UTILICO LIMITED

Report and Accounts for the period 17 January 2007 to 30 June 2008

Ingot Capital Management Pty Ltd

Utilico Limited ("Utilico" or "the Company") was incorporated on 17 January 2007 and began trading on 20 June 2007. These results are for the period 20 June 2007 to 30 June 2008. All performance data relating to periods prior to 20 June 2007 is in respect of Utilico Investment Trust plc ("UIT"), Utilico's predecessor. An investment update was produced as at 30 June 2007 which included figures from UIT. The results from that update for 30 June 2007 as stated in this Report are neither audited nor reviewed under auditing standards.

A copy of the unaudited summary of consolidated net assets as at 30 June 2007 is available, for reference purposes only, on page 65 of this report.

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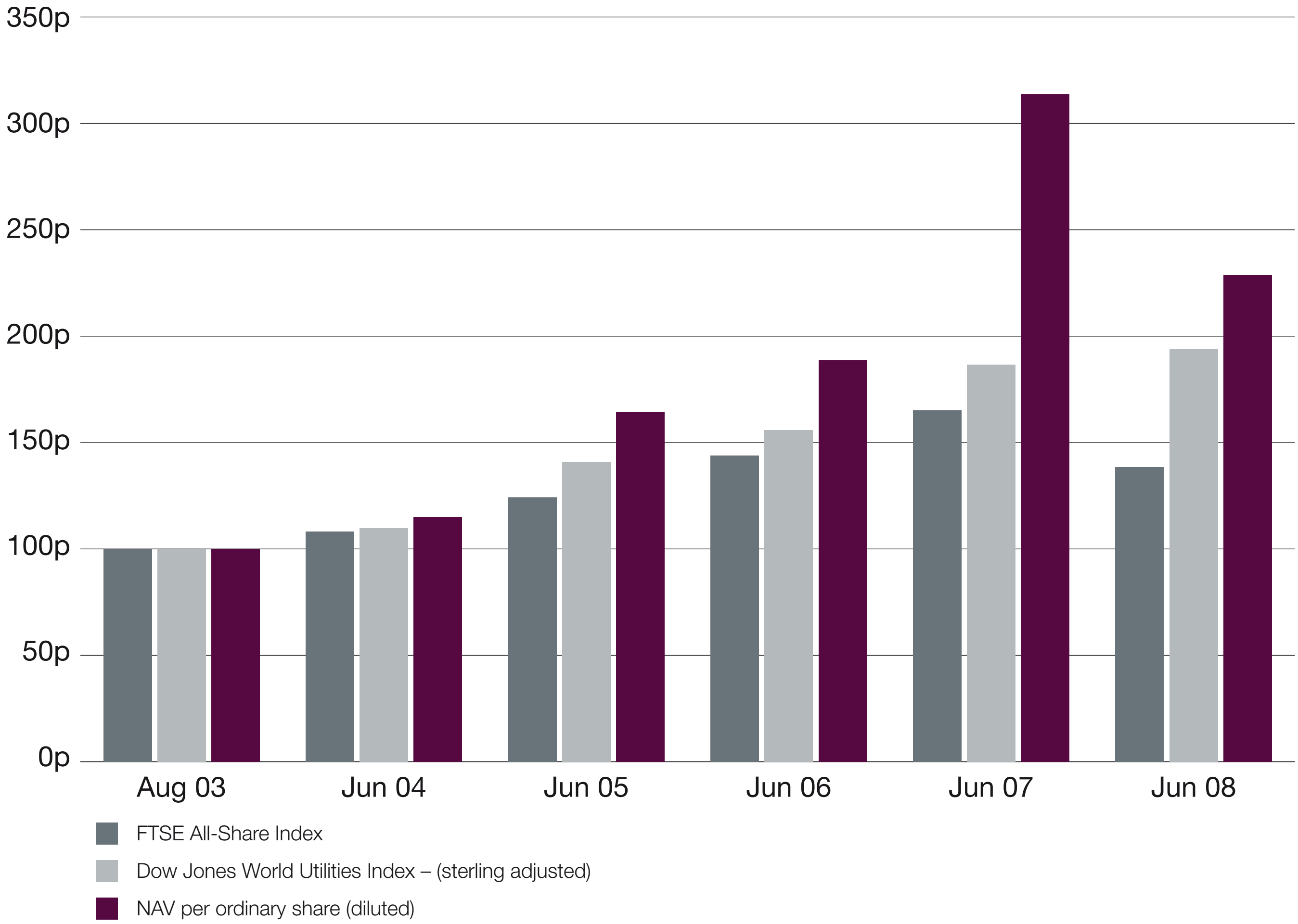
FINANCIAL CALENDAR

AGM	1 December 2008
Half year December 2008 announcement	February 2009

Our objective is to provide long term capital appreciation by investing predominantly in infrastructure, utility and related companies.

The investment climate has changed sharply over the period. Viewed over the longer term the diluted NAV per ordinary share has performed well.

Rebased diluted NAV per ordinary share comparative performance to 30 June 2008
*Rebased to 100 at 14 August 2003**



* Inception of UIT

Source: Utilico Limited

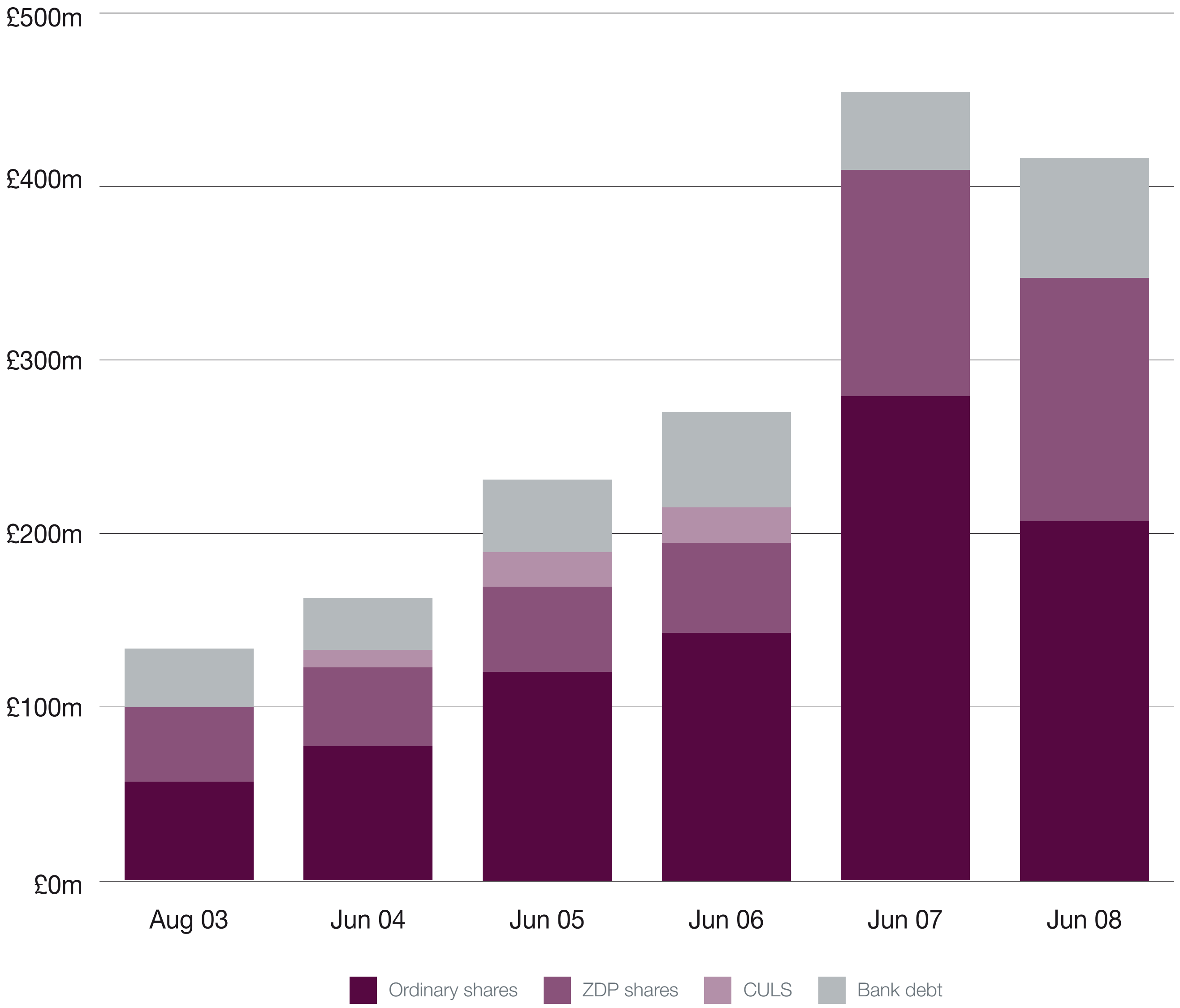
CONSOLIDATED PERFORMANCE SUMMARY

	30 June 2008	30 June 2007[1]	Change 2007/08
Ordinary shares			
Capital value			
Net asset value per ordinary share (undiluted)	225.20p	350.29p	(35.7%)
Net asset value per ordinary share (diluted)	225.20p	312.06p	(27.8%)
Share prices and indices			
Ordinary share price	234.00p	299.00p	(21.7%)
Discount/(premium) (based on diluted NAV per ordinary share)	(3.9%)	4.2%	
FTSE All-Share Index	2,856	3,404	(16.1%)
Dow Jones World Utilities Index (Sterling adjusted)	130.4	125.6	3.8%
Returns and dividends			
Revenue return per ordinary share (undiluted)	3.59p	1.84p	95.1%
Capital return per ordinary share (undiluted)	(103.35p)	178.01p	n/a
Total return per ordinary share (undiluted)	(99.76p)	179.85p	n/a
Dividend per ordinary share	–	0.80p	n/a
Zero dividend preference (ZDP) shares[2]			
2012 ZDP Shares (7.00%)			
Capital entitlement per ZDP share	132.39p	123.71p	7.0%
ZDP share price	135.50p	126.75p	6.9%
2014 ZDP Shares (7.25%)			
Capital entitlement per ZDP share	107.57p	100.29p	7.3%
ZDP share price	108.50p	103.25p	5.1%
2016 ZDP Shares (7.25%)			
Capital entitlement per ZDP share	107.57p	100.29p	7.3%
ZDP share price	103.75p	103.00p	0.7%
Warrants			
2008 warrant price	n/a[3]	260.00p	n/a
2012 warrant price	79.50p	88.25p	(9.9%)
Equity holders funds (£m)			
Gross Assets[4]	414.6	454.6	(8.8%)
Bank debt	69.2	44.8	54.5%
ZDP shares	140.2	130.8	7.2%
Equity holders' funds	205.2	279.0	(26.5%)
Revenue account (£m)			
Income	10.5	8.4	25.0%
Costs (management and other expenses)	3.1	2.6	19.2%
Finance costs	3.6	4.1	(12.2%)
Financial ratios of the Group			
Revenue yield on average Gross Assets	2.3%	2.3%	
Total expense ratio[5] on average Gross Assets	0.7%	0.7%	
Bank loans and ZDP shares gearing on Gross Assets	50.5%	38.6%	

1. Utilico Limited ("Utilico") began trading on 20 June 2007. An investment update was produced for the year ended 30 June 2007 which included figures from Utilico's predecessor Utilico Investment Trust plc. As such these numbers are neither audited nor reviewed under auditing standards.
2. Issued by Utilico Finance Limited, a wholly owned subsidiary of Utilico Limited in June 2007. 2012 ZDP shares previously issued by Utilico Investment Trust plc.
3. 2008 Warrants expired April 2008.
4. Gross assets less current liabilities excluding loans.
5. Excluding performance fee (if applicable).

- Diluted NAV per ordinary share reduced by 27.8%
- Revenue return per ordinary share increased by 95.1%
- Total expense ratio maintained
- 2008 Warrants exercised during the period

Allocation of consolidated gross assets



Source: Utilico Limited

Utilico seeks to invest in undervalued investments.

The Company aims to minimise risk by investing predominantly in companies and sectors displaying the characteristics of essential services or monopolies.

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

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

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

Utilico seeks to identify and invest in undervalued investments. The Company aims to identify securities where underlying value is not reflected in the market price. This may be as a result of changes in regulation, technology, market motivation, potential for financial engineering, competition or shareholder indifference.

The Company aims to minimise risk by investing predominantly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure or companies with a unique product or market position. Most investee companies are asset backed, have strong cash flows and offer dividend yields. Utilico 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.

Utilico 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 contact with investee companies and Utilico is often among its investee companies' largest 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.

Following modest gains in the period to 31 December 2007, the second six months have proved difficult.

Pleasingly the revenue return was strong with a profit for the period of £2.9m.

Following the strong gains in the 12 months to 30 June 2007, it is disappointing, although perhaps slightly inevitable, to report a fall in assets for the year to 30 June 2008.

Following modest gains in the period to 31 December 2007, the second six months have proved difficult. Due to the final exercise of Utilico's 2008 warrants during the period, performance is more fairly represented by the diluted, rather than the undiluted, NAV per ordinary share. The diluted NAV per ordinary share fell by 27.8% in the year to June 2008 as compared to the FTSE All Share Index which fell 16.1%.

As a result of the leveraged nature of Utilico's balance sheet, the losses for ordinary shareholders were magnified. The ordinary shareholders started the year 1.6 times geared and ended the year 2.0 times geared. The loss for the period of £81.3m represents a loss on Gross Assets of 19.6%. The effect of gearing magnified the loss on Gross Assets to be a reduction in diluted NAV per ordinary share of 27.8%.

Despite this, Utilico's long-term record is still strong. Since inception of UIT at 14 August 2003, the average annual compound return to shareholders has been 19.0%.

The loss for the period of £81.3m arose from a negative capital return of £84.2m. This principally arose from losses on investments of £92.1m.

Pleasingly the revenue return was strong with a profit for the period of £2.9m. This arose from increased income of £10.5m, up 25.0%, combined with costs of £3.1m, up 19.2% and finance costs of £3.6m, down 12.2%. The above resulted in the basic group earnings per share increase of 95.1% to 3.59p. The increased income reflects for the most part, a strengthening of the economic fundamentals underlying the investments.

The performance of the three significant investments, UEM, Infratil and Ecofin, were mixed. UEM's share price held up well with a modest decline of 5.6% to 147.75p. Utilico invested a further £17.4m into UEM's December 2007 C share issue resulting in UEM being Utilico's largest investment at £84.6m. UEM accounted for £5.8m or 7.1% of the loss for the period of £81.3m. Ecofin saw declines broadly in line with the markets resulting in a loss of 12.8% on the position.

However, in sharp contrast to last year, Infratil's share price performance was disappointing with an unrealised loss on investment during the period of £57.4m. This accounted for 70.6% of Utilico's overall loss for the period of £81.3m. Infratil's share price declined 39.4% to end the year at NZ$1.83. This has been a source of frustration given the nature and quality of Infratil's underlying assets.

UEM, Ecofin and Infratil continue to consist of diversified underlying portfolios. To present the underlying risk of the gross portfolio more appropriately these three investments are analysed (in preparing the top ten, sector analysis, geographic analysis and split of investments by category) on a "look through" basis, thus showing the underlying investments rather than the holding company, as though they were owned directly by Utilico.

A continuing strong feature of Utilico is the index put option positions and other hedging strategies. At 31 December 2007 these contributed £13.2m to the profit for the period. In the full period they contributed £23.3m at a group level.

As previously announced, despite the revenue earnings per share reported for the period, under Bermuda law Utilico is unable to pay a dividend to shareholders as a result of having negative capital reserves. As soon as investment returns create a positive balance of capital reserves, Utilico will recommence dividend payments.

During the period Utilico purchased 880,000 shares at a cost of £2.0m, and these shares were held in treasury. Post the period end, Utilico has purchased, for cancellation, a further 4,745,660 shares at a cost of £8.8m. In addition the shares held in treasury at period end have also been cancelled. Together this represented 6.1% of the final shares outstanding at 30 June 2008.

Despite the tough market conditions we are seeing continuing corporate activity. Since the period end we have seen an offer for one of our investments, Cedegel. This has allowed us to increase our cash balance at fair value well above the market value immediately before the offer was made.

Clearly we continue to be faced with challenging market conditions. The globalisation of markets has over the last 10 years unlocked significant opportunities but the resultant globalisation represented by significant capital mobility, the disintermediation of the markets and the demands placed on the supply chain are all being tested. As could be expected the expansion of the global markets has led to a poorer understanding of risk and capital allocation. As the understanding of risk has improved the markets have repriced and volatility has returned.

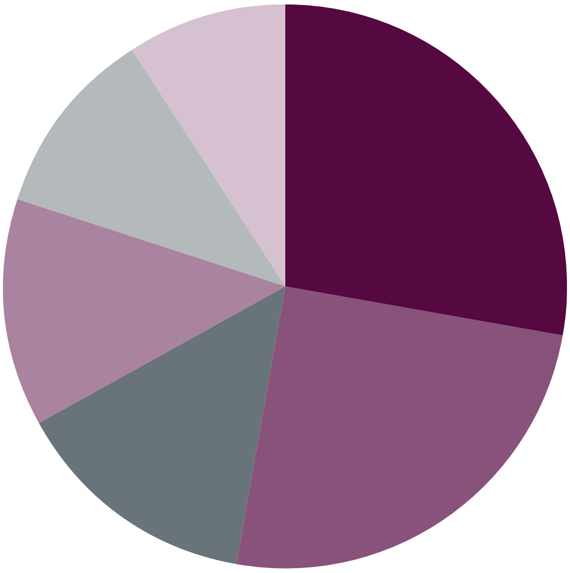
Looking forward there are a number of issues to consider. The four on which we are particularly focused are market liquidity, unemployment, inflation and political stability. Liquidity of capital is sharply lower and this would be expected to lead to less stimulus to the world economies and therefore lower growth. Unemployment will follow lower growth. Rising unemployment would be expected to contribute to a further cycle of value loss as individuals adjust their personal positions. We do not think this is fully reflected in the world's markets. Inflation remains a concern as higher commodity prices flow through. Inflation should rise and continue to test central banks' resolve to keeping interest rates relatively low. Political stability and strong leadership are needed to adequately address the above issues.

At Utilico we remain confident about the long-term prospects for Utilico's portfolio, its attractions to long-term strategic investors and its ability to increase earnings.

J. Michael Collier
6 October 2008

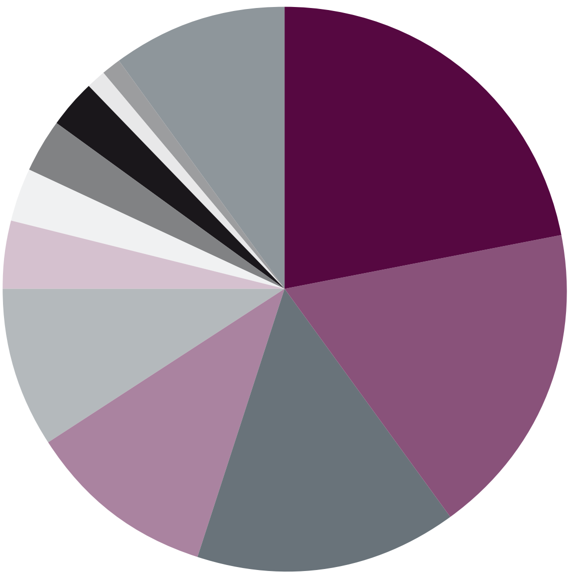
GEOGRAPHICAL AND SECTORAL BREAKDOWN

Geographical split of investments*
as at 30 June 2008



- Europe ex UK 28% (31%)
- Australasia 25% (32%)
- UK 14% (10%)
- North America 13% (9%)
- Asia & Far East 11% (10%)
- Latin America 9% (8%)

Sectoral split of investments*
as at 30 June 2008



- Electricity(1) 22% (23%)
- Renewable Energy(1) 18% (20%)
- Airports 15% (18%)
- Telecoms 11% (10%)
- Road and Rail 9% (5%)
- Water 4% (4%)
- Investment Funds 3% (3%)
- Ports 3% (3%)
- Gas 3% (2%)
- Postal Services 1% (2%)
- Satellites 1% (1%)
- Other 10% (9%)

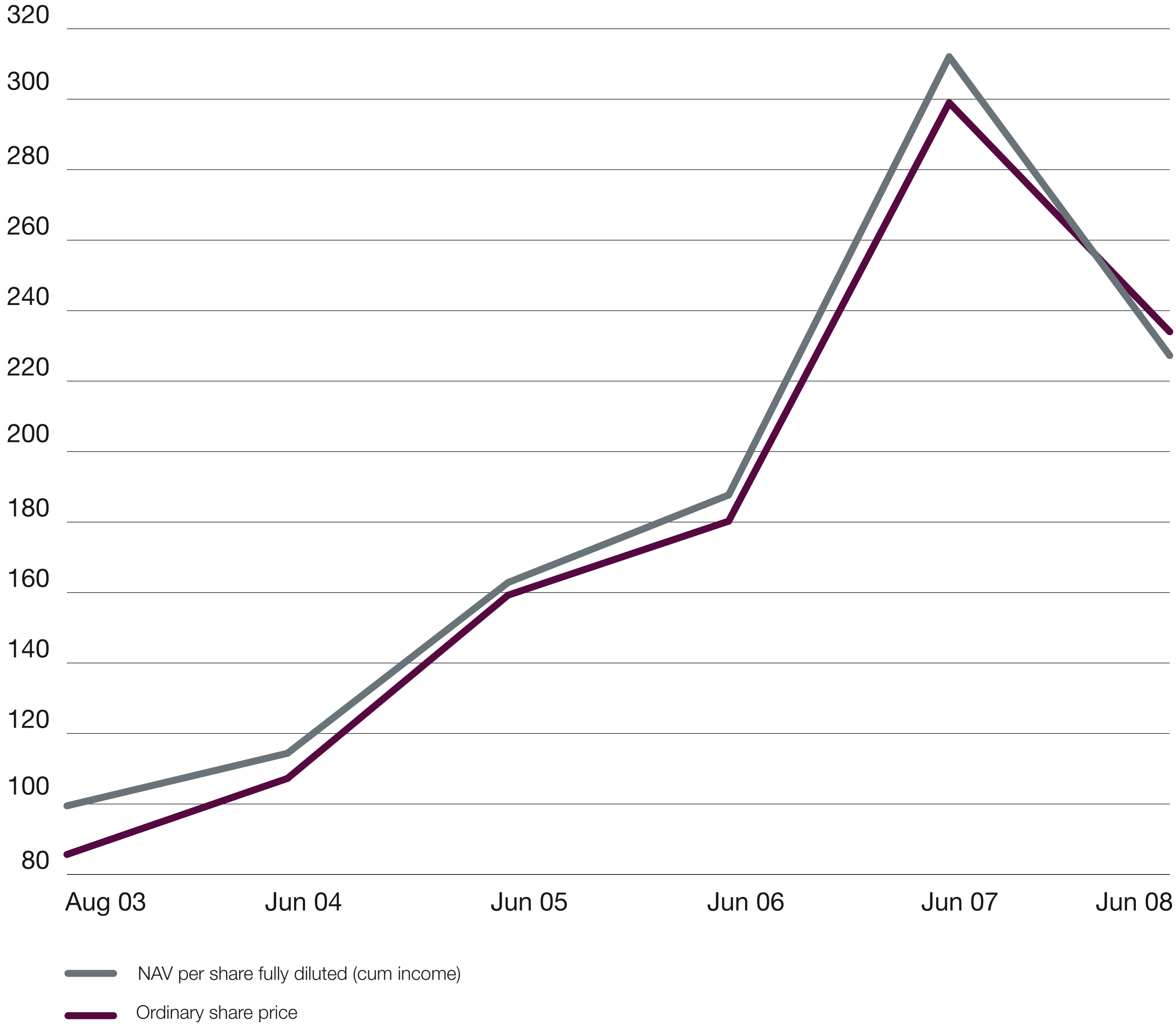
*Basis: based on look through consolidated portfolio.

30 June 2007's figures included in brackets.

(1) 30 June 2007's figures adjusted for re-classification of TrustPower from Electricity to Renewable Energy.

Source: Utilico Limited

Utilico ordinary share and diluted NAV performance
from 14 August 2003 to 30 June 2008



Source: Utilico Limited

The investment climate has changed sharply over the year and while this has been an unwelcome setback, viewed over the longer term the NAV has performed well.

We are encouraged by the quality of earnings of our investee companies.

The investment climate has changed sharply over the year with increased focus by the market on credit availability, gearing, input costs and economic growth. Utilico has not been immune from this and its shareholders' funds were down from £279.0m to £205.2m for the year. While this has been an unwelcome setback, viewed over the longer term the NAV per ordinary share has performed well. Since 14 August 2003 the average annual compound return has been 19.0%. This remains substantially ahead of the FTSE All Share Index which achieved 6.9% over the same period.

Investment approach

Our response to the changing markets has been to continue to invest in well managed companies whose business models are sustainable and offer long-term growth. A key ratio we use in considering investments is the Enterprise Value ("EV") (being the market capitalisation plus net debt and certain other long term liabilities) to Earnings before Interest, Tax and Depreciation ("EBITDA") (being a guide to the ability of the business to generate cashflows). We look for a ratio which is reducing (evidencing real growth in value) together with a move from debt to equity at the EV level indicating a lowering of risk as an investment reduces its net debt.

In terms of investment allocation we have seen increased investment in renewable energy businesses such as wind farms and hydroelectric dams. The long-term outlook for these businesses remains sound as the world focuses on sustainability and the true cost of fossil fuels. We continue to hold investments in fossil fuel power generation which remain attractive on a valuation basis.

While the economic slowdown is impacting on the transportation sector, we expect the slowdown to be modest and the well run businesses within our portfolio to continue to make progress. Our holdings in telecoms offer a combination of growth, attractive valuations and defensive characteristics.

Recognising the increased risks in global markets, we have increased the level of protection in the form of market based index put options and exchange rate hedges.

Investment activity

Investment activity was higher than last period, in part as a result from an increase in the bank debt together with the proceeds from the exercise of the 2008 warrants.

During the period Utilico realised £73.2m including £9.8m from Zurich Airport and £3.4m from Ecofin capital shares. Utilico invested £118.6m in equities, of which £17.4m was invested in Utilico Emerging Markets ("UEM"); £6.9m in Infratil; £8.4m in Vienna Airport; £7.2m in Renewable Energy Generation Limited ("REG") and £2.9m in Ecofin ordinary shares. Utilico also invested £24.4m in debt instruments of which £11.9m was in secured loans to ERG.

Over the twelve months there has been some movement in the geographic split of investments. Europe has reduced from 31% to 28% with the sell down of Zurich Airport offset in part by investments in Vienna Airport. Australasia has reduced from 32% to 25% with the reduction in value of Infratil and ERG. North America has risen from 9% to 13% as a result of investment and the UK has risen to 14% from 10% as a result of investment, principally in REG.

Electricity remains the largest sector at 22%. Renewables, despite the reduction in value of TrustPower (Infratil's largest investment), remained the second largest investment sector at 18%. Airports are down from 18% to 15% as a result of the sell down of Zurich Airport again offset in part by the investment in Vienna Airport. Road and Rail is up from 5% to 9% as a result of investment. Most other sectors are unchanged.

Major investments

A continuing feature of Utilico has been the significant investment in three utility and infrastructure investment holding companies, Infratil, UEM and Ecofin. Each of these continues to offer a different investment profile thus diversifying Utilico's underlying exposure.

The investment in **UEM** rose from £73.0 to £84.6m making UEM the top holding in Utilico's portfolio. This increase represents further investment (by way of a C share issue by UEM) of £17.4m offset by a loss of £5.8m. UEM continues to make progress, reporting stronger earnings for the year to 31 March 2008 and paying a higher dividend. The revenue EPS to March 2008 was 5.24p, being a 77.0% increase on the revenue EPS to March 2007. UEM has continued to see higher dividend income from investments in the current year. We remain confident about UEM's long term prospects.

UEM's portfolio remains diversified with the top holding COMGAS representing 6.5% of UEM's Gross Assets as at 31 August 2008. COMGAS is a gas distribution business in the state of Sao Paulo in Brazil, and ranks 16th in Utilico's portfolio on a look through basis. UEM has over 70 investments in its portfolio.

Utilico's investment in **Infratil** nearly doubled in the year to 30 June 2007, from £60.4m to £118.0m. During the period under review it retraced all those unrealised valuation gains to end at £68.1m, an increase over the two years of £7.7m. The increase is mainly accounted for by the £7.5m subscribed for the partly paid rights issue during the year. Infratil's investments continued to make progress in the period.

Ecofin remains Utilico's third largest holding with an investment value of £34.4m. This reflects a decline of 12.8% in value or £5.1m over the previous period. Ecofin remains a well run, diversified investment company focused on the water and power sectors. However, the leveraged nature of our Ecofin capital shares has led us to reduce our capital share holding over the period. Since the period end this process has accelerated.

On a look through basis Ecofin's largest holding is Electric Power Developments which ranks 40th in Utilico's portfolio. Ecofin has over 100 investments in its portfolio.

As at 30 June 2008, Ecofin's capital shares were geared 1.9x.

Portfolio

As in previous years and to better understand Utilico's profile the major investments are included on a "look through" basis. This assumes that the proportional share of investments held in UEM, Infratil and Ecofin are held directly by Utilico. Set out below is a review of the portfolio's top ten investments reviewed by sector. We have included more information than usual to help investors better understand the profile of our investments including EV/EBITDA and gearing ratios.

Electricity

Electricity remained our largest sector accounting for 22% of the Gross Assets; within electricity we held Jersey Electricity and Cegedel in the top ten at the period end.

Jersey Electricity ("JEL") ended the period with a gain on investment of 11.8% to stand at £15.9m.

While JEL's turnover growth has been strong over the last two years, up from £56.1m to £75.9m, much of this growth is a reflection of sharply higher input costs being passed through in their tariffs. Disappointingly JEL failed to pass on the full impact of these higher costs resulting in profit after tax falling over the two years. We have been critical of JEL as a result. However, JEL now appears to accept the need to pass through the cost increases as they arise and have announced that they expect to increase prices by at least 25% in January 2009. A welcome development has been the increase in the dividend payment by 49.0%.

JEL continues to be ungeared with net cash at their last year end, 30 September 2007, of £12.6m. The EV at that date was £57.5m, giving rise to an EV/EBITDA of 3.5x. In the six months to March 2008 EBITDA is up 21.3% on the same period in the previous year.

Our investment in **Cegedel** increased in value from £5.2m to £9.2m during the year, taking Cegedel to 8th in the portfolio. This represented further investment of £1.5m combined with gains of £2.5m.

Cegedel was a value investment. Utilico has gradually increased its holding in Cegedel to £5.6m over the last two years. Post Utilico's period end Cegedel was bid for by a consortium of investors. Utilico has sold its stake for £11.2m, representing a gain of 100.0% on cost. The exit EV/EBITDA was 9.4x.

Renewable Energy

We continue to invest in renewable energy, in particular wind energy generation. We believe this has the attraction of high tariffs, low operating costs and guaranteed offstake contracts. This is now the second largest investment sector within the portfolio accounting for 18% of the Gross Assets. Included in the top ten are TrustPower and Renewable Energy Generation. The portfolio also includes inter alia Renewable Energy Holdings where Utilico has a 28.9% holding today. These investments are by their nature long-term.

TrustPower Infratil's largest investment, remains Utilico's largest investment on a look through basis accounting for some 7.8% of Utilico's Gross Assets.

TrustPower continues to add to its renewable energy capacity. Their portfolio includes the 161MW Tararua Wind Farm, the largest wind farm in the Southern Hemisphere. They are currently commissioning another large asset, the 98MW Snowtown Wind Farm in Australia and have submitted planning applications in to add 118MW of new hydro and 440MW of new wind farm capacity in New Zealand. New Zealand has recently experienced both low wind and rainfall which have held back

TrustPower's performance in the short term. This resulted in the share price weakness of 11.4% over the year to June 2008.

As at 31 March 2008, TrustPower's EV was NZ$2.9bn of which net debt was NZ$0.5bn and equity NZ$2.4bn. EBITDA for the year was NZ$208.0m giving rise to an historic EV/EBITDA of 14.0x, although this is expected to fall in coming years as new investments come online.

Renewable Energy Generation ("REG") has risen to be the fourth largest investment in the portfolio on a look through basis. During the year we increased our investment by £7.2m. The position recorded a loss of £0.7m resulting in a closing investment value of £18.5m for the year.

REG continues to make strong progress. During the period REG increased its operational capacity to 17.7MW in the UK and 39MW in Canada. REG is developing a further 16.6MW in the UK and 30MW in Canada which it expects to commission in the year to June 2009. In addition, REG has a potential pipeline of 200MW in the UK and 4,000MW in Canada. REG is well positioned to benefit from rising demand for wind power. We expect REG to generate substantial EBITDA in coming years.

Airports

Airports accounts for 15% of Utilico's Gross Assets. Utilico holds three airports within its ten largest holdings, being Infratil Airports Europe, Zurich Airport and Vienna Airport. We continue to believe in the long-term prospects for these investments. Airports offer an attractive concentration of operational gearing, plus non aviation income activities such as retailing, car parking and property development.

Zurich Airport having seen its value increase over the period to June 2007 by 71.5% to £27.5m, increased in value by £0.2m in the period to 30 June 2008. This, together with realisations of £9.8m, resulted in the investment being worth £17.9m at period end.

Zurich Airport continued to benefit from the significant investments made between 2000 and 2002. During the year to December 2007 and the half-year to June 2008, passenger numbers grew 7.8% and 9.3% respectively. Similarly, revenue increased by 8.9% and 13.9%. The leveraged nature of the asset and earnings saw EBITDA increase by 8.4% and 27.2% for the two periods, net debt has now reduced from CHF 2.0bn in 2003 to stand at CHF 1.0bn at the end of June this year.

As at 31 December 2007, Zurich Airport's EV was CHF4.0bn of which CHF1.2bn was net debt and CHF2.8bn was equity. The EBITDA was CHF411.0m giving rise to an EV/EBITDA of 9.7x.

Vienna Airport rose to fifth in the portfolio reflecting further investments of £8.4m in the period Utilico recorded a loss of £1.0m on the position to end the period at £15.9m.

Vienna Airport's passenger numbers continue to rise. In 2006 passenger numbers grew by 6.3%, in 2007 by 11.2% and in the six months to June 2008 by 12.8%. This has resulted in rising profits; in the six months to June 2008 interim net earnings were up by 19.2%.

Vienna Airport is in the finals stages of commissioning a new "Skylink" terminal which will expand the airport's capacity enabling it to meet future growth and more importantly significantly expand the retail offering. As a result of this investment, capital expenditure has risen. This has been funded from operating cashflows together with external borrowings.

As at 31 December 2007, Vienna Airport's EV was €1.7bn of which €0.4m was net debt. The EBITDA to December 2007 was €191.0m giving rise to an EV/EBITDA of 8.6x. Vienna's interim results, as at 30 June 2008, show EBITDA at €104.4m, a rise of 10.7%.

Infratil Airports Europe, Infratil's second largest investment has fallen on a look through basis from fifth to tenth, mainly as a result in Infratil's reduction in value. The three airports, Glasgow Prestwick International, Kent International and Hamburg Lubeck all continued to make progress in the year.

Road and Rail (including related technology)

This sector accounts for 9% of the Gross Assets and includes ERG, Utilico's second largest investment on a look through basis. During the period we increased our investment in ERG, principally by debt and a deposit, in support of ERG following the loss of the Sydney contract. The Board provided in full against its ordinary share position and has written back the secured loans to the principal amount invested. This resulted in a loss on the position in the period of £9.4m.

It was a difficult year for ERG. The loss of the Sydney contract was unexpected and caused considerable disruption. Utilico supported ERG through this difficulty. Today ERG's business has stabilised and they are making good progress towards delivering contracts successfully across the world.

At June 2008 ERG's EV was A$132.6m of which net debt was A$115.4m and equity was A$17.2m.

Telecoms

Telecoms accounts for 11% of our Gross Assets and includes Keytech and Newtel in the top ten.

Keytech stood still in terms of investment value at £13.2m. This reflects modest investment during the period of £0.7m offset by a decline in value of £1.0m equal to 7.3%.

Keytech continues to develop as a well run, focused telecoms group. This was reflected in the results for the year to March 2008 which saw turnover increase by 2.9% to US$108.5m, the fifth year of consecutive growth. Despite continued significant investment in assets, the cash dividend increased by 2.2% to US$7.9m, again the fifth consecutive year of growth.

Keytech's balance sheet remains undergeared with net cash (including investments) of US$46.8m at 31 March 2008. EBITDA for the year was US$32.6m giving rise to an EV/EBITDA of 4.1x.

Newtel continued to make progress in the period. The company successfully located, refurbished and opened a new data centre in Guernsey, aimed at attracting a number of gaming customers who are relocating to Guernsey. Having invested significantly in the data centre and telecoms platform and increased the resilience of the company, Newtel is set to benefit from increased revenues. In the year to 31 March 2008 the turnover rose 25.3% to £6.0m. This momentum has continued in the current year.

Derivatives

Utilico continues to hold a significant position in derivatives including £29.9m invested in market related options accounting for 7.2% of Gross Assets.

In March 2008 Ingot Capital Management Pty Limited ("ICM") set up a new Bermuda based company Global Equity Risk Protection Limited ("GERP"). GERP is a segregated account company with its sole purpose being the taking on of derivative positions. Utilico is a shareholder in GERP and has funded a segregated account within GERP into which all the option positions have been transferred. This segregated account is solely the asset or liability of Utilico and is, under the segregated account structure, protected from the rest of the segregated accounts within GERP. This step has allowed ICM to better manage the option positions for all its clients.

At the period end Utilico's segregated account in GERP was valued at £29.9m. This has not been included in the top 10 as it is not reflective of investments but rather a hedge.

Utilico, through GERP, continues to use market based index put options as part of its risk management strategy. During the period Utilico's put option position was moved from outright protection (net long puts) to a net neutral put spread position. As a result in the first part of the period Utilico benefited from the inherent protection in the net put position while in the later part of the period Utilico benefited from the increased premiums derived from selling short dated puts resulting in a net neutral put spread position.

Since the period end Utilico's position has been moved back to a net long put position. During the year Utilico invested a further £6.3m in the put spread positions. At the end of the period the position was valued at £29.9m. This represents a gain of £16.4m for the year.

The gains on derivatives for the period of £23.3m does not include any gains/losses on GERP. The gains/losses on GERP are included in investment gains and losses; however, if we add back the loss of £4.0m on GERP to our gains and losses on derivatives then the total for the period, including any gains and losses on currency instruments, is a gain of £19.3m.

Debt

Utilico's bank debt stood at £69.2m, up from £44.8m at the start of the year. This increase reflects an increase in the facility with Royal Bank of Scotland to £70.0m. The facility comprises £25.0m which expires on 29 November 2008, £25.0m on 29 November 2009 and £20.0m on 29 November 2010. The facility is drawn as to £34.7m in UK Sterling and £34.5m in US$.

Financing charges were £13.4m for the period, up from £8.5m in the last period. Overall the financing charges represent a cost of 6.4% (prior period 5.0%) based on the average balances for the group's debt and ZDP shares. The increase in the charges to 6.4% reflects the fact that the CULS, whose coupon was 3.75%, were converted into equity in June 2007.

Towards the end of the period we increased our NZ$ hedge from NZ$130.4m to NZ$203.8m at the period end. The NZ$203.8m forward exchange contracts were entered into at an average exchange rate of 2.59.

Utilico ended the period with cash balances of £4.7m.

Revenue Income

Revenue income has risen strongly over the last two periods. Last period it increased 21.7% to £8.4m; this period it increased by 25.0% to £10.5m. This is a result of rising dividend payments coupled with reduced holdings in non revenue paying investments. We expect this trend to continue. Revenue income represents a yield of 2.3% on average Gross Assets. Taking out the put option spread position, Ecofin capital shares and ERG investments which do not pay dividends, the yield on the balance of the portfolio is 3.2%.

Expenses

The advisory and administrative fees and other expenses were £3.1m for the period. These increased in line with average assets under management. The TER (being the expenses expressed as a percentage of the consolidated average Gross Assets) remained at 0.7%.

Dividends

In March 2008 Utilico received advice that under Bermuda law the company was not in a position to pay dividends at that time. Although Utilico had sufficient revenue reserves to pay a dividend, its capital account deficit exceeded its revenue reserves. The Directors intend paying a dividend as soon as they are in a position to do so.

Buybacks

As detailed in the Chairman's Statement, Utilico bought back shares within the period and also since the period end. These buybacks were funded from cash balances at the time and took advantage of a widening discount. This should be regarded as opportunistic and no specific policy exists in regards to future buybacks. The Board will renew the authority to buy back up to 14.99% of the ordinary shares in order to preserve its flexibility.

Outlook

The market deterioration has accelerated in recent weeks and the ability to anticipate the outcome has been increasingly challenging. Our investments have been marked down significantly as the markets retreat. At times this does not reflect the underlying performance of the assets. We remain confident about the longer term and firmly believe investable opportunities will emerge. We are encouraged by the quality of earnings of our investee companies, reinforced in some cases by the buybacks undertaken by those companies.

TEN LARGEST HOLDINGS[1] ON A LOOK THROUGH BASIS

At 30 June

2008	*2007*	Company *(Country)*	Fair value £'000s	% of total investments
1	*(1)*	**TrustPower Ltd** *(New Zealand)* Integrated electricity company	32,660	8.0
2	*(3)*	**ERG Limited** *(Australia)* Automated fare collection systems operator	22,770	5.6
3	*(8)*	**Renewable Energy Generation Ltd** *(UK)* Wind power	18,456	4.5
4	*(2)*	**Unique Flughafen Zurich AG** *(Switzerland)* Airport Operator	17,858	4.4
5	*(10)*	**Flughafen Wien AG** *(Austria)* Airport Operator	15,940	3.9
6	*(4)*	**The Jersey Electricity Company Limited** *(Jersey)* Integrated electricity company	15,884	3.9
7	*(6)*	**Keytech Limited** *(Bermuda)* Telecommunications provider	13,222	3.2
8	*(–)*	**Compagnie Grand-Ducale d'Electricité du Luxembourg** *(Luxembourg)* Integrated electricity company	9,152	2.2
9	*(–)*	**Newtel Holdings Limited** *(Jersey)* Telecommunications provider	8,985	2.2
10	*(5)*	**Infratil Airports Europe Limited** *(UK and Germany)* Airport operator	8,609	2.1
		Ten largest holdings	163,536	40.0
		Other investments[2]	245,135	60.0
		Total Investments	408,671	100.0

Notes

(1) The values of the ten largest holdings are based on a look through basis. To achieve this, each of the investment companies' (Infratil, UEM and Ecofin) portfolios are consolidated with that of Utilico on a proportionate basis, based on those companies' valuations of their own holdings.

(2) Includes GERP

REVIEW OF THE TEN LARGEST HOLDINGS ON A LOOK THROUGH BASIS

TrustPower (New Zealand)
www.trustpower.co.nz

TrustPower is a New Zealand generator and supplier of electricity. Utilico's investment is held indirectly, via its investment in Infratil Limited, which in turn holds 50.5% of TrustPower's share capital. TrustPower supplies electricity to 222,000 New Zealand retail customers. All of TrustPower's 594 MW of electricity generation capacity is carbon free, being entirely hydro or wind based. Their portfolio includes the 161 MW Tararua Wind Farm, the largest wind farm in the Southern Hemisphere. TrustPower is in the process of commissioning another large asset, the 98 MW Snowtown Wind Farm in Australia, and has a further 118 MW of new hydro generation and 440 MW of new wind farm capacity progressing through the New Zealand planning system. The financial year to March 2008 saw TrustPower expand their generation base significantly. However, rainfall levels and wind speeds in the year to March 2008 were disappointing, which combined to reduce normalised earnings by 1.8%. This low wind/low rain environment has continued into the first quarter of the March 2009 financial year, with electricity generation being 22% below long term expectation, and this will have a negative impact on this year's financial performance. TrustPower's share price fell by 11.4% during the financial year to June 2008.

ERG Limited (Australia)
www.erggroup.com

ERG is an Australian company that supplies smart card based ticketing systems. Utilico holds 20.8% of ERG's ordinary shares as well as secured debt. Cities that have installed ERG's technology include Hong Kong, Singapore and Rome. ERG is currently installing systems in a number of major cities including Beijing, San Francisco and Stockholm. The company continues to make steady progress on the implementation of the majority of its projects, some of which have or are nearing final completion. While the second half of the financial year was profitable ERG announced an annual loss of A$103m, driven substantially by the cancellation of the Sydney T-Card contract which had a negative impact of A$89m. In response to this cancellation, ERG announced a major capital restructure, essentially selling the operating businesses to the secured debt holders. This termination, which is subject to a legal claim, negatively impacted the share price of the Company which declined 85% during the year.

Renewable Energy Generation Ltd (UK)
www.renewableenergygeneration.co.uk

Renewable Energy Generation Limited ("REG") is a generator of renewable energy through ownership and operation of wind farms, with projects located in both the UK and Canada. REG is in the process of constructing and operating its first wind farms in both countries, and it will take some years for the company to register material profits as a result. The company has a substantial pipeline of potential projects at varying stage of development in both countries. The UK is an attractive market for production of renewable energy having a generous incentive scheme to encourage development. Historically, the main obstacle to developing renewable energy assets in the UK has been the planning process, however the planning system is now moving in favour of wind farm developers as the challenge of climate change and security of supply becomes increasingly apparent. Financial incentives are less generous in Canada; however, it is possible to build larger sites coupled with a simpler planning system, allowing meaningful profits to be generated in a shorter timescale. In the UK, REG has five operational sites with total generation capacity of 17.7 MW, plus a further 16.6 MW due to come online during their financial year to June 2009, with a potential identified pipeline of 200 MW. In Canada REG has 39 MW in operation with a further 30 MW under construction, and a potential identified pipeline of over 4,000 MW. In addition to wind farms, REG has been developing an electricity generation business which uses waste cooking oil as a feedstock, and brought the first facility into operation during the year. REG's share price fell by 4.0% during the year to June 2008.

Unique Flughafen Zurich AG (Switzerland)
www.unique.ch

Unique Zurich Airport ("Unique") owns and operates Zurich International Airport, the largest airport in Switzerland. Unique's financial year to December 2007 saw a continuation of the airport's growth seen in recent years, utilising the extensive infrastructure investments made earlier in the decade. Revenue increased by 8.9% on the back of a 7.8% increase in passengers. Given that Unique's key infrastructure is complete, the company is able to accommodate continued growth without having to invest substantial capital, and this has enabled the company to continually strengthen its balance sheet. For instance, in the 2007 financial year, net debt fell by 15.5% to reach CHF1.2

billion, this reduction being equivalent to CHF34.6 per ordinary share, or 9.3% of Unique's closing share price on the 30 June 2008. In the half year to June 2008 net debt reduced further to CHF0.96bn. At its high point earlier in the decade, Unique's net debt reached approximately CHF1.9bn, so the improvement is clearly evident, and leaves the company better placed for the future. Revenue growth, operating gearing, and lower financial costs from the improved debt position, all combined to increase 2007 net earnings by 49.4%. Pleasingly 2008 has started well, with passenger numbers increasing by 9.3% in the first half of 2008 when compared to the first half of 2007. First half net profit also increased, by 73.1%. The high oil price has a weakening of investor sentiment to the sector and this is reflected in pressures on the share prices of companies within the transportation sector. Unique is not immune to this sentiment and its share price fell by 25.4% in the period to June 2008.

Flughafen Wien AG (Austria) www.viennaairport.com

Flughafen Wien ("Vienna Airport") owns and operates Vienna International Airport which is Austria's largest airport. Vienna Airport has continued to see good growth in its business as it expands its transfer traffic activities, principally to the Middle East and Eastern Europe. In the year to December 2007 passenger numbers increased by 11.2%, being an acceleration on the 6.3% passenger growth seen in 2006. This strong volume growth enabled revenue to increase by 12.4%. The increased activity led to a consequent increase in net profit, by 12.7%. Vienna Airport has positioned itself as an attractive hub, relying in part on its favourable location. Vienna Airport is in the final stages of commissioning its new "Skylink" terminal, which will substantially expand the airports capacity, enabling it to accommodate future growth and further develop non-aviation activities. The airport has continued to demonstrate a strong growth dynamic during 2008, with passengers in the first half increasing by 12.8% as compared to the first half of 2007. This has naturally fed through to increased profits, with net earnings increasing by 19.2%. However, despite the positive operating performance, Vienna Airports' share price fell by 17.1% as a result of investor sentiment during Utilico's financial period.

The Jersey Electricity Company Limited (Jersey) www.jec.co.uk

Jersey Electricity ("JEL") is the integrated electricity company serving the Island of Jersey. Like all electricity supply companies, JEL has faced sharply increasing input costs. The company decided to pass these costs through to their customers in a staggered manner thus insulating customers from the immediate impact of rising costs, the balance of which has been bourne by shareholders. Despite JEL increasing their tariffs by 19.7% in January 2007, it is likely that a further increase of 25% in January 2009 will be required due to continued increases in European wholesale prices. As a result of this policy, JEL's profits from their core electricity business remained depressed in their financial year to September 2007. However, the company's other activities such as appliance retailing, and property, all performed well, as a result of which normalised net earnings increased by 34.7%, albeit from a low base set in the previous year. In the interim figures to March 2008, profits also increased as a result of a full period of the January 2007 tariff increase and continued strong results in their other activities. JEL's share price increased by 15.1% during the period.

Keytech Limited (Bermuda) www.keytech.bm

Keytech is a Bermuda telecommunications holding company. Its subsidiaries provide local fixed line, mobile, internet and IT services in Bermuda and publish the local Yellow Pages directory. The company also has a small investment outside of Bermuda, principally in Grand Cayman. Utilico increased its holding during the period and now holds 14.2% of the ordinary shares. Results for the year to March 2008 saw growth in revenues and a rebound in margins compared to the year to March 2007. Revenues were up 3%, EBITDA was up 14% and net profit rose 60% above that reported in the prior year. The company continues to invest heavily on improving its infrastructure in Bermuda, and this year will see the introduction of 3G mobile services, faster internet access and a new billing and customer service computer system. Keytech's share price fell 6.7% during the period.

Compagnie Grand-Ducale d'Electricité du Luxembourg (Luxembourg)
www.cegedel.lu

"Cegedel" is an integrated electricity company, generating, distributing, and supplying electricity in Luxembourg. Since the period end, the company has received a take-over offer, in cash, from a consortium including the Luxembourg Government and several industrial and utility companies. Utilico has acquired Cegedel shares over the last two years, investing a total of £5.6 million in building up this stake. Utilico has now taken advantage of the increase in the share price caused by the offer, and sold its stake during July and August, realising proceeds of £11.2 million, representing a 100% gain on the cost of the investment. Cegedel's share price increased by 22.6% over the year to June 2008, and Utilico sold its investment at a price 18.2% higher than at the period end.

Newtel Holdings Limited (Jersey)
www.newtelholdings.net

Newtel is an unlisted telecommunications company serving the Channel Islands. In recent years the company has expanded from its roots as Jersey's cable TV company, to offer a full range of fixed line telecommunications services on Jersey and Guernsey as an alternative to the established incumbents Jersey Telecom and Cable & Wireless Guernsey. Utilico holds mainly convertible notes issued by the company. The company services both residential customers and corporate clients and has recently benefited from a move of internet gaming companies' operations from Caribbean jurisdictions to the Channel Islands. During the year Newtel expanded significantly its data centre activities and successfully attracted internet based gaming companies which have relocated to Guernsey.

Infratil Airports Europe Limited (UK and Germany)
www.infratil.com

Infratil Airports Europe ("IAE") is a holding company, owning Infratil's three European airports, namely Glasgow Prestwick, Kent International, and Hamburg Lubeck in Germany. Utilico's investment in IAE is held indirectly via its investment in Infratil. In the year to March 2008 IAE's three airports handled a combined 3.0 million passengers and 64,400 tonnes of freight. When compared to the prior year, this represents a 2.7% reduction in passenger numbers but a 14% increase in freight. The fall in passenger numbers is down to some specific factors at Lubeck which are being addressed to enable the airport to increase its capacity. Freight is a particularly important revenue driver in regional airports, and their "out of town" location makes them particularly suitable for this activity, often allowing for 24 hour operation and having relatively more space for warehousing and cargo handling. While the airports combined are, at present, only marginally profitable at the EBITDA level, this does not reflect the future growth possibilities for freight volumes, passengers, and property development.

Utilico has a leveraged balance sheet structure, with the ordinary shares leveraged by the ZDP shares and bank debt.

Utilico has a leveraged balance sheet structure, with the ordinary shares leveraged by the ZDP shares and bank debt. In addition Utilico has outstanding warrants.

Ordinary shares

91,118,323 ordinary shares were in issue at 30 June 2008 (excluding the 880,000 ordinary shares held in treasury at that date, which have no entitlement to dividends paid or proposed). The ordinary shares are entitled to all the revenue profits of the Company available for distribution and resolved to be distributed by the Directors by way of a dividend. The Directors consider the payment of dividends on a semi-annual basis.

On a winding up, holders of ordinary shares will be entitled, after payment of all debts and the satisfaction of all liabilities of the Company, to the winding up revenue profits of the Company and thereafter, after paying to ZDP shareholders their accrued capital entitlement, to all the remaining assets of the Company.

Zero dividend preference shares

The ZDP shares are issued by Utilico Finance Limited, a wholly-owned subsidiary of Utilico Limited. The ZDP shares carry no entitlement to income and the whole of any return will take the form of capital.

2012 ZDP shares

45,486,200 2012 ZDP shares were in issue at 30 June 2008. The 2012 ZDP shares rank for payment in priority to the ordinary shareholders (save for any undistributed revenue profits on a winding up) and the 2014 and 2016 ZDP shares but rank behind the bank debt for the capital repayment of 177.52p per ZDP share on 31 October 2012. The capital repayment is equivalent to a redemption yield of 7.0% per annum based on the initial capital entitlement of 100p.

2014 ZDP shares

37,500,000 2014 ZDP shares were in issue at 30 June 2008. The 2014 ZDP shares rank for payment in priority to the ordinary shares (save for an undistributed revenue profit on a winding up) and the 2016 ZDP shares, but rank behind the bank debt and the 2012 ZDP shares for capital repayment of 167.60p per 2014 ZDP share on 31 October 2014. The capital repayment is equivalent to a redemption yield of 7.25% per annum based on the initial capital entitlement of 100p.

2016 ZDP shares

37,500,000 2016 ZDP shares were in issue at 30 June 2008. The 2016 ZDP shares rank for payment in priority to the ordinary shares (save for an undistributed revenue profit on a winding up) but rank behind the bank debt, 2012 and 2014 ZDP shares for capital repayment of 192.78p per 2016 ZDP share on 31 October 2016. The capital repayment is equivalent to a redemption yield of 7.25% per annum based on the initial capital entitlement of 100p.

Bank debt

Utilico has a £70.0m multi-currency loan facility provided by The Royal Bank of Scotland plc, secured against the Company's assets by way of a debenture. The loan is split into several tranches, with maturities extending to November 2010.

Utilico has partially hedged the drawings against adverse movement in interest rates by entering into interest rate swap agreements in order to ensure a constant known effective interest rate for the duration of the longer-term loans.

2012 Warrants

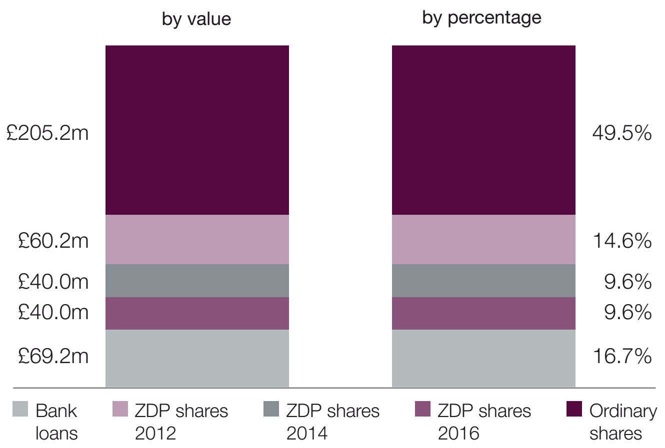
3,589,815 2012 warrants were outstanding on 30 June 2008. Each warrant entitles the holder to subscribe for an ordinary share at a subscription price of 315.00p with the final exercise in April 2012.

The warrants can be exercised on 30 April and 31 October each year.

Ordinary shares rank behind the ZDP shares and bank debt such that they represent a geared instrument.

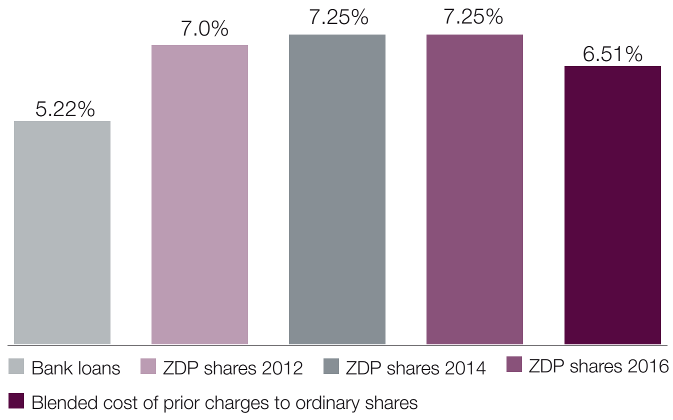
A 1.0% movement in Gross Assets would change the NAV attributable to ordinary shares by 2.0%.

Split of Gross Assets
as at 30 June 2008



Source: Utilico Limited

Utilico's consolidated funding cost structure
as at 30 June 2008



Source: Utilico Limited

SENSITIVITY OF RETURNS AND RISK PROFILES

Ordinary shares

Ordinary shares rank behind the ZDP shares (save for any undistributed revenue on a winding up) and bank debt such that they represent a geared instrument. For every £100 of gross assets of the Company at 30 June 2008, the ordinary shares could be said to be interested in £49.49 of those assets after deducting the prior claims as above. This makes the ordinary shares more sensitive to movements in Gross Assets. Based on these amounts, a 1.0% movement in Gross Assets would change the NAV attributable to ordinary shares by 2.0%.

The interest cost of Utilico's bank debt, combined with the annual accruals in respect of ZDP shares, currently represents a blended cost to the ordinary shares of 6.5%.

ZDP shares

2012 ZDP shares

Based on their final entitlement of 177.52p per share, the final entitlement of the 2012 ZDP shares were covered 2.77 times by gross assets on 30 June 2008. Should Gross Assets fall by 63.8% over the remaining life of the 2012 ZDP shares, then the 2012 ZDP shares would not receive their final entitlements in full. Should Gross Assets fall by 83.3%, equivalent to an annual fall of 33.9%, the ZDP shares would receive no payment at the end of their life.

2014 ZDP shares

Based on their final entitlement of 167.60p per share, the final entitlement of the 2014 ZDP shares were covered 1.95 times by Gross Assets on 30 June 2008. Should Gross Assets fall by 48.7% over the remaining life of the 2014 ZDP shares, then the 2014 ZDP shares would not receive their final entitlements in full. Should Gross Assets fall by 63.8%, equivalent to an annual fall of 14.9% the 2014 ZDP shares would receive no payment at the end of their life.

2016 ZDP shares

Based on their final entitlement of 192.78p per share, the final entitlement of the 2016 ZDP shares were covered 1.45 times by Gross Assets on 30 June 2008. Should Gross Assets fall by 31.2% over the remaining life of the 2016 ZDP shares, then the 2016 ZDP shares would not receive their final entitlements in full. Should Gross Assets fall by 48.7%, equivalent to an annual fall of 7.7% the 2016 ZDP shares would receive no payment at the end of their life.

INVESTMENT TEAM

The investment manager, Ingot Capital Management Pty Limited ("ICM"), is responsible for the investment portfolio in conjunction with Mr Charles Jillings.

ICM represented by Mr Duncan Saville

Mr Saville, aged 51, is a director of ICM. He is a chartered accountant with experience in corporate finance and corporate investment. His companies have invested in the utility sector for over twenty years. He was formerly a non-executive director of Utilico Investment Trust plc, The Special Utilities Investment Trust PLC, East Surrey Water plc, Dee Valley Water plc, Glasgow Prestwick International Airport Limited and Wellington International Airport Limited and is currently a non-executive director of Infratil Ltd and ERG Ltd.

Mr Charles Jillings

Mr Jillings, aged 53, is an employee of the Company. He is responsible for assisting in the running of the Company and the investment portfolio in conjunction with ICM. Mr Jillings qualified as a chartered accountant and previously was a corporate finance director at Hill Samuel. 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 Utilico Emerging Markets Limited and Newtel Holdings Limited and Chairman of Equest Balkan Properties Ltd.

Assisting them are a team of nine, including:

Mr James Smith

Mr Smith, aged 36, has been involved with Utilico since its 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 36, has been involved with Utilico since its inception and before that with The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is an associate member of the Institute of Engineering and Technology.

Mr Ittan Ali

Mr Ali, aged 36, has been employed by The Analysis & Research Company since March 2008 and was previously employed at TRW Investment Management as a Pan European fund manager. Prior to that he was employed for six years as a fund manager with Majedie Investments plc. Mr Ali is an associate of the UK Society of Investment Professionals.

Mr John Michael Collier (Chairman)†*

Mr J M Collier, aged 62 and appointed on 3 May 2007, 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, and serves as a director of a number of US and Bermuda companies.

Ms Susan Hansen†*

Ms S Hansen, aged 47 and appointed on 3 May 2007, is a chartered accountant and MBA graduate and has worked in financial services since 1980. She has previous experience in chartered accountancy and investment banking, and is the principal of a financial training organisation in New Zealand. She is a member of the Institute of Chartered Accountants in Australia.

Mr Warren McLeland†*

Mr W McLeland, aged 62 and appointed on 3 May 2007, is a science and MBA graduate and was formerly a stockbroker and investment banker. His is now Chief Executive Officer of RESIMAC Limited, a securitisation company. In addition, he acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is a non-executive director of Trust Company of Australia, Eclectic Investment Trust plc, Intellect Holdings Limited and Wilsons HTM Investment Group Limited.

Mr E Stobart†*

Mr E Stobart, aged 60 and appointed on 3 May 2007, is a chartered accountant and MBA graduate. He is Senior Group Adviser to Lloyds TSB Group plc and chairman of the Investment and Funding Committee of the Lloyds TSB Group Pension Scheme. He is a non executive director of The Throgmorton Trust PLC, Capita Managing Agency Limited, Falcon Property Trust Limited and Advent Capital (Holdings) PLC. He was previously a non-executive director of MJ Gleeson Group plc and Utilico Investment Trust plc.

Dr Roger Urwin†*

Dr R Urwin, aged 62 and appointed on 3 May 2007, has many years experience in the UK electricity industry, playing a major role in its restructuring and privatisation. He was previously chief executive of National Grid plc and a non-executive director of Utilico Investment Trust plc and was a former chairman of Alfred McAlpine plc. He is a director of Canadian Utilities Limited.

† All the Directors are independent.

* All the Directors are members of the Audit Committee and Management Engagement Committee

REPORT OF THE DIRECTORS

The Directors present their report and the financial statements of the Group and Company for the period from incorporation on 17 January 2007 to 30 June 2008. The Group and Company commenced trading on 20 June 2007. The subsidiaries of the Company are set out in note 10 to the accounts.

Results and dividends

The results for the period are set out in the attached accounts. This being the first accounting period since incorporation, there are no comparative figures presented. The Company is not in a position under Bermuda law to pay dividends.

On 3 March 2008, Utilico announced it had received advice that it was not in a position to pay dividends at the present time. Utilico had sufficient revenue reserves to pay a dividend but its capital account deficit exceeded its revenue reserves. Under Bermuda law a company is only allowed to pay a dividend from its contributed surplus as long as certain statutory requirements are met. The contributed surplus was established at the time of the migration of Utilico to Bermuda in June 2007. On 6 March 2008, Utilico announced that the Board had concluded that it could not pay an interim dividend at that time but that it remained committed to paying dividends from revenue reserves when the deficit on the capital reserve has been eliminated.

At 30 June 2008 Utilico has sufficient revenue reserve to pay a dividend but the capital account deficit continues to exceed the revenue reserve and therefore no final dividend will be declared.

PRINCIPAL ACTIVITY AND STATUS

The Company is a Bermuda exempted, closed ended investment company listed on the London Stock Exchange and is a member of the Association of Investment Companies ("AIC") in the UK.

The Company's subsidiary undertakings, UFL, UNZL and UEMH carry on business as investment companies. Details of the subsidiary undertakings and the interest of those companies are given in note 10 to the Accounts.

Business Review

The Business Review is designed to provide shareholders with an insight into the operations of the Group and Company during the period. In particular, it gives information on:

- the Company's objective and investment policy;
- the regulatory and competitive environment within which the Company operates;
- the Board's strategy for achieving its stated objectives
- principal risks and risk management; and
- shareholders' returns measured against key performance indicators.

Objective

The Company's investment objective is to provide long term capital appreciation by investing predominantly in infrastructure, utility and related companies (including other investment companies investing in those companies).

Investment Policy

The Company's investment policy is flexible and permits it to make investments predominantly in developed 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 infrastructure or utility which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the infrastructure, utilities and related sectors.

The Company focuses on the developed markets of Australasia, Western Europe and North America but has the flexibility to invest in markets worldwide. The Company generally seeks to invest in developed markets countries where the Directors believe there are attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

In the emerging markets Utilico invests indirectly through its holding in UEM.

There will be no material change to the investment objective and policy without prior shareholder approval.

The Board and the Managers review the risk profile of the Group regularly. Agreed risk parameters are established and compliance is reviewed at the quarterly board meetings. The parameters adopted by the Board are reviewed at each Board Meeting. These parameters are subject to change. Where changes are made these will be announced to the market.

- Borrowings

  The Group and Company are permitted to borrow an aggregate amount equal to 100% of the Group's Gross Assets. However, the Board has set a current limit on gearing (being total borrowings measured against gross assets) not exceeding 33.3% at the time of draw down. Borrowings will be drawn down in Sterling, US Dollars or any currency for which there are corresponding assets within the portfolio (at the time of drawing down the value drawn must not exceed the value of the asset in the portfolio).

- Unquoted Investments
  Unquoted and untraded investments excluding GERP should not collectively exceed 20% of the gross assets at the time any such individual investment is made.
- Single Investment
  No single quoted investment may exceed 30% of the gross assets at the time the investment is made. This is a departure from the limit of 20% stated in the Company's prospectus and will require shareholder approval.
- Hedging
  The Manager will follow a policy of actively hedging the market and balance sheet risks faced by Utilico.

  A review of the investment portfolio, borrowings and hedging is included in the Investment Report within these accounts.

  A resolution will be put to shareholders of Utilico at the forthcoming Annual General Meeting to approve the Company's investment policy.

Regulatory and Competitive Environment

The Company is a closed ended company and is obliged to comply with Bermuda law, the rules of the UK Listing Authority and IFRSs. The financial statements are also presented, where relevant in compliance with revised Statement of Recommended Practice (SORP) for Investment Trusts issued by the AIC. The Company is exempt from taxation, except insofar as it is withheld from income received. Under Bermuda law, the Company may not distribute income by way of a dividend unless, after distribution of the dividend, the realisable value of the Company's assets would be greater than the aggregate of its liabilities and its issued share capital and share premium account.

In addition to annual and interim accounts published under those rules the Company announces net asset values per share weekly via the London Stock Exchange's Regulatory News Service and provides more detailed statistical information on a monthly basis to the AIC in order for investors and brokers to review its performance. The Company also reports to shareholders on performance against the investment objective, Directors' activities, corporate governance, investment activities and share buybacks. A monthly factsheet is published and is available on the Company's website.

Strategy for Achieving Objectives

As part of its strategy, the Board has contractually delegated the management of the investment portfolio to Ingot Capital Management Pty Limited ("ICM" or the "Manager"), which was appointed Manager to Utilico and UFL on 14 May 2007.

The Company's performance in pursuing its objective is measured against key performance indicators as set out on page 24. A review of the Company's returns during the period, the position of the Company at the period end and the outlook for the coming year is contained within the Chairman's Statement and Manager's Report on pages 5 to 13.

Principal Risks and Risk Mitigation

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

The Board applies the principles and recommendations of the UK Combined Code on Corporate Governance and the AIC's Code on Corporate Governance as described on pages 28 and 29. The Company's internal controls are described in more detail on pages 30 and 31.

The Company's assets consist mainly of listed and quoted securities and its principal risks are therefore market related or currency related. More detailed explanation of these risks and the way they are managed are contained in note 30 to the accounts. Other risks faced by the Group include the following:

External: any events or developments which can affect the general level of share prices including for instance, terrorism, disease, inflation or deflation, economic recessions and movements in interest rates;

Key Staff: loss by the management of key staff could affect investment returns. The quality of the management team is a crucial factor in delivering good performance. There are training and development programs in place for employees and the recruitment and remuneration package has been developed in order to retain key staff;

Strategy: an inappropriate investment strategy including country and sector allocation, stock selection and the use of gearing could all lead to poor returns to shareholders. The Board regularly reviews strategy in relation to a range of issues including the balance between quoted and unquoted stocks, the allocation of assets between geographic regions and industrial sectors and gearing;

Regulatory: breach of regulatory rules could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report. The Administrator monitors the Company's compliance with the Listing Rules of the UK Listing Authority and compliance with the principal rules is reviewed by the Directors at each Board Meeting and Appleby Corporate Services (Bermuda) Ltd ensure that the Company adheres to Bermuda law;

Operational: failure of the Manager's or Administrator's systems, or those of third party service providers could lead to an inability to provide accurate reporting. The Board reviews operational issues at each Board Meeting and the Audit Committee receives reports on the operation of internal controls, as explained in more detail within Internal Controls on pages 30 and 31;

Financial: inadequate controls by the Manager or Administrator or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. The Board reviews financial reports in detail at each Board Meeting; and

Banking: a breach of the Company's loan covenants might lead to funding being summarily withdrawn. At each Board Meeting the Board reviews compliance with the banking covenants.

Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in pursuing its objectives. The key performance indicators are as follows:

- NAV total return against the benchmark index.
- Share price.
- Discount/premium of the share price to NAV.
- Total expense ratio

A historical record of these indicators is contained in the Performance Summary on page 2.

The total expense ratio or the period ended 30 June 2008 was 0.7%.

Outlook

The outlook for the Company is reported in the Investment Manager's review on page 13.

Directors

The Board of Directors of Utilico and UFL are responsible for overall stewardship of the Company, including corporate strategy, corporate governance, risk and controls assessment, overall investment policy and gearing limits. Details of the Directors can be found on page 21.

The Bye-Laws for Utilico and UFL provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment and therefore all the Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-appointment.

Following an appraisal of the performance of the individual Directors, 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.

Each non-executive Director has signed a letter of appointment setting out the terms of their engagement as Directors, but does not have a service agreement with Utilico or UFL.

Directors' Remuneration and Shareholding

The Directors' Remuneration Report, which can be found on page 32 provides detailed information on the remuneration arrangements for Directors of Utilico and UFL. Shareholders will be asked to approve the Directors' Remuneration Report at the Annual General Meetings for Utilico (Resolution 3). The Directors' remuneration is not conditional upon the resolution being passed.

The Directors who held office at the period-end and their interests in each class of share of Utilico and UFL were:

	Ordinary Shares	Warrants 2012	ZDP 2012
J M Collier	–	–	–
S Hansen	–	–	–
W McLeland	–	–	–
E Stobart	3,500	136	–
R Urwin	144,371	5,294	52,029

There have been no changes in the Directors' interests in the shares of Utilico and UFL between 30 June 2008 and 6 October 2008.

Management

Utilico and UFL have an investment management agreement dated 14 May 2007 (the "Investment Management Agreement") with Ingot Capital Management Pty Limited (the "Manager" or "ICM"). The Manager provides portfolio monitoring, research and other investment management services to the Group and is entitled to receive a fee equal to 0.5% per annum of the Group's gross assets after deducting current liabilities (excluding borrowings incurred for investment purposes) payable semi-annually in arrears (plus any applicable GST). The Manager will also be reimbursed its reasonable out of pocket expenses, including travel and related costs. The Investment Management Agreement with ICM may be terminated upon one year's notice given by Utilico and UFL and not less than six months notice given by ICM.

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

In the process of its governance of the Group, the Board reviews regular reports from the Manager to assess the on-going performance of the Group as well as to assess the impact of national and international economic and political issues affecting the Group. Income forecasts are reviewed to enable costs to be controlled within budget. Other regularly reviewed reports include those covering the list of investments, the level of gearing and the shareholder register. The Board's assessment of the major risks faced by the Group, together with the principal controls in place to mitigate the risks, is set out later in this review.

The Directors review the activities of the 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 Group was currently being managed. Based on this assessment, it is the Board's opinion that the continuing appointment of ICM as Manager on the agreed terms is in the interests of shareholders as a whole.

Administration

Utilico and UFL and the Investment Manager also have an administration agreement with F&C Management Limited (the "Administrator"), dated 14 May 2007, under which the Administrator provides company secretarial, financial and general administrative services to Utilico and UFL for a fee, payable monthly in arrears, of £295,000 per annum. The Administrator and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties. Either party may terminate this agreement upon six months' notice in writing.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with shareholders. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and the Manager of the Company. The notice of the forthcoming Annual General Meeting for Utilico to be held on 1 December 2008 is set out on page 59. In addition to the ordinary business of the meeting, resolution numbers 13 and 14 for Utilico are to be proposed as special business.

A Separate Annual General Meeting will be held for shareholders of UFL immediately following the Annual General Meeting of Utilico on 1 December 2008. In accordance with the Bye-Laws of UFL, ZDP shareholders have the right to receive a notice of, but shall not have the right as such to attend or vote at any Annual General Meeting of UFL. A separate Notice accompanies this report for shareholders in UFL.

Company's authorised share capital (Resolution 12)

The Chairman noted that the Shareholders of the Company approved in a written resolution adopted on 9 May, 2007 the increase in the share capital of the Company from £1 to £12,747,950 by the creation of 127,479,940 ordinary shares of par value £0.10 each (the "Resolution").

The Chairman further noted, that as a result of a scriveners error, it was desirable that the Secretary of the Company be authorised to make a manuscript amendment to the Resolution amending the number of ordinary shares by which the share capital is to be increased by, from 127,479,940 to 127,479,490.

Resolution 12 is to accept the recommendation of the Directors and resolve that the Secretary of the Company is hereby authorised to make manuscript amendments to the Resolution amending the number of ordinary shares by which the share capital is to be increased by, from 127,479,940 to 127,479,490.

Authority for Utilico to Purchase its own Ordinary Shares (Resolution 13)

Resolution 13 authorises Utilico to purchase in the market initially up to a maximum of 12,947,262 ordinary shares (equivalent to approximately 14.99% of the ordinary share capital at the date of this Report). This authority will expire on 31 May 2010 unless it is varied, revoked or renewed prior to that date at the Annual General Meeting in 2009 for Utilico or at any other general meeting by ordinary resolution. The price paid for ordinary shares will be within the maximum price permitted by the UK Listing Authority and in accordance with the Bermuda Companies Act, and in any event no purchase of ordinary shares will be made at a price in excess of the diluted NAV per ordinary share (at a date determined by the Directors falling not more than 10 days before the date of purchase). Any ordinary shares may only be purchased at a price such that immediately after such purchase the ZDP Cover (as defined in Utilico's Bye-Laws) would be at least 1.4 times.

A separate resolution is being put to shareholders of UFL to buy back its own ZDP shares.

The Directors would use this authority with the objective of enhancing shareholder value. Purchases will only be made within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing diluted net asset value of the relevant share.

Bermuda companies are permitted to hold shares acquired by way of market purchase in treasury rather than having to cancel them. Such shares may be subsequently cancelled or sold for cash. Accordingly, Utilico and UFL may hold each class of share purchased pursuant to share buy backs in treasury. This will give Utilico and UFL the ability to sell shares from treasury quickly and in a cost efficient manner and would provide Utilico and UFL with additional flexibility in the management of its capital base. The Board has recommended that ordinary shares held in treasury would not be re-issued at a price below the prevailing diluted NAV and ZDP shares would not be re-issued at a price below their accrued capital entitlement.

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 and shall not be available for re-issue.

It is proposed that any purchases of shares would be funded from Utilico's or UFL's own cash resources or, if appropriate, from short-term borrowing.

Amendments to the Bye Laws (Resolution 14)

It is proposed that amendments be made to the Bye-Laws for Utilico as follows:

Execution of documents with or without the affixing of the seal, is now recognised under Bermuda law, provided that an authorised person signs. The amendment to Bye-Laws 37.1 and 37.2 and the insertion of two new Bye-Laws 37.2.1 and 37.2.2 reflects this change, and will allow the Company greater flexibility in execution of documents.

It is proposed that a shareholder dividend reinvestment plan be introduced, enabling shareholders to elect to receive new shares in lieu of cash. This is reflected in the recommended change to Bye-Law 38.1.

The Act introduced new provisions dealing with, inter alia, the Company's communications with shareholders and other provisions which facilitate communications in electronic form and by means of a website. Shareholders should note that this method of communication may only be used in respect of shareholders who have consented to such electronic delivery, and for the remainder of shareholders, hard copies will be despatched in the usual way.

The use of the term "written resolution" has been changed to "resolution in writing" to conform with the terms used in the Act.

The previous limitation on the application of share premium (to crediting shares of the same class from which it was derived) has been removed by the Act, and Bye-Law 40.1 has been revised to reflect this.

Disclosure of Information to the Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that the ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

PricewaterhouseCoopers LLP were appointed as auditors to the Group on incorporation and resigned as auditors to the Group on 11 July 2008.

There are no matters in connection with their resignation which PricewaterhouseCoopers LLP wish to bring to the attention of shareholders or regulators.

The Directors subsequently appointed Grant Thornton UK LLP as auditors to the Group and a resolution confirming their appointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting of Utilico (Resolutions 9 and 10).

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

Going Concern

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

Individual Savings Accounts

The Company's shares are eligible for inclusion in an Individual Savings Account (including former PEPs) in the United Kingdom. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

Share Capital

Full details of changes to the Group's authorised and issued share capital during the period can be found in notes 17 and 18 to the accounts.

On launch the Company was granted authority to make market purchases of up to 14.99% of its ordinary shares. During the period under review the Company purchased 880,000 ordinary shares to be held in treasury. Since the period-end the Company has bought back a further 4,745,660 ordinary shares for cancellation and the 880,000 ordinary shares held in treasury have also been cancelled.

Substantial Share Interests

As at 6 October 2008 the following holdings, representing 3% or more of the issued share capital, had been notified to the Company:

	Number of ordinary shares held	% held
General Provincial Life Pension Fund (L) Limited	45,086,884	52.2
Foreign & Colonial Investment Trust plc	10,452,263	12.1
Apollo Fund plc	2,800,000	3.2

Creditor Payment Policy

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 in accordance with the terms of the administration agreement. 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.

There were no trade creditors at the period end.

Duration of Utilico and UFL

As Utilico and UFL are intended as long-term investment vehicles they will have no termination date or any periodic continuation votes.

Recommendation

The Directors consider that the passing of the Resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of these resolutions.

By order of the Board
F&C Management Limited,
Company Secretary
6 October 2008

Bermuda does not have its own corporate governance code and, as a Bermuda incorporated company, the Company is not required to comply with the UK Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the "Combined Code"). However, it is the Company's policy to comply with best practice on good corporate governance and maintain the same level of governance as UK listed investment companies. The Board has considered the principles set out in the UK Combined Code and the AIC Code of Corporate Governance revised in May 2007 (the "AIC Code").

Except as disclosed below, the Company complied throughout the period with the recommendations of the AIC Code and the relevant provisions of the Combined Code. Since, all the Directors are non-executive, and in accordance with the AIC Code and the preamble of the Combined Code, the provisions of the Combined Code on the role of chief executive and, excepting so far as they apply to non-executive Directors, on Directors' remuneration are not relevant to the Company and are not reported on further.

In view of its non-executive nature and the requirement of the Bye-Laws that all Directors retire by rotation, the Board considers that is not appropriate for the Directors to be appointed for a specified term as recommended by provision A.7.2 of the UK Combined Code and principle 3 of the AIC Code. However, the Board has agreed that each Director will retire and, if appropriate, seek re-election at the completion of each three years of service and annually after serving on the Board for more than nine years. Nor, as a Board comprised solely of non-executive Directors, do the Directors consider it appropriate to appoint a Senior Independent Director as recommended by provision A.3.3 of the Combined Code and principle 1 of the AIC Code.

The Board

The Directors' biographical details on page 21 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.

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 AIC 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.

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 Group and the management of the Group by the Chairman, the Secretary and other appropriate persons. They will also be issued with a Directors' Handbook, which details relevant information on the Group, and other key documentation. All appointments are subject to subsequent confirmation by shareholders.

The Combined Code provides that the Board should undertake a formal 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 led by the Chairman. In addition, the performance of the Chairman is evaluated by the other Directors. 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 Group'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. Board and Committee meetings are held on an ad hoc basis to consider particular issues as they arise.

The quorum for any Board meeting is two Directors, however, attendance by all Directors at each meeting is strongly encouraged. The following table sets out the number of meetings (including Committee meetings) held during the period under review and the number of meetings attended by each Director. The telephonic Board meetings were held on short notice to consider various matters.

	Board	TBd	AC	MEC
No of meetings	5	9	2	1
J M Collier	5	9	2	1
S Hansen	5	7	2	1
W McLeland	5	5	1	–
E Stobart	5	5	2	1
R Urwin	5	5	2	1

TBd = Telephonic Board
AC = Audit Committee
MEC = Management Engagement Committee

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

Utilico and UFL have 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 Group. Under the terms of this Agreement, ICM provides the services of five employees.

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.

Remuneration Committee

Since the Company has no executive Directors, the detailed Directors' Remuneration disclosure requirements set out in the Combined Code Provisions B.1 to B.1.6, and B.2.1 to B.2.4 are not relevant.

Audit Committee

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by Mr E Stobart, operates within written terms of reference clearly setting out its authority and duties.

The Audit Committee comprises all of the 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 Group'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 Group is exposed and the controls in place to mitigate those risks.

A "whistle blowing" policy has been put into place for employees of the Group, 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 Group. 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 Group 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, Grant Thornton UK LLP. The auditors attend the Audit Committee meeting to review the annual results and provide a comprehensive review of the audit of the Group. The Audit Committee also has the opportunity to meet with the auditors without management being present.

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

The Audit Committee has also reviewed the provision of non-audit services by the auditors. In the period under review, non audit fees paid to PricewaterhouseCoopers LLP amounted to £27,000 (see note 4). Notwithstanding such services the Audit Committee considers Grant Thornton UK LLP to be independent of the Group and that the provisions of such non audit services is not a threat to the objectivity and independence of the conduct of the audit.

Management Engagement Committee

The Board has appointed a Management Engagement Committee, chaired by Mr E Stobart, which operates within written terms of reference clearly setting out its authority and duties.

The Management Engagement Committee comprises all of the 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 system of internal controls for Utilico and UFL 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 Group 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 Group 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 Investment Manager 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 Group is exposed and the controls in place to mitigate them. These include risks for which the monitoring has been delegated to third party providers as well as those risks that are not directly the responsibility of the Investment Manager or the Administrator.

In addition, the Administrator produces an annual Report of Internal Corporate Governance to the standards of the Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06) issued by the Institute of Chartered Accountants in England and Wales for its clients.

This sets out the control policies and procedures with respect to the duties carried out by the Administrator on the Company's behalf. The effectiveness of these controls is monitored by the Administrator's group audit and compliance committee, which receives regular reports from the Administrator's audit and risk department. The Company's Audit Committee has received and reviewed the Statement for the year ended 31 December 2007, 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 Group.

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, whose controls are monitored by the Board and which include internal audit and risk assessment. It is therefore felt that there is no need for the Company to have its own internal audit function. However, this will be reviewed annually by the Audit Committee. Action will be taken to remedy any significant failings or weakness identified from the review of the effectiveness of the internal control system.

Investor Relations

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

Shareholders wishing to communicate with the Chairman 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 66.

All shareholders are encouraged to attend the Annual General Meeting, at which shareholders will be given an opportunity to question the Chairman and the Board. The Chairman and other members of the Board 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

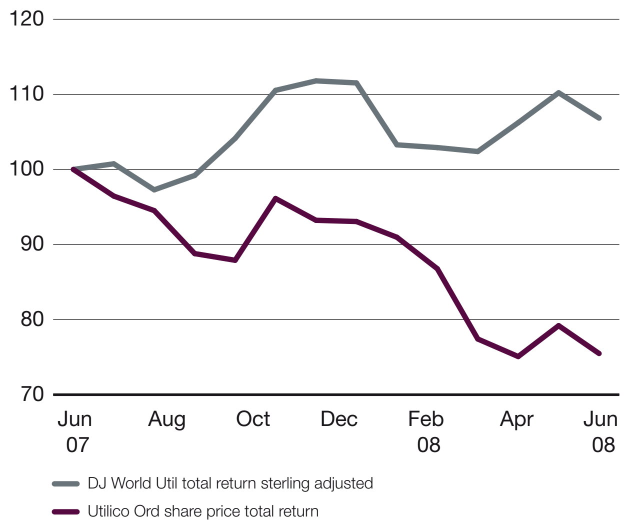
The Company believes that the interests of its shareholders are served by investing in companies that adopt best practice in corporate governance and social responsibility. Where the Manager becomes aware that best practice in corporate governance and social responsibility is not being followed, the Company will encourage changes towards this goal.

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.

The Board of Utilico and UFL consists solely of independent non-executive Directors and considers, at least annually or more frequently as required, the level of Directors' fees. The Company Secretary provides information on comparative levels of Directors' fees in advance of each review. There is no Remuneration Committee.

Utilico Share Price Total Return

from 20 June 2007 to 30 June 2008
(rebased 20 June 2007)



Source: Datastream

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

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 £38,000 and the other Directors received £24,000. The Chairman of the Audit Committee, Mr E Stobart, received 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 2008 £'000s
J M Collier (Chairman)	38
S Hansen	24
W McLeland	24
E Stobart*	29
R Urwin	24
Total	139

* Mr E Stobart's fee includes £5,000 for being Chairman of the Audit Committee

The information in the above table has been audited (see the Independent Auditors' Report on page 34).

By order of the Board
F&C Management Limited,
Secretary
6 October 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements of the Group and Company in accordance with applicable Bermuda law and IFRSs.

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

- select suitable accounting policies in accordance with IAS 8: Accounting policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- IFRSs have been followed; and
- prepare the financial statements on the going concern basis.

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

To the best of the knowledge of the Directors, the financial statements give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company, and the Investment Manager's report includes a fair review of the development and performance of the business and a description of the principal risks and uncertainties that they face.

Insofar as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The financial statements are published on the Company's website, www.utilico.bm, the maintenance and integrity of which is the responsibility of the Company. The work carried out by the auditors does not involve consideration of the maintenance and integrity of the website and accordingly, the auditors accept no responsibility for any changes that have occurred 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.

Approved by the Board on 6 October 2008 and signed on its behalf by:

J Michael Collier
Chairman

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF UTILICO LIMITED

We have audited the Group and Parent Company financial statements (the ''financial statements'') of Utilico Limited for the period ended 30 June 2008 which comprise the Group and Parent Company income statements, the Group and Parent Company statements of changes in equity, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, and notes 1 to 30. 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 the Companies Act 1981 of Bermuda. At the request of the Directors, we have also audited the information in the Directors' Remuneration Report that is described as being audited. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's 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 Statement of Directors' 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 are also responsible for auditing the Directors' Remuneration Report in accordance with 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 have been properly prepared in accordance with the Companies Act 1981 of Bermuda.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding other transactions is not disclosed.

We read other information contained in the Annual Report on pages 1 to 33 and consider whether it is consistent with the 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 financial statements and disclosures in the financial statements and the part of the Directors' Remuneration Report that is stated as having been audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and 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 and the part of the Directors' Remuneration Report that is stated as having been audited, 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 and the part of the Directors' Remuneration Report that is stated as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's and the Parent Company's affairs as at 30 June 2008 and of the Group's and the Parent Company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1981 of Bermuda; and
- the part of the Directors' Remuneration Report that is stated as having been audited shows the fees paid by the Company to its Directors

Grant Thornton UK LLP
Chartered Accountants
London
6 October 2008

INCOME STATEMENTS

period to 30 June 2008

Notes		GROUP Revenue return £'000s	GROUP Capital return £'000s	GROUP Total return £'000s	COMPANY Revenue return £'000s	COMPANY Capital return £'000s	COMPANY Total return £'000s
9	Gains/(losses) on investments	–	(92,075)	(92,075)	–	(94,251)	(94,251)
12	Gains/(losses) on derivative instruments	–	23,313	23,313	–	25,364	25,364
	Exchange gains/(losses)	3	(5,753)	(5,750)	–	(5,677)	(5,677)
2	Investment and other income	10,463	–	10,463	10,298	–	10,298
	Total income	10,466	(74,515)	(64,049)	10,298	(74,564)	(64,266)
3	Management and administration fees	(2,291)	111	(2,180)	(2,291)	111	(2,180)
4	Other expenses	(768)	(21)	(789)	(709)	(21)	(730)
	Profit/(loss) before finance costs and taxation	7,407	(74,425)	(67,018)	7,298	(74,474)	(67,176)
5	Finance costs	(3,618)	(9,809)	(13,427)	(3,530)	(9,809)	(13,339)
	Profit/(loss) before taxation	3,789	(84,234)	(80,445)	3,768	(84,283)	(80,515)
6	Taxation	(860)	–	(860)	(790)	–	(790)
	Profit/(loss) for the period	**2,929**	**(84,234)**	**(81,305)**	**2,978**	**(84,283)**	**(81,305)**
7	**Earnings per ordinary share (basic) – pence**	**3.59**	**(103.35)**	**(99.76)**	**3.65**	**(103.41)**	**(99.76)**
7	**Earnings per ordinary share (diluted) – pence**	**3.27**	**n/a**	**n/a**	**3.33**	**n/a**	**n/a**

The total column of these statements represents the Group's and Company's Income Statement, prepared in accordance with IFRS.

The supplementary revenue returns and capital returns are prepared under guidance published by the Association of Investment 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. There are no minority interests.

STATEMENT OF CHANGES IN EQUITY

period to 30 June 2008

GROUP

	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/(loss) for the period	–	–	–	–	(84,234)	2,929	(81,305)
Issue of ordinary share capital and warrants	7,966	238,030	35,118	–	–	–	281,114
Issue costs of ordinary share capital	–	(547)	–	–	–	–	(547)
Conversion of warrants	1,234	6,719	(32,067)	32,067	–	–	7,953
Purchase of ordinary shares held in treasury	–	(2,014)	–	–	–	–	(2,014)
Balance at 30 June 2008	**9,200**	**242,188**	**3,051**	**32,067**	**(84,234)**	**2,929**	**205,201**

COMPANY

	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/(loss) for the period	–	–	–	–	(84,283)	2,978	(81,305)
Issue of ordinary share capital and warrants	7,966	238,030	35,118	–	–	–	281,114
Issue costs of ordinary share capital	–	(547)	–	–	–	–	(547)
Conversion of warrants	1,234	6,719	(32,067)	32,067	–	–	7,953
Purchase of ordinary shares held in treasury	–	(2,014)	–	–	–	–	(2,014)
Balance at 30 June 2008	**9,200**	**242,188**	**3,051**	**32,067**	**(84,283)**	**2,978**	**205,201**

BALANCE SHEETS

at 30 June 2008

Notes		GROUP £'000s	COMPANY £'000s
	Non current assets		
9	Investments	408,671	413,252
	Current assets		
11	Other receivables	2,745	2,694
12	Derivative financial instruments	730	730
13	Cash and cash equivalents	4,681	3,996
		8,156	7,420
	Current liabilities		
14	Bank loans	(25,000)	(25,000)
15	Other payables	(2,254)	(146,305)
		(27,254)	(171,305)
	Net current liabilities	(19,098)	(163,885)
	Total assets less current liabilities	389,573	249,367
	Non current liabilities		
16	Bank loans	(44,166)	(44,166)
17	Zero dividend preference shares	(140,206)	–
	Net assets	**205,201**	**205,201**
	Equity attributable to equity holders		
18	Ordinary share capital	9,200	9,200
19	Share premium account	242,188	242,188
20	Warrant reserve	3,051	3,051
21	Non-distributable reserve	32,067	32,067
22	Capital reserves	(84,234)	(84,283)
22	Revenue reserve	2,929	2,978
	Total attributable to equity holders	**205,201**	**205,201**
23	**Net asset value per ordinary share**		
	Basic – pence	**225.20**	**225.20**
	Diluted – pence	**225.20**	**225.20**

Approved by the Board on 6 October 2008 and signed on its behalf by

J Michael Collier Eric Stobart

CASH FLOW STATEMENTS

period to 30 June 2008

Notes		GROUP £'000s	COMPANY £'000s
24	Cash flows from operating activities	(75,039)	(86,438)
	Cash flows from investing activities	–	–
	Cash flows before financing activities	(75,039)	(86,438)
	Financing activities		
	Equity dividends paid	–	–
	Proceeds from borrowings	80,335	91,996
	Proceeds from warrants exercised	7,954	7,954
	Cost of share buy back	(2,014)	(2,014)
	Cash flows on issue of ordinary share capital	203	(667)
	Cash flows from financing activities	86,478	97,269
	Net increase in cash and cash equivalents	11,439	10,831
	Cash and cash equivalents at the beginning of the period	–	–
	Effect of movement in foreign exchange	(6,758)	(6,835)
	Cash and cash equivalents at the end of the period	**4,681**	**3,996**

1. ACCOUNTING POLICIES

The Company is an investment company incorporated in Bermuda on 17 January 2007 and quoted on London Stock Exchange. The Company commenced trading on 20 June 2007 and its first accounting reference date is 30 June 2008 and thus there are no comparatives.

The consolidated financial statements of the Company for the period ended 30 June 2008 comprise the results of the Company and its subsidiaries, Utilico Finance Limited, Utilico NZ Limited and UEM Holdings Limited (together referred to as the "Group"). The Group is engaged in a single segment of business, focusing on providing long term capital appreciation by investing predominantly in infrastructure, utility and related companies.

(a) Basis of accounting

The financial statements have been prepared in accordance with IFRSs, 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 an 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 Companies ("AIC") in December 2005, do 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 and listed in the United Kingdom.

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

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 return to Capital Reserves.

At the date of authorisation of these financial statements, the following standards and interpretations have not been applied in these financial statements since they were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date
IAS 1 (revised) Presentation of Financial Statements Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (revised 2008)	1 January 2009

The Directors have chosen not to early adopt these standards and interpretations as they do not anticipate that they would have a material impact on the Group's financial statements in the period of initial application.

In the process of applying the Group's accounting policies, judgements relating to investments have had the most significant effect on the amounts recognised in the financial statements, and details of those judgements are set out in accounting policy 1(c).

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unlisted investments, details of which are set out in accounting policy 1(c).

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. All intra group transactions, balances, income and expenses are eliminated on consolidation. Associate undertakings held as part of the investment portfolio (see 1(c) below) are, in accordance with IAS 28 Investments in Associates, not accounted for in the Group accounts using the equity method of accounting, but are carried at fair value through profit or loss and accounted for in accordance with IAS39 Financial Instruments: Recognition and Measurement.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Valuation of investments and derivative financial instruments held at fair value through profit or loss

Investment purchases and sales are accounted for on the trade date, inclusive of transaction costs. As the Group'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 accounts for its Subsidiaries as investment holdings.

The gains and losses on investments and derivatives are analysed within the Income Statement as they arise, as capital return. Quoted investments are shown at fair value using bid market prices. The fair value of unlisted investments is determined by the Board. The Board makes use of recognised valuation techniques and takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

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

(d) Cash and cash equivalents

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

(e) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of issue costs, irrespective of the duration of the instrument.

Finance charges, including interest, are accrued using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period. See 1(j) below for allocation of finance charges between revenue and capital return within the Income Statement.

(f) Zero dividend preference shares

The ZDP shares, due to redeem in 2012, 2014 and 2016 at a redemption value of 177.52 pence per share, 167.60 pence per share and 192.78 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of the Group to deliver to their holders a fixed and determinable amount at the redemption date. They are accordingly accounted for at amortised cost, using the effective interest rate method.

(g) Foreign currency

The functional and reporting currency is pounds sterling because that is the currency the Group operates in and is the currency most relevant to the Company's shareholders. Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to the Income Statement and analysed as capital or revenue as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates. The Income Statement and Cash Flow Statement of the overseas subsidiaries are translated at weighted average rates of exchange for the relevant reporting period, other than material exceptional items which are translated at the rate on the date of the transaction and assets and liabilities are translated at exchange rates prevailing at the relevant balance sheet date.

(h) Investment and other income

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

Where the Group has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as revenue return. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital return.

Interest on debt securities is accrued on a time basis using the effective interest rate applicable. Bank and short-term deposit interest is recognised on an earned basis. These are brought into the Income Statement and analysed as revenue returns.

(i) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement and analysed under revenue return except for 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 analysed under the capital return, as the Directors believe such fees arise from capital performance.

(j) Finance costs

Finance costs are accounted for on an effective interest rate basis, recognised through the Income Statement and analysed under the revenue return except those financial costs of the ZDP shares which are analysed under the capital return.

1. ACCOUNTING POLICIES (CONTINUED)

(k) Dividends payable

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

(l) Capital reserve

The following items are allocated to capital reserves:

Capital reserve – realised

– gains and losses on the realisation of investments

– realised exchange differences of a capital nature

– expenses allocated in accordance with notes 1(i) and 1(j) together with any associated tax relief

Capital reserve – unrealised

– increases and decreases in the valuation of investments held at the period end

– unrealised exchange differences of a capital nature

(m) 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

	GROUP Period to 30 June 2008			COMPANY Period to 30 June 2008		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Investment income:						
UK franked dividends	1,036	–	1,036	1,036	–	1,036
Overseas dividends	8,047	–	8,047	7,899	–	7,899
Overseas and UK interest	589	–	589	589	–	589
Stock interest	180	–	180	180	–	180
	9,852	–	9,852	9,704	–	9,704
Other income						
Interest on cash and short-term deposits	611	–	611	594	–	594
Total income	10,463	–	10,463	10,298	–	10,298
Total income comprises:						
Dividends	9,083	–	9,083	8,935	–	8,935
Interest from investments	769	–	769	769	–	769
Other income	611	–	611	594	–	594
	10,463	–	10,463	10,298	–	10,298
Income from Investments comprises:						
Listed UK	474	–	474	474	–	474
Listed overseas	5,788	–	5,788	5,241	–	5,241
Unlisted	3,590	–	3,590	3,988	–	3,988
	9,852	–	9,852	9,703	–	9,703

3. MANAGEMENT AND ADMINISTRATION FEES

	GROUP Period to 30 June 2008			COMPANY Period to 30 June 2008		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Payable to:						
Ingot Capital Management Pty Limited ("ICM")						
– management fee	1,987	–	1,987	1,987	–	1,987
– performance fee	–	(111)	(111)	–	(111)	(111)
F&C Management Limited – administration fee	304	–	304	304	–	304
	2,291	(111)	2,180	2,291	(111)	2,180

ICM is appointed as Investment Manager for which it is entitled to a management fee and a performance fee. The management fee of 0.5% per annum is based on total assets less current liabilities (excluding borrowings and excluding the value of all holdings in companies managed or advised by the Manager or any of its subsidiaries), payable semi-annually in arrears. The agreement with ICM may be terminated upon one year's notice given by the Company and not less than six months notice given by ICM.

Included within the fees of £1,987,000 paid to ICM is £120,000 salary and PAYE costs relating to full time employees of the Company. These costs were deducted from the management fee payable by the Company to ICM. The average number of employees of the Company in the year was five.

In accordance with the management agreement with ICM, performance achieved in UIT in the period between 1 July 2006 and the date of transfer of assets and liabilities to Utilico was carried forward into Utilico. Therefore the opening equity funds for calculation of the performance fee to 30 June 2007 were those at 30 June 2006 in UIT the last period end in respect of which a performance fee was last paid to ICM. The accrual transferred into Utilico at 20 June 2007 from UIT was £111,000 more than was calculated and paid at 30 June 2007 when the performance fee became due. For the period 1 July 2007 to 30 June 2008 no fee is payable.

F&C provides accounting, secretarial, dealing and administration services to the Company for a fixed fee of £295,000 per annum, payable monthly in arrears. The agreement with F&C may be terminated upon six months' notice given by either party in writing.

4. OTHER EXPENSES

	GROUP Period to 30 June 2008			COMPANY Period to 30 June 2008		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Auditors' remuneration:						
for audit services	83	–	83	75	–	75
for other services*	27	–	27	27	–	27
Directors' fees:						
fees for services to the Company (see Directors' Remuneration Report on page 32)	139	–	139	139	–	139
Sundry expenses	519	21	540	468	21	489
	768	21	789	709	21	730

* Total Auditors' remuneration for other services, paid to PwC prior to their resignation (see page 27), amounts to £27,000 and was for all other services, reviewing interim statements. Auditors' remuneration in respect of the subsidiaries for audit services amounts to £8,000.

5. FINANCE COSTS

	GROUP Period to 30 June 2008			COMPANY Period to 30 June 2008		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Loans and overdrafts repayable within 1 year	1,679	–	1,679	1,591	–	1,591
Loans and overdrafts repayable between 2 and 5 years	1,939	–	1,939	1,939	–	1,939
ZDP shares	–	9,809	9,809	–	–	–
Intra group loan account	–	–	–	–	9,809	9,809
	3,618	9,809	13,427	3,530	9,809	13,339

6. TAXATION

	GROUP Period to 30 June 2008			COMPANY Period to 30 June 2008		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Overseas taxation suffered on dividend income	(860)	–	(860)	(790)	–	(790)

Taxation suffered on dividend income in UNZL is New Zealand income tax. Profits of the Company and subsidiaries for the period are not subject otherwise to any other taxation within their countries of residence.

7. EARNINGS PER SHARE

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

	GROUP Period to 30 June 2008 £'000s	COMPANY Period to 30 June 2008 £'000s
Revenue	2,929	2,978
Capital	(84,234)	(84,283)
Total	(81,305)	(81,305)

	Number	Number
Weighted average number of shares in issue from 20 June 2007 to 30 June 2008 for basic earnings per share calculations	81,501,932	81,501,932

Diluted earnings per ordinary share

Diluted earnings per share have been calculated in accordance with IAS 33, under which the Company's warrants are considered dilutive only if the exercise price is lower than the average market price of the ordinary shares during the period. The dilution is calculated by reference to the additional number of ordinary shares which warrantholders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market:

	GROUP AND COMPANY Period to 30 June 2008 Number
Weighted average number of shares in issue, entitled to dividends, during the period for basic earnings per share calculations	81,501,932
Dilutive potential shares	8,015,924
Weighted average number of shares for diluted earnings per share calculations	89,517,856

8. DIVIDENDS

There were no dividends paid in the period.

9. INVESTMENTS

	Listed £'000s	Unlisted £'000s	GROUP Total £'000s	Listed £'000s	Unlisted £'000s	Subsidiaries £'000s	COMPANY Total £'000s
Movements in the period:							
Purchases at cost	365,637	208,298	573,935	345,491	208,298	72,661	626,450
Sales							
proceeds	(70,012)	(3,177)	(73,189)	(70,011)	(3,177)	(45,759)	(118,947)
realised net (losses)/gains on sales	(363)	1,041	678	(363)	1,041	385	1,063
Increase in unrealised depreciation	(79,618)	(13,135)	(92,753)	(59,626)	(13,135)	(22,553)	(95,314)
Valuation at 30 June 2008	215,644	193,027*	408,671	215,491	193,027*	4,734	413,252
Cost carried forward	295,262	206,162	501,424	275,117	206,162	27,287	508,566
Unrealised depreciation carried forward	(79,618)	(13,135)	(92,753)	(59,626)	(13,135)	(22,553)	(95,314)
	215,644	193,027*	408,671	215,491	193,027*	4,734	413,252

* Includes £121,927,000 of investments quoted on a regulated exchange and £29,865,000 investment in GERP.

Gains on investments

	GROUP £'000s	COMPANY £'000s
Realised gains on historical cost	678	1,063
Increase in unrealised depreciation	(92,753)	(95,314)
Losses on investments	(92,075)	(94,251)

Associate undertakings

The associate undertakings are held as part of the investment portfolio and consequently, in accordance with IAS28, are not accounted for in the Group accounts using the equity method of accounting.

9. INVESTMENTS (CONTINUED)

The Company had the following associate undertakings at 30 June 2008:

	ERG Limited	Newtel Holdings Limited	Sasial Vehicle Technologies Limited	SPG Media Group plc	Utilico Emerging Markets Limited
Country of registration, incorporation and operations	Australia	Jersey	Cyprus	England & Wales	Bermuda
Number of ordinary shares held	177,966,960	–	460	25,478,867	52,333,424
Percentage of ordinary shares held	20.7%	–(6)	23.0%	29.7%	24.5%
Number of S shares held	n/a	n/a	n/a	n/a	1,887,204
Percentage of S shares held	n/a	n/a	n/a	n/a	20.5%
Number of warrants held	n/a	n/a	n/a	n/a	9,511,675
Percentage of warrants held	n/a	n/a	n/a	n/a	29.2%
Income from associate undertaking included in the revenue account of the Group ('000s)	–	£584	–	–	£2,279
Value of interest in associated undertaking included in the balance sheet of the Group ('000s)	£22,770	£8,985	£1,625	£1,784	£84,581
Gross assets ('000s)	A$188,877(2)	£7,785(5)	€591(4)	£12,281(3)	£456,225(1)
Gross liabilities ('000s)	A$200,588(2)	£11,311(5)	€144(4)	£9,010(3)	£96,695(1)
Gross revenues ('000s)	A$219,927(2)	£6,007(5)	€0(4)	£17,177(3)	£52,337(1)
Net profit/(loss) ('000s)	A$(103,334)(2)	£(2,236)(5)	€(255)(4)	£430(3)	£38,874(1)
Share of profits/(losses) before tax ('000s)	A$(20,502)(2)	n/a(5)	€(63)(4)	£128(3)	£9,873(1)
Share of taxation charge ('000s)	A$(614)(2)	n/a(5)	€(5)(4)	£–(3)	£349(1)
Share of retained profits/(losses) ('000s)	A$(21,390)(2)	n/a(5)	€(63)(4)	£(5,017)(3)	£24,664(1)
Share of net assets/(liabilities) ('000s)	A$(3,439)(2)	n/a(5)	€103(4)	£971(3)	£88,085(1)

(1) Based on the latest published accounts of Utilico Emerging Markets Limited for the year to 31 March 2008

(2) Based on the latest published accounts of ERG Limited for the year to 30 June 2008

(3) Based on the latest published accounts of SPG Media Group plc for the year to 31 March 2008

(4) Based on the latest published accounts of Sasial Vehicle Technlogies Limited for the period to 31 December 2007

(5) Based on the latest published accounts of Newtel Holdings Limited for the year to 31 March 2008

(6) Newtel Holdings Limited is considered an associate, despite an ordinary shareholding below 20%, due to holdings in convertible notes, which if converted, would result in a shareholding above 20%

Transactions with Associate Undertakings

UEM

Purchase of 1,300,000 2010 warrants in the market on 10th July 2007 at a cost of £749,743
Subscription of 17,400,000 C shares with bonus S shares on 19th December 2007 at a cost of £17,400,001 and subsequently converted into 9,650,040 ordinary shares and 1,887,204 S shares.

ERG

The following amounts were advanced to the company as secured loans during the period, A$22,100,000, US$2,660,988 and €1,000,000.
Duncan Saville's fee as a director of ERG was A$60,000.

9. INVESTMENTS (CONTINUED)

SPG Media

There were no transactions in the period.

Sasial

Purchase of 460 ordinary shares at a total cost of £500,000 on 27 November 2007.

Advance of £1,125,000 under £2,000,000 loan facility during the period. £875,000 remains undrawn.

Newtel

During the period, £3,775,000 was advanced to the company as secured loans.

Significant interests

The Group has a holding of 3% or more of any class of share capital of the following undertakings, which are material in the context of the financial statements:

Undertaking	Country of registration and incorporation	Class of instrument held	% of class of instrument held
Utilico Emerging Markets Limited	Bermuda	Ordinary Shares	24.5%
Utilico Emerging Markets Limited	Bermuda	Warrants	29.2%
Utilico Emerging Markets Limited	Bermuda	S Shares	20.5%
Infratil Limited	New Zealand	Ordinary Shares	19.2%
Infratil Limited	New Zealand	Partly Paid Ordinary Shares	19.4%
Infratil Limited	New Zealand	Class B Warrants	22.1%
Infratil Limited	New Zealand	Class C Warrants	17.5%
Ecofin Water and Power Opportunities plc	UK	Capital Shares	25.5%
ERG Limited	Australia	Ordinary Shares	20.7%
Renewable Energy Generation Limited	Guernsey	Ordinary Shares	16.6%
Jersey Electricity Company Limited	Jersey	A Ordinary Shares*	52.5%
Keytech Limited	Bermuda	Ordinary Shares	14.2%

* Represents 19.9% of total share capital and 5.6% of the voting rights of the company.

In addition, the Company held 100% of the A shares representing 19.9% of the votes in GERP, a Bermuda domiciled segregated accounts company.

10. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company at 30 June 2008.

	Country of operation, registration and incorporation	Number & class of shares held	Holdings & voting rights %
UEM Holdings Limited	Bermuda	100 preference shares of £1 each nil paid share	100
The subsidiary was incorporated, and commenced trading, on 4 April 2006 to carry on business as an investment company.			
Utilico Finance Limited	Bermuda	1 ordinary share of £1 nil paid share	100
The subsidiary was incorporated on 17 January 2007 and commenced trading on 20 June 2007, to carry on business as an investment company.			
Utilico NZ Limited	New Zealand	1,000,000 ordinary shares of NZ$1 each	100
The subsidiary was incorporated, and commenced trading, on 9 September 2004 to carry on business as an investment company.			

11. OTHER RECEIVABLES

	GROUP 30 June 2008 £'000s	COMPANY 30 June 2008 £'000s
Sales for future settlement	26	26
Accrued income	2,322	2,322
Other debtors	397	346
	2,745	2,694

12. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP 30 June 2008 £'000s	COMPANY 30 June 2008 £'000s
Forward foreign exchange contracts		
Sterling	78,685	78,685
New Zealand dollar	(77,955)	(77,955)
Net current asset forward foreign exchange contracts	730	730

Changes in derivatives
Total net current derivative financial instruments are as follows:

	GROUP 30 June 2008 £'000s	COMPANY 30 June 2008 £'000s
Net acquisitions	(26,838)	(28,889)
Sales	4,255	4,255
Gains and losses	23,313	25,364
Valuation at 30 June 2008	730	730

Included in the above analysis is all of Utilico's S&P and FTSE options which were transferred to GERP at a fair value £32,479,000 on 1 April 2008 in exchange for an equivalent increase in the value of Utilico's holding in GERP.

13. CASH AND CASH EQUIVALENTS

	GROUP 30 June 2008 £'000s	COMPANY 30 June 2008 £'000s
Cash at bank	4,681	3,996

14. BANK LOANS – CURRENT LIABILITIES

	GROUP 30 June 2008 £'000s	COMPANY 30 June 2008 £'000s
£25.000 million repayable November 2008	25,000	25,000

At 30 June 2008, the Company had a committed loan facility of £70,000,000 from Royal Bank of Scotland ("RBS"), £25,000,000 expires on 29 November 2008, £25,000,000 expires on 29 November 2009 and £20,000,000 expires on 29 November 2010. 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.

RBS has a floating rate charge over the assets of the Company in respect of amounts owing under the loan facility. RBS also has a fixed charge over the assets of the Company in respect of interest rate swaps, secured by a debenture dated 11 May 2007.

15. OTHER PAYABLES

	GROUP 30 June 2008 £'000s	COMPANY 30 June 2008 £'000s
Purchases for future settlement	398	398
Accrued finance costs	573	573
Intra-group loans	–	144,166
Overseas tax	103	–
Accrued expenses	1,180	1,168
	2,254	146,305

16. BANK LOANS – NON CURRENT LIABILITIES

	GROUP 30 June 2008 £'000s	COMPANY 30 June 2008 £'000s
US$48.577 million repayable November 2009	24,409	24,409
US$20.000 million repayable November 2010	10,050	10,050
£9.707 million repayable November 2010	9,707	9,707
	44,166	44,166

17. ZERO DIVIDEND PREFERENCE "ZDP" SHARES

ZDP shares are issued in UFL and the figures below are for the Group. Three classes of ZDPs have been issued as follows:

	Number	2012 £'000s	Number	2014 £'000s	Number	2016 £'000s	Total £'000s
Authorised							
Utilico Finance ZDP shares of 10p each	60,592,190	6,059	50,000,000	5,000	50,000,000	5,000	16,059
Issued on 20 June 2007	45,486,200	56,147	37,500,000	37,500	37,500,000	37,500	131,147
Issue costs of ZDP shares		–		(375)		(375)	(750)
Finance costs (see note 5)		4,071		2,869		2,869	9,809
Balance at 30 June 2008	45,486,200	60,218	37,500,000	39,994	37,500,000	39,994	140,206

17. ZERO DIVIDEND PREFERENCE "ZDP" SHARES (CONTINUED)

2012 ZDP shares

ZDP shares with a redemption date of 31 October 2012 were issued in UIT on 7 May 2004. As part of the scheme of reconstruction implementing the proposals for the voluntary winding-up and reconstruction of UIT, each UIT ZDP shareholder received one UFL ZDP share for every UIT ZDP share held on 8 June 2007. Based on the initial entitlement of a UIT ZDP share of 100p on 7 May 2004, a 2012 ZDP share will have a final capital entitlement at the end of its life on 31 October 2012 of 177.52p, equating to a 7 per cent. per annum gross redemption yield.

2014 ZDP shares

Based on the initial entitlement of a 2014 ZDP share of 100p on 15 June 2007, a 2014 ZDP share will have a final capital entitlement at the end of its life on 31 October 2014 of 167.60p equating to a 7.25 per cent. per annum gross redemption yield.

2016 ZDP shares

Based on the initial entitlement of a 2016 ZDP share of 100p on 15 June 2007, a 2016 ZDP share will have a final capital entitlement at the end of its life on 31 October 2016 of 192.78p equating to a 7.25 per cent. per annum gross redemption yield.

The ZDP shares are listed on the London Stock Exchange and are stated at amortised cost using effective interest method. The ZDP shares carry no entitlement to income however they have a pre-determined final capital entitlement which ranks behind all other liabilities and creditors of UFL and Utilico but in priority to the ordinary shares of the Company save in respect of certain winding up revenue profits.

The growth of each ZDP accrues daily and is reflected in the capital return and net asset value per ZDP share on an effective interest rate basis.

The ZDP shares do not carry any voting rights at general meetings of the Company. However the Company will not be able to carry out certain corporate actions unless it obtains the separate approval of the ZDP shareholders (treated as a single class) at a separate meeting. Separate approval of each class of ZDP shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind up the Company. In addition the approval of ZDP shareholders by the passing of a special resolution at separate class meetings of the ZDP shareholders is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of the ZDP shares and in relation to any proposal by UFL which would reduce the cover of the existing ZDP shares below 1.5 times.

On a liquidation of Utilico and/or UFL, to the extent that the relevant classes of UFL ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their accrued capital entitlement as at the date of liquidation:

(i) the UFL 2012 ZDP Shares shall rank in priority to the UFL 2014 ZDP Shares and the UFL 2016 ZDP Shares; and

(ii) the UFL 2014 ZDP Shares shall rank in priority to the UFL 2016 ZDP Shares.

The entitlement of UFL ZDP Shareholders of a particular class shall be determined in proportion to their holdings of UFL ZDP Shares of that class.

18. ORDINARY SHARE CAPITAL

	Number	£'000s
Equity share capital:		
Ordinary shares of 10p each with voting rights		
Authorised	127,479,500	12,748

	Shares held in Treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Total shares in issue £'000s
In issue on 20 June 2007	–	79,656,782	79,656,782	7,966
Issued on exercise of warrants	–	12,341,541	12,341,541	1,234
	–	91,998,323	91,998,323	9,200
Purchase of ordinary shares held in treasury	880,000	(880,000)	–	–
Balance at 30 June 2008	880,000	91,118,323	91,998,323	9,200

In addition to receiving the income distributed by way of dividend, the ordinary shareholders will be entitled to any balances on the revenue reserve at the winding up date, together with the assets of the Company remaining after payment of the ZDP shareholders' entitlement. The ordinary shareholders participate in all general meetings of the Company on the basis of one vote for each share held.

18. ORDINARY SHARE CAPITAL (CONTINUED)

Ordinary shares

The Company was incorporated on 17 January 2007 with an authorised share capital of £1 comprising one share of £1 that was issued nil paid to UIT. On 9 May 2007, by written resolution, Utilico sub-divided the existing issued share capital into ten ordinary shares of 10p each. These ten ordinary shares held by UIT were gifted to Utilico.

On 9 May 2007, by written resolution, Utilico increased its authorised share capital from £1 to £12,747,950 by the creation of 127,479,490 Utilico Shares of 10p each.

On 20 June 2007, 79,656,782 ordinary shares of 10p were issued for the transfer of assets pursuant to the voluntary winding up of UIT and rollover into Utilico and UFL.

The authorised and issued share capital of Utilico was admitted to London Stock Exchange's main market for listed securities on 20 June 2007.

During the period 880,000 ordinary shares were purchased at a total cost of £2,014,000 and held in treasury. Since the period end 4,745,660 ordinary shares were purchased for £8.8m and the 880,000 ordinary shares held in treasury were cancelled on 20 August 2008.

Ordinary shares held in treasury have no entitlement to dividends paid or proposed.

Warrants

At the time of issue of ordinary shares, 12,329,479 Utilico 2008 warrants were issued pursuant to the voluntary winding up of UIT and rollover into Utilico and UFL and 3,601,877 Utilico 2012 warrants were issued in proportion to the UIT Ordinary Shareholders' holding of UIT Ordinary Shares and UIT Warrantholders' holding of UIT Warrants as adjusted to reflect their entitlements to subscribe for 0.64 of a UIT Ordinary Share as at the Issue Date.

On 31 October 2007, 160,326 Utilico 2008 warrants and 8,280 Utilico 2012 warrants were exercised.

On 30 April 2008, 12,169,153 Utilico 2008 Warrants and 3,782 Utilico 2012 warrants were exercised. 30 April 2008 was the final exercise for the 2008 warrants and all 2008 warrants then in issue were excercised.

At 30 June 2008 3,589,815 Utilico 2012 warrants were in issue.

Holders of Utilico 2012 warrants have the right to subscribe for one ordinary share per warrant at £3.15 in cash on 30 April or on 31 October in any of the years 2008 to 2012 (inclusive).

19. SHARE PREMIUM ACCOUNT

	£'000s
Premium on issue of shares	273,148
Issue costs of ordinary share capital	(547)
Transfer to warrant reserve on issue of warrants	(35,118)
Premium on conversion of warrants	6,719
Purchase of ordinary shares held in treasury	(2,014)
Balance at 30 June 2008	242,188

20. WARRANT RESERVE

Group and Company	£'000s
Transfer from share premium account on issue of warrants	35,118
Transfer to non-distributable reserve on exercise of warrants	(32,067)
Balance at 30 June 2008	3,051

21. NON-DISTRIBUTABLE RESERVE

Group and Company	£'000s
Transfer from warrant reserve	32,067
Balance at 30 June 2008	32,067

22. OTHER RESERVES

Group	Capital reserve (realised) £'000s	Capital reserve (unrealised) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Realised gains on investments	678	–	678	–
Realised gains on derivative financial instruments	22,583	–	22,583	–
Exchange gains	(5,753)	–	(5,753)	–
Performance fee (see note 3)	111	–	111	–
Other capital charges	(21)	–	(21)	–
ZDP shares finance charges	(9,809)	–	(9,809)	–
Increase in unrealised depreciation on investments	–	(92,753)	(92,753)	–
Increase in unrealised appreciation on derivative financial instruments	–	730	730	–
Amount transferred to revenue reserve	–	–	–	2,929
Balance at 30 June 2008	7,789	(92,023)	(84,234)	2,929

Company	Capital reserve (realised) £'000s	Capital reserve (unrealised) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Realised gains on investments	1,063	–	1,063	–
Realised gains on derivative financial instruments	24,634	–	24,634	–
Exchange gains	(5,677)	–	(5,677)	–
Performance fee (see note 3)	111	–	111	–
Other capital charges	(21)	–	(21)	–
Intercompany loan account finance charges	(9,809)	–	(9,809)	–
Increase in unrealised depreciation on investments	–	(95,314)	(95,314)	–
Increase in unrealised appreciation on derivative financial instruments	–	730	730	–
Amount transferred to revenue reserve	–	–	–	2,978
Balance at 30 June 2008	10,301	(94,584)	(84,283)	2,978

Group and Company

Included within the capital reserve movement for the year is £nil of dividend receipts recognised as capital in nature, £401,000 of transaction costs on purchases of investments and £155,000 of transaction costs on sales of investments.

Distributable capital reserve

The Institute of Chartered Accountants in England and Wales (ICAEW) in its technical guidance TECH 01/08 states that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards may be recognised as distributable, provided the change recognised can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities currently included within the Unrealised Capital Reserve may be regarded as distributable.

The technical interpretation of the meaning of distributable reserve would, as a consequence, give rise at 30 June 2008 to capital reserves (excluding share premium account, warrant reserve and non-distributable reserve) available for distribution of approximately (£71.1)m: Group and (£49.4)m: Company and non-distributable capital reserves of approximately (£13.1)m: Group and (£34.9)m: Company.

23. NET ASSET VALUE PER SHARE

(a) Net asset value per ordinary share is based on net assets at the period end of £205,201,000 and on 91,118,323 ordinary shares in issue at the period end which excludes 880,000 shares held in treasury.

(b) Diluted net asset value per ordinary share is based on net assets at the period end and assumes the receipt of proceeds arising from the exercise of warrants outstanding: At 30 June 2008 the diluted net asset value is not applicable as the market price of the ordinary shares at the period end is lower than the exercise price of the warrants.

24. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	GROUP Period to 30 June 2008 £'000s	**COMPANY Period to 30 June 2008 £'000s**
Loss before taxation	(80,445)	(80,515)
Adjust for non-cash flow items:		
Gains and losses on investments	92,075	94,251
Gains and losses on derivative financial instruments	(23,313)	(25,364)
Exchange gains/(losses)	5,750	5,677
Income received through intra-group loan	–	(665)
Stock interest	(180)	(180)
Increase in accrued income	(1,417)	(1,417)
Increase in other debtors	134	391
Decrease in creditors	(14,695)	(14,226)
ZDP share finance costs	9,809	–
Intra-group loan account finance costs	–	9,809
Tax on overseas income	(860)	(790)
	67,303	67,486
Adjust for cash flow items not within Income Statement		
Net cash flows on investments	(93,677)	(105,189)
Net cash flows on derivatives	31,780	31,780
	(61,897)	(73,409)
Net cash flows from operating activities	(75,039)	(86,438)

25. ULTIMATE PARENT UNDERTAKING

In the opinion of the Directors, the Group's ultimate parent undertaking is General Provincial Life Pension Fund that is incorporated in Malaysia.

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries (UFL, Utilico UNZL and UEMH), which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following are considered related parties of the Group: General Provincial Life Pension Fund (L) Limited ("GPLPF"), which holds 52.2% of the Company's ordinary shares; the associates of the Group set out under note 9, being SPG Media Group Plc, Utilico Emerging Markets Limited, Newtel Limited, Sasial Vehicle Technologies Limited and ERG Limited; the Board of Utilico Limited; ICM, Utilico's investment manager; Mr D Saville; and GERP, a Bermuda segregated account company, sponsored by ICM, with the sole purpose being the holding of derivate positions.

There were no transactions during the period nor any outstanding balances with GPLPF. There were no transactions between the above associates and the Company other than investments in the ordinary course of Utilico's business.

There were no transactions with the Board other than aggregate remuneration of £139,000 included within "Other expenses" for services as Directors, and there are no outstanding balances with any Director at the period end.

There were no transactions with ICM or Mr Saville other than investment management and performance fees as set out in note 3. At the period end £833,000 of the management fee remained outstanding. During the period Utilico purchased 3,920 shares in GERP for £3,920. On 2 April 2008, all of Utilico's S&P and FTSE options were transferred to GERP at £32,479,000, representing fair market value at that date, in exchange for an equivalent increase in the value of Utilico's holding in GERP representing 19.9% of the votes. In addition a further £3,710,000 of cash has been invested at various dates by Utilico in GERP to fund further investments in index options on behalf of Utilico.

27. BUSINESS SEGMENTS

Business segments are considered to be secondary reporting segment. The Directors are of the opinion that the Company's activities comprise a single business segment, that of investing in equity, debt and derivative securities to produce a long-term capital appreciation.

28. POST BALANCE SHEET EVENT

On 29 August 2008 ERG Ltd has announced the conditional disposal, subject to shareholder and other approvals, of its 33.33% shareholding in Onelink Holdings Pty Ltd and AFC Equipment Pty Ltd to Utilico. The value of these disposals is A$9.5m and will be settled by the equivalent reduction in value of loans advanced to ERG from Utilico.

29. CONTINGENT ASSETS

In June 2007 the European Court of Justice ruled that Investment Trusts should be exempted from VAT in the UK on fees incurred on management of assets. The liquidator of UIT has since entered into negotiations with HM Revenue and Customs (HMRC) for the refund of VAT suffered by UIT on fees paid to ICM in periods up to 20 June 2007. Any such refunds will ultimately, net of costs, be paid across from UIT (in liquidation) to Utilico, in the form of a liquidation dividend.

The Directors believe that the likelihood of Utilico receiving a benefit via the Liquidator of UIT is probable, given that this is dependent upon negotiations between HMRC and the liquidator of UIT, and upon the costs incurred by the liquidator. No amount has therefore been recognised as an asset in these accounts.

30. FINANCIAL RISK MANAGEMENT

The Group's investment objective is to provide long term capital appreciation by investing predominantly in infrastructure, utility and related companies The Group 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 Group has the power to take out both short and long term borrowings. In pursuing the objective, the Group is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors, together with the Manager, is responsible for the Group's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The Accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with IFRSs and best practice, and include the valuation of financial assets and liabilities at fair value except as noted in (d) below and in note 17 in respect of ZDP shares. The Group does not make use of hedge accounting rules.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risks

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

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

Currency exposure

The principal currencies to which the Group was exposed were the Australian Dollar, Swiss Franc, Euro, New Zealand Dollar and US Dollar. The exchange rates applying against Sterling at 30 June 2008, and the average rates from 20 June 2007 to 30 June 2008, were as follows:

	30 June 2008	Average
AUD – Australian Dollar	2.0738	2.2409
CHF – Swiss Franc	2.0272	2.2352
EUR – Euro	1.2632	1.3688
NZD – New Zealand Dollar	2.6148	2.6153
USD – US Dollar	1.9902	2.0092

The fair value of the Group's assets and liabilities, except for ZDP shares which are carried at amortised cost, at 30 June 2008, by currency based on the country of primary operations, are shown below.

	AUD £'000s	CHF £'000s	EUR £'000s	GBP £'000s	NZD £'000s	USD £'000s	Other £'000s	Total £'000s
Investments	33,385	17,858	60,306	81,572	59,499	68,810	87,241	408,671
Other receivables	552	–	10	1,947	76	157	3	2,745
Derivative financial instruments – assets	–	–	–	78,685	(77,955)	–	–	730
Cash and cash equivalents	549	13	(10)	2,852	1,276	–	1	4,681
Short term unsecured loan	–	–	–	(25,000)	–	–	–	(25,000)
Other payables	(132)	–	–	(1,339)	(122)	(661)	–	(2,254)
Long term unsecured loans	–	–	–	(9,707)	–	(34,459)	–	(44,166)
Zero dividend preference shares	–	–	–	(140,206)	–	–	–	(140,206)
Net assets	34,354	17,871	60,306	(11,196)	(17,226)	33,847	87,245	205,201
Percentage of net assets	16.7%	8.7%	29.4%	(5.4%)	(8.4%)	16.5%	42.5%	100.0%

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Weakening of Sterling

	AUD £'000s	CHF £'000s	EUR £'000s	NZD £'000s	USD £'000s
Income Statement return after tax					
Revenue return	15	17	99	207	316
Capital return	3,814	1,986	6,701	(1,914)	3,751
Total return	3,829	2,003	6,800	(1,707)	4,067
NAV per share					
Basic – pence	4.20	2.20	7.46	(1.87)	4.46
Diluted – pence	4.20	2.20	7.46	(1.87)	4.46

Strengthening of Sterling

	AUD £'000s	CHF £'000s	EUR £'000s	NZD £'000s	USD £'000s
Income Statement return after tax					
Revenue return	(15)	(17)	(99)	(207)	(316)
Capital return	(3,814)	(1,986)	(6,701)	1,914	(3,751)
Total return	(3,829)	(2,003)	(6,800)	1,707	(4,067)
NAV per share					
Basic – pence	(4.20)	(2.20)	(7.46)	1.87	(4.46)
Diluted – pence	(4.20)	(2.20)	(7.46)	1.87	(4.46)

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

Interest Rate exposure
The exposure of the financial assets and liabilities to interest rate risks at 30 June 2008 is shown below:

Group and Company	Within one year £'000s	More than one year £'000s	Total £'000s
Exposure to floating rates			
Cash	4,681	–	4,681
Borrowings	(25,000)	(44,166)	(69,166)
	(20,319)	(44,166)	(64,485)
Exposure to fixed rates			
Zero dividend preference shares	–	(140,206)	(140,206)
Net exposures			
At period end (Group and Company)	(20,319)	(184,372)	(204,691)
Maximum in period (Group and Company)	(22,736)	(183,814)	(206,550)
Minimum in period (Group)	38,175	(150,965)	(112,790)
Minimum in period (Company)	(84,321)	(19,818)	(104,139)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Exposure to floating interest rates £'000s	Fixed interest rates £'000s	Total £'000s
Net exposures			
Maximum in period (Group and Company)	(67,145)	(139,405)	(206,550)
Minimum in period (Group)	(49,643)	(63,147)	(112,790)
Minimum in period (Company)	(40,992)	(63,147)	(104,139)

Exposures vary throughout the period as a consequence of changes in the make-up of the net assets of the Group arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts is at ruling market rates. Finance costs on ZDP shares is fixed (see note 17). Interest paid on floating rate borrowings of US$71.5m (£35.9m) is fixed at 4.3% using interest rate SWAPs maturing between 16 June 2009 and 30 November 2010 and at ruling market rates on any borrowings in excess thereof. The Group's total returns and net assets are sensitive to changes in interest rates on cash and borrowings. Based on the financial assets and liabilities held, and the interest rates pertaining, at each Balance Sheet date, a decrease or increase in interest rates by 2% would have had the following approximate effects on the Income Statement revenue and capital returns after tax and on the NAV per share.

	Increase in rate £'000s	Decrease in rate £'000s
Revenue return	(1,290)	1,290
Capital return	–	–
Total return	(1,290)	1,290
NAV per share		
Basic – pence	(1.42)	1.42
Diluted – pence	(1.42)	1.42

Other Market Risk exposures

The portfolio of investments, valued at £408,671,000 at 30 June 2008 is exposed to market price changes. The Group enters into currency and index options in managing its exposure to other market risks. Since 2 April 2008, the options exposure has been managed through the investment in GERP. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out on page 7. A description of the derivative positions together with the Manager's and Board's strategies for using these positions for efficient portfolio management is contained within the Investment Manager's Report under "Derivatives" on page 12.

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

	Increase in value £'000s	Decrease in value £'000s
Income statement capital return	81,734	(81,734)
NAV per share		
Basic – pence	89.70	(89.70)
Diluted – pence	89.70	(89.70)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk exposure

The Group and Company are required to raise funds to meet commitments associated with financial instruments including ZDP shares. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Group or Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Group's and Company's portfolio (43 and 46 respectively at 30 June 2008); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts page 7); and the existence of an on-going loan facility agreement.

Cash balances are held with reputable banks.

The manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Group has loan facilities of £70m as set out in note 14 to the accounts and ZDP share liabilities of £140.2m as set out in note 17. The remaining contractual maturities of the financial liabilities at 30 June 2008, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000s	**More than three months but less than one year £'000s**	**More than one year £'000s**	**Total £'000s**
Current liabilities				
Group				
Other creditors	(2,254)	–	–	(2,254)
Company				
Intra-group loan account	144,166	–	–	144,166
Other creditors	2,139	–	–	2,139

(c) Credit Risk and counterparty exposure

The Group is exposed to potential failure by counterparties to deliver securities for which the Group has paid, or to pay for securities which the Group has delivered. The Board approves all counterparties used in such transactions, which must be settled on a basis of delivery against payment (except where local market conditions do not permit). A list of pre-approved counterparties is maintained and regularly reviewed by the Administrator and the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. Cash and deposits are held with reputable banks. The Group has an on-going contract with its Custodians for the provision of custody services. The contracts are reviewed regularly. Details of securities held in custody on behalf of the Group are received and reconciled monthly. To the extent that ICM (the Manager) and F&C Management Limited (FCM) carry out duties (or cause similar duties to be carried out by third parties) on the Group's behalf, the Group is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with management and internal auditors of ICM and FCM. In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk at 30 June 2008 was as follows:

Current assets	**Balance sheet £'000s**	**Maximum exposure £'000s**
Financial assets through profit or loss – forward foreign exchange contracts	730	78,685

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair Values of financial assets and liabilities

The assets and liabilities of the Group are, in the opinion of the Directors, reflected in the Balance Sheet at fair value except for ZDP shares which are carried at amortised cost using effective interest method in accordance with IAS39 or at a reasonable approximation thereof. Borrowings under loan facilities do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into Sterling at exchanges rates ruling at each valuation date.

The fair values of ZDP shares derived from their quoted market price at 30 June 2008, were:

	£'000s
2012 ZDP shares	61,634
2014 ZDP shares	40,688
2016 ZDP shares	38,906

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

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

(e) Capital Risk Management

The Objective of the Group is stated as being to provide shareholders with long term capital appreciation by investing predominantly in infrastructure, utility and related companies. In pursuing this long term Objective, the Board has a responsibility for ensuring the Group's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves. Changes to ordinary share capital are set out in note 18 to the accounts. Dividends are set out in note 8 to the accounts. Borrowings are set out in notes 14 and 16 to the accounts. ZDP shares are set out in note 17.

NOTICE OF ANNUAL GENERAL MEETING FOR SHAREHOLDERS OF UTILICO

Notice is hereby given that the 2008 Annual General Meeting of **Utilico Limited** will be held at the Radisson SAS Hotel, Zurich Airport, Zurich, Switzerland on Monday, 1 December 2008 at 12.00 noon for the following purposes:

Ordinary Business

1. Minutes of previous meetings and resolutions to be approved.
2. To receive and adopt the Directors' report and auditor's report and accounts for the period ended 30 June 2008.
3. To approve the Directors' Remuneration Report for the period ended 30 June 2008.
4. To re-appoint Mr J M Collier as a Director who retires at the first Annual General Meeting following his appointment to the Board.
5. To re-appoint Mrs S Hansen as a Director who retires at the first Annual General Meeting following her appointment to the Board.
6. To re-appoint Mr W McLeland as a Director who retires at the first Annual General Meeting following his appointment to the Board.
7. To re-appoint Mr E Stobart as a Director who retires at the first Annual General Meeting following his appointment to the Board.
8. To re-appoint Dr R Urwin as a Director who retires at the first Annual General Meeting following his appointment to the Board.
9. To appoint Grant Thornton LLP as auditors to the Company.
10. To authorise the Directors to determine the auditors' remuneration.
11. To approve the Company's investment policy.
12. To amend the authorised share capital of the Company from 127,479,940 to 127,479,490 Ordinary Shares

Special Business

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

13. Resolve that the Directors be generally and unconditionally authorised to make market purchases of ordinary shares in the capital of the Company ("Ordinary Shares") provided that:
    (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall equal 14.99% of the issued Ordinary Shares as at the date of this notice, being 12,947,262;
    (b) the maximum price which may be paid for an Ordinary Share is the lower of (a) the amount determined by the rules of the UK Listing Authority at the time of purchase (which currently set a maximum equal to 5 per cent. above the average of the market values for a share taken from the Official List of the UK Listing Authority for the five business days immediately preceding the day on which the share is purchased), the price of the last independent trade, and the highest current bid on the trading venues where the purchase is carried out and (b) the net asset value per Ordinary Share on the date determined by the Directors being not more than 10 days before the date of purchase;
    (c) Ordinary Shares may only be purchased at a price such that immediately after such purchase, on the basis of the Company's net asset value on a date determined by the Directors being not more than 10 days before the date of purchase, the ZDP Share cover would be at least 1.4 times (account being taken of any related purchase of ZDP Shares) by the Company or UFL;
    (d) the maximum price payable referred to in paragraphs (b) and (c) above is exclusive of any expenses payable by the Company in connection with such purchase;
    (e) such purchases shall be made in accordance with the Bermuda Companies Act;
    (f) the authority hereby conferred shall expire on 31 May 2010 unless it is varied, revoked or renewed prior to that date at the Company's 2009 annual general meeting or any other special general meeting by ordinary resolution; and
    (g) 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.
14. Accept the recommendation of the Directors to amend the Bye-Laws as set out in the attached Schedule of Amendments.

By order of the Board
F&C Management Limited, Secretary
6 October 2008

Notes:

Only the holders of ordinary shares registered on the register of members of the Company at 5.00 pm on 28 November 2008 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 5.00 pm on 28 November 2008 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 (Channel Islands) Limited, PO Box 83, Ordinance House, 31 Pier Road, St Helier, Jersey, JE4 8PW, 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 instruction are returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE not later than 5 pm on 27 November 2008.

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.

SCHEDULE OF AMENDMENT TO THE BYE-LAWS – UTILICO LIMITED

The Interpretation clauses shall be amended by the replacement of the current definitions of Resolution and these Bye-Laws with the following:

““Resolution” means a resolution of the Shareholders passed in general meeting or, where required, of a separate class or separate classes of Shareholders passed in a separate general meeting or in either case adopted by resolution in writing in accordance with the provisions of these Bye-Laws”.

““these Bye-Laws” means these Bye-Laws in their present form”.

Clause 1.2 shall be replaced with the following:

“1.2 For the purposes of these Bye-Laws, a corporation which is a Shareholder shall be deemed to be present in person at a general meeting if, in accordance with the Companies Acts its authorized representative is present”.

Clause 1.6 shall be replaced with the following:

“1.6 A reference to writing shall include typewriting, printing, lithography, photography and electronic record”.

Bye-Law 4.10 shall be amended by the addition of the following sentence at the end of the current paragraph:

“The Company shall be entered in the Register as a Shareholder in respect of the shares held by the Company as treasury shares and shall be a Shareholder of the Company but subject always to the provisions of the Companies Acts and for the avoidance of doubt the Company shall not exercise any rights and shall not enjoy or participate in any of the rights attaching to those shares save as expressly provided for in the Companies Act”.

Bye-Law 5 shall be deleted in its entirety and the remainder of the Bye-Laws and cross-referencing re-numbered accordingly. (References to Bye-Laws below shall refer to the existing numbering).

Bye-Law 7.2 shall be amended by the addition of the words “by the Company” after the words “any shares of the Company held”.

Bye-Law 10.5.3 shall be amended by the addition of the word “and” following the word “Company;” at the end of the sentence.

Bye-Law 11.1 shall be amended by the addition of the words “(for the avoidance of doubt excluding the Company in respect of any nil or partly paid shares held by the Company as treasury shares)” after the words “the Board may from time to time make calls upon the Shareholders”.

The heading of Bye-Law 20 shall be replaced with the words “GENERAL MEETINGS AND RESOLUTIONS IN WRITING”.

Bye-Law 20 shall be replaced with the words “General Meetings and Resolutions in Writing”

Bye-Law 20.2 shall be deleted and replaced with the following:

“20.2 Except in the case of the removal of auditors or Directors, anything which may be done by resolution of the Shareholders in general meeting or by resolution of any class of Shareholders in a separate general meeting may be done by resolution in writing, signed by the Shareholders (or the holders of such class of shares) who at the date of the notice of the resolution in writing represent the majority of votes that would be required if the resolution had been voted on at a meeting of the Shareholders. Such resolution in writing may be signed by the Shareholder or its proxy, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Act) by its representative on behalf of such Shareholder, in as many counterparts as may be necessary”.

Bye-Law 20.3 shall be deleted and replaced with the following:

“20.3 Notice of any resolution in writing to be made under this Bye-Law shall be given to all the Shareholders who would be entitled to attend a meeting and vote on the resolution. The requirement to give notice of any resolution in writing to be made under this Bye-Law to such Shareholders shall be satisfied by giving to those Shareholders a copy of that resolution in writing in the same manner as that required for a notice of a general meeting of the Company at which the resolution could have been considered, except that the length of the period of notice shall not apply. The date of the notice shall be sent out in the copy of the resolution in writing".

Bye-Law 20.4 shall be deleted and replaced with the following:

"20.4 The accidental omission to give notice, in accordance with this Bye-Law, of a resolution in writing to, or the non-receipt of such notice by, any person entitled to receive such notice shall not invalidate the passing of the resolution in writing".

Bye-Law 20.5 shall be amended to read:

"20.5 For the purposes of this Bye-Law, the date of the resolution in writing is the date when the resolution in writing is signed by, or on behalf of, the Shareholder who establishes the majority of votes required for the passing of the resolution in writing and any reference in any enactment to the date of passing of a resolution is, in relation to a resolution in writing made in accordance with this Bye-Law, a reference to such date".

Bye-Law 23.8 shall be deleted and replaced with the following:

"23.8 The Board may choose one of their number to preside as chairman at every general meeting. If there is no such chairman, or if at any meeting the chairman is not present within five (5) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present shall choose one of their number to act or if only one Director is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote on a poll shall elect one of their number to be chairman".

Bye-Law 27.1.7 shall be deleted and replaced with the following:

"27.1.7 If he is requested to resign in writing by not less than three quarters of the other Directors. In calculating the number of Directors who are required to make such a request to the Director, there shall be excluded any Alternate Director appointed by him acting in his capacity as such; and the Director and any Alternate Director appointed by him and acting in his capacity as such shall constitute a single Director for this purpose so that the signature of either shall be sufficient"

Bye-Law 30.2 shall be amended so that the final sentence beginning "Without limiting the generality of the foregoing" is deleted.

Bye-Law 32.1 shall be amended by deleting the last sentence and replacing it with: "such authority may, if so authorised by the power of attorney, execute any deed, instrument or other document on behalf of the Company."

A new Bye-Law 34.2 shall be added, which reads: "Any appointment of a Director to an executive office shall terminate if he ceases to be a Director but without prejudice to any rights or claims which he may have against the Company by reason of each cesser. A Director appointed to an executive office shall not ipso facto cease to be a Director if his appointment to such executive office terminates".

Bye-Law 34.2 shall be renamed Bye-Law 34.3.

Bye-Law 34.3 shall be renamed Bye-Law 34.4 and the words "Bye-laws" amended to "Bye-Laws."

Bye-Law 37.1 shall be amended to read:

"37.1 The Board may authorize the production of a common seal of the Company and one or more duplicate common seals of the Company which shall consist of a circular device with the name of the Company around the outer margin thereof and the country and year of registration in Bermuda across the centre thereof."

Bye-Law 37.2 shall be amended and two new Bye-Laws 37.2.1. and 37.2.2 inserted so that it reads as follows:

"37.2 Any document required to be under seal or executed as a deed on behalf of the Company may be:

37.2.1 executed under the Seal in accordance with these Bye-Laws; or

37.2.2 signed or executed by any person authorized by the Board for that purpose without the use of the Seal".

Bye-law 38.1 shall be amended by the addition of the following sentence as a new penultimate sentence. "The Board, at the discretion and direction of the Shareholder entitled to the dividend, may purchase issued shares in the market for that Shareholder out of their cash dividend, in accordance with any dividend re-investment plan established by the Company to which that Shareholder is a participant."

Bye-Law 40.1 shall be amended so that the words "and provided further that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived" at the end of the sentence are deleted.

Bye-law 44.1 shall be deleted and replaced by the following:

"44.1 Any notice or other document (including but not limited to a share certificate, any notice of a general meeting of the Company served on or delivered to any Shareholder by the Company, any instrument of proxy and any document to be sent in accordance with Bye-Law 42.3) may be sent to, served on or delivered to any Shareholder of the Company

41.1.1 personally;

41.1.2 by sending it through the post (by airmail where applicable) in a pre-paid letter addressed to such Shareholder at his address as appearing in the Register;

41.1.3 by sending it by courier to or leaving it at the Shareholder's address appearing in the register;

41.4.4 by, where applicable, sending it by email or facsimile or other mode of representing or reproducing words in a legible and non-transitory form or by sending an electronic record of it by electronic means, in each case to an address or number supplied by such Shareholder for the purposes of communication in such manner; or

41.4.5 by publication of an electronic record of it on a website and notification of such publication (which shall include the address of the website, the place on the website where the document may be found, and how the document may be accessed on the website) by any of the methods set out in paragraphs 41.1.1, 41.1.2, 41.1.3 or 41.1.4 of this Bye-Law, in accordance with the Companies Acts".

Bye-Law 44.2 shall be amended to read: "Any notice or other document shall be deemed to have been served on or delivered to any Shareholder by the Company".

Bye-Law 44.2.3 shall be amended so that the word "or" at the end of the sentence is deleted.

Bye-Law 44.2.4 shall be deleted and replaced with the following:

"44.2.4 if sent by email or other mode of representing or reproducing words in a legible and non-transitory form or as an electronic record by electronic means, twelve (12) hours after sending; or"

A new Bye-Law 44.2.5 shall be added which reads as follows

"44.2.5 if published as an electronic record on a website, at the time that the notification of such publication shall be deemed to have been delivered to such Shareholder,"

The final paragraph of Bye-Law 44.2 shall be amended to read as follows:

"and in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed and stamped and put in the post, published on a website in accordance with the Companies Act and the provisions of these Bye-Laws, or sent by courier, facsimile, email or other electronic record by electronic means, as the case may be in accordance with these Bye-Laws".

A new separate paragraph shall be inserted following the paragraph above which reads:

"Each Shareholder and each person becoming a Shareholder subsequent to the adoption of these Bye-Laws, by virtue of its holding or its acquisition and continued holding of a share, as applicable, shall be deemed to have acknowledged and agreed that any notice or other document (excluding a share certificate) may be provided by the Company by way of accessing them on a website instead of being provided by other means".

Bye-Law 48.6 shall be amended so that the words "Subject to the Companies Acts" at the beginning of the sentence are deleted. In addition, the words "it shall ultimately be determined that the indemnified person is not entitled to be indemnified pursuant to these Bye-Laws" shall be deleted and replaced by the words "any allegation of fraud or dishonesty is proved against the Indemnified Person"

Bye-Law 48.7 shall be deleted and Bye-Law 48.8 renamed Bye-law 48.7.

In order to bring the Bye-Laws into line with the definition of "Resolution" some references to "resolution" will be amended to be stated as "Resolution" and vice versa.

In order to bring the Bye-laws into line with the definition of "Chairman" some references to "chairman" will be amended to be stated as "Chairman" and vice versa.

The words "written Resolution" will be replaced by the words "resolution in writing" throughout.

GLOSSARY

Compound Annual Growth Rate ("CAGR")	The average annual growth over a specified period of time
Capital Shares	The class of shares offered by a split capital fund that has the opportunity for capital appreciation but does not offer the holder any portion of the income earned within the portfolio, and usually ranks behind all other classes of share for repayment
Company	Utilico Limited
Close Company	A company in which the directors control more than half the voting shares, or where such control is exercised by five or fewer people
CULS	The Convertible Unsecured Loan stock issued by UIT
Dilution	A reduction in NAV per share that arises through the issuance of additional shares or the conversion of convertible loan stock or the exercise of warrants
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
EV	Enterprise value
FTSE	Financial Times Stock Exchange
Gearing	The term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company's investments is rising but reduce the return when values are declining
GERP	Global Equity Risk Protection Ltd
GPLPF	General Provincial Life Pension Fund (L) Limited
Gross Assets	Gross assets less current liabilities excluding loans.
Group	Consists of Utilico Limited, Utilico Finance Limited, Utilico NZ Limited and UEM Holdings Limited
ICM	Ingot Capital Management Pty Limited
IFRS	International Financial Reporting Standards as adopted by the European Union
IRR	Internal rate of return, being the annualised rate of return recovered from holding an investment over a given period
NAV	Net asset value
S&P Index	Standard & Poor's 500 Index
TER	Total expense ratio. The total expenses, excluding interest, incurred by the Company, including expenses charged to capital, as a percentage of average Gross Assets
Unlisted but traded	Investments in companies which are not listed on a recognised investment exchange but are traded on the Alternative Investments Market ("AIM") or similar markets including over the counter markets
UEM	Utilico Emerging Markets Limited
UEMH	UEM Holdings Limited
UFL	Utilico Finance Limited
UIT	Utilico Investment Trust plc
Unlisted	Investments in companies which are not listed on a recognised investment exchange
UNZL	Utilico NZ Limited
Utilico	Utilico Limited
Yield	The annual dividend income per share received from a company divided by its share price
ZDP	The Zero Dividend Preference shares/shareholders

UNAUDITED SUMMARY OF CONSOLIDATED NET ASSETS AS AT 30 JUNE 2007

	£'000s	£'000s
Non-current assets		
Investments		413,598
Current assets		
Other receivables	1,642	
Derivative financial instruments	13,577	
Cash and cash equivalents	46,048	
	61,267	
Current liabilities		
Bank loans	(24,934)	
Other payables	(17,556)	
Derivative financial instruments	(2,715)	
	(45,205)	
Net current assets		16,062
Total assets less current liabilities		429,660
Non-current liabilities		
Bank loans	(19,891)	
Zero dividend preference shares	(130,740)	
		(150,631)
Net assets		279,029
Equity attributable to equity holders		
Ordinary share capital		7,966
Share premium account		237,554
Warrant reserve		35,118
Capital reserves		(1,582)
Revenue reserve		(27)
Total attributable to equity holders		279,029
Net asset value per ordinary share		
Basic – pence		350.29
Diluted – pence		312.06

COMPANY INFORMATION

Utilico Limited
Company Registration Number: 39480
www.utilico.bm

Directors
J. Michael Collier (Chairman)
Susan Hansen
Warren McLeland
Eric Stobart
Roger Urwin

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Australian Financial Services No. 239075

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by the Financial Services Authority

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St Helier
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Channel Islands

Depository and CREST Agent
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

PERFORMANCE SUMMARY

	14 August 2003	30 June 2004	30 June 2005[1]	30 June 2006	30 June 2007[2]	30 June 2008	Change 2003/04	Change 2004/05	Change 2005/06	Change 2006/07	Change 2007/08
Ordinary shares											
Capital value											
Net asset value per ordinary share (undiluted)	99.47p	120.20p	186.07p	222.35p	350.29p	225.20p	20.8%	54.8%	19.5%	57.5%	(35.7%)
Net asset value per ordinary share (diluted)	99.47p	114.39p	162.84p	187.68p	312.06p	225.20p	15.0%	42.4%	15.3%	66.3%	(27.8%)
Share prices and indices											
Ordinary share price	85.67p	107.50p	159.25p	180.25p	299.00p	234.00p	25.5%	48.1%	13.2%	65.9%	(21.7%)
Discount/(premium) (based on diluted NAV per ordinary share)	13.9%	6.0%	2.2%	4.0%	4.2%	(3.9%)					
FTSE All-Share Index	2,062	2,229	2,560	2,968	3,404	2,856	8.1%	14.8%	15.9%	14.7%	(16.1%)
Dow Jones World Utilities Index (sterling adjusted)	67.3	73.8	94.8	105.0	125.6	130.43	9.7%	28.5%	10.8%	19.6%	3.8%
Returns and dividends											
Revenue return per ordinary share (undiluted)	n/a	1.68p	1.65p	0.89p	1.84p	3.59p	n/a	(1.8%)	(46.1%)	106.7%	95.1%
Capital return per ordinary share (undiluted)	n/a	36.45p	65.48p	35.50p	178.01p	(103.35p)	n/a	n/a	n/a	n/a	n/a
Total return per ordinary share (undiluted)	n/a	38.13p	67.13p	36.39p	179.85p	(97.76p)	n/a	n/a	n/a	n/a	n/a
Dividend per ordinary share	n/a	1.60p	1.90p	0.40p	0.80p	–	n/a	n/a	n/a	n/a	n/a
Zero dividend preference (ZDP) shares[3]											
2012 ZDPS											
Capital entitlement per ZDP share	n/a	101.01p	108.07p	115.63p	123.71p	132.39p	n/a	7.0%	7.0%	7.0%	7.0%
ZDP share price	n/a	96.75p	115.25p	118.50p	126.75p	135.50p	n/a	19.1%	2.8%	7.0%	6.9%
2014 ZDPS											
Capital entitlement per ZDP share	n/a	n/a	n/a	n/a	100.29p	107.57p	n/a	n/a	n/a	n/a	7.3%
ZDP share price	n/a	n/a	n/a	n/a	103.25p	108.50p	n/a	n/a	n/a	n/a	5.1%
2016 ZPDS											
Capital entitlement per ZDP share	n/a	n/a	n/a	n/a	100.29p	107.57p	n/a	n/a	n/a	n/a	7.3%
ZDP share price	n/a	n/a	n/a	n/a	103.00p	103.75p	n/a	n/a	n/a	n/a	0.7%
Warrants											
2008 warrant price	19.50p	27.75p	62.75p	86.00p	260.00p	n/a[4]	42.3%	126.1%	37.1%	93.5%[5]	n/a
2012 warrant price	n/a	n/a	n/a	n/a	88.25p	79.50p	n/a	n/a	n/a	n/a	(9.9%)
Equity holders funds (£m)											
Gross Assets[6]	133.5	163.0	229.8	270.1	454.6	414.6	22.1%	41.0%	17.5%	68.3%	(8.8%)
Bank debt	33.7	30.2	41.8	55.0	44.8	69.2	(10.4%)	38.4%	31.6%	(18.5%)	54.5%
ZDP debt	–	45.6	48.3	51.8	130.8	140.2	n/a	5.9%	7.2%	152.5%	7.2%
CULS[7]	–	10.0	20.3	20.6	–		n/a	103.0%	1.5%	n/a	n/a
Equity holders' funds	99.8	77.2	119.4	142.7[8]	279.0	205.2	(22.6%)	54.7%	19.5%	95.5%	(26.5%)
Revenue account											
Income	n/a	3.8	6.5	6.9	8.4	10.5	n/a	71.1%	6.2%	21.7%	25.0%
Costs (management and other expenses)[7]	n/a	1.3	1.9	2.2	2.6	3.1	n/a	46.2%	15.8%	18.2%	19.2%
Finance costs	n/a	1.2	3.2	3.6	4.1	3.6	n/a	166.7%	12.5%	13.9%	(12.2%)
Financial ratios of the Group											
Revenue yield on average Gross Assets	n/a	2.8%	3.1%	2.8%	2.3%	2.3%					
Total expense ratio[9] on average Gross Assets	n/a	1.0%	0.9%	0.9%	0.7%	0.7%					
Bank loans, CULS and ZDP debt gearing on Gross Assets	n/a	41.1%	47.2%	46.5%	38.6%	50.5%					

1. Restated for changes in accounting policies
2. Utilico Limited ("Utilico") began trading on 20 June 2007. An investment update was produced for the year ended 30 June 2007 which included figures from Utilico's predecessor Utilico Investment Trust plc. As such these numbers are neither audited nor reviewed under auditing standards.
3. Issued by Utilico Finance Limited, a wholly owned subsidiary of Utilico Limited in June 2007. 2012 ZDP shares previously issued by Utilico Investment Trust plc
4. 2008 Warrants expired April 2008
5. Adjusted for June 2007 corporate action
6. Gross assets less current liabilities excluding loans
7. CULS converted in June 2007 into ordinary shares
8. Excluding CULS equity component
9. Excluding performance fee

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