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Utilico Emerging Markets Trust plc

Utilico Emerging Markets Limited
Statement of Results
for the year to 31 March 2018

HIGHLIGHTS OF RESULTS

- Net asset value ("NAV") total return per ordinary share of 6.6%
- NAV of 247.22p per ordinary share, up 2.5%
- Revenue earnings (diluted) per ordinary share of 9.04p, up 17.4%
- Dividends per ordinary share increased to 7.00p, up 5.3%

NOTABLE DEVELOPMENTS

- Ongoing charges reduced to 1.0%, of average net assets (no performance fee)
- Subscription shares raised net proceeds of £51.6m
- Invested £187.1m and realised £198.6
- Bank debt repaid in full

Charles Jillings, Investment Manager of UEM commented:

"UEM's performance continues to be driven by bottom-up stock selection. The portfolio is predominantly invested in relatively liquid, cash-generative companies with long-duration assets that we believe are structurally undervalued and offer excellent total returns. Since inception over 10 years ago, UEM's track record of performance is proven and we have every confidence that we will continue to find investments offering attractive, long-term returns for UEM in its new UK-domiciled home as Utilico Emerging Markets Trust plc."

GROUP PERFORMANCE SUMMARY

	31 March 2018	31 March 2017	**Change % 2018/17**
Total return[1] (annual) (%)	**6.6**	26.2	n/a
Annual compound total return[2] (since inception) (%)	**11.7**	12.1	n/a
NAV per ordinary share (pence)	**247.22**	241.29[3]	2.5
Ordinary share price (pence)	**212.00**	214.50	(1.2)
Discount (%)	**(14.2)**	(11.1)	n/a
Earnings per ordinary share (diluted)(pence)			
- Capital	**4.53**	43.90	(89.7)
- Revenue	**9.04**	7.70	17.4
Total	**13.57**	51.60	(73.7)
Dividends per ordinary share (pence)			
- 1st Quarter	**1.700**	1.625	4.6
- 2nd Quarter	**1.700**	1.625	4.6
- 3rd Quarter	**1.800**	1.700	5.9
- 4th Quarter	**1.800**	1.700	5.9
Total	**7.000**	6.650	5.3
Equity holders' funds (£m)	**579.8**	532.2	8.9
Gross assets[4](£m)	**579.8**	579.0	0.1
Ordinary shares bought back (£m)	**21.9**	10.0	119.0
Cash (£m)	**8.1**	15.3	(47.1)
Bank debt (£m)	**-**	(46.8)	(100.0)
Net cash/(debt) (£m)	**8.1**	(31.5)	(125.7)
Net cash/(debt) gearing on gross assets (%)	**(1.4)**	5.4	n/a
Management and administration fees and other expenses (£m)			
- excluding performance fee	**5.7**	5.2	9.6
- including performance fee	**5.7**	14.3	(60.1)
Ongoing charges figure[5](%)			
- excluding performance fee	**1.0**	1.1	n/a
- including performance fee	**1.0**	2.9	n/a

(1) Total return is calculated based on NAV per ordinary share plus dividends reinvested from the payment date and adjusted for the exercise of subscription shares
(2) Annual compound total return is calculated based on NAV per ordinary share plus dividends reinvested from the payment date and adjusted for the exercise of warrants and subscription shares
(3) Diluted NAV per ordinary share
(4) Gross assets less liabilities excluding loans
(5) Expressed as percentage of average net assets, ongoing charges comprise all operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments

CHAIRMAN'S STATEMENT

I am pleased to report that UEM has continued to deliver a positive performance in the second half of the financial year, achieving an NAV total return per ordinary share (adjusted for the exercise of subscription shares) of 6.6% for the full year to 31 March 2018.

The past year has presented a challenging investment climate for UK domestic emerging markets investors. Although most emerging markets were strong over the past twelve months, this was partly offset by a relative weakening of emerging market currencies against Sterling which accelerated in the second half of the year. At the same time, volatility, which had been at unprecedentedly low levels for most of 2017, picked up significantly at the start of 2018. This was triggered by geopolitical concerns and trade skirmishes initiated by the USA (Trump administration), which heightened market risk. In this context the relatively stable positive performance at UEM is a good achievement.

While the current year's performance of 6.6% is behind the MSCI Emerging Markets Total Return Index (GBP adjusted) ("MSCI") of 11.6%, over a three-year period, UEM's return of 36.8% is marginally ahead of the MSCI return of 36.3%. The short-term relative performance mainly reflects the sectoral bias of UEM's portfolio, which is predominantly invested in defensive infrastructure and utility companies, whereas the MSCI is dominated by more cyclical sectors such as information technology, financials and consumer related companies. Indeed, as at 31 March 2018, the four largest constituents of the index were technology companies: Tencent Holdings, Samsung Electronics, Alibaba Group and TSMC, accounting for 17.1% of the MSCI Index. Over five and ten years, UEM's total return has been 48.5% and 125.0% respectively, comfortably ahead of the MSCI, at 38.1% and 90.6%. UEM continues to receive strong industry recognition, including being selected again as one of Money Observer's rated funds for 2018.

Emerging market economies have been encouragingly strong in the year to 31 December 2017. After a two-year recession, Brazil's GDP growth returned to positive territory at 1.0%. China's reported GDP growth accelerated to 6.9% driven by external trade and household consumption. The Romanian economy grew at 6.8%, the fastest in the EU, as a result of higher private consumption. India's GDP growth of 6.4% reflected a strong pick-up in fixed investment, which offset the impact of demonetisation. Argentina's GDP growth of 2.9% belies the positive impact of the structural reforms being implemented by the Macri government in an effort to normalise the economy. Across most geographies in which UEM invests, the strong economic growth has translated into major market indices moving higher.

While GDP growth has been robust, inflation has remained relatively subdued. This environment is highly supportive for corporate earnings and valuations, and was evident in the financials of UEM's investee companies. The profile of UEM's investments remains largely the same, i.e. businesses that are predominantly profitable, dividend-paying, cash generative and offering attractive long-term total returns. These investee companies continued to deliver steady growth in income and revenue earnings per share for UEM, increasing by 17.4% to 9.04p. This is particularly pleasing given that this is after the combined impact of the increased number of shares in issue (following the exercise of subscription shares) and also the currency headwinds from Sterling's appreciation. The Board has declared four quarterly dividends totalling 7.00p, an uplift of 5.3% in the year, with dividends remaining fully covered by income. Ongoing charges were 1.0%, slightly lower than each of the previous three years and there was no performance fee.

In September 2015 UEM announced (and the shareholders approved) a one-for-five bonus issue of subscription shares. In February 2018 the final tranche of the subscription shares were exercised, with a net total of 24.1m ordinary shares issued. Combined with the 4.1m subscription shares exercised in August 2017, a net total of 28.2m subscription shares were exercised, raising net proceeds of £51.6m for UEM.

Despite the steady performance of the portfolio for the period and an attractive dividend yield of 3.3%, UEM's share price discount to NAV remains persistently high at 14.2%. The Board keeps this under constant review. As a newly incorporated company, Utilico Emerging Markets Trust plc ("UEM Trust") is currently unable to buy back shares. UEM Trust expects to complete the requirements to create distributable reserves to enable the buy back of shares during the next quarter. Traditionally the managers have bought back shares if the discount widens over 10.0%. Since inception, the Company has bought back 42.8m ordinary shares totalling £71.5m. This includes 9.8m ordinary shares and 4.9m subscription shares at a total cost of £23.8m in the year to 31 March 2018, with an average price of 222.80p for the ordinary shares and 38.62p for the subscription shares.

In November 2017 the Board announced that it was considering options for a possible change in the Company's domicile. Following a review, the Board concluded that it was in the Company's best interests to re-domicile to the United Kingdom from Bermuda via a scheme of arrangement. This was approved by shareholders at a subsequent Scheme meeting. On 3 April 2018, 234,508,636 ordinary shares of Utilico Emerging Markets Trust plc were admitted to listing on the premium listing segment of the Official List of the London Stock Exchange.

UEM Trust is hopeful, as a UK based investment trust with the premium listing (seen as the 'gold standard' for investment companies), that this move has the potential to improve investor perception and accordingly narrow the discount.

OUTLOOK

In recent years, markets and economies have continued to benefit from unconventional monetary policies such as quantitative easing and negative real interest rates. However, this pro-cyclical stance is fuelling a rise in inflation, a situation exacerbated by the timing of the Trump administration's tax plan which sees material cuts to US corporate and individual tax rates. At the same time, Trump's announcement of trade tariffs has triggered concerns over protectionism and a potential trade war and the recent G7 Summit has seen a further deterioration in US trade relations. In response, the Fed has started to raise interest rates in the US, with global consequences for the US dollar and cross-border investment flows. And while the improving relationship between North and South Korea seems to have diminished local geopolitical risks, the West continues to be engaged in a worsening diplomatic confrontation with Russia as well as on the ground in Syria.

This backdrop creates market uncertainty, but should be weighed against the significant economic reforms that are being implemented in countries such as Brazil, China, India and Argentina. Labour, Energy and Tax reforms should help unlock productivity growth, bolstering both public finances and company profitability. Corruption is increasingly being confronted – most notably following the "Carwash" scandal in Brazil which has seen one President impeached and the previous President jailed. Corporate governance is improving, ultimately benefitting emerging markets investors such as UEM. However, the market uncertainty has seen significant currency pressures for several emerging markets and particularly Argentina, resulting in Argentina putting in place a favourable facility with the IMF.

It is worth re-emphasising that UEM's performance continues to be driven by bottom-up stock selection. The portfolio is predominantly invested in relatively liquid, cash-generative companies with long-duration assets that the Investment Managers believe are structurally undervalued and offer excellent total returns. Since inception over 10 years ago, UEM's track record of performance is proven and UEM has every confidence that the Investment Managers will continue to find investments offering attractive, long-term returns for UEM in its new UK-domiciled home as Utilico Emerging Markets Trust plc.

John Rennocks
Chairman
14 June 2018

INVESTMENT MANAGER'S REPORT

The year to 31 March 2018 was positive for emerging markets with most indices ending the year higher, such as the Ibovespa Index by 31.4% and the Hang Seng Index by 24.8%. However, this was offset by weaker currencies, with the Brazilian Real and the Hong Kong Dollar, down by 14.8% and 11.7% respectively against Sterling.

UEM was active during the year, exiting a number of top twenty positions and increasing investments particularly in Latin America. Over the past two years the Company's Latin American exposure has increased from 20.2% to 41.3%. Latin America typically offers investments trading on more attractive valuation metrics. It is also worth noting that UEM's portfolio breadth increased with the concentration of investments in the top ten reducing again. Over the last two years the percentage of investments by value in the top ten has reduced from 47.2% to 32.3%.

In the full year to 31 March 2018, UEM raised net proceeds of £51.6m from subscription shares being exercised. This was mainly used to repay the bank debt of £46.2m. UEM ended the year ungeared partially reflecting rising concerns about the wider markets in which UEM invests.

UEM's portfolio is well positioned with its shift to a broader portfolio spread and no UEM balance sheet gearing. The management team continue to travel extensively in order to seek out compelling investments offering excellent returns. As such, it is notable that UEM's portfolio consists of a diverse range of companies which are often under-represented in the MSCI. Our focus remains on delivering positive long-term absolute returns.

PORTFOLIO

UEM's gross assets (less liabilities excluding loans) increased marginally from £579.0m to £579.8m in the year to 31 March 2018, reflecting gains offset by dividends paid and bank debt repaid.

There have been six new entries into the top twenty holdings of the portfolio over the year. **Bolsas Y Mercados Argentinos ("BYMA")**, the Argentine stock exchange, is the fifth largest holding in the portfolio. **Companhia de Gas de Sao Paolo ("Comgas")**, a Brazilian gas distribution company, is the seventh largest position as at 31 March 2018. **Energisa S.A. ("Energisa")**, a Brazilian electricity distribution company, is the eighth largest position. **Enel Americas**, a Brazilian electricity company with assets across Latin America is in eighteenth position in the portfolio. **Pampa Energia S.A. ("Pampa")**, an Argentine integrated energy company is in nineteenth position in the portfolio and **Enel Chile**, a Chilean electricity company is in twentieth position.

Dropping out of the top twenty and exiting the portfolio in its entirety were Eastern Water Resources Development and Management PCL ("Eastwater") which was the fourth largest position in the portfolio last year; China Gas Holdings Limited ("China Gas") which was the fifth largest position and MyEG Services Berhad ("MyEG") which was the sixteenth position, and have all been outstanding performers. The following investments were scaled back and are no longer top twenty holdings; SJVN Limited which was fourteenth; Power Grid Corporation of India Limited was nineteenth; and Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. which was twentieth.

Brazil remains UEM's largest country exposure, increasing from 19.6% to 23.1% of the portfolio.

Ocean Wilsons Holdings Limited ("Ocean Wilsons") had a lacklustre share price performance for 2017, up only by 5.9% despite a sound performance by its operating subsidiary Wilson Sons. Wilson Sons, the Brazilian port and shipping service provider, saw combined revenues at its two container terminals Tecon Rio Grande and Tecon Salvador increase by 26.3% benefiting from a 3.7% increase in volumes along with a more favourable sales mix arising from an increase in import and cabotage flows. The towage business saw revenues for the period stay relatively flat with harbour manoeuvres increasing marginally by 2.4%, which given the downturn evident in the Brazilian offshore sector is a respectable result. Nevertheless, the shipyard continues to suffer on the back of weakness in the offshore oil and gas markets whilst the logistics sector benefited from increased demand for bonded warehousing space. The wholly owned investment portfolio, Ocean Wilsons Investment Limited ("OWIL") saw an improvement during 2017 as funds under management increased by 14.2% with a net return of 16.5%. However, performance still lagged global and emerging market performance for the year. Consolidated revenue for the period rose by 8.6%, EBITDA grew 10.7% and normalised net income was up 24.0%. The improvement in OWIL and the operating cash flow from Wilson Sons led to an 11.1% increase in the dividend to USD 0.70 per share. During the period, UEM decreased its holding in Ocean Wilson by 10.3%. As at 31 March 2018, Ocean Wilsons' discount to NAV was 29.8%. UEM are discussing with management how the narrowing of this discount is being addressed.

Alupar Investimento S.A.'s ("Alupar") share price declined by 12.7% in the year to 31 March 2018. After a particularly active year winning BRL 4.1bn of new transmission line projects in calendar 2016, this past year has been comparatively quiet with Alupar winning only one auction with an investment of BRL 894m. This reflects Alupar's strong capital discipline as it declined to chase lower return projects in a very competitive bidding environment. The combination of lower inflation in Brazil – to which Alupar's regulated revenues are directly linked – and some of its concessions approaching 15 years of operation, at which point regulated revenues are halved, resulted in group revenues in its financial year ended 31 December 2017 declining by 1.0%. EBITDA also posted a decrease of 7.3%, but lower interest costs on inflation-linked debt and the impact of tax benefits resulted in normalised earnings growing 36.6%. Dividends per share fell 32.7% as Alupar is keen to preserve cash to fund the material investments being made in new concessions which will see Alupar increase its network kilometres by 50% by 2021. In the year to 31 March 2018 UEM increased its position in Alupar by 9.7%.

Comgas is a new entry to the top twenty, although it could be considered a re-entry given it previously appeared in the top ten back in 2009. Having divested the position entirely over five years ago, UEM re-initiated a shareholding at the start of 2016 and has been steadily accruing shares since. Comgas is the dominant gas distribution company in Sao Paulo, with 1.2m connections and a pipeline network of over 14,000km. It is regulated by the Sao Paulo State Sanitation and Energy Regulatory Agency (ARSESP) under five-year regulatory cycles. In 2014 the planned tariff revision for 2014-19 was postponed and subsequently Comgas has been receiving adjustments for inflation and input gas costs, whilst pursuing the formal tariff review process through the Courts.

In its financial year to 31 December 2017 Comgas reported piped gas volumes up 4.2% year-on-year, with stronger growth evident in residential and commercial demand partly offset by more subdued industrial demand. Industrial demand accounts for almost 80% of volumes delivered by Comgas. This volume growth was fully offset by a 6.8% decline in effective tariffs as Comgas had accrued a net surplus in its regulatory account in previous periods and this over-recovery is now being drawn back down. As a result, group revenues fell 2.1% and reported EBITDA by 22.7%. If one were to adjust for the over-recovery implicit in the tariff, normalised EBITDA grew 18.6% and normalised earnings 38.3%. Dividends per share paid in the period fell 18.6% though this in part reflects an extraordinary dividend paid in Q1 2016. In the twelve months under review Comgas' share price increased by 26.3% and UEM increased its position by 103.0%.

Energisa is also a new entrant into the top twenty, with UEM initiating a position in the company following a public offer of new units in July 2016. Energisa is the sixth-largest electricity distribution company in Brazil with 6.7m customer connections. It has 13 separate concessions spread across nine states in Brazil and is widely viewed as one of the highest-quality operators with a strong track record of financial discipline and surpassing regulatory targets. Its concessions are wholly regulated, and its two largest assets are set to undergo the tariff review process in 2018 which should see a material uplift in its Regulated Asset Base (RAB) and returns.

In its financial year to 31 December 2017, Energisa reported electricity volume growth of 4.0% year-on-year, driven by a combination of new customer connections and increased consumption per household. At the same time, effective tariffs increased by 11.3% as approximately half of its concessions by RAB completed their fourth cycle regulatory reviews, in many cases resulting in double-digit tariff increases. The combination of volume growth and tariff increases meant that group revenues grew 17.9% and EBITDA increased 12.8% and normalised earnings more than doubled, up by 171%. Dividends per unit were materially higher, increasing by over 260%. In the twelve months to 31 March 2018 UEM increased its position in Energisa by 48.4%. Meanwhile the share price has performed well, up by 54.5% during the period under review.

Rumo is Brazil's largest independent rail-based logistics operator. The share price has performed strongly, increasing by 54.0% in the year to 31 March 2018 as the company continues to successfully execute its BRL 8.5bn capex plan and deliver on EBITDA expectations. During the year to 31 December 2017 revenues were up by 18.6% driven by volume growth of 23.4% which when coupled with operating leverage saw EBITDA growth of 36.0%. EBITDA margin subsequently improved to 46.4% from 40.5% in 2016, clearly indicating the improvement in operational efficiency arising from the investments being made in the rail network. Management is still confident that it can reach BRL4.5bn EBITDA in 2020 from the current BRL 2.8bn reported in 2017 and have a number of investment projects underway to ensure that this target can be met. For the year ending 31 December 2017, net income was still negative, given higher depreciation and financial costs due to the implementation of its capex plan. In addition, UEM has an investment in Cosan Logistica which owns 28.5% of Rumo. As at 31 March 2018, Cosan Logistica trades at a 21.5% discount to Rumo.

Enel Americas, a new entrant into the top twenty, is one of the largest privately-owned integrated electricity companies in Latin America with generation, transmission and distribution assets in Argentina, Brazil, Colombia and Peru. UEM has been invested in Enel Americas since 2013 in their pre-demerger guise as Enersis. Italian multinational Enel SpA previously had a complicated cross-shareholding in Enersis, Endesa Chile and Chilectra and in 2016 it completed a wholesale restructuring of the corporate entity resulting in two main Santiago-listed vehicles: Enel Americas and Enel Chile. It has 11.2GW of installed generation capacity, over half of which is hydropower-based and its distribution concessions serve over 17m connections. By geography approximately 44% of revenues are generated in Brazil, 24% in Colombia, 19% in Argentina and 13% in Peru. By business line, 78.1% of revenue is from distribution and 21.9% is from generation. With a range of currency exposures Enel Americas reports in USD. In its financial year ended 31 December 2017, Enel Americas reported electricity generation volume growth of 10.8% with effective tariffs up 1.4%, and distribution volume growth of 18.5% with effective tariffs up 21.2%.

Distribution results were boosted by the acquisition of CELG in Brazil, with underlying volumes slightly declining year-on-year. Overall, group financials were strong, with revenues up 37.1%, EBITDA up 19.0%, and normalised EPS up 39.3%. Dividends per share declined 23.1% as pay-out was reduced to accommodate M&A activity. In the year to 31 March 2018 Enel Americas' share price increased by 2.8% and UEM increased its shareholding in the company by 52.5%.

China (including Hong Kong) is UEM's second largest country exposure at 17.2% of the portfolio, slightly decreasing during the year from 18.5% at 31 March 2017.

Yuexiu Transport Infrastructure Limited ("Yuexiu") had a marginal increase of 0.7% in its share price for the year to 31 March 2018 despite a solid financial performance for the year ending 31 December 2017. Yuexiu's 2017 results were slightly distorted due to one of its road concessions, Xian Expressway, expiring on 30 September 2016 and being transferred to the local government. Excluding this road, toll revenues increased by 17.0% and traffic by 15.6%. Including Xian Expressway, total revenues increased by 9.2% and traffic increased by 1.1%. Adjusted EBITDA growth outpaced revenue growth at 14.9% as stringent cost control was evident, while JV income continues to expand from the five associate toll roads held. Normalised net income, excluding the gain from a port disposal asset in 2016, increased by 17.1% and excluding profit generated from Xian Expressway, net income would have increased by 32.4%. Disappointingly for the year, management failed to increase the dividend pay-out, despite the strong cash flow generated by the business. This is due to the company continuing to look for acquisition opportunities. UEM increased its shareholding in Yuexiu by 32.3% in the period under review.

Shanghai International Airport Co Ltd ("Shanghai Airport") saw a 78.4% increase in its share price over the year to 31 March 2018, driven in part by good results. For the financial year to 31 December 2017, Shanghai Airport saw revenues increase by 16.0%. This was partly driven by a 6.1% increase in passenger numbers, but more encouragingly also due to solid non-aeronautical revenues which over the period increased by 26.1%. This was aided by the expansion of commercial space at Terminal One which completed renovations in Q316. Adjusted EBITDA for the year increased by 26.2% as Shanghai Airport began to benefit from operational leverage as well as management enforcing cost controls. Net income for the period was up by 31.2%. In May 2016, due to an on-time departure rate of below 70%, The Civil Aviation Administration of China enforced the restriction on ad-hoc flights, chartered flights and additional routes. Given that the Shanghai Airport continues to operate with flight restrictions, this was a good performance. In the year under review UEM decreased its holding in Shanghai Airport by 26.1%.

China Resources Gas Group Ltd's ("CR Gas") share price weakened by 0.9% in the year to 31 March 2018. From an operational perspective, CR Gas continues to deliver a very strong performance from its 238 concession areas. In its financial year to 31 December 2017 it grew its customer base by 16.3% to 30.8m connections, with gas volumes delivered increasing 20.9% year-on-year. This volume growth was dominated by strong commercial and industrial demand at 27.9%, while residential demand was also robust posting 10.5% growth. Effective tariffs were only slightly higher than last year and as a result, group revenues increased by 21.0%. Unfortunately, in the critical winter months of the final quarter of 2017, China experienced a gas supply shortage which meant that it had to rely on more expensive LNG supplies. The higher fuel costs were not fully passed through in tariffs, and consequently adjusted EBITDA growth was more modest at 9.0% with normalised net income up 11.1%. CR Gas has been steadily increasing its dividend pay-out ratio and dividends per share grew 22.2%. In the year ended 31 March 2018 UEM increased its position in CR Gas by 7.8%.

APT Satellite Holdings Limited's ("APT") share price decreased by 13.0% in the period under review, echoing the poor share price performances seen in the satellite sector globally due to concerns about excess capacity and the potential impact of technological changes. APT reported a decline in revenues of 1.8% in 2017, but reduced costs to limit its EBITDA decline to 0.3%. APT posted a 2.2% increase in net profit. APT more than doubled its final dividend with respect to the financial year to 31 December 2017. Including the interim dividend, distributions for the year were up by 58.8%. APT successfully launched an upgraded replacement satellites in May 2018, with the launch of a second replacement satellite expected in the next few months. APT should then enter a period of lower capital expenditure. APT remained ungeared (on a net debt basis) at 31 December 2017. APT is also helping to develop a high through-put satellite system to provide maritime and aviation connectivity, to support China's One Belt and One Road Initiative. It has reduced risk on this project by partnering with Chinese partners and limiting its stake to 30% of the joint venture. In the twelve months to 31 March 2018 UEM increased its holding in APT by 3.9%.

Romania remained the third largest country exposure, increasing from 9.9% to 10.8% of the portfolio.

Transgaz S.A.'s ("Transgaz") share price increased by 7.4% in the year to 31 March 2018. During the year under review the Romanian government (Transgaz's major shareholder) gave the green light for the commencement of works on the new 480km pipeline connecting Bulgaria and Hungary. This is a significant investment scheduled for commissioning by end-2019 which should materially increase Transgaz's regulated asset base and boost longer-term returns for the company. In its financial year to 31 December 2017 a severe winter season meant that domestic gas volumes transmitted grew by 6.6%, while losses remained low at just 0.73%. Tariffs continue to see an increased fixed component versus volumetric component, reducing seasonality, though effective tariffs for Transgaz fell by 7.7% as the regulator sought to claw back excess profits made in the previous regulatory year. As such, domestic transport revenues declined 1.6%, more than offsetting gas transit revenues which were up 1.4%. Overall, group revenues fell by 3.7%, but good cost control meant EBITDA and normalised earnings were broadly sustained, down 0.9% and up 1.3% respectively. Dividends per share were slightly lower, down 2.1% year-on-year. In the year to 31 March 2018 UEM increased its position in Transgaz by 2.6%.

Conpet S.A.'s ("Conpet") share price increased by 10.2% in the year to 31 March 2018. Ongoing field depletion has meant that Romania's main oil producer OMV Petrom continues to see declining production. Meanwhile, in the 31 March 2017 quarter, one of the major refineries underwent a six-week shutdown. As a result, in its financial year to 31 December 2017 Conpet reported a 3.7% decline in domestic oil transport volumes and a 3.6% fall in import volumes, bringing total volume growth to -3.6%. While domestic tariffs stayed broadly flat, import tariffs grew 10.0%, and overall effective tariffs increased 2.1%. Thus, group revenues softened very slightly by 0.4%, However, good cost discipline enabled EBITDA to grow 9.0% and normalised earnings by 14.5%. Conpet continues to pay out excess net cash reserves, with dividends up 7.7% and pay-out at over 200% of earnings. At 31 December 2017 Conpet reported net cash balances equivalent to c.30% of the market capitalisation of the company. In the year to 31 March 2018 UEM increased its position by 1.9%.

Transelectrica S.A.'s ("Transelectrica") share price performed poorly in the period under review, falling by 28.6% as the impact of regulatory tariff cuts and higher wholesale energy costs hit financials. In Transelectrica's financial year ended 31 December 2017 domestic electricity demand improved modestly, achieving growth of 2.3%, and operationally, delivering a solid performance, with grid losses at just 2.2%. However, domestic production fell 1.4% and net exports dropped 16.7% in a market that saw material increases in the day-ahead and balancing market prices. At the same time, financials continue to be impacted by cuts in tariffs in an effort to claw back prior period profits which exceeded that allowed in its regulatory returns calculation. As such, effective tariffs fell by an average of 10.5%, and revenues fell 8.0% excluding balancing market services (which are profit-neutral to the company). The higher energy costs exacerbated operational gearing, with EBITDA falling 44.9% and normalised earnings dropping by 90.7%. More encouragingly, dividends per share were increased by 47.5% as the company sought to pay out excess accrued cash reserves. In the year to 31 March 2018 UEM increased its position in Transelectrica by 10.5%.

UEM's exposure in **Argentina** increased from 4.8% to 10.2% of the portfolio and is now the fourth largest country exposure.

Bolsa y Mercados Argentinos ("BYMA") is a new company in UEM's top twenty holdings and is the portfolio's largest investment in Argentina. BYMA is Argentina's local stock exchange and delivered the strongest performance out of all UEM holdings. UEM initiated a position in December 2016, when UEM acquired one share of Merval (Mercado de Valores de Buenos Aires) out of the 183 shares available at that time, all of which were unlisted. In May 2017, BYMA was listed on the local stock exchange after the merger of Merval and Bolsa de Comercio de Buenos Aires (BCBA). This merger allowed for the formation of one common and an integrated capital market, including the unification of the Argentina National Depository (Caja de Valores). In the last two years, trading volumes on the exchange have more than tripled, driven by the strong interest from domestic and foreign investors in the local equity market and companies raising new funds on the market. This trend is expected to continue boosted by the potential upgrade of Argentina to EM status by MSCI and the approval of the Capital Markets bill in Congress, which will look to introduce incentives in equities, facilitate the IPO process, increase market transparency and facilitate the creation of mutual funds. During the IPO, UEM was entitled to shares in BYMA and Banco de Valores. In its financial year to 31 December 2017 BYMA reported revenues up 36.8% and EBITDA up 35.2%. Normalised net income increased 20.1% and no dividends have yet been announced, although dividends are expected to be reinstated for year end 2018. BYMA's share price increased by 163.7% over the period under review.

Transportadora de Gas del Sur S.A.'s ("TGS") share price continued to perform well, with the US-listed ADRs, in which UEM is invested, increasing by 42.7% in the year under review. Structural reforms implemented by President Macri's government in Argentina continue to benefit companies operating in the energy sector, and this was very evident in TGS' improving financial health. In its financial year ended 31 December 2017, gas volumes transmitted by TGS' 9,000km network fell 1.1% but this was completely offset by effective tariffs increasing by 120.9% following the implementation of rate increases in April and December. Meanwhile, liquids production grew 5.4% year-on-year with pricing firming up 36.8% reflecting the rise in global commodity prices, particularly hydrocarbon-based products such as butane and ethane, and the depreciation of the Argentine Peso against the US Dollar. With gas transport and liquids production revenues up 118.5% and 44.2%, group revenues increased 65.4% and EBITDA grew 100.3%, while normalised net income grew 111.1%. No dividends were announced, although with a balance sheet that was effectively unleveraged at end-2017, payouts are expected for 2018. In the year to 31 March 2018 UEM's shareholding in TGS was unchanged.

Pampa Energia is a new entrant to the top twenty and a relative newcomer to the portfolio. UEM has been invested since January 2017. Pampa Energia is the largest integrated electricity company in Argentina, with generation, transmission and distribution assets, as well as the fourth largest oil and gas producer in the country. In the generation sector it has 3.8GW of generation capacity, of which 75.0% is thermal-fired (mainly natural gas) and 25.0% is from hydro power plants. In electricity distribution it has a 51.4% stake in Edenor, which has the exclusive concession rights to serve 2.9m customers in the northern area of Buenos Aires. It also has a 26.3% stake in the national electricity grid operator Transener, and a 25.5% stake in gas pipeline operator TGS. In the oil and gas sector it is present in the upstream, midstream, downstream and petrochemical sectors, and in calendar 2017 produced over 70,000boepd from 16 blocks in Neuquen, San Jorge and Noroeste. Pampa Energia estimates it has an interest in approximately 12% of the total shale acreage in the country.

In the financial year to 31 December 2017 Pampa Energia's energy generation volumes sold increased by 29.9% due to the combination of 200MW new capacity and higher utilisation of existing plants. Effective tariffs increased 59.8% due to the new pricing scheme for legacy capacity and as a result of the Argentine Peso depreciation against US Dollar. In distribution, electricity volumes fell 3.4% as the impact from tariff increases dampened demand, with effective tariffs increasing 92.6%. In the upstream business, oil and gas output fell 9.8% due to asset disposals, but this was similarly more than offset by pricing reforms and US Dollar appreciation against the Peso, with effective prices up 47.3% in Peso terms. Combining the reporting lines, group revenues grew 60.9% year-on-year and EBITDA increased by 173.9%, while normalised earnings moved into positive territory from a negative position in 2016. No dividends were announced. In the year to 31 March 2018 UEM increased its stake in Pampa Energia's US-listed ADRs by 22.5% and the ADR share price increased by 9.9%.

UEM's exposure in the **Philippines** decreased from 6.7% to 5.6% of the portfolio and is now the seventh largest country exposure.

International Container Terminal Services, Inc's ("ICT") share price for the year to 31 March 2018 increased by 11.2%. During the financial year to 31 December 2017, ICT had yet another solid year of performance with revenue growth of 11.6%. This was driven by total volumes increasing by 5.3% and an improvement in volume mix with yield per container box up by 4.7% to USD 136.00. EBITDA growth for the period was marginally lower than revenue growth at 10.1% due to new container terminals coming on line during 2017 such as Victoria International Container Terminal in Melbourne, Australia and Matadi Gateway Terminal in Matadi, Democratic Republic of Congo. As these new terminals see a ramp up in volume, operational leverage should start to take effect and EBITDA margins should once again improve. Net income was up for 2017 by only 1.2% due to higher financing costs as well as elevated depreciation and amortisation expenses from the new terminals. Management has indicated that future investments will be brownfield and dividends should improve beyond 2018 as capex should sharply decline, improving cashflow. UEM's shareholding decreased by 6.3% during the year to 31 March 2018.

Chile's country exposure increased slightly from 3.8% to 4.0% of the portfolio.

Engie Energia Chile's ("ECL") share price increased by 8.3% in the year to 31 March 2018. The past year marked a major milestone for Chile as ECL completed the TEN transmission line project. This 600km line finally connects the northern and central electricity grids, enabling ECL's power plants in the north to supply new contracts in the south. Meanwhile the company's USD 1.1bn 375MW coal-fired project ("IEM") remains on track for commissioning in 2018. In its financial year to 31 December 2017, ECL reported electricity sales volumes down 7.0% as some contracts from the unregulated sector (predominantly mining companies) rolled off. By comparison demand from regulated customers remained stable at +0.4%. However, higher commodity prices and inflation adjustments saw effective tariffs increase by 16.7%, and as a result, group revenues grew 16.6%. With tariff hikes yet to fully reflect higher fuel costs, EBITDA declined 3.8% and normalised net earnings fell 4.0%. Dividends per share fell 81.7% as last year included an extraordinary dividend following its disposal of a 50% stake in the TEN project. There was no change in UEM's shareholding in ECL in the period under review.

Enel Chile is the largest integrated electricity company in Chile with 34% market share in generation and over 40% market share in distribution. It has 8.6GW of installed generation capacity of which 63.0% is based on renewable and hydro resources. This proportion is expected to grow to over 70% by 2020 following the integration of Enel Green Power which merged with Enel Chile in April 2018. In distribution Enel Chile has a concession area covering 2,000km2 of the Santiago metropolitan area with a total of 1.9m customer connections. Revenues are broadly even from the two business lines. In its financial year to 31 December 2017 Enel Chile's generation volumes sold fell by 1.4% while electricity distributed grew 3.2%. In constant USD terms and adjusting for a full 12-month period in 2016, group revenues fell 0.5% and EBITDA declined by 3.4%, while normalised earnings fell 9.1%. Dividends increased by 54.5% as Enel Chile lifted pay-out materially and committed to continued increases to a 70% pay-out level by 2020. In the year to 31 March 2018, Enel Chile's share price increased by 6.8% and UEM increased its shareholding in the company by 38.7%. As previously mentioned, UEM has been invested in Enel Chile and Enel Americas since 2013 in their pre-demerger guise as Enersis. In 2016 it completed a wholesale restructuring of the corporate entity resulting in two main Santiago-listed vehicles: Enel Americas and Enel Chile.

Malaysia's exposure decreased from 5.3% to 3.2% of the portfolio.

Malaysia Airports Holdings Berhad's ("Malaysia Airports") share price increased by 27.9% in the year to 31 March 2018. During its financial year to 31 December 2017, performance at its Malaysian airports improved with revenues up 11.0% driven by an 8.1% increase in passenger numbers. The 100% owned Turkish airport operations of Sabiha Gokcen Airport ("ISG") saw revenues increase by 13.2% driven by 5.6% passenger growth which were still subdued due to the political unrest witnessed during 2016 still affecting the first half of 2017. Consolidated revenues increased 11.5% and group EBITDA was up 13.0%. EBITDA margins at the Malaysian airport operations remain low, albeit slowly improving as operational leverage is failing to ramp up as fast as anticipated. ISG's EBITDA margin at 70.1% remains amongst the best in the industry. Net income increased 236.5%, although this was helped by a reduction in amortisation due to the concession extension and an improvement in the effective tax rate. Malaysia Airports continues to have several key issues overhanging the stock, particularly in relation to the terms of the operating concession extension. These are yet to be agreed as the regulator, MAVCOM, is looking to implement a new regulatory asset based model and terms remain unclear. With regards to Malaysia Airports' holding in ISG, the operator continues to look for an appropriate buyer of a minority stake. Post year end, Malaysia Airports sold its 11% stake in Hyderabad's Rajiv Gandhi International Airport. UEM decreased its shareholding in Malaysia Airports by 34.2% during the year to 31 March 2018.

PORTFOLIO GENERAL

Investments in the portfolio increased from £161.2m to £187.1m in the year ended 31 March 2018, which is above long-term trends. This was driven by high-level realisations of £198.6m (prior year: £142.2m). This reflects a number of investments achieving full valuations, resulting in a decision to exit several significant investments in full.

UEM exited last year's top twenty investments, Eastwater, China Gas and MyEG, realising £61.3m. In addition, UEM reduced three investments in the top twenty holdings and exited a number of investments in the wider portfolio. An outcome from this has been an increase in the depth of the portfolio with the top twenty holdings reducing for the fourth year in a row to 54.9% and a more even distribution of holdings throughout the portfolio. This is reflected in the portfolio progression and number of holdings bar chart on page 5 of this report. Changes in the portfolio's geographic allocation reflects new investments plus the relative market performance as outlined above.

BANK DEBT

Bank debt reduced from £46.8m to nil in the year ended 31 March 2018. UEM used most of the £60.3m raised from the subscription share exercise to repay the bank debt in full. Pleasingly Scotiabank have entered into a new three year unsecured £50.0m multicurrency revolving bank facility for Utilico Emerging Markets Trust plc.

MARKET HEDGING

UEM started the year with net derivatives of £3.0m and ended the year with a nil-hedged position on the S&P Index. The expiry of the hedged positions resulted in a £3.4m loss in S&P and £1.1m gain in forward fx's in the Group Income Statement.

REVENUE RETURN

Revenue income increased to £24.8m, from £20.6m, up 20.4%. This reflects a combination of dividend increases, including special dividends, by investee companies due to growth in profitability and the full year effects of the increased portfolio weighting in high dividend paying regions such as Latin America.

Management fees and other expenses increased from £2.9m to £3.2m as a result of higher fees arising from higher average gross assets year on year. Finance costs were largely unchanged at £0.2m. Taxation was £1.4m versus £0.9m from last year, mainly reflecting the higher dividend withholding taxes.

The uplift in the profit for the year at £19.9m, from £16.5m was significant, an increase of 20.6%. Earnings per share growth was marginally lower as a result of the subscription share issuance at 9.27p from 7.80p, up 18.8%.

CAPITAL RETURN

The portfolio gained £19.1m on the capital account during the year to 31 March 2018, reflecting strong equity performance and reduced in part by a stronger Sterling. Offsetting this were net losses on derivatives and gains in foreign exchange. The total income gains on the capital return was £15.6m (2017: a gain of £109.3m).

Management and administration fees were lower at £2.1m (2017: £11.4m), mainly as a result of no performance fee arising in the year to 31 March 2018. Finance costs were unchanged at £0.5m. Taxation decreased to £2.6m from £3.2m, reflecting, in the main, reducing capital gains taxes on profits made in the portfolio. The net effect of the above was a gain on the capital return of £10.0m (2017: a gain of £94.2m).

Charles Jillings
ICM Investment Management Limited and ICM Limited
14 June 2018

INVESTMENT OBJECTIVE AND POLICY

INVESTMENT OBJECTIVE

The Company's objective is to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets.

INVESTMENT POLICY AND RISK

The Company's investment policy is flexible and its investments include (but are not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and any new infrastructure or utilities which may arise mainly in emerging markets. The Company may also invest in businesses which supply services to, or otherwise support, the infrastructure, utility and related sectors.

The Company focuses on the under-developed and developing markets of Asia, Latin America, Emerging Europe and Africa but has the flexibility to invest in markets worldwide. The Company generally seeks to invest in emerging market countries where the Directors believe that there are attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

The Board and Investment Managers review the risk profile of the Company every six months. Agreed risk parameters are established and compliance is reviewed at quarterly board meetings.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities.

The Company may also use derivative instruments such as American Depository Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options, warrants and similar instruments for investment purposes and efficient portfolio management, including protecting the Company's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. These investments will be long term in nature.

UEM seeks to identify and invest in undervalued investments predominantly in the infrastructure and utility sectors, mainly in emerging markets. The Investment Managers aim to identify securities where underlying value and growth prospects are not reflected in the market price. This is often as a result of strong growth drivers, but can include changes in regulation, technology, market motivation, potential for financial engineering, competition or shareholder indifference.

The Company seeks to minimise risk by investing mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position. Most investee companies are asset backed, have good cash flows and offer good dividend yields. UEM generally seeks to invest in companies with strong management who have the potential to grow their business and who have an appreciation of, and ability to manage, risk.

UEM believes it is generally appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach through encouraging a review of capital structures and business efficiencies. The Investment Managers maintain regular contact with the investee companies and UEM is often among the largest international 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. UEM is prepared to hold investments in unlisted securities when the attractiveness of the investment justifies the risks and lower liquidity associated with unlisted investments. ICMIM, as the Company's AIFM, controls stock-specific and sector and geographic risk by continuously monitoring the exposures in the portfolio. In depth continual analysis of the fundamentals of investee companies allows ICMIM to assess the financial risks associated with any particular stock. The portfolio is typically made up of 60 to 90 stocks.

PRINCIPAL RISKS AND RISK MITIGATION

During the year ended 31 March 2018, ICMIM was the Company's AIFM and had sole responsibility for risk management subject to the overall policies, supervision, review and control of the Board.

The Board considers carefully 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 both the Investment Managers and the Company's Administrator.

The Board applies the principles and recommendations of the UK Code on Corporate Governance and the AIC's Code on Corporate Governance as described on page 55 of the Report & Accounts. The Company's internal controls are described in more detail on page 50 of the Report and Accounts. Through these procedures, and in accordance with Internal Control: Revised Guidance for Directors on the Combined Code (the "FRC guidance"), the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the year. This process has been in place throughout the year under review and to the date hereof and will continue to be regularly reviewed by the Board going forward.

Most of the Company's principal risks are market-related and similar to those of other investment companies which invest primarily in listed investments. The principal ongoing risks and uncertainties currently faced by the Company, and the controls and actions to mitigate those risks, are described below. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 28 to the accounts.

Investment risk: the risk that the investment strategy does not achieve long-term positive total returns for the Company's shareholders
The Board monitors the performance of the Company and has established guidelines to ensure that the investment policy that has been approved is pursued by the Investment Managers. These guidelines include sector and market exposure limits.

The investment process employed by the Investment Managers combines assessment of economic and market conditions in the relevant countries with stock selection. Fundamental analysis forms the basis of the Company's stock selection process, with an emphasis on sound balance sheets, good cash flows, the ability to pay and sustain dividends, good asset bases and market conditions. The political risks associated with investing in these countries are also assessed. The Investment Managers try to reduce risk by ensuring that the Company's portfolio is always appropriately diversified. Overall, the investment process is aiming to achieve absolute returns through an active fund management approach.

The Company's results are reported in Sterling, whilst the majority of its assets are priced in foreign currencies. The impact of adverse movements in exchange rates can significantly affect the returns in Sterling of both capital and income. Such factors are out of the control of the Board and the Investment Managers and may give rise to distortions in the reported returns to shareholders. It is difficult and expensive to hedge emerging markets' currencies.

In addition, the ordinary shares of the Company may trade at a discount to their NAV. The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. The Board generally buys back shares for cancellation if they are trading at a discount in excess of 10% and the Investment Managers agree that it is a good investment decision.

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 sectors and gearing. Periodically the Board holds a separate meeting devoted to strategy, the most recent one having been held in November 2017.

A more detailed review of economic and market conditions is included in the Investment Managers' Report section of the Strategic Report in the Report and Accounts.

There is no guarantee that the Company's strategy and business model will be successful in achieving its investment objective. The value of an investment in the Company and the income derived from that investment may go down as well as up and an investor may not get back the amount invested. Past performance of the Company is not necessarily indicative of future performance.

No material change in overall risk in year.

Gearing: the risk that the use of gearing may adversely impact on the Company's performance
Gearing levels may change from time to time in accordance with the Board and Investment Managers' assessment of risk and reward. Whilst the use of borrowings should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. As at 31 March 2018, net debt gearing on gross assets was (1.4)%.

No material change in overall risk in year.

Banking: a breach of the Company's loan covenants might lead to funding being summarily withdrawn
ICMIM monitors compliance with the banking covenants when each drawdown is made and at the end of each month. The Board reviews compliance with the banking covenants at each Board meeting.

No material change in overall risk in year.

Key staff: loss by the Investment Managers 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 remuneration packages have been developed in order to retain key staff.

Any material changes to the management team are considered by the Board at its next meeting; the Board discusses succession planning with the Investment Managers at regular intervals.

No material change in overall risk in year.

Reliance on the Investment Managers and other service providers: inadequate controls by the Investment Managers or Administrator or third party service providers could lead to misappropriation of assets
Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy. The Company's main service providers are listed on page 101 of the Report and Accounts. The Audit Committee monitors the performance of the service providers.

All listed investments are held in custody for the Company by JPMorgan Chase Bank NA, Jersey; the unlisted investments are held in custody by Bermuda Commercial Bank Limited (together, the "Custodians").

J.P.Morgan Europe Limited ("JPMEL"), the Company's depositary services provider, also monitors the movement of cash and assets across the Company's accounts.

The Audit Committee reviews the Administrator's annual internal control report which details the controls around the reconciliation of the Administrator's records to those of the Custodians. The Administrator reviews the control reports published by JPMorgan Chase and draws any issues to the attention of the Board.

The Board reviews operational issues at each Board meeting and the Audit Committee receives reports on the operation of internal controls and the risk of cybercrime, as explained in more detail within Internal Controls on page 50. The risk of cybercrime is high, as it is with most organisations, but the Board regularly seeks assurances from the Investment Managers and other service providers on the preventative steps that they are taking to reduce this risk.

Although there has been no change in overall risk in the year, the possibility of cybercrime continues to be a concern. The Company's assets are considered to be relatively secure, so the risks are the inability to transact investment decisions for a period of time and reputational risk.

DIRECTORS' STATEMENT OF RESPONSIBILITIES
in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable law and regulations. The Group financial statements are required to be prepared in accordance with IFRSs as adopted by the EU and applicable law and the Directors have elected to prepare the Company financial statements on the same basis. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. As explained in note 1 to the financial statements, the Director's do not believe that it is appropriate to prepare the financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Bermuda Companies Act (1981). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and Corporate Governance Statement that complies with that law and those regulations. The Directors have additionally elected to prepare a Directors' Remuneration Report as if the Group were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- the annual report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board on 14 June 2018 and signed on its behalf by:

John Rennocks
Chairman

GROUP INCOME STATEMENT

for the year to 31 March			**2018**			2017
	Revenue return £'000s	**Capital return £'000s**	**Total return £'000s**	Revenue return £'000s	Capital return £'000s	Total return £'000s
Gains investments	**-**	**19,082**	**19,082**	-	114,638	114,638
Losses on derivative instruments	**-**	**(2,300)**	**(2,300)**	-	(6,411)	(6,411)
Foreign exchange (losses)/gains	**(64)**	**(1,149)**	**(1,213)**	449	1,058	1,507
Investment and other income	**24,866**	**-**	**24,866**	20,153	-	20,153
Total income	**24,802**	**15,633**	**40,435**	20,602	109,285	129,887
Management and administration fees	**(1,382)**	**(2,101)**	**(3,483)**	(1,234)	(11,374)	(12,608)
Other expenses	**(1,801)**	**(425)**	**(2,226)**	(1,701)	(22)	(1,723)
Profit before finance costs and taxation	**21,619**	**13,107**	**34,726**	17,667	97,889	115,556
Finance costs	**(228)**	**(532)**	**(760)**	(195)	(454)	(649)
Profit before taxation	**21,391**	**12,575**	**33,966**	17,472	97,435	114,907
Taxation	**(1,442)**	**(2,565)**	**(4,007)**	(935)	(3,188)	(4,123)
Profit for the year	**19,949**	**10,010**	**29,959**	16,537	94,247	110,784
Earnings per ordinary share (basic)						
- pence	**9.27**	**4.66**	**13.93**	7.80	44.46	52.26
Earnings per ordinary share (diluted)						
- pence	**9.04**	**4.53**	**13.57**	7.70	43.90	51.60

The total column of this statement represents the Group's Income Statement and the Group's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies ("AIC") 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 INCOME STATEMENT

for the year to 31 March	Revenue return £'000s	Capital return £'000s	2018 Total return £'000s	Revenue return £'000s	Capital return £'000s	2017 Total return £'000s
Gains on investments	-	16,047	16,047	-	107,848	107,848
Gains on derivative instruments	-	1,053	1,053	-	239	239
Foreign exchange gains/(losses)	2	(345)	(343)	320	737	1,057
Investment and other income	23,472	-	23,472	20,619	-	20,619
Total income	23,474	16,755	40,229	20,939	108,824	129,763
Management and administration fees	(1,349)	(2,101)	(3,450)	(1,201)	(11,374)	(12,575)
Other expenses	(1,704)	(425)	(2,129)	(1,610)	(22)	(1,632)
Profit before finance costs and taxation	20,421	14,229	34,650	18,128	97,428	115,556
Finance costs	(228)	(532)	(760)	(195)	(454)	(649)
Profit before taxation	20,193	13,697	33,890	17,933	96,974	114,907
Taxation	(1,366)	(2,565)	(3,931)	(935)	(3,188)	(4,123)
Profit for the year	18,827	11,132	29,959	16,998	93,786	110,784
Earnings per ordinary share (basic) - pence	8.75	5.18	13.93	8.02	44.24	52.26
Earnings per ordinary share (diluted) - pence	8.53	5.04	13.57	7.92	43.68	51.60

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 columns are both prepared under guidance published by the AIC 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 31 March 2018

	Ordinary share capital £'000s	**Share premium account £'000s**	**Special reserve £'000s**	**Other non-distributable reserve £'000s**	**Retained earnings: Capital reserves £'000s**	**Retained earnings: Revenue reserve £'000s**	**Total £'000s**
Balance at 31 March 2017	**21,141**	**915**	**203,169**	**11,093**	**282,675**	**13,168**	**532,161**
Profit for the year	**-**	**-**	**-**	**-**	**10,010**	**19,949**	**29,959**
Ordinary dividends paid	**-**	**-**	**-**	**-**	**-**	**(18,803)**	**(18,803)**
Shares issued on exercise of subscription share rights	**3,293**	**56,963**	**-**	**-**	**-**	**-**	**60,256**
Shares purchased by the Company	**(983)**	**(22,829)**	**-**	**-**	**-**	**-**	**(23,812)**
Balance at 31 March 2018	**23,451**	**35,049**	**203,169**	**11,093**	**292,685**	**14,314**	**579,761**

for the year to 31 March 2017

	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
Balance at 31 March 2016	21,146	771	204,587	11,093	188,428	10,537	436,562
Profit for the year	-	-	-	-	94,247	16,537	110,784
Ordinary dividends paid	-	-	-	-	-	(13,906)	(13,906)
Shares issued on exercise of subscription share rights	478	8,265	-	-	-	-	8,743
Shares purchased by the Company	(483)	(8,121)	(1,418)	-	-	-	(10,022)
Balance at 31 March 2017	21,141	915	203,169	11,093	282,675	13,168	532,161

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2018

	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
Balance at 31 March 2017	**21,141**	**915**	**203,169**	**11,093**	**282,487**	**13,356**	**532,161**
Profit for the year	-	-	-	-	**11,132**	**18,827**	**29,959**
Ordinary dividends paid	-	-	-	-	-	**(18,803)**	**(18,803)**
Shares issued on exercise of subscription share rights	**3,293**	**56,963**	-	-	-	-	**60,256**
Shares purchased by the Company	**(983)**	**(22,829)**	-	-	-	-	**(23,812)**
Balance at 31 March 2018	**23,451**	**35,049**	**203,169**	**11,093**	**293,619**	**13,380**	**579,761**

for the year to 31 March 2017

	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings Capital reserves £'000s	Retained earnings Revenue reserve £'000s	Total £'000s
Balance at 31 March 2016	21,146	771	204,587	11,093	188,701	10,264	436,562
Profit for the year	-	-	-	-	93,786	16,998	110,784
Ordinary dividends paid	-	-	-	-	-	(13,906)	(13,906)
Shares issued on exercise of subscription share rights	478	8,265	-	-	-	-	8,743
Shares purchased by the Company	(483)	(8,121)	(1,418)	-	-	-	(10,022)
Balance at 31 March 2017	21,141	915	203,169	11,093	282,487	13,356	532,161

BALANCE SHEETS

	GROUP		COMPANY	
at 31 March	**2018**	2017	**2018**	2017
	£'000s	£'000s	**£'000s**	£'000s
Non-current assets				
Investments	**-**	572,264	**-**	579,471
Current assets				
Investments	**579,884**	-	**581,155**	-
Other receivables	**1,601**	1,966	**1,532**	1,715
Derivative financial instruments	**-**	3,170	**-**	633
Cash and cash equivalents	**8,071**	15,336	**6,841**	10,785
	589,556	20,472	**589,528**	13,133
Current liabilities				
Other payables	**(5,932)**	(10,504)	**(5,904)**	(10,482)
Derivative financial instruments	**-**	(110)	**-**	-
Deferred tax	**(3,863)**	-	**(3,863)**	-
	(9,795)	(10,614)	**(9,767)**	(10,482)
Net current assets	**579,761**	9,858	**579,761**	2,651
Total assets less current liabilities	**579,761**	582,122	**579,761**	582,122
Non-current liabilities				
Bank loans	**-**	(46,816)	**-**	(46,816)
Deferred tax	**-**	(3,145)	**-**	(3,145)
Net assets	**579,761**	532,161	**579,761**	532,161
Equity attributable to equity holders				
Share capital	**23,451**	21,141	**23,451**	21,141
Share premium account	**35,049**	915	**35,049**	915
Special reserve	**203,169**	203,169	**203,169**	203,169
Other non-distributable reserve	**11,093**	11,093	**11,093**	11,093
Capital reserves	**292,685**	282,675	**293,619**	282,487
Revenue reserve	**14,314**	13,168	**13,380**	13,356
Total attributable to equity holders	**579,761**	532,161	**579,761**	532,161
Net asset value per ordinary share				
Basic – pence	**247.22**	251.72	**247.22**	251.72
Diluted – pence	**n/a**	241.29	**n/a**	241.29

n/a = not applicable

STATEMENTS OF CASH FLOWS

for the year to 31 March	GROUP 2018 £'000s	2017 £'000s	COMPANY 2018 £'000s	2017 £'000s
Cash flows from operating activities	**5,766**	12,487	**4,404**	13,321
Investing activities:				
Purchases of investments	**(186,991)**	(159,338)	**(182,163)**	(165,550)
Sales of investments	**199,328**	141,232	**197,350**	137,748
Purchases of derivatives	**(926)**	(9,014)	**-**	(394)
Settlement of derivatives	**1,686**	2,879	**1,686**	-
Cash flows from investing activities	**13,097**	(24,241)	**16,873**	(28,196)
Cash flows before financing activities	**18,863**	(11,754)	**21,277**	(14,875)
Financing activities:				
Ordinary dividends paid	**(14,582)**	(13,906)	**(14,582)**	(13,906)
Movements from loans	**(46,162)**	26,858	**(46,162)**	26,858
Proceeds from issue of shares	**60,256**	8,743	**60,256**	8,743
Cost of ordinary shares purchased	**(23,812)**	(10,022)	**(23,812)**	(10,022)
Cash flows from financing activities	**(24,300)**	11,673	**(24,300)**	11,673
Net movement in cash and cash equivalents	**(5,437)**	(81)	**(3,023)**	(3,202)
Cash and cash equivalents at the beginning of the year	**15,336**	12,609	**10,785**	11,629
Effect of movement in foreign exchange	**(1,904)**	2,808	**(997)**	2,358
Cash and cash equivalents at the end of the year	**7,995**	15,336	**6,765**	10,785
Comprised of:				
Cash	**8,071**	15,336	**6,841**	10,785
Bank overdraft	**(76)**	-	**(76)**	-
	7,995	15,336	**6,765**	10,785

NOTES

The 2018 fourth dividend would typically have been paid in June 2018. However, in light of the re-domicile of the Company to the United Kingdom and the expected timeframe for Utilico Emerging Markets Trust plc to complete the proposed capital reduction to create a distributable reserve, the Board decided to bring the payment of the fourth quarterly interim dividend forward (see note 26 of the 2018 Report and Accounts).

This statement was approved by the Board on 14 June 2018. It is not the Group's or Company's statutory accounts. The statutory accounts for the financial year ended 31 March 2018 have been approved and audited, and received an audit report which was unqualified. The audit report includes a reference drawing attention to the emphasis of matter relating to the disclosure of the non-going concern basis of preparation. The statutory accounts for the financial year ended 31 March 2017 received an audit report which was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report.

The Report & Accounts for the year ended 31 March 2018 will be posted to shareholders in early July 2018. A copy is available to view and download from UEM Trust's website at www.uemtrust.co.uk.

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