UTILICO LIMITED

Report and Accounts for the year to 30 June 2010

ICM Ltd

Utilico Limited ("Utilico" or "the Company") was incorporated on 17 January 2007 and began trading on 20 June 2007. All performance data relating to periods prior to 20 June 2007 is in respect of Utilico Investment Trust plc ("UIT"), Utilico's predecessor.

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FINANCIAL CALENDAR

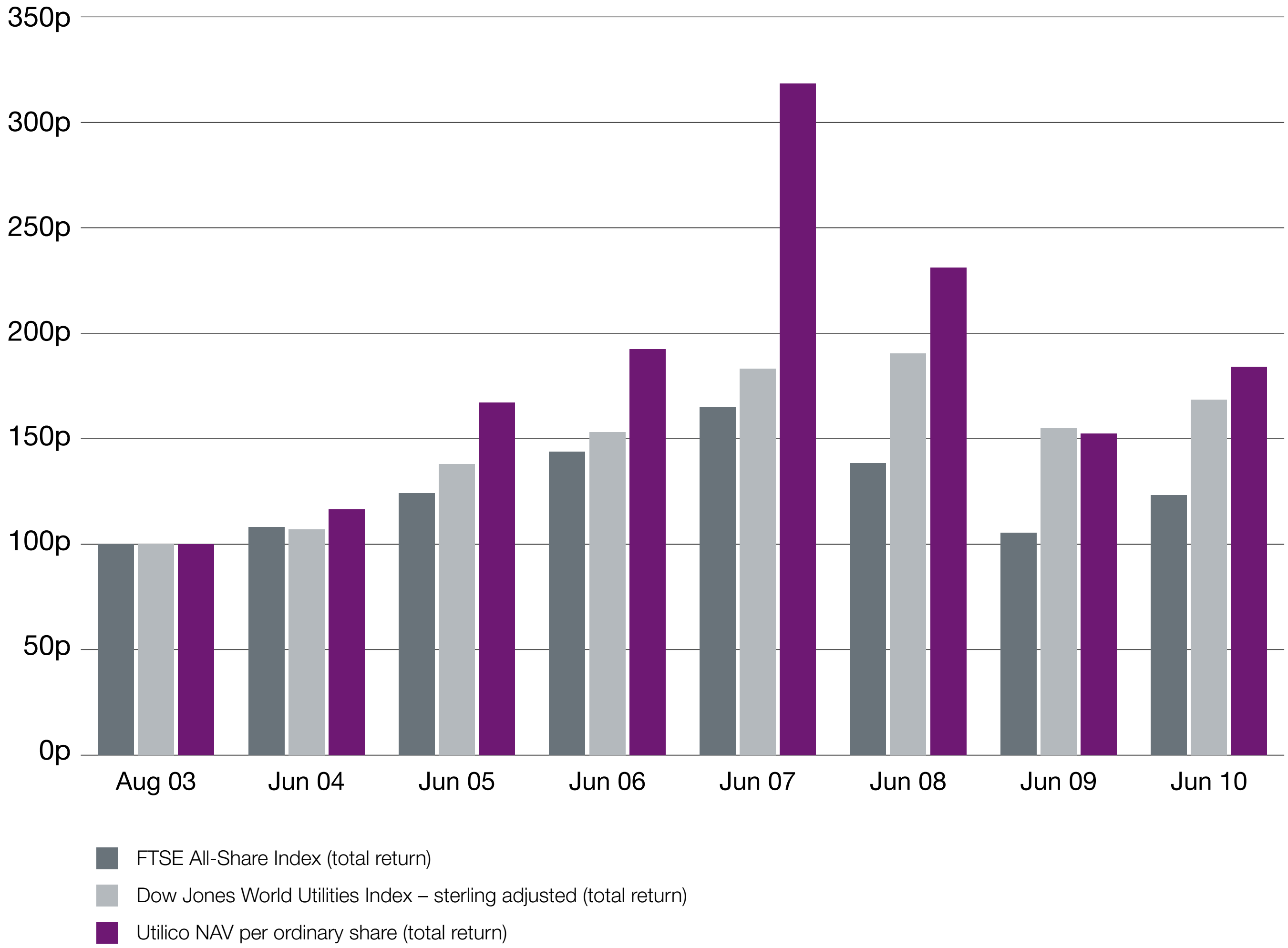
AGM	2 December 2010
Half year December 2010 announcement	February 2011

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

Adding back the cash distribution of 12.0p Utilico has achieved a return of 21.5%, ahead of the Dow Jones World utilities index (GBP adjusted) of 8.5%.

Since the inception of Utilico Investment Trust plc in August 2003, Utilico's NAV per share (adding back dividends) has increased by 84.1%.

Rebased diluted NAV per ordinary share comparative performance to 30 June 2010
*Rebased to 100 at 14 August 2003**



* Inception of UIT

Source: Utilico Limited

CONSOLIDATED PERFORMANCE SUMMARY

	30 June 2010	30 June 2009	Change 2009/10
Ordinary shares			
Capital Value			
Net asset value per ordinary share (undiluted)	166.39p	146.87p	13.3%
Net asset value per ordinary share (diluted)	166.39p	146.87p	13.3%
Share prices and indices			
Ordinary share price	116.50p	117.00p	(0.4%)
Discount (based on diluted NAV per ordinary share)	30.0%	20.3%	
FTSE All-Share Index	2,543	2,172	17.1%
Returns and dividends			
Revenue return per ordinary share (undiluted)	10.49p	2.77p	278.7%
Capital return per ordinary share (undiluted)	21.13p	(82.62p)	n/a
Total return per ordinary share (undiluted)	31.62p	(79.85p)	n/a
Dividend per ordinary share	–	–	n/a
Cash distribution per ordinary share	12.0p	–	n/a
Zero dividend preference (ZDP) shares(1)			
2012 ZDP shares			
Capital entitlement per ZDP share	151.55p	141.65p	7.0%
ZDP share price	159.75p	150.75p	6.0%
2014 ZDP shares			
Capital entitlement per ZDP share	123.72p	115.37p	7.2%
ZDP share price	129.50p	116.50p	11.2%
2016 ZDP shares			
Capital entitlement per ZDP share	123.72p	115.37p	7.2%
ZDP share price	108.75p	102.50p	6.1%
Warrants			
2012 warrant price	2.00p	3.50p	(42.9%)
Equity holders funds (£m)			
Gross Assets(2)	334.2	288.9	15.7%
Bank debt	29.3	17.0	72.4%
ZDP debt	161.2	145.1	11.1%
Equity holders' funds	143.7	126.8	13.3%
Revenue account			
Income	13.8	8.5	62.4%
Costs (management and other expenses)	2.4	2.4	–
Finance costs	1.4	2.6	(46.2%)
Financial ratios of the Group			
Revenue yield on average Gross Assets	4.2%	2.6%	
Total expense ratio (3) on average Gross Assets	0.7%	0.8%	
Bank loans and ZDP shares gearing on Gross Assets	57.0%	56.1%	

1. 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
2. Gross Assets less current liabilities excluding loans
3. Excluding performance fee and income not receivable

Diluted NAV per share up 21.5%*

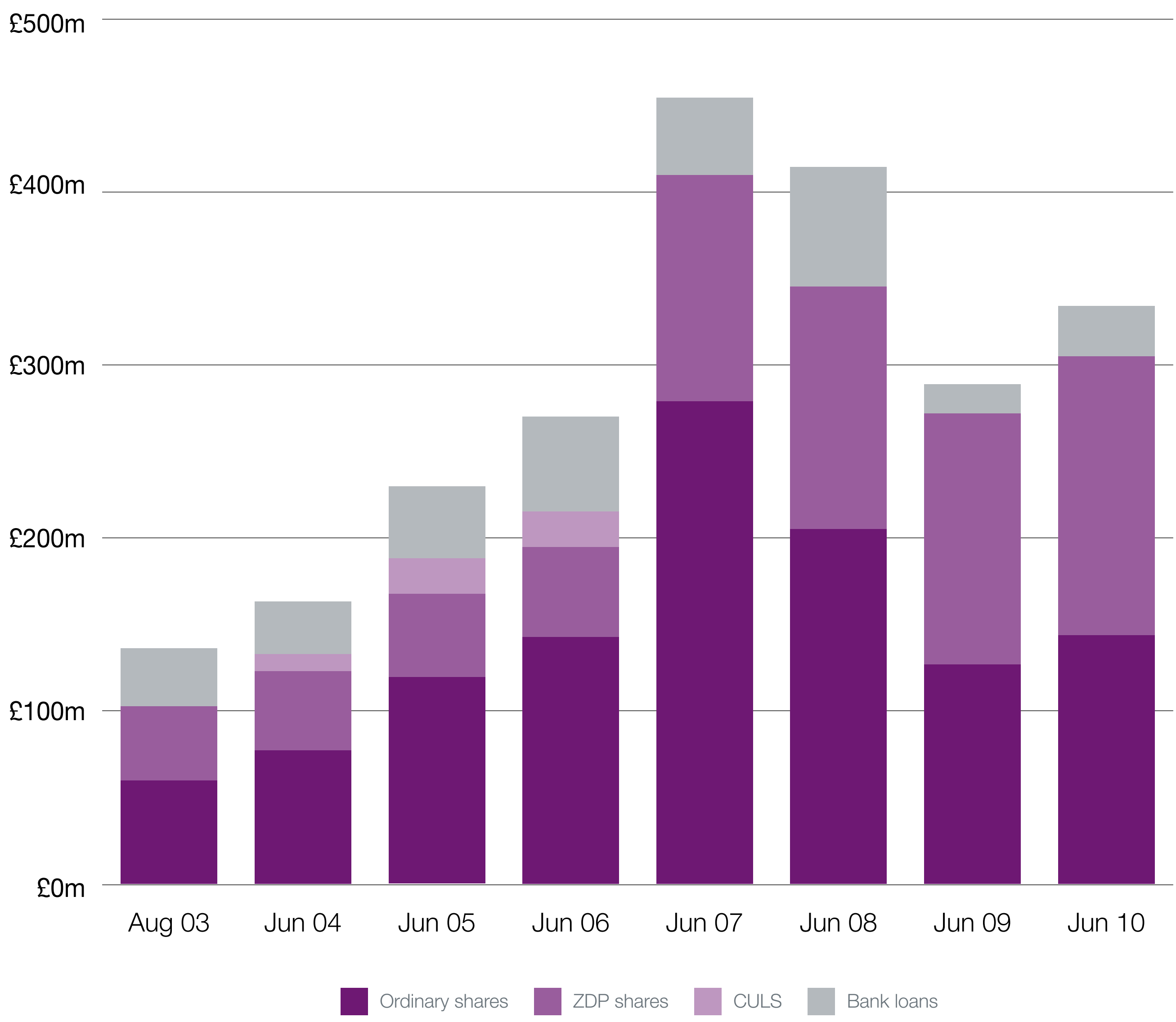
Revenue earnings per share 10.49p, up nearly threefold

Cash distribution of 12.0p per ordinary share

Average annual compound return of 9.5% per annum since the inception of UIT in 2003*

* adding back cash distribution

Allocation of Consolidated Gross Assets
from 14 August 2003 to 30 June 2010



Source: Utilico Limited

Utilico seeks to invest in undervalued investments.

The Company aims to invest 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 Report of the Directors, 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 for the purpose of efficient portfolio management 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 invest 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.

Forward–looking statements

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

In the 6 months to 30 June 2010 the equity markets gave back much of the gains they made in the first half of the Company's financial year to 31 December 2009.

Concerns over European sovereign debt levels, austerity measures in many European countries, weaker US recovery and a policy slowdown in China, have seen rising expectations of a slowdown or even double dip recession.

In the 6 months to 30 June 2010 the equity markets gave back much of the gains they made in the first half of the Company's financial year to 31 December 2009, due to rising concerns over the strength of the global economic recovery. Turmoil in Greece and concerns over European sovereign debt levels has led many European governments to announce severe austerity measures. These are expected to reduce Europe's short-term economic recovery. This, together with a weaker than expected recovery in the USA and a policy slowdown in China, principally in the property sector, has seen rising expectations of a slowdown or even a double dip recession in many countries. In view of this equity markets have weakened considerably.

The FTSE All-Share reached 2,761 on 31st December 2009, up 27.1% since the year end at 30 June 2009, and then fell to 2,543 on 30 June 2010, down 7.9% in the six months but ending the year up 17.1%. Most equity markets followed this profile and are substantially below their year highs. While the utility sectors have proved more resilient in the second half, as a whole the sector remains behind the wider market over the year to 30 June 2010.

Utilico has seen its net asset value ("NAV") rise by 28.7% in the first half of the year to 189.05p and then fall back by 12.0% to 166.39p in the second half. However, during the year Utilico effected a cash distribution by way of a bonus issue and buyback amounting to 12.0p per ordinary share. Adding this back, the adjusted NAV would be 178.39p which would represent a decline of 5.6% in the second half. On an adjusted NAV basis over the year, Utilico's NAV was up 21.5%, ahead of the FTSE All-share which was up 17.1% and well ahead of the DJ World utilities index (GBP adjusted) which recorded a gain of 8.5%.

Utilico's investment activity has remained relatively modest with investments of £46.2m and disposals of £42.3m. Portfolio gains were £36.9m resulting in a closing portfolio of £321.7m. The most significant investment was in Permanent Investments Limited ("PIL"). PIL is a Bermuda exempted company which has taken a controlling position in Bermuda Commercial Bank Limited ("BCB"). Utilico has a 25% interest in PIL and has invested £8.2m. BCB offers a platform from which to establish a vibrant banking entity without the distractions of a bad loan book. Further detail is included in the Investment Manager's report.

It must be noted that the two most recent significant investments by Utilico have been in assets outside the utilities and infrastructure sector. The Board has concluded that in line with the current investment mandate, around a quarter of Utilico's gross assets can be invested in other assets. At 30 June 2010 this percentage stood at 21.0%. The Investment Managers are acutely aware that over the last 10 years the universe of companies in the developed markets utility sector has reduced in number. In addition we have seen significant leverage being adopted, and valuations rise. In the current climate where growth is slow and governments are looking at ways of extracting "value", this investment class looks vulnerable and unattractive. We will need to address this issue going forward and a wider mandate may well be the best way forward. Any material change to our investment policy would require approval by shareholders.

The revenue return has improved significantly to 10.49p per share, up nearly threefold on last year. This has arisen from the timing of dividends from Infratil Limited, combined with significant interest received on the Resolute Mining Ltd convertible loan note. This is expected to continue into the new financial year. As previously announced, despite having positive revenue earnings in the year, plus revenue reserves brought forward, under Bermuda law, Utilico is unable to pay a dividend to shareholders as a result of having negative capital reserves. This continues to be the position today. As soon as investment returns create a positive balance of capital reserves, Utilico intends to recommence dividend payments.

During the year we completed a bonus issue of B Shares and immediately bought them back, thus effecting a cash distribution to shareholders. This opportunity arose as Utilico's NAV had risen to the point that the zero dividend preference ("ZDP") share cover was over 1.4x. This is no longer the case today. We will continue to seek a basis on which sustainable distributions can be made. It should be noted that if the Company were liquidated the undistributed revenue reserves would be first paid to the ordinary shareholders before the ZDP holders.

Disappointingly, the discount to Utilico's ordinary shares remains stubbornly high, ending the year at 30.0%.

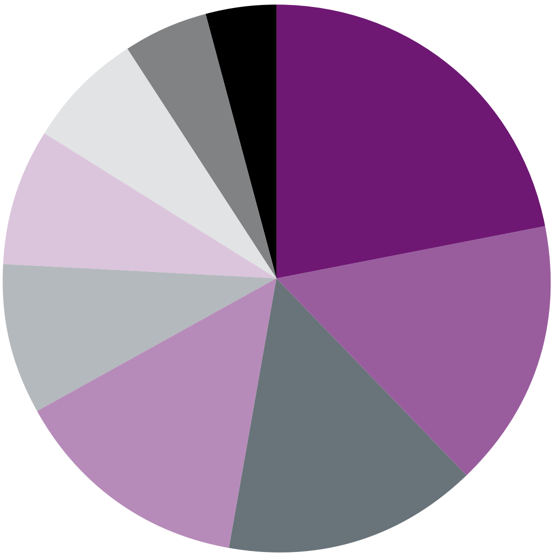
The key issues for the global equity markets are the resolution of two interlinked issues. The successful management of the debt issues (and in particular the sovereign debt issues) and the return to growth needed to sustain corporate valuations. The real test is likely to come when a combination of factors revert to the long term norm, which they must at some point. These are low interest rates, market intervention by governments, and unsustainable sovereign debts. The equity markets' ability to weather this process is difficult to predict. It is safe to say we remain in unprecedented territory and there must still be downside risks.

J. Michael Collier
September 2010

GEOGRAPHICAL AND SECTORAL BREAKDOWN

Geographical split of investments*

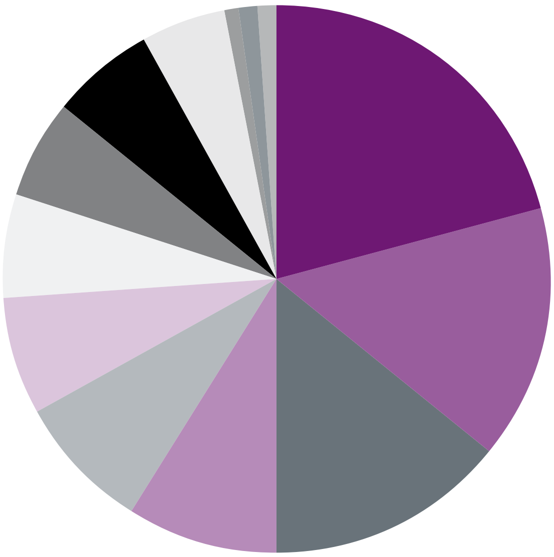
as at 30 June 2010



	2010	2009
New Zealand	22%	18%
UK and Channel Islands	16%	23%
Gold	15%	9%
Asia & Far East	14%	11%
Bermuda	9%	6%
Australia	8%	15%
Latin America	7%	9%
Europe excluding UK	5%	5%
North America	4%	2%
Switzerland	–%	2%

Sectoral split of investments*

as at 30 June 2010

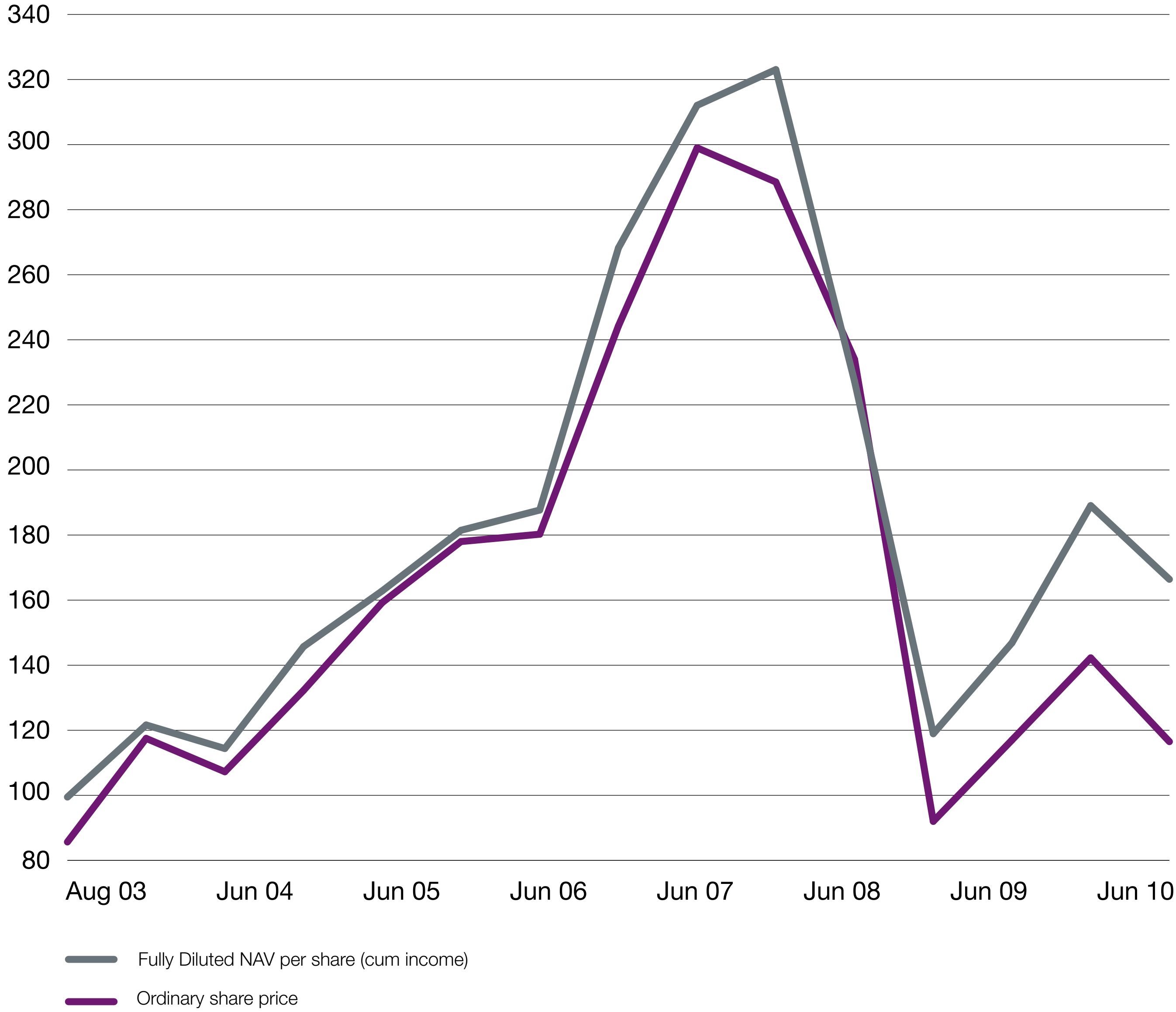


	2010	2009
Renewable Energy	21%	20%
Gold	15%	10%
Electricity	14%	15%
Airports	9%	11%
Infrastructure IT	8%	9%
Telecoms	7%	10%
Other	6%	2%
Toll Roads	6%	6%
Water & Waste	6%	5%
Ports	5%	4%
Other infrastructure	1%	3%
Gas	1%	2%
Satellites	1%	0%
Infrastructure Investment Funds	–%	2%
Post Office	–%	1%

*Basis: based on look through consolidated portfolio.

Source: Utilico Limited

Utilico ordinary share and diluted NAV performance*
from 14 August 2003 to 30 June 2010



* Incorporating the results of Utilico Investment Trust plc from 14 August 2003 to 19 June 2007, and the results of Utilico Limited from 20 June 2007 onwards.

Source: Utilico Limited

The real test is likely to come when a combination of factors revert to the long term norm, which they must at some point. These are low interest rates, market intervention by governments, and unsustainable sovereign debts. The equity markets' ability to weather this process is difficult to predict. It is safe to say we remain in unprecedented territory and there must still be downside risks.

The last year to 30 June 2010 has been one of two parts. The first half saw a recovery from the lows in prior years while in the second half much of these gains were eroded. Utilico's performance followed this trend and the NAV ended the year at 166.39p per ordinary share. During the year Utilico effected a cash distribution by way of a bonus issue and buyback amounting to 12.0p per ordinary share. Adding this back the adjusted NAV would be 178.39p representing an increase of 21.5%, ahead of the FTSE All-share which was up 17.1% and well ahead of the DJ World utilities index (GBP adjusted) which recorded a gain of 8.5%.

Utilico's longer term track record is good. Since the inception of Utilico Investment Trust plc ("UIT") in August 2003, Utilico's NAV per share (adding back dividends and other distributions) has increased by 84.1%. This equates to an average annual compound return of 9.5% per annum. This compares well to the FTSE All-Share Index which has increased by just 23.3% over this period, being a compound growth of just 3.3% per annum. This out-performance is calculated after all fees and expenses, including performance related fees, have been taken into account. If one looks back further, to the inception of The Special Utilities Investment Trust PLC in 1993, this out-performance is even more pronounced.

Investment Approach

Our basic approach to investment remains unchanged. The Investment Manager will continue to look for asset backed companies and deep value opportunities, often distressed in nature.

However, there is a reducing pool of investable assets and there is a lower conviction by the Investment Manager on value opportunities within the utilities and infrastructure sector in the developed markets. Over recent years in the UK listed utilities arena, for instance, we have seen most of the ports sector disappear, the number of water companies reduce, BAA was acquired by Ferrovial and Railtrack was nationalised. This sharply reduces our pool of listed investment opportunities in the UK.

In addition, we have seen the rising use of leverage, plus higher valuations in general, diminish the attractions of a number of investments and thus reduce our investment opportunities further. Finally, we are concerned that there is an increasing move towards extracting value from national assets and in some cases a restructuring of state obligations. The financial pressures faced by governments today who are seeking to solve their sovereign debt issues are such that utilities and infrastructure assets are seen as 'fair game'. This point is clearly demonstrated by the Spanish Government resetting of solar tariffs going forward and seriously considering back dating these alterations. In view of this we have reviewed alternative investments.

Investment Activity

During the period Utilico realised £42.3m from the disposals and invested £46.2m into the portfolio. Major disposals included £7.9m from the sale of our entire stake in Zurich Airport and £6.6m from Newtel on the realisation of its subsidiary Newtel Data Services Limited. We also sold the Resolute ordinary shares we received in lieu of interest on our convertible loan notes. These shares were sold in the market at a profit of £0.7m. Vix Technology returned £3.6m in cash during the course of the year.

Investments made included £13.9m on the exercise of Infratil's warrants and £8.2m into Permanent Investments Limited ("PIL"). We supported Renewable Energy Holdings Limited ("REH") by lending them £2.5m in the form of a convertible loan note. Further details are below for PIL and REH. Outside the top ten we invested £5.4m into Augean Ltd ("Augean"). Augean is a listed UK waste company focused on hazardous waste disposal.

The geographic allocation has moved as a result of the above. New Zealand exposure increased on the back of the Infratil warrant exercise plus a stronger currency to 22% of the portfolio. The UK and Channel Islands decreased to 16% as a result of the Newtel return and other realisations. Asia and the Far East increased to 14% as a result of Utilico Emerging Markets Limited's ("UEM") increasing investments in this area. Bermuda rose on the investment in PIL to 9%. Australia fell to 8% as a result of the Vix asset return plus other returns and realisations.

Sectoral exposure remains broadly unchanged. Gold increased to 15% as a result of Resolute's revaluation. Telecoms reduced to 7% as a result of the Newtel return and Other increased to 6% as a result of the PIL investment.

At the year end Utilico had unlisted and untraded investments of £39.2m (12.2%), down from £49.8m (17.7%) of the portfolio at the start of the year. Deducting the exposure to PIL, whose sole asset is in a listed company, Bermuda Commercial Bank Limited, then the year end position for such investments is £30.0m (9.3%). The reduction of £19.7m in the year represents cash back of

£10.0m and the conversion of the loan to Resolute into the listed convertible loan notes in Resolute mining, cash invested of £5.8m, and provisions of £4.2m.

Major Investments

Nearly 65.0% of Utilico's portfolio value is represented by just three investments, Infratil, UEM and Resolute. However, two of these investments offer diverse underlying exposure. Infratil offers targeted exposure to electricity and transportation sectors, primarily in New Zealand and Australia. UEM offers a more diverse exposure to emerging market utilities and transportation infrastructure investments.

The investment in Infratil, which is Utilico's largest, stood at £89.0m, representing 27.7% of the portfolio as at the year end. Utilico held 19.9% of Infratil's outstanding ordinary shares at that date. Utilico invested a further £13.9m during the year to exercise warrants in July 2009. Infratil's share price under performed wider markets during the year, with a fall in value of 7.5%. Infratil's assets have, for the most part, traded well during the year and the shares now stand at a substantial discount to their underlying value. This is clearly disappointing and we are looking to Infratil to substantially narrow this discount.

The second largest holding is UEM at £72.1m, representing 22.4% of Utilico's portfolio. Utilico held 25.7% of UEM's outstanding ordinary shares as at the year end. In addition, Utilico held 10,288,675 warrants and 2,187,204 S shares. Of these 2,500,000 were sold subsequent to the year end and the balance were exercised. Utilico's resulting holding is 59,259,303, representing 26.6% of UEM.

The holding in UEM allows Utilico to obtain its exposure to the emerging market utility and infrastructure sectors. UEM's NAV rose by 34.5% during the period, with the shares rising in value by 17.9%. UEM's portfolio is more diverse than Infratil, and as such, none of UEM's largest investments feature in Utilico's look through top 10 holdings. The largest investment is Malaysia Airport Holdings Berhad, which is Utilico's 11th largest holding on a look through basis, representing 2.5% of the portfolio.

Following the format established in prior years, we review the major sectors to which Utilico is exposed, and the major holdings therein. In order to provide a better understanding of Utilico's underlying investments, the ten largest holdings and the sector and geographical analysis are presented on a 'look though' basis as though investments held indirectly through Infratil and UEM were held directly by Utilico itself.

Renewable energy

It remains the case that the energy generation of the future will be less carbon intensive than that of the past. There is a growing emphasis not only on environmental factors, but also security of supply, and these both count in favour of renewables. However, these forms of energy have two principal drawbacks: a high capital cost and a relatively long lead time for development.

Historically these energy generation assets were often seen as dependable (almost bond like) and thus capable of raising capital via both equity and debt. This position has changed sharply as concerns over dependability and scalability have emerged. It is now better understood that wind fluctuation does result in significant variations year on year on individual asset performance. For instance, wind farms have been found to have variable output beyond that expected. In terms of capital, the smaller wind farm operators have seen their ability to access both the debt and capital markets evaporate.

Finally there is growing concern that these assets, which require government subsidies to operate profitably, will be subject to political intervention. This is the case in Spain where the Spanish government is not only changing the economic environment for new solar farms but also considering tearing up historic contracts as well. In our view this is a retrograde step for the industry.

Renewable energy has become Utilico's largest sector exposure, with the main holdings being TrustPower Ltd, Renewable Energy Generation Limited ("REG") and, outside the top 10, Renewable Energy Holdings Limited.

TrustPower has enjoyed a successful period, completing substantial investments in wind farms on budget, and is now well positioned with a combination of further growth in renewable generation, coupled with an established New Zealand based energy supply business providing an element of both stability and hedging.

REG had a very good year in which they realised their Canadian investment for cash. The cash substantially exceeded the market value of REG. REG was re-rated as a result and its shares rose by 26.8% during the year to 52.0p at year end. REG is now able to use its cash resources to build out its pipeline and to acquire small assets at attractive valuations. REG is slowly building a long term valuable asset. However, current markets are unwilling to ascribe any value to possible future value creation inherent within the pipeline, and we would now only expect the shares to recover further as value is extracted through delivery of projects.

Utilico has invested into a similarly named company during the year, REH, owning both ordinary shares plus a secured convertible loan note. REH offers a similar profile to REG, but has exposure to Germany, Poland and the UK, plus interests in wave energy technology. REH is capital constrained and as such its ability to maximise its position is poor. We will monitor this situation closely. During the year James Smith joined the board of REH. REH's valuation reflects these funding concerns and it has seen its share price decline from 31.5p to 11.3p, down 64.3%.

Electricity

The electricity sector continues to be a substantial sector for Utilico at 14%. Within the top 10, Utilico held Jersey Electricity Limited, Infratil Energy Australia and Ascendant Group Limited (previously Belco).

Jersey Electricity Limited ("JEL") continues to trade soundly, and the island of Jersey has performed well during the current downturn. The shares have held firm to the gains last year and offer a defensive investment. However, the re-rating over the last 24 months meant progress from here is likely to be less rewarding to Utilico as an investor. We will continue to encourage management to seek the release of value from JEL's ungeared, asset rich balance sheet.

Ascendant Group Limited ("AGL") is the new name for Belco Holdings. A long term investment for Utilico, AGL fell outside our top 10 holdings during the year. Like Jersey, Bermuda has proved relatively resilient to the global downturn, and continues to be an attractive destination for investment. Again, like JEL, AGL is largely ungeared and is able to fund the substantial majority of its investments out of cash flow, together with a continuing attractive yield. We are encouraging AGL to return capital to its shareholders.

Infratil Energy Australia ("IEA") is a business which Infratil has been developing since 2005 to exploit the deregulating Australian energy supply markets. The rate of client, revenue, and profit growth has been encouraging, and the energy expertise within the Infratil group of companies should hopefully ensure that this business continues to develop at a fast pace.

Infrastructure IT

The infrastructure IT sector accounted for 8% of gross assets at June 2010, and includes Vix Technology Pty Ltd ("Vix"), which is Utilico's fourth largest holding on a look through basis, accounting for 3.8% of total investments.

Several of Vix's projects are approaching a stage when they will move from negative to positive cash flows, and this should enable returns of capital to be made. £3.6m was received by Utilico in the year, and we expect substantial releases of capital in the current year. Vix ERG, Vix's subsidiary, continues to win major contracts, the latest is the Bangkok Central Clearing House contract.

Airports

Airports accounted for 9% of Utilico's gross assets at June 2010, down from 11% at June 2009. The airports sector has seen a substantial recovery in fortunes with both rising passenger and freight numbers. In most markets, activity is now back above pre-crisis levels.

Utilico's largest airport exposure is to Wellington Airport ("Wellington") in New Zealand, held indirectly via Infratil's 66% interest in this company. Pleasingly, Wellington has continued to perform well as a result of a programme of investment. Passenger numbers increased by 4.7% during its financial year to March 2010, and this has led to improved profitability. We expect this to continue, especially with the Rugby World Cup next year.

Gold

Gold was a new sector for Utilico last year, and while not fitting into the definition of a utility, it is felt that a counter cyclical diversification will be of merit to portfolio management during the current period of economic turbulence.

The gold sector, which comprises one investment in Resolute Mining Limited ("Resolute"), has risen from 10% to 15% on a revaluation of Resolute. The entry into this sector was made through an opportunistic distressed 12% convertible loan note in Resolute. Resolute is headquartered in Western Australia but with mining assets in both Africa and Australia. Utilico invested a total of £16.3m into this investment, which was pleasingly showing a substantial profit at the year end and is now Utilico's second largest investment on a look through basis. The Investment Managers believe that this investment remains undervalued and has potential for significant upside.

Other

Other at 6% includes Permanent Investments Limited ("PIL"). PIL is Utilico's 10th largest investment on a look through basis and represents 2.6% of the portfolio. PIL is an unlisted investment vehicle whose sole asset is a stake in Bermuda Commercial Bank Limited ("BCB"). Utilico holds 25.0% of PIL which in turn holds 76.9% of BCB. BCB is a Bermuda domiciled bank listed on the Bermuda Stock Exchange. BCB has shareholder funds of BD$75.0m and gross assets of approximately BD$400.0m. At the time of acquisition BCB's assets were invested in the short term money markets. BCB avoided the issues faced by most banks as a result.

Michael Collier, Warren McLeland and Eric Stobart have all joined the board of BCB.

Derivatives

For some time Utilico has operated a strategic hedge via the purchase and sale of equity index options, principally on the S&P 500 Index. These options had a positive net value of £4.5m at June 2010.

The level of put protection is kept under constant review, and will depend upon several factors including the relative position of markets, the price of options as compared to the market, and the Investment Manager's view of likely future volatility and market movements.

In common with previous years, Utilico has maintained currency hedges to partially protect the Sterling value of certain investments. At the year end, forward currency sale contracts were maintained for a nominal NZ$90.5m, US$11.0m, €5.0m and A$46.7m. This is above the level maintained in previous years, and reflects the Investment Manager's view that Sterling is likely to be, on balance, stronger rather than weaker against certain of Utilico's currencies of investment.

Debt

The level of Utilico's bank debt has increased during the year, from £17.0m at the start of the year to £29.3m at the end of the year. This increase enabled Utilico to meet the final part payment on the Infratil 2009 warrants. This was drawn as £23.4m in New Zealand Dollars and £5.9m in Sterling.

At the year end, Utilico had total banking facilities of £30.0m, which expire in November 2010.

Cash balances at the year end were up £2.0m to £6.5m.

Currency

Currency fluctuations have continued to feature in the year to 30 June 2010. Currency gains of £1.1m were recorded which related mainly to movements on the weakness of the New Zealand Dollar.

Although it should be noted that this figure does not include gains on foreign currency denominated investment positions. Sterling fell in value by 9.2%, and 9.9% against the US Dollar and Swiss Franc respectively, and gained 4.1% against the Euro. Sterling also weakened significantly against the New Zealand Dollar and Australian Dollar during the year, falling 14.3% and 12.9% respectively.

Revenue Income

Gross revenue from investments held rose to £13.8m, up 61.7% on the previous year. This was partly a result of the timing of dividend payments from Infratil and interest on the Resolute convertible loan notes.

Elsewhere we remain encouraged by dividend payments, particularly in the emerging markets, with UEM maintaining its dividend despite the difficult economic environment. Dividend increases were seen in some investments such as JEL, offset by reductions elsewhere including REG and Keytech. The revenue yield on gross assets increased from 2.6% to 4.2%.

Expenses

Management, administration, and other expenses remained at £2.4m. This reflects management fees which are linked to the level of gross assets and other costs, such as administration fees, which are fixed. As such the total expense ratio fell marginally from 0.8% to 0.7% in the year.

Finance costs charged through the revenue return fell from £2.6m to £1.4m as a result of the reduction in bank debt from £70.0m at the start of 2009 to £17.0m at the start of 2010.

The bulk of finance costs arise from the three tranches of ZDP shares in issue, these costs being charged against capital return. It should be noted that these costs are fixed and are not affected by movements in interest rates.

Buybacks

Utilico sold into the market its 2016 ZDP shares that it had bought back in the previous year for £4.9m, representing a profit of £1.2m.

No specific policy exists relating to the buy-back of shares, but Utilico will continue to buy back shares if it is felt appropriate. Consideration will be given to the demand for Utilico's shares by market participants, the level of discount between the share price and the NAV, the availability of shares to repurchase, and also other investment opportunities. The Board will renew the authority to buy back up to 14.99% of the ordinary shares in order to preserve its flexibility. However, we are unable to buy back shares in a situation where the ZDP cover falls below 1.4x.

TEN LARGEST HOLDINGS[1] ON A LOOK THROUGH BASIS

At 30 June

2010	*2009*	**Company** *(Country)*	**Fair value £'000s**	**% of total investments**
1	*(1)*	**TrustPower Ltd** *(New Zealand)* Integrated electricity	48,790	15.2%
2	*(2)*	**Resolute Mining Ltd** *(Australia)* Gold mining	46,720	14.5%
3	*(3)*	**Jersey Electricity Company Limited** *(Jersey)* Integrated electricity	18,398	5.7%
4	*(4)*	**Vix Technology Ltd** *(Australia)* Automated fare collection systems	12,382	3.8%
5	*(7)*	**Wellington Airport** *(New Zealand)* Airport	12,229	3.8%
6	*(8)*	**Renewable Energy Generation Ltd** *(UK)* Wind power	11,207	3.5%
7	*(10)*	**Infratil Energy Australia** *(Australia)* Electricity generation and supply	10,833	3.4%
8	*(5)*	**Keytech Limited** *(Bermuda)* Telecommunications	10,674	3.3%
9	–	**New Zealand Bus** *(New Zealand)* Transport	9,055	2.8%
10	–	**Permanent Investments Limited** *(Bermuda)* Investment holding in BCB	8,329	2.6%
		Ten largest holdings	188,617	58.6%
		Other investments	133,091	41.4%
		Total Investments	321,708	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 and UEM portfolios are consolidated with that of Utilico on a proportionate basis, based on those companies' valuations of their own holdings.

The country shown is the location of the major part of the company's business. The value of the convertible securities represents 19.4% (2009: 14.0%) of the Group's portfolio and the value of fixed income securities represents 1.6% (2009: 2.7%) of the Group's portfolio.

REVIEW OF THE TEN LARGEST HOLDINGS ON A LOOK THROUGH BASIS

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

TrustPower ("TPW") 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 TPW's share capital. TPW supplies electricity to 225,000 New Zealand retail energy customers, plus owns and operates 585MW of electricity generation capacity in New Zealand and a further 99MW in Australia, all of which is carbon free, being hydro or wind based. Their portfolio includes the 161MW Tararua Wind Farm, the largest wind farm in the Southern Hemisphere. During the year to March 2010, TPW gained approval to proceed with the 36MW stage 1 Mahinerangi project, a wind farm adjacent its existing Waipori Hydro Generation Scheme. The wind farm is scheduled for final commissioning in May 2011 at a total cost of NZ$75m. In addition, TPW has consents to build a further 440MW of wind generation in New Zealand. TrustPower successfully raised NZ$140m of five and seven year bonds during the financial year, providing diversity of long term funding for the company. Financial results for the year to March 2010 show a fall in normalised earnings of 10.4% due to higher depreciation, finance costs, and taxation. Although Trustpower benefited from a full year's consolidation of the 99MW Australian Snowtown wind farm, this could not fully compensate for lower New Zealand rainfall levels which caused hydro production to be 11% below long term averages, and 5% below the previous year. During the 12 months to June 2010, TPW's share price decreased by 6.7%.

Resolute Mining Ltd (Australia)
www.resolute-ltd.com.au

Resolute Mining Limited ("Resolute") is a developer and operator of gold projects, with operations in Africa, principally in Mali and Tanzania, and in Australia. In the half-year to December 2009 Resolute's various operations yielded in excess of 180,000 ounces of gold at a cash cost of A$667 per ounce. The re-development of the Syama project in Mali has been completed and is now operational and in Tanzania drilling at Kasav has defined a large low grade resource within 7km of the Golden Pride mine. Financial results reported profit after tax of A$30.7m against 2008's losses of A$65.7m. In September 2009 Resolute raised A$49.3m by way of issue of convertible notes, options and ordinary shares the proceeds of which are expected to restructure the company's debt and to provide working capital.

Utilico decided to exercise the right to convert its A$10.0m of debt into convertible notes and options with the same terms and conditions as participants in the offer. In the year to June 2010 Resolute's convertible loan note price has increased 21.6% to 111.5¢.

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

Jersey Electricity ("JEL") is the integrated electricity company serving the Island of Jersey. Jersey Electricity imports the substantial majority of its energy requirements from France, and as such has faced higher wholesale energy purchase costs as a result of a combination of higher European Energy prices and also the strength of the Euro against Sterling. JEL has managed to offset this effect with a 24.0% increase in tariffs from January 2009, which was moderated with a 5.1% cut in January 2010 as prices fell back and the Euro weakened slightly against Sterling. Aside from electricity, JEL's other businesses such as property and retailing, have in recent years performed well. One additional factor is that JEL has substantial cash balances on its balance sheet, and the reduction in interest rates has of course led to lower interest income. JEL's is now looking at adding a further electricity interconnection to France, and this will have a substantial funding cost to the company. We will encourage the company to ensure that this investment makes sense not only operationally, but also financially. Interim six month results to March 2010 showed a 10.2% increase in core electricity profits as a result of higher average sale tariffs. JEL's other businesses performed well, with an exceptional profit being booked on receipt of a distribution from JEL's associate company Newtel. Interest receivable was again lower, but overall normalised earnings increased by some 11.3%, with reported earnings increasing by 33.6%. Over the year to June 2010 JEL's share price has decreased by 2.2% to 67.5p.

Vix Technology Pty Ltd (Australia)
www.vix-erg.com

Vix Technology Pty Ltd ("Vix") is a new company which has acquired the shares in ERG Limited, now named Vix ERG Limited ("Vix ERG") and other technology companies. Vix ERG is the principal operating subsidiary of Vix Technology.

Vix ERG targets three principal areas:

- Transportation (Automated fare collection)

- Payment Solutions
- Communications

In addition there will be supporting divisions for products and software development & research which aim to create synergies between the businesses and generate co-operation.

The year under review has been relatively pleasing with all key transportation projects essentially in commercial operation. These include Stockholm, Rome, Beijing, Salt Lake City, Seattle and San Francisco. In the United Kingdom and France a large number of important projects were completed successfully and a number of orders were received from new group customers. The service businesses in Sydney, Melbourne, Singapore and Hong Kong continued to generate acceptable profits for the group.

During the year selected USA operations and contracts were sold for a significant profit and the resultant proceeds returned to shareholders, of which Utilico's share was approximately 40%. In addition to the sale proceeds, Utilico is expecting a substantial capital return from the payment of receivables owed by a number of Transit Authorities for their newly installed transit systems.

Wellington Airport (New Zealand)
www.wellington-airport.co.nz

Wellington International Airport ("Wellington") is New Zealand's second largest airport behind Auckland. Utilico's investment is held indirectly via its investment in Infratil, which in turn holds 66.0% of Wellington. Over the year to March 2010 passenger numbers decreased slightly by 2.6% to 5.1m, of which 88% were domestic passengers and 12% were international. Despite the fall in passenger numbers, Wellington's continued investment in facilities ensured that revenues in fact increased, with total revenue growing by 8.9%, including robust growth of over 20% in retail income. Revenues on a per passenger basis improved by 12%, placing the airport in an excellent position for when passenger numbers resume growth again. Normalised net earnings increased from NZ$7.4m to NZ$12.5m as a result of the higher per passenger income and reduced interest expenses given the lower prevailing interest rates seen in the period. In January 2010 Wellington Airport published its 2030 Master plan, including growth forecasts for the next 20 years and infrastructure work required to accommodate the increased activity. Wellington forecast a doubling of passengers to approximately 10m by 2030 which is consistent with the growth seen over the last decade.

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

Renewable Energy Generation Limited ("REG") is a generator of renewable energy through ownership of wind farms in the UK. Via its REG Biopower subsidiary, REG also generates renewable energy through the collection, treatment, and combustion of used cooking oil. In October 2009 REG sold its Canadian wind farm business for C$125m, and will invest the proceeds in the UK wind generation market where returns are higher. As at the interim period end of December 2009, REG had 21.3MW of operational capacity and is constructing a further three sites to add 15.3MW to the portfolio. This will take capacity to 37.7MW by the end of calendar year 2010. Annualised output should increase to around 100 GWh p.a. with the completion of these three projects. In total REG aims to invest £100m into the UK wind market over the period 2010 to 2013, and has identified a project pipeline of 350MW. REG Biopower has also made operational progress signing a contract to construct a plant for the Port of Dover Authority. REG's interim report for the 6 months to December 2009 showed an increase in revenue of 28.9% to £3.5m, and a reduction in net loss from £1.1m to £0.3m. During Utilico's year to June 2010, REG's share price has increased to 52.0p up 26.8% on the previous year.

Infratil Energy Australia (Australia)
www.infratil.com

Infratil Energy Australia ("IEA") is a business which Infratil founded in 2005 to exploit Australia's deregulating power markets, focusing on the deregulated market of Victoria. Utilico's investment is held indirectly via its investment in Infratil. IEA's year to March 2010 saw a mixed performance. On the positive side the business continued to expand, reaching 411,000 client accounts, up 6.2% from the prior year, and IEA continued to construct further "peaking" generation facilities which will be commissioned in 2011 and should contribute to increased earnings from then. At present IEA has 99MW of generation capacity, with 185MW under construction. Financially the past financial year was less successful, with IEA incurring one off charges for bad debts, and costs associated with over contracting of wholesale gas purchases. IEA has now put measures in place to address these issues and improve future profitability. IEA is awaiting the effective deregulation of energy markets in other states such as Western

REVIEW OF THE TEN LARGEST HOLDINGS ON A LOOK THROUGH BASIS (CONTINUED)

Australia and New South Wales, which should provide them with a substantial opportunity.

Keytech Limited (Bermuda)
www.keytech.bm

Keytech Limited ("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 operating in Grand Cayman.

Utilico increased its holding during the period and holds 14.6% of the ordinary shares. We are currently prevented from adding to our holding further, as the number of shares currently held by non-Bermudians is at the maximum limit set by Bermuda law.

Results for the year to March 2010 were disappointing. Whilst the $46.3m of capital investment in the prior financial year may have improved services to customers, there was little impact seen on revenues or costs in the group overall. There was a modest 1.5% growth in revenues, but operating costs increased by 4.4%, primarily due to rises in salaries, overtime payments and other staff benefits. Operating profit fell by 22.8% to $8.1m.

The biggest disappointment was the $2.1m loss on a share position that the company had built up in Bank of Butterfield. This alone reduced net profit by around a quarter. The reported net profit of $6.3m was down 40.3% on the $10.6m reported last year. The company cut its dividend by 20% despite strong underlying cash flows helped by historically low capital expenditure of $11.3m in the year to March 2010. Keytech's share price fell 4.5% during the period.

Regulatory changes may have an impact on costs and the competitive environment in the near future.

New Zealand Bus (New Zealand)
www.nzbus.co.uk

New Zealand Bus ("NZ Bus") provides passenger transport in New Zealand, based around the two principal cities of Auckland and Wellington. Utilico's investment is held indirectly via its investment in Infratil. Since its purchase from Stagecoach in 2005, NZ Bus has delivered a number of enhancements to the service it offers as well as continuing to invest in new and better buses, better systems and real time information at bus stops. NZ Bus currently has a fleet of over 1,000 buses and employs approximately 2,000 people. In the year to March 2010 passenger numbers fell by 1.9%, although NZ Bus was showing strong growth by the year end. Like for like operating profit before depreciation fell by 19.2% due to the lower passenger numbers and increased labour costs.

Permanent Investments Limited (Bermuda)
www.bcb.bm

Permanent Investments Limited ("PIL") is a Bermuda investment holding company. Its sole asset at 30 June 2010 comprised a stake in Bermuda Commercial Bank Limited ("BCB"). Utilico holds 25% of PIL's ordinary shares and has contributed US$12.3m in a secured loan note convertible into 1.25m BCB ordinary shares. In total PIL holds 5.0m ordinary shares in BCB representing 76.9% of BCB.

BCB is one of Bermuda's four licensed banks, established in 1969 and listed on the Bermuda Stock Exchange. BCB is a corporate and private wealth bank, offering a range of services to its customers. BCB's shareholder funds are BD$75.0m and gross assets are approximately BD$400.0m. BCB is conservatively run with a Pillar I ratio of over 25.0%. BCB's website is www.bcb.bm

Michael Collier, Warren McLeland and Eric Stobart are the sole directors of PIL and have joined the board of BCB. Michael Collier is Chairman of BCB.

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

86,373,863 ordinary shares were in issue at 30 June 2010. 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 Utilico Finance Limited for its 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 2010. 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 2010. 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 2010.* 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 £30.0m multi-currency loan facility provided by The Royal Bank of Scotland plc, secured against the Company's assets by way of a debenture. The facility is in one tranche, with maturity extending to November 2010.

Utilico has 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

3,588,617 2012 warrants were outstanding on 30 June 2010. Each warrant entitles the holder to subscribe for 1.090909 ordinary share at a subscription price of 288.75p with the final exercise in April 2012.

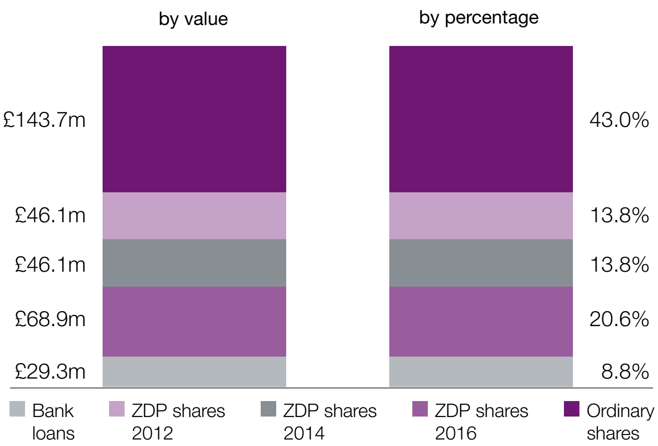
The warrants can be exercised on 30 April and 31 October each year.

* Due to Utilico buying back 4,585,000 2016 ZDP shares, on a group level the amount in issue is 32,915,000.

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

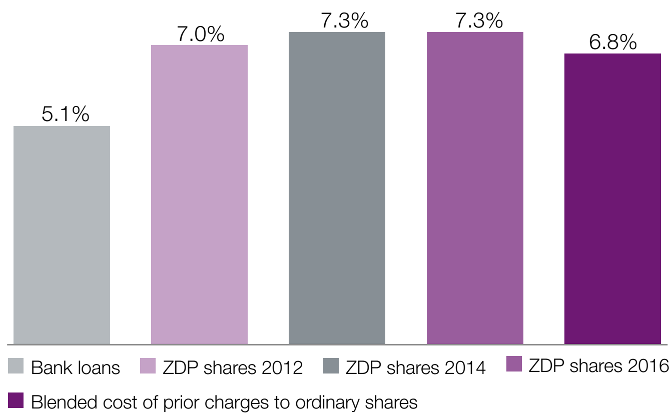
A 1.0% movement in Gross Assets would change the NAV attributable to ordinary shares by 2.3%.

Split of Gross Assets
as at 30 June 2010



Source: Utilico Limited

Utilico's consolidated funding cost structure
as at 30 June 2010



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 2010, the ordinary shares could be said to be interested in £43.00 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 2.3%.

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 6.8%.

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 3.04x times by gross assets on 30 June 2010. Should Gross Assets fall by 67.1% 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 91.2%, equivalent to an annual fall of 64.7%, 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 1.93x times by Gross Assets on 30 June 2010. Should Gross Assets fall by 48.3% 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 67.1%, equivalent to an annual fall of 22.6% 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 1.36x times by Gross Assets on 30 June 2010. Should Gross Assets fall by 26.6% 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 48.3%, equivalent to an annual fall of 9.9% the 2016 ZDP shares would receive no payment at the end of their life.

2012 Warrants

The 2012 warrants are exercisable at 288.75p per warrant. Their value is a function of the ordinary share price and as such is very volatile. Should the ordinary share price remain where it is today the warrants will expire worthless.

INVESTMENT TEAM

The Investment Manager, ICM, is responsible for the investment portfolio in conjunction with Mr Charles Jillings.

ICM represented by Mr Duncan Saville

Mr Saville, aged 53, 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 Vix ERG Ltd.

Mr Charles Jillings

Mr Jillings, aged 55, 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, including:

Mr Mark Lebbell

Mr Lebbell, aged 38, 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 James Smith

Mr Smith, aged 38, 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.

DIRECTORS

Mr John Michael Collier (Chairman)†*

Mr J M Collier, aged 64 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 retired in 1996 as president and chief operating officer. He is currently chairman of the Ascendant Group Limited (formerly Belco Holdings Limited), chairman and managing director of Bermuda Commercial Bank Limited, chairman of Permanent Investments Limited and serves as a director of a number of US and Bermuda incorporated companies.

Ms Susan Hansen†*

Ms S Hansen, aged 49 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 64 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 Company plc, Intellect Holdings Limited, Wilsons HTM Investment Group Limited and Permanent Investments Limited.

Mr Eric Stobart†*

Mr E Stobart, aged 61 and appointed on 3 May 2007, was formerly Director of Public Policy and Regulation for Lloyds TSB Group plc (now Lloyds Banking Group plc). Non-executive director of Norwich & Peterborough Building Society, Capita Managing Agency Limited, Bermuda Commercial Bank Limited, The Throgmorton Trust plc, Falcon Property Trust, Utilico Limited and Permanent Investments Limited. Trustee of the Lloyds TSB Group Pension Schemes, chairing its Investment and Funding Committee and a trustee of the Lloyd's Superannuation Fund.

Dr Roger Urwin†*

Dr R Urwin, aged 64 and appointed on 3 May 2007, has many years experience in the international utility sector, playing a major role in the restructuring and privatisation of the UK electricity industry. He was previously chief executive of National Grid plc, a non-executive director of Utilico Investment Trust plc and a former chairman of Alfred McAlpine plc. He is a director of Canadian Utilities Limited.

† Independent Director.

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

Directors present their report and the Accounts of the Company and Group for the year to 30 June 2010. The subsidiaries of the Company are set out in note 12 to the Accounts.

Results

The results for the year are set out in the attached Accounts. The Company is not in a position under Bermuda law to pay dividends.

Principal Activity and Status

The Company is a Bermuda exempted, closed ended investment company with company registration number 39480. It is listed on the main market of 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. The Company holds shares linked to a segregated account in GERP, an unquoted Bermuda segregated accounts company incorporated on 4 May 2006. This account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivatives transactions on behalf of the Company. In accordance with the IASB's interpretation SIC-12, the segregated account in GERP is classified as a special purpose entity of the Company and its financial results are included within the Accounts of the Group. Details of the subsidiary undertakings and the interest of those companies are given in note 12 of 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 year. 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 utilities which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the utilities and related sectors.

The Company focuses on the 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 emerging markets Utilico invests indirectly through its holding in UEM.

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

The Board and the Investment Manager 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 is a corresponding asset 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.

- Hedging

  The Investment 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 Manager's Report within this Annual Report.

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 IFRS. The financial statements are also presented, where relevant in compliance with the Statement of Recommended Practice (SORP) for Investment Trusts issued by the AIC in January 2009. 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 these 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 to allow 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 "Investment Manager"), which was appointed Investment 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 23. A review of the Company's returns during the year, the position of the Company at the year end and the outlook for the coming year is contained within the Chairman's Statement and Investment Manager's Report on pages 7 to 12.

Principal Risks and Risk Mitigation

The Board carefully considers the Company's principal risks and seeks to mitigate these risks through continual and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with the Investment Manager and the Company's Administrator (F&C Management Ltd (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 this is 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 London 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 Investment Manager's or the 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 Investment 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 total return;
- Discount of the share price to NAV;
- Total expense ratio.

An historical record of those indicators is contained in the Performance Summary on page 73.

The total expense ratio for the year ended 30 June 2010 was 0.7%.

Outlook

The outlook for the Company is reported in the Chairman's Statement on page 5.

Directors

The Board of Directors of Utilico and UFL are responsible for overall stewardship of the Company and Group, including corporate strategy, corporate governance, risk and controls assessment, overall investment policy and gearing limits. Details of the Directors can be found on page 20.

Ms S Hansen and Mr E Stobart will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election (Resolutions 5 and 6).

In accordance with Listing Rule (LR) 15.2.12A any Director of the Company who is a director of another company managed by the Investment Manager should be subject to annual re-election by shareholders. Mr W McLeland is a non executive director of Eclectic Investment Company plc, which is also managed by ICM, and is therefore not considered to be an independent Director, retires annually from the Board and, being eligible, offers himself for re-election (Resolution 7).

The Board has considered the re-election of Ms S Hansen, Mr E Stobart and Mr W McLeland and following an appraisal of their performance, the Board believes that these Directors make a valuable contribution based on their individual skills, knowledge and experience that they have committed to the role and their re-election would be in the interests of the Company.

Each 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 Meeting for Utilico (Resolution 4). The Directors' remuneration is not conditional upon the resolution being passed.

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

2010	**Ordinary shares**	**Warrants**	**ZDP shares**
J M Collier	20,000	–	–
S Hansen	7,000	–	–
W McLeland	–	–	–
E Stobart	10,000	136	–
R Urwin	144,371	5,294	52,029

2009	Ordinary shares	Warrants	ZDP shares
J M Collier	20,000	–	–
S Hansen	7,000	–	–
W McLeland	–	–	–
E Stobart	10,000	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 2010 and 23 September 2010.

Management

Utilico and UFL have an investment management agreement dated 14 May 2007 (the "Investment Management Agreement") with Ingot Capital Management Pty Limited (the "Investment Manager" or "ICM"). The Investment Manager provides portfolio monitoring, research and other investment management services to the 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 Investment Manager will also be reimbursed its reasonable out of pocket expenses, including travel and related costs. The Investment Management Agreement may be terminated upon one year's notice in writing given by Utilico and UFL and not less than six months notice given by ICM.

The Investment 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 Investment Manager on an ongoing basis. In addition, the Management Engagement Committee carries out a formal annual review of the investment strategy, process and performance. Such a review was carried out in respect of the year 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 Investment 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 the 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 Investment 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 Investment Manager of the Company. The notice of the forthcoming Annual General Meeting for Utilico to be held on 2 December 2010 is set out on pages 67 to 68.

A separate Annual General Meeting will be held for shareholders of UFL immediately following the Annual General Meeting of Utilico on 2 December 2010. 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.

Pre-emption rights and amendments to the Bye-Laws

The structure of the UK listing regime changed in April 2010 primarily as a result of the evolution of UK and global markets but also to reduce the potential for confusion over the former regime. The Financial Services Authority ("FSA") replaced primary and secondary listing with premium and standard listing. The Company, and all other closed ended investment funds, now has a premium listing.

The FSA also took the opportunity to bring the requirements for overseas companies with a premium listing into line with those for UK companies in relation to corporate governance and pre-emption rights.

Although the Company is generally subject to the same regulatory requirements as a UK company, it previously benefitted from less onerous requirements in relation to corporate governance. In addition, as a Bermuda incorporated entity, the Company is not subject to pre-emption under its articles of association nor under Bermuda law, as Bermuda law does not confer UK-style pre-emption rights on shareholders.

Since April 2010, all overseas companies with a premium listing have been required to:

- include a corporate governance statement in their annual report and accounts confirming compliance with the UK Combined Code on Corporate Governance or explaining any aspect of non-compliance (rather than stating whether they comply with the corporate governance regime in their home state and describing how their actual practices differ from the Combined Code); and
- offer pre-emption rights to their existing shareholders when they make an offer of new shares for cash and include such rights in their constitution.

Your Board is taking the opportunity to amend the Company's Bye-Laws to incorporate the necessary changes in relation to pre-emption and, assuming such amendments are approved, is seeking a disapplication of the new pre-emption rights at the forthcoming Annual General Meeting. The amended Bye-Laws will require the Company to first offer any new shares or securities (or rights to subscribe for, or to convert or exchange into, shares) proposed to be issued for cash to shareholders in proportion to their holdings in the Company. The Directors can be given authority to dis-apply the new pre-emption rights by a special resolution of shareholders, which requires a 75% majority to pass.

The proposed amendment to the Bye-Laws to incorporate these changes is set out in full in the enclosed copy of the Bye-Laws and will be proposed as resolution 10 at the Annual General Meeting. The only other changes proposed to the Bye-Laws are non-material changes made to ensure that they are grammatically correct and substantially correct in terms of numbering and cross-referencing.

Directors Authority to Allot Shares

The Directors previously had wide powers to issue new ordinary shares on a non pre-emptive basis. Upon the amendments to the Bye-Laws referred to above becoming effective, the Directors will not be able to issue new shares on a non pre-emptive basis without first obtaining shareholder authority to disapply those pre-emption rights. In order to allow any future programme of new share issues, your Board therefore intends to seek an annual disapplication of the new pre-emption rights. This would allow the Directors to issue shares for cash as and when they believed it to be appropriate. Accordingly, resolution 11 will, if passed by the requisite 75% majority, give the Directors authority to disapply pre-emption rights in respect of new share issues of up to 10% of the ordinary shares in issue as at today's date. The authority granted by this resolution will, if granted, expire on the earlier of eighteen months from the date of the resolution or at the conclusion of the annual general meeting to be held in 2011. The Directors current intention is to seek renewal of this authority annually.

If the resolution is passed new ordinary shares will not be issued at a price less than the prevailing net asset value per ordinary share, after taking into account any costs incurred by the Company in connection with such issue.

Authority for Utilico to Purchase its Own Shares

Resolution 12 authorises Utilico to purchase in the market initially up to a maximum of 12,947,442 ordinary shares (equivalent to approximately 14.99% of the ordinary share capital at the date of this Report). This authority will expire on 3 June 2011 unless it is varied, revoked or renewed prior to that date at the Company's Annual General Meeting in 2011 or at any other general meeting by ordinary resolution. The price paid for each class of share 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 the Company'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.

Auditors

The auditors have indicated their willingness to continue in office and a resolution concerning their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting. (Resolutions 8 and 9).

The auditors provide non-audit services to the Company, 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 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 year can be found in note 19 to the Accounts.

During the year under review the Company purchased 7,851,907 ordinary shares to be cancelled.

Substantial Share Interests

As at 23 September 2010, 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	45,436,884	52.6
Foreign & Colonial Investment Trust plc	10,974,263	12.7

Creditor Payment Policy

The Company's principal suppliers are the Investment Manager and the Administrator. The Investment Manager is paid semi-annually in arrears in accordance with the terms of the Investment Management 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 year end.

Duration of the Company

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
23 September 2010

CORPORATE GOVERNANCE

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 (the "Combined Code") available at website www.frc.org.uk. 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 Combined Code and the AIC Code of Corporate Governance (the "AIC Code").

Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the Combined Code.

In view of the requirement of the Bye-Laws that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, as recommended by provision A.7.2 of the UK Combined Code and principle 3 of the AIC Code, nor for a Senior Independent Director to be appointed, as recommended by provision A3.3 of the Combined Code and principle 1 of the AIC Code.

The Board

The Directors' biographical details on page 20 of this report demonstrate the wide range of skills and experience that the Directors bring to the Board. The Directors have each signed a letter of appointment to formalise in writing the terms of their engagement as Directors. Copies of these letters are available for inspection at the Company's registered office during normal business hours and will also be available at the Annual General Meeting.

One third of the Board rounded up 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.

Mr J M Collier is Chairman of the Board. All of the Directors, apart from Mr W McLeland, are considered to be independent from the Investment Manager. Mr W McLeland sits on the boards of more than one company managed by the Investment Manager and he may therefore not be regarded as an independent Director and will be subject to annual re-election by shareholders.

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

The Combined Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self-appraisal. The Directors consider how the Board functions as a whole and also reviews the individual performance of its members. This process is conducted by the Chairman reviewing individually with each of the Directors their performance, contribution and commitment to the Company and the possible further development of skills. In addition, the 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 year 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; however, this will be kept under review.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. A formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews investment performance, as well as other high-level management information including financial reports and reports of a strategic nature. It monitors compliance with the Company's objectives and is directly responsible for investment strategy and approving asset allocation and gearing. 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 year 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	6	2	1
J M Collier	5	5	2	1
S Hansen	5	3	2	1
W McLeland	5	3	–	–
E Stobart	5	1	2	1
R Urwin	5	2	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 year, the Board has maintained appropriate Directors' and Officers' liability insurance cover.

Management

The Company has an Investment Management Agreement with 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 three 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

The detailed Directors' Remuneration disclosure requirements set out in Combined Code Provisions B.1 to B.1.6, and B.2.1 to B.2.4 are not relevant.

Throughout the year the Audit Committee and the Management Engagement Committee have been in operation.

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. Copies of the terms of reference are available on the Company's website at www.utilico.bm.

The Audit Committee is comprised of the independent Directors of the Company 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 Accounts, 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 auditors, the risks to which the Company is exposed and the controls in place to mitigate those risks.

A "whistle blowing" policy has been put into place for employees of the Company under which they may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters insofar as they may affect the 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 Company for use by its staff.

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

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

Auditors

The Audit Committee has direct access to the auditors, 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 Accounts. 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 Company, the Investment Manager and the Administrator in all respects.

The Audit Committee has also reviewed the provision of non-audit services by the auditors. In the year under review, non-audit fees amounted to £38,000. It is considered that the non-audit fees are non-material and that the services provided are cost effective and in no way impede the independence of the auditors.

Management Engagement Committee

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

The Management Engagement Committee is comprised of the independent 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.

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 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 Company 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.

It is the management's role to monitor and manage the Company's exposure to the risks associated with GERP. The Board receives quarterly reports from the Investment Manager on investment performance in GERP and the controls operated in respect of investments and cash are reviewed at each Audit Committee meeting.

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 2009, 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, 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 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 70.

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 is also available to meet with the Company's institutional shareholders between such meetings. Proxy voting figures are announced to shareholders at the Annual General Meeting.

Corporate Governance, Socially Responsible Investment and Voting Policy

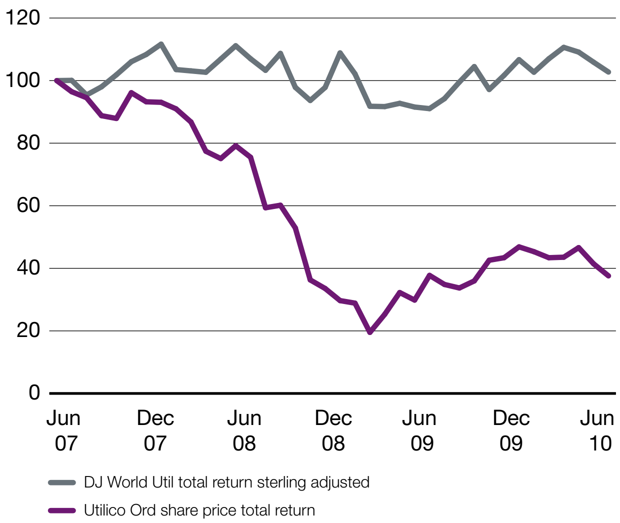
The Company has developed a policy on corporate governance, socially responsible investment and voting. The Company believes that the interests of its shareholders are served by investing in companies that adopt best practice in corporate governance and social responsibility. Where the Investment Manager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

The Company supports the boards of investee 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 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 2010
(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 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 Directors has a service agreement, but each has signed a letter of appointment setting out the terms of their engagement as Directors.

In the year under review, the Chairman received a fee of £35,000 and the other Directors each received £25,000. The Chairman of the Audit Committee, Mr E Stobart, received an additional £7,500 for the year to 30 June 2010; this was to reflect the work undertaken by Mr E Stobart during the audit process.

No Director has received any fees for services to the subsidiaries or special purpose entity.

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

	Fees for services to the Company	
Director	**2010 £'000s**	**2009 £'000s**
J M Collier (Chairman)	35	35
S Hansen	25	25
W McLeland	25	25
E Stobart*	33	38
R Urwin	25	25
Total	143	148

* Mr E Stobart's fee includes £7,500 for being Chairman of the Audit Committee (2009: fees include £7,500 for being Chairman of the Audit Committee and he also received a further £5,000 for the additional work undertaken for the period to 30 June 2009 following the appointment of Grant Thornton UK LLP as auditors to the Group).

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
23 September 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts 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;
- state whether IFRSs have been followed; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 accounts 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 development and performance of the business and a description of the principal risks and uncertainties that they face.

In so far as the Directors are aware:

- there is no relevant audit information 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 accounts 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 accounts since they were originally presented on the website. Visitors to the website need to be aware that the legislation governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Approved by the Board on 23 September 2010 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 accounts of Utilico Limited for the year ended 30 June 2010, which comprise the Group and Utilico Limited (Parent Company) statements of comprehensive income, 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 related notes. The financial reporting framework that has been applied in the preparation of the Group and Parent Company accounts is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In addition to our audit of the accounts, the Directors of the Utilico Limited have engaged us to report as to whether:

- the Group and Parent Company accounts have been properly prepared in accordance with the Companies Act 1981 of Bermuda; and
- the information in the Directors' Remuneration Report, described as having been audited, has been properly prepared in accordance with the United Kingdom Companies Act 2006, as if those requirements were to apply to Utilico Limited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 90(2) of the Companies Act 1981 of Bermuda. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the accounts.

Opinion on financial statements

In our opinion:

- the accounts give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2010 and of the Group's and Parent Company's profit for the year then ended; and
- the Group and Parent Company's accounts have been properly prepared in accordance with IFRSs as adopted by the European Union.

Opinion on other matters

In our opinion:

- the Group and Parent Company accounts have been properly prepared in accordance with the Bermuda Companies Act 1981.
- the part of the Directors' Remuneration Report, which we were engaged to audit, has been properly prepared in accordance with the United Kingdom Companies Act 2006, as if those requirements were to apply to Utilico Limited.

Grant Thornton UK LLP
Chartered Accountants
London
23 September 2010

GROUP STATEMENT OF COMPREHENSIVE INCOME

Notes		Year to 30 June 2010			Year to 30 June 2009		
		Revenue return £'000s	**Capital return £'000s**	**Total return £'000s**	Revenue return £'000s	Capital return £'000s	Total return £'000s
11	Profits/(losses) on investments	**–**	**36,852**	**36,852**	–	(60,202)	(60,202)
14	Losses/(gains) on derivative instruments	**–**	**(8,510)**	**(8,510)**	–	2,689	2,689
	Exchange gains/(losses)	**23**	**1,068**	**1,091**	20	(8,141)	(8,121)
2	Investment and other income	**13,758**	**–**	**13,758**	8,506	2,172	10,678
	Total income	**13,781**	**29,410**	**43,191**	8,526	(63,482)	(54,956)
	Income not receivable	**–**	**–**	**–**	(789)	–	(789)
3	Management and administration fees	**(1,573)**	**–**	**(1,573)**	(1,601)	–	(1,601)
4	Other expenses	**(819)**	**(22)**	**(841)**	(811)	(27)	(838)
	Profit/(loss) before finance costs & taxation	**11,389**	**29,388**	**40,777**	5,325	(63,509)	(58,184)
5	Finance costs	**(1,356)**	**(10,764)**	**(12,120)**	(2,551)	(9,983)	(12,534)
6	Movement of ZDP share liability	**–**	**(374)**	**(374)**	–	1,533	1,533
	Profit/(loss) before taxation	**10,033**	**18,250**	**28,283**	2,774	(71,959)	(69,185)
7	Taxation	**(971)**	**–**	**(971)**	(358)	–	(358)
	Profit/(loss) for the year	**9,062**	**18,250**	**27,312**	2,416	(71,959)	(69,543)
8	**Earnings per ordinary share (basic) – pence**	**10.49**	**21.13**	**31.62**	2.77	(82.62)	(79.85)
8	**Earnings per ordinary share (diluted) – pence**	**10.49**	**21.13**	**31.62**	2.77	(82.62)	(79.85)

The total column of this statement represents the Group's Income Statement and the Group's Statement of Comprehensive Income, prepared in accordance with IFRS.

The supplementary revenue return and capital return are prepared under guidance published by the Association of Investment Companies in the UK.

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

All items in the above statement derive from continuing operations.

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

COMPANY STATEMENT OF COMPREHENSIVE INCOME

		Year to 30 June 2010			Year to 30 June 2009		
Notes		Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s
11	Profits/(losses) on investments	–	35,362	35,362	–	(55,019)	(55,019)
14	Losses on derivative instruments	–	(6,706)	(6,706)	–	(995)	(995)
	Exchange gains/(losses)	–	1,039	1,039	–	(8,610)	(8,610)
2	Investment and other income	13,756	–	13,756	8,484	2,172	10,656
	Total income	13,756	29,695	43,451	8,484	(62,452)	(53,968)
	Income not receivable	–	–	–	(789)	–	(789)
3	Management and administration fees	(1,573)	–	(1,573)	(1,601)	–	(1,601)
4	Other expenses	(772)	(22)	(794)	(738)	(27)	(765)
	Profit/(loss) before finance costs and taxation	11,411	29,673	41,084	5,356	(62,479)	(57,123)
5	Finance costs	(1,356)	(10,838)	(12,194)	(2,551)	(10,116)	(12,667)
	Profit/(loss) before taxation	10,055	18,835	28,890	2,805	(72,595)	(69,790)
7	Taxation	(972)	–	(972)	(359)	–	(359)
	Profit/(loss) for the year	9,083	18,835	27,918	2,446	(72,595)	(70,149)
8	**Earnings per ordinary share (basic) – pence**	10.51	21.81	32.32	2.81	(83.36)	(80.55)
8	**Earnings per ordinary share (diluted) – pence**	10.51	21.81	32.32	2.81	(83.36)	(80.55)

The total column of this statement represents the Company's Income Statement and the Company's Statement of Comprehensive Income, prepared in accordance with IFRS.

The supplementary revenue return and capital return are prepared under guidance published by the Association of Investment Companies in the UK.

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

All items in the above statement derive from continuing operations.

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

GROUP STATEMENT OF CHANGES IN EQUITY

for the year to 30 June 2010

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special Reserve £'000s	Warrant reserve £'000s	Non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
	Balance at 30 June 2009	8,637	233,951	–	3,051	32,067	(156,168)	5,320	126,858
	Profit for the year	–	–	–	–	–	18,250	9,062	27,312
	Conversion of warrants	–	3	–	(1)	1	–	–	3
	Bonus issue of ordinary shares	785	(785)	–	–	–	–	–	–
	Ordinary shares repurchased by the Company	(785)	(9,580)	–	–	–	–	–	(10,365)
	Transfer on share issue and buyback	–	–	10,365	–	–	–	(10,365)	–
	Issue costs of ordinary share capital	–	(88)	–	–	–	–	–	(88)
10	Transfer on loss of control of subsidiary	–	–	–	–	–	(300)	300	–
	Balance at 30 June 2010	**8,637**	**223,501**	**10,365**	**3,050**	**32,068**	**(138,218)**	**4,317**	**143,720**

for the year to 30 June 2009

Notes		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
	Balance at 30 June 2008	9,200	242,188	3,051	32,067	(84,209)	2,904	205,201
	(Loss)/profit for the year	–	–	–	–	(71,959)	2,416	(69,543)
	Conversion of warrants	–	1	–	–	–	–	1
	Ordinary shares repurchased by the Company	(563)	(8,238)	–	–	–	–	(8,801)
	Balance at 30 June 2009	8,637	233,951	3,051	32,067	(156,168)	5,320	126,858

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

for the year to 30 June 2010

	Ordinary share capital £'000s	Share premium account £'000s	Special Reserve £'000s	Warrant reserve £'000s	Non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
Balance at 30 June 2009	**8,637**	**233,951**	**–**	**3,051**	**32,067**	**(156,878)**	**5,424**	**126,252**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**18,835**	**9,083**	**27,918**
Conversion of warrants	**–**	**3**	**–**	**(1)**	**1**	**–**	**–**	**3**
Bonus issue of ordinary shares	**785**	**(785)**	**–**	**–**	**–**	**–**	**–**	**–**
Ordinary shares repurchased by the Company	**(785)**	**(9,580)**	**–**	**–**	**–**	**–**	**–**	**(10,365)**
Transfer on share issue and buyback	**–**	**–**	**10,365**	**–**	**–**	**–**	**(10,365)**	**–**
Issue costs of ordinary share capital	**–**	**(88)**	**–**	**–**	**–**	**–**	**–**	**(88)**
Balance at 30 June 2010	**8,637**	**223,501**	**10,365**	**3,050**	**32,068**	**(138,043)**	**4,142**	**143,720**

for the year to 30 June 2009

	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
Balance at 30 June 2008	9,200	242,188	3,051	32,067	(84,283)	2,978	205,201
(Loss)/profit for the year	–	–	–	–	(72,595)	2,446	(70,149)
Conversion of warrants	–	1	–	–	–	–	1
Ordinary shares repurchased by the Company	(563)	(8,238)	–	–	–	–	(8,801)
Balance at 30 June 2009	8,637	233,951	3,051	32,067	(156,878)	5,424	126,252

BALANCE SHEETS

Notes	at 30 June	GROUP 2010 £'000s	GROUP 2009 £'000s	COMPANY 2010 £'000s	COMPANY 2009 £'000s
	Non current assets				
11	Investments	**321,708**	281,031	**328,107**	288,399
	Current assets				
13	Other receivables	**1,615**	3,248	**1,566**	3,248
14	Derivative financial instruments	**6,368**	2,444	**1,235**	–
	Cash and cash equivalents	**6,495**	4,496	**6,362**	4,355
		14,478	10,188	**9,163**	7,603
	Current liabilities				
15	Bank loans	**(29,320)**	–	**(29,320)**	–
16	Other payables	**(1,000)**	(912)	**(163,878)**	(151,508)
14	Derivative financial instruments	**(986)**	(1,375)	**(352)**	(1,242)
		(31,306)	(2,287)	**(193,550)**	(152,750)
	Net current (liabilities)/assets	**(16,828)**	7,901	**(184,387)**	(145,147)
	Total assets less current liabilities	**304,880**	288,932	**143,720**	143,252
	Non-current liabilities				
17	Bank loans	**–**	(17,000)	**–**	(17,000)
18	Zero dividend preference shares	**(161,160)**	(145,074)	**–**	–
	Net assets	**143,720**	126,858	**143,720**	126,252
	Equity attributable to equity holders				
19	Ordinary share capital	**8,637**	8,637	**8,637**	8,637
20	Share premium account	**223,501**	233,951	**223,501**	233,951
21	Special reserve	**10,365**	–	**10,365**	–
22	Warrant reserve	**3,050**	3,051	**3,050**	3,051
23	Non-distributable reserve	**32,068**	32,067	**32,068**	32,067
24	Capital reserves	**(138,218)**	(156,168)	**(138,043)**	(156,878)
24	Revenue reserve	**4,317**	5,320	**4,142**	5,424
	Total attributable to equity holders	**143,720**	126,858	**143,720**	126,252
25	**Net asset value per ordinary share**				
	Basic – pence	**166.39**	146.87	**166.39**	146.17

Approved by the Board on 23 September 2010 and signed on its behalf by

J Michael Collier　　　　Eric Stobart

CASH FLOW STATEMENTS

Notes	year to 30 June	GROUP 2010 £'000s	GROUP 2009 £'000s	COMPANY 2010 £'000s	COMPANY 2009 £'000s
26	Cash flows from operating activities	**(961)**	68,158	**(925)**	69,970
	Cash flows from investing activities	**–**	–	**–**	–
	Cash flows before financing activities	**(961)**	68,158	**(925)**	69,970
	Financing activities				
	Movements on loans	**11,567**	(64,754)	**11,567**	(64,754)
	Proceeds from warrants exercised	**3**	1	**3**	1
	Cost of share buy back	**(10,452)**	(8,801)	**(10,452)**	(8,801)
	Cash flows from financing activities	**1,118**	(73,554)	**1,118**	(73,554)
	Net increase/(decrease) in cash and cash equivalents	**157**	(5,396)	**193**	(3,584)
	Cash and cash equivalents at the beginning of the year	**4,496**	5,423	**4,355**	3,996
	Effect of movement in foreign exchange	**1,842**	4,469	**1,814**	3,943
	Cash and cash equivalents at the end of the year	**6,495**	4,496	**6,362**	4,355

1. ACCOUNTING POLICIES

The Company is an investment company incorporated in Bermuda and quoted on London Stock Exchange. The Company commenced trading on 20 June 2007.

The consolidated Accounts comprise the results of the Company and its subsidiaries, Utilico Finance Limited ("UFL") and Utilico NZ Limited ("UNZL") and its special purpose entity, Global Equity Risk Protection Limited ("GERP"), (together referred to as the "Group") (2009: UFL, UNZL, GERP and UEM Holdings Limited). Details of the subsidiaries and special purpose entity are included in note 12 to the Accounts. 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 Accounts 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 and to the extent that they have been adopted by the European Union.

There have been no significant changes to the accounting policies during the year to 30 June 2010.

The Accounts 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 and Venture Capital Trusts" ("SORP"), issued in the UK by the Association of Investment Companies ("AIC") in January 2009, do not conflict with the requirements of IFRS, the Directors have prepared the Accounts on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated and listed in the United Kingdom.

In accordance with the SORP, the Statement of Comprehensive Income 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(j) and 1(k) 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, profits and losses on the disposal and the valuation of non-current 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 Accounts, the following standards and interpretations have not been applied in these Accounts since they were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date for accounting periods starting on or after
IFRS 9 Financial Instruments: Classification and Measurement.	1 January 2013
This standard has not yet been adopted by the EU.	
Amendments to IAS 24 – Related Party Disclosures	1 January 2011

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 Accounts 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 Accounts, and details of those judgements are set out in accounting policy 1(d).

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

(b) Basis of consolidation

The consolidated Accounts include the Accounts of the Company, its subsidiary undertakings and its special purpose entity. All intra group transactions, balances, income and expenses are eliminated on consolidation. Associate undertakings held as part of the investment portfolio (see 1(d) 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) Financial instruments

Financial Instruments include non current assets, derivative assets and liabilities, and long-term debt instruments. For those financial instruments carried at fair value, accounting standards recognise a hierarchy of fair value measurements for Financial Instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of Instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange or quoted on any secondary market.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such Instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative instruments.

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

(d) Valuation of investments and derivative 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 and special purpose entity as investment holdings.

The gains and losses on investments and derivatives are analysed within the Statement of Comprehensive Income as they arise, as capital return. Quoted investments are shown at fair value using bid market prices. The fair value of unquoted 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.

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

(e) 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.

(f) 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 year. See 1(k) below for allocation of finance charges between revenue and capital return within the Statement of Comprehensive Income.

(g) 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.

ZDP shares held by the Company are deemed cancelled for Group purposes.

(h) 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 Statement of Comprehensive Income and analysed as capital or revenue as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates. The Statement of Comprehensive Income 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.

1. ACCOUNTING POLICIES (CONTINUED)

(i) Investment and other income

Dividends receivable are brought into the Statement of Comprehensive Income 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 or Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is 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 Statement of Comprehensive Income and analysed as revenue returns.

(j) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income 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.

(k) Finance costs

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

(l) Dividends payable

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

(m) Special reserve

The Special reserve is created through the creation and bonus issue of New Ordinary Shares and associated buy back. An amount equal to the consideration paid for the New Ordinary Shares is transferred from the Company's revenue reserves to the special reserve which will not be available for the payment of future dividends and will not constitute Winding-Up Revenue Profits (as defined in the Bye-laws) in the event of the Company's liquidation.

(n) Capital reserve

The following items are allocated to capital reserves:

Capital reserve – arising on investments sold

- gains and losses on the disposal of investments and derivative instruments
- exchange differences of a capital nature
- expenses allocated in accordance with notes 1(j) and 1(k) together with any associated tax relief

Capital reserve – arising on investments held

- increases and decreases in the valuation of investments held at the year end

(o) 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, were 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	2010 Revenue £'000s	2010 Capital £'000s	2010 Total £'000s	2009 Revenue £'000s	2009 Capital £'000s	2009 Total £'000s
Investment income:						
Dividends	**10,693**	**–**	**10,693**	6,835	–	6,835
Interest	**712**	**–**	**712**	698	–	698
Stock interest	**2,109**	**–**	**2,109**	775	–	775
	13,514	**–**	**13,514**	8,308	–	8,308
Other income						
Interest on cash and short-term deposits	**9**	**–**	**9**	198	–	198
Underwriting commission	**235**	**–**	**235**	–	–	–
Liquidation distribution from Utilico Investment Trust plc ("UIT")*	**–**	**–**	**–**	–	2,172	2,172
Total income	**13,758**	**–**	**13,758**	8,506	2,172	10,678
Total income comprises:						
Dividends	**10,693**	**–**	**10,693**	6,835	–	6,835
Interest from investments	**2,821**	**–**	**2,821**	1,473	–	1,473
Other income	**244**	**–**	**244**	198	2,172	2,370
	13,758	**–**	**13,758**	8,506	2,172	10,678

COMPANY	2010 Revenue £'000s	2010 Capital £'000s	2010 Total £'000s	2009 Revenue £'000s	2009 Capital £'000s	2009 Total £'000s
Investment income:						
Dividends	**10,693**	**–**	**10,693**	6,835	–	6,835
Interest	**712**	**–**	**712**	698	–	698
Stock interest	**2,109**	**–**	**2,109**	775	–	775
	13,514	**–**	**13,514**	8,308	–	8,308
Other income						
Interest on cash and short-term deposits	**7**	**–**	**7**	176	–	176
Underwriting commission	**235**	**–**	**235**	–	–	–
Liquidation distribution from Utilico Investment Trust plc ("UIT")*	**–**	**–**	**–**	–	2,172	2,172
Total income	**13,756**	**–**	**13,756**	8,484	2,172	10,656
Total income comprises:						
Dividends	**10,693**	**–**	**10,693**	6,835	–	6,835
Interest from investments	**2,821**	**–**	**2,821**	1,473	–	1,473
Other income	**242**	**–**	**242**	176	2,172	2,348
	13,756	**–**	**13,756**	8,484	2,172	10,656

3. MANAGEMENT AND ADMINISTRATION FEES

			2010			2009
GROUP AND COMPANY	**Revenue £'000s**	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Payable to:						
Ingot Capital Management Pty Ltd ("ICM")						
– management fee	**1,278**	**–**	**1,278**	1,306	–	1,306
F&C Management Limited – administration fee	**295**	**–**	**295**	295	–	295
	1,573	**–**	**1,573**	1,601	–	1,601

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 Investment 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 £1,278,000 (2009: £1,306,000) paid to ICM is £101,000 (2009: £143,000) 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 three.

In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount by which the Company's net asset value attributable to the holders of ordinary shares, outperforms the real after tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years index during the period. The opening equity funds for calculation of the performance fee are the higher of the equity funds on the last day of a calculation period in respect of which a performance fee was last paid and the equity funds on the last day of the previous calculation period increased by the real percentage yield on the reference index during the calculation period. A performance fee was last paid in respect of a 12 month period to 30 June 2007. As at that date the Equity holder's funds were £279.0m. In calculating any performance fee payable, the holding in UEM is removed from the calculation in order that any such fee is charged solely on the performance of the portfolio excluding the investment in UEM. For the year to 30 June 2010 the attributable shareholders' funds were below the high watermark and therefore no performance 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

			2010			2009
GROUP	**Revenue £'000s**	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Auditors' remuneration:						
for audit services	**84**	**–**	**84**	90	–	90
for other services*	**38**	**–**	**38**	11	–	11
Directors' fees:						
fees for services to the Company (see Directors' Remuneration Report on page 32)	**143**	**–**	**143**	148	–	148
Sundry expenses	**554**	**22**	**576**	562	27	589
	819	**22**	**841**	811	27	838

4. OTHER EXPENSES (CONTINUED)

COMPANY	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
Auditor's remuneration:						
for audit services	71	–	71	77	–	77
for other services*	38	–	38	11	–	11
Directors' fees:						
fees for services to the Company (see Directors' Remuneration Report on page 32)	143	–	143	148	–	148
Sundry expenses	520	22	542	502	27	529
	772	22	794	738	27	765

* Total Auditors' remuneration for other services amounted to £38,000 and was for reviewing interim statements, loan covenants, warrant conversion, unquoted investments and internal procedures (2009: £11,000 for reviewing interim statements, loan covenants and offshore status).

Auditors' remuneration in respect of the subsidiaries for audit services amounts to £16,000 of which £7,000 was paid by the Company (2009: £21,000 of which £14,000 was paid by the Company) and for the special purpose entity £5,000 (2009: £5,000)

5. FINANCE COSTS

GROUP	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
Loans and overdrafts repayable within 1 year	936	–	936	810	–	810
Loans and overdrafts repayable between 2 and 5 years	420	–	420	1,741	–	1,741
ZDP shares	–	10,764	10,764	–	9,983	9,983
	1,356	10,764	12,120	2,551	9,983	12,534

COMPANY	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
Loans and overdrafts repayable within 1 year	936	–	936	810	–	810
Loans and overdrafts repayable between 2 and 5 years	420	–	420	1,741	–	1,741
Intra-group loan accounts	–	10,838	10,838	–	10,116	10,116
	1,356	10,838	12,194	2,551	10,116	12,667

6. MOVEMENT OF ZDP SHARE LIABILITY

GROUP	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
(Loss)/gain on 2016 ZDP shares (sold)/held as an investment by the Company	–	(374)	(374)	–	1,533	1,533

7. TAXATION

GROUP	Revenue £'000s (2010)	Capital £'000s (2010)	Total £'000s (2010)	Revenue £'000s (2009)	Capital £'000s (2009)	Total £'000s (2009)
Overseas taxation	**(971)**	**–**	**(971)**	(358)	–	(358)

COMPANY	Revenue £'000s (2010)	Capital £'000s (2010)	Total £'000s (2010)	Revenue £'000s (2009)	Capital £'000s (2009)	Total £'000s (2009)
Overseas taxation	**(972)**	**–**	**(972)**	(359)	–	(359)

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

8. EARNINGS PER ORDINARY SHARE

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

	GROUP 2010 £'000s	GROUP 2009 £'000s	COMPANY 2010 £'000s	COMPANY 2009 £'000s
Revenue	**9,062**	2,416	**9,083**	2,446
Capital	**18,250**	(71,959)	**18,835**	(72,595)
Total	**27,312**	(69,543)	**27,918**	(70,149)
	Number	Number	**Number**	Number
Weighted average number of shares in issue during the year for basic earnings per share calculations	**86,373,529**	87,091,318	**86,373,529**	87,091,318

Diluted earnings per ordinary share

Diluted earnings per share have been calculated in accordance with IAS 33 "Earnings per share", 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 year. The dilution is calculated by reference to the additional number of ordinary shares which warrant holders 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	2010 Number	2009 Number
Weighted average number of shares in issue during the year for basic earnings per share calculations	**86,373,529**	87,091,318
Dilutive potential shares	**–**	–
Weighted average number of shares for diluted earnings per share calculations	**86,373,529**	87,091,318

9. DIVIDENDS

There were no dividends paid in the year. A 12.0p cash distribution via a redemption of bonus shares was made on 21 April 2010, see note 19 (30 June 2009: nil).

10. TRANSFER ON LOSS OF CONTROL OF SUBSIDIARY

GROUP	Revenue £'000s	Capital £'000s	2010 Total £'000s	Revenue £'000s	Capital £'000s	2009 Total £'000s
Reclassification of previous intra-group transactions on derecognition of control of subsidiary (see note 12)	**300**	**(300)**	**–**	–	–	–

11. INVESTMENTS

GROUP	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Investments at 30 June 2009				
Cost	339,094	669	70,552	410,315
Losses	(107,838)	(669)	(20,777)	(129,284)
	231,256	–	49,775	281,031
Movements in the year:				
Purchases at cost	33,314	–	12,852	46,166
Transfer from level 3*	4,909	–	(4,909)	–
Sales				
proceeds	(27,917)	–	(14,424)	(42,341)
net gains on sales	925	–	2,666	3,591
Profits/(losses) on investments held at year end	40,049	–	(6,788)	33,261
Valuation at 30 June 2010	**282,536**	**–**	**39,172**	**321,708**
Analysed at 30 June 2010				
Cost	350,325	669	66,737	417,731
Losses	(67,789)	(669)	(27,565)	(96,023)
Valuation	**282,536**	**–**	**39,172**	**321,708**

* The Company converted an unquoted loan note to a quoted loan note in the year.

Classified (see note 1(c)) as:

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Equities	237,072	–	17,218	254,290
Convertible securities	45,464	–	16,820	62,284
Fixed income securities	–	–	5,134	5,134
	282,536	**–**	**39,172**	**321,708**

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

Level 2 includes investments for which the quoted price has been suspended, forward exchange contracts and other derivative instruments.

Level 3 includes investments in private companies.

11. INVESTMENTS (CONTINUED)

COMPANY	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Investments at 30 June 2009				
Cost	322,742	2,896	93,650	419,288
Losses	(86,975)	(509)	(43,405)	(130,889)
	235,767	2,387	50,245	288,399
Movements in the year:				
Purchases at cost	33,591	4,039	14,005	51,635
Transfer from level 3*	4,909	–	(4,909)	–
Sales				
proceeds	(32,865)	–	(14,424)	(47,289)
net gains on sales	2,081	–	2,666	4,747
Profits/(losses) on investments held at year end	39,053	(1,808)	(6,630)	30,615
Valuation at 30 June 2010	**282,536**	**4,618**	**40,953**	**328,107**
Analysed at 30 June 2010				
Cost	330,458	6,935	90,988	428,381
Losses	(47,922)	(2,317)	(50,035)	(100,274)
Valuation	**282,536**	**4,618**	**40,953**	**328,107**

* The Company converted an unquoted loan note to a quoted loan note in the year.

Classified (see note 1(c)) as:

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Equities	237,072	4,618	18,999	260,689
Convertible securities	45,464	–	16,820	62,284
Fixed income securities	–	–	5,134	5,134
	282,536	**4,618**	**40,953**	**328,107**

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

Level 2 includes investments for which the quoted price has been suspended, forward exchange contracts and other derivative instruments.

Level 3 includes investments in private companies.

Gains on investments

	GROUP 2010 £'000s	GROUP 2009 £'000s	COMPANY 2010 £'000s	COMPANY 2009 £'000s
Gains/(losses) on investments sold	**3,591**	(18,539)	**4,747**	(19,443)
Gains/(losses) on investments held	**33,261**	(41,663)	**30,615**	(35,576)
Total gains/(losses) on investments	**36,852**	(60,202)	**35,362**	(55,019)

11. INVESTMENTS (CONTINUED)

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.

The Company had the following associate undertakings at 30 June 2010:

	Touch Networks Investments (Intellect Holdings)	Newtel Holdings Limited	OneLink Holdings Limited	O Twelve Estates Limited	Permanent Investments Limited	Renewable Energy Holdings Limited	Renewable Energy Generation Limited	Sasial Vehicle Technologies Limited	Utilico Emerging Markets Limited	Vix Technology Pty Ltd
Country of registration, incorporation and operations	Australia	Jersey	Australia	Guernsey	Bermuda	Isle of man	Jersey	Cyprus	Bermuda	Australia
Number of ordinary shares held	3,628,558	18,667	1,366,800	28,175,179	100	19,987,092	21,973,682	460	51,783,424	44,327,352
Percentage of ordinary shares held	44.25%	16.1%[2]	34.2%	23.0%	25.1%	28.7%	21.3%	23.0%	25.7%	39.8%
Number of S shares held	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,187,204	n/a
Percentage of S shares held	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	23.7%	n/a
Number of warrants held	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10,288,675	n/a
Percentage of warrants held	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31.6%	n/a
Income from associate undertaking included in the revenue account of the Group ('000s)	–	–	–	–	–	£229	£425	£34	£2,506	–
Value of interest in associated undertaking included in the balance sheet of the Group ('000s)	£2,889	£2,938	A$2,510	£3,170	BD$8,329	£4,699	£11,207	£2,000	£72,087	A$12,382
Gross assets ('000s)	£6,500[1]	£7,735[3]	A$17,857[4]	£187,002[5]	n/a[6]	£71,551[7]	£144,582[8]	£542[9]	£351,802[10]	n/a[11]
Gross liabilities ('000s)	n/a[1]	£11,312[3]	A$6,984[4]	£194,384[5]	n/a[6]	£34,402[7]	£63,511[8]	£1,854[9]	£31,920[10]	n/a[11]
Gross revenues ('000s)	n/a[1]	£6,007[3]	A$44,600[4]	£18,222[5]	n/a[6]	£8,406[7]	£5,589[8]	–[9]	£123,304[10]	n/a[11]
Net profit/(loss) before tax ('000s)	n/a[1]	£(2,236)[3]	A$7,470[4]	£(92,122)[5]	n/a[6]	£11,158[7]	£(2,355)[8]	£(1,253)[9]	£116,709[10]	n/a[11]
Share of taxation charge ('000s)	n/a[1]	n/a[3]	A$766[4]	£(35)[5]	n/a[6]	£292[7]	£63[8]	£(26)[9]	£822[10]	n/a[11]
Share of retained profits/(losses) ('000s)	n/a[1]	n/a[3]	A$1,787[4]	£(18,591)[5]	n/a[6]	£2,954[7]	£(1,940)[8]	£(230)[9]	£29,173[10]	n/a[11]
Share of net assets/(liabilities) ('000s)	n/a[1]	n/a[3]	A$3,716[4]	£(1,487)[5]	n/a[6]	£10,662[7]	£17,268[8]	£(266)[9]	£82,210[10]	n/a[11]

(1) During the 2010 financial year Intellect Holdings changed its name to Touch Networks Investments. Figures above are based on the latest accounts for the year to 30 June 2010.
(2) 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%.
(3) Based on the latest published accounts of Newtel Holdings Limited for the year to 31 March 2008.
(4) Based on the latest published accounts of OneLink Holdings Limited for the year to 30 June 2010.
(5) Based on the latest published accounts of O Twelve Estates Limited for the year to 31 March 2009.
(6) Permanent Investments Limited is a holding company previously known as UEM Holdings Ltd and has not yet produced any statutory accounts to date.
(7) Based on the latest published accounts of Renewable Energy Holdings Limited for the year to 31 December 2009.
(8) Based on the latest published accounts of Renewable Energy Generation Limited for the year to 30 June 2009.
(9) Based on the latest published accounts of Sasial Vehicle Technologies Limited for the period to 31 December 2009.
(10) Based on the latest published accounts of Utilico Emerging Markets Limited for the year to 31 March 2010.
(11) Vix Technology Pty Ltd has not yet produced any statutory accounts to date.

11. INVESTMENTS (CONTINUED)

Transactions with Associate Undertakings

Touch Network Investments
During the year €501,000 was advanced as secured loans, and A$2,192,000 loan notes were transferred from UNZL to UL.

Newtel Holdings
During the year Newtel repaid £6,400,000 of the loan notes.

OneLink Holdings
During the year OneLink returned capital of A$6,784,000.

O Twelve Estates Limited
Purchase of 3,500,000 ordinary shares in the market at a cost of £237,000.

Permanent Investments Limited (see also note 12)
Purchase of 12,311,116 loan notes at a cost of £8,153,000. A further A$10,000,000 was advanced to PIL and this was repaid in the year.

Renewable Energy Holdings Limited
Purchase of 1,041,666 ordinary shares in the market at a cost of £250,000 and £2,500,000 was advanced to the Company as a convertible bond.

Renewable Energy Generation Limited
Purchase of 3,210,000 ordinary shares in the market at a cost of £2,049,000.

Sasial Vehicle Technologies Limited
During the year £125,000 was advanced to the company as a secured loan.

Utilico Emerging Markets Limited
Purchase of 550,000 warrants in the market at a cost of £151,000 and sold in the market 550,000 ordinary shares and 1,073,000 warrants receiving proceeds of £707,000 and £325,000 respectively.

Vix Technology Pty Ltd
During the year Vix returned capital of A$4,958,000 and repaid A$2,791,000 and €100,000 of the loans. A further A$250,000 was advanced to Vix as 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 accounts:

Undertaking	Country of registration and incorporation	Class of instrument held	% of class of instrument held
Ascendant Group Ltd	Bermuda	Ordinary Shares	7.7%
Billing Services	UK	Ordinary Shares	14.6%
Jersey Electricity Company Limited	Jersey	A Shares*	5.5%
Infratil Limited	New Zealand	Ordinary Shares	19.9%
Infratil Limited	New Zealand	Class B Warrants	17.4%
Keytech Limited	Bermuda	Ordinary Shares	18.6%

*Represents 19.2% of total share capital and 5.5% of the voting rights of the company.

12. SUBSIDIARY UNDERTAKINGS INCLUDING SPECIAL PURPOSE ENTITY

The following were subsidiary undertakings of the Company at 30 June 2010 and 30 June 2009.

	Country of operation, registration and incorporation	Number & class of shares held	Holdings & voting rights %
Utilico Finance Limited	Bermuda	10 ordinary shares of 10p nil paid share	100
The subsidiary was incorporated, and commenced trading, on 17 January 2007 to carry on business as an investment company.			
Utilico NZ Limited	New Zealand	1,000,001 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.			

The Company holds 3,920 Class A shares linked to a segregated account in GERP, an unquoted Bermuda segregated accounts company incorporated on 4 May 2006. The segregated account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. The holding represents 100% of the issued Class A shares, and 19.9% of the voting rights, of GERP. Under the IASB's interpretation SIC-12 the segregated account in GERP, represented by the A shares, is classified as a special purpose entity of the Company and its financial results are included within the Accounts of the Group (see note 1(b)).

At 30 June 2009 the Company held 100 preference shares of £1 each representing 100% of the issued shares and voting rights in UEM Holdings Limited. The subsidiary was incorporated in Bermuda and commenced trading on 4 April 2006 to carry on business as an investment company. On 6 October 2009 the Company changed its name to Utilico Investment Limited and subsequently on 18 February 2010 changed the name to Permanent Investments Limited ("PIL"). On 19 March 2010, PIL issued a further 299 preference shares to third parties (149 shares to ICM, see note 28 for related party transactions). On this loss of control of PIL the Company has treated this as a disposal of the subsidiary and accounts for the investment at 30 June 2010 as an associate undertaking (see note 10 for transfer on loss of control of PIL).

13. OTHER RECEIVABLES

		GROUP		COMPANY
	2010 £'000s	2009 £'000s	**2010 £'000s**	2009 £'000s
Sales for future settlement	**–**	1,238	**–**	1,238
Accrued income	**626**	1,080	**626**	1,080
Other debtors	**989**	930	**940**	930
	1,615	3,248	**1,566**	3,248

14. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP	**Current assets £'000s**	**Current liabilities £'000s**	**2010 Net current assets/ (liabilities) £'000s**	Current assets £'000s	Current liabilities £'000s	2009 Net current assets/ (liabilities) £'000s
Forward foreign exchange contracts – GBP/NZD	**605**	**–**	**605**	–	(612)	(612)
Forward foreign exchange contracts – USD/NZD	**–**	**(82)**	**(82)**	–	–	–
Forward foreign exchange contracts – GBP/USD	**89**	**–**	**89**	–	–	–
Forward foreign exchange contracts – AUD/EUR	**–**	**(30)**	**(30)**	–	–	–
Forward foreign exchange contracts – USD/EUR	**6**	**–**	**6**	–	–	–
Forward foreign exchange contracts – GBP/AUD	**535**	**–**	**535**	–	–	–
Forward foreign exchange contracts – USD/AUD	**–**	**(47)**	**(47)**	–	–	–
Total forward foreign exchange contracts	**1,235**	**(159)**	**1,076**	–	(612)	(612)
Futures and options – USD	**5,133**	**(634)**	**4,499**	2,444	(133)	2,311
Interest rate SWAPs – USD	**–**	**(193)**	**(193)**	–	(630)	(630)
Total derivative financial instruments	**6,368**	**(986)**	**5,382**	2,444	(1,375)	1,069

Classified (see note 1(c)) as:	**£'000s**	£'000s
Level 1	**4,499**	2,311
Level 2	**883**	(1,242)
	5,382	1,069

COMPANY	**Current assets £'000s**	**Current liabilities £'000s**	**2010 Net current assets/ (liabilities) £'000s**	Current assets £'000s	Current liabilities £'000s	2009 Net current assets/ (liabilities) £'000s
Forward foreign exchange contracts – GBP/NZD	**605**	**–**	**605**	–	(612)	(612)
Forward foreign exchange contracts – USD/NZD	**–**	**(82)**	**(82)**	–	–	–
Forward foreign exchange contracts – GBP/USD	**89**	**–**	**89**	–	–	–
Forward foreign exchange contracts – AUD/EUR	**–**	**(30)**	**(30)**	–	–	–
Forward foreign exchange contracts – USD/EUR	**6**	**–**	**6**	–	–	–
Forward foreign exchange contracts – GBP/AUD	**535**	**–**	**535**	–	–	–
Forward foreign exchange contracts – USD/AUD	**–**	**(47)**	**(47)**	–	–	–
Total forward foreign exchange contracts	**1,235**	**(159)**	**1,076**	–	(612)	(612)
Interest rate SWAPs – USD	**–**	**(193)**	**(193)**	–	(630)	(630)
Total derivative financial instruments	**1,235**	**(352)**	**883**	–	(1,242)	(1,242)

The above derivatives are classified as level 2 as defined in note 1(c).

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	GROUP		COMPANY	
	2010 £'000s	2009 £'000s	**2010 £'000s**	2009 £'000s
Valuation brought forward	**1,069**	29,873	**(1,242)**	730
Net acquisitions	**19,073**	(43,509)	**–**	–
Settlements	**(6,250)**	12,016	**8,831**	(977)
(Losses)/gains	**(8,510)**	2,689	**(6,706)**	(995)
Valuation carried forward	**5,382**	1,069	**883**	(1,242)

15. BANK LOANS – CURRENT LIABILITIES

GROUP AND COMPANY	**30 June 2010 £'000s**	30 June 2009 £'000s
NZ$50.954 million repayable November 2010	**23,420**	–
£5.900 million repayable November 2010	**5,900**	–
	29,320	–

The Company has a committed loan facility of £30,000,000 (2009: £45,000,000) from Royal Bank of Scotland ("RBS"), which 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 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.

16. OTHER PAYABLES

	GROUP		COMPANY	
	2010 £'000s	2009 £'000s	**2010 £'000s**	2009 £'000s
Accrued finance costs	**169**	117	**169**	117
Intra-group loans	**–**	–	**162,904**	150,613
Accrued expenses	**831**	795	**805**	778
	1,000	912	**163,878**	151,508

17. BANK LOANS – NON CURRENT LIABILITIES

GROUP AND COMPANY	**2010 £'000s**	2009 £'000s
£17.0m repayable November 2010	**–**	17,000

18. ZERO DIVIDEND PREFERENCE "ZDP" SHARES

ZDP shares are issued in UFL and the figures below are for the Group.

Three classes of ZDP shares have been issued as follows:

2010	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	**n/a**
Balance at 30 June 2009	45,486,200	64,430	37,500,000	42,946	32,915,000	37,698	**145,074**
Issue of ZDP shares sold by the Company	–	–	–	–	4,585,000	5,322	**5,322**
Finance costs (see note 5)	–	4,506	–	3,166	–	3,092	**10,764**
Balance at 30 June 2010	**45,486,200**	**68,936**	**37,500,000**	**46,112**	**37,500,000**	**46,112**	**161,160**

2009	Number	£'000s	Number	£'000s	Number	£'000s	£'000s
Authorised							
Utilico Finance ZDP shares of 10p each	60,592,190	6,059	50,000,000	5,000	50,000,000	5,000	n/a
Balance at 30 June 2008	45,486,200	60,218	37,500,000	39,994	37,500,000	39,994	140,206
Cancellation of ZDP shares held by the Company	–	–	–	–	(4,585,000)	(5,115)	(5,115)
Finance costs (see note 5)	–	4,212	–	2,952	–	2,819	9,983
Balance at 30 June 2009	45,486,200	64,430	37,500,000	42,946	32,915,000	37,698	145,074

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 7.00 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 the 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.

19. ORDINARY SHARE CAPITAL

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

2010	Total shares in issue Number	Total shares in issue £'000s
Balance at 30 June 2009	**86,372,957**	**8,637**
Bonus issue of ordinary shares	**7,851,907**	**785**
Ordinary shares repurchased by the Company	**(7,851,907)**	**(785)**
Issued on exercise of warrants	**906**	**–**
Balance at 30 June 2010	**86,373,863**	**8,637**

2009	Shares held in Treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Total shares in issue £'000s
Balance at 30 June 2008	880,000	91,118,323	91,998,323	9,200
Purchase of ordinary shares	–	(4,745,660)	(4,745,660)	(475)
Issued on exercise of warrants	–	294	294	–
Balance at 30 June 2009	880,000	86,372,957	87,252,957	8,725
Cancellation of ordinary shares previously held in treasury	(880,000)	–	(880,000)	(88)
Balance at 30 June 2009	–	86,372,957	86,372,957	8,637

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.

On 16 April 2010 the Company announced a cash distribution of 12p per ordinary share. This distribution was made by way of a bonus issue of 7.9 million New Ordinary Shares credited as fully paid to holders of ordinary shares on 21 April 2010 and these New Ordinary Shares were bought back out of the share premium account by the Company immediately following their allotment at a price of 132p per New Ordinary Share. Fractions of New Ordinary Shares were not issued.

An amount equal to £10.4 million, being the consideration payable for the new ordinary shares, has been transferred from the Company's revenue reserves to a new special reserve which will not be available for the payment of future dividends and will not constitute Winding-Up Revenue Profits (as defined in the Bye-laws) in the event of the Company's liquidation (see note 21).

Warrants

At 30 June 2009 3,589,521 Utilico 2012 warrants were in issue. On 31 October 2009, 878 Utilico 2012 warrants were exercised and on 30 April 2010, 26 Utilico 2012 warrants were exercised. At 30 June 2010 3,588,617 Utilico 2012 warrants were in issue.

Pursuant to the cash distribution of the 12.0p per ordinary share and in accordance with the terms of the 2012 warrant Instrument an adjustment was made to the warrant subscription price and subscription terms of the existing warrants. With effect from 21 April 2010 the existing subscription price of 315.0p was reduced to 288.75p and the existing subscription terms that each warrant holder may subscribe for one ordinary share in respect of each warrant held was adjusted so that each warrant holder may subscribe for 1.090909 ordinary shares per warrant held. The warrant holders have the right to subscribe on 30 April or on 31 October in any of the years 2010 to 2012 (inclusive).

20. SHARE PREMIUM ACCOUNT

GROUP AND COMPANY	2010 £'000s	2009 £'000s
Balance brought forward	**233,951**	242,188
Issue costs of ordinary share capital	**(88)**	–
Premium on conversion of warrants	**3**	1
Purchase of ordinary shares	**–**	(8,326)
Bonus issue of ordinary shares	**(785)**	–
Cost of paying up bonus shares (see note 19)	**(9,580)**	–
Transfer to ordinary share capital on cancellation of ordinary shares held in treasury	**–**	88
Balance carried forward	**223,501**	233,951

21. SPECIAL RESERVE

GROUP AND COMPANY	2010 £'000s	2009 £'000s
Transfer from revenue reserve on share issue and buyback (see note 19)	**10,365**	–
Balance carried forward	**10,365**	–

22. WARRANT RESERVE

GROUP AND COMPANY	2010 £'000s	2009 £'000s
Balance brought forward	**3,051**	3,051
Transfer to non-distributable reserve on exercise of warrants	**(1)**	–
Balance carried forward	**3,050**	3,051

23. NON-DISTRIBUTABLE RESERVE

GROUP AND COMPANY	2010 £'000s	2009 £'000s
Balance brought forward	**32,067**	32,067
Transfer from warrant reserve	**1**	–
Balance carried forward	**32,068**	32,067

24. OTHER RESERVES

2010 GROUP	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	3,591	–	3,591	–
Gains on investments held	–	33,261	33,261	–
Losses on derivative financial instruments sold	(19,615)	–	(19,615)	–
Gains on derivative financial instruments held	–	11,105	11,105	–
Exchange gains	1,068	–	1,068	–
Loss of ZDP shares liability	(374)	–	(374)	–
Other capital charges	(22)	–	(22)	–
ZDP shares finance charges	(10,764)	–	(10,764)	–
Amount transferred to revenue reserve	–	–	–	9,062
	(26,116)	44,366	18,250	9,062
Transfer to special reserve on share issue and buyback (see note 19)	–	–	–	(10,365)
Transfer on loss of control of subsidiary (see note 10)	(300)	–	(300)	300
Balance at 30 June 2009	(18,365)	(137,803)	(156,168)	5,320
Balance at 30 June 2010	**(44,781)**	**(93,437)**	**(138,218)**	**4,317**

2009 GROUP	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Losses on investments sold	(18,539)	–	(18,539)	–
Losses on investments held	–	(41,663)	(41,663)	–
Gains on derivative financial instruments sold	1,267	–	1,267	–
Gains on derivative financial instruments held	–	1,422	1,422	–
Exchange gains	(8,141)	–	(8,141)	–
Gain of ZDP shares liability	1,533	–	1,533	–
Other capital income	2,172	–	2,172	–
Other capital charges	(27)	–	(27)	–
ZDP shares finance charges	(9,983)	–	(9,983)	–
Amount transferred to revenue reserve	–	–	–	2,416
	(31,718)	(40,241)	(71,959)	2,416
Balance at 30 June 2008	13,353	(97,562)	(84,209)	2,904
Balance at 30 June 2009	(18,365)	(137,803)	(156,168)	5,320

24. OTHER RESERVES (CONTINUED)

2010 COMPANY	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	4,747	–	4,747	–
Gains on investments held	–	30,615	30,615	–
Losses on derivative financial instruments sold	(8,831)	–	(8,831)	–
Gains on derivative financial instruments held	–	2,125	2,125	–
Exchange gains	1,039	–	1,039	–
Other capital charges	(22)	–	(22)	–
Intra-group loan account finance charges	(10,838)	–	(10,838)	–
Amount transferred to revenue reserve	–	–	–	9,083
	(13,905)	32,740	18,835	9,083
Transfer to special reserve on share issue and buyback (see note 19)	–	–	–	(10,365)
Balance at 30 June 2009	(24,746)	(132,132)	(156,878)	5,424
Balance at 30 June 2010	**(38,651)**	**(99,392)**	**(138,043)**	**4,142**

2009 COMPANY	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Losses on investments sold	(19,443)	–	(19,443)	–
Losses on investments held	–	(35,576)	(35,576)	–
Gains on derivative financial instruments sold	977	–	977	–
Losses on derivative financial instruments held	–	(1,972)	(1,972)	–
Exchange losses	(8,610)	–	(8,610)	–
Other capital income	2,172	–	2,172	–
Other capital charges	(27)	–	(27)	–
Intra-group loan account finance charges	(10,116)	–	(10,116)	–
Amount transferred to revenue reserve	–	–	–	2,446
	(35,047)	(37,548)	(72,595)	2,446
Balance at 30 June 2008	10,301	(94,584)	(84,283)	2,978
Balance at 30 June 2009	(24,746)	(132,132)	(156,878)	5,424

Group and Company

Included within the capital reserve movement for the year is £1.1m (2009: £1.2m) of dividend receipts recognised as capital in nature, £43,000 (2009: £99,000) of transaction costs on purchases of investments and £47,000 (2009:122,000) of transaction costs on sales of investments.

25. NET ASSET VALUE PER SHARE

(a) Net asset value per ordinary share is based on net assets at the year end of £143,720,000 for the Group and Company (2009: £126,858,000 for the Group and £126,252,000 for the Company) and on 86,373,863 ordinary shares in issue at the year end (2009: 86,372,957).

(b) Diluted net asset value per ordinary share is based on net assets at the year end and assumes the receipt of proceeds arising from the exercise of warrants outstanding: At 30 June 2010 and 30 June 2009 the diluted net asset value is not applicable as the market price of the ordinary shares at the year end is lower than the exercise price of the warrants.

26. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	GROUP		COMPANY	
	Year to 30 June 2010 £'000s	Year to 30 June 2009 £'000s	**Year to 30 June 2010 £'000s**	Year to 30 June 2009 £'000s
Profit/(loss) before taxation	**28,283**	(69,185)	**28,890**	(69,790)
Adjust for non-cash flow items:				
(Gains)/losses on investments	**(36,852)**	60,202	**(35,362)**	55,019
Losses/ (gains) on derivative financial instruments	**8,510**	(2,689)	**6,706**	995
Exchange (gains)/losses	**(1,091)**	8,121	**(1,039)**	8,610
Stock interest	**(2,109)**	(1,274)	**(2,109)**	(1,274)
Movement of ZDP share liability	**374**	(1,533)	**–**	–
(Increase)/decrease in accrued income	**(380)**	1,242	**(380)**	1,242
Decrease/(increase) in other debtors	**668**	(630)	**714**	(127)
Increase/(decrease) in creditors	**196**	(870)	**188**	(748)
ZDP share finance costs	**10,764**	9,983	**–**	–
Intra-group loan account finance costs	**–**	–	**10,838**	10,116
Tax on overseas income	**(971)**	(358)	**(972)**	(359)
	(20,891)	72,194	**(21,416)**	73,474
Adjust for cash flow items not within Statement of Comprehensive Income				
Net cash flows on investments	**4,470**	33,656	**432**	65,310
Net cash flows on derivatives	**(12,823)**	31,493	**(8,831)**	976
	(8,353)	65,149	**(8,399)**	66,286
Net cash flows from operating activities	**(961)**	68,158	**(925)**	69,970

27. ULTIMATE PARENT UNDERTAKING

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

28. RELATED PARTY TRANSACTIONS

Transactions during the year to 30 June 2010, between the Company (Utilico), its subsidiaries (UFL and UNZL) and its special purpose entity (GERP) are disclosed below.

Loans from UFL to Utilico of £150.3m at 30 June 2009 were increased by £10.9m, the amount of interest payable on the loans, to £161.2m at 30 June 2009. Interest is payable at 7% and 7.25% per annum. The loans are repayable on demand.

A loan from UNZL to Utilico of £0.3m at 30 June 2009 was increased by £1.4m in recognition of the sale of investments to Utilico from UNZL. At 30 June 2009 the balance of the loan which, is interest free and repayable on demand, was £1.7m.

During the year Utilico made payments to GERP of £4.0m in settlement of investment transactions.

On consolidation, transactions between the Company, its subsidiaries and its special purpose entity have been eliminated.

The following are considered related parties of the Group: General Provincial Life Pension Fund (L) Limited ("GPLPF"), which holds 52.5% of the Company's ordinary shares; the associates of the Group set out under note 11, being Touch Network Investments, Newtel Holdings Limited, OneLink Holdings Limited, Permanent Investments Limited ("PIL") (previously a subsidiary at 30 June 2009, see note 12), O Twelve Estates Limited, Renewable Energy Holdings Limited, Renewable Energy Generation Limited, Sasial Vehicle Technologies Limited, Utilico Emerging Markets Limited and Vix Technology Pty Ltd; the Board of Utilico Limited; ICM, Utilico's investment manager; Mr D Saville and Bermuda Commercial Bank Limited ("BCB"), a subsidiary company of PIL. Mr E Stobart, Mr J M Collier and Mr W McLeland are on the Board of BCB.

There were no transactions during the year 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 £143,000 included within "Other expenses" for services as Directors, and there are no outstanding balances with any Director at the year end.

There were no transactions with ICM or Mr Saville other than investment management and performance fees as set out in note 3 and issue of 149 preference shares in Permanent Investment Limited for £149 as set out in note 12. At the year end £608,000 (2009: £535,000) of the management fee remained outstanding.

29. 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, is that of investing in equity, debt and derivative securities to produce a long-term capital appreciation.

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 Investment 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 Company's risks include the risks within the 100% owned subsidiaries and special purpose entity (see note 12) and therefore only the Group risks are analysed below as the differences are not considered to be significant.

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 18 in respect of ZDP shares. The Group does not make use of hedge accounting rules.

(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 Investment 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 Investment 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.

NOTES TO THE ACCOUNTS (CONTINUED)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, Euro, New Zealand Dollar and US Dollar (2009: and Swiss Franc). The exchange rates applying against Sterling at 30 June and the average rates for the year were as follows:

	2010	**Average**	2009
AUD – Australian Dollar	**1.7713**	**1.8071**	2.0371
BMD – Bermuda Dollar	**1.4961**	**1.5815**	1.6469
EUR – Euro	**1.2214**	**1.1427**	1.1741
NZD – New Zealand Dollar	**2.1757**	**2.2662**	2.5422
USD – US Dollar	**1.4961**	**1.5815**	1.6469

The Group's assets and liabilities at 30 June 1010 and 30 June 2009 (shown at fair value, except derivatives at gross exposure value and ZDP shares which are carried at amortised cost), by currency based on the country of primary operations, are shown below:

2010	**AUD £'000s**	**BMD £'000s**	**EUR £'000s**	**GBP £'000s**	**NZD £'000s**	**USD £'000s**	**Other £'000s**	**Total £'000s**
Investments	70,972	27,026	15,745	51,637	72,099	14,376	69,853	**321,708**
Other receivables	16	283	373	881	55	7	–	**1,615**
Derivative financial instruments – assets	2,017	–	–	60,421	–	63,489	–	**125,927**
Cash and cash equivalents	–	–	–	5,904	20	570	1	**6,495**
Short term unsecured loan	–	–	–	(5,900)	(23,420)	–	–	**(29,320)**
Other payables	–	–	–	(943)	(17)	(40)	–	**(1,000)**
Derivative financial instruments – liabilities	(26,358)	–	(4,094)	–	(41,596)	(25,792)	–	**(97,840)**
Zero dividend preference shares	–	–	–	(161,160)	–	–	–	**(161,160)**
	46,647	**27,309**	**12,024**	**(49,160)**	**7,141**	**52,610**	**69,854**	**166,425**
Percentage of net total	**28.0%**	**16.4%**	**7.2%**	**(29.5%)**	**4.3%**	**31.6%**	**42.0%**	**100.0%**

2009	AUD £'000s	BMD £'000s	CHF £'000s	EUR £'000s	GBP £'000s	NZD £'000s	USD £'000s	Other £'000s	Total £'000s
Investments	69,480	15,834	5,541	10,286	62,136	51,143	7,037	59,574	281,031
Other receivables	1,381	472	–	–	1,395	–	–	–	3,248
Derivative financial instruments – assets	–	–	–	–	–	–	56,433	–	56,433
Cash and cash equivalents	–	–	–	–	4,323	58	112	3	4,496
Other payables	–	–	–	–	(813)	(11)	(88)	–	(912)
Derivative financial instruments – liabilities	–	–	–	–	41,846	(36,386)	(14,194)	–	(8,734)
Long term unsecured loans	–	–	–	–	(17,000)	–	–	–	(17,000)
Zero dividend preference shares	–	–	–	–	(145,074)	–	–	–	(145,074)
	70,861	16,306	5,541	10,286	(53,187)	14,804	49,300	59,577	173,488
Percentage of net total	40.9%	9.4%	3.2%	5.9%	(30.6%)	8.5%	28.4%	34.3%	100.0%

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

Weakening of Sterling

					2010						2009
	AUD £'000s	**BMD £'000s**	**EUR £'000s**	**NZD £'000s**	**USD £'000s**	AUD £'000s	BMD £'000s	CHF £'000s	EUR £'000s	NZD £'000s	USD £'000s
Statement of Comprehensive Income return after tax											
Revenue return	**267**	**112**	**33**	**552**	**1**	152	462	9	2	103	–
Capital return	**5,183**	**3,003**	**1,336**	**793**	**2,822**	7,873	5,024	616	1,143	1,645	2,233
Total return	**5,450**	**3,115**	**1,369**	**1,345**	**2,823**	8,025	5,486	625	1,145	1,748	2,233
NAV per share											
Basic – pence	**6.31**	**3.61**	**1.59**	**1.56**	**3.27**	9.29	6.35	0.72	1.33	2.02	2.59
Diluted – pence	**6.31**	**3.61**	**1.59**	**1.56**	**3.27**	9.29	6.35	0.72	1.33	2.02	2.59

Strengthening of Sterling

					2010						2009
	AUD £'000s	**BMD £'000s**	**EUR £'000s**	**NZD £'000s**	**USD £'000s**	AUD £'000s	BMD £'000s	CHF £'000s	EUR £'000s	NZD £'000s	USD £'000s
Statement of Comprehensive Income return after tax											
Revenue return	**(267)**	**(112)**	**(33)**	**(552)**	**(1)**	(152)	(462)	(9)	(2)	(103)	–
Capital return	**(5,183)**	**(3,003)**	**(1,336)**	**(793)**	**(2,822)**	(7,873)	(5,024)	(616)	(1,143)	(1,645)	(2,233)
Total return	**(5,450)**	**(3,115)**	**(1,369)**	**(1,345)**	**(2,823)**	(8,025)	(5,486)	(625)	(1,145)	(1,748)	(2,233)
NAV per share											
Basic – pence	**(6.31)**	**(3.61)**	**(1.59)**	**(1.56)**	**(3.27)**	(9.29)	(6.35)	(0.72)	(1.33)	(2.02)	(2.59)
Diluted – pence	**(6.31)**	**(3.61)**	**(1.59)**	**(1.56)**	**(3.27)**	(9.29)	(6.35)	(0.72)	(1.33)	(2.02)	(2.59)

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

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate exposure

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

	Within one year £'000s	**More than one year £'000s**	**2010 Total £'000s**	Within one year £'000s	More than one year £'000s	2009 Total £'000s
Exposure to floating rates						
Cash	**6,488**	**–**	**6,488**	4,496	–	4,496
Borrowings	**(29,320)**	**–**	**(29,320)**	–	(17,000)	(17,000)
	(22,832)	**–**	**(22,832)**	4,496	(17,000)	(12,504)
Exposure to fixed rates						
Zero dividend preference shares	**–**	**(161,160)**	**(161,160)**	–	(145,074)	(145,074)
	–	**(161,160)**	**(161,160)**	–	(145,074)	(145,074)
Net exposures						
At year end	**(22,832)**	**(161,160)**	**(183,992)**	4,496	(162,074)	(157,578)
Maximum in year	**(25,113)**	**(160,261)**	**(185,374)**	(15,019)	(188,013)	(203,032)
Minimum in year	**4,496**	**(162,074)**	**(157,578)**	4,496	(162,074)	(157,578)

	Exposure to floating interest rates £'000s	**Fixed interest rates £'000s**	**Total £'000s**	Exposure to floating interest rates £'000s	Fixed interest rates £'000s	Total £'000s
Net exposures						
Maximum in year	**4,549**	**(189,923)**	**(185,374)**	10,215	(213,247)	(203,032)
Minimum in year	**4,496**	**(162,074)**	**(157,578)**	4,496	(162,074)	(157,578)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Group arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts is at ruling market rates. Finance costs on ZDP shares is fixed (see note 18). Interest paid on borrowings of £13.4m (2009: £17.0m) is fixed at 3.1% (2009: 5.6%) using an interest rate SWAP maturing on 30 November 2010 (2009: SWAPS maturing on 30 November 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 Statement of Comprehensive Income revenue and capital returns after tax and on the NAV per share.

	Increase in rate £'000s	**2010 Decrease in rate £'000s**	Increase in rate £'000s	2009 Decrease in rate £'000s
Revenue return	**130**	**n/a***	90	n/a*
Capital return	**(319)**	**319**	–	–
Total return	**(189)**	**319**	90	n/a*
NAV per share				
Basic – pence	**(0.22)**	**0.37**	0.10	–
Diluted – pence	**(0.22)**	**0.37**	0.10	–

* Interest rates on cash balances are negligible at 30 June 2010 and 2009

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other Market Risk exposures

The portfolio of investments, valued at £321,708,000 at 30 June 2010 (2009: £281,031,000) is exposed to market price changes. The Group enters into currency and index options in managing its exposure to other market risks.

The Investment 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 6. 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 11.

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 Statement of Comprehensive Income Capital Return after tax and on the NAV per share:

		2010		2009
	Increase in value £'000s	**Decrease in value £'000s**	Increase in value £'000s	Decrease in value £'000s
Statement of Comprehensive Income capital return	**64,342**	**(64,342)**	56,206	(56,206)
NAV per share				
Basic – pence	**74.49**	**(74.49)**	65.07	(65.07)
Diluted – pence	**74.49**	**(74.49)**	65.07	(65.07)

(b) Liquidity risk exposure

The Group and the 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 the 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 portfolio 36 at 30 June 2010 (37 respectively at 30 June 2009); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts page 6). The loan facility of £30.0m expires on 30 November 2010. It is expected this facility will be extended on normal banking terms.

Cash balances are held with reputable banks.

The Investment 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 £30.0m as set out in note 15 to the accounts and ZDP share liabilities of £161.2m as set out in note 18. The remaining contractual maturities of the financial liabilities, based on the earliest date on which payment can be required, were as follows:

				2010				2009
	Three months or less £'000s	**More than three months but less than one year £'000s**	**More than one year £'000s**	**Total £'000s**	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities								
Other creditors	**1,000**	**–**	**–**	**1,000**	912	–	–	912
Derivative financial instruments	**37,419**	**–**	**–**	**37,419**	8,734	–	–	8,734
Bank loans	**–**	**29,819**	**–**	**29,819**	–	–	17,375	17,375
ZDP shares	**–**	**–**	**215,890**	**215,890**	–	–	207,051	207,051
	38,419	**29,819**	**215,890**	**284,128**	9,646	–	224,426	234,072

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 Investment 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 FCM. In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk was as follows:

Current assets	**2010** Balance sheet £'000s	**2010** Maximum exposure £'000s	2009 Balance sheet £'000s	2009 Maximum exposure £'000s
Cash at bank	**6,495**	**15,526**	4,496	28,339
Financial assets through profit and loss				
– derivatives (put options and call options)	**65,506**	**83,912**	56,433	355,383
– derivatives (currency option)	**–**	**–**	–	7,000
– derivatives (forward foreign exchange contracts)	**80,475**	**100,726**	41,846	78,685

None of the Group's financial assets are past due or impaired. BCB acts as custodian for certain Bermudian investments. Utilico has an indirect interest in BCB through PIL and Michael Collier, Eric Stobart and Warren McLeland are on the Board of BCB.

(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, were:

	2010 £'000s	2009 £'000s
2012 ZDP shares	**72,664**	68,570
2014 ZDP shares	**48,563**	43,688
2016 ZDP shares	**40,781**	33,738

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

The Directors regularly review the principles applied by the Investment Manager 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 19 to the Accounts. Dividends are set out in note 9 to the Accounts. Borrowings are set out in notes 15 and 17 to the Accounts. ZDP shares are set out in note 18 to the Accounts.

NOTICE OF ANNUAL GENERAL MEETING FOR SHAREHOLDERS OF UTILICO

Notice is hereby given that the 2010 Annual General Meeting of Utilico Limited will be held at Bermuda Commercial Bank Building, 19 Par-la-Ville Road, Hamilton HM11, Bermuda on Thursday, 2 December 2010 at 9:00 am for the following purposes:

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

1. Minutes of the last General Meeting to be read and confirmed.
2. Minutes of the Special General Meeting held on 16 April 2010 to be read and confirmed.
3. To receive and adopt the Directors' report and Auditor's report and accounts for the year ended 30 June 2010.
4. To approve the Directors' Remuneration Report for the year ended 30 June 2010.
5. To re-elect Ms S Hansen, who retires by rotation, as a Director.
6. To re-elect Mr E Stobart, who retires by rotation, as a Director.
7. To re-elect Mr W McLeland, who retires annually, as a Director.
8. To re-appoint the Auditors.
9. To authorise the Directors to determine the Auditors' remuneration.
10. Accept the recommendation of the Directors to amend the Bye-laws of the Company.
11. THAT, subject to and conditional upon the passing of resolution 10 above, for the purposes of Bye-Law 4A of the Company's Bye-Laws as amended pursuant to resolution 10, the Company may issue Relevant Securities (as defined in the Bye-Laws) representing up to a maximum amount of 8,637,386 shares, being 10% of the total number of shares in issue as at the date of this resolution, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution (as defined in the Bye-Laws)) at the earlier of the conclusion of the annual general meeting of the Company to be held in 2011 or eighteen months from the date of this resolution but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require Relevant Securities to be issued after such expiry and the directors of the Company may issue Relevant Securities in pursuance of any such offer or agreement as if such expiry had not occurred.
12. THAT the Directors be generally and unconditionally authorised to make market purchases of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares"), provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall equal 14.99% of the issued Ordinary Shares as at the date of this notice, being 12,947,442;

(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 an ordinary share taken from the Official List of the UK Listing Authority for the five business days immediately preceding the date of purchase, 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 3 June 2011 unless it is varied, revoked or renewed prior to that date at the Company's 2011 annual general meeting or any other special general meeting by special 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.

By order of the Board
F&C Management Limited, Secretary
23 September 2010

NOTICE OF ANNUAL GENERAL MEETING FOR SHAREHOLDERS OF UTILICO (CONTINUED)

Notes:

Only the holders of ordinary shares registered on the register of shareholders of the Company at 5.00 pm on 29 November 2010 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 29 November 2010 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

A shareholder 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 shareholder of the Company.

The return of a form of proxy will not preclude a shareholder 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 (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES, 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 by not later than 9 am on 29 November 2010.

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.

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 Limited
GPLPF	General Provincial Life Pension Fund (L) Limited
Gross Assets	Total assets less current liabilities excluding loans.
Group	Consists of Utilico Limited, Utilico Finance Limited, Utilico NZ Limited and GERP
ICM	Ingot Capital Management Pty Ltd
IFRS	International Financial Reporting Standards as adopted by the European Union
Investment Manager	Ingot Capital Management Pty Ltd
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
UEM	Utilico Emerging Markets Limited
UFL	Utilico Finance Limited
UIT	Utilico Investment Trust plc (Utilico's predecessor)
Unquoted	Investments in companies which are not listed on a 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

COMPANY INFORMATION

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

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

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Investment Manager*
ICM Ltd
1st Floor
19 Par-la-Ville Road
Hamilton HM11
Bermuda

Stockbrokers
Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR

Authorised and regulated in the UK
by the Financial Services Authority

Bankers
The Royal Bank of Scotland plc
135 Bishopsgate
London EC2N 3UR

Solicitors
Appleby *(as to Bermuda law)*
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Norton Rose LLP *(as to UK law)*
3 More London Riverside
London SE1 2AQ

Company Secretary and Administrator
F&C Management Limited
Exchange House
Primrose Street
London EC2A 2NY

Telephone 020 7628 8000

Facsimile 020 7628 8188

Authorised and regulated in the UK
by the Financial Services Authority

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Custodian
JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Registrar
Computershare Investor Services (Jersey) Ltd
Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES
Channel Islands

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

* With effect from 22 September 2010, ICM Ltd, an associated company of Ingot Capital Management Pty Ltd was appointed the Investment Manager.

NOTES

	14 August 2003	30 June 2004	30 June 2005[1]	30 June 2006	30 June 2007[2]	30 June 2008[3]	30 June 2009	30 June 2010	Change 2003/04	Change 2004/05	Change 2005/06	Change 2006/07	Change 2007/08	Change 2008/09	Change 2009/10
Ordinary shares															
Capital Value															
Net asset value per ordinary share (undiluted)	99.47p	120.20p	186.07p	222.35p	350.29p	225.20p	146.87p	166.39p	20.8%	54.8%	19.5%	57.5%	(35.7%)	(34.8%)	13.3%
Net asset value per ordinary share (diluted)	99.47p	114.39p	162.84p	187.68p	312.06p	225.20p	146.87p	166.39p	15.0%	42.4%	15.3%	66.3%	(27.8%)	(34.8%)	13.3%
Share prices and indices															
Ordinary share price	85.67p	107.50p	159.25p	180.25p	299.00p	234.00p	117.00p	116.50p	25.5%	48.1%	13.2%	65.9%	(21.7%)	(50.0%)	(0.4%)
Discount/ (premium) (based on diluted NAV per ordinary share)	13.9%	6.0%	2.2%	4.0%	4.2%	(3.9%)	20.3%	(30.0%)							
FTSE All-Share Index	2,062	2,229	2,560	2,968	3,404	2,856	2,172	2,543	8.1%	14.8%	15.9%	14.7%	(16.1%)	(23.9%)	17.1%
Returns and dividends															
Revenue return per ordinary share (undiluted)	n/a	1.68p	1.65p	0.89p	1.84p	3.56p	2.77p	10.49p	n/a	(1.8%)	(46.1%)	106.7%	93.5%	(22.2%)	278.7%
Capital return per ordinary share (undiluted)	n/a	36.45p	65.48p	35.50p	178.01p	(103.32p)	(82.62p)	21.15p	n/a	n/a	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	(99.76p)	(79.85p)	31.62p	n/a	n/a	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	n/a	n/a
Cash distribution per ordinary share	n/a	–	–	–	–	–	–	12.0p	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Zero dividend preference (ZDP) shares[4]															
2012 ZDP Shares															
Capital entitlement per ZDP share	n/a	101.01p	108.07p	115.63p	123.71p	132.39p	141.65p	151.55p	n/a	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
ZDP share price	n/a	96.75p	115.25p	118.50p	126.75p	135.50p	150.75p	159.75p	n/a	19.1%	2.8%	7.0%	6.9%	11.3%	6.0%
2014 ZDP Shares															
Capital entitlement per ZDP share	n/a	n/a	n/a	n/a	100.29p	107.57p	115.37p	123.72p	n/a	n/a	n/a	n/a	7.3%	7.3%	7.2%
ZDP share price	n/a	n/a	n/a	n/a	103.25p	108.50p	116.50p	129.50p	n/a	n/a	n/a	n/a	5.1%	7.4%	11.2%
2016 ZPD Shares															
Capital entitlement per ZDP share	n/a	n/a	n/a	n/a	100.29p	107.57p	115.37p	123.72p	n/a	n/a	n/a	n/a	7.3%	7.3%	7.2%
ZDP share price	n/a	n/a	n/a	n/a	103.00p	103.75p	102.50p	108.75p	n/a	n/a	n/a	n/a	0.7%	(1.2%)	6.1%
Warrants															
2008 warrant price	19.50p	27.75p	62.75p	86.00p	260.00p	n/a[5]	n/a[5]	n/a[5]	42.3%	126.1%	37.1%	93.5%[6]	n/a	n/a	n/a
2012 warrant price	n/a	n/a	n/a	n/a	88.25p	79.50p	3.50p	2.00p	n/a	n/a	n/a	n/a	(9.9%)	(95.6%)	(42.9%)
Equity holders funds (£m)															
Gross assets[7]	133.5	163	229.8	270.1	454.6	414.6	288.9	334.2	22.1%	41.0%	17.5%	68.3%	(8.8%)	(30.3%)	15.7%
Bank debt	33.7	30.2	41.8	55.0	44.8	69.2	17.0	29.3	(10.4%)	38.4%	31.6%	(18.5%)	54.5%	(75.4%)	72.4%
ZDP debt	–	45.6	48.3	51.8	130.8	140.2	145.1	161.2	n/a	5.9%	7.2%	152.5%	7.2%	3.5%	11.1%
CULS[8]	–	10.0	20.3	20.6	–	–	–		n/a	103.0%	1.5%	n/a	n/a	n/a	n/a
Equity holders' funds	99.8	77.2	119.4	142.7	279.0	205.2	126.8	143.7	(22.6%)	54.7%	19.5%	95.5%	(26.5%)	(38.2%)	13.3%
Revenue account															
Income	n/a	3.8	6.5	6.9	8.4	10.5	8.5	13.8	n/a	71.1%	6.2%	21.7%	25.0%	(19.0%)	62.4%
Costs (management and other expenses)[10]	n/a	1.3	1.9	2.2	2.6	3.1	2.4	2.4	n/a	46.2%	15.8%	18.2%	19.2%	(22.6%)	–%
Finance costs	n/a	1.2	3.2	3.6	4.1	3.6	2.6	1.4	n/a	166.7%	12.5%	13.9%	(12.2%)	(27.8%)	(46.2%)
Financial ratios of the Group															
Revenue yield on average Gross Assets	n/a	2.8%	3.1%	2.8%	2.3%	2.3%	2.6%	4.2%							
Total expense ratio[10] on average Gross Assets	n/a	1.0%	0.9%	0.9%	0.7%	0.7%	0.8%	0.7%							
Bank loans, CULS and ZDP shares gearing on Gross Assets	n/a	41.1%	47.2%	46.5%	38.6%	50.5%	56.1%	57.0%							

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 include figures from Utilico's predecessor Utilico Investment Trust plc. As such these numbers are neither audited nor reviewed under auditing standards.
3. Restated consolidating GERP.
4. 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.
5. 2008 Warrants expired July 2008.
6. Adjusted for June 2007 corporate action.
7. Gross assets less current liabilities excluding loans.
8. CULS converted June 2007 into ordinary shares.
9. Excluding CULS equity component.
10. Excluding performance fee and income not receivable.

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