

HALF-YEARLY REPORT  
FOR THE SIX MONTHS TO  
31 DECEMBER 2017

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MANAGED BY  The ICM logo consists of the letters "ICM" in a bold, black, sans-serif font, with a stylized magenta swoosh graphic positioned above the letter "I".

## GROUP PERFORMANCE SUMMARY

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

### TOTAL RETURN PERFORMANCE (pence) from 30 June 2017 to 31 December 2017



### 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 half-yearly report. Nothing should be construed as a profit forecast.

	Half-year 31 Dec 2017	Half-year 31 Dec 2016	Annual 30 Jun 2017	% change Jun-Dec 2017
NAV total return <sup>(1)</sup> (%)	6.7	9.7	7.7	n/a
Annual compound NAV total return (since inception) <sup>(2)</sup> (%)	12.0	12.6	11.9	n/a
NAV per ordinary share (pence)	266.08	261.14	252.86	5.2
Ordinary share price (pence)	163.50	143.50	164.00	(0.3)
Discount (%)	38.6	45.0	35.1	n/a
FTSE All-Share Total Return Index	7,266	6,424	6,777	7.2
<b>Zero dividend preference ("ZDP") shares<sup>(3)</sup> (pence)</b>				
<b>2018 ZDP shares</b>				
Capital entitlement per ZDP share	151.44	141.18	146.19	3.6
ZDP share price	157.38	154.38	154.75	1.7
<b>2020 ZDP shares</b>				
Capital entitlement per ZDP share	127.04	118.43	122.64	3.6
ZDP share price	143.75	133.50	140.38	2.4
<b>2022 ZDP shares</b>				
Capital entitlement per ZDP share	109.67	103.20	106.37	3.1
ZDP share price	124.50	109.75	119.50	4.2
<b>2024 ZDP shares</b>				
Capital entitlement per ZDP share	100.75	n/a	n/a	n/a
ZDP share price	105.25	n/a	n/a	n/a
<b>Equity holders' funds (£m)</b>				
Gross assets <sup>(4)</sup>	459.7	471.6	449.7	2.2
Bank loans	37.1	75.0	47.8	(22.4)
ZDP shares	182.6	160.8	173.8	5.1
Equity holders' funds	240.0	235.8	228.1	5.2
<b>Revenue account (£m)</b>				
Income	5.2	4.8	10.7	8.3 <sup>(5)</sup>
Costs (management and other expenses)	1.4	1.5	2.9	(6.7) <sup>(5)</sup>
Finance costs	0.8	0.7	1.8	14.3 <sup>(5)</sup>
<b>Financial ratios of the Group (%)</b>				
Revenue yield on average gross assets	2.3 <sup>(6)</sup>	2.2 <sup>(6)</sup>	2.4	n/a
Ongoing charges figure excluding performance fees <sup>(7)</sup>	2.1 <sup>(6)</sup>	2.0 <sup>(6)</sup>	2.1	n/a
Ongoing charges figure including performance fees <sup>(7)</sup>	2.5 <sup>(6)</sup>	2.8 <sup>(6)</sup>	2.6	n/a
Bank loans, bank overdraft and ZDP shares gearing on net assets	92.1	103.5	97.2	n/a
<b>Returns and dividends (pence)</b>				
Revenue return per ordinary share	3.22	2.76	6.38	16.7 <sup>(5)</sup>
Capital return per ordinary share	13.76	20.69	12.46	(33.5) <sup>(5)</sup>
Total return per ordinary share	16.98	23.45	18.84	(27.6) <sup>(5)</sup>
Dividend per ordinary share	3.75	3.75	7.50	0.0 <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 2016

(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 incurred within underlying investee funds, in the absence of any purchases or sales of investments

## CHAIRMAN'S STATEMENT

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UIL achieved a positive NAV total return of 6.7% in the six months to 31 December 2017 while the share price fell by 0.3%. The FTSE All Share Total Return Index was also positive at 7.2%. Since inception UIL has delivered a 411.4% NAV growth versus the FTSE's 237.6%, resulting in a compound annual growth rate for UIL of 12.0%. Arising from this strong NAV performance, a performance fee payable by UIL of £0.8m (2016: nil) has been accrued.

The share price total return for the six months was 2.0%. Despite the good NAV gains, the reduction in absolute debt and gearing, and attractive dividend payments, the ordinary share discount has widened to 38.6% as at 31 December 2017 from 35.1% as at 30 June 2017.

During the six months to 31 December 2017 UIL did not buy back any shares. However, since the period end and up to 20 February 2018, UIL bought back 0.7m shares, 0.8% of the issued shares, at an average price of 172.67p, a discount to the NAV as at 31 December 2017 of 35.1%.

In my statement for the year to 30 June 2017, I noted that the world's gross domestic product ("GDP") looked to be in a positive synchronised growth across most global markets, inflation remains weak and as such, we are experiencing a "Goldilocks" type environment for investors. This continued in the second half of 2017 with GDP rising and the Goldilocks environment remaining intact. Nearly all asset classes strengthened and performance even accelerated over the six months to 31 December 2017, and this has continued with a strong start to 2018.

Against this rising strength in GDP and low interest rates, volatility has reduced and is currently at decade lows. Populism and regional tensions remain elevated and are expected to continue over the coming year. Whether they will disrupt the synchronised GDP expectations remains a concern. The challenge posed by the emergence of disruptive technology businesses, which increasingly dominate local and global markets, has continued. Much of the asset class growth has been driven by higher earnings and valuations, but also higher debt levels across the world's economies.

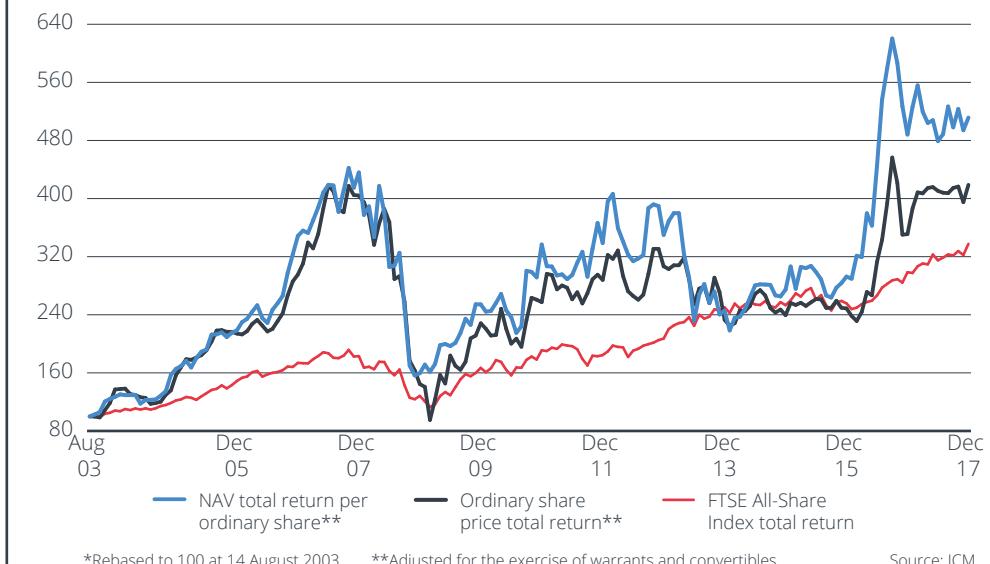
This remains a difficult environment for long term strategic investors. UIL's portfolio has benefitted from its technology investments and in particular, Afterpay Touch Group Limited ("Afterpay"), an Australian fintech business.

Over the six months to 31 December 2017 Sterling has recovered some of the ground it lost over the six months to 30 June 2017. Sterling rose against the New Zealand Dollar by 7.2%, by 4.1% against the US Dollar and 2.1% against the Australian Dollar, while falling 1.1% against the Euro. Oil continued its strong recovery rising by 39.5% ending the year at USD 66.87 per barrel. Gold rose by 5.0% over the six months to 31 December 2017 ending the year at USD 1,303/oz.

UIL has delivered strong gains over the period with gains on investments on the capital return of £14.3m, as Afterpay increased its value by £31.3m. UIL's NAV rose by 13.22p to 266.08p over the six months to 31 December 2017.

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HISTORIC TOTAL RETURN NAV AND SHARE PRICE PERFORMANCE\* (pence)  
from August 2003 to December 2017



In October 2017 UIL successfully rolled 17.1m of its existing 2018 ZDP shares into a new issue of 2024 ZDP shares and placed 3.3m of the new 2024 ZDP shares for cash. The 2024 ZDP shares have a lower compounding rate of 4.75% and will reduce UIL's funding costs going forward. It is pleasing to note the new 2024 ZDP shares trading at a premium to the issue price.

The Board is considering proposals to extend its ZDP maturity profile through the issue of a new class of 2026 ZDP shares and a corresponding reduction in the Company's bank facility. Further details will be announced in due course.

UIL has placed 3.3m new 2024 ZDP shares for cash, realised investments, received back investee loans and seen its currency hedges rolled over, all generating cash in the six month period enabling UIL to reduce its bank loans from £47.8m to £37.1m.

The combination of the above has seen UIL's gearing reduce to 92.1% from 97.2% as at 30 June 2017 and its average funding costs as at 31 December 2017 reduce to 3.4%.

## INVESTMENT MANAGERS' REPORT

The profit on the revenue account in the half year was up by 16.4% at £2.9m (31 December 2016: £2.5m). The Board has maintained the quarterly dividends of 1.875p per ordinary share, with the second quarterly dividend to be paid on 23 March 2018 to shareholders on the register as at 9 March 2018.

MiFID II came into effect in January 2018 and UIL was required to publish a Key Information Document ("KID"). UIL has fully complied with the new KID requirements for its ordinary shares and each of its ZDP shares at a financial cost to the shareholders. The Board would suggest some caution to shareholders using the KID. In particular, while the performance scenarios have been calculated using the methodology prescribed by EU rules, these should not be taken as a guide to the future and actual performance which may turn out to be materially different.

In response to the new MiFID II environment, ICM and ICM Investment Management have agreed to absorb the research cost and not recharge them to UIL.

### OUTLOOK

Markets remain outside the normal historic parameters. From a monetary policy perspective, unconventional tools are continuing to be deployed, such as negative interest rates and Quantitative Easing ("QE") still being implemented in Europe and Japan. However, the US economy has strengthened to the point where Quantitative Tightening ("QT") is now in place and inflation look set to rise, including wage inflation. This in turn has seen increased market expectations that interest rates will need to rise faster.

The rising dislocation between QE and QT is likely to result in increased volatility and in the last month volatility has been seen to spike and markets correct. Corporates remain in a goldilocks scenario (global growth, low interest rates and low inflation) which should be beneficial when reflected in rising revenues, increasing margins and consequently good earnings growth. This should have positive implications for UIL's portfolio.

A caution should be made about geopolitical events and populism. There continues to be a strong populist influence and this could lead to changing outcomes which may not always be foreseen. Further increased geopolitical tensions, especially in the Middle East could also have implications for the markets.

While macro, political and geopolitical events will influence markets, UIL's investment approach and performance will continue to be driven by individual stock selection.

Peter Burrows  
Chairman  
21 February 2018

UIL's NAV total return was 6.7% in the six months to 31 December 2017 and builds again on the significant gains made by UIL in recent years. Since inception UIL's NAV total return has been 411.4% and the share price total return was 318.9%.

As noted in the Chairman's statement, the six months to 31 December 2017 has seen a further acceleration in global GDP and a continuation of the goldilocks scenario, growth in GDP with low inflation and low interest rates. Equity markets led by the USA S&P have moved higher in rising earnings and valuations. Commodity prices have been much stronger, led by oil which, as at 31 December 2017 was 39.5% higher at USD 66.87 per barrel, and gold which was up by 5.0% at USD 1,303/oz.

We remain optimistic about short-term markets but are concerned about elevated political and geographical tensions which could derail global GDP growth. We remain concerned about the rising level of global debt and liabilities.

Over the six months, Sterling has reversed some of the losses it made in recent years. Sterling was up against the NZD by 7.2%; USD by 4.1% and AUD by 2.1%. The Euro gained 1.1% versus Sterling.

For UIL, the net effect of all of the above has been further asset gains. UIL's foreign exchange positions have released cash on maturity as Sterling has firmed. UIL has taken the opportunity to reduce bank debt by placing 3.3m new 2024 ZDP shares for cash and realising investments.

### PORTFOLIO

The technology investments in UIL have been strong with Afterpay rising 122.8%. Offsetting this, Zeta Resources Limited ("Zeta") and Resolute Mining Limited ("Resolute") have both been relatively weak and disappointingly, so too has the unlisted company Vix Technology Limited ("Vix Technology"). These are all reviewed below.

Overall, the investment portfolio gained £14.3m and the gains on derivatives and foreign exchange amounted to £5.0m.

### MAJOR PLATFORM INVESTMENTS

**Somers Limited ("Somers")** is a financial services sector investment holding company listed on the Bermuda Stock Exchange. Somers' share price was USD 14.25 as at 31 December 2017, up from USD 13.00 as at 30 June 2017.

During the period PCF Group plc, Somers' majority owned bank, received a UK deposit banking licence and commenced taking retail deposits, while Homeloans Limited ("Homeloans") became Somers' largest investment following the growth in its reported Assets under Management to AUD 10.2bn. Somers' shareholders' equity increased significantly to USD 361.2m (June 2017: USD 268.6m) mainly as a result of

## INVESTMENT MANAGERS' REPORT (continued)

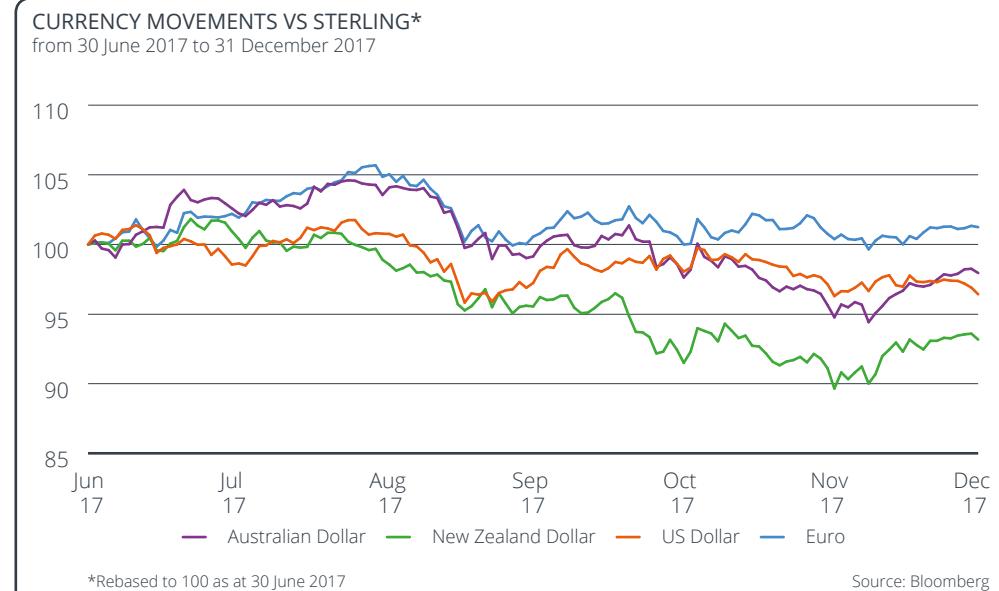
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the conversion of the loan notes issued as part of Somers' acquisition of the majority stake in Homeloans in September 2016. Somers' other two significant investments are Bermuda Commercial Bank Limited (one of Bermuda's four licensed banks), which is a wholly owned investment and a 62.5% interest in Waverton Investment Management Limited ("Waverton"), a UK private wealth manager with £5.5bn of assets under management.

For the year ended 30 September 2017 Somers reported a net profit of USD 19.4m on total equity of USD 361.2m. Somers' diluted NAV per share was USD 18.55 as at 30 September 2017 (September 2016: USD 18.66). The profit was driven principally by valuation increases at Homeloans and Waverton due to strong financial performances at both companies. Despite the annual profit, NAV per share remained at similar levels to last year mainly due to the issue of shares from the pro rata bonus warrant issue to all shareholders at a discount to net asset value. Following the exercise of convertible loan notes by other shareholders during the period, UIL's holding in Somers reduced to 44.2% as at 31 December 2017. Somers is now UIL's largest investment accounting for 19.6% of the total portfolio.

**Utilico Emerging Markets Limited ("UEM")** invests predominantly in infrastructure and utility assets in emerging markets and is listed in the UK and traded on the London Stock Exchange. During the period, emerging markets have generally been strong, with the MSCI Emerging Markets Total Return Index (GBP



adjusted) up by 11.3%. This reflects robust underlying economies, with all regions across the world showing positive synchronised growth while inflation in most countries remains subdued.

After enduring its longest recession in history in 2015-16, Brazil's economy finally returned to growth in early 2017 and sustained this through the year. This helped deliver strong market performance, with a 21.5% rise in the Bovespa index over the six months to 31 December 2017. Meanwhile China continued to deliver surprisingly resilient growth, with GDP up 6.9% in 2017, beating the official target. While the Chinese A-share market posted modest growth, up by 3.6% over the six months, the Hong Kong Hang Seng was also particularly strong, up by 16.1%. It is notable that in Argentina President Macri continues to effect major market-friendly reforms, which was reflected in the Merval index appreciating by 37.2% during the period. However, stubbornly high inflation partly eroded returns here, with the Argentinian Peso depreciating against Sterling by 13.9%.

In the six months to 31 December 2017, UEM's NAV increased by 7.2% on a total return basis, reflecting a solid underlying performance from the portfolio constituents, partly offset by currency headwinds due to strengthening of Sterling. During the period UEM's share price total return increased by 4.1%, reflecting the increase in dividends to 3.40p per share. UIL sold 0.75m shares in UEM over the period, reducing its holding by 2.3% and realising £1.7m.

**Zeta** is a resource-focused investment company which is listed on the Australian Stock Exchange. Over the six months to 31 December 2017, Zeta's net assets increased by a pleasing 33.0%, while its share price declined by 12.2% to AUD 0.33, representing a discount to net tangible assets of 29.5%.

During the six month period, commodity prices were up overall. Oil prices rose, with the Brent crude oil price up by 39.5% to USD 66.87 per barrel. The gold price was up by 5.0% to USD 1,303/oz, while the nickel price was up by 30.2% to USD 5.48/lb. In line with the rise in commodity prices, the net assets of Zeta rose by 33.0% from USD 68.7m to USD 91.4m. However, the net assets per share rose by 24.9% due to dilution from the exercise of options by UIL during the period. In the six months to 31 December 2017, New Zealand Oil & Gas ("NZOG") was subject to a partial takeover bid by OG Oil & Gas, benefiting Zeta's investment in NZOG.

The loan balance as at 31 December 2017 is AUD 24.5m, UIL loaned Zeta an additional AUD 12.7m and Zeta repaid to UIL AUD 18.4m.

**Infratil Limited ("Infratil")** is a New Zealand listed company managed by H.R.L. Morrison & Co, with its main business lines focused in the renewable energy, airport and public transportations sectors. Infratil's share price increased by 11.8% in the six months to 31 December 2017 reflecting solid financial performance in its investments, which has led to an upgrade in its EBITDAF guidance for its financial year to 31 March 2018.

**COMMODITY PRICE MOVEMENTS\***  
from 30 June 2017 to 31 December 2017



In its interim report to 30 September 2017, Infratil's six-month continuing EBITDAF was up by 18.4%, with a strong performance at Trustpower more than offsetting a weaker financial contribution from NZ Bus and Tilt Renewables. Trustpower has benefitted from a combination of strong hydrology and firm electricity prices in New Zealand, with total generation up by 20.4% and EBITDAF growth of 33.8%. However, wind resources have been comparatively weak, with Tilt Renewables output falling by 16.0% and EBITDAF declining 19.9%. NZ Bus passenger figures fell by 8.6% due to the loss of its South Auckland services, with resulting EBITDAF declining 28.4%. Wellington Airport provided steady growth, reporting passenger numbers up by 3.1% and EBITDAF up 8.2%, whilst Perth Energy losses narrowed. Overall, Infratil's net parent surplus increased 15.6% year-on-year.

In the six months to 31 December 2017 Infratil increased its dividends per share by 4.3%. There was no change to UIL's shareholding in Infratil during the period.

**Bermuda First Investment Company Limited ("BFIC")** is an investment company focused on Bermuda. Its largest investments are Ascendant Group Limited ("Ascendant") (valued at BMD 25.9m as at 31 December 2017) and One Communications Limited ("One") (valued at BMD 24.1m as at 31 December 2017). 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 a strong 2017 where Bermuda had a positive uplift from hosting the America's Cup. Both Ascendant and One are making significant investments to maintain and improve their respective networks in order to drive future growth.

#### MAJOR DIRECT HOLDINGS

Gold production by **Resolute** in the six months to 31 December 2017 was 142,749 ounces, down 16.3% on the same period in the prior year. This was due to lower head grades, planned production shutdowns for maintenance at Syama and the wind-down of reserves from underground mining at Ravenswood before transitioning to large-scale open pit operations. Production cash costs during the period averaged AUD 1,231 per ounce. For the year to June 2018 Resolute has forecast production of 300,000 ounces at an all-in sustaining cost of AUD 1,280 per ounce. The Syama underground mine is currently under development and is due to commence full underground mining in December 2018.

In the six months to 31 December 2017, Resolute sold 121,480 ounces of gold at an average price of AUD 1,687 per ounce, generating gross operating cash flow of AUD 86.8m. Cash and bullion on hand and liquid investments were AUD 196.4m as at 31 December 2017 (2016: AUD 282.5m); total borrowings were AUD 35.0m (2016: AUD 22.0m). During the period Resolute paid a dividend of 2.0c per share.

The share price of Resolute during the six months to 31 December 2017 was down by 4.2% from AUD 1.19 as at 30 June 2017 to AUD 1.14 as at the end of December 2017. There was no change in UIL's shareholding during the six months under review.

**Afterpay** had a rewarding six months following the merger between Afterpay Holdings Limited and Touchcorp Limited on 30 June 2017.

The company's "Afterpay" branded payment service, which allows consumers in Australia and New Zealand to pay for goods in instalments with no interest charges funded by supplier discounts, continued to grow extremely strongly, in terms of total transaction values, customer numbers and merchant outlets. AUD 918.0m of sales were processed through the platform in the six months to 31 December 2017, more than six times the AUD 145.0m of sales processed for the same period in 2016.

Afterpay now has over 11,500 merchants offering its payment option and 1.5m consumers have now used the service. Whilst over 90% of processed payments are made online, the service is increasingly being used instore, with Afterpay available as a payment method in over 5,000 branches of multiple retailers. During the period, Afterpay has partnered with Qantas' low cost airline, Jetstar, to offer Afterpay as a payment option for domestic flights.

Since the period end, Afterpay has announced that it is evaluating an entry into the US market and to support this, the company has entered into a strategic relationship with a US based venture capital firm, Matrix Partners.

Afterpay's share price more than doubled over the six month period, advancing 122.8%. UIL sold 3.0m shares (16.8% of UIL's shareholding) realising £8.2m over the six months to 31 December 2017.

**Optal Limited ("Optal")** is a developer of global payment solutions, with its key application providing payment services to eNett, a virtual payment card solution for the travel industry. eNett is majority owned by NASDAQ listed Travelport Worldwide Limited, with Optal owning a 23.5% stake.

eNett's revenues continue to grow strongly, albeit at a lower rate than in prior years. For the three months to 30 September 2017, eNett's revenues increased by 30.0% to USD 54.0m when compared to the same period in 2016. Optal is an unlisted company and its revenues for the period have not been publicly disclosed. However, revenues generated from its relationship with eNett grow at a rate broadly proportional to eNett's volumes. Optal is profitable and cash generative.

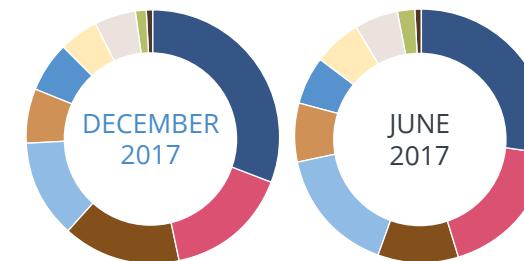
**Vix Technology** is an unlisted company in which UIL has a 39.8% holding. It is a global leader in smart booking, ticketing, payments, real-time information and data management solutions for large-scale transport networks, working with over 200 customers worldwide. Vix Technology leverages more than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

2017 marked the formal launch of a new strategy for Vix Technology, promoting greater integration, the outsourcing of non-core functions and a commitment to the common technology platform, "Pulse". The move to a universal platform is expected to improve scalability, reduce business risk and promote sustainable growth. However, deferred project revenues and material fixed costs have impacted performance in the short term. 2017 EBITDA was disappointing and with a commitment to deliver a core Pulse product for selected geographies, 2018-2020 will continue to reflect a relatively high cost base. Nevertheless, the transition from a project-focused to a product-focused business model will leave the company better placed to compete effectively in a rapidly changing global marketplace.

In the six months to 31 December 2017, UIL wrote down its equity holding in Vix Technology by £6.5m to reflect the headwinds being experienced by the business.

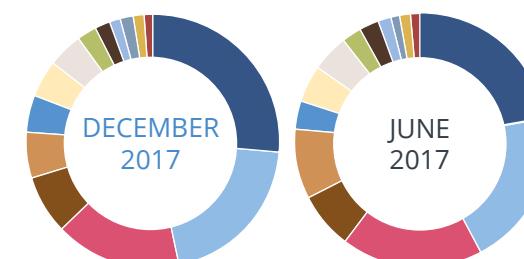
**Vix Verify Global Ltd ("VVG")** is an unlisted global technology business based in Australia. The company provides identity verification services to customers such as banks, telecommunications providers, online gaming companies and government agencies. Vix Verify's systems are used to check identities and verify

### GEOGRAPHICAL SPLIT OF INVESTMENTS



	% OF TOTAL	DEC	JUN
	2017	2017	2017
Australia	30.9	27.3	
Gold mining	16.0	18.1	
UK and Channel Islands	14.9	10.3	
Bermuda	12.6	16.1	
Asia	6.8	7.4	
Latin America	6.3	6.1	
Europe excluding UK	5.2	6.2	
New Zealand	5.1	5.7	
Africa	1.5	2.0	
North America	0.7	0.8	

### SECTOR SPLIT OF INVESTMENTS



	% OF TOTAL	DEC	JUN
	2017	2017	2017
Technology	26.5	22.3	
Financial services	20.4	20.0	
Gold mining	16.0	18.1	
Electricity	7.4	7.1	
Oil & Gas	6.0	9.1	
Resources	4.8	3.6	
Other	4.7	4.7	
Telecoms	4.3	4.8	
Airports	2.4	2.3	
Ports	2.0	2.6	
Renewables	1.6	1.6	
Toll roads	1.5	1.2	
Infrastructure	1.3	1.3	
Water & waste	1.1	1.3	

Source: ICM

the validity of identification documents for various purposes including fraud reduction, the prevention of money laundering and terrorism financing and checking immigration statuses.

VVG's Australian operations exceeded budget while VVG continues to invest in its operations internationally.

UIL holds its 39.8% interest in VVG through a CFD, which confers the same benefit as if the shares had been held directly by UIL.

#### PORTFOLIO ACTIVITY

During the six months to 31 December 2017, UIL invested £19.3m, including £3.4m lent to Vix Technology and £8.3m to Zeta, and realised £21.2m, including £10.7m from the repayment of Zeta loans, £8.2m from the sale of shares in Afterpay and £1.7m in UEM.

The geographical split, on a look-through basis, had Australia increasing to 30.9% of total investments (30 June 2017: 27.3%) and Bermuda decreasing from 16.1% as at 30 June 2017 to 12.6% as at the end of December 2017. In the sector split, technology rose to 26.5% (30 June 2017: 22.3%) and oil and gas reduced from 9.1% as at 30 June 2017 to 6.0% as at 31 December 2017.

#### LEVEL 3 INVESTMENTS

UIL's investments in level 3 companies decreased by £1.5m. Platform loans remained relatively flat at £21.8m, a decrease of 2.2%.

#### GEARING

It is pleasing to note UIL's initial goal set four years ago of reducing gearing to 100.0% or below has been delivered.

Gearing (including the ZDP shares) has steadily reduced from 160.4% as at 30 June 2013, 124.1%, two years ago, 103.5% a year ago and 97.2% as at 30 June 2017 to 92.1% as at 31 December 2017.

#### ZDP SHARES

During the six months to 31 December 2017, UIL Finance issued £50.0m of new 2024 ZDP shares of which £20.0m were issued to UIL and are held by UIL on its balance sheet. The 2024 ZDP shares held by UIL are eliminated on consolidation of UIL Finance. Of the £30.0m issued to the market, £26.7m was issued to existing 2018 ZDP shareholders under the rollover offer and £3.3m was placed in the market for cash.

The 2018 ZDP shares which are due for redemption on 31 October 2018 this year were reduced by the rollover to stand at £49.5m as at 31 December 2017. These are expected to be redeemed for cash and on time in full.

Funding is expected to come from the undrawn Scotia facility and from further realisations and distributions from investee companies.

#### DEBT

Bank loans decreased from £47.8m as at 30 June 2017 to £37.1m as at 31 December 2017 funded by investee loan repayments, portfolio realisations, cash being released from UIL's FX positions as Sterling has strengthened and the placing of 3.3m new 2024 ZDP shares for cash.

The £50.0m loan facility with Scotiabank is due for repayment on 22 March 2018. UIL has agreed indicative terms for a new two year £50.0m secured multicurrency revolving bank facility with Scotiabank on similar terms and covenants, which is expected to be entered into, prior to 22 March 2018.

#### DERIVATIVES

During the six months to 31 December 2017 there continued to be significant currency hedges. As at 31 December 2017 these were AUD 140.9m, USD 74.8m, NZD 14.4m and EUR 6.0m. These generated a gain on the capital account of £4.1m (31 December 2016: loss of £9.0m).

#### REVENUE RETURN

Revenue total income rose by 9.9% from £4.8m to £5.3m. Management and administration fees and other expenses decreased by 5.7% to £1.4m (31 December 2016: £1.5m). Finance costs increased by 26.5% to £0.8m (31 December 2016: £0.7m).

As a result of the above, revenue profit increased by 16.4% from £2.5m to £2.9m and earnings per ordinary share ("EPS") rose by 16.7% to 3.22p from 2.76p as at 31 December 2016.

#### CAPITAL RETURN

Capital total income was £19.3m (31 December 2016: £25.2m). This represented gains on investments and also gains on foreign exchange positions.

Management fees of £0.8m represent accrued performance fees due to ICM Limited and ICM Investment Management Limited under the management agreements.

Finance costs were 7.0% lower at £6.0m (31 December 2016: £6.5m) reflecting lower costs associated with the ZDP shares in issue.

The resultant profit for the six months to 31 December 2017 on the capital return was £12.4m (31 December 2016: £18.7m) and the EPS was 13.76p (31 December 2016: 20.69p).

## INVESTMENT MANAGERS' REPORT (continued)

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

### EXPENSE RATIO

The ongoing charges figure, excluding performance fees, increased from 2.0% as at 31 December 2016 to 2.1% as at 31 December 2017. Including performance fees (accrued by UIL and underlying investee funds) the ongoing charges figure decreased from 2.8% to 2.5%.

ICM Limited and ICM Investment Management Limited  
21 February 2018

## TEN LARGEST HOLDINGS

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

31 Dec 2017	30 Jun 2017	Company	Fair value £'000s	% of total investments
1	1	<b>Somers Limited</b> Financial services investment company	90,498	19.6
2	2	<b>Utilico Emerging Markets Limited</b> Emerging markets investment company	73,536	16.0
3	3	<b>Resolute Mining Limited</b> Gold mining company	59,756	13.0
4	5	<b>Afterpay Touch Group Limited</b> Electronic payment services company	51,416	11.1
5	4	<b>Zeta Resources Limited</b> Resources investment company	46,180	10.0
6	6	<b>Infratil Limited</b> Infrastructure investment company	21,818	4.7
7	7	<b>Bermuda First Investment Company Limited</b> Bermuda investment company	17,919	3.9
8	9	<b>Optal Limited</b> Electronic payment services company	16,738	3.6
9	8	<b>Vix Technology Limited</b> Automated fare collection systems company	13,920	3.0
10	10	<b>Vix Verify Global Pty Ltd</b> Digital verification technology company	9,596	2.1
<b>Ten largest holdings</b>			401,377	87.0
<b>Other investments</b>			60,074	13.0
<b>Total investments</b>			461,451	100.0

# HALF-YEARLY FINANCIAL REPORT AND RESPONSIBILITY STATEMENT

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

The Chairman's Statement on page 2 and the Investment Managers' Report starting on page 5 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 2017 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 2017 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 by approximately 2.3% with effect from 1 July 2017 to:

Chairman £44,000 per annum

Chairman of the Audit Committee £42,000 per annum

Directors £32,500 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 2017 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 2018

**UNAUDITED CONDENSED GROUP  
INCOME STATEMENT**

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

Notes

	<b>Six months to 31 December 2017</b>		
	<b>Revenue return £'000s</b>	<b>Capital return £'000s</b>	<b>Total return £'000s</b>
Gains on investments	-	14,250	14,250
Gains/(losses) on derivative financial instruments	-	4,102	4,102
Foreign exchange (losses)/gains	(20)	908	888
Investment and other income	5,257	-	5,257
<b>Total income</b>	<b>5,237</b>	<b>19,260</b>	<b>24,497</b>
2 Management and administration fees	(740)	(804)	(1,544)
Other expenses	(644)	-	(644)
Profit before finance costs and taxation	3,853	18,456	22,309
Gains on sales of ZDP shares held intra group	-	-	-
Finance costs	(846)	(6,049)	(6,895)
<b>Profit before taxation</b>	<b>3,007</b>	<b>12,407</b>	<b>15,414</b>
3 Taxation	(100)	-	(100)
<b>Profit for the period</b>	<b>2,907</b>	<b>12,407</b>	<b>15,314</b>
<b>4 Earnings per ordinary share - pence</b>	<b>3.22</b>	<b>13.76</b>	<b>16.98</b>

The Group does not have any income or expense that is not included in the profit for the period and therefore the profit for the period is also the total comprehensive income 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  
Half-yearly report for  
the six months to 31 December 2017

	<b>Six months to 31 December 2016</b>			<b>Year to 30 June 2017</b>		
	<b>Revenue return £'000s</b>	<b>Capital return £'000s</b>	<b>Total return £'000s</b>	<b>Revenue return £'000s</b>	<b>Capital return £'000s</b>	<b>Total return £'000s</b>
-	-	35,006	35,006	-	31,238	31,238
-	-	(8,999)	(8,999)	-	(11,346)	(11,346)
(66)	(789)	(855)	(67)	3,058	2,991	
4,830	-	4,830	10,775	-	10,775	
4,764	25,218	29,982	10,708	22,950	33,658	
(852)	-	(852)	(1,656)	-	(1,656)	
(616)	(2)	(618)	(1,205)	(3)	(1,208)	
3,296	25,216	28,512	7,847	22,947	30,794	
-	-	-	-	617	617	
(669)	(6,507)	(7,176)	(1,837)	(12,273)	(14,110)	
2,627	18,709	21,336	6,010	11,291	17,301	
(129)	-	(129)	(250)	(30)	(280)	
2,498	18,709	21,207	5,760	11,261	17,021	
2.76	20.69	23.45	6.38	12.46	18.84	

# UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

Notes

for the six months to 31 December 2017	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
Balance at 30 June 2017	9,020	19,313	233,866
Profit for the period	-	-	-
5 Ordinary dividends paid	-	-	-
<b>Balance at 31 December 2017</b>	<b>9,020</b>	<b>19,313</b>	<b>233,866</b>

for the six months to 31 December 2016	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
Balance at 30 June 2016	9,065	20,031	233,866
Profit for the period	-	-	-
5 Ordinary dividends paid	-	-	-
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>

for the year to 30 June 2017	Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s
Balance at 30 June 2016	9,065	20,031	233,866
Profit for the year	-	-	-
5 Ordinary dividends paid	-	-	-
Shares purchased by the Company	(45)	(718)	-
<b>Balance at 30 June 2017</b>	<b>9,020</b>	<b>19,313</b>	<b>233,866</b>

Non-distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
32,069	(75,667)	9,468	228,069
-	12,407	2,907	15,314
-	-	(3,382)	(3,382)
<b>32,069</b>	<b>(63,260)</b>	<b>8,993</b>	<b>240,001</b>

Non-distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
32,069	(86,928)	10,482	218,585
-	18,709	2,498	21,207
-	-	(3,388)	(3,388)
<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	(86,928)	10,482	218,585
-	11,261	5,760	17,021
-	-	(6,774)	(6,774)
<b>32,069</b>	<b>(75,667)</b>	<b>9,468</b>	<b>228,069</b>

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

UNAUDITED CONDENSED GROUP  
BALANCE SHEET

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

Notes

	31 Dec 2017 £'000s	31 Dec 2016 £'000s	30 Jun 2017 £'000s
<b>Non-current assets</b>			
6 Investments	<b>461,451</b>	473,943	449,116
<b>Current assets</b>			
Other receivables	<b>1,273</b>	646	25,190
7 Derivative financial instruments	<b>1,287</b>	6,094	818
Cash and cash equivalents	<b>620</b>	253	3,573
	<b>3,180</b>	6,993	29,581
<b>Current liabilities</b>			
Loans	<b>(37,128)</b>	(25,000)	(47,846)
Other payables	<b>(3,022)</b>	(9,247)	(26,472)
7 Derivative financial instruments	<b>(1,911)</b>	(56)	(2,532)
Zero dividend preference shares	<b>(49,482)</b>	–	–
	<b>(91,543)</b>	(34,303)	(76,850)
<b>Net current liabilities</b>	<b>(88,363)</b>	(27,310)	(47,269)
<b>Total assets less current liabilities</b>	<b>373,088</b>	446,633	401,847
<b>Non-current liabilities</b>			
Loans	<b>–</b>	(50,000)	–
Zero dividend preference shares	<b>(133,087)</b>	(160,827)	(173,778)
<b>Net assets</b>	<b>240,001</b>	235,806	228,069
<b>Equity attributable to equity holders</b>			
8 Ordinary share capital	<b>9,020</b>	9,030	9,020
Share premium account	<b>19,313</b>	19,468	19,313
Special reserve	<b>233,866</b>	233,866	233,866
Non-distributable reserve	<b>32,069</b>	32,069	32,069
Capital reserves	<b>(63,260)</b>	(68,219)	(75,667)
Revenue reserve	<b>8,993</b>	9,592	9,468
<b>Total attributable to equity holders</b>	<b>240,001</b>	235,806	228,069
<b>Net asset value per ordinary share</b>			
9 Basic – pence	<b>266.08</b>	261.14	252.86

UNAUDITED CONDENSED GROUP  
STATEMENT OF CASH FLOWS

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

Notes

	Six months to 31 Dec 2017 £'000s	Six months to 31 Dec 2016 £'000s	Year to 30 Jun 2017 £'000s
10 Cash flows from operating activities	<b>580</b>	1,933	1,314
Investing activities:			
Purchases of investments	<b>(18,452)</b>	(43,874)	(67,267)
Sales of investments	<b>21,193</b>	60,490	109,560
Purchases of derivatives	<b>–</b>	(28,607)	(23,202)
Sales of derivatives	<b>3,012</b>	–	–
Cash flows from investing activities	<b>5,753</b>	(11,991)	19,091
Cash flows before financing activities	<b>6,333</b>	(10,058)	20,405
Financing activities:			
Equity dividends paid	<b>(3,382)</b>	(3,388)	(6,774)
Movement on loans	<b>(9,595)</b>	46,800	25,148
Cash flows from issue of ZDP shares	<b>2,840</b>	19,538	27,258
Cash flows from redemption of ZDP shares	<b>–</b>	(62,741)	(62,741)
Cost of shares purchased for cancellation	<b>(164)</b>	(598)	(599)
Cash flows from financing activities	<b>(10,301)</b>	(389)	(17,708)
Net (decrease)/increase in cash and cash equivalents	<b>(3,968)</b>	(10,447)	2,697
Cash and cash equivalents at the beginning of the period	<b>3,573</b>	(114)	(114)
Effect of movement in foreign exchange	<b>(237)</b>	2,646	990
<b>Cash and cash equivalents at the end of the period</b>	<b>(632)</b>	(7,915)	3,573
Comprised of:			
Cash	<b>620</b>	253	3,573
Bank overdraft	<b>(1,252)</b>	(8,168)	–
<b>Total</b>	<b>(632)</b>	(7,915)	3,573

# UNAUDITED NOTES TO THE ACCOUNTS

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

## 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 2017.

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 2017.

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 2017, 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. ICM 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 0.5% per annum based on total assets less current liabilities (excluding borrowings) and excluding the value of all holdings in companies, including UIL's subsidiaries, managed or advised by the Investment Managers for which they receive 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.

In addition, the Investment Managers are entitled to a performance fee payable in respect of each financial period, equal to 15.0% 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

UIL Limited  
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in that investment applied to the underlying investment performance fee, 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 by UIL 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 2017, the attributable shareholders' funds were above the high watermark and therefore a performance fee of £804,000 has been accrued. The final amount payable is dependent upon the performance of the Company in the year to 30 June 2018.

From 1 July 2017 ICM also provides company secretarial services to the Company (prior to 1 July 2017 ICMIM provided the company secretarial services), with the Company paying 45 per cent of the costs associated with this post (prior periods to 31 December 2016 and 30 June 2017: one third of the costs).

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 £320,000 per annum (prior to 1 October 2017, £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 £100,000 (31 December 2016: £129,000 and 30 June 2017: £250,000) relates to overseas taxation suffered on dividend income. The capital taxation charge of £nil (31 December 2016: £nil and 30 June 2017: £30,000) relates to Bermuda overseas investment taxation. Except as stated above, profits of the Company and subsidiaries for the period are not subject to any taxation within their countries of residence.

## 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 2017 £'000s	Six months to 31 Dec 2016 £'000s	Year to 30 Jun 2017 £'000s
Revenue	2,907	2,498	5,760
Capital	12,407	18,709	11,261
Total	15,314	21,207	17,021
Number	Number	Number	Number
Weighted average number of shares in issue during the period for earnings per share calculations	90,197,208	90,415,810	90,356,380

## UNAUDITED NOTES TO THE ACCOUNTS (CONTINUED)

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

### 5. DIVIDENDS

	Record date	Payment date	31 Dec 2017 £'000s	31 Dec 2016 £'000s	30 Jun 2017 £'000s
2016 Fourth quarterly interim of 1.875p	09 Sep 16	28 Sep 16	-	1,695	1,695
2017 First quarterly interim of 1.875p	02 Dec 16	21 Dec 16	-	1,693	1,693
2017 Second quarterly interim of 1.875p	10 Mar 17	22 Mar 17	-	-	1,693
2017 Third quarterly interim of 1.875p	09 Jun 17	22 Jun 17	-	-	1,693
2017 Fourth quarterly interim of 1.875p	08 Sep 17	22 Sep 17	<b>1,691</b>	-	-
2018 First quarterly interim of 1.875p	08 Dec 17	14 Dec 17	<b>1,691</b>	-	-
			<b>3,382</b>	3,388	6,774

The Directors have declared a second quarterly dividend in respect of the year ending 30 June 2018 of 1.875p per ordinary share payable on 23 March 2018 to shareholders on the register at close of business on 9 March 2018. The total cost of this dividend, which has not been accrued in the results for the six months to 31 December 2017, is £1,678,000 based on 89,493,389 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 2017				
Cost	132,779	128,183	123,894	<b>384,856</b>
Gains/(losses)	72,474	6,679	(14,893)	<b>64,260</b>
Valuation	205,253	134,862	109,001	<b>449,116</b>
Movements in the period:				
Transfer between levels*	2,725	(2,725)	-	-
Purchases at cost	487	70	18,721	<b>19,278</b>
Sales:				
- proceeds	(10,470)	-	(10,723)	<b>(21,193)</b>
- realised net gains on sales	5,158	2,461	584	<b>8,203</b>
Profit/(losses) on investments held at period end	20,229	(4,068)	(10,114)	<b>6,047</b>
Valuation at 31 December 2017	223,382	130,600	107,469	<b>461,451</b>
Analysed at 31 December 2017				
Cost	129,872	128,268	133,004	<b>391,144</b>
Gains/(losses)	93,510	2,332	(25,535)	<b>70,307</b>
Valuation	223,382	130,600	107,469	<b>461,451</b>

\* Transfer due to investee company shares resuming regular trading in the period.

UIL Limited  
Half-yearly report for  
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# UNAUDITED NOTES TO THE ACCOUNTS (CONTINUED)

UIL Limited  
Half-yearly report for  
the six months to 31 December 2017

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

	Current assets £'000s	Current liabilities £'000s	31 Dec 2017 Net current liabilities £'000s
Forward foreign exchange contracts – level 2	1,287	(1,911)	(624)

### Changes in derivatives

Movements in net current derivative financial instruments are as follows:

	31 Dec 2017 £'000s
Valuation brought forward	(1,714)
Net acquisitions	-
Net settlements	(3,012)
Gains	4,102
Balance at 31 December 2017	(624)

## 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 2017 and 31 December 2017	90,197,208	9,020

Since the period end 703,819 ordinary shares have been purchased for cancellation at a cost of £1,215,000.

## 9. NET ASSET VALUE PER SHARE

Net asset value per ordinary share is based on net assets at the period end of £240,001,000 (31 December 2016: £235,806,000 and 30 June 2017: £228,069,000) and on 90,197,208 ordinary shares in issue at the period end (31 December 2016: 90,297,208 and 30 June 2017: 90,197,208).

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

	31 Dec 2017 £'000s	31 Dec 2016 £'000s	30 Jun 2017 £'000s
Profit before taxation	15,414	21,336	17,301
Adjust for non-cash flow items:			
Gains on investments	(14,250)	(35,006)	(31,238)
(Gains)/losses on derivative financial instruments	(4,102)	8,999	11,346
Foreign exchange (gains)/losses	(888)	855	(2,991)
Non-cash flow income	(1,841)	(3,133)	(6,736)
(Increase)/decrease in accrued income	(554)	2,085	2,031
Increase in other debtors	(25)	(9)	(3)
Increase in creditors	877	428	228
Gains on sales of ZDP shares held intra group	-	-	(617)
ZDP share finance costs	6,049	6,507	12,273
Tax on overseas income	(100)	(129)	(250)
	(14,834)	(19,403)	(15,957)
Other cash flow adjustments:			
Bermuda overseas investment taxation	-	-	(30)
Cash flows from operating activities	580	1,933	1,314

## 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 2017 the fees paid to Directors were increased as set out on page 16 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 £1,525. Chris Samuel received dividends of £750. David Shillson received dividends of £1,998. Allison Hill received dividends of £630. Warren McLeland, David Shillson and Allison Hill each received 9,486 shares as remuneration, which reduced their Directors' fees proportionately.

General Provincial Life Pension Fund Limited received dividends of £2.1m from UIL.

The following transactions were carried out during the period to 31 December 2017 between the Group and its related parties (which remain as disclosed on page 93 of the annual accounts for the year ended 30 June 2017).

**Allectus Capital** – Additional loan of £3.4m was advanced to Allectus Capital.

Azure Limited received dividends of £1,733 from UIL.

Bermuda Commercial Bank – USD 5.1m is held within a multi-currency account.

**Bermuda First Investment Company ("BFIC")** – Additional loan of £0.1m was advanced to BFIC.

Charles Jillings received dividends of £13,125 from UIL.

**Coldharbour Technology** – UIL subscribed 2.8m shares at a cost of £1.8m, with 2.8m warrants attached at £1.8m. 227,081 shares were received in exchange for legacy shares in Coldharbour Holdings.

**ICM and ICMIM** – the fees earned by the joint portfolio managers are described in note 2.

**iHod** – UIL subscribed 723 shares for £0.2m.

Permanent Mutual Limited received dividends of £238,312 from UIL.

**Somers** paid UIL dividends of £1.8m. A USD 10,000,000/GBP 7,501,875.47 foreign exchange forward contract has been entered into with Somers, wherein UIL will pay Somers USD 10.0m on 22 May 2018 and Somers will pay UIL £7.5m on 22 May 2018.

**Vix Technology** – Additional loan of £5.6m was advanced to Vix Technology.

**Zeta** – Conversion of 86,461,440 Zeta options (AUD 0.001) into shares at a cost of AUD 0.9m and on-market purchases of 88,605 shares at cost of AUD 0.3m. The current loan balance as at 31 December 2017 is AUD 24.5m (30 June 2017: AUD 28.5m). UIL loaned Zeta an additional AUD 12.7m and Zeta repaid to UIL AUD 18.4m. AUD 1.7m loan interest has been capitalised.

## 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.

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

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. The Level 3 financial instruments 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 approximately 20.0% to 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)

#### **Optal Limited – UK incorporated**

**Valuation inputs:** FY18 EV/EBITDA 13.4 times (30 June 2017: 12.0 times). Unlisted discount applied of 20.0% (30 June 2017: 20.0%).

**Valuation methodology:** As at 31 December 2017, Optal has been valued using FY 2018 forecast EBITDA of EUR 25.4m, after applying a discount of 20.0%; this gives a value of EUR 357.3m, or EUR 5.01 per share. UIL's 5.3% equity interest is carried at EUR 18.9m (£16.6m) (30 June 2017: £16.0m).

**Sensitivities:** Should the 2018 EBITDA of Optal move by EUR 1.0m, the gain or loss in valuation would be EUR 0.6m (£0.5m). Should the peer group multiple applied be changed by 1.0 times, the gain or loss on valuation for UIL would be EUR 1.4m (£1.2m).

#### **Bermuda First Investment Company – Bermuda incorporated**

**Valuation inputs:** Net assets of each investee including Ascendant Group Limited, Bermuda Aviation Services and One Communications Limited.

**Valuation methodology:** Net assets of each investee less liquidity discount of 30.0%.

**Sensitivities:** Should the total net assets increase/decrease by USD 1.0m, the gain or loss in valuation would be USD 0.7m (£0.5m).

#### **Vix Verify – Australia incorporated**

**Valuation inputs:** FY18 EV/EBITDA 18.2 times. Unlisted discount applied of 30.0%.

**Valuation methodology:** Vix Verify has been valued based on peer comparisons and EV/EBITDA for 2018. Based on continuous EBITDA for the year to 30 June 2018 of AUD 2.8m and after applying a 30.0% unlisted discount, the valuation is AUD 41.7m. UIL holds a 39.8% equity interest and as at 31 December 2017 carried this investment at AUD 16.6m (£9.3m) (30 June 2017: £9.3m).

**Sensitivities:** Should the 2017 EBITDA move by AUD 1.0m the gain or loss in valuation would be AUD 5.1m (£2.9m). Should the peer group multiple applied to Vix Verify's EBITDA be changed by 1.0 times the gain or loss on valuation for UIL would be AUD 0.9m (£0.5m).

# UNAUDITED NOTES TO THE ACCOUNTS (CONTINUED)

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

### Elevate Platform – UK incorporated

**Valuation inputs:** Based on recent cost of investment using historical share purchase price.

**Valuation methodology:** Elevate Platform has been valued based upon the recent cost of investment.

**Sensitivities:** Should the share price at last funding round move by £1.00, the gain or loss in valuation would be £0.8m.

### 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. Seacrest'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 USD 0.54 per share based on the value of Azimuth derived from their US GAAP report for the quarter ended 30 September 2017.

**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 would be significant. Should the total net assets increase/decrease by USD 1.0m, the gain or loss in valuation would be USD 0.1m (£0.1m).

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

**Valuation inputs:** FY20 EV/EBITDA 11.7 times (30 June 2017: 12.2 times). Unlisted discount applied of 30.0% (30 June 2017: 30.0%).

**Valuation methodology:** VixTech has been valued based on peer comparisons and in particular EV/EBITDA. Based on a projected 2020 EBITDA of USD 5.6m for the six months to 31 December 2017 and after applying a 30.0% unlisted discount, the equity valuation is USD 2.1m. Following the realisation of restructuring losses and the adoption of a more conservative business plan, the execution risk discount has been removed. UIL holds a 39.8% equity interest in VixTech and as at 31 December 2017 carried this investment at USD 0.8m (£0.6m) (30 June 2017: £7.1m). UIL also holds loans with a combined value as at 31 December 2017 of AUD 23.0m (£13.3m) (30 June 2017: £10.3m).

**Sensitivities:** Should the 2020 EBITDA of VixTech move by USD 1.0m the gain or loss in valuation would be USD 3.3m (£2.4m). 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 USD 1.6m (£1.2m).

### (ii) Platform loans

#### Zeta Resources Limited ("Zeta") – Bermuda incorporated

**Valuation inputs:** Gross asset to gross debt cover of 5.0 times as at 31 December 2017 (30 June 2017: 3.7 times).

**Valuation methodology:** The asset cover and nature of Zeta's portfolio is such that the loan of AUD 24.5m (30 June 2017: AUD 28.5m) 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.

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## 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 £50.0m multicurrency loan facility with Scotiabank Europe plc, which is repayable on 22 March 2018. The Company has agreed indicative terms for renewal of the facility, it is expected to be entered into prior to 22 March 2018.

## 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 year ended 30 June 2017; the report of the auditors thereon was unqualified. The condensed financial statements shown above for the year ended 30 June 2017 are an extract from those accounts.

# HISTORICAL PERFORMANCE

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	31 Dec 2017	30 Jun 2017	30 Jun 2016	30 Jun 2015	30 Jun 2014	30 Jun 2013 <sup>(1)</sup>	30 Jun 2012	30 Jun 2011	30 Jun 2010	30 Jun 2009
NAV per ordinary share (pence)	<b>266.08</b>	252.86	241.12	169.00	165.84	148.33	209.67	201.63	166.39	146.87
Ordinary share price (pence)	<b>163.50</b>	164.00	130.75	117.00	128.00	130.00	144.00	147.25	116.50	117.00
Discount/ (premium) (based on diluted NAV per ordinary share) (%)	<b>38.6</b>	35.1	45.8	30.8	22.8	12.4	31.3	27.0	30.0	20.3
FTSE All-Share Total Return Index	<b>7,266</b>	6,777	5,737	5,614	5,471	4,837	4,101	4,234	3,370	2,782
<b>Returns and dividends (pence)</b>										
Revenue return per ordinary share	<b>3.22</b>	6.38	6.23	7.84	7.03	12.06	11.99	7.65	10.49	2.77
Capital return per ordinary share	<b>13.76</b>	12.46	68.45	2.47	19.85	(63.65)	2.73	26.05	21.15	(82.62)
Total return per ordinary share	<b>16.98</b>	18.84	74.68	10.31	26.88	(51.59)	14.72	33.70	31.64	(79.85)
Dividend per ordinary share	<b>3.75</b>	7.50	7.50	7.50	7.50	10.00 <sup>(2)</sup>	7.00	8.25	—	—
Capital distribution per ordinary share	<b>—</b>	—	—	—	—	—	—	—	12.00	—
<b>ZDP shares<sup>(3)</sup> (pence)</b>										
<b>2014 ZDP shares</b>										
Capital entitlement per 2014 ZDP share	<b>n/a</b>	n/a	n/a	n/a	163.70	152.64	142.33	132.69	123.72	115.37
2014 ZDP share price	<b>n/a</b>	n/a	n/a	n/a	166.25	158.50	154.00	142.75	129.50	116.50
<b>2016 ZDP shares</b>										
Capital entitlement per 2016 ZDP share	<b>n/a</b>	n/a	188.31	175.55	163.70	152.64	142.33	132.69	123.72	115.37
2016 ZDP share price	<b>n/a</b>	n/a	191.00	184.63	177.13	165.50	148.50	133.50	108.75	102.50
<b>2018 ZDP shares</b>										
Capital entitlement per 2018 ZDP share	<b>151.44</b>	146.19	136.32	127.09	118.50	110.50	103.03	n/a	n/a	n/a
2018 ZDP share price	<b>157.38</b>	154.75	147.25	141.75	128.25	113.38	104.00	n/a	n/a	n/a
<b>2020 ZDP shares</b>										
Capital entitlement per 2020 ZDP share	<b>127.04</b>	122.64	114.35	106.61	n/a	n/a	n/a	n/a	n/a	n/a
2020 ZDP share price	<b>143.75</b>	140.38	130.00	122.38	n/a	n/a	n/a	n/a	n/a	n/a
<b>2022 ZDP shares</b>										
Capital entitlement per 2022 ZDP share	<b>109.67</b>	106.37	100.12	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2022 ZDP share price	<b>124.50</b>	119.50	104.50	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>2024 ZDP shares</b>										
Capital entitlement per 2024 ZDP share	<b>100.75</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2024 ZDP share price	<b>105.25</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Equity holders funds (£m)</b>										
Gross assets <sup>(4)</sup>	<b>459.7</b>	449.7	440.7	373.4	399.1	383.0	434.5	408.7	334.2	288.9
Bank loans	<b>37.1</b>	47.8	24.7	34.4	22.2	42.5	—	30.9	29.3	17.0
ZDP shares	<b>182.6</b>	173.8	197.4	172.4	212.5	193.4	224.4	172.8	161.2	145.1
Equity holders' funds	<b>240.0</b>	228.1	218.6	166.6	164.4	147.1	208.9	201.5	143.7	126.8
<b>Revenue account (£m)</b>										
Income	<b>5.2</b>	10.7	10.5	11.2	10.4	16.2	15.9	11.9	13.8	8.5
Costs (management and other expenses)	<b>1.4</b>	2.9	1.9	1.8	2.1	3.2	3.0	2.9	2.4	2.4
Finance costs	<b>0.8</b>	1.8	1.7	1.1	0.9	0.8	0.8	2.0	1.4	2.6
<b>Financial ratios of the Group (%)</b>										
Revenue yield on average gross assets	<b>2.3<sup>(6)</sup></b>	2.4	2.9	2.9	2.6	4.2	4.0	3.1	4.2	2.6
Ongoing charges figure	<b>2.1<sup>(6)</sup></b>	2.1 <sup>(5)</sup>	3.3 <sup>(5)</sup>	2.0 <sup>(5)</sup>	2.2 <sup>(5)</sup>	1.8 <sup>(5)</sup>	1.7 <sup>(5)</sup>	2.0 <sup>(5)</sup>	0.7	0.8
Bank loans, bank overdraft and ZDP shares gearing on net assets	<b>92.1</b>	97.2	101.6	124.1	144.4	160.4	108.0	102.8	132.6	127.8

(1) Restated figures for changes in accounting policies

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

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

(4) Gross assets less current liabilities excluding loans

(5) 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 incurred within underlying investee funds, in the absence of any purchases or sales of investments, excluding performance fee and income not receivable

(6) 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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## JOINT PORTFOLIO MANAGER AND SECRETARY

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## ASSISTANT SECRETARY

BCB Charter Corporate Services Limited  
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## ADMINISTRATOR

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