



REPORT AND ACCOUNTS  
FOR THE SIX MONTHS TO  
31 DECEMBER 2016

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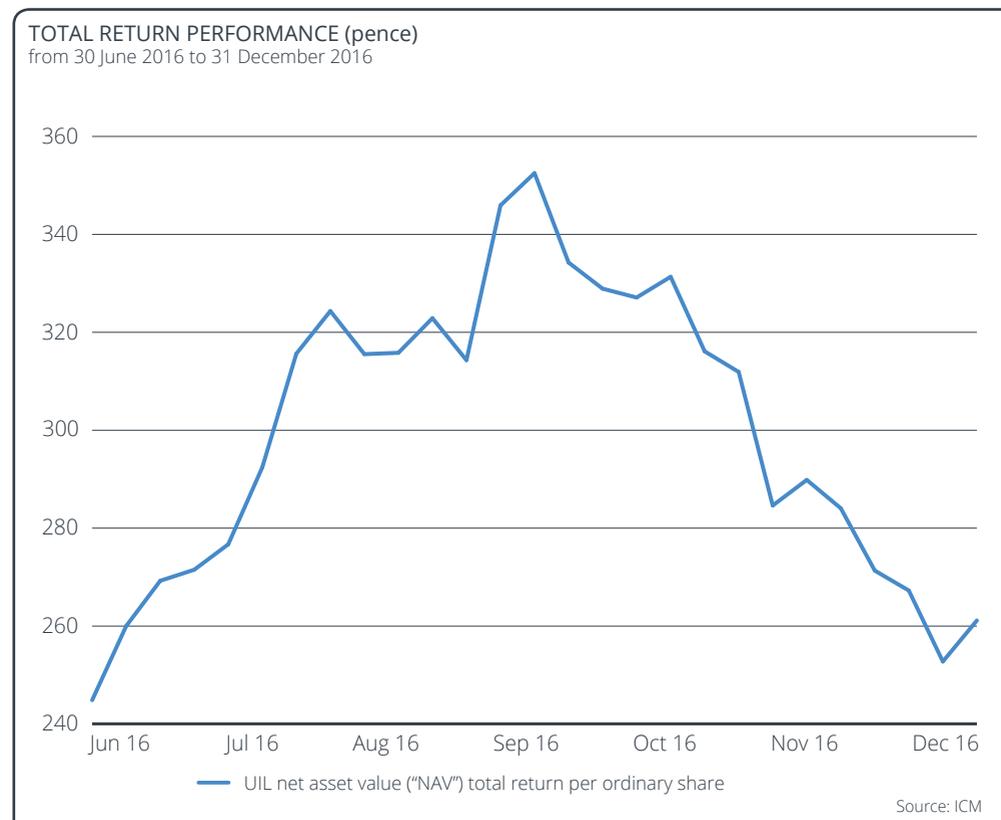
[www.uil.limited](http://www.uil.limited)



UIL/mv/16

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**UIL Limited's ("UIL" 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 and its investments. 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.

	Half-year 31 Dec 2016	Half-year 31 Dec 2015	Annual 30 Jun 2016	% change Jun-Dec 2016
NAV total return <sup>(1)</sup> (%)	9.9	(2.2)	47.1	n/a
Annual compound NAV total return (since inception) <sup>(2)</sup> (%)	10.2	7.4	9.9	n/a
NAV per ordinary share (pence)	261.14	161.48	241.12	8.3
Ordinary share price (pence)	143.50	107.50	130.75	9.8
Discount (%)	45.0	33.4	45.8	n/a
Ordinary annualised dividend yield (%)	5.2	7.0	5.7	(25.7)
FTSE All-Share Total Return Index	6,424	5,502	5,737	12.0
<b>Zero dividend preference ("ZDP") shares<sup>(3)</sup> (pence)</b>				
<b>2016 ZDP shares</b>				
Capital entitlement per ZDP share	n/a	181.85	188.31	n/a
ZDP share price	n/a	189.25	191.00	n/a
<b>2018 ZDP shares</b>				
Capital entitlement per ZDP share	141.18	131.65	136.32	3.6
ZDP share price	154.38	144.50	147.25	4.8
<b>2020 ZDP shares</b>				
Capital entitlement per ZDP share	118.43	110.43	114.35	3.6
ZDP share price	133.50	124.13	130.00	2.7
<b>2022 ZDP shares</b>				
Capital entitlement per ZDP share	103.20	n/a	100.12	3.1
ZDP share price	109.75	n/a	104.50	5.0
<b>Equity holders' funds (£m)</b>				
Gross assets <sup>(4)</sup>	471.6	377.2	440.7	7.0
Bank debt	75.0	52.1	24.7	203.6
ZDP shares	160.8	178.7	197.4	(18.5)
Equity holders' funds	235.8	146.4	218.6	7.9
<b>Revenue account (£m)</b>				
Income	4.8	4.5	10.5	6.7 <sup>(5)</sup>
Costs (management and other expenses)	1.5	0.9	1.9	66.7 <sup>(5)</sup>
Finance costs	0.7	0.8	1.7	(12.5) <sup>(5)</sup>
<b>Financial ratios of the Group (%)</b>				
Revenue yield on average gross assets	2.2 <sup>(6)</sup>	2.4 <sup>(6)</sup>	2.9	n/a
Ongoing charges figure excluding performance fees <sup>(7)</sup>	2.0 <sup>(6)</sup>	2.6 <sup>(6)</sup>	3.3	n/a
Ongoing charges figure including performance fees <sup>(7)</sup>	2.8 <sup>(6)</sup>	2.6 <sup>(6)</sup>	3.3	n/a
Bank loans, net bank overdraft and ZDP shares gearing on net assets	103.5	157.7	101.6	n/a
<b>Returns and dividends (pence)</b>				
Revenue return per ordinary share	2.76	2.91	6.23	(5.2) <sup>(5)</sup>
Capital return per ordinary share	20.69	(11.21)	68.45	284.6 <sup>(5)</sup>
Total return per ordinary share	23.45	(8.30)	74.68	382.5 <sup>(5)</sup>
Dividend per ordinary share	3.75	3.75	7.50	— <sup>(5)</sup>

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

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

(3) Issued by UIL Finance Limited, a wholly owned subsidiary of UIL

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

(5) Percentage change based on comparative six month period to 31 December 2015

(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

I am pleased to report UIL achieved a positive NAV total return of 9.9% in the six months to 31 December 2016. The FTSE All Share Total Return Index was also positive at 12.0%. Since inception UIL has delivered a 229.2% NAV growth versus the FTSE's 198.5%, resulting in a compound annual growth rate of 10.2%.

Over the last few years we have been highlighting the rising volatility as the world's major economies diverged. Over the last six months this divergence has continued apace, with the US Federal Bank announcing a 25 basis point increase on 14 December 2016, whilst Europe and Japan continue to pursue quantitative easing ("QE"). These divergences have continued to produce significant economic dislocations which are being exacerbated by a rising global move towards political populism. This combination of factors has seen volatility and price movements across most asset classes and currencies and some surprising outcomes, in particular the Brexit vote in the UK and the election of Donald Trump as US President. The financial global dynamic also continues to be challenged by the emergence of disruptive businesses, with a number of them dominating their markets.

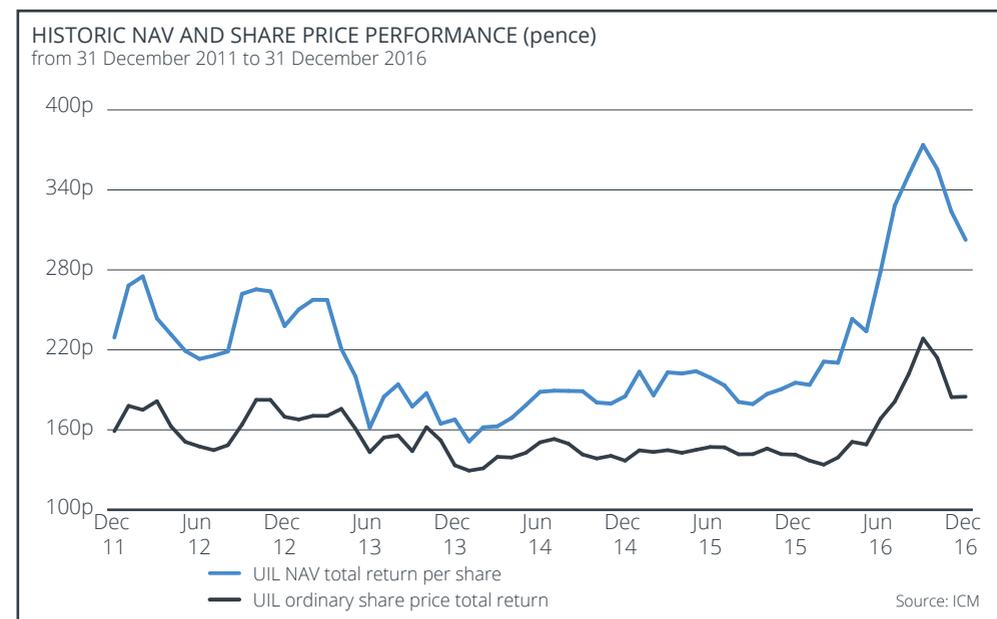
All the above has seen a rise in uncertainties and this is likely to accelerate as new political policies are implemented and new relationships formed. While our Investment Managers are bottom up investors and still see significant opportunities, their decisions are made more challenging in this environment.

We have seen the US Dollar strengthen by 7.9% against Sterling in the six months to 31 December 2016, with Sterling ending the year near all-time lows against the US Dollar. Oil continues to recover from its lows of last year, rising by 14.4% to end the year at US\$56.82 per barrel. Gold declined by 12.9% to US\$1,152.27/oz. Iron ore and nickel were up by 41.7% and 6.0% respectively.

For UIL it has meant continued positives within its US Dollar based investments and its commodities and energy market investments. The overall result was a positive outcome with the investment portfolio gaining £35.0m over the six months. However, UIL's FX hedges and derivatives position gave rise to losses of £9.0m, reducing the capital account income gains to £25.2m. UIL's NAV rose by over 100.00p to 352.50p in September but fell back to 261.14p as at 31 December 2016.

On 31 October 2016, UIL redeemed all the outstanding 2016 ZDP shares. UIL has continued to sell the remaining 2020 and 2022 ZDP shares it holds in the market. Over the six months UIL bought back 0.4m shares. However, UIL will not buy back any further shares until the Scotiabank bridge facility is repaid.

The profit on the revenue account in the half year was £2.5m (31 December 2015: £2.7m). The Board has maintained the quarterly dividends of 1.875p per ordinary share, with the second quarterly dividend to be paid on 22 March 2017.



**OUTLOOK**

The divergence of the world's major economies will inevitably lead to higher market volatility and more price movements. Add to that significant changes in trading relationships and rising populism and we can expect continuing volatility. While the world's GDP continues to be positive and may even improve, we must note the world's debt levels continue to rise. The next six months will be challenging. UIL's stock selection focus and portfolio mix should enable UIL and its platforms to identify niche growth investment opportunities.

**Peter Burrows**  
Chairman  
21 February 2017

UIL's NAV total return was 9.9% over the six months to 31 December 2016 and builds further on the significant gains made by UIL last year. Over the last 18 months UIL's NAV has increased by 61.2%.

As noted in the Chairman's Statement, this has been a challenging six months as volatility has continued to rise sharply across most asset classes. We are currently in an investment world where QE is a feature in Europe and Japan, interest rates are rising in the US, most of the developed world's interest rates remain under 2.0% and some one third of developed markets even have negative borrowing rates. Populism continues to rise and was responsible for both the Brexit vote in the UK and Donald Trump's presidential win in the US. Both of these outcomes are essentially challenges to existing world trading relationships. However, it does appear that global GDP is firming and that infrastructure investment will increase, which will be helpful, but we would note borrowings are likely to continue to rise under this scenario and political tensions are increasing. We are concerned that "normalisation" of a number of the above features could increase volatility in the wider markets.

Over the six months many currencies firmed against Sterling: the US Dollar was up by 7.9%; the New Zealand Dollar up by 4.6%; and the Australian Dollar up by 4.3%. The markets also strengthened with the FTSE All Share up by 10.2%; the ASX up by 8.7%; the S&P 500 up by 6.7%; and the NZX up by 5.0%.

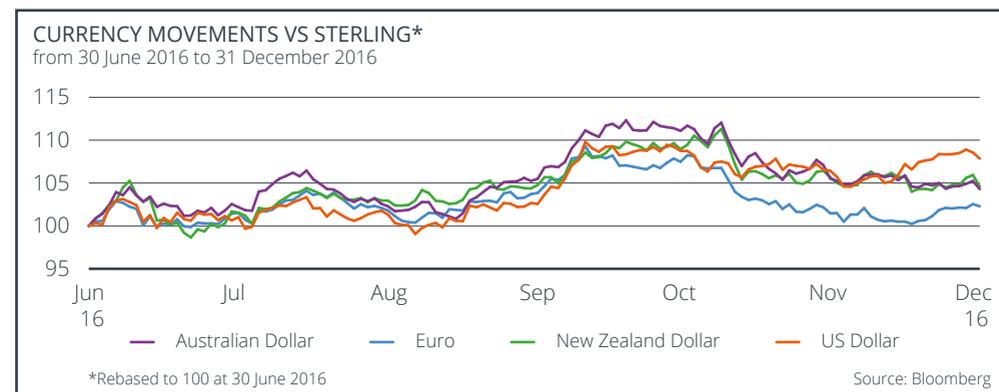
For UIL this has produced pleasing rising asset values and NAVs. However, Sterling's weakness has seen an increased need to meet cash requirements arising from the significant FX positions carried by UIL to hedge out borrowings. The year end position on 30 June 2016 saw a negative derivative position of £13.6m which needed further cash investment on rolling. Over the past 18 months to 31 December 2016, the currency gains of £2.0m were partially offset by the FX hedges.

Largely as a result of the FX demands, UIL drew down the Scotiabank bridge facility of £25.0m as cash reserved for the ZDP redemption was utilised to fund the FX hedges.

One of Zeta Resources Limited's ("Zeta") investments, New Zealand Oil and Gas ("NZOG"), disposed of its investment in Kupe for NZ\$168m in cash and today is estimated to have over NZ\$220m in cash, thus enabling it to return significant cash to shareholders, including to Zeta. As a result, UIL is anticipating that Zeta will repay its loans in full before 30 June 2017.

**PORTFOLIO**

There have been two divergent trends. UIL's two largest Fintech investments have performed poorly, with Vix Technology and Touchcorp Limited ("Touchcorp") down by 31.0% and 37.4% respectively. Against this UIL's resource investments were up significantly, with Zeta's shares up by 66.7% over the six months. Overall gains on the investment portfolio were £35.0m, another strong performance.



**MAJOR PLATFORM INVESTMENTS**

The major platform investments continued to develop over the six months to 31 December 2016.

**Somers Limited ("Somers")** is a financial services sector investment holding company listed on the Bermuda Stock Exchange. Somers' share price was unchanged at US\$13.75 in the six months to 31 December 2016. During the period Somers completed the acquisition of a majority shareholding in RESIMAC Limited ("RESIMAC") for US\$88.5m. Subsequent to the acquisition, RESIMAC merged with the ASX listed Homeloans Limited ("Homeloans"), which has resulted in Somers becoming a 59.0% shareholder in Homeloans. Homeloans is a leading non-bank lending and multi-channel distribution business in Australia and New Zealand with a loan portfolio in excess of A\$8bn and an additional A\$5bn under administration. Its primary activities are originating, servicing and securitising mortgage assets. Somers' other two significant investments are Bermuda Commercial Bank Limited ("BCB") (one of Bermuda's four licensed banks), which is a wholly owned investment and a 62.5% interest in Waverton Investment Management Limited ("Waverton"), a UK private wealth manager with £5.0bn of assets under management. For the year ended 30 September 2016 Somers reported a net profit of US\$32.3m on total equity of US\$230.4m. Somers' diluted NAV per share was US\$18.66 as at 30 September 2016 (September 2015: US\$17.74). The increase in NAV was despite a 14.2% decrease in the value of Sterling against the US Dollar and was driven primarily by an increased valuation of Waverton resulting from strong financial results in 2016. UIL elected for a Somers scrip dividend in lieu of cash and increased its holding in Somers to 49.8% as at 31 December 2016. During the six months Somers increased its borrowings from UIL by £6.2m to £11.5m. Somers has risen to be UIL's largest investment holding at 16.6%.

**Utilico Emerging Markets Limited ("UEM")** invests in utility and infrastructure assets in the emerging markets and is listed in the UK and traded on the London Stock Exchange. Whilst there was volatility in

emerging markets during the period, on balance most emerging markets' stock markets gained in value during the six months to 31 December 2016. Similarly, the majority of major emerging market currencies gained against Sterling, which continued to weaken in response to the EU referendum result.

Brazil's recovery was notable, with a 16.9% rise in the Bovespa Index over the six months to 31 December 2016 and its currency gained in value by 6.3% versus Sterling. China's 6.7% GDP growth was more resilient in 2016 than had been predicted earlier in the year. There was however weakness in some markets, including the Philippines, Malaysia and Mexico. The MSCI Emerging Markets Total Return Index in Sterling terms increased by 13.6% over the six months to 31 December 2016. UEM's total NAV return over the

same period was 5.6%. UIL realised some 2.8m shares in UEM over the period, reducing its holding by 6.7% and realising £5.6m.

**Zeta** is a resource-focused investment company which is listed on the Australian Stock Exchange. Over the six months to 31 December 2016 Zeta's share price rose by 66.7% to A\$0.30.

During the six month period commodity prices were mixed. Oil prices rose, with the Brent crude oil price up by 14.4% to US\$56.82 per barrel. The gold price was down by 12.9% to US\$1,152/oz and the nickel price was up by 6.0%. While commodity prices were mixed, Zeta's net assets per share rose by 46.8% during the period to A\$0.45 per share. Zeta's investment in NZOG benefited from a bid for that company's biggest production asset at a cash price exceeding NZOG's market capitalisation. Zeta's shares closed at A\$0.30 on 31 December 2016, representing a discount to net tangible assets of 33.4%.

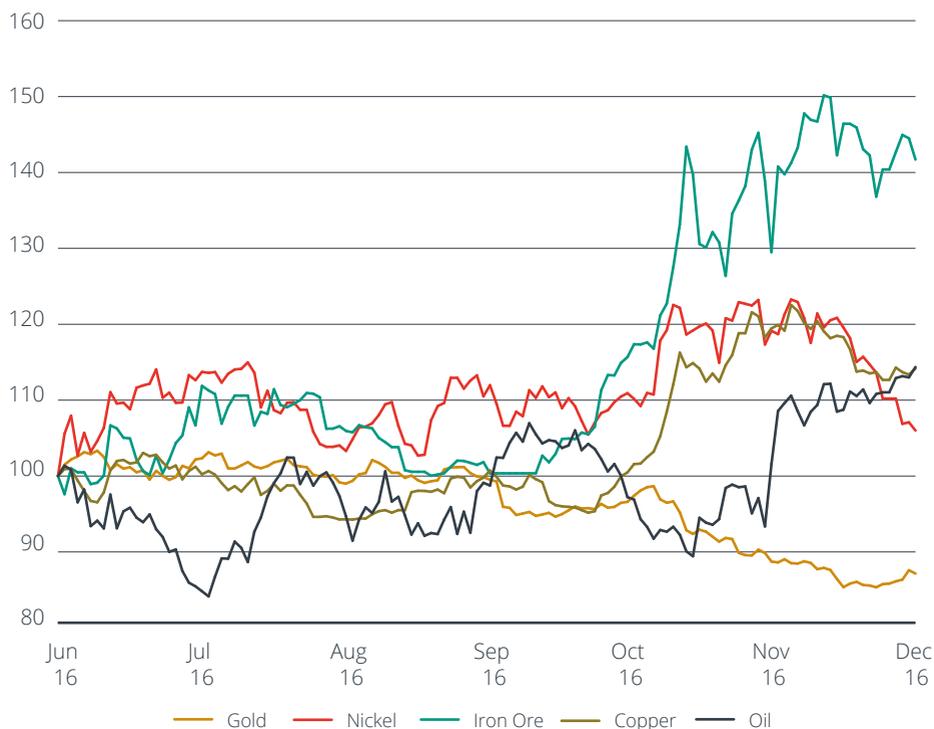
During the six months Zeta reduced its borrowings from UIL by £2.8m to £22.5m.

**Bermuda First Investment Company Limited ("BFIC")** is an investment company focused on Bermudan investments; its shares and loan notes are listed on the Bermuda Stock Exchange. Its largest investments are in KeyTech Limited ("KeyTech") (valued at BM\$12.6m as at 31 December 2016) and Ascendant (valued at US\$9.5m as at 31 December 2016). 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 the investments and to encourage the introduction of shareholder friendly initiatives. Both companies are benefiting from an improvement in the Bermuda economy and the prospects for 2017 are encouraging, when Bermuda will host the America's Cup. As such these utility companies are investing significantly in their respective networks in order to drive future growth.

**Infratil Limited's ("Infratil")** share price declined by 14.1% in the six months to 31 December 2016 in a period characterised by the expansion of new investment platforms. Perhaps the most significant development was the demerger of Trustpower into "new" Trustpower and Tilt Renewables ("Tilt"). Under this revised structure, Trustpower will continue to operate as a utilities retailer and hydro generator whilst Tilt will focus on delivering the renewable generation growth opportunity in Australia.

In the six months to 30 September 2016, Infratil's net parent surplus from continuing operations was NZ\$28.9m, compared with NZ\$28.3m in the prior year. Underlying EBITDAF recorded a small decline of 2.8%. Core operations, including Trustpower, Wellington Airport and NZ Bus, were broadly stable. UIL reduced its shareholding in Infratil by 10.7%, realising some £2.7m.

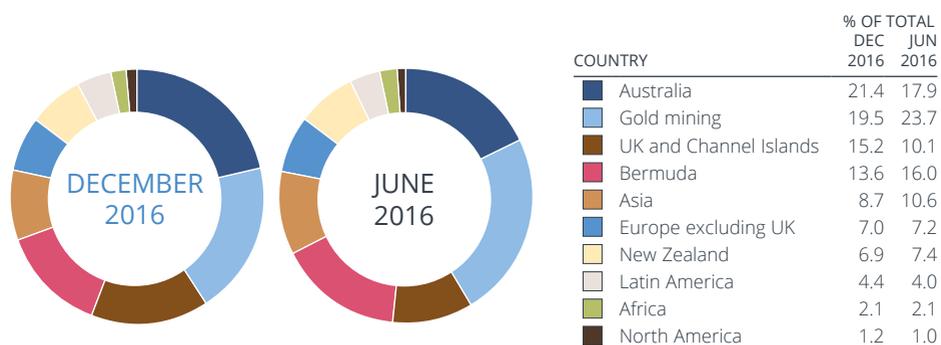
COMMODITY PRICE MOVEMENTS\*  
from 30 June 2016 to 31 December 2016



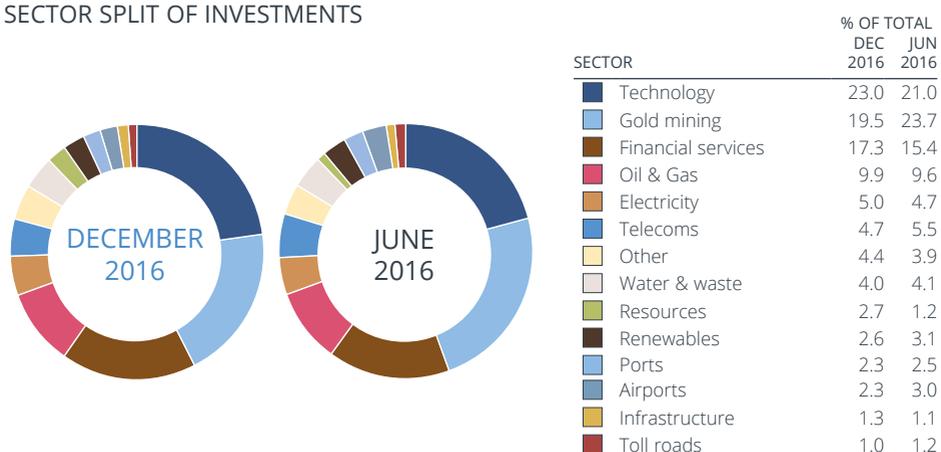
\*Rebased to 100 at 30 June 2016

Source: Bloomberg

### GEOGRAPHICAL SPLIT OF INVESTMENTS



### SECTOR SPLIT OF INVESTMENTS



Source: ICM

### MAJOR DIRECT HOLDINGS

Gold production by **Resolute** in the six months to 31 December 2016 was 170,558oz, up 7.6% on the same period in the prior year, with head grades at Syama better than expected and Ravenswood successfully transitioning to open pit mining. Production cash costs during the period averaged A\$934/oz. For the year to June 2017 Resolute has forecast production of 300,000oz at an all-in sustaining cost of A\$1,280/oz. Drilling at Nafolo has confirmed a major new gold discovery at Syama, with intercepts showing mineralisation with similar width, grade and characteristics to the 8m ounce Syama orebody.

In the six months to 31 December 2016, Resolute sold 94,080oz of gold at an average price of A\$1,784/oz, generating a gross operating cash flow of A\$122.2m. Cash and bullion on hand and liquid investments were A\$282m as at 31 December 2016 (2015: A\$75m); total borrowings were A\$22m (2015: A\$96m). During the period Resolute has announced a resumption of dividends.

The share price of Resolute remained almost unchanged during the six months to 31 December 2016, falling slightly from A\$1.28 at the end of June 2016 to A\$1.27 at the end of December 2016. During the six months UIL sold some 22.9m shares at an average share price of A\$1.75, reducing its holding by 18.1% and realising £25.6m.

**Vix Technology** is an unlisted company in which UIL has a 39.8% holding. Vix Technology is a global leader in smart booking, ticketing, payments, real-time information and data management solutions for large-scale transport networks, working with over 200 customers worldwide. Vix Technology leverages more than 25 years of industry experience designing, operating and maintaining proven next-generation ticketing, payment and loyalty platforms to help governments and businesses manage around five billion transactions a year and create new ways to connect with their customers.

In the year to 30 June 2016, Vix Technology reported an increase in revenue of 17.9% to US\$126.1m, whilst EBITDA was down to negative US\$2.8m, as Vix Technology is currently implementing a change in its strategy from being a business that was project focused to being that of product focused. By doing so Vix Technology is ensuring that in the medium term a core Software as a Service ("SaaS") product which is scalable and flexible can be quickly deployed, providing a greater return on investment capital. Such a product will also ensure that Vix Technology is well placed in the long term to be able to compete in the ever evolving highly competitive market. The progress that Vix Technology has made so far in executing its new strategy has been promising. During the six months UIL lent Vix Technology £6.5m to fund its working capital requirements as a result of its investment into its SaaS product development.

**Touchcorp Limited ("Touchcorp")** is a provider of payment systems facilitating the sale of non-physical items (such as mobile phone top-ups, music and gaming vouchers, parking fees and bus tickets) in convenience stores and online. The company has a 27.7% stake in Afterpay, which is a rapidly growing credit product in Australia that allows consumers to pay for purchases in instalments on an interest-free basis. Afterpay is listed on the Australian Stock Exchange and had a market cap of over A\$450m as at 31 December 2016.

Touchcorp indicated that its revenues and operating profit for the year to 31 December 2016 were expected to be significantly below market expectations. This caused a significant correction in the company's share price, which declined by 37.4% in the six months to 31 December 2016.

Very sadly, Touchcorp's CEO, Adrian Cleeve passed away in November. Adrian was the driving force behind Touchcorp's development and growth. He will be missed by all who knew him.

**Optal Limited ("Optal")** is a developer of global payment systems with a particular focus on the travel industry. The company owns a 23.5% stake in eNett, which owns a system that allows travel agents to book hotels, flights and car hire using a Mastercard Virtual Account created solely for that transaction. eNett continues to grow rapidly, with revenues in the three months to September 2016 of US\$113m, which was 72% higher than reported for the same period in 2015.

Optal is looking to diversify into business payments in other verticals.

Optal is an unlisted company and its shares, previously been held by Vix Investments, were distributed to the shareholders of Vix Investments.

**Augean plc ("Augean")** is a UK-based company providing specialist waste management services across a variety of industries. Augean's shares performed strongly in the six months to 31 December 2016, rising by 19.6% over the period. In its interim results to 30 June 2016, total revenues increased by 17.6% and EBITDA increased by 15.1%, buoyed by higher landfill volumes.

The company's Energy & Construction business benefited from a strong recovery in Air Pollution Control Residues volumes, which rose by an impressive 44.9%. The high-margin nature of these activities translated to equally impressive EBITDA growth for the division, despite a more modest performance in hazardous waste. Growth here more than offset weakness in Radioactive Waste Services, where EBITDA has been eroded by contracting low-level radioactive waste volumes and in North Sea Services, which continue to be impacted by the challenging market backdrop.

## PORTFOLIO ACTIVITY

During the six months to 31 December 2016 UIL invested £47.0m and realised £60.3m, including £25.6m from its investments in Resolute, £5.6m from its investments in UEM and £2.7m from its investments in Infratil.

The geographical split, on a look-through basis, saw Australia increase to 21.4% of the total investments (June 2016: 17.9%), mainly as a result of the increased valuation of Zeta. In the sector split, technology rose to 23.0% (June 2016: 21.0%), mainly as a result of Sterling's weakness.

## LEVEL 3 INVESTMENTS

UIL's investments in level 3 companies rose by £21.2m. This was mainly due to three factors: increased lending to Vix Technology to fund working capital as a result of its SaaS product development; a £5.1m valuation increase in Optal; and new investments of £5.6m.

Platform loans remained relatively flat at £35.0m, an increase of 3.2%. The Somers loan increased by approximately £6.2m mainly to fund investments made by Somers. This increase was offset by a £2.8m repayment on the Zeta loan and repayment of £2.3m of the loans to Vix Investments as part of the Optal distribution.

## GEARING

Gearing has declined over the year to 31 December 2016 from 157.7% to 103.5%. Our medium term gearing target remains at 100.0%.

## ZDP SHARES

The 2016 ZDP shares were redeemed in full on 31 October 2016. On 8 July 2016, UIL issued 14.0m 2020 ZDP shares and placed out 10.8m, raising £13.8m. Since then, UIL has sold an additional 1.9m 2020 ZDP shares, with 1.3m being retained on UIL's balance sheet as at 31 December 2016 with a market value of £1.7m. In addition, UIL sold 3.5m 2022 ZDP shares it held on its balance sheet raising £3.8m and as at 31 December 2016 retained 5.5m 2022 ZDP shares with a market value of £6.0m.

The average yield to maturity on the placings were 4.0% for the 2020 ZDP shares and 5.1% for the 2022 ZDP shares. UIL expects to place the remaining 2020 and 2022 ZDP shares held before its current year end.

## DEBT

Bank debt rose from £24.7m as at 30 June 2016 to £75.0m as at 31 December 2016, primarily to fund the 2016 ZDP share redemption.

As at 31 December 2016 the Scotiabank facilities were fully drawn down in Sterling. The term of the £50.0m loan facility with Scotiabank is until 22 March 2018.

UIL drew down the Scotiabank bridging facility of £25.0m to fund the 2016 ZDP redemption. UIL expects to repay the facility in full before its financial year end.

#### DERIVATIVES

During the six months to 31 December 2016 there was minimal investment in the S&P put option position, although there continued to be significant currency hedges. As at 31 December 2016 these were A\$185.5m, NZ\$88.3m, US\$65.1m and €22.5m. These generated a loss on the capital account of £9.0m (December 2015: loss of £4.8m).

#### REVENUE RETURN

Revenue total income rose by 4.8% from £4.5m to £4.8m. Management and administration fees and other expenses increased from £0.9m to £1.5m mainly as a result of higher asset values and the management fee reverting to 0.5% (previously 0.25%). Finance costs remained constant at £0.7m (December 2015: £0.8m). The combined effect resulted in revenue profit decreasing to £2.5m from £2.7m. EPS reduced to 2.76p from 2.91p.

#### CAPITAL RETURN

Capital total income was positive £25.2m (December 2015: negative £4.0m). This represented gains on investments of £35.0m, offset by derivative and FX losses of £9.8m. The finance costs were £6.5m (December 2015: £6.3m).

The resultant profit for the six months to 31 December 2016 on the capital return was £18.7m (December 2015: loss of £10.3m) and the EPS gain was 20.69p (December 2015: loss of 11.21p).

#### EXPENSE RATIO

The ongoing charges figure, excluding performance fees, reduced to 2.0% from 2.6%, mainly as a result of the average increase in shareholders' funds.

ICM Limited and ICM Investment Management Limited  
21 February 2017

31 Dec 2016	30 Jun 2016	Company	Fair value £'000s	% of total investments
1	3	<b>Somers Limited</b> Financial services investment company	78,516	16.6
2	1	<b>Resolute Mining Limited</b> Gold mining company	77,257	16.3
3	2	<b>Utilico Emerging Markets Limited</b> Emerging markets investment company	74,626	15.7
4	4	<b>Zeta Resources Limited</b> Resources investment company	52,746	11.1
5	5	<b>Vix Technology Limited</b> Automated fare collection systems	34,675	7.3
6	8	<b>Bermuda First Investment Company Limited</b> Bermuda investment company	21,550	4.5
7	6	<b>Infratil Limited</b> Infrastructure company	19,328	4.1
8	7	<b>Touchcorp Limited</b> Electronic payment services company	16,475	3.5
9	-	<b>Optal Limited</b> Electronic payment services company	14,962	3.2
10	10	<b>Augean plc</b> Waste treatment	11,623	2.5
<b>Ten largest holdings</b>			<b>401,758</b>	<b>84.8</b>
<b>Other investments</b>			<b>72,185</b>	<b>15.2</b>
<b>Total investments</b>			<b>473,943</b>	<b>100.0</b>

The Chairman's Statement on page 2 and the Investment Managers' Report starting on page 4 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 UIL's principal risks and uncertainties are market related and are similar to those of other investment companies investing mainly in listed equities in developed countries.

The principal risks and uncertainties were described in more detail under the heading "Principal Risks and Risk Mitigation" within the Business Review section of the Annual Report and Accounts for the year ended 30 June 2016 and have not changed materially since the date of that report.

The principal risks faced by UIL include not achieving long-term total returns for its shareholders, the adverse impact gearing could have, the sudden withdrawal of its bank facility, loss of key management and losses due to inadequate controls of third party service providers.

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

## RELATED PARTY TRANSACTIONS

Details of related party transactions in the six months to 31 December 2016 are set out in note 12 to the accounts and details of the fees paid to the Investment Managers are set out in note 2 to the accounts.

Directors' fees were increased with effect from 1 July 2016 to:

Chairman £43,000 per annum

Chair of Audit £41,000 per annum

Directors £31,800 per annum

## DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Chapter 4 of the Disclosure Guidance 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 2016 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 Managers' 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; and
- 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.

On behalf of the Board  
Peter Burrows  
Chairman  
21 February 2017

# UNAUDITED CONDENSED GROUP INCOME STATEMENT

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

Notes

	Six months to 31 December 2016		
	Revenue return £'000s	Capital return £'000s	Total return £'000s
Gains on investments	-	35,006	35,006
Losses on derivative financial instruments	-	(8,999)	(8,999)
Foreign exchange (losses)/gains	(66)	(789)	(855)
Investment and other income	4,830	-	4,830
<b>Total income</b>	<b>4,764</b>	<b>25,218</b>	<b>29,982</b>
Income not receivable	-	-	-
2 Management and administration fees	(852)	-	(852)
Other expenses	(616)	(2)	(618)
Profit/(loss) before finance costs and taxation	3,296	25,216	28,512
Finance costs	(669)	(6,507)	(7,176)
<b>Profit/(loss) before taxation</b>	<b>2,627</b>	<b>18,709</b>	<b>21,336</b>
3 Taxation	(129)	-	(129)
<b>Profit/(loss) for the period</b>	<b>2,498</b>	<b>18,709</b>	<b>21,207</b>
4 <b>Earnings per ordinary share - pence</b>	<b>2.76</b>	<b>20.69</b>	<b>23.45</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.

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

	Six months to 31 December 2015			Year to 30 June 2016		
	Revenue return £'000s	Capital return £'000s	Total return £'000s	Revenue return £'000s	Capital return £'000s	Total return £'000s
	-	3,223	3,223	-	103,464	103,464
	-	(4,752)	(4,752)	-	(22,013)	(22,013)
	23	(2,446)	(2,423)	181	(6,388)	(6,207)
	4,521	-	4,521	10,318	-	10,318
	4,544	(3,975)	569	10,499	75,063	85,562
	-	-	-	(887)	-	(887)
	(417)	-	(417)	(849)	-	(849)
	(480)	(1)	(481)	(1,083)	(2)	(1,085)
	3,647	(3,976)	(329)	7,680	75,061	82,741
	(842)	(6,279)	(7,121)	(1,739)	(12,734)	(14,473)
	2,805	(10,255)	(7,450)	5,941	62,327	68,268
	(146)	-	(146)	(268)	-	(268)
	2,659	(10,255)	(7,596)	5,673	62,327	68,000
	2.91	(11.21)	(8.30)	6.23	68.45	74.68

# UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

Notes	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
<b>for the six months to 31 December 2016</b>			
Balance at 30 June 2016	9,065	20,031	233,866
Profit for the period	-	-	-
5 Ordinary dividends paid	-	-	-
8 Shares purchased by the Company	(35)	(563)	-
<b>Balance at 31 December 2016</b>	<b>9,030</b>	<b>19,468</b>	<b>233,866</b>

	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
<b>for the six months to 31 December 2015</b>			
Balance at 30 June 2015	9,856	28,414	233,866
(Loss)/profit for the period	-	-	-
5 Ordinary dividends paid	-	-	-
Shares purchased by the Company	(791)	(8,384)	-
<b>Balance at 31 December 2015</b>	<b>9,065</b>	<b>20,030</b>	<b>233,866</b>

	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
<b>for the year to 30 June 2016</b>			
Balance at 30 June 2015	9,856	28,414	233,866
Profit for the year	-	-	-
5 Ordinary dividends paid	-	-	-
Shares purchased by the Company	(791)	(8,383)	-
<b>Balance at 30 June 2016</b>	<b>9,065</b>	<b>20,031</b>	<b>233,866</b>

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

Non- distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
<b>32,069</b>	<b>(86,928)</b>	<b>10,482</b>	<b>218,585</b>
-	18,709	2,498	21,207
-	-	(3,388)	(3,388)
-	-	-	(598)
<b>32,069</b>	<b>(68,219)</b>	<b>9,592</b>	<b>235,806</b>

Non- distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
32,069	(149,255)	11,608	166,558
-	(10,255)	2,659	(7,596)
-	-	(3,400)	(3,400)
-	-	-	(9,175)
32,069	(159,510)	10,867	146,387

Non- distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
32,069	(149,255)	11,608	166,558
-	62,327	5,673	68,000
-	-	(6,799)	(6,799)
-	-	-	(9,174)
32,069	(86,928)	10,482	218,585

## UNAUDITED CONDENSED GROUP BALANCE SHEET

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

Notes	31 Dec 2016 £'000s	31 Dec 2015 £'000s	30 Jun 2016 £'000s
<b>Non-current assets</b>			
6 Investments	473,943	373,416	452,197
<b>Current assets</b>			
Other receivables	646	1,836	2,945
7 Derivative financial instruments	6,094	366	1,067
Cash and cash equivalents	253	6,139	174
	6,993	8,341	4,186
<b>Current liabilities</b>			
Loans	(25,000)	(52,088)	-
Other payables	(9,247)	(695)	(1,101)
7 Derivative financial instruments	(56)	(3,867)	(14,637)
Zero dividend preference shares	-	(86,448)	(61,327)
	(34,303)	(143,098)	(77,065)
<b>Net current liabilities</b>	(27,310)	(134,757)	(72,879)
<b>Total assets less current liabilities</b>	446,633	238,659	379,318
<b>Non-current liabilities</b>			
Loans	(50,000)	-	(24,699)
Zero dividend preference shares	(160,827)	(92,272)	(136,034)
<b>Net assets</b>	235,806	146,387	218,585
<b>Represented by</b>			
8 Ordinary share capital	9,030	9,065	9,065
Share premium account	19,468	20,030	20,031
Special reserve	233,866	233,866	233,866
Non-distributable reserve	32,069	32,069	32,069
Capital reserves	(68,219)	(159,510)	(86,928)
Revenue reserve	9,592	10,867	10,482
<b>Total attributable to equity holders</b>	235,806	146,387	218,585
<b>Net asset value per ordinary share</b>			
9 Basic – pence	261.14	161.48	241.12

## UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

Notes	Six months to 31 Dec 2016 £'000s	Six months to 31 Dec 2015 £'000s	Year to 30 Jun 2016 £'000s
10 Cash flows from operating activities	1,933	3,510	4,217
<b>Investing activities</b>			
Purchases of investments	(43,874)	(32,114)	(46,049)
Sales of investments	60,490	29,064	65,169
Purchases of derivatives	(28,607)	(2,235)	(8,302)
Sales of derivatives	-	4,147	3,022
Cash flows from investing activities	(11,991)	(1,138)	13,840
Cash flows before financing activities	(10,058)	2,372	18,057
<b>Financing activities</b>			
Equity dividends paid	(3,388)	(3,400)	(6,799)
Movement on loans	46,800	15,757	(11,483)
Cash flows from issue of ZDP shares	19,538	-	12,435
Cash flows from redemption of ZDP shares	(62,741)	-	-
Cost of shares purchased for cancellation	(598)	(9,175)	(9,174)
Cash flows from financing activities	(389)	3,182	(15,021)
Net (decrease)/increase in cash and cash equivalents	(10,447)	5,554	3,036
Cash and cash equivalents at the beginning of the period	(114)	1,225	1,225
Effect of movement in foreign exchange	2,646	(640)	(4,375)
<b>Cash and cash equivalents at the end of the period</b>	(7,915)	6,139	(114)
Comprised of:			
Cash	253	6,139	174
Bank overdraft	(8,168)	-	(288)
<b>Total</b>	(7,915)	6,139	(114)

## 1. SIGNIFICANT ACCOUNTING POLICIES

The Company is an investment company incorporated in Bermuda and traded on 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 the accounting policies set out in the audited statutory accounts of the Group for the year ended 30 June 2016.

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 2016.

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 2016, which were prepared under full IFRS requirements.

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

## 2. MANAGEMENT AND ADMINISTRATION FEES

ICM Investment Management Limited ("ICMIM") is the Company's Alternative Investment Fund Manager and joint portfolio manager with ICM Limited ("ICM"), for which they are entitled to a management fee and a performance fee. The aggregate management and performance fees payable by the Company are apportioned between the joint portfolio managers as agreed by them. ICMIM also acts as UIL's Company Secretary for which it receives a company secretarial fee (as described below).

The relationship between ICMIM and ICM is compliant with the requirements of the EU Alternative Investment Fund Manager Directive and also such other requirements applicable to ICMIM by virtue of its regulation by the Financial Conduct Authority.

The annual 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 Managers or any of its subsidiaries for which it receives a management fee and is payable quarterly in arrears. The agreement with ICM and ICMIM may be terminated upon one year's notice given by the Company or by ICM and ICMIM, acting together.

The fee payable reverted to 0.5% per annum with effect from 1 July 2016 as the high watermark of net asset value of 284.81p per share had been regained (from 1 January 2014 to 30 June 2016 the fee payable was reduced to 0.25% per annum).

In addition, the Investment Managers are entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount by which the Company's total net asset value attributable to holders of ordinary shares outperforms the higher of (i) the post-tax yield on the FTSE Actuaries Government Securities UK Gilts 5 to 10 years' index, plus inflation (on the RPIX basis); and (ii) 5.0%, during the period (the "Reference Rate"). The opening equity funds for calculation of the performance fee are the higher of (i) the equity funds on the last day of a calculation period in respect of which a performance fee was last paid, adjusted for capital events and dividends paid since that date (the "high watermark"); and (ii) the equity funds on the last day of the previous calculation period increased by the Reference Rate during the calculation period. In a period where the Investment Managers or any of their associates receive a performance fee from any ICM-managed investment in which UIL is an investor, the performance fee payable by UIL will be reduced by a proportion corresponding to UIL's percentage holding in that investment applied to the underlying investment performance fee,

## 2. MANAGEMENT AND ADMINISTRATION FEES (continued)

subject to the provision that the UIL performance fee cannot be a negative figure. In calculating any performance fee payable, a cap of 2.5% of closing NAV will be applied following any of the above adjustments and any excess over this cap shall be written off. A performance fee was last paid in respect of the 12 month period to 30 June 2007. As at that date the equity shareholders' funds were £279.0m.

As at 31 December 2016, 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 2017.

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

ICM Corporate Services (Pty) Ltd is a 100% owned subsidiary of ICM and provides administration services to GERP for a fee of £15,000 per annum. The agreement is terminable upon one month's notice in writing.

F&C Management Limited ("F&C") provides accounting, dealing and administration services to the Company for a fee of £310,000 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 £129,000 (31 December 2015: £146,000 and 30 June 2016: £268,000) relates to overseas taxation suffered on dividend income.

## 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 2016 £'000s	Six months to 31 Dec 2015 £'000s	Year to 30 Jun 2016 £'000s
Revenue	2,498	2,659	5,673
Capital	18,709	(10,255)	62,327
<b>Total</b>	<b>21,207</b>	<b>(7,596)</b>	<b>68,000</b>
	Number	Number	Number
Weighted average number of shares in issue during the period for earnings per share calculations	90,415,810	91,463,419	91,060,816

## 5. DIVIDENDS

	Record date	Payment date	31 Dec 2016 £'000s	31 Dec 2015 £'000s	30 Jun 2016 £'000s
2015 Fourth quarterly interim of 1.875p	21 Aug 15	16 Sep 15	-	1,700	1,700
2016 First quarterly interim of 1.875p	20 Nov 15	21 Dec 15	-	1,700	1,700
2016 Second quarterly interim of 1.875p	19 Feb 16	08 Mar 16	-	-	1,700
2016 Third quarterly interim of 1.875p	03 Jun 16	23 Jun 16	-	-	1,699
2016 Fourth quarterly interim of 1.875p	09 Sep 16	28 Sep 16	<b>1,695</b>	-	-
2017 First quarterly interim of 1.875p	02 Dec 16	21 Dec 16	<b>1,693</b>	-	-
			<b>3,388</b>	3,400	6,799

The Directors have declared a second quarterly dividend in respect of the year ending 30 June 2017 of 1.875p per ordinary share payable on 22 March 2017 to shareholders on the register at close of business on 10 March 2017. The total cost of this dividend, which has not been accrued in the results for the six months to 31 December 2016, is £1,693,000 based on 90,297,208 ordinary shares in issue at the date of this interim report.

## 6. INVESTMENTS

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Investments at 30 June 2016				
Cost	174,702	117,332	91,904	<b>383,938</b>
Gains/(losses)	74,976	(10,938)	4,221	<b>68,259</b>
Valuation	249,678	106,394	96,125	<b>452,197</b>
Movements in the period:				
Transfer between levels*	2,224	(2,224)	-	-
Purchases at cost	3,654	733	42,619	<b>47,006</b>
Sales:				
- proceeds	(44,554)	-	(15,712)	<b>(60,266)</b>
- realised net gains on sales	20,856	413	2,131	<b>23,400</b>
(Losses)/profits on investments held at year end	(3,428)	22,904	(7,870)	<b>11,606</b>
Valuation at 31 December 2016	228,430	128,220	117,293	<b>473,943</b>
Analysed at 31 December 2016				
Cost	156,577	116,560	120,942	<b>394,078</b>
Gains/(losses)	71,853	11,660	(3,649)	<b>79,865</b>
Valuation	228,430	128,220	117,293	<b>473,943</b>

\* Transfer due to investee company shares traded regularly in the period.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

	Current assets £'000s	Current liabilities £'000s	31 Dec 2016 Net current assets/ (liabilities) £'000s
Forward foreign exchange contracts – level 2	6,094	(56)	6,038

### Changes in derivatives

Total net current derivative financial instruments are as follows:

	31 Dec 2016 £'000s
Valuation brought forward	(13,570)
Net acquisitions	28,607
Settlements	-
Losses	(8,999)
Balance at 31 December 2016	6,038

## 8. ORDINARY SHARE CAPITAL

Equity share capital:	Number	£'000s
Ordinary shares of 10p each with voting rights		
Authorised	250,000,000	25,000

	Total shares in issue Number	Total shares in issue £'000s
Balance at 30 June 2016	90,653,789	9,065
Purchased for cancellation	(356,581)	(35)
Balance at 31 December 2016	90,297,208	9,030

During the period the Company bought back for cancellation 356,581 ordinary shares at a total cost of £598,000. 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 £235,806,000 (31 December 2015: £146,387,000 and 30 June 2016: £218,585,000) and on 90,297,208 ordinary shares in issue at the period end (31 December 2015 and 30 June 2016: 90,653,789).

## 10. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 Dec 2016 £'000s	31 Dec 2015 £'000s	30 Jun 2016 £'000s
Profit/(loss) before taxation	21,336	(7,450)	68,268
Adjust for non-cash flow items:			
Gains on investments	(35,006)	(3,223)	(103,464)
Losses on derivative financial instruments	8,999	4,752	22,013
Foreign exchange losses	855	2,423	6,207
Non-cash flow income	(3,133)	-	(2,038)
Income not receivable	-	-	887
Decrease/(increase) in accrued income	2,085	768	(153)
(Increase)/decrease in other debtors	(9)	(17)	14
Increase in creditors	428	124	18
ZDP share finance costs	6,507	6,279	12,734
Tax on overseas income	(129)	(146)	(269)
	(19,403)	10,960	(64,051)
Cash flows from operating activities	1,933	3,510	4,217

## 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.

## 12. RELATED PARTY TRANSACTIONS

With effect from 1 July 2016 the fees paid to Directors were increased as set out on page 14 of this interim report. Peter Burrows received dividends of £23,986 (£3,750 of non-beneficial dividends included in this amount). Eric Stobart received dividends of £1,875. Warren McLeland received dividends of £895. Chris Samuel received dividends of £750. David Shillson received dividends of £1,290 and purchased 4,157 shares.

General Provincial Life Pension received dividends of £2,100,057 from UIL.

The following transactions were carried out during the period to 31 December 2016 between the Group and its related parties (as disclosed on page 93 of the annual accounts for the year ended 30 June 2016).

**BCB** sold its shares in BFIC to UIL (308,835 shares at B\$10.00 per share). In exchange BCB bought from UIL 3,088,400 BFIC 6% Loan Notes at a price of B\$1.00 per loan note, plus accrued interest from the last payment date (30 March 2016) to the settlement date (29 August 2016). The interest amount sold was B\$76,695.

**Zeta** – Purchase of 50,000 shares at a cost of A\$17,544. Loan of A\$38.4m (as at 30 June 2016 A\$45.5m); Zeta repaid A\$7,091,046.

**Somers** – Increase in UIL's shareholding to 6,022,538 due to receipt of 82,250 shares in July 2016 from the Somers' DRP plan. Loan of £11.5m, consolidated into Sterling in September 2016. UIL loan to Somers increased by approximately £6.2m.

**Vix Technology** – Loan of A\$14.0m, increased loan by A\$9.3m over the six months.

**Vix Investments** – Loan of US\$1.2m, repaid US\$3.1m. Vix Investments transferred 3,760,718 ordinary shares in Optal to UIL on 1 October 2016 at a fair market value of €4.05 per share. The purchase price of 927,968 shares (US\$4,198,000) was satisfied by settlement of the outstanding loans from UIL to Vix Investments. A capital distribution of US\$12,814,971 from Vix Investments to UIL was made by way of the remaining 2,832,750 shares.

Charles Jillings received dividends of £24,844.

Permanent Mutual Limited received dividends of £238,312.

**Augean** – Sale of 32,500 shares receiving £18,763

**Touchcorp** – 2,400,000 subscriptions for rights placing at a price of A\$2.00 per share. Purchase of 13,535 shares at a cost of A\$25,637.

**iHod** – Subscription for 2,892 shares at £207.47 per share.

**3D Advanced Manufacturing** – (associated company) new investment in September 2016. A newly formed business that aims to deliver world-class 3D printed manufacturing services for the health industry in the Asia Pacific region. UIL invested A\$1.2m.

**Beamax Limited** – (associated company) new investment in July 2016. It is a grassroots sports digital asset in Europe. The business generates revenue from advertising and sponsorship. UIL invested €1.9m.

## 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 financial investments 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.

The Level 3 financial instruments are split between (i) unlisted companies (level 3 investments) and (ii) platform loans.

### (i) Unlisted companies (level 3 investments)

#### Vix Technology ("VixTech") – Bermuda incorporated

**Valuation inputs:** FY18 EV/EBITDA 10.1 times (30 June 2016: 9.2 times). Unlisted discount applied 30.0% (30 June 2016: 30.0%) and execution risk discount of 20.0% of FY18 EV/EBITDA (30 June 2016: 24.5%). The reduced execution risk discount reflects the progress being made by VixTech on its restructuring program.

**Valuation methodology:** VixTech has been valued based on peer comparisons and EV/EBITDA for 2018. Based on continuous EBITDA for the year to 30 June 2018 of US\$19.8m and after applying a 30.0% unlisted discount, the valuation is US\$114.9m. Given the organisational restructuring of VixTech an execution risk discount of 20.0% has been applied and based on this, a value of US\$82.1m has been obtained. UIL holds a 39.8% equity interest in VixTech and as at 31 December 2016 carried this investment at US\$32.7m (£26.4m) (30 June 2016: £27.3m).

**Sensitivities:** Should the 2018 EBITDA of VixTech move by US\$1.0m the gain or loss in valuation would be US\$2.2m (£1.7m). Should the peer group multiple applied to VixTech's EBITDA be changed by 1.0 times the gain or loss on valuation for UIL would be US\$4.1m (£3.3m).

#### Optal Limited – UK incorporated

**Valuation inputs:** FY16 EV/EBITDA 16.4 times. Unlisted discount applied of 20.0%.

**Valuation methodology:** Optal was the key asset of Vix Investments. Vix Investments transferred its holding in Optal to UIL and ICM in October 2016 at a fair market value of €4.05 per share. As at 31 December 2016, Optal has been valued using FY 2016 forecast EBITDA of €21.6m, after applying a discount of 20.0%; this gives a value of €283.7m, or €4.70 per share. UIL's 6.2% equity interest is carried at €17.5m (£15.0m).

**Sensitivities:** Should the 2016 EBITDA of Optal move by €1.0m the gain or loss in valuation would be €0.8m (£0.7m). Should the peer group multiple applied be changed by 1.0 times the gain or loss on valuation for UIL would be €1.1m (£0.9m).

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

#### Vix Verify – Australia incorporated

**Valuation inputs:** FY17 EV/EBITDA 13.4 times. Unlisted discount applied of 20.0%.

**Valuation methodology:** Vix Verify has been valued based on peer comparisons and EV/EBITDA for 2017. Based on continuous EBITDA for the year to 30 June 2017 of A\$2.8m and after applying a 20.0% unlisted discount, the valuation is A\$28.9m. UIL holds a 39.8% equity interest and as at 31 December 2016 carried this investment at A\$11.5m (£6.7m) (30 June 2016: £3.8m).

**Sensitivities:** Should the 2017 EBITDA move by A\$1.0m the gain or loss in valuation would be A\$4.3m (£2.5m). Should the peer group multiple applied to Vix Verify's EBITDA be changed by 1.0 the gain or loss on valuation for UIL would be A\$0.9m (£0.5m).

#### 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).

**Valuation methodology:** UIL has used a fair value valuation of Seacrest of US\$0.84 per share based on the value of Azimuth derived from their US GAAP report for the quarter ended 30 September 2016.

**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.

#### (ii) Platform loans

##### Zeta Resources Limited (“Zeta”) – Bermuda incorporated

**Valuation inputs:** Gross asset to gross debt cover of 3.5 times as at 31 December 2016 (30 June 2016: 2.0 times).

**Valuation methodology:** The asset cover and nature of Zeta's portfolio is such that the loan of A\$38.4m (£22.5m) is carried at book value plus accrued interest.

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

##### Somers Limited (“Somers”) - Bermuda incorporated

**Valuation inputs:** Gross asset to gross debt cover of 24.4 times as at 31 December 2016 (30 June 2016: 50.0 times).

**Valuation methodology:** The asset cover and nature of Somers' portfolio is such that the loans of US\$14.2m (£11.5m) are carried at book value plus accrued interest.

**Sensitivities:** Should Somers' assets increase/decline by 10.0% there would be no impact on UIL's loans to Somers.

### 14. GOING CONCERN

The majority of the Company's assets consist of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

At the period end, the Company had a £50,000,000 multicurrency loan facility with Scotiabank Europe plc, which is repayable on 22 March 2018, and a further £25,000,000 bridging loan facility from Scotiabank Europe plc which was drawn from the end of October 2016 and expires on 24 April 2017. Commissions are charged on any undrawn amounts at commercial rates. The Company will either extend or replace the facilities or repay the outstanding debt when due from portfolio realisations.

### 15. 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 2016; the report of the auditors thereon was unqualified. The condensed financial statements shown above for the period ended 30 June 2016 are an extract from those accounts.

# HISTORICAL PERFORMANCE

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

UIL Limited  
Report & Accounts for  
the six months to 31 December 2016

	31 Dec 2016	30 Jun 2016	30 Jun 2015
NAV per ordinary share (pence)	<b>261.14</b>	241.12	169.00
Ordinary share price (pence)	<b>143.50</b>	130.75	117.00
Discount/ (premium) (based on diluted NAV per ordinary share) (%)	<b>45.0</b>	45.8	30.8
FTSE All-Share Total Return Index	<b>6,424</b>	5,737	5,614
<b>Returns and dividends (pence)</b>			
Revenue return per ordinary share	<b>2.76</b>	6.23	7.84
Capital return per ordinary share	<b>20.69</b>	68.45	2.47
Total return per ordinary share	<b>23.45</b>	74.68	10.31
Dividend per ordinary share	<b>3.75</b>	7.50	7.50
Capital distribution per ordinary share	-	-	-
<b>ZDP shares<sup>(4)</sup> (pence)</b>			
<b>2014 ZDP shares</b>			
Capital entitlement per 2014 ZDP share	n/a	n/a	n/a
2014 ZDP share price	n/a	n/a	n/a
<b>2016 ZDP shares</b>			
Capital entitlement per 2016 ZDP share	n/a	188.31	175.55
2016 ZDP share price	n/a	191.00	184.63
<b>2018 ZDP shares</b>			
Capital entitlement per 2018 ZDP share	<b>141.18</b>	136.32	127.09
2018 ZDP share price	<b>154.38</b>	147.25	141.75
<b>2020 ZDP shares</b>			
Capital entitlement per 2020 ZDP share	<b>118.43</b>	114.35	106.61
2020 ZDP share price	<b>133.50</b>	130.00	122.38
<b>2022 ZDP shares</b>			
Capital entitlement per 2022 ZDP share	<b>103.20</b>	100.12	n/a
2022 ZDP share price	<b>109.75</b>	104.50	n/a
<b>Equity holders funds (£m)</b>			
Gross assets <sup>(5)</sup>	<b>471.6</b>	440.7	373.4
Bank debt	<b>75.0</b>	24.7	34.4
ZDP shares	<b>160.8</b>	197.4	172.4
Other debt	-	-	-
Equity holders' funds	<b>235.8</b>	218.6	166.6
<b>Revenue account (£m)</b>			
Income	<b>4.8</b>	10.5	11.2
Costs (management and other expenses)	<b>1.5</b>	1.9	1.8
Finance costs	<b>0.7</b>	1.7	1.1
<b>Financial ratios of the Group (%)</b>			
Revenue yield on average gross assets	<b>2.2<sup>(7)</sup></b>	2.9	2.9
Ongoing charges figure	<b>2.0<sup>(7)</sup></b>	3.3 <sup>(6)</sup>	2.0 <sup>(6)</sup>
Bank loans, other loans and ZDP shares gearing on net assets	<b>103.5</b>	101.6	124.1

- (1) Restated figures for changes in accounting policies  
(2) Restated consolidating GERP  
(3) Includes the special dividend of 2.50p per share  
(4) Issued by UIL Finance Limited, a wholly owned subsidiary of UIL

	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>
NAV per ordinary share (pence)	165.84	148.33	209.67	201.63	166.39	146.87	225.20
Ordinary share price (pence)	128.00	130.00	144.00	147.25	116.50	117.00	234.00
Discount/ (premium) (based on diluted NAV per ordinary share) (%)	22.8	12.4	31.3	27.0	30.0	20.3	(3.9)
FTSE All-Share Total Return Index	5,471	4,837	4,101	4,234	3,370	2,782	3,499
<b>Returns and dividends (pence)</b>							
Revenue return per ordinary share	7.03	12.06	11.99	7.65	10.49	2.77	3.56
Capital return per ordinary share	19.85	(63.65)	2.73	26.05	21.15	(82.62)	(103.32)
Total return per ordinary share	26.88	(51.59)	14.72	33.70	31.62	(79.85)	(99.76)
Dividend per ordinary share	7.50	10.00 <sup>(3)</sup>	7.00	8.25	-	-	-
Capital distribution per ordinary share	-	-	-	-	12.00	-	-
<b>ZDP shares<sup>(4)</sup> (pence)</b>							
<b>2014 ZDP shares</b>							
Capital entitlement per 2014 ZDP share	163.70	152.64	142.33	132.69	123.72	115.37	107.57
2014 ZDP share price	166.25	158.50	154.00	142.75	129.50	116.50	108.50
<b>2016 ZDP shares</b>							
Capital entitlement per 2016 ZDP share	163.70	152.64	142.33	132.69	123.72	115.37	107.57
2016 ZDP share price	177.13	165.50	148.50	133.50	108.75	102.50	103.75
<b>2018 ZDP shares</b>							
Capital entitlement per 2018 ZDP share	118.50	110.50	103.03	n/a	n/a	n/a	n/a
2018 ZDP share price	128.25	113.38	104.00	n/a	n/a	n/a	n/a
<b>2020 ZDP shares</b>							
Capital entitlement per 2020 ZDP share	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2020 ZDP share price	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>2022 ZDP shares</b>							
Capital entitlement per 2022 ZDP share	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2022 ZDP share price	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Equity holders funds (£m)</b>							
Gross assets <sup>(5)</sup>	399.1	383.0	434.5	408.7	334.2	288.9	414.6
Bank debt	22.2	42.5	-	30.9	29.3	17.0	69.2
ZDP shares	212.5	193.4	224.4	172.8	161.2	145.1	140.2
Other debt	-	-	1.2	3.5	-	-	-
Equity holders' funds	164.4	147.1	208.9	201.5	143.7	126.8	205.2
<b>Revenue account (£m)</b>							
Income	10.4	16.2	15.9	11.9	13.8	8.5	10.5
Costs (management and other expenses)	2.1	3.2	3.0	2.9	2.4	2.4	3.1
Finance costs	0.9	0.8	0.8	2.0	1.4	2.6	3.6
<b>Financial ratios of the Group (%)</b>							
Revenue yield on average gross assets	2.6	4.2	4.0	3.1	4.2	2.6	2.3
Ongoing charges figure	2.2 <sup>(6)</sup>	1.8 <sup>(6)</sup>	1.7 <sup>(6)</sup>	2.0 <sup>(6)</sup>	0.7	0.8	0.7
Bank loans, other loans and ZDP shares gearing on net assets	144.4	160.4	108.0	102.8	132.6	127.9	102.0

- (5) Gross assets less current liabilities excluding loans  
(6) 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  
(7) For comparative purposes the figures have been annualised

### DIRECTORS

Peter Burrows, AO (Chairman)  
Alison Hill  
Warren McLeland  
Christopher Samuel  
David Shillson  
Eric St C Stobart

### REGISTERED OFFICE

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Company Registration Number: 39480

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the Financial Conduct Authority

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