of £73.8 million net of fees. Since then the Company has performed steadily with shareholders' funds up by 5.6% to £77.9 million. The Net Asset Value ("NAV") per share (undiluted) also increased by 5.6% from the initial NAV of 98.4p to 103.9p while the NAV per share (diluted) increased by 4.9% to 103.2p over the period.

The focus of the Company is to generate absolute returns and, as such, the Company is not benchmarked against any particular index. Initially the NAV performance will be muted by the high level of cash held on deposit pending investment. However, for comparison purposes, over the period from the Company's commencement of trading to the end of September, the sterling adjusted MSCI EMF Index rose by 11.0%.

The process of investing the proceeds from the Company's launch is progressing well. At 30 September 2005 the funds invested stood at 69% of the net assets. As at 30 November 2005, the funds invested stood at 95% of net assets and comprised 41 positions. The NAV per share (diluted) stood at 103.39p at that date.

Further information on UEM can be found on the Company's website, at [www.utilicoemergingmarkets.com](http://www.utilicoemergingmarkets.com). This provides shareholders with share prices, weekly asset values, stock exchange releases, a monthly factsheet and a monthly comment regarding performance and markets.

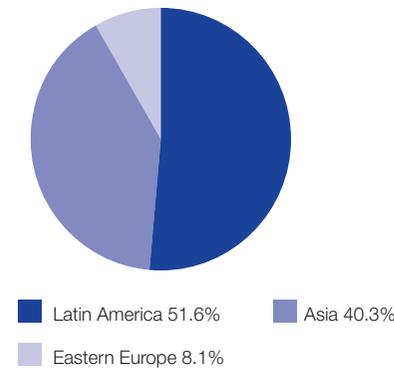
The earnings per share were 5.5 pence, comprising 5.0 pence of capital gains and 0.5 pence of revenue gains. The modest nature of the revenue gains reflects in the main the short initial investment period of 10 weeks since the receipt of funds. Given the modest nature of the revenue gains, the directors do not intend to declare a dividend for this initial period.

The Ordinary Shares and Warrants have enjoyed strong support with the Ordinary Shares standing at 106.5p and the Warrants at 35.3p at 30 September 2005. On a combined basis, the market capitalisation of the Company's instruments traded at a 9.3% premium.

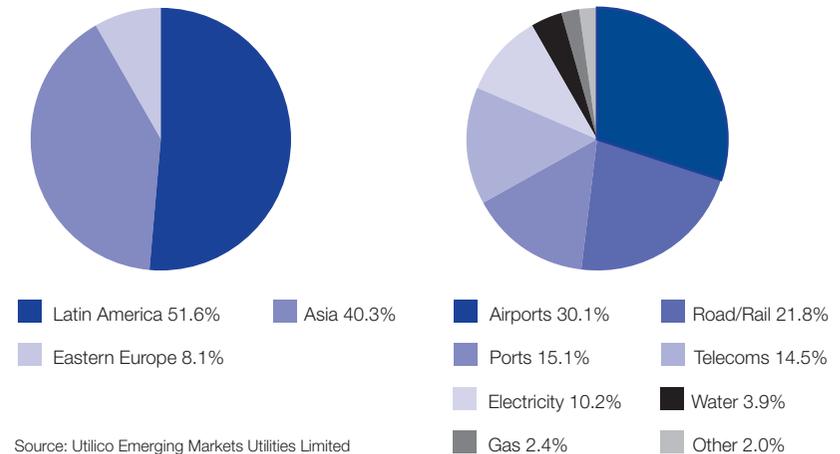
Looking to the future, the directors remain confident about the long-term outlook for emerging markets and for UEM and its portfolio.

Alexander Zagoreos  
December 2005

Geographical split of investments  
as at 30 September 2005

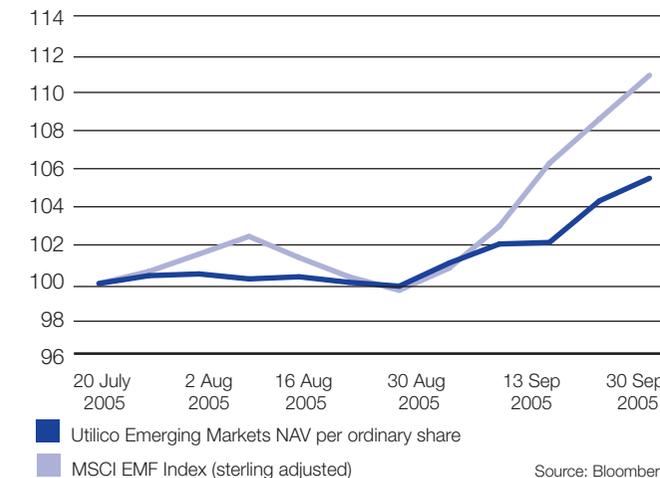


Sectoral split of investments  
as at 30 September 2005



Source: Utilico Emerging Markets Utilities Limited

NAV per ordinary share performance  
from 20 July 2005 to 30 September 2005



Source: Bloomberg

The Company was successfully launched and the proceeds of the fund raising were received on 20 July 2005. The initial costs of the flotation were £1.2 million, in line with our expectations.

The objective of the Company is to produce long-term capital appreciation by investing predominantly in utility and related companies in emerging markets. The Company has started steadily with shareholders' funds increasing by 5.6% to £77.9 million since its inception.

#### Portfolio Review

The main contributor to the increase in shareholders' funds over the period has been Grupo Aeroportuario del Sureste (ASUR), the Mexican airport group, which is the largest holding in the portfolio. ASUR's value increased by 15.5% boosted by healthy passenger growth together with increases in both aviation and non-aviation income. However, it should be noted that since the period-end, ASUR has been negatively impacted by Hurricane Wilma which hit Cancun Airport, ASUR's largest asset.

The next largest contribution to the increase in NAV has been Companhia de Concessões Rodovias, the Brazilian toll road operator, which rose by 19.7%, helped by the strong performance from the Brazilian market in the third quarter. A positive contribution to performance was also made from China Resources Peoples Telephone Co Ltd which increased by 29.7% following speculation of a take-over approach

by China Mobile which was subsequently confirmed in October.

As at 30 September 2005, the funds invested stood at 69% of the net assets. This comprised 28 investments, with the top ten covering 52% of the net assets. Recent additions to the top 10 include Companhia de Saneamento Básico do Estado de São Paulo, a São Paulo water utility, China Resources Peoples Telephone Co Ltd, a Chinese telecommunications company, Bangkok Expressway, a Thailand toll-road operator, and Demasz Rt, a Hungarian electricity distributor.

As expected, the spread of investments is predominately in Latin America and the Far East. They represent 52% and 40% of the portfolio respectively, with Eastern Europe accounting for the 8% balance. On a sectoral basis the portfolio as at 30 September comprised Airports 30%; Road and Rail 22%; Ports 15%; Telecoms 15%; Energy 13% and Other comprising 5%.

Currently the funds invested represent 95% of gross assets and comprises 41 holdings. Further details are included on the website [www.utilicoemergingmarkets.com](http://www.utilicoemergingmarkets.com).

#### Revenue

Other income in the period of £0.6 million comprised investment income of £0.4 million and interest on

cash deposits of £0.2 million. We estimate that the current portfolio will have a gross income yield of over 4% per annum, 2.5% after deducting expenses. However the Company's inaugural trading period is not a complete year and this, together with the uneven incidence of dividend payments throughout the year, means that the income for the period is likely to be lower than it would in a full 12 month period.

The revenue expenses in the period amounted to £0.2 million. These principally comprised management and administration fees and were in line with expectations. We expect expenses in the medium term to settle in the 1.0% to 1.25% of gross assets area, although in the initial period this may be marginally higher.

#### Outlook

The outlook remains positive with a number of the Company's investments exhibiting strong organic growth translating into increasing earnings and dividend payments.

We remain of the view that long-term value can be identified in emerging markets generally and in particular, in the infrastructure related sectors in which we invest.

**TEN LARGEST HOLDINGS OF THE COMPANY**

 UTILICO EMERGING MARKETS UTILITIES LIMITED  
 PERIOD TO 30 SEPTEMBER 2005

**At 30 September 2005**

Rank	Holding/(Country)	Number of shares held	Class of shares held	Market Value £'000s	% of total investments
1	Grupo Aeroportuario del Sureste (Mexico) Operator of Cancun Airport plus other regional airports in Southern Mexico.	465,700	ADR	10,488	13.4%
2	Ocean Wilsons Holdings Ltd (Brazil) Ports operator and provider of shipping services.	2,053,911	ordinary	6,773	8.6%
3	Zhejiang Expressway Co Ltd (China) Toll road operator.	11,728,000	H ordinary	4,657	5.9%
4	Companhia de Concessionarios Rodoviaras (Brazil) Toll road operator.	255,700	ordinary	4,128	5.3%
5	Beijing Capital International Airport (China) Airport operator.	14,160,000	H ordinary	3,482	4.4%
6	Datang International Power Generation Co Ltd (China) Electricity generator.	7,450,000	H ordinary	3,203	4.1%
7	Companhia de Saneamento Basico do Estado de Sao Paulo (Brazil) Water and sewerage company.	215,000	ADR	2,110	2.7%
8	China Resources Peoples Telephone Ltd (China) Telecommunications provider.	7,697,500	ordinary	1,977	2.5%
9	Bangkok Expressway (Thailand) Toll road operator.	5,400,000	ordinary	1,851	2.4%
10	Demasz Rt (Hungary) Electricity distributor.	33,388	ordinary	1,618	2.1%
	Cash and cash equivalents			24,350	31.1%
	Other investments			13,742	17.5%
	<b>Total investments</b>			<b>78,379</b>	<b>100.0%</b>

The country shown is the location of the major part of the company's business.

**UNAUDITED INCOME STATEMENT**

 UTILICO EMERGING MARKETS UTILITIES LIMITED  
 PERIOD TO 30 SEPTEMBER 2005

for the period from 9 June 2005 to 30 September 2005

Notes	Revenue	Capital	Total	
	£'000s	£'000s	£'000s	
	Gains on investments held at fair value	–	3,886	3,886
	Exchange gains/(losses)	1	(111)	(110)
2	Other income	611	–	611
3	Management and administration fees	(135)	–	(135)
	Other expenses	(94)	(1)	(95)
	<b>Profit before finance costs and taxation</b>	<b>383</b>	<b>3,774</b>	<b>4,157</b>
	Finance costs	(11)	–	(11)
	<b>Profit before taxation</b>	<b>372</b>	<b>3,774</b>	<b>4,146</b>
	Taxation	(14)	–	(14)
	<b>Profit for the period</b>	<b>358</b>	<b>3,774</b>	<b>4,132</b>
4	<b>Earnings per share (basic) - pence</b>			<b>5.51</b>
4	<b>Earnings per share (diluted) - pence</b>			<b>5.44</b>

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.

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**

 UTILICO EMERGING MARKETS UTILITIES LIMITED  
 PERIOD TO 30 SEPTEMBER 2005

for the period from 9 June 2005 to 30 September 2005

	Share Capital £'000s	Share Premium Account £'000s	Warrant Reserve £'000s	Retained Earnings £'000s	Total £'000s
Issue of ordinary shares and warrants	7,502	63,469	4,051	–	75,022
Issue costs of ordinary share capital	–	(1,229)	–	–	(1,229)
Profit for the period	–	–	–	4,132	4,132
<b>Balance at 30 September 2005</b>	<b>7,502</b>	<b>62,240</b>	<b>4,051</b>	<b>4,132</b>	<b>77,925</b>

**UNAUDITED BALANCE SHEET**

 UTILICO EMERGING MARKETS UTILITIES LIMITED  
 PERIOD TO 30 SEPTEMBER 2005

At 30 September 2005

	£'000s
<b>Non current assets</b>	
Investments held at fair value	54,029
<b>Current assets</b>	
Receivables	226
Cash and cash equivalents	24,350
	24,576
<b>Current liabilities</b>	
Payables	(680)
<b>Net current assets</b>	<b>23,896</b>
<b>Net assets</b>	<b>77,925</b>
<b>Equity attributable to equity holders</b>	
5 Ordinary share capital	7,502
Share premium account	62,240
Warrant reserve	4,051
6 Retained earnings	4,132
<b>Total equity shareholders' funds</b>	<b>77,925</b>
<b>Net asset value per ordinary share</b>	
7 <b>Basic - pence</b>	<b>103.87</b>
7 <b>Diluted - pence</b>	<b>103.22</b>

Notes

for the period ended 30 September 2005

Notes	£'000s	
8	Cash flows from operating activities	335
	Interest paid	(11)
	Total tax paid	(12)
9	Cash flows from investing activities	(27,145)
	<b>Cash flows before financing activities</b>	<b>(26,833)</b>
9	Cash flows from financing activities	51,294
	<b>Net increase in cash and cash equivalents</b>	<b>24,461</b>
	Effect of foreign exchange changes	(111)
	<b>Cash and cash equivalents at the end of the period</b>	<b>24,350</b>
	Represented by:	
	Cash at bank	1,350
	Short term deposits	23,000
	<b>Cash and cash equivalents at the end of the period</b>	<b>24,350</b>

**1 ACCOUNTING POLICIES**

The Company was incorporated on 9 June 2005 and commenced trading on 20 July 2005. The period to 30 September 2005 is the Company's first reporting period and thus there are no comparatives. The Company's first financial period end is 31 March 2006.

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

**(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 above 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 Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies", issued by the Association of Investment Trusts in January 2003 does not conflict with the requirements of IFRS, the directors have prepared the financial statements on a basis consistent with the recommendations in the SORP. Although not compulsory to do so, the Company has chosen to adopt the SORP as if the Company were a UK Investment Trust, in the belief that this will aid comparison with similar companies incorporated in the United Kingdom.

**(b) Valuation of investments**

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

Investments 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 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.

The gains and losses 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 and other relevant factors. Listed options and similar derivative instruments are valued at listed market prices.

**(c) Foreign currency**

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

**1 ACCOUNTING POLICIES (CONTINUED)****(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 as the revenue column except those expenses incidental to the acquisition or disposal of investments and performance-related advisory fees (calculated under the terms of the management agreement) which are allocated to the capital column.

**(f) Finance costs**

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

**(g) Dividends**

The Company's profit available for distribution by way of dividend shall be the net chargeable profits (as defined in Section 747 ICTFUI, which excludes the amounts allocated to capital within the income statement) calculated as if it were a UK resident company.

**(h) Capital reserve**

The following items are allocated as capital to the column in the retained earnings:

## Capital reserve – realised

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses allocated in accordance with note 1(e)
- costs of purchasing share capital
- costs of Company re-organisation

## Capital reserve – unrealised

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

**(i) Derivative financial instruments**

The Company's activities expose it primarily to risks of changes in foreign currency rates and interest rates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the income statement.

**2 OTHER INCOME**

Company	Period ended 30 Sep 2005 £'000s
Other income comprises:	
Unfranked investment income	427
Interest on currency and deposits	184
	611

**3 MANAGEMENT AND ADMINISTRATION EXPENSES**

Ingot Capital Management Pty Ltd ("Ingot") was appointed investment manager for a fee of 0.5% per annum, payable quarterly in arrears. The agreement with Ingot may be terminated upon six months notice, such notice not to be effective before the expiry of an initial term of 24 months.

In addition, Ingot is entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount of any outperformance of equity funds attributable to shareholders in excess of the post tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years, plus inflation, plus 2 per cent. As at 30 September 2005 no fee has been accrued. The amount payable in respect of the full reporting period ending 31 March 2006 is dependent upon the performance of the Company in the period to 31 March 2006.

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. In respect of the period to 30 September 2005 FCM also received a £10,000 fee in respect of the initial issue of the share capital of the Company. The agreement with FCM is terminable on 3 months' notice in writing after an initial one year term.

**4 EARNINGS PER SHARE**

For the period ended 30 September 2005.

**Earnings****From continuing operations**

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

	Revenue return £'000s	Capital return £'000s	Total £'000s
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders	358	3,774	4,132
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	75,022,239	75,022,239	75,022,239
Effect of dilutive potential shares:			
Warrants	913,927	913,927	913,927
Weighted average number of ordinary shares for the purpose of diluted earnings per share	75,936,166	75,936,166	75,936,166
Earnings per share (basic) - pence	0.48	5.03	5.51
Earnings per share (diluted) - pence	0.47	4.97	5.44

**5 ORDINARY SHARE CAPITAL**

	Authorised Nominal Number	£'000s	Issued and fully paid Nominal 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
Balance at 30 September 2005	150,000,000	15,000	75,022,239	7,502

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.

Since the period end 23,011 ordinary shares have been issued in order to satisfy directors' fee payments totalling £22,000 for the quarter ended 30 September 2005 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. The warrants remain outstanding at 30 September 2005. 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).

**6 RETAINED EARNINGS**

The table below shows the movement in the retained earnings analysed between revenue and capital items.

	Revenue £'000s	Capital £'000s	Total £'000s
Movement during the period:			
Net income for the period	358	3,774	4,132
At 30 September 2005	358	3,774	4,132

\* The revenue column of the retained earnings represents the amount available for distribution by way of dividend.

**7 NET ASSET VALUE PER ORDINARY SHARE**

- (a) Net asset value per ordinary share is based on net assets at the period end of £77,925,000 and on 75,022,239 ordinary shares in issue at the period end.
- (b) Diluted net asset value per ordinary share has been calculated on the Articles basis and is based on net assets at the period end and assuming the receipt of proceeds arising from the exercise of 15,004,447 warrants outstanding at £1 per warrant.

	30 Sep 2005 Number
Ordinary shares in issue at the period end	75,022,239
Ordinary shares created on exercise of all warrants	15,004,447
Number of ordinary shares for diluted calculation	90,026,686
Attributable net assets - £'000s	92,929

**8 RECONCILIATION OF REVENUE RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Period to 30 Sep 2005 £'000s
Total profit before finance costs and taxation	4,157
Gains on investments held at fair value*	(3,886)
Exchange losses	110
Effective yield adjustment on fixed interest	(1)
Increase in accrued income	(210)
Increase in creditors - income related	183
Increase in other debtors	(18)
Cash inflow from operating activities	335

\* The gains on investment held at fair value include purchase transaction costs of £92,000.

**9 CASH FLOWS FROM INVESTING 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.

By order of the Board

F&C Management Limited, Secretary

Exchange House, Primrose Street, London EC2A 2NY

6 December 2005

**Utilico Emerging Markets Utilities Limited**

**Company Registration Number: 36941**

**[www.utilicoemergingmarkets.com](http://www.utilicoemergingmarkets.com)**

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**Michael Collier**

**Charles Jillings** (Executive)

**Garth Milne**

**Kevin O'Connor**

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