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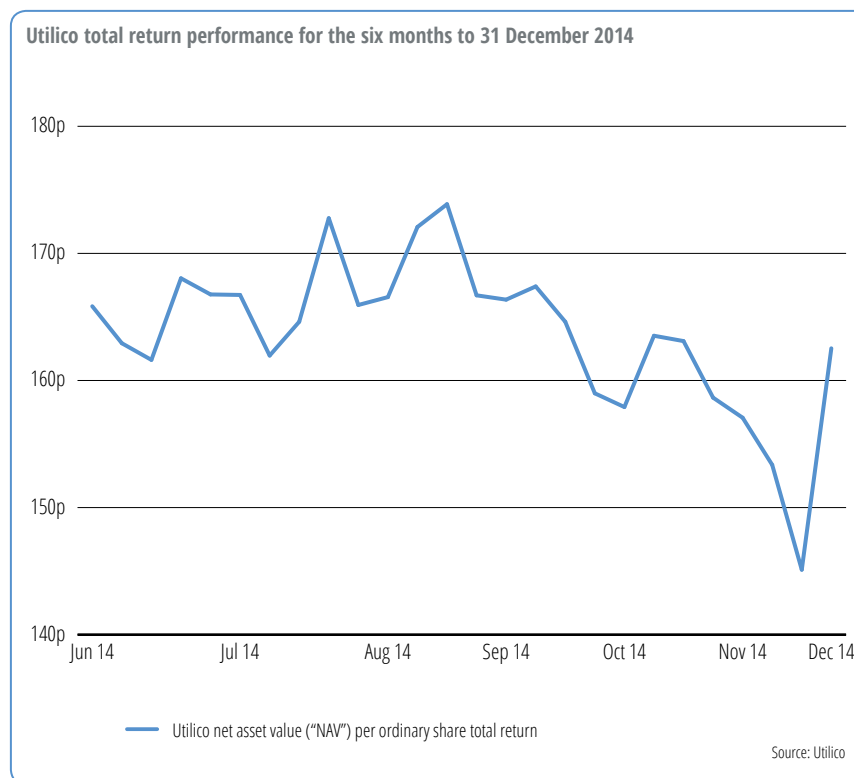
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[www.utilico.bm](http://www.utilico.bm)

## OBJECTIVE OF THE COMPANY

Utilico Investments Limited's ("Utilico" or "the Company") investment objective is to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.



### FORWARD-LOOKING STATEMENTS

This interim report may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. 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 interim report. Nothing should be construed as a profit forecast.

## UNAUDITED PERFORMANCE SUMMARY

	Half-year 31 Dec 2014	Half-year 31 Dec 2013	Year 30 Jun 2014	% change Jun-Dec 2014
Total return <sup>(1)</sup> (%)	(2.0) <sup>(2)</sup>	4.1 <sup>(2)</sup>	18.1	n/a
Annual compound total return (since inception) <sup>(3)</sup> (%)	7.4	7.1	7.9	n/a
<b>Ordinary shares</b>				
NAV per ordinary share (pence)	158.78	148.86	165.84	(4.3)
Ordinary share price (pence)	110.50	114.50	128.00	(13.7)
Discount (%)	30.4	23.1	22.8	n/a
FTSE All-Share Total Return Index	5,449	5,386	5,471	(0.4)
<b>Zero dividend preference ("ZDP") shares<sup>(4)</sup> (pence)</b>				
<b>2014 ZDP shares (repaid 31 October 2014)</b>				
Capital entitlement per ZDP share	n/a	158.12	163.70	n/a
ZDP share price	n/a	162.00	166.25	n/a
<b>2016 ZDP shares</b>				
Capital entitlement per ZDP share	169.57	158.12	163.70	3.6
ZDP share price	183.25	169.75	177.13	3.5
<b>2018 ZDP shares</b>				
Capital entitlement per ZDP share	122.75	114.46	118.50	3.6
ZDP share price	137.25	117.00	128.25	7.0
<b>2020 ZDP shares</b>				
Capital entitlement per ZDP share	102.97	n/a	n/a	n/a
ZDP share price	108.50	n/a	n/a	n/a
<b>Equity holders' funds (£m)</b>				
Gross assets <sup>(5)</sup>	373.9	403.5	399.1	(6.3)
Bank debt	50.0	49.0	22.2	125.2
ZDP shares	166.5	206.9	212.5	(21.6)
Equity holders' funds	157.4	147.6	164.4	(4.3)
<b>Revenue account (£m)</b>				
Income	4.1	4.1	10.4	n/a
Costs (management and other expenses)	0.9	1.3	2.1	n/a
Finance costs	0.5	0.6	0.9	n/a
<b>Financial ratios of the Group<sup>(6)</sup> (%)</b>				
Revenue yield on average gross assets	2.1	2.0	2.6	n/a
Ongoing charges figure excluding performance fee <sup>(7)</sup>	2.3	1.7	2.2	n/a
Bank loans, net bank overdraft and ZDP shares gearing on net assets	143.1	173.4	144.4	n/a
<b>Returns and dividends<sup>(2)</sup></b>				
Revenue return per ordinary share (pence)	2.58	2.29		
Capital return per ordinary share (pence)	(5.89)	3.87		
Total return per ordinary share (pence)	(3.31)	6.16		
Dividend per ordinary share (pence)	3.75	3.75		
Ordinary annualised dividend yield (%)	6.8	6.6		

(1) Total return is calculated as change in NAV per ordinary share, plus dividends reinvested

(2) For the six months to 31 December

(3) Since inception includes data relating to Utilico Investment Trust plc, Utilico's predecessor, which started trading in August 2003

(4) Issued by Utilico Finance Limited, a wholly owned subsidiary of Utilico Investments Limited

(5) Gross assets less current liabilities excluding loans and ZDP shares

(6) For comparative purposes the figures have been annualised

(7) Expressed as a percentage of average net assets. Ongoing charges comprise all operational, recurring costs that are payable by the Group or suffered within underlying investee funds, in the absence of any purchases or sales of investments

## CHAIRMAN'S STATEMENT

Utilico's NAV total return decreased by 2.0% over the six months to 31 December 2014, marginally underperforming the FTSE All Share Total Return Index, which was down by 0.4% over the same period.

A feature of the past six months has been rising volatility as the markets adjust to the end of quantitative easing ("QE") in the US. There have been significant movements in the US Dollar which strengthened and commodity prices which weakened. Following on from this, some currencies have been significantly impacted. Generally commodity and energy exporters have weakened and importers have strengthened.

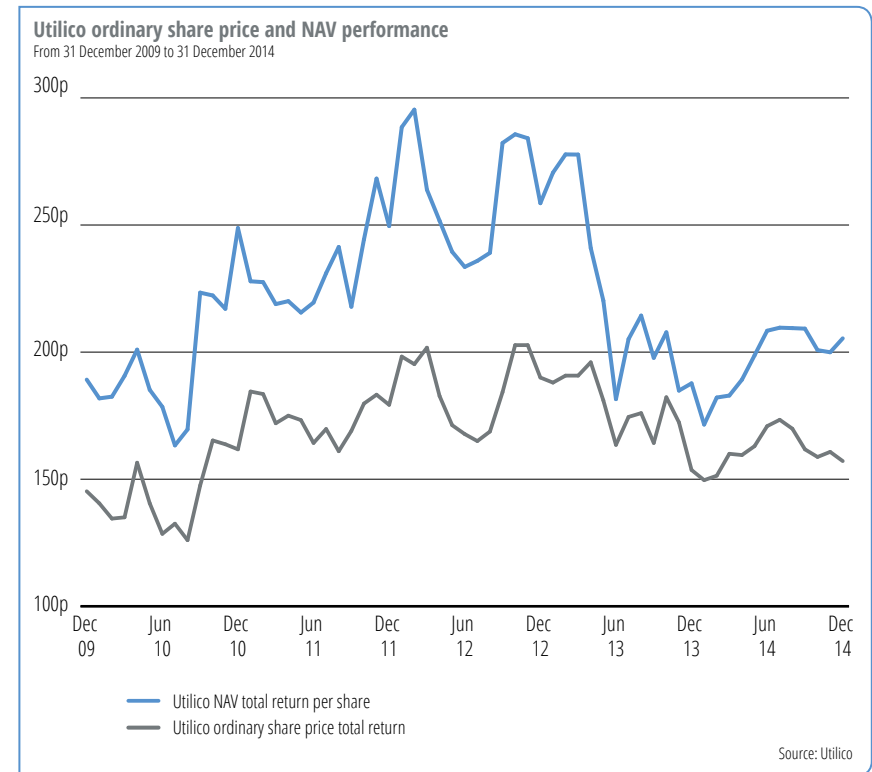
Of note, gold declined 10.8% and oil declined 49.4% in US Dollar terms and Sterling declined 8.8% versus the US Dollar over the six months to 31 December 2014.

These factors were significant for Utilico's portfolio. In Sterling terms over the six months to 31 December 2014, Zeta Resources Limited ("Zeta") and Resolute Mining Limited ("Resolute") were down 35.2% and 59.0% respectively. This reduced Utilico's listed portfolio value by some £33.8m.

A further feature of the six months has been the rising valuation of Utilico's unlisted investments. A number of these companies continue to post strong gains in revenues and EBITDA and the valuations of technology companies generally have improved. This has resulted in a significant upward valuation of some of Utilico's unlisted portfolio.

The combined effect of sharply lower valuations for the resource investments and higher values for the technology investments has seen the investments in unlisted companies rise to 17.6% of the portfolio. In addition, Utilico has made loans to Zeta of £19.8m; these loans are not regarded as an investment in an unlisted company as Zeta is listed. Going forward Utilico will report the loans to listed investments separately and will manage the investments in unlisted companies within the 20.0% limit prescribed by the Company's investment policy.

The 2014 ZDP shares were redeemed in full on 31 October 2014 at a redemption value of £62.2m financed through a combination of asset sales, bank debt and 2020 ZDP issuance. It has been pleasing to see the new 2020 ZDP shares trade at a premium.



Revenue earnings have risen, mainly as a result of significantly lower management fees. Revenue earnings per share ("EPS") rose to 2.58p, up from 2.29p. The revenue reserves carried forward are £10.1m, some 10.19p per share. Against this background the Directors have maintained the quarterly dividends at 1.875p per share, representing an annualised return of 6.8% based on the year end share price of 110.50p. The Directors have declared a second quarterly dividend of 1.875p, payable in March 2015.

The Company is reviewing its position under the Alternative Investment Fund Managers ("AIFM") Directive. If it decides to appoint a UK AIFM, as joint portfolio manager alongside ICM Limited, the investment management fee will remain the same. Any such appointment would bring it more into line with UK investment companies and would also involve the appointment of a Depositary over the

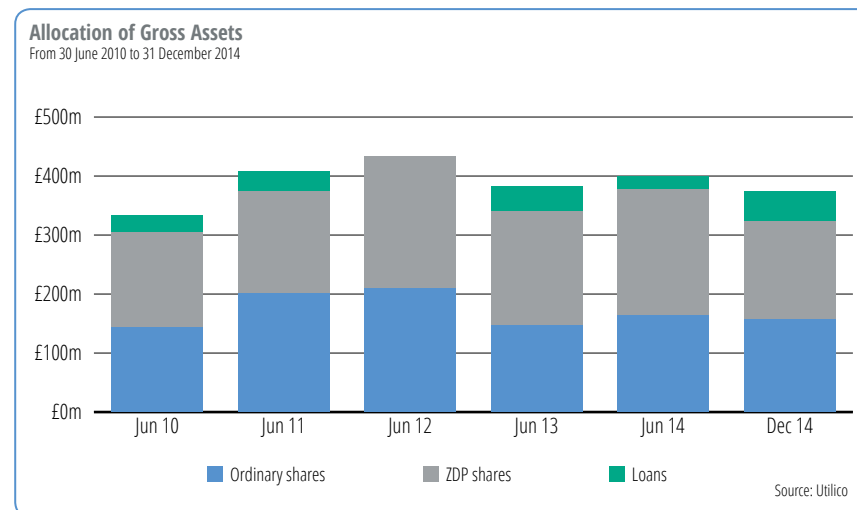
## CHAIRMAN'S STATEMENT (continued)

Company's assets. An announcement will be made if a UK AIFM and Depositary are appointed and formal arrangements are entered into.

### Outlook

The Board believes this could be a difficult year for investors. Market volatility has risen sharply and seems set to continue as the world economies decouple and face differing outlooks. The US leads the way in terms of recovery and the path towards normalisation, whilst the Eurozone is going in the opposite direction with the introduction of QE. This combination may create additional stresses on various economies and challenging inter-currency relationships. We are anticipating a continued positive operating performance from our investee companies which should place Utilico in a good position to weather the expected market volatility.

Dr Roger Urwin  
18 February 2015



## INVESTMENT MANAGER'S REPORT

Utilico's NAV total return decreased 2.0% over the six months to 31 December 2014, marginally underperforming the FTSE All-Share Index total return, which was down 0.4% over the same period.

As noted in the Chairman's Statement this has been a challenging six months as volatility has risen across a number of asset classes. The end of QE in the US and the ongoing QE in Japan and now the Eurozone has resulted in significant movements as markets respond. Switzerland has decoupled the Franc from the Euro, Mario Draghi has introduced QE in Europe and a number of central banks have reduced their interest rates to mute the impact of these movements on their economies.

Over the six months to 31 December 2014 the US Dollar has strengthened significantly, up 9.7% against Sterling, oil has declined by 49.4% and gold weakened by 10.8%. Given Utilico's exposure to resource stocks and its structural exposure to Sterling denominated ZDP shares and assets largely in other currencies, this has resulted in significant movements in the valuation of a number of investments. In Sterling terms the investments in Zeta and Resolute were down 35.2% and 59.0% respectively over the six months to 31 December 2014. This reduced Utilico's listed portfolio by some £33.8m.

Historically, to reduce the exchange rate risk Utilico has hedged over NZ\$100m of its New Zealand positions into Sterling through a mixture of bank borrowings and FX contracts. The cost of rolling these positions into a rising New Zealand Dollar has required additional funding.

More positively, during the last six months Utilico's unlisted valuations have risen strongly. This has been the result of continued good progress at an operating level with rising EBITDA. When combined with higher market valuations for listed technology companies, the uplift has been significant. In addition, there have been several significant investment events which have underpinned some of the gains.

During the six months DTI (a surveillance solutions business) had an initial public offering ("IPO") in Australia. The IPO valued Utilico's investment in DTI at A\$3.7m versus an investment cost of A\$1.8m and a valuation at 30 June 2014 of A\$2.3m. As at 31 December 2014 the position was valued at A\$3.9m. DTI was held by Vix Limited at 30 June 2014 and it was included in the unlisted portfolio by Utilico. DTI was transferred to Utilico in November 2014 and included in Utilico's listed

## INVESTMENT MANAGER'S REPORT (continued)

portfolio from the time of the IPO in December 2014. Vix Technology realised an investment it held in CCRTT, a Hong Kong listed company for A\$24.5m; of which A\$12.0m was returned to shareholders, including A\$4.8m to Utilico. Coldharbour Marine ("CHM"), which is awaiting final certification for its ballast water treatment system, has raised significant funding at values substantially above Utilico's cost of investment. These events have driven the unlisted valuation for CHM significantly higher.

### Unlisted policy

The combined effect of lower valuations for the listed resource investments and higher values for the unlisted technology investments has seen the investments in unlisted companies rise to 17.6% of the portfolio. In addition, Utilico has made loans to Zeta totalling £19.8m and since Zeta is listed, these are not regarded as an investment in an unlisted company. Going forward Utilico will report loans to listed companies separately and will manage the unlisted investments within the 20% limit as prescribed by the Company's investment policy. As at 31 December 2014 investments in unlisted companies were 17.6% (30 June 2014: 13.9%) and loans to listed companies were 5.2% (30 June 2014: 2.1%).

### Portfolio

Over the six months there have been significant movements in the portfolio. Some 25% of the Utilico Emerging Markets Limited ("UEM") holding was placed out in the market raising £24.8m and a further £10.6m has been lent to Zeta, the resources platform, enabling it to continue to invest in opportunities in the resource sector. Mainly as a result of the UEM disposal proceeds being used to retire 2014 ZDP shares, gross assets declined from £399.1m at 30 June 2014 to £373.9m at 31 December 2014. The top ten investments account for 85.5% (30 June 2014: 88.2%) of the portfolio.

### Major platform investments

The major platform investments continue to develop well.

UEM performed well against a backdrop of weak emerging equity markets in the six months to 31 December 2014. UEM's total return for the six month period to December 2014 was 2.4%. The weakening of Sterling against the US Dollar in the period had a positive effect on NAV, reversing some of the currency losses reported in recent published reports.

Market sentiment remains weak in many markets, particularly those that are net exporters of commodities, although there is increased optimism in some markets such as India and Indonesia following elections during 2014. Generally, UEM's investee companies continue to report good results.

Over the six months to 31 December 2014, the UEM share price declined from 183.50p to 182.00p and the discount widened as investors' confidence in emerging markets reduced. During the six months 3.05p was paid in dividends, equal to an annualised return of 3.4% based on the year end share price.

Infratil Limited ("Infratil") shares were exceptionally strong, rising 22.4% during the period to NZ\$2.98. The total return to Utilico over this period was even higher, at 37.1%, following an increased interim dividend, the announcement of a NZ\$0.15 special dividend and the stronger New Zealand Dollar. The increased share price primarily reflected recent asset disposals, including the sale of Lumo Energy and Direct Connect to Snowy Hydro Ltd for gross proceeds of NZ\$646m, more than twice the NZ\$275m carrying value of the businesses as of March 2014.

Shares in Infratil's largest holding, TrustPower, gained 10.5% during the period, reflecting robust growth in energy sales and profitability. For the six months to 30 September 2014 total electricity volumes sold increased by 12.0%, while EBITDA increased by 13.1%. Pleasingly the 270MW Snowtown Stage 2 wind farm was delivered below budget in July 2014, with the result that output during the period was doubled.

Performance at Wellington Airport has been more subdued, with international passenger numbers increasing 2.2% in the six months to 30 September 2014 and domestic passengers declining 2.3% due to reduced capacity on the Auckland and Queenstown routes. With lower aeronautical charges EBITDA declined 4.8% on the previous year.

Since 31 December 2014, Utilico has sold a further 21.1% of its remaining holding in Infratil, generating proceeds of £15.6m.

Somers Limited ("Somers") is a financial services sector investment holding company listed on the Bermuda Stock Exchange. Somers' two main investments are Bermuda Commercial Bank ("BCB") (one of Bermuda's four licensed banks) which is a wholly owned subsidiary, and a 62.5% interest in Waverton, a UK

## INVESTMENT MANAGER'S REPORT (continued)

private wealth manager with £5.0 billion of assets under management. For the year ended 30 September 2014, Somers reported net income of US\$32.2m on total equity of US\$215.1m. Somers' diluted NAV per share was US\$18.96 as at 30 September 2014 (September 2013: US\$16.81). The increase in NAV was driven by a fair revaluation of Waverton following the adoption of IFRS 10.

**Zeta** is a resource-focused investment company which is listed on the Australian Stock Exchange. Over the six months to 31 December 2014 Zeta's share price fell by 31.8% to A\$0.45.

During the six month period, commodity prices fell significantly. Most notably, oil prices halved, with the WTI crude oil price down 49.4% to US\$53.45 per barrel. The gold price was down 10.8% to US\$1,184/oz, while the nickel price was down 20.3% to US\$6.77/lb. As a result, the share prices of most of Zeta's investments fell. Zeta's net assets per share fell 44.7% during the period to A\$0.53 per share. Zeta's shares closed at A\$0.45 on 31 December 2014, representing a discount to net tangible assets of 14.8%.

During the six months Utilico lent a further £10.6m to Zeta mostly to enable it to continue its investment strategy.

**Bermuda First Investment Company Limited's ("BFIC")** shares and loan notes are listed on the Bermuda Stock Exchange. BFIC is a Bermudan investment company which has a number of investments in Bermudan listed companies. Its largest investments are in Keytech Limited ("Keytech") (valued at US\$17.2m as at 31 December 2014) and Ascendant (valued at US\$6.9m as at 31 December 2014). BFIC's policy is to build strategic investments in local Bermudan companies whilst working closely, where appropriate, with the board and senior management of those companies to increase the long term value of these investments and to encourage the introduction of shareholder friendly initiatives. BFIC was unchanged in value terms but gained £1.5m on currency translation.

During the six months Keytech undertook a major strategic step by divesting its legacy fixed line business, Bermuda Telecom Company and buying Cablevision. Cablevision brings a stronger more modern fibre based business from which Keytech can compete more effectively in Bermuda. At the same time Keytech acquired Cayman based Weststar, a complementary business to Keytech's

Cayman Logic. The combined Cayman businesses are profitable and well positioned to capitalise on their market opportunities.

**Vix Limited** is an unlisted holding company, whose wholly-owned subsidiary, Vix Investments Limited, maintains a portfolio of technology investments valued at US\$40.6m as at 31 December 2014. The two key investments are Optal Limited ("Optal", formerly PSP International Limited) and Touchcorp Limited ("Touchcorp"). Optal processes travel industry B2B payments globally, primarily through the issuance of "virtual" cards in partnership with eNett International ("eNett"), in which it has a 20% holding. Optal paid its maiden dividend in the past six months (due largely to proceeds from an earlier sell-down of its stake in eNett). Strong revenue and EBITDA growth is expected to provide for ongoing dividend payments. As Utilico holds a direct stake in Touchcorp, further details on Touchcorp are provided under direct holdings.

### Major direct holdings

Gold production by **Resolute** in the six months to 31 December 2014 was 137,563oz, down substantially from the previous year primarily because the Golden Pride mine in Tanzania ceased production in early 2014. Heavy rains at the company's Syama mine in Mali also reduced production during the period. Production cash costs during the period averaged A\$912/oz. For the year to June 2015 Resolute has forecast production of 315,000oz at an average cash cost of A\$890/oz.

In the six months to 31 December 2014, Resolute sold 150,545oz of gold at an average price of A\$1,401/oz, generating a gross operating cash flow of A\$46.1m. Cash and bullion on hand and liquid investments were A\$23m as at 31 December 2014 (2013:A\$50m); total borrowings were A\$122m (2013:A\$116m). In December 2014 the company issued A\$15m of convertible notes with a three year term and a 10% coupon; Utilico subscribed for A\$7.2m of this issue.

As a result of the fall in the gold price (down 10.8%) during the six months to 31 December 2014 and a rerating of gold producers, the share price of Resolute fell 56.9% from A\$0.62 at the end of June 2014 to A\$0.27 at the end of December 2014.

**Vix Technology** is an unlisted company that improves the way customers travel and digitally connect with their communities. Integrated planning, booking, ticketing, access and e-money services are some of the features that are provided to customers. During the six months to 31 December 2014, the company has continued to evolve



## INVESTMENT MANAGER'S REPORT (continued)

its product base and transform its underlying business both in transit and non-transit markets. The group continues to invest in its R&D programs and platforms.

Group revenue for the six months ended 31 December 2014 was A\$62.9m (prior year: A\$65.7m) but with a strong order book is expected to grow to A\$150.0m for the twelve months ending 30 June 2015 (FY 2014 A\$146.0m).

**Augean plc** ("Augean") shares performed strongly in the six months ended 31 December 2014, up 21.1%. The company has demonstrated excellent progress in turning around its operations following the closure of the loss-making Waste Networks business. In its interim results to end-June 2014 Augean's total landfill volumes rose 8.3% and low-level radioactive waste volumes increased by 22.3%. This growth, combined with the disposal of the Waste Network business, resulted in group EBITDA more than doubling on the previous year.

**Touchcorp** provides a number of payment processing services predominantly through agent and mobile channels, both in the Asia Pacific region and Europe. Touchcorp and its subsidiary companies have designed and built, and now own and operate a software platform that enables the electronic delivery of non-physical products, services and entitlements to the end-users through multiple service points, whether in-store or through self-service methods.

For the year to 31 December 2014, Touchcorp revenues increased by 30% to A\$24.8m (2013: A\$19.1m) and profit before tax by 61% to A\$6.7m (2013: A\$4.1m), with improved margins reflecting scale benefits as the business consolidates relationships with retailers and mobile network operators in Australia, whilst expanding rapidly in Europe. Utilico holds 22.0m shares in Touchcorp.

### Portfolio activity

During the six months to 31 December 2014 Utilico invested £39.9m, including a loan of £10.6m to Zeta, £3.9m in Resolute's convertible loan notes and £4.6m into Somers.

Utilico realised £57.8m, including £24.8m from UEM, £2.9m from Infracore's special dividend and loan repayments of £4.6m from Vix Limited and £2.5m from Somers.

The geographical split on a look-through basis, saw New Zealand increase to 23% of gross assets (June 2014: 17%) as a result of increased investment into Zeta and the rise in the valuation of Infracore. Bermuda rose to 18% (June 2014: 15%) as result of investment and the stronger US Dollar. Asia & Far East and Latin

America reduced to 15% (June 2014: 19%) and 4% (June 2014: 6%) respectively as a result of the sale of £24.8m of UEM. Gold mining fell to 6% (June 2014: 11%) as the share price of Resolute declined.

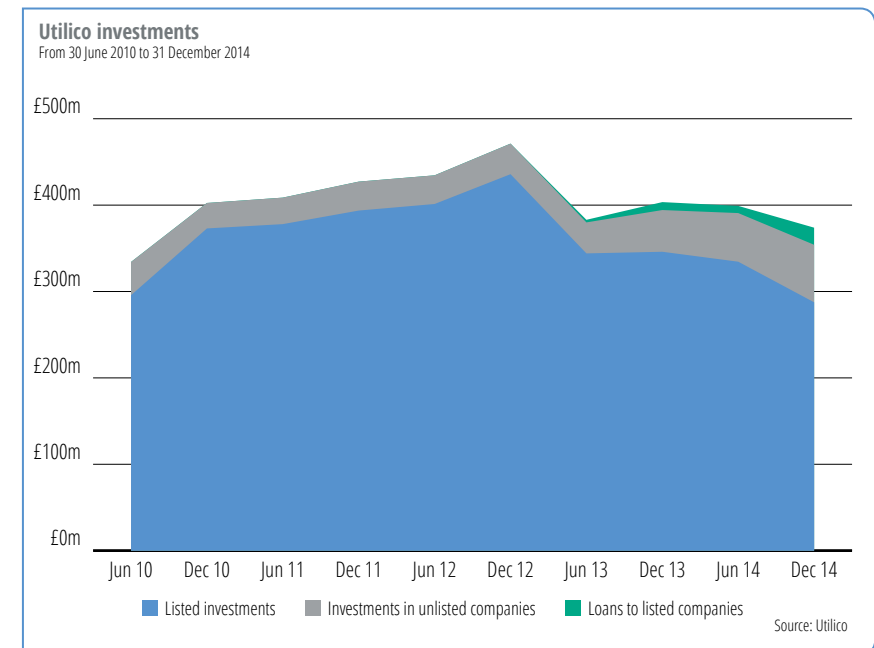
In the sector split, infrastructure IT was up to 12% (June 2014: 8%) mainly due to Infracore's strength offset by the reduction of the holding in UEM and gold mining fell to 6% (June 2014: 11%).

### Investments in unlisted companies

The unlisted portfolio comprises investments accounting for £67.6m as at 31 December 2014 (June 2014: £56.3m) representing 17.6% of the portfolio. Utilico's investment policy limits investments in unlisted companies to 20%.

### Loans to listed companies

Loans to listed companies will be separately disclosed in the future. As at 31 December 2014 loans to listed companies were £19.8m, which was lent to 84% owned subsidiary, Zeta (30 June 2014: loans to listed companies amounted to £8.3m).



## INVESTMENT MANAGER'S REPORT (continued)

### Gearing

Gearing has reduced slightly over the six months to 143.1%. In January 2015 £15.6m of the investment in Infratil was sold down and used to retire debt. This plus the improved market valuation for Resolute in particular, has seen the gearing reduce to 122.0% as at 31 January 2015, bringing it closer to the target of 100.0%.

### ZDP Shares

During the six months shareholders approved the creation of 25.0m 2020 ZDP shares. Proposals were made to the 2014 ZDP shareholders to roll up to £25.0m of their 2014 ZDP shares into 2020 ZDP shares. Holders of 9.4m of the 2014 ZDP shares elected to roll their holdings into 15.5m 2020 ZDP shares. A further 9.5m 2020 ZDP shares were placed into the market at £1.00 per share. Together this resulted in 25.0m 2020 ZDP shares being issued.

On 31 October 2014 the outstanding 2014 ZDP shares were redeemed for cash using the £50.0m undrawn bank facility and funds generated from realisations in the portfolio.

Total debt, being bank debt, overdraft and ZDP shares, reduced by £12.1m over the six months to £225.3m. By the end of January 2015 it had reduced a further £10.9m to £214.4m.

### Debt

Bank debt rose from nil at 30 June 2014 to £50.0m at 31 December 2014, substantially to fund the redemption of the 2014 ZDP shares.

At 31 December 2014 the Scotiabank facility was drawn down as €6.5m, NZ\$21.5m and £34.2m.

The term of the bank facility with Scotiabank is until 22 March 2016.

### Derivatives

During the six months to 31 December 2014 there was no investment in the S&P put position. There continued to be significant currency hedges with NZ\$107.5m, €11.9m and A\$20.0m. These generated a gain on the Capital Account of some £1.1m (prior year gain £1.2m).

### Revenue return

Revenue total income was in line with the prior year despite a reduced investment portfolio, in particular, the reduced investment in UEM. Management fees were significantly lower as a result of ICM Limited voluntarily halving its fee to 0.25% until such time as the high water mark is regained. Revenue EPS in the six months rose to 2.58p from 2.29p at 31 December 2013. The revenue reserves carried forward are £10.1m, some 10.19p per share. Against this background the Directors have maintained the quarterly dividends at 1.875p per share, representing an annualised return of 6.8% based on the year end share price of 110.50p.

### Capital return

Capital total income was £1.4m (prior year £10.8m). This represented losses on investments of £1.0m offset by derivative gains of £1.1m and exchange gains of £1.3m.

The finance costs were £7.2m (prior year £7.0m).

The resultant loss for the six months to 31 December 2014 on the Capital return was £5.8m (prior year gain of £3.9m) and the EPS loss was 5.89p (prior year gain 3.87p)

### Expense ratio

The ongoing charges figure rose to 3.4% as a result of performance fees paid in respect of performance by Zeta in the prior year. Excluding performance fees the ongoing charges were 2.3%.

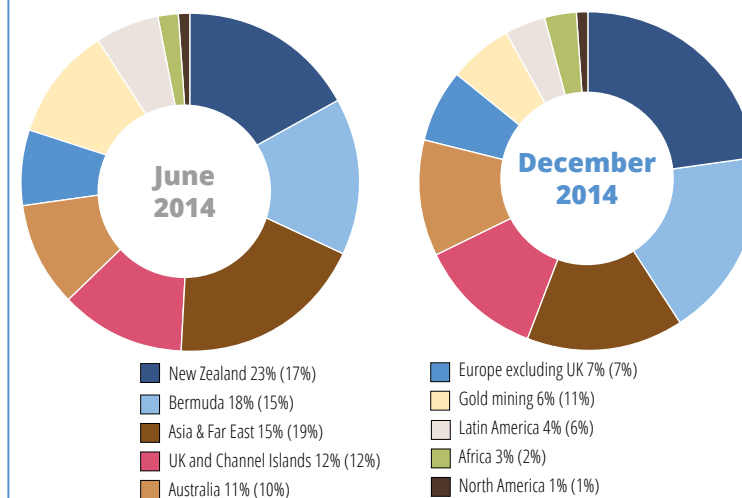
ICM Limited  
Investment Manager  
18 February 2015



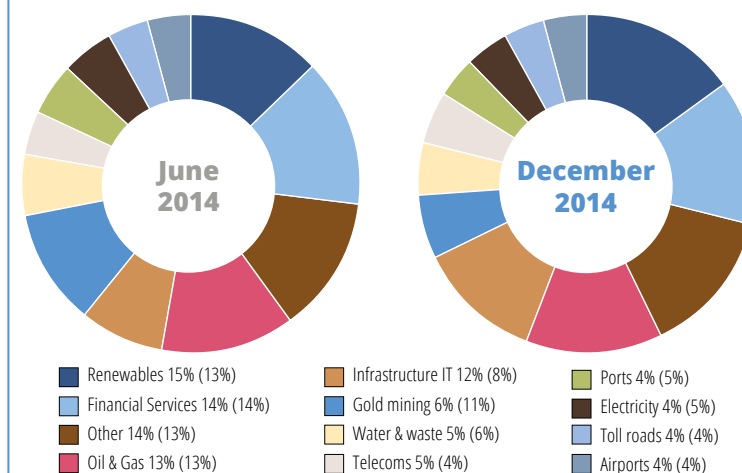
## TEN LARGEST HOLDINGS

31 Dec 2014	30 Jun 2014	Company	Fair value £'000s	% of total investments
1	1	<b>Utilico Emerging Markets Limited</b> Investment company	80,755	21.1
2	2	<b>Infratil Limited</b> Infrastructure company	73,717	19.2
3	3	<b>Somers Limited</b> Financial services company	49,371	12.9
4	5	<b>Zeta Resources Limited</b> Resource investment company	37,870	9.9
5	4	<b>Resolute Mining Limited</b> Gold mining company	21,337	5.5
6	7	<b>Bermuda First Investment Company Limited</b> Investment company	17,338	4.5
7	6	<b>Vix Technology</b> Automated fare collection systems company	16,749	4.4
8	10	<b>Augean plc</b> Waste treatment company	10,772	2.8
9	-	<b>Touchcorp Limited</b> Electronic payment services company	10,622	2.8
10	8	<b>Vix Limited</b> Technology investment company	9,428	2.4
<b>Ten largest holdings</b>			<b>327,959</b>	<b>85.5</b>
<b>Other investments</b>			<b>55,638</b>	<b>14.5</b>
<b>Total investments</b>			<b>383,597</b>	<b>100.0</b>

### GEOGRAPHICAL SPLIT OF INVESTMENTS (ON A LOOK-THROUGH BASIS)



### SECTOR SPLIT OF INVESTMENTS (ON A LOOK-THROUGH BASIS)



Source: Utilico  
Figures in brackets 30 June 2014

## INTERIM MANAGEMENT REPORT AND RESPONSIBILITY STATEMENT

The Chairman's Statement on pages 2 to 4 and the Investment Manager's Report on pages 5 to 13 give details of the important events which have occurred during the period and their impact on the financial statements.

### Principal risks and uncertainties

Most of the Company's principal risks and uncertainties are market related and are similar to those of other investment companies investing mainly in listed equities.

The principal risks and uncertainties faced by the Group and the way they are mitigated are described in more detail under the heading "Principal Risks and Risk Mitigation" on pages 17 to 19 of the Business Review section of the Annual Report and Accounts for the year ended 30 June 2014 and have not changed materially since the date of that report.

The principal risks faced by the Group include pursuing an inappropriate long-term investment strategy, inappropriate asset allocation, poor stock selection, excessive gearing, currency risk and loss of management personnel.

The Annual Report and Accounts is available on the Company's website, [www.utilico.bm](http://www.utilico.bm)

### Related party transactions

Details of related party transactions in the six months to 31 December 2014 are set out in Note 12 to the Notes on the Accounts, and details of the fees paid to the Investment Manager are set out in Note 2 to the Notes to the Accounts.

Directors' fees were increased with effect from 1 July 2014 to:

Chairman £40,500 per annum

Chair of Audit Committee £38,500 per annum

Directors £30,000 per annum

### Directors' responsibility statement

In accordance with Chapter 4 of the Disclosure and Transparency Rules, the Directors confirm that to the best of their knowledge:

- The condensed set of financial statements contained within the report for the six months to 31 December 2014 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and return of the Group;
- The half-yearly financial report, together with the Chairman's Statement and Investment Manager's Report, includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements as required by DTR 4.2.7R;
- The Directors' statement of principal risks and uncertainties above is a fair review of the principal risks and uncertainties for the remainder of the year as required by DTR 4.2.7R;
- The half-yearly report includes a fair review of the related party transactions that have taken place in the first six months of the financial year as required by DTR 4.2.8R; and
- In the light of the controls and monitoring processes that are in place, the Company has adequate resources and arrangements to continue operating within its stated objective and policy for the foreseeable future. Accordingly the accounts continue to be drawn up on the basis that the Company is a going concern.

On behalf of the Board

Dr Roger Urwin

Chairman

18 February 2015

## UNAUDITED CONDENSED GROUP INCOME STATEMENT

Notes	Six months to 31 December 2014		
	Revenue return £'000s	Capital return £'000s	Total return £'000s
	-	(1,022)	(1,022)
	-	1,138	1,138
	(19)	1,280	1,261
	4,126	-	4,126
	<b>4,107</b>	<b>1,396</b>	<b>5,503</b>
2	(423)	-	(423)
	(450)	(3)	(453)
	<b>3,234</b>	<b>1,393</b>	<b>4,627</b>
	(450)	(7,234)	(7,684)
	<b>2,784</b>	<b>(5,841)</b>	<b>(3,057)</b>
3	(226)	-	(226)
	<b>2,558</b>	<b>(5,841)</b>	<b>(3,283)</b>
4	<b>2.58</b>	<b>(5.89)</b>	<b>(3.31)</b>

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

All items in the above statement derive from continuing operations.

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

## UTILICO INVESTMENTS LIMITED SIX MONTHS TO 31 DECEMBER 2014

Six months to 31 December 2013			Year to 30 June 2014		
Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s
-	9,500	9,500	-	36,709	36,709
-	1,177	1,177	-	(2,247)	(2,247)
28	153	181	36	(519)	(483)
4,103	-	4,103	10,374	-	10,374
4,131	10,830	14,961	10,410	33,943	44,353
(778)	-	(778)	(1,200)	-	(1,200)
(484)	(3)	(487)	(944)	(4)	(948)
2,869	10,827	13,696	8,266	33,939	42,205
(588)	(6,966)	(7,554)	(933)	(14,234)	(15,167)
2,281	3,861	6,142	7,333	19,705	27,038
(13)	(21)	(34)	(360)	(22)	(382)
2,268	3,840	6,108	6,973	19,683	26,656
2.29	3.87	6.16	7.03	19.85	26.88

## UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months to 31 December 2014	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
Balance at 30 June 2014	9,916	29,020	233,866
(Losses)/profit for the period	-	-	-
Ordinary dividends paid	-	-	-
<b>Balance at 31 December 2014</b>	<b>9,916</b>	<b>29,020</b>	<b>233,866</b>

for the six months to 31 December 2013	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
Balance at 30 June 2013	9,916	29,020	233,866
Profit for the period	-	-	-
Ordinary dividends paid	-	-	-
Balance at 31 December 2013	9,916	29,020	233,866

for the year to 30 June 2014	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
Balance at 30 June 2013	9,916	29,020	233,866
Profit for the year	-	-	-
Ordinary dividends paid	-	-	-
Balance at 30 June 2014	9,916	29,020	233,866

Non- distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
32,069	(151,699)	11,268	164,440
-	(5,841)	2,558	(3,283)
-	-	(3,718)	(3,718)
<b>32,069</b>	<b>(157,540)</b>	<b>10,108</b>	<b>157,439</b>

Non- distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
32,069	(171,382)	13,591	147,080
-	3,840	2,268	6,108
-	-	(5,578)	(5,578)
32,069	(167,542)	10,281	147,610

Non- distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
32,069	(171,382)	13,591	147,080
-	19,683	6,973	26,656
-	-	(9,296)	(9,296)
32,069	(151,699)	11,268	164,440

## UNAUDITED CONDENSED GROUP BALANCE SHEET

UTILICO INVESTMENTS LIMITED  
SIX MONTHS TO 31 DECEMBER 2014

Notes	31 Dec 2014 £'000s	31 Dec 2013 £'000s	30 Jun 2014 £'000s
<b>Non-current assets</b>			
6 Investments	383,597	401,895	402,538
<b>Current assets</b>			
Other receivables	1,239	195	783
7 Derivative financial instruments	320	1,693	164
Cash and cash equivalents	138	1,556	721
	<b>1,697</b>	<b>3,444</b>	<b>1,668</b>
<b>Current liabilities</b>			
Loans	-	-	(22,239)
Other payables	(10,217)	(1,698)	(4,045)
7 Derivative financial instruments	(1,159)	(87)	(989)
Zero dividend preference shares	-	(75,235)	(76,138)
	<b>(11,376)</b>	<b>(77,020)</b>	<b>(103,411)</b>
<b>Net current liabilities</b>	<b>(9,679)</b>	<b>(73,576)</b>	<b>(101,743)</b>
<b>Total assets less current liabilities</b>	<b>373,918</b>	<b>328,319</b>	<b>300,795</b>
<b>Non-current liabilities</b>			
Loans	(49,999)	(49,036)	-
Zero dividend preference shares	(166,480)	(131,673)	(136,355)
<b>Net assets</b>	<b>157,439</b>	<b>147,610</b>	<b>164,440</b>
<b>Represented by</b>			
8 Ordinary share capital	9,916	9,916	9,916
Share premium account	29,020	29,020	29,020
Special reserve	233,866	233,866	233,866
Non-distributable reserve	32,069	32,069	32,069
Capital reserves	(157,540)	(167,542)	(151,699)
Revenue reserve	10,108	10,281	11,268
<b>Total attributable to equity holders</b>	<b>157,439</b>	<b>147,610</b>	<b>164,440</b>
<b>Net asset value per ordinary share</b>			
9 Basic – pence	158.78	148.86	165.84

## UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

UTILICO INVESTMENTS LIMITED  
SIX MONTHS TO 31 DECEMBER 2014

Notes	Six months to 31 Dec 2014 £'000s	Six months to 31 Dec 2013 £'000s	Year to 30 Jun 2014 £'000s
10 Cash flows from operating activities	1,300	2,681	5,709
<b>Investing activities</b>			
Purchases of investments	(38,952)	(46,045)	(75,521)
Sales of investments	58,254	27,254	84,190
Purchases of derivatives	-	(2,243)	(2,243)
Sales of derivatives	1,152	3,771	2,778
Cash flows from investing activities	20,454	(17,263)	9,204
Cash flows before financing activities	21,754	(14,582)	14,913
<b>Financing activities</b>			
Equity dividends paid	(3,718)	(5,578)	(9,296)
Movement on loans	28,191	7,421	(19,251)
Cash flows from issue of ZDP shares	8,993	6,546	6,477
Cash flows from redemption of ZDP shares	(62,172)	-	(1,683)
Cash flows from financing activities	(28,706)	8,389	(23,753)
Net decrease in cash and cash equivalents	(6,952)	(6,193)	(8,840)
Cash and cash equivalents at the beginning of the period	(2,689)	7,644	7,644
Effect of movement in foreign exchange	830	(703)	(1,493)
<b>Cash and cash equivalents at the end of the period</b>	<b>(8,811)</b>	<b>748</b>	<b>(2,689)</b>
Comprised of:			
Cash	138	1,556	721
Bank overdraft	(8,949)	(808)	(3,410)
<b>Total</b>	<b>(8,811)</b>	<b>748</b>	<b>(2,689)</b>

## NOTES ON THE ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

The Company is an investment company incorporated in Bermuda and quoted on the main market of the London Stock Exchange.

The unaudited condensed Group Accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), IAS 34 'Interim Financial Reporting' and except as noted below, the accounting policies set out in the audited statutory accounts of the Group for the year ended 30 June 2014.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the Directors in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at, and for, the year ended 30 June 2014.

The condensed Group Accounts do not include all of the information required for full annual accounts and should be read in conjunction with the consolidated accounts of the Group for the year ended 30 June 2014, which were prepared under full IFRS requirements.

The Group Accounts comprise the results of the Company, Utilico Finance Limited and Global Equity Risk Protection Limited ("GERP").

### 2. MANAGEMENT AND ADMINISTRATION FEES

ICM Limited ("ICM") is appointed as Investment Manager and Company Secretary to the Company, for which it is entitled to a management fee, a performance fee and a company secretarial fee.

The management fee 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 from which it receives a management fee), 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.

The management fee payable for the period to 31 December 2014, was 0.25% per annum (prior to 1 January 2014 the fee payable was 0.5% per annum). The fee payable will increase to 0.5% per annum once the high watermark of net asset value of 284.81p per share is regained.

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

### 2. MANAGEMENT AND ADMINISTRATION FEES (CONTINUED)

was last paid in respect of the 12 month period to 30 June 2007. As at that date the equity holders' funds were £279.0m. In calculating any performance fee payable, the value of all holdings in companies managed or advised by the Investment Manager from which it receives a management fee are removed from the calculation in order that any such fee is charged solely on the performance of the portfolio excluding those investments.

For the period to 31 December 2014, the attributable shareholders' funds were below the high watermark and therefore no performance fee has been accrued. The final amount payable is dependent upon the performance of the Company in the year to 30 June 2015.

ICM also provides company secretarial services to the Company, with the Company paying one-third of the costs associated with this post.

F&C Management Limited ("F&C") provides accounting, 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.

### 3. TAXATION

The revenue taxation charge of £226,000 (31 December 2013: £13,000 and 30 June 2014: £360,000) relates to overseas taxation suffered on dividend income. The capital taxation charge of £nil (31 December 2013: £21,000 and 30 June 2014: £22,000) relates to Bermuda overseas investment taxation.

### 4. EARNINGS PER ORDINARY SHARE

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

	Six months to 31 Dec 2014	Six months to 31 Dec 2013	Year to 30 Jun 2014
	£'000s	£'000s	£'000s
Revenue	2,558	2,268	6,973
Capital	(5,841)	3,840	19,683
<b>Total</b>	<b>(3,283)</b>	6,108	26,656
	<b>Number</b>	Number	Number
Weighted average number of shares in issue during the period for earnings per share calculations	<b>99,157,214</b>	99,157,214	99,157,214



## NOTES ON THE ACCOUNTS (continued)

### 5. DIVIDENDS

GROUP AND COMPANY	Record date	Payment date	31 Dec 2014 £'000s	31 Dec 2013 £'000s	30 Jun 2014 £'000s
2013 Final of 3.75p	04 Oct 2013	18 Oct 2013	-	3,719	3,719
2014 First quarterly interim of 1.875p	08 Nov 2013	22 Nov 2013	-	1,859	1,859
2014 Second quarterly interim of 1.875p	07 Mar 2014	21 Mar 2014	-	-	1,859
2014 Third quarterly interim of 1.875p	30 May 2014	13 Jun 2014	-	-	1,859
2014 Fourth quarterly interim of 1.875p	22 Aug 2014	08 Sep 2014	<b>1,859</b>	-	-
2015 First quarterly interim of 1.875p	28 Nov 2014	19 Dec 2014	<b>1,859</b>	-	-
			<b>3,718</b>	5,578	9,296

The Directors have declared a second quarterly dividend in respect of the year ending 30 June 2015 of 1.875p per ordinary share payable on 20 March 2015 to shareholders on the register at close of business on 27 February 2015. The total cost of this dividend, which has not been accrued in the results for the six months to 31 December 2014, is £1,859,000 based on 99,157,214 ordinary shares in issue at the date of this interim report.

### 6. INVESTMENTS

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
<b>Investments at 30 June 2014</b>				
Cost	339,358	-	73,612	<b>412,970</b>
Losses	(1,392)	-	(9,040)	<b>(10,432)</b>
Valuation	337,966	-	64,572	<b>402,538</b>
Movements in the period:				
Transfer to level 1*	2,514	-	(2,514)	-
Purchases at cost	16,707	-	23,215	<b>39,922</b>
Sales:				
- proceeds	(45,050)	-	(12,791)	<b>(57,841)</b>
- realised net gains/(losses) on sales	2,787	-	(213)	<b>2,574</b>
(Losses)/profits on investments held at year end	(18,713)	-	15,117	<b>(3,596)</b>
Valuation at 31 December 2014	296,211	-	87,386	<b>383,597</b>
Analysed at 31 December 2014				
Cost	314,694	-	82,931	<b>397,625</b>
(Losses)/gains	(18,483)	-	4,455	<b>(14,028)</b>
Valuation	296,211	-	87,386	<b>383,597</b>

\* Transfer due to listing of investee companies.

## NOTES ON THE ACCOUNTS (continued)

### 7. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP	31 Dec 2014		
	Current assets £'000s	Current liabilities £'000s	Net current assets/ (liabilities) £'000s
Forward foreign exchange contracts – GBP/AUD	126	–	126
Forward foreign exchange contracts – GBP/EUR	194	–	194
Forward foreign exchange contracts – GBP/NZD	–	(1,159)	(1,159)
Total derivative financial instruments	320	(1,159)	(839)
Classified as:	£'000s	£'000s	£'000s
Level 2	320	(1,159)	(839)

#### Changes in derivatives

Total net current derivative financial instruments are as follows:

	31 Dec 2014 £'000s
Valuation brought forward	(825)
Net acquisitions	–
Settlements	(1,152)
Gains	1,138
Valuation carried forward	(839)

### 8. ORDINARY SHARE CAPITAL

Equity share capital:	Authorised		Issued and fully paid	
	Number	£'000s	Number	£'000s
Ordinary shares of 10p each				
<b>Balance at 30 June 2014 and 31 December 2014</b>	250,000,000	25,000	99,157,214	9,916

No ordinary shares have been bought back since the end of the period under review.

### 9. NET ASSET VALUE PER SHARE

Net asset value per ordinary share is based on net assets at the period end of £157,439,000 (31 December 2013: £147,610,000 and 30 June 2014: £164,440,000) and on 99,157,214 ordinary shares in issue at the period end (31 December 2013 and 30 June 2014: 99,157,214).

### 10. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 Dec 2014 £'000s	31 Dec 2013 £'000s	30 Jun 2014 £'000s
(Loss)/profit before taxation	(3,057)	6,142	27,038
Adjust for non-cash flow items:			
Losses/(gains) on investments	1,022	(9,500)	(36,709)
(Gains)/losses on derivative financial instruments	(1,138)	(1,177)	2,247
Exchange (gains)/losses	(1,261)	(181)	483
Non cash flow income	(178)	(322)	(1,617)
(Increase)/decrease in accrued income	(911)	902	794
Increase in other debtors	(28)	(5)	(3)
Decrease in creditors	(157)	(110)	(376)
ZDP share finance costs	7,234	6,966	14,234
Tax on overseas income	(226)	(13)	(360)
Overseas investment taxation	–	(21)	(22)
	4,357	(3,461)	(21,329)
Cash flows from operating activities	1,300	2,681	5,709

### 11. OPERATING SEGMENTS

The Directors are of the opinion that the Group's activities comprise a single operating segment, namely that of investing in equity, debt and derivative securities to maximise shareholder returns.

## NOTES ON THE ACCOUNTS (continued)

### 12. RELATED PARTY TRANSACTIONS

On 11 September 2014 Michael Collier resigned as a Director of the Company and Graham Cole was appointed as a Director of the Company. With effect from 1 July 2014 the fees paid to the Directors were increased as set out on page 16 of this interim report.

The following transactions were carried out during the period to 31 December 2014 between the Group and its related parties (as disclosed in the annual accounts for the year ended 30 June 2014 on page 82):

Zeta – Working capital loans US\$16.0m and NZ\$2.0m were advanced to Zeta

BFIC – Working capital loans of US\$1.3m were advanced to BFIC

Somers – US\$3.5m was advanced to and repaid by Somers during the period. Utilico exercised 240,746 warrants for a total payment of US\$3.5m, resulting in the issuance of 240,746 ordinary shares

Platform Technology Limited – Utilico advanced a further £0.5m to Newtel Holdings Limited  
Vix Technology – Proceeds of A\$4.8m received for the sale of CCRTT

Vix Limited – Utilico exercised options over 12,250,000 DTI shares held by Vix Limited, for a total cost of US\$2.2m and options over 22,000,000 Touchcorp shares held by Vix Limited, for a total cost of US\$8.7m. During the period, Utilico advanced US\$5.0m to Vix Limited and Vix Limited returned US\$7.4m to Utilico in cash and in kind.

In addition Westhouse Securities Limited (“Westhouse”) is also considered a related party: Westhouse – £1.8m advanced to Westhouse; £0.8m repaid during the period.

There have been no other changes in related party relationships, as set out in the annual report for the year ended 30 June 2014 and no other significant changes to related party transactions post 30 June 2014.

### 13. FINANCIAL RISK MANAGEMENT – LEVEL 3 FINANCIAL INSTRUMENTS

#### Valuation methodology

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 have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. The Level 3 assets comprise a number of loans to listed companies and investments in unlisted companies at various stages of development and each has been assessed based on its industry, location and business cycle. Where sensible, the Directors have taken into account observable data and events to underpin the valuations. All unlisted valuations which are based on observable data have been discounted by 20.0% – 30.0% to reflect the unlisted nature of the investment.

### 13. FINANCIAL RISK MANAGEMENT – LEVEL 3 FINANCIAL INSTRUMENTS (CONTINUED)

#### Zeta – Bermuda incorporated – Loan

**Valuation inputs:** Gross asset to gross debt cover of over 2 times.

**Valuation methodology:** The asset cover and nature of Zeta’s portfolio is such that the loans are carried at book value plus accrued interest.

**Sensitivities:** Should Zeta’s assets increase/decline by 10.0% there would be no impact on Utilico’s loans to Zeta.

#### Vix Technology – Bermuda incorporated

**Valuation inputs:** Current Year EV/EBITDA 8.6 times plus free cash of A\$5.0m (prior year: 8.8 times plus the share price of non-strategic investment in CCRTT of HK\$1.78, being CCRTT’s closing bid price on 30 June 2014). Unlisted discount applied 20.0% (prior year: 30.0%).

**Valuation methodology:** Vix Technology has been valued based on peer comparisons and in particular EV/EBITDA. Listed peer valuations average 8.6 times for 2015 (8.8 times for 2014). To this can be added free cash of A\$5.0m. Together and after applying a 20.0% discount the valuation is A\$80.0m. Utilico holds a 39.8% equity interest in Vix Technology and as at 31 December 2014 carried this investment at A\$31.8m; £16.7m (at 30 June 2014 this was at A\$34.9m; £19.7m).

**Sensitivities:** Should the EBITDA of Vix Technology move by A\$1.0m the gain or loss in valuation would be £1.4m. Should the peer group multiple ascribed to Vix Technology’s EBITDA be reduced/increased by 1.0 the gain or loss on valuation for Utilico would be £1.8m.

#### Touchcorp – Bermuda incorporated

**Valuation inputs:** Average of peer EV/EBITDA multiples at 31 December 2014 being 12.4 times, (prior half: recent trade; prior year: independent valuation). An unlisted discount of 30.0% has been applied.

**Valuation methodology:** Touchcorp has been valued based on an average listed peer EV/EBITDA multiple applied against the midpoint of Touchcorp’s forecast at 31 December 2014 and 2015 EBITDA. Peer EV/EBITDA multiples ranged from 4.2 to 15.0 (average 12.4). Whilst Touchcorp is a smaller business, it is experiencing higher revenue growth than its peers with similar EBITDA margins. Using the average EV/EBITDA multiple for peers implies a valuation of A\$28.8m for Utilico’s holding based on 2014 and 2015 Touchcorp forecast EBITDA. A 30.0% unlisted discount is applied to the midpoint of these values, resulting in a final valuation of Utilico’s holding of A\$20.2m.

**Sensitivities:** Should the 2014 EBITDA of Touchcorp increase (or decrease) by A\$1.0m, the valuation of Touchcorp (and Utilico’s holding valuation) will increase (or decrease) by 5%.

## NOTES ON THE ACCOUNTS (continued)

### 13. FINANCIAL RISK MANAGEMENT – LEVEL 3 FINANCIAL INSTRUMENTS (CONTINUED)

#### Seacrest Limited (“Seacrest”) – Bermuda incorporated

**Valuation inputs:** The unlisted investment comprises an equity interest in Seacrest and a carried interest in the management fee for Seacrest. The company's sole asset is its holding in Azimuth, a JV between Seacrest and PGS (the listed Norwegian seismic data service company). Westhouse undertook a valuation of Seacrest, both in February 2013 and May 2014. The approach was similar in both years. The two valuation outcomes are a market valuation (based on a relevant peer group) of US\$81.3m and a strategic value of US\$145.0m. A new valuation has been requested and will incorporate the change in the oil price and may as a result impact on valuation.

**Valuation methodology:** Utilico marked its valuation to the market valuation derived from the Westhouse report of US\$12.8m (£9.3m) for Utilico's interests in Seacrest.

**Sensitivities:** Given Azimuth is an exploration company its risks are significant in both directions. Should commercially recoverable oil not be discovered then the value will fall to nil. Should substantial commercially recoverable oil be discovered the valuation uplifts are significant.

#### Coldharbour Marine Limited (“CHM”) – UK incorporated

**Valuation inputs:** The holding in CHM is included at fair value to Utilico in both the years to 30 June 2013 and 2014.

**Valuation methodology:** During the period CHM has raised £7.0m from external investors (excluding Utilico) at £25.29 per share. Utilico marked its valuation up to £17.70 per share, representing a 30.0% discount to £25.29.

**Sensitivities:** CHM is developing a new technology and is reliant on the adoption of regulations to enforce its use. Should CHM fail to develop its technology or the regulations are not adopted, the downside is significant. Should both these hurdles be met the upside could equally be significant.

#### Vix Limited – Bermuda incorporated

**Valuation inputs:** Sum-of-the-parts valuations range from transactions through to peer group matrices.

**Valuation methodology:** Utilico has a 39.8% interest in Vix Limited and was valued at US\$9.7m. Utilico has loans to Vix Limited amounting to US\$4.9m; together £9.4m.

**Sensitivities:** The underlying portfolio is ungeared in nature. As such a move of 10.0% in Vix Limited's assets would result in a move of 10.0% in Utilico's position. Material investments include Optal Limited and Touchcorp Limited who have both had positive years.

### 13. FINANCIAL RISK MANAGEMENT – LEVEL 3 FINANCIAL INSTRUMENTS (CONTINUED)

#### Renewable Energy Holdings plc (“REH”) Isle of Man incorporated

**Valuation inputs:** The unlisted holding in REH comprises two loans which are both carried at fair value. These loans accrue interest and have substantial success fees attached to them. The key asset is the “Sweetlamb” Welsh wind farm development.

**Valuation methodology:** Utilico's loans have been valued at £2.8m. The potential valuation is based on expected planning approval for 81.0MWs and a value per consented market value per MW of £500,000 and would be worth £22.3m to REH and in turn £13.6m to Utilico. Failure to be consented would result in nil value to REH and would significantly impact on Utilico's ability to recover its loan in full.

**Sensitivities:** Each MW gain/(loss) on the 81.0MW applied would result in a gain/(loss) of £275,000 to REH after direct costs. Each £50,000 gain/(loss) per consented MW would result in a gain/(loss) for REH of £4.0m.

### 14. RESULTS

The condensed set of financial statements, forming the half-year accounts, has been neither audited nor reviewed by the Company's auditors. The latest published accounts are for the period ended 30 June 2014; the report of the auditors thereon was unqualified. The condensed financial statements shown above for the period ended 30 June 2014 are an extract from those accounts.

## COMPANY INFORMATION

### Directors

Dr Roger Urwin CBE (*Chairman*)  
Peter Burrows AO  
Graham Cole  
Warren McLeland  
Eric Stobart

### Registered Office

19 Par-la-Ville Road  
Hamilton HM 11  
Bermuda  
Company registration number: 39480

### Investment Manager and Secretary

ICM Limited  
1st Floor  
19 Par-la-Ville Road  
Hamilton HM11  
Bermuda

### Assistant Secretary

BCB Charter Corporate Services Limited  
19 Par-la-Ville Road  
Hamilton HM11  
Bermuda

### UK Broker

Westhouse Securities Limited  
110 Bishopsgate  
London EC2N 4AY  
*Authorised and regulated in the UK  
by the Financial Conduct Authority*

### Bankers

Scotiabank Europe PLC  
201 Bishopsgate  
London EC2M 3NS

### Auditor

KPMG LLP  
15 Canada Square  
London E14 5GL

### Solicitors

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

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

### Administrator

F&C Management Limited  
Exchange House  
Primrose Street  
London EC2A 2NY

*Authorised and regulated in the UK  
by the Financial Conduct Authority*

### Custodians

JPMorgan Chase Bank N.A.  
125 London Wall  
London EC2Y 5AJ  
Bermuda Commercial Bank Limited  
19 Par-la-Ville Road  
PO Box HM1748  
Hamilton HM GX  
Bermuda

### Registrar

Computershare Investor Services  
(Bermuda) Ltd  
Corner House  
Church and Parliament Street  
Hamilton HM FX  
Bermuda  
Telephone: 0870 707 4040

### Registrar to the Depositary Interests and CREST Agent

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

### RELATED LINKS

#### PORTFOLIO

Utilico Emerging Markets Limited  
[www.uem.bm](http://www.uem.bm)

Infratil Limited  
[www.infratil.com](http://www.infratil.com)

Somers Limited  
[www.somersltd.bm](http://www.somersltd.bm)

Zeta Resources Limited  
[www.zetaresources.co](http://www.zetaresources.co)

Resolute Mining Limited  
[www.rml.com.au](http://www.rml.com.au)

Bermuda First Investment Company Limited  
[www.bfic.bm](http://www.bfic.bm)

Vix Technology  
[www.vixtechnology.com](http://www.vixtechnology.com)

Augean plc  
[www.augeanplc.com](http://www.augeanplc.com)

Touchcorp Limited  
[www.touchcorp.com](http://www.touchcorp.com)

#### INVESTMENT MANAGER

ICM Limited  
[www.icm.bm](http://www.icm.bm)

## HISTORICAL PERFORMANCE

	31 Dec 2014	30 Jun 2014	30 Jun 2013 <sup>(1)</sup>	30 Jun 2012	30 Jun 2011	30 Jun 2010	30 Jun 2009	30 Jun 2008 <sup>(2)</sup>	30 Jun 2007 <sup>(3)</sup>	30 Jun 2006	30 Jun 2005 <sup>(1)</sup>	30 June 2004	% change Jun – Dec 2014
<b>Ordinary shares</b>													
NAV per ordinary share ( <i>pence</i> )	<b>158.78</b>	165.84	148.33	209.67	201.63	166.39	146.87	225.20	350.29	222.35	186.07	120.20	<b>(4.3)</b>
Ordinary share price ( <i>pence</i> )	<b>110.50</b>	128.00	130.00	144.00	147.25	116.50	117.00	234.00	299.00	180.25	159.25	107.50	<b>(13.7)</b>
Discount/(premium) (based on diluted NAV per ordinary share) (%)	<b>30.4</b>	22.8	12.4	31.3	27.0	30.0	20.3	(3.9)	4.2	4.0	2.2	6.0	<b>n/a</b>
FTSE All-Share Total Return Index	<b>5,449</b>	5,471	4,837	4,101	4,234	3,370	2,782	3,499	4,023	3,396	2,840	2,392	<b>(0.4)</b>
<b>Returns and dividends (<i>pence</i>)</b>													
Revenue return per ordinary share (undiluted)	<b>2.58</b>	7.03	12.06	11.99	7.65	10.49	2.77	3.56	1.84	0.89	1.65	1.68	<b>n/a</b>
Capital return per ordinary share (undiluted)	<b>(5.89)</b>	19.85	(63.65)	2.73	26.05	21.15	(82.62)	(103.32)	178.01	35.50	65.48	36.45	<b>n/a</b>
Total return per ordinary share (undiluted)	<b>(3.31)</b>	26.88	(51.59)	14.72	33.70	31.62	(79.85)	(99.76)	179.85	36.39	67.13	38.13	<b>n/a</b>
Dividend per ordinary share	<b>3.75</b>	7.50	10.00 <sup>(4)</sup>	7.00	8.25	–	–	–	0.80	0.40	1.90	1.60	<b>n/a</b>
Capital distribution per ordinary share	–	–	–	–	–	12.00	–	–	–	–	–	–	<b>n/a</b>
<b>ZDP shares<sup>(5)</sup> (<i>pence</i>)</b>													
<b>2014 ZDP shares (repaid 31 October 2014)</b>													
Capital entitlement per 2014 ZDP share	<b>n/a</b>	163.70	152.64	142.33	132.69	123.72	115.37	107.57	100.29	n/a	n/a	n/a	<b>n/a</b>
2014 ZDP share price	<b>n/a</b>	166.25	158.50	154.00	142.75	129.50	116.50	108.50	103.25	n/a	n/a	n/a	<b>n/a</b>
<b>2016 ZDP shares</b>													
Capital entitlement per 2016 ZDP share	<b>169.57</b>	163.70	152.64	142.33	132.69	123.72	115.37	107.57	100.29	n/a	n/a	n/a	<b>3.6</b>
2016 ZDP share price	<b>183.25</b>	177.13	165.50	148.50	133.50	108.75	102.50	103.75	103.00	n/a	n/a	n/a	<b>3.5</b>
<b>2018 ZDP shares</b>													
Capital entitlement per 2018 ZDP share	<b>122.75</b>	118.50	110.50	103.03	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>3.6</b>
2018 ZDP share price	<b>137.25</b>	128.25	113.38	104.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>7.0</b>
<b>2020 ZDP shares</b>													
Capital entitlement per 2020 ZDP share	<b>102.97</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>n/a</b>
2020 ZDP share price	<b>108.50</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>n/a</b>
<b>Equity holders funds (<i>£m</i>)</b>													
Gross assets <sup>(6)</sup>	<b>373.9</b>	399.1	383.0	434.5	408.7	334.2	288.9	414.6	454.6	270.1	229.8	163.0	<b>(6.3)</b>
Bank debt	<b>50.0</b>	22.2	42.5	–	30.9	29.3	17.0	69.2	44.8	55.0	41.8	30.2	<b>125.2</b>
ZDP shares	<b>166.5</b>	212.5	193.4	224.4	172.8	161.2	145.1	140.2	130.8	51.8	48.3	45.6	<b>(21.6)</b>
Other debt	–	–	–	1.2	3.5	–	–	–	–	–	–	–	–
Equity holders' funds	<b>157.4</b>	164.4	147.1	208.9	201.5	143.7	126.8	205.2	279.0	142.7	119.4	77.2	<b>(4.3)</b>
<b>Revenue account (<i>£m</i>)</b>													
Income	<b>4.1</b>	10.4	16.2	15.9	11.9	13.8	8.5	10.5	8.4	6.9	6.5	3.8	<b>n/a</b>
Costs (management and other expenses)	<b>0.9</b>	2.1	3.2	3.0	2.9	2.4	2.4	3.1	2.6	2.2	1.9	1.3	<b>n/a</b>
Finance costs	<b>0.5</b>	0.9	0.8	0.8	2.0	1.4	2.6	3.6	4.1	3.6	3.2	1.2	<b>n/a</b>
<b>Financial ratios of the Group (%)</b>													
Revenue yield on average gross assets	<b>2.1<sup>(8)</sup></b>	2.6	4.2	4.0	3.1	4.2	2.6	2.3	2.3	2.8	3.1	2.8	–
Ongoing charges figure	<b>2.3<sup>(8)</sup></b>	2.2 <sup>(7)</sup>	1.8 <sup>(7)</sup>	1.7 <sup>(7)</sup>	2.0 <sup>(7)</sup>	0.7	0.8	0.7	0.7	0.9	0.9	1.0	–
Bank loans, net bank overdraft, other loans, CULS and ZDP shares gearing on net assets	<b>143.1<sup>(8)</sup></b>	144.4	160.4	108.0	102.8	132.6	127.9	102.0	62.9	89.3	92.5	111.1	–

(1) Restated figures for changes in accounting policies

(2) Restated consolidating GERP

(3) 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

(4) Includes the special dividend of 2.50p per share

(5) Issued by Utilico Finance Limited, a wholly owned subsidiary of Utilico Investments Limited

(6) Gross assets less current liabilities excluding loans

(7) The ongoing charges figure is expressed as a percentage of average net assets. Ongoing charges comprise all operational and recurring costs that are payable by the Group or suffered within underlying investee funds, in the absence of any purchases or sales of investments, excluding performance fee and income not receivable

(8) For comparative purposes the figures have been annualised