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This document comprises a prospectus relating to UIL Finance Limited prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made under section 73A of FSMA. A copy of this document has been filed with the Financial Conduct Authority and has been made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer and issued pursuant to the Placing and the UIL Subscription to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities (together **Admission**). It is expected that such Admission will become effective and that unconditional dealings in such 2024 ZDP Shares will commence on the London Stock Exchange on 2 November 2017.

If you have sold or otherwise transferred all your 2018 ZDP Shares please send this document and the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

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# UIL Finance Limited

*(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39479)*

a wholly owned subsidiary of

# UIL Limited

*(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39480)*

## **Rollover Offer of 2018 ZDP Shares into 2024 ZDP Shares, Placing of up to 30 million 2024 ZDP Shares (less the number of 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer) and UIL Subscription of up to 20 million 2024 ZDP Shares and Admission of 2024 ZDP Shares to the Standard Segment of the Official List**

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**This document has been filed with the Registrar of Companies in Bermuda (the Bermuda Registrar). The Bermuda Registrar takes no responsibility for the contents of this document, and it makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the contents of this document.**

Stockdale Securities Limited (**Stockdale Securities**), which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Conduct Authority, is acting exclusively for UIL Finance and UIL and for no one else in connection with the Proposals, and will not be responsible to any person other than UIL Finance and UIL for providing the protections afforded to clients of Stockdale Securities or for providing advice to them in relation to the Proposals or any other matter referred to in this document. Stockdale Securities is not responsible for the contents of this document. This does not exclude or limit any responsibilities which Stockdale Securities may have under FSMA or the regulatory regime established thereunder.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, ZDP Shares of any class in any jurisdiction in which such offer or solicitation is unlawful. In particular the ZDP Shares offered by this document have not been, and will not be, registered under the US Securities Act of 1933, as amended (the Securities Act) or registered or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Australia, Canada, Japan, New Zealand or the Republic of South Africa and may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. UIL is not and will not be registered as an investment company under the US Investment Company Act of 1940, as amended. This document and the ZDP Shares have not been recommended, approved or disapproved by any US federal or state securities commission or regulatory authority. Furthermore, none of these authorities has opined on the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence. Further information regarding overseas investors is set out in Part 1 of this document.

The whole of this document should be read. The attention of potential investors is drawn in particular to pages 24 to 35 of this document, which set out the principal risk factors associated with an investment in the Group.

**28 September 2017**

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## SUMMARY

*Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and the issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and the issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’*

<b>Section A – Introductions and Warnings</b>		
<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
<b>A.1</b>	Introduction and Warnings	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
<b>A.2</b>	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. UIL Finance is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document.
<b>Section B – The Issuer and Guarantor</b>		
<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
<b>B.1</b>	Legal & commercial name	The issuer of the 2024 ZDP Shares is UIL Finance Limited.
<b>B.2</b>	Domicile/Legal form/ Legislation/Country of incorporation	UIL Finance was incorporated as an exempted closed-ended investment company in Bermuda under the Bermuda Companies Act. UIL Finance is domiciled in Bermuda.
<b>B.5</b>	Group structure	UIL Finance is a wholly-owned subsidiary of UIL (the <b>guarantor</b> ) formed solely for the purpose of issuing zero dividend preference shares. UIL Finance has no subsidiaries.
<b>B.6</b>	Notifiable interests/ Voting rights	All of the issued ordinary shares in UIL Finance are held by UIL. Save for UIL, UIL Finance is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over UIL Finance.  Neither UIL Finance nor any of the UIL Finance Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over UIL Finance.

**B.7**

## Financial information

Selected historical financial information of UIL Finance for the financial periods ended 30 June 2015, 30 June 2016 and 30 June 2017 is set out below:

	<b>As at or for the year ended 30 June (audited)</b>		
	<b>2015 (£'000)</b>	<b>2016 (£'000)</b>	<b>2017 (£'000)</b>
Interest income	13,237	12,745	12,697
<b>Total income</b>	<b>13,237</b>	<b>12,745</b>	<b>12,697</b>
Other expenses	-	-	-
Profit before finance costs and taxation	13,237	12,745	12,697
Finance costs	(13,237)	(12,745)	(12,697)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
Taxation	-	-	-
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Earnings per share – pence</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>			
Other receivables	172,441	206,373	173,778
<b>Current liabilities</b>			
ZDP Shares	-	(61,327)	-
<b>Total assets less current liabilities</b>	<b>172,441</b>	<b>145,046</b>	<b>173,778</b>
<b>Non current liabilities</b>			
ZDP Shares	(172,441)	(145,046)	(173,778)
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity attributable to equity holders</b>			
Ordinary share capital	-	-	-

On 31 July 2014, UIL Finance issued 15,504,888 2020 ZDP Shares pursuant to the rollover offer made to the holders of the 2014 ZDP Shares and raised gross proceeds of approximately £9.5 million through the issue of 9,465,112 2020 ZDP Shares. The gross proceeds of this placing were immediately transferred to UIL pursuant to the Subscription Agreement.

On 31 October 2014, UIL Finance redeemed all the outstanding 2014 ZDP Shares which had an aggregate accrued capital entitlement of approximately £63.9 million. Pursuant to the Subscription Agreement, the funds for redemption were provided by UIL.

On 23 June 2016, UIL Finance issued 28,117,612 new 2022 ZDP Shares pursuant to the rollover offer made to the holders of the 2016 ZDP Shares and raised gross proceeds of approximately £12.9 million through a placing of 12,881,600 new 2022 ZDP Shares at 100p per 2022 ZDP Share. The gross proceeds of this placing were immediately transferred to UIL pursuant to the Subscription Agreement. In addition, on the same date, 9,000,788 new 2022 ZDP Shares were subscribed for by UIL at 100p per 2022 ZDP Share for investment purposes in accordance with its investment policy. All of these 2022 ZDP Shares were sold by UIL in the open market in the financial year ended 30 June 2017.

On 14 July 2016, a total of 10,744,185 new 2020 ZDP Shares were issued pursuant to a placing under UIL Finance's placing programme at 128p per 2020 ZDP Share, raising gross proceeds of approximately £13.8 million. In addition, on the same date, 3,225,815 new 2020 ZDP Shares were subscribed for by UIL at 128p per 2020 ZDP Share for investment purposes in accordance with its investment policy. All of

		<p>these 2020 ZDP Shares were sold by UIL in the open market in the financial year ended 30 June 2017.</p> <p>On 31 October 2016, UIL Finance redeemed all the outstanding 2016 ZDP Shares which had an aggregate accrued capital entitlement of approximately £62.7 million. Pursuant to the Subscription Agreement, the funds for redemption were provided by UIL.</p> <p>Other than as set out above, there has been no significant change in the financial condition and operating results of UIL Finance during the period covered by the historical financial information or since 30 June 2017, being the date to which the latest audited annual results of UIL Finance were published.</p>
<b>B.8</b>	Pro forma information	Not applicable. No <i>pro forma</i> financial information has been included in this document for UIL Finance.
<b>B.9</b>	Profit estimate	Not applicable. No profit forecast or estimate made.
<b>B.10</b>	Audit report qualifications	Not applicable. There are no qualifications in the audit reports of UIL Finance in the three years ended 30 June 2017 which are incorporated by reference within this document.
<b>B.11</b>	Insufficiency of working capital	<p>In UIL Finance's opinion, UIL Finance does not have sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document. This statement reflects the requirement to redeem the 2018 ZDP Shares on 31 October 2018 and the conditionality of the Proposals and portfolio initiatives required to fund such redemption.</p> <p>The Group is dependent on the reduction in the redemption sum payable on the redemption of the 2018 ZDP Shares following the Rollover Offer and proceeds from the Placing; cash distributions from portfolio investments and proceeds from portfolio realisations and an extension of its March 2018 £50 million bank facility in order to meet its working capital requirements for at least the 12 months following the date of this document and the redemption of the 2018 ZDP Shares.</p> <p>If the cash distributions from portfolio investments or proceeds from portfolio realisations are not received on a timely basis prior to the redemption of the 2018 ZDP Shares then UIL may also realise proceeds from the sale of 2024 ZDP Shares acquired by it pursuant to the UIL Subscription.</p> <p>If UIL's £50 million bank facility is not extended for at least 12 months the Group will need to make alternative arrangements to fund the repayment of its bank facility on 22 March 2018. In addition, if the conditions of the Rollover Offer, the Placing and the UIL Subscription are not satisfied the Group will need to make alternative arrangements to fund the redemption of the 2018 ZDP Shares on 31 October 2018. In such situations, which the Group believes to be reasonable worst case scenarios, the Group would be expected to have a shortfall of approximately £50 million by 22 March 2018 and a further £80 million by 31 October 2018. Accordingly the Group would make additional sales of investments from the Group's investment portfolio and may also seek further alternative sources of debt or ZDP financing. The Company believes that these alternative arrangements are likely to be successful.</p>

		<p>The Group has a long track record of investment realisations having realised investments providing proceeds of £106 million per annum on average over the three financial years ended 30 June 2017. As at 30 June 2017 the Group's investment portfolio amounted to £449.1 million of which Level 1 investments amounted to £205.2 million, Level 2 investments amounted to £134.9 million and Level 3 investments amounted to £109.0 million. UIL has had a bank facility with Scotiabank since 2011 and has successfully extended it several times. The Group's Joint Portfolio Managers also have a track record of raising funds through alternative debt structures both for the Group and for other companies which they manage.</p> <p>In the event that either a new debt facility could not be secured or a sale of investments to generate proceeds to repay the debt facility by 22 March 2018 was unsuccessful, Scotiabank would be entitled to enforce its security over UIL's assets and UIL would be likely to enter into administration. Furthermore, if the Group is unable to fund the redemption of the 2018 ZDP Shares on 31 October 2018, the bye-laws of UIL provide that the UIL Directors shall, <i>inter alia</i>, convene a special general meeting of UIL at which a resolution shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act.</p>
<b>B.18</b>	Guarantee	<p>Pursuant to an amended and restated subscription agreement dated 28 September 2017 between UIL and UIL Finance, UIL has undertaken to contribute (by way of gift, capital contribution or otherwise) such funds as will ensure that UIL Finance will have in aggregate sufficient distributable reserves on the relevant ZDP Repayment Date to satisfy the Final Capital Entitlement of the ZDP Shares then due and any operational costs or expenses incurred by UIL Finance.</p>
<b>B.19</b>	Section B information about the guarantor as if it were the issuer of the same type of security that is the subject of the guarantee	<p>Information on UIL required for this summary is included in respect of each paragraph of this Section B as follows:</p>
B.1	Legal & commercial name	<p>UIL's legal and commercial name is UIL Limited.</p>
B.2	Domicile/Legal form/ Legislation/Country of incorporation	<p>UIL was incorporated as an exempted closed-ended investment company in Bermuda under the Bermuda Companies Act. UIL is domiciled in Bermuda.</p>
B.5	Group structure	<p>UIL's investments are held directly and indirectly through subsidiary undertakings.</p>
B.6	Notifiable interests/ Voting rights	<p>As at the close of business on the 27 September 2017, being the latest practicable date prior to the date of this document, in so far as is known to UIL, the following persons were directly or indirectly interested in 5 per cent. or more of its issued share capital:</p>

			Percentage of UIL's issued Ordinary Share capital																																																				
			Number of UIL's Ordinary Shares																																																				
		General Provincial Life Pension Fund Limited	56,001,533																																																				
		Permanent Mutual Limited	6,354,977																																																				
		<p>Those persons referred to above do not have voting rights in respect of UIL's share capital which differ from those of any other shareholder. Save in respect of General Provincial Life Pension Fund Limited, whose interest is set out above, UIL is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over UIL.</p> <p>Neither UIL nor any of the UIL Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over UIL.</p>																																																					
B.7	Financial information	<p>Selected historical financial information of the Group for the financial periods ended 30 June 2015, 30 June 2016 and 30 June 2017 is set out below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="3" style="text-align: center;">As at or for the year ended 30 June (audited)</th> </tr> <tr> <th></th> <th style="text-align: center;">2015</th> <th style="text-align: center;">2016</th> <th style="text-align: center;">2017</th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td style="text-align: right;">166,558</td> <td style="text-align: right;">218,585</td> <td style="text-align: right;">228,069</td> </tr> <tr> <td>Net asset value per share (pence)</td> <td style="text-align: right;">169.00</td> <td style="text-align: right;">241.12</td> <td style="text-align: right;">252.86</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total income (£'000)</td> <td style="text-align: right;">26,841</td> <td style="text-align: right;">85,562</td> <td style="text-align: right;">33,658</td> </tr> <tr> <td>Net profit (£'000)</td> <td style="text-align: right;">10,210</td> <td style="text-align: right;">68,000</td> <td style="text-align: right;">17,021</td> </tr> <tr> <td>Earnings per share (pence)</td> <td style="text-align: right;">10.31</td> <td style="text-align: right;">74.68</td> <td style="text-align: right;">18.84</td> </tr> <tr> <td>Dividend per share (pence)</td> <td style="text-align: right;">7.5</td> <td style="text-align: right;">7.5</td> <td style="text-align: right;">7.5</td> </tr> <tr> <td><b>Revenue</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total revenue income (£'000)</td> <td style="text-align: right;">11,197</td> <td style="text-align: right;">10,499</td> <td style="text-align: right;">10,708</td> </tr> <tr> <td>Net profit (£'000)</td> <td style="text-align: right;">7,766</td> <td style="text-align: right;">5,673</td> <td style="text-align: right;">5,760</td> </tr> <tr> <td>Earnings per share (pence)</td> <td style="text-align: right;">7.84</td> <td style="text-align: right;">6.23</td> <td style="text-align: right;">6.38</td> </tr> </tbody> </table> <p>Over the period from 1 July 2014 to 30 June 2017, the period covered by the historical financial information, there has been an increase in the net assets of the Group's investments from £164.4 million to £228.1 million, purchases and disposals of investments of £223.8 million and £318.2 million respectively, realised profits of £66.3 million and unrealised gains of £74.7 million.</p> <p>In addition, UIL has received gross placing proceeds of approximately £9.5 million through the issue of 9,465,112 2020 ZDP Shares in July 2014, approximately £12.9 million through the issue of 12,881,600 2022 ZDP Shares in June 2016 and approximately £13.8 million through the issue of 10,744,185 new 2020 ZDP Shares in July 2016, with a corresponding increase in the Group's liabilities through the increase in the aggregate Accrued Capital Entitlement of the ZDP Shares.</p> <p>UIL subscribed for 9,000,788 new 2022 ZDP Shares at 100p per 2022 ZDP Share in June 2016 and for 3,225,815 new 2020 ZDP Shares at 128p per 2020 ZDP Share in July 2016, in both cases for investment purposes in accordance with its investment policy. All of these 2022 ZDP Shares and 2020 ZDP Shares were sold by UIL in the open market in the financial year ended 30 June 2017.</p> <p>On 31 October 2014 UIL provided the funds for the redemption by UIL Finance of the 2014 ZDP Shares which had an</p>			As at or for the year ended 30 June (audited)				2015	2016	2017	Net assets (£'000)	166,558	218,585	228,069	Net asset value per share (pence)	169.00	241.12	252.86	<b>Total</b>				Total income (£'000)	26,841	85,562	33,658	Net profit (£'000)	10,210	68,000	17,021	Earnings per share (pence)	10.31	74.68	18.84	Dividend per share (pence)	7.5	7.5	7.5	<b>Revenue</b>				Total revenue income (£'000)	11,197	10,499	10,708	Net profit (£'000)	7,766	5,673	5,760	Earnings per share (pence)	7.84	6.23	6.38
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		<p>aggregate accrued capital entitlement of £63.9 million and on 31 October 2016 UIL provided the funds for the redemption by UIL Finance of the 2016 ZDP Shares which had an aggregate accrued capital entitlement of £62.7 million. Over the same period, the NAV per Ordinary Share has increased from 165.84p (audited) to 252.86p (audited).</p> <p>Other than as set out above, there has been no significant change in the financial condition and operating results of the Group during the period covered by the historical financial information or since 30 June 2017, being the date to which the latest audited annual results of the Group were published.</p>
B.8	Pro forma information	Not applicable. No <i>pro forma</i> financial information has been included in this document for UIL.
B.9	Profit estimate	Not applicable. No profit forecast or estimate made.
B.10	Audit report qualifications	Not applicable. There are no qualifications in the audit reports of UIL for the three years ended 30 June 2017 which are incorporated in to this document by reference.
B.11	Insufficiency of working capital	<p>In UIL's opinion, the Group does not have sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document. This statement reflects the requirement to redeem the 2018 ZDP Shares on 31 October 2018 and the conditionality of the Proposals and portfolio initiatives required to fund such redemption.</p> <p>The Group is dependent on the reduction in the redemption sum payable on the redemption of the 2018 ZDP Shares following the Rollover Offer and proceeds from the Placing; cash distributions from portfolio investments and proceeds from portfolio realisations and an extension of its March 2018 £50 million bank facility in order to meet its working capital requirements for at least the 12 months following the date of this document and the redemption of the 2018 ZDP Shares.</p> <p>If the cash distributions from portfolio investments or proceeds from portfolio realisations are not received on a timely basis prior to the redemption of the 2018 ZDP Shares then UIL may also realise proceeds from the sale of 2024 ZDP Shares acquired by it pursuant to the UIL Subscription.</p> <p>If UIL's £50 million bank facility is not extended for at least 12 months the Group will need to make alternative arrangements to fund the repayment of its bank facility on 22 March 2018. In addition, if the conditions of the Rollover Offer, the Placing and the UIL Subscription are not satisfied the Group will need to make alternative arrangements to fund the redemption of the 2018 ZDP Shares on 31 October 2018. In such situations, which the Group believes to be reasonable worst case scenarios, the Group would be expected to have a shortfall of approximately £50 million by 22 March 2018 and a further £80 million by 31 October 2018. Accordingly the Group would make additional sales of investments from the Group's investment portfolio and may also seek further alternative sources of debt or ZDP financing. The Company believes that these alternative arrangements are likely to be successful.</p>

		<p>The Group has a long track record of investment realisations having realised investments providing proceeds of £106 million per annum on average over the three financial years ended 30 June 2017. As at 30 June 2017 the Group's investment portfolio amounted to £449.1 million of which Level 1 investments amounted to £205.2 million, Level 2 investments amounted to £134.9 million and Level 3 investments amounted to £109.0 million. UIL has had a bank facility with Scotiabank since 2011 and has successfully extended it several times. The Group's Joint Portfolio Managers also have a track record of raising funds through alternative debt structures both for the Group and for other companies which they manage.</p> <p>In the event that either a new debt facility could not be secured or a sale of investments to generate proceeds to repay the debt facility by 22 March 2018 was unsuccessful, Scotiabank would be entitled to enforce its security over UIL's assets and UIL would be likely to enter into administration. Furthermore, if the Group is unable to fund the redemption of the 2018 ZDP Shares on 31 October 2018, the bye-laws of UIL provide that the UIL Directors shall, <i>inter alia</i>, convene a special general meeting of UIL at which a resolution shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act.</p>
B.18	Guarantee	<p>Pursuant to an amended and restated subscription agreement dated 28 September 2017 between UIL and UIL Finance, UIL has undertaken to contribute (by way of gift, capital contribution or otherwise) such funds as will ensure that UIL Finance will have in aggregate sufficient distributable reserves on the relevant ZDP Repayment Date to satisfy the Final Capital Entitlement of the ZDP Shares then due and any operational costs or expenses incurred by UIL Finance.</p>
B.34	Investment policy	<p><b>UIL's Investment Objective</b></p> <p>UIL's current 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.</p> <p><b>UIL's Investment Policy</b></p> <p>UIL will identify and invest in opportunities where the underlying value is not reflected in the market price. This perceived undervaluation may arise from factors such as technological change, market motivation, prospective financial engineering opportunities, competition, underperforming management or shareholder apathy.</p> <p>UIL aims to maximise value for Shareholders through a relatively concentrated portfolio of investments.</p> <p>Historically UIL has invested a significant proportion of its gross assets in existing infrastructure, utility and related sectors but, following the change in mandate in 2007, this direct exposure has reduced as UIL has, in addition, invested in other sectors. UIL has been reclassified in the AIC's database as a "Flexible Investment".</p> <p>Subject to compliance with the Listing Rules in force from time to time, UIL may invest in other investment companies or vehicles, including any managed by the Joint Portfolio Managers, where such investment would be complementary to UIL's investment objective and policy.</p>

		<p>UIL has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities.</p> <p>UIL may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting UIL's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. These investments will be long term in nature.</p> <p>UIL has the flexibility to invest in markets worldwide although investments in the utilities and infrastructure sectors are principally made in the developed markets of Australasia, Western Europe and North America, as UIL's exposure to the emerging markets infrastructure and utility sectors is primarily through its holding in Utilico Emerging Markets Limited. UIL has the flexibility to invest directly in these sectors in emerging markets with the prior agreement of Utilico Emerging Markets Limited.</p> <p>UIL believes it is appropriate to support investee companies with their capital requirements whilst at the same time maintaining an active and constructive shareholder approach through encouraging a review of the capital structure and business efficiencies. The Joint Portfolio Managers' team maintains regular contact with investee companies and UIL may often be among the largest shareholders. There are no limits on the proportion of an investee company that UIL may hold and UIL may take legal or management control of a company from time to time.</p> <p><b>Investment Limits</b></p> <p>The UIL Board has prescribed the following limits on the investment policy, all of which are at the time of investment unless otherwise stated.</p> <p>There are no fixed limits on the allocation of investments between sectors and markets, however the following investment limits will apply:</p> <ul style="list-style-type: none"> <li>• investments in unlisted companies will in aggregate not exceed 25 per cent. of Gross Assets at the time that any new unlisted investment is made. This restriction does not apply to loans to listed platform companies or to UIL's holding of shares linked to a segregated account of Global Equity Risk Protection Limited (<b>GERP</b>), an unquoted Bermuda segregated accounts company. This account, which is structured as the Bermuda equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of UIL – please see below;</li> <li>• no single investment will exceed 30 per cent. of Gross Assets at the time such investment is made, save that this limit shall not prevent the exercise of warrants, options or similar convertible instruments acquired prior to the relevant investment reaching the 30 per cent. limit; and</li> <li>• derivative transactions are carried out by GERP on behalf of UIL to enable it to make investments more efficiently and for</li> </ul>
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		<p>the purposes of efficient portfolio management. GERP spreads its investment risks by having the ability to establish an overall net short position in index options, contracts for difference, swaps and equity options. GERP may not hold more than 50 per cent. of the value of UIL's segregated portfolio in index options and GERP may not hold more than 100 per cent. of the relevant debt or of the relevant market value in foreign currency by way of foreign exchange options or forwards.</p> <p>None of the above restrictions will require the realisation of any of UIL's assets where any restriction is breached as a result of an event outside the control of the Joint Portfolio Managers which occurs after the investment is made, but no further relevant assets may be acquired or loans made by UIL until the relevant restriction can again be complied with.</p> <p>As required by the Listing Rules, there will be no material change to the investment policy (including the investment limits) without the prior approval of the FCA and Shareholders. Any such change would also require the approval of the ZDP Shareholders in accordance with the Subscription Agreement.</p>
<b>B.35</b>	Borrowing/leverage limits	<p>Under UIL's Bye-laws, the Group is permitted to borrow (excluding the gearing provided through the Group's capital structure) an aggregate amount equal to 100 per cent. of Gross Assets. Borrowings may be drawn down in any currency appropriate for the portfolio.</p> <p>However, the UIL Board has set a current limit on gearing (being total borrowings excluding ZDP Shares measured against Gross Assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings may be drawn down in Sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).</p> <p>No material change will be made to the borrowing limit set out above without the prior approval of the FCA and Shareholders. Any such change would also require the approval of the ZDP Shareholders in accordance with the Subscription Agreement.</p>
<b>B.36</b>	Regulatory status	Neither UIL Finance nor UIL is regulated.
<b>B.37</b>	Investor profile	An investment in the 2024 ZDP Shares is intended to constitute part of a diversified investment portfolio for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets through a relatively concentrated portfolio of investments. An investor in the 2024 ZDP Shares will be capable of evaluating the risks (including potential capital losses) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in 2024 ZDP Shares is only intended for investors who can afford to set aside the invested capital for a number of years.
<b>B.38</b>	Investment of 20 per cent. or more in single underlying asset or investment company	Not applicable. The Group has not invested more than 20 per cent. of its Gross Assets in a single asset or collective investment undertaking.

<b>B.39</b>	Investment of 40 per cent. or more in single underlying asset or investment company	Not applicable. The Group has not invested more than 40 per cent. of its Gross Assets in a single asset or collective investment undertaking.
<b>B.40</b>	Service providers	<p><b>AIFM and Joint Portfolio Managers</b></p> <p>Pursuant to a management agreement dated 31 March 2015, as amended by supplemental agreements respectively dated 30 September 2016 and 30 June 2017, (the <b>Management Agreement</b>), ICM Investment Management Limited (<b>ICMIM</b>) has been appointed, with effect from 13 April 2015, to act as UIL's alternative investment fund manager (<b>AIFM</b>) with sole responsibility for risk management and both ICMIM and ICM Limited (<b>ICM</b>) have been appointed as joint portfolio managers of UIL (the <b>Joint Portfolio Managers</b>). In addition to its duties as joint portfolio manager, ICM also provides company secretarial services to UIL and UIL Finance.</p> <p>The aggregate annual management fee payable by UIL under the Management Agreement is 0.5 per cent of Gross Assets (after deducting current liabilities, excluding borrowings incurred for investment purposes), payable quarterly in arrears which will be apportioned between the Joint Portfolio Managers in accordance with a management services agreement between them. The annual management fee is adjusted for fees earned by the Joint Portfolio Managers in respect of investment holdings managed or advised by them.</p> <p>In addition, the Joint Portfolio Managers are entitled to a performance fee payable in respect of each financial period, equal to 15 per cent of the amount by which UIL's Net Asset Value attributable to the Ordinary Shareholders out-performs the real after-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index during the period. The opening equity funds for the calculation of the performance fee are the higher of the equity funds on the last day of the calculation period in respect of which a performance fee was last paid and the equity funds on the last day of the previous calculation period increased by the real percentage yield on the reference index during the calculation period. A performance fee was last paid in respect of the 12 month period to 30 June 2007. As at that date, the equity holders' funds were £279.0 million. In calculating any performance fee payable, the value of all holdings in companies managed or advised by the Joint Portfolio Managers from which they receive a management fee are removed from the calculation in order that any such fee is charged solely on the performance of UIL's portfolio excluding those investments.</p> <p>In addition to the management fee and the performance fee, ICM receives a fee equal to one-third of the total employment costs incurred by it in employing a suitably experienced person to provide company secretarial services to UIL and UIL Finance.</p> <p>The Joint Portfolio Managers are also reimbursed for all out-of-pocket costs and expenses incurred on behalf of UIL and UIL Finance by them and for reasonable travel and related costs incurred in the performance of their duties.</p>

		<p>The Management Agreement continues unless or until terminated by either the Joint Portfolio Managers giving to UIL not less than one year's notice in writing or by UIL giving to the Joint Portfolio Managers one year's notice, or unless otherwise terminated with cause upon immediate written notice from the non-defaulting party/(ies) to the defaulting party/(ies).</p> <p><b>Administrators</b></p> <p>F&amp;C Management Limited has been appointed as administrator to UIL and UIL Finance. The Administration Agreement is terminable on six months' notice in writing by either party or on shorter notice in the event of breach of contract or insolvency. The Administrator is paid an annual fee of £310,000 for its company administration, dealings and valuation services. From 1 October 2017 the fee will increase to £320,000 per annum. UIL will also reimburse the Administrator in respect of reasonable out-of-pocket expenses properly incurred in the performance of its duties.</p> <p>ICM Corporate Services (Pty) Ltd, a wholly-owned subsidiary of ICM, and accordingly a related party of UIL, provides administration services to GERP for an annual fee of £15,000 in respect of the segregated account in which UIL holds shares. The agreement relating to the appointment of ICM Corporate Services (Pty) Ltd is terminable on one month's notice in writing by either party.</p> <p><b>Depository services provider</b></p> <p>UIL has appointed J.P. Morgan Europe Limited (<b>JPMEL</b>) to provide depository services under Articles 21(7), (8)(b) and (9) of the AIFM Directive, according to the terms of a depository services agreement dated 13 April 2015 to which both UIL and ICMIM are parties (the <b>Depository Services Agreement</b>). The services provided by JPMEL include:</p> <ul style="list-style-type: none"> <li>• general oversight responsibilities over the issue and cancellation of UIL's share capital, the carrying out of Net Asset Value calculations, the application of income, and the ex-post review of investment transactions;</li> <li>• monitoring UIL's cash flows and ensuring that all cash is booked in appropriate accounts in the name of UIL, ICMIM or JPMEL acting on behalf of UIL; and</li> <li>• verifying UIL's ownership of its assets other than financial instruments and maintaining records sufficient for verification of UIL's ownership rights.</li> </ul> <p>JPMEL receives an annual fee for its services of 2.2 basis points on UIL's net asset value, subject to a minimum fee of £25,000 per annum.</p> <p>The Depository Services Agreement is terminable on 90 days' notice in writing by either party or on shorter notice in the event of breach of contract or insolvency.</p> <p><b>Custodians</b></p> <p>JPMorgan Chase Bank N.A. – Jersey Branch (<b>JPMCB</b>) has been appointed to provide custodial services pursuant to a novation and amendment agreement dated 13 April 2015 in accordance with the terms of a Custody Agreement dated 14 May 2007 (<b>Global Custody Agreement</b>). The services provided by JPMCB</p>
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		<p>include the safekeeping of all assets held within UIL's investment portfolio, including those classed as financial instruments for the purpose of the AIFM Directive and retaining custody of UIL's financial instruments in segregated accounts so that they can be clearly identified as belonging to UIL.</p> <p>JPMCB's appointment as custodian is terminable, <i>inter alia</i>, upon 60 days' notice given by either party.</p> <p>JPMCB receives safekeeping and administration charges based on the market value of assets in different countries and a transaction charge for all securities transactions, both of which vary country by country, together with JPMCB's reasonable out-of-pocket or incidental expenses. The amount paid by UIL to JPMCB for the year ended 30 June 2017 was £204,000 and the UIL Directors do not anticipate that the annual charges going forward will be materially different and therefore the estimated maximum amount payable per annum is £250,000.</p> <p>UIL has also appointed Bermuda Commercial Bank Limited (<b>BCB</b>) to act as custodian in respect of such cash and other investments as UIL shall from time to time deposit with it. The fees payable to BCB depend on the nature and quantity of the assets deposited with BCB and there is no minimum fee. The fees paid to BCB for the year ended 30 June 2017 were £6,000 and the UIL Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £20,000.</p> <p>There is no obligation on UIL to deposit any assets with BCB. The agreement can be terminated on three months' notice by either party.</p> <p><b>Registration services</b></p> <p>Computershare Investor Services (Bermuda) Limited (<b>Computershare Bermuda</b>) has been appointed to maintain UIL and UIL Finance's share registers in Bermuda. Computershare Bermuda liaises with Computershare Investor Services PLC, the DI Depository and UK transfer agent, for the transfer and settlement of Depository Interests. Each of UIL and UIL Finance has entered into separate registrar agreements (the <b>Registrar Agreements</b>) with Computershare Bermuda which may be terminated, <i>inter alia</i>, on six months' notice by either party. The aggregate fees paid to Computershare under the Registrar Agreements for the year ended 30 June 2017 were £22,000 and the UIL Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £30,000.</p> <p><b>DI Depository and custody services</b></p> <p>Computershare Investor Services PLC has been appointed as depository for the settlement of Depository Interests. Each of UIL and UIL Finance has entered into a separate depository and custody services agreement (the <b>DI Depository Services Agreements</b>) with Computershare Investor Services PLC, which may be terminated, <i>inter alia</i>, on six months' notice by either party. In return for providing such services, the DI Depository is entitled to ongoing annual fees. The aggregate fees paid to Computershare Investor Services PLC under the DI Depository</p>
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		<p>Services Agreements for the year ended 30 June 2017 were £33,000 and the UIL Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £50,000.</p> <p><b>Bermuda Assistant Secretary</b> BCB Charter Corporate Services Limited is UIL's and UIL Finance's Bermuda Assistant Secretary.</p>																																				
<b>B.41</b>	Regulatory status of investment manager and custodians	<p>ICMIM, UIL's AIFM and joint portfolio manager, is authorised and regulated by the Financial Conduct Authority.</p> <p>ICM, UIL's joint portfolio manager is licensed to carry on business in Bermuda including providing investment advice to UIL by the Minister of Business Development and Tourism of Bermuda.</p> <p>JPMEL is authorised and regulated in the United Kingdom by the Financial Conduct Authority.</p> <p>JPMCB is regulated by the Jersey Financial Services Commission and is registered under the Banking Business (Jersey) Law 1991 (as amended) in the conduct of "deposit-taking business", Fund Services Business and Money Services Business under the Financial Services (Jersey) Law 1988.</p> <p>BCB is licensed and regulated by the Bermuda Monetary Authority.</p>																																				
<b>B.42</b>	NAV	UIL's Net Asset Value and NAV per Ordinary Share are calculated by the Administrator on a weekly basis. UIL's NAV per Ordinary Share is announced through the London Stock Exchange without delay once calculated.																																				
<b>B.43</b>	Umbrella collective investment undertaking	Not applicable. Neither UIL Finance nor UIL is an umbrella collective investment undertaking.																																				
<b>B.45</b>	Portfolio	<p>The following table provides unaudited summary details of the ten largest investments in UIL's portfolio which represent approximately 87.3 per cent. by value of the portfolio on a look through basis as at 31 August 2017 (being the latest practicable date prior to the publication of this document).</p> <table border="1"> <thead> <tr> <th>Company</th> <th>Market Value (£'000)</th> <th>Percentage of total portfolio</th> </tr> </thead> <tbody> <tr> <td>Somers Limited</td> <td>91,674</td> <td>18.9</td> </tr> <tr> <td>Utilico Emerging Markets Limited</td> <td>74,947</td> <td>15.4</td> </tr> <tr> <td>Resolute Mining Limited</td> <td>67,243</td> <td>13.9</td> </tr> <tr> <td>Zeta Resources Limited</td> <td>61,483</td> <td>12.7</td> </tr> <tr> <td>Afterpay Touch Group Limited</td> <td>40,855</td> <td>8.4</td> </tr> <tr> <td>Infratil Limited</td> <td>21,712</td> <td>4.5</td> </tr> <tr> <td>Vix Technology Limited</td> <td>19,731</td> <td>4.1</td> </tr> <tr> <td>Bermuda First Investment Company Limited (unlisted)</td> <td>18,812</td> <td>3.9</td> </tr> <tr> <td>Optal Limited</td> <td>16,809</td> <td>3.5</td> </tr> <tr> <td>Vix Verify Global Pty Ltd (unlisted)</td> <td>9,651</td> <td>2.0</td> </tr> <tr> <td><b>Total top 10</b></td> <td><b>422,917</b></td> <td><b>87.3</b></td> </tr> </tbody> </table> <p>Source: UIL</p> <p>The following table shows the sectoral distribution of UIL's portfolio on a look through basis as at 31 August 2017 (being the latest practicable date prior to the publication of this document):</p>	Company	Market Value (£'000)	Percentage of total portfolio	Somers Limited	91,674	18.9	Utilico Emerging Markets Limited	74,947	15.4	Resolute Mining Limited	67,243	13.9	Zeta Resources Limited	61,483	12.7	Afterpay Touch Group Limited	40,855	8.4	Infratil Limited	21,712	4.5	Vix Technology Limited	19,731	4.1	Bermuda First Investment Company Limited (unlisted)	18,812	3.9	Optal Limited	16,809	3.5	Vix Verify Global Pty Ltd (unlisted)	9,651	2.0	<b>Total top 10</b>	<b>422,917</b>	<b>87.3</b>
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<b>B.46</b>	NAV per Ordinary Share	UIL's most recent published NAV (unaudited) was as at 19 September 2017 and was £241.25 million, reflecting 267.46 pence per Ordinary Share.																																																														
<b>Section C – Securities</b>																																																																
<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>																																																														
<b>C.1</b>	Offer details/ Admission	<p>2024 zero dividend preference shares of par value 3.8025 pence each:</p> <p>ISIN: BMG916102079 and SEDOL: BDZTXYZ</p> <p>The LEI number of UIL Finance is 213800JPJWZ5P3QX538 and the LEI number of UIL is 213800CTZ7TEIEE7YM468.</p>																																																														
<b>C.2</b>	Currency of the Issue	Sterling																																																														
<b>C.3</b>	Issued Shares	<table> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Authorised</th> <th colspan="2">Issued and fully paid as at the date of this document</th> <th colspan="2">Issued and fully paid as at Rollover and Admission</th> </tr> <tr> <th>No.</th> <th>£</th> <th>No.</th> <th>£</th> <th>No.</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Ordinary shares</td> <td>10</td> <td>1</td> <td>10</td> <td>1</td> <td>10</td> <td>1</td> </tr> <tr> <td>2018 ZDP Shares</td> <td>70,198,945</td> <td>4,164,131</td> <td>49,842,413</td> <td>2,956,602</td> <td>49,842,413</td> <td>2,956,602</td> </tr> <tr> <td>2020 ZDP Shares</td> <td>50,000,000</td> <td>3,025,700</td> <td>39,000,000</td> <td>2,360,046</td> <td>39,000,000</td> <td>2,360,046</td> </tr> <tr> <td>2022 ZDP Shares</td> <td>78,117,685</td> <td>4,154,298</td> <td>50,000,000</td> <td>2,659,000</td> <td>50,000,000</td> <td>2,659,000</td> </tr> <tr> <td>2024 ZDP Shares</td> <td>50,000,000</td> <td>1,901,250</td> <td>-</td> <td>-</td> <td>50,000,000</td> <td>1,901,250</td> </tr> </tbody> </table> <p>* The above table assumes that a total of 50 million 2024 ZDP Shares are issued pursuant to the UIL Subscription and the Placing.</p>		Authorised		Issued and fully paid as at the date of this document		Issued and fully paid as at Rollover and Admission		No.	£	No.	£	No.	£	Ordinary shares	10	1	10	1	10	1	2018 ZDP Shares	70,198,945	4,164,131	49,842,413	2,956,602	49,842,413	2,956,602	2020 ZDP Shares	50,000,000	3,025,700	39,000,000	2,360,046	39,000,000	2,360,046	2022 ZDP Shares	78,117,685	4,154,298	50,000,000	2,659,000	50,000,000	2,659,000	2024 ZDP Shares	50,000,000	1,901,250	-	-	50,000,000	1,901,250														
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2018 ZDP Shares	70,198,945	4,164,131	49,842,413	2,956,602	49,842,413	2,956,602																																																										
2020 ZDP Shares	50,000,000	3,025,700	39,000,000	2,360,046	39,000,000	2,360,046																																																										
2022 ZDP Shares	78,117,685	4,154,298	50,000,000	2,659,000	50,000,000	2,659,000																																																										
2024 ZDP Shares	50,000,000	1,901,250	-	-	50,000,000	1,901,250																																																										

<p><b>C.4</b></p>	<p>Rights attaching to securities</p>	<p>The rights attaching to the 2024 ZDP Shares will be substantially similar to those attaching to the 2018 ZDP Shares although no further ZDP Shares will be issued at a price which has the effect of reducing the ZDP Cover for the 2024 ZDP Shares, at or around the time of the issue of such additional 2024 ZDP Shares, below 1.35x. In addition, subject to Rollover Offer and Admission occurring, the 2024 ZDP Shares will have an illustrative initial capital entitlement on 2 November 2017 of 100p per 2024 ZDP Share and will have a Final Capital Entitlement of 138.35p per 2024 ZDP Share on 31 October 2024, the 2024 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 4.75 per cent. per annum on the 2024 ZDP Share Issue Price.</p> <p>As with the 2018 ZDP Shares, the 2024 ZDP Shares will not carry the right to vote at general meetings of UIL or UIL Finance but they will carry the right to vote as a class on certain proposals which would be likely to affect materially their position. The 2024 ZDP Shares will carry no entitlement to income and the whole of any return will therefore take the form of capital.</p>
<p><b>C.5</b></p>	<p>Restrictions on transferability</p>	<p>Subject as provided below, any ZDP Shareholder may transfer all or any of his ZDP Shares by instrument of transfer in any form which the UIL Finance Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor. The UIL Finance Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a fully paid share unless such transfer satisfies the following conditions:</p> <ul style="list-style-type: none"> <li>(a) it is in respect of a share upon which UIL Finance has no lien;</li> <li>(b) it is in respect of only one class of share;</li> <li>(c) it is in favour of a single transferee or not more than four (4) joint transferees;</li> <li>(d) it is duly stamped (if required by law);</li> <li>(e) it is delivered for registration to the Registered Office of UIL Finance or such other place as the UIL Finance Board may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate for the shares to which it relates and such other evidence as the UIL Finance Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so; and</li> <li>(f) it is satisfied that all applicable consents, authorisations, permissions or approvals of any governmental body or agency in Bermuda or any other applicable jurisdiction required to be obtained under relevant law prior to such transfer have been obtained.</li> </ul> <p>In the case of partly paid shares which are listed, the UIL Finance Board may in its absolute discretion and without giving any reason, refuse to register any share transfer providing that the UIL Finance Directors have exercised their discretion without thereby prejudicing dealings being on an open and proper basis.</p>

		The UIL Finance Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Regulations or such other regulations as may be applicable to the holding of dematerialised securities and the relevant system.
<b>C.6</b>	Applications for admission	Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer and issued pursuant to the Placing and the UIL Subscription to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities (together <b>Admission</b> ). It is expected that such Admission will become effective and that unconditional dealings in such 2024 ZDP Shares will commence on the London Stock Exchange on 2 November 2017.
<b>C.7</b>	Dividend policy	Not applicable. No dividends will be paid to any ZDP Shareholders.
<b>Section D – Risks</b>		
<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
<b>D.1</b>	Key information on the key risks specific to the issuer/ guarantor	<p>Investors should consider carefully the following risks which could have a material adverse effect on UIL Finance and/or UIL:</p> <ul style="list-style-type: none"> <li>• If the conditions to the Rollover Offer, the Placing and the UIL Subscription are not satisfied and the Proposals do not proceed, the Group will need to make alternative arrangements to fund the redemption of the 2018 ZDP Shares on 31 October 2018. If such arrangements are not successful and the Group is unable to fund the redemption of the 2018 ZDP Shares on 31 October 2018, the bye-laws of UIL provide that the UIL Directors shall, <i>inter alia</i>, convene a special general meeting of UIL at which a resolution shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act.</li> <li>• The success of the investment strategies followed by the Joint Portfolio Managers depends upon the Joint Portfolio Managers' success at interpreting market data and predicting the future course of price movements of securities and other investments. No assurance can be given that the strategies to be used will be successful which may ultimately have a material adverse effect on UIL's ability to meet its obligations to UIL Finance under the Subscription Agreement and thereby on UIL Finance's ability to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.</li> <li>• UIL's investment approach is to invest in a relatively concentrated portfolio of investments. Accordingly, UIL may be regarded as representing a different risk than a generalist investment company and the underperformance of an investment may have an adverse impact on UIL's profitability.</li> <li>• UIL's investment policy is broad in scope and permits investment in the securities of companies in specialist sectors and smaller and/or unquoted companies that can</li> </ul>

		<p>involve greater risk than is customarily associated with investment in larger, more established companies. It may be difficult to value or realise investments in such companies as they are often less liquid and potentially subject to a greater degree of price fluctuation. If the realisable value of the Group's assets is less than UIL's valuation of those assets, this may ultimately have a material adverse effect on UIL's ability to meet its obligations to UIL Finance under the Subscription Agreement and thereby on UIL Finance's ability to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.</p> <ul style="list-style-type: none"> <li>• UIL uses gearing in the form of bank debt in addition to the structural gearing provided by the ZDP Shares exposing investors to increased risk as gearing can increase the portfolio's market exposure and volatility.</li> </ul>
<p><b>D.3</b></p>	<p>Key information on the key risks that are specific to the securities</p>	<ul style="list-style-type: none"> <li>• UIL's obligations to UIL Finance under the Subscription Agreement are structurally subordinated to the liabilities of UIL under the Loan Facility, which is secured against UIL's assets. Any default under this facility could ultimately have a material adverse effect on the ability of UIL Finance to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.</li> <li>• The ZDP Shares have differing priorities on return of capital, with the holders of 2018 ZDP Shares ranking in priority to the holders of the 2020 ZDP Shares, the holders of the 2020 ZDP Shares ranking in priority to the holders of the 2022 ZDP Shares and the holders of the 2022 ZDP Shares ranking in priority to the holders of 2024 ZDP Shares in respect of their Accrued Capital Entitlements in the event that UIL or UIL Finance is wound up.</li> <li>• The Final Capital Entitlement for any class of ZDP Shares is not guaranteed. If UIL Finance does not have sufficient cash resources or if UIL does not, or is unable to, meet its obligation to contribute such funds to UIL Finance under the Subscription Agreement, UIL Finance will be unable to pay the Final Capital Entitlement of the ZDP Shares and ZDP Shareholders may lose some or all of their Final Capital Entitlement.</li> <li>• The market value of any class of ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the ZDP Shares.</li> <li>• In the event that a redemption date of any class of ZDP Share coincides with a period of extreme market volatility, UIL may be forced to liquidate certain of its investments at a materially disadvantageous point in time in order to generate sufficient redemption proceeds.</li> <li>• The Finance Act 2013 introduced new rules (the <b>New Rules</b>) intended to make returns which are economically equivalent to interest subject to income tax as income. Although the Directors believe that the 2024 ZDP Shares should fall within an exemption, if the New Rules were to apply to the 2024 ZDP Shares, it is likely that the return on such ZDP Shares would be subject to tax as income in the hands of UK resident individuals and others who are subject to UK income tax.</li> </ul>

<b>Section E – The Rollover Offer, Placing and UIL Subscription</b>		
<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
<b>E.1</b>	Net proceeds and expenses	<p>The net proceeds of the Placing and the UIL Subscription are dependent on the level of take up under the Rollover Offer.</p> <p>The estimated expenses of the Rollover Offer, the Placing and the UIL Subscription are £0.56 million and are expected to be met out of the gross proceeds of the Placing, reducing the funds available to be invested on Shareholders' behalf. Assuming the Placing is fully subscribed and no 2024 ZDP Shares arise pursuant to the conversion of any 2018 ZDP Shares under the Rollover Offer, the maximum net proceeds of the Placing and the UIL Subscription will be £49.35 million. However, 2024 ZDP Shares will not be issued unless the ZDP Cover of the 2024 ZDP Shares is not less than 1.35x, taking into account the effect of the relevant allotment.</p> <p>If the Rollover Offer is taken up in full and no 2024 ZDP Shares are issued pursuant to the Placing, UIL will bear the expenses of the Proposals out of its existing resources.</p>
<b>E.2a</b>	Reasons for the Offer and Use of Proceeds	<p>UIL Finance currently has three series of ZDP Share in issue. These are due for redemption on 31 October in 2018, 2020 and 2022 respectively. The aggregate redemption sum payable on the redemption of the 2018 ZDP Shares is approximately £80 million. This will be due on 31 October 2018. Following discussions regarding the payment of the Final Capital Entitlement in respect of the 2018 ZDP Shares, the UIL Finance Directors have concluded that they wish to provide 2018 ZDP Shareholders with the opportunity to remain invested in the Group and as a result have formulated the Proposals, which consist of the Rollover Offer, the Placing and the UIL Subscription.</p> <p>The UIL Finance Board believes the Proposals have the following advantages:</p> <ul style="list-style-type: none"> <li>• to allow 2018 ZDP Shareholders to remain invested in the Group;</li> <li>• to raise new funds to assist in financing the amount required for the redemption of the 2018 ZDP Shares; and</li> <li>• to give UIL the flexibility to sell down its holding of 2024 ZDP Shares acquired pursuant to the UIL Subscription as a means of funding the redemption of the 2018 ZDP Shares in the event that the proceeds of the Placing and from the realisation of portfolio investments are lower than expected.</li> </ul> <p>The net proceeds of the Placing and the UIL Subscription will be paid by UIL Finance to UIL for investment to continue to further diversify its portfolio in accordance with its investment policy.</p>
<b>E.3</b>	Terms and conditions	<p>UIL Finance is seeking to issue up to 50 million 2024 ZDP Shares by way of the Rollover Offer, the Placing and the UIL Subscription.</p> <p><b>The Rollover Offer</b></p> <p>Under the Rollover Offer, each Qualifying Holder of 2018 ZDP Shares on the Record Date will be given the opportunity to rollover some or all of their Qualifying Holding (subject to the</p>

		<p>overall limits of the Rollover Offer) into new 2024 ZDP Shares. The Rollover Value attributed to each 2018 ZDP Share will be 156p, a premium of 4.2 per cent. to their Accrued Capital Entitlement as at the Rollover Date. The new 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer will be deemed to be issued at the 2024 ZDP Share issue price, which will be 100p per 2024 ZDP Share.</p> <p>The 2024 ZDP Shares will have a Gross Redemption Yield of 4.75 per cent. and a maturity date of 31 October 2024. Investors should note that the predetermined capital entitlement of the ZDP Shares is not guaranteed and is dependent upon UIL having sufficient assets to satisfy its obligations to UIL Finance under the Subscription Agreement.</p> <p><b>Conditions to the Rollover Offer</b></p> <p>The Rollover Offer is conditional on:</p> <ul style="list-style-type: none"> <li>• valid elections being received in respect of 2024 ZDP Shares, together with 2024 ZDP Shares issued pursuant to the Placing and the UIL Subscription, with a minimum value at the Issue Price of £750,000;</li> <li>• the ZDP Cover of the 2024 ZDP Shares being not less than 1.35x, taking into account the effect of the 2024 ZDP Shares created upon the conversion of any 2018 ZDP Shares pursuant to the Rollover Offer;</li> <li>• the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms prior to completion of the Rollover Offer; and</li> <li>• Admission of the 2024 ZDP Shares arising on conversion of the 2018 ZDP Shares pursuant to the Rollover Offer.</li> </ul> <p>In circumstances in which these conditions are not fully met, the Rollover Offer will not take place and no 2018 ZDP Shares will be converted into 2024 ZDP Shares.</p> <p><b>The Placing</b></p> <p>UIL Finance also intends to issue up to 30 million 2024 ZDP Shares (less the number of 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer) pursuant to the Placing.</p> <p>Under the Placing, UIL Finance is proposing to issue up to 30 million 2024 ZDP Shares (less the number of 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer) at the Issue Price, which will be 100p per 2024 ZDP Share. Stockdale Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure places for 2024 ZDP Shares at the Issue Price. The Placing will close at 11.00 a.m. on 27 October 2017 (or such later date, not being later than 30 November 2017, as UIL and Stockdale Securities may agree). If the Placing is extended, the revised timetable will be notified via a Regulatory Information Service.</p> <p><b>Conditions to the allotment of 2024 ZDP Shares under the Placing</b></p> <p>The Placing and the allotment of 2024 ZDP Shares under the Placing is conditional on:</p>
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		<ul style="list-style-type: none"> <li>• minimum gross proceeds from the Placing and the UIL Subscription, together with the value of any 2024 ZDP Shares arising pursuant to the Rollover Offer, not being less than £750,000;</li> <li>• the ZDP Cover of the 2024 ZDP Shares being not less than 1.35x taking into account the effect of the 2024 ZDP Shares created upon the conversion of any 2018 ZDP Shares pursuant to the Rollover Offer and the allotment of the 2024 ZDP Shares issued pursuant to the Placing and the UIL Subscription;</li> <li>• the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms prior to completion of the Placing; and</li> <li>• Admission of the 2024 ZDP Shares issued pursuant to the Placing.</li> </ul> <p>In circumstances in which these conditions are not fully met, the issue of 2024 ZDP Shares pursuant to the Placing will not take place.</p> <p><b>The UIL Subscription</b></p> <p>Under the UIL Subscription, UIL Finance is proposing to issue up to 20 million 2024 ZDP Shares to UIL.</p> <p>The 2024 ZDP Shares issued pursuant to the UIL Subscription will be held by UIL for investment purposes in accordance with its investment policy. If the proceeds from cash distributions from portfolio investments and proceeds from portfolio realisations as described in B.11 above, are not received on a timely basis prior to the redemption of the 2018 ZDP Shares then UIL may also realise proceeds from the sale of 2024 ZDP Shares acquired by it pursuant to the UIL Subscription.</p> <p>In the event that UIL decides not to sell some or all of the 2024 ZDP Shares acquired by it pursuant to the UIL Subscription then UIL may, at any time, transfer back any 2024 ZDP Shares held by UIL to UIL Finance for cancellation in consideration for UIL Finance releasing UIL from its obligation under the Subscription Agreement to the fund the redemption of such 2024 ZDP Shares.</p> <p><b>Conditions to the allotment of 2024 ZDP Shares under the UIL Subscription</b></p> <p>The UIL Subscription is conditional on:</p> <ul style="list-style-type: none"> <li>• minimum gross proceeds from the Placing and the UIL Subscription, together with the value of any 2024 ZDP Shares arising pursuant to the Rollover Offer, not being less than £750,000;</li> <li>• the ZDP Cover of the 2024 ZDP Shares being not less than 1.35x taking into account the effect of the 2024 ZDP Shares created upon the conversion of any 2018 ZDP Shares pursuant to the Rollover Offer and the allotment of the 2024 ZDP Shares issued pursuant to the Placing and the UIL Subscription;</li> <li>• the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms prior to completion of the UIL Subscription; and</li> </ul>
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		<ul style="list-style-type: none"> <li>Admission of the 2024 ZDP Shares issued pursuant to the UIL Subscription.</li> </ul> <p>In circumstances in which these conditions are not fully met, the issue of 2024 ZDP Shares pursuant to the UIL Subscription will not take place.</p>
<b>E.4</b>	Material interests	Not applicable. There are no interests that are material to the Rollover Offer, the Placing or the UIL Subscription and no conflicting interests.
<b>E.5</b>	Sellers	Not applicable.
<b>E.6</b>	Dilution	Not applicable. No 2024 ZDP Shares are currently in issue. Holders of ordinary shares issued by UIL will not suffer any dilution of their voting rights as a result of the issue of the 2024 ZDP Shares pursuant to the Proposals as ZDP Shares do not carry any voting rights save in limited circumstances.
<b>E.7</b>	Expenses	The maximum estimated expenses of the Proposals of £0.66 million are expected to be met out of the gross proceeds of the Placing and/or the UIL Subscription. No additional expenses will be charged to investors under the Rollover Offer or the Placing.

## RISK FACTORS

Investment in the 2024 ZDP Shares involves a high degree of risk. Accordingly, prospective and existing investors should review this document carefully and consider all of the information contained in this document and the risks attaching to an investment in UIL Finance and the Group prior to making any investment decision.

Prospective investors should note that the risks relating to the 2024 ZDP Shares summarised in the “Summary” are the risks that the Boards believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the 2024 ZDP Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the “Summary” but also, among other things, the risks and uncertainties described below.

The risks referred to below are all the material risks applicable to UIL Finance, the Group and the 2024 ZDP Shares of which the Directors are aware as at the date of this document. Additional risks that are not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on UIL Finance, the Group and the 2024 ZDP Shares.

Any decision to invest in UIL Finance, the Group or the 2024 ZDP Shares should be based on a consideration of this document as a whole. An investment in UIL Finance, the Group or the 2024 ZDP Shares is only suitable for investors who are capable of evaluating the risks or merits of such investment and who have sufficient resources to bear any loss which might arise from such investment (which may be equal to the whole amount invested).

The Group’s business, financial condition or operations could be materially and adversely affected by the occurrence of any of the risks described below. In such circumstances, the market price of the 2024 ZDP Shares could decline and investors could lose all or part of their investment.

### RISKS RELATING TO THE 2024 ZDP SHARES

#### Consequences of a standard listing

The 2024 ZDP Shares are expected to be admitted to the standard listing segment of the Official List and as a consequence additional ongoing requirements and protections applicable under the Listing Rules to a company admitted to the premium listing segment of the Official List will not apply to UIL Finance.

UIL Finance is listed under Chapter 14 of the Listing Rules and as a consequence a significant number of the Listing Rules will not apply to UIL Finance. ZDP Shareholders will therefore not receive the full protections of the Listing Rules.

#### Subordination of ZDP Shares obligations under the Subscription Agreement

The ZDP Shares rank ahead of the Ordinary Shares in the event of a winding up of the Group. However, UIL Finance has no assets other than the obligation of UIL to put UIL Finance in a position to meet its obligations in respect of the ZDP Shares pursuant to the Subscription Agreement.

UIL’s obligations under the Subscription Agreement are structurally subordinated to the liabilities of UIL under the Loan Facility, which is secured against UIL’s assets. Accordingly if there are defaults under this facility (or any other loan facilities entered into by the Group) and the relevant lender were to enforce the security, that would have a material adverse effect on the ability of UIL to meet its obligations to UIL Finance and thereby on UIL Finance’s ability to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.

#### 2024 ZDP Shareholders will not receive any payment until the 2024 ZDP Repayment Date

2024 ZDP Shareholders only have the right to receive the Final Capital Entitlement on the 2024 ZDP Repayment Date. 2024 ZDP Shareholders wishing to realise their investment earlier will have to dispose of their 2024 ZDP Shares through the stock market. However, there can be no guarantee that a listing will be maintained or that there will be a liquid market for the 2024 ZDP Shares (see “No

guarantee that a listing will be maintained” and “No guarantee active trading market will develop or be maintained for the 2024 ZDP Shares” below).

### **Final Capital Entitlement is not guaranteed**

The Final Capital Entitlement of any class of ZDP Shares, which is intended to be paid on the relevant ZDP Repayment Date, is not guaranteed. UIL Finance’s ability to pay the Final Capital Entitlement of any class of ZDP Shares is dependent on it having sufficient cash resources to meet such obligation or UIL meeting its obligation under the Subscription Agreement to contribute such funds to UIL Finance. If UIL does not, or is unable to, meet its obligations under the Subscription Agreement, UIL Finance will be unable to pay the Final Capital Entitlement of the ZDP Shares and ZDP Shareholders may lose some or all of their Final Capital Entitlement.

Based on the Assumptions, should the total assets of the Group have fallen by more than 6.6 per cent. per annum until 31 October 2024 the holders of the 2024 ZDP Shares will receive less than their Final Capital Entitlement.

The ability of UIL to meet its obligations under the Subscription Agreement depends on its ability to realise value from its investment portfolio or to borrow funds or raise equity on or prior to the relevant ZDP Repayment Date. Events or changes that will have a material adverse effect on the business of UIL or on the Group’s ability to realise its investments for their present value may have a material adverse effect on UIL’s ability to meet its obligations to UIL Finance under the Subscription Agreement and thereby on UIL Finance’s ability to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.

Should UIL be wound up prior to any ZDP Repayment Date, holders of the relevant ZDP Shares would only receive their Accrued Capital Entitlement to the date of the winding-up. This would be less than the Final Capital Entitlement and would be subject to UIL having sufficient net assets to meet its obligations under the Subscription Agreement.

### **The ZDP Shares have differing priorities on a return of capital**

In the event that UIL or UIL Finance is wound up prior to 31 October 2018, holders of 2018 ZDP Shares will rank in priority to holders of 2020 ZDP Shares, who in turn will rank in priority to holders of 2022 and 2024 ZDP Shares, in respect of their Accrued Capital Entitlements.

In the event that UIL or UIL Finance is wound-up after 31 October 2018 but before 31 October 2020, holders of 2020 ZDP Shares will rank in priority to holders of 2022 ZDP Shares who in turn will rank in priority to holders of 2024 ZDP Shares in respect of their Accrued Capital Entitlements.

In the event that UIL or UIL Finance is wound up after 31 October 2020 but before 31 October 2022 holders of 2022 ZDP Shares will rank in priority to holders of 2024 ZDP Shares in respect of their Accrued Capital Entitlements.

### **No guarantee that a listing will be maintained**

Listing Rule 14.2.2 requires a minimum of 25 per cent. of each class of ZDP Shares to be in public hands. Persons in the same group or acting in concert who have an interest in 5 per cent. or more of a class of ZDP Shares will be excluded from the calculation of the public hands requirement.

The Rollover Offer is conditional on Admission of the 2024 ZDP Shares, and therefore subject to the satisfaction of Listing Rule 14.2.2 as to the number of 2024 ZDP Shares held in public hands as at Admission. The UIL Finance Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a *pro rata* basis and whether or not such elections are in excess of a 2018 ZDP Shareholder’s Basic Entitlement if the UIL Finance Directors consider this necessary to ensure that sufficient 2024 ZDP Shares are held in public hands to satisfy the Listing Rule requirement. In particular, the UIL Finance Directors may exercise their discretion so that the relevant 2024 ZDP Shares can be placed pursuant to the Placing in order to satisfy this Listing Rule.

If the number of any class of ZDP Shares in public hands falls below the requisite threshold after their Admission, then the listing of that class of ZDP Shares may not be capable of being maintained

and this is likely to reduce the liquidity of that class of ZDP Shares and to have a material adverse effect on the ability to sell the ZDP Shares for value prior to the relevant ZDP Repayment Date.

#### **No guarantee an active trading market will develop or be maintained for the 2024 ZDP Shares**

Listing should not be taken as implying that there will be a liquid market for the 2024 ZDP Shares. The 2024 ZDP Shares may not be widely held. There is no guarantee an active trading market will develop or be sustained for the 2024 ZDP Shares after their Admission. If an active trading market is not developed or maintained, the market price for the 2024 ZDP Shares may fall below the Issue Price and 2024 ZDP Shareholders may not realise their initial investment.

#### **Interest rate rises are likely to lead to reductions in the market value of the 2024 ZDP Shares**

The market value of the 2024 ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the 2024 ZDP Shares, as the differential in return profile between the 2024 ZDP Shares and alternative investments is likely to narrow.

#### **The 2024 ZDP Shares may trade at a discount**

The 2024 ZDP Shares may trade at a discount to their Accrued Capital Entitlement, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition and prospects of the Group. The value of the 2024 ZDP Shares can go down as well as up.

#### **Other factors that may impact on market price and the realisable value of the 2024 ZDP Shares**

The market price and the realisable value of the 2024 ZDP Shares will be affected by interest rates, supply and demand for the 2024 ZDP Shares, market conditions and general investor sentiment. As such, the market value and the realisable value (prior to redemption) of any 2024 ZDP Shares will fluctuate and may vary considerably. In addition, the published market price of the 2024 ZDP Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of the 2024 ZDP Shares and the price at which the 2024 ZDP Shares can be sold, there is no guarantee that the realisable value of the 2024 ZDP Shares will be the same as the published market price.

### **RISKS RELATING TO UIL AND UIL FINANCE**

#### **Insufficiency of working capital**

If UIL's £50 million bank facility is not extended for at least 12 months the Group will need to make alternative arrangements to fund the repayment of its bank facility on 22 March 2018. In the event that either a new debt facility could not be secured or a sale of investments to generate proceeds to repay the debt facility by 22 March 2018 was unsuccessful, Scotiabank would be entitled to enforce its security over UIL's assets and UIL would be likely to enter into administration.

If the conditions to the Rollover Offer, the Placing and the UIL Subscription are not satisfied so that the Proposals do not proceed, the Group will need to make alternative arrangements to fund the redemption of the 2018 ZDP Shares on 31 October 2018. If such arrangements are not successful and the Group is unable to fund the redemption of the 2018 ZDP Shares on 31 October 2018, the bye-laws of UIL provide that the UIL Directors shall, *inter alia*, convene a special general meeting of UIL at which a resolution shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act.

#### **Past performance**

The past performance of UIL and other investment companies managed or advised by the Joint Portfolio Managers or their affiliates is not indicative of the future performance of UIL. There can be no guarantee that UIL's investment objective will be achieved. UIL's ability to achieve returns may be adversely affected in the event of significant or sustained changes in market returns or volatility.

As with any investment in companies, UIL's investments may fall in value with the maximum loss on such investments being the value of the initial investment and, where relevant, any gains or

subsequent investments made. If the total assets of the Group have fallen, based on the Assumptions, by more than 6.6 per cent. per annum from 2 November 2017 until 31 October 2024 the holders of the 2024 ZDP Shares will receive less than their Final Capital Entitlement.

### **Investment strategies**

The success of the investment strategies followed by the Joint Portfolio Managers depends upon the Joint Portfolio Managers' success at correctly interpreting market data. Any factor which would make it more difficult to buy or sell investments in any country where UIL may invest may have an adverse effect on the profitability of UIL. No assurance can be given that the strategies to be used will be successful under all or any market conditions.

The performance of UIL's investment programme depends to a great extent on correct assessments of the future course of price movements of securities and other investments selected by the Joint Portfolio Managers. There can be no assurance that the Joint Portfolio Managers will be able to accurately predict these price movements. With respect to the investment strategies utilised by the Joint Portfolio Managers, there is always some, and occasionally a significant, degree of market risk. If UIL's investment strategy is unsuccessful this may have a material adverse effect on UIL's ability to meet its obligations to UIL Finance under the Subscription Agreement and thereby on UIL Finance's ability to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.

### **Investment approach**

UIL seeks to invest in undervalued investments and, in accordance with its investment policy, has the ability to make investments in a wide range of sectors and markets. UIL aims to maximise value for its Shareholders through a relatively concentrated portfolio of investments. Accordingly, UIL may be regarded as representing a different risk than a generalist investment company.

Any utilities and infrastructure companies in which UIL invests may, in general, be exposed to a higher level of political and regulatory risk than companies in the stock market as a whole. In certain countries, the utilities and infrastructure regulatory framework is still developing. The existing dominant market position of some utilities and infrastructure companies may be eroded as their sectors are exposed to greater competition as a result of regulatory steps.

UIL may invest in newly privatised companies or companies which subsequently become privatised and this may involve additional risks relating to the capital structures of such companies.

UIL's direct and indirect investment portfolio is relatively concentrated with the top 10 holdings accounting for approximately 87.3 per cent. of the portfolio (as at 31 August 2017, being the latest practicable date prior to publication of this document) and includes Somers Limited (a financial services sector holding company), Utilico Emerging Markets Limited (an investment company investing in infrastructure, utility and related sectors, mainly in Emerging Markets), Zeta Resources Limited (a holding company with investments in the resources sector), Infratil Limited (a holding company with investments in the power and transportation sectors) and Bermuda First Investment Company Limited (a holding company with investments in Bermudan companies) which may have common investments with UIL.

### **Investment policy**

UIL's investment policy is broad in scope and permits investment in the securities of companies in specialist sectors and smaller and/or unquoted companies that can involve greater risk than is customarily associated with investment in larger, more established companies. It may be difficult to value or realise investments in such companies as they are often less liquid and potentially subject to a greater degree of price fluctuation. Any factor which would make it more difficult to buy or sell investments may have an adverse effect on the profitability of UIL. Even successful investments made by UIL may be illiquid for prolonged periods of time. Proper information for determining the value of such securities or the risks to which they are exposed may not be readily available.

Debt instruments held by the Group will be affected by general changes in interest rates that will result in increases and decreases in the market value of those instruments. Debt instruments will also be subject to credit or default risks associated with such assets.

If the realisable value of the Group's assets is less than UIL's valuation of those assets or the Group suffers a loss on the debt instruments held within its portfolio, this may have a material adverse effect on UIL's ability to meet its obligations to UIL Finance under the Subscription Agreement and thereby on UIL Finance's ability to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.

### **Economic Conditions**

UIL and its investments are materially affected by conditions in the global financial markets and economic conditions throughout the world, including, but not limited to, rising interest rates, inflation, business and consumer confidence, availability of credit, currency exchange rates and controls, changes in laws, trade barriers, commodity prices, terrorism and political uncertainty. These factors are outside UIL's control and may affect the level and volatility of securities prices and the liquidity and the value of investments, which could adversely affect UIL's profitability, Net Asset Value and prices of the Group's securities.

During periods of adverse economic conditions, UIL may have difficulty accessing financial markets, which could make it more difficult or impossible for UIL to obtain funding for additional investments or the redemption of any class of ZDP Shares. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in Section B, paragraph 4 of Part 6 of this document.

### **ZDP Redemption Dates**

In the event that a redemption date of any class of ZDP Share coincides with a period of extreme market volatility, UIL may be forced to liquidate certain of its investments at a materially disadvantageous point in time in order to generate sufficient redemption proceeds. An inability to delay a liquidation of such assets until such time as market conditions are more favourable may serve to materially prejudice future Shareholder returns, including but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

### **Political and Country Risks**

UIL may invest directly or indirectly (including through its investment in Utilico Emerging Markets Limited) in investments based in countries where regulatory frameworks are still developing. Such countries are likely to be predominantly those which are included in leading Emerging Market indices. There is no assurance that future political and economic conditions in the individual countries in which UIL directly or indirectly invests will not result in their governments adopting different policies with respect to foreign investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, thereby influencing UIL's ability to generate profits. Such policy changes could extend to the expropriation of assets.

Investment by foreign investors may require consents or be subject to limitations, and repatriation of investment income, capital and the proceeds of sales by foreign investors may require government registration and/or approval. UIL could be adversely affected by delays in or a refusal to grant any required government approval or by any lack of availability of foreign exchange.

Companies in some countries are not always subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies incorporated in the United Kingdom. In addition, there may be less government supervision and regulation of stock exchanges, brokers and listed companies in some countries in which UIL may invest directly or indirectly compared to countries with more advanced securities markets. Notwithstanding the foregoing, UIL will continue to comply with any obligations applicable to the main

market for listed securities of the London Stock Exchange and the premium segment of the Official List.

### **Risks relating to the referendum on the UK's continued membership of the EU**

UIL, in common with other UK listed investment companies, faces potential risks associated with the United Kingdom's decision to leave the European Union. This decision may result in prolonged uncertainty regarding aspects of the UK economy and, potentially, damage investors' confidence and may also lead to economic uncertainty in the EU as a whole. This could have adverse consequences for the prices of investments quoted on financial markets. Any of these risks could have a material adverse effect on UIL, including its financial position and may materially prejudice future Shareholder returns, including but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

### **Other Investment Types**

UIL has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. UIL may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting UIL's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments which are the subject of the hedge, on the other hand, leading to losses due to UIL's hedging strategy. No assurance can be given that the hedging strategies which may be used by UIL will be successful under all or any market conditions.

These instruments are also subject to credit, liquidity and interest rate risks. Adverse changes in the financial position of an issuer of such securities or economic conditions generally may increase counterparty risk by impairing the ability of the issuer to make payments of interest or principal. Furthermore, if any of UIL's counterparties were to default on their obligations under derivative contracts it could have a material adverse effect on UIL, including its financial position, and may materially prejudice future Shareholder returns, including but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

UIL holds shares linked to a segregated account of GERP, an unquoted Bermuda segregated accounts company, for the sole purpose of carrying out derivative transactions at the request of and on behalf of UIL in order that it may make investments more efficiently and for the purposes of efficient portfolio management. Under the terms of a loan agreement entered into between GERP and UIL, GERP may draw down funds from UIL to meet certain costs and liabilities arising from any assets held in UIL's segregated account. Accordingly, in the event that UIL's hedging policies (implemented through its investment in GERP) lead to losses being suffered or funds being required by GERP, UIL may be obliged to provide loans to GERP under the terms of this loan agreement. Although UIL does not currently expect to be required to provide material loans to GERP, if UIL is required to provide such loans this could result in losses being suffered by UIL and have a material adverse effect on UIL, including its financial position and may materially prejudice future Shareholder returns, including but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

UIL may invest in unlisted and unquoted securities. These types of securities are generally subject to higher valuation uncertainties and liquidity risks than securities listed or traded on a regulated market. If the realisable value of these assets is less than UIL's valuation of these assets, this may have a material adverse effect on UIL's ability to meet its obligations to UIL Finance under the Subscription Agreement and thereby on UIL Finance's ability to pay the Final Capital Entitlement on the 2024 ZDP Shares in full on the 2024 ZDP Repayment Date.

A proportion of UIL's portfolio may be held in cash from time to time. Such proportion of UIL's assets will be out of the market and will not benefit from positive stock market movements.

## **Investment in Investment Companies**

It is not a central part of UIL's investment policy to invest in other investment companies. However, subject to the investment restrictions set out in Part 2 of this document, UIL has the flexibility to invest in other investment companies and in particular has significant investments in Somers Limited, Utilico Emerging Markets Limited, Zeta Resources Limited, Infratil Limited and Bermuda First Investment Company Limited. Investment in other investment companies can expose UIL to further layers of fees (although the Joint Portfolio Managers will not earn a management fee in respect of assets invested by UIL in other funds managed or advised by the Joint Portfolio Managers or their associates) and gearing. Underlying investment companies may also invest in other investment companies (but cross investment between investment companies is not expected to be a factor, though it will be assessed at the time of any investment).

## **Special Situations**

UIL may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions. There exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time, or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, UIL may be required to sell its investment at a loss. Because there may be uncertainty concerning the outcome of transactions involving financially troubled companies in which UIL may invest, there is a potential risk of loss by UIL of its entire investment in such companies which may have a material adverse effect on future Shareholder returns, including but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

## **Borrowings**

UIL uses gearing in addition to the structural gearing provided by the ZDP Shares. Gearing can be employed in a variety of ways, including direct borrowing, buying securities on margin and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as gearing can increase the portfolio's market exposure and volatility. In particular, whilst the use of borrowings should enhance the total return on UIL's portfolio where the return on UIL's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on UIL's portfolio. Furthermore, should any fall in the underlying asset value result in UIL breaching financial covenants contained in any loan facilities, it may be required to repay such borrowings in whole or in part together with any attendant costs. Such a requirement could result in UIL being forced to sell investments at lower prices than would normally be obtained. This could adversely affect the capital and income returns to Shareholders including, but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

## **Exchange Risks**

UIL invests a substantial part of its assets in securities which are not denominated or quoted in Sterling, the base currency of UIL. The Group's Net Asset Value is reported in Sterling, part of the borrowings of UIL are incurred (and interest paid) in Sterling, the accrual on the ZDP Shares (including the 2024 ZDP Shares) is in Sterling terms and dividends (if any) will be declared and paid in Sterling. The movement of exchange rates between Sterling and any other currencies in which UIL's investments are denominated or the base currency of an investor may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by UIL. Hedging arrangements relating to foreign currency returns and exposures, if any are put in place, may or may not have the desired effect.

Those persons who acquire or hold 2024 ZDP Shares and whose base currency is not Sterling will have a currency risk by virtue of holding such securities.

## **Shareholder Diversity**

The Shareholders and ZDP Shareholders may include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions, who may have conflicting investment, tax and other interests with respect to their investments in the Group. The conflicting interests of individual holders of Ordinary Shares and holders of each class of ZDP Shares may relate to or arise from, among other things, the nature of investments made by UIL, and the timing of the acquisition and disposition of investments. Conflicts of interest may arise in connection with decisions made by the Joint Portfolio Managers, including the selection of investments which may be more beneficial for one Shareholder or ZDP Shareholder than for another Shareholder or ZDP Shareholder. In selecting and structuring investments appropriate for the Group, the Joint Portfolio Managers will consider the investment and tax objectives of the Group as a whole, not the investment, tax or other objectives of any Shareholder or ZDP Shareholder of the Group individually.

## **Potential Conflicts of Interest**

The Joint Portfolio Managers currently serve as joint portfolio managers to Utilico Emerging Markets Limited, Somers, Zeta and Allectus as well as UIL, and the Joint Portfolio Managers and their respective associates may be involved in other financial, investment or professional activities in the future, including advising other investment clients. In particular, they may provide investment management, investment advice or other services in relation to investment companies which may have similar investment policies to that of UIL. As a result, the Joint Portfolio Managers may have conflicts of interest in allocating investments among UIL and other clients, including ones in which they or their respective affiliates may have a greater financial interest.

Utilico Emerging Markets, Somers, Zeta and Allectus invest in, respectively, the emerging market utilities, financial services, resources and technology sectors. The Joint Portfolio Managers have undertaken to take all reasonable steps to avoid conflicts of interest. If such conflicts of interest cannot be avoided the Joint Portfolio Managers shall take all reasonable steps to identify, manage, monitor and (where applicable) disclose those conflicts of interest in order to prevent them from adversely affecting the interests of UIL and Shareholders, and to ensure that UIL is treated fairly.

Since UIL and Utilico Emerging Markets Limited both invest in infrastructure, utility and related companies. As a result it is possible that conflicts of interest may arise with regard to potential investments. To minimise this risk an investment allocation policy has been adopted by both companies. This policy is described in paragraph 5 of Part 4 of this document.

## **Risk relating to the Joint Portfolio Managers**

The Joint Portfolio Managers have, subject to compliance with the investment policy of UIL, substantial discretion in the management of UIL's interests including the selection of the industry, geography, investment strategy and the timing of investments. While the UIL Board will review compliance with the investment policy and may direct the Joint Portfolio Managers to take certain actions in connection with UIL's investments, the UIL Board is not expected to review or approve all individual investment decisions.

The ability of UIL to achieve its stated investment objective is significantly dependent upon the expertise of the Joint Portfolio Managers and their ability to attract and retain suitable staff. UIL is also reliant upon the skills of the UIL Directors and the loss of any of these could reduce its ability to achieve its stated investment objective. The Joint Portfolio Managers have endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such staff cannot be guaranteed.

There can be no assurance that the UIL Directors will be able to find a replacement manager if the Joint Portfolio Managers resign. In this event the UIL Directors would have to formulate and put to the Shareholders proposals for the future of UIL.

## **Operational and reputational risks**

UIL relies heavily on the Joint Portfolio Managers' and Administrator's financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, UIL could

suffer financial loss, a disruption of its businesses, regulatory intervention or reputational damage. The disaster recovery programs of the Joint Portfolio Managers and the Administrator may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse UIL for its losses, if at all. It is also possible that, from time to time, the Joint Portfolio Managers or UIL will be named as parties to litigation, which could cause substantial reputational damage to UIL or disrupt its investment strategy, business or potential growth.

### **Calculation of Net Asset Value**

In calculating UIL's Net Asset Value the Administrator will rely on the UIL Board's valuations of unlisted companies in which UIL invests. Such valuations may be unaudited or may be subject to little verification or other due diligence and may not comply with generally accepted accounting practices or other valuation principles. If the realisable value of UIL's assets is less than its valuation of those assets this may have a material adverse effect on future Shareholder returns, including but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

### **Taxation**

The Finance Act 2013 introduced disguised interest provisions intended to make returns which are economically equivalent to interest subject to tax as income not capital. If the provisions apply to the ZDP Shares, it is likely that the return on the ZDP Shares would be subject to tax as income in the hands of UK resident individuals and others who are subject to UK income tax. There is an exception to these provisions and the UIL Finance Directors and their advisers have concluded that it should apply to the ZDP Shares but more information is given in Part 7 of this document.

Any change in the Group's tax status or in taxation legislation or practice in the United Kingdom or elsewhere, could affect the value of the investments held by the Group and the Group's ability to provide returns to Shareholders and could also affect the tax treatment of the ZDP Shares and the tax treatment of their Final Capital Entitlement.

Statements in this document concerning the taxation of Shareholders are based upon current UK and Bermuda tax law and published practice, which law and practice are in principle subject to change (potentially with retrospective effect) that could adversely affect the ability of UIL to meet its investment objective. Statements in this document in particular take into account the United Kingdom offshore fund rules. Should UIL or any class of Shares be regarded as subject to the UK offshore fund rules, this may have adverse tax consequences for certain classes of UK resident Shareholders on the disposal of the 2024 ZDP Shares.

### **No Investment Company Act registration**

Neither UIL nor UIL Finance has been or will be registered under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which have been or will be applicable to UIL or UIL Finance. To avoid being required to register as an investment company under the Investment Company Act and to avoid violating the Investment Company Act, UIL Finance has implemented restrictions on the ownership of the ZDP Shares (including the 2024 ZDP Shares), which may require certain ZDP Shareholders' to transfer their shareholdings.

### **No Takeover Protection**

UIL is incorporated in Bermuda and is managed and controlled outside the UK. For those reasons the City Code does not apply to UIL. It is emphasised that, although the Ordinary Shares are admitted to the premium listing segment of the Official List and are traded on the main market for listed securities of the London Stock Exchange, UIL is not subject to takeover regulation in the UK. It follows that Shareholders are not entitled to the protections afforded by the City Code, and there are no similar protections under Bermuda law. In particular, it will be possible for an individual investor or a group of investors acting in concert to acquire Ordinary Shares representing 30 per cent. or more of the issued share capital of UIL or to exercise control over UIL's affairs without being under an obligation

to make an offer to acquire the Ordinary Shares not owned by them, as would be required by Rule 9 of the City Code.

As at 27 September 2017, the Ordinary Shares held by GPLPF represented 62.1 per cent. of the voting rights exercisable on a poll at a general meeting of UIL.

### **Enforcement of Judgements**

As UIL and UIL Finance are Bermuda exempted companies, the rights of Shareholders and ZDP Shareholders are governed by Bermuda law and the Memorandum of Association and Bye-laws of UIL and UIL Finance. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The majority of the Directors referred to in this document are not residents of the UK and a significant part of the Group's assets is expected to be located outside of the UK. As a result, it may be difficult for investors to effect service of process on those persons in the UK or to enforce UK judgements obtained in the UK courts against UIL, UIL Finance or those persons who may be liable under UK law.

### **Alternative Investment Fund Managers Directive**

The AIFM Directive, which was due to be transposed by EU Member States into national law by July 2013 (and has been transposed in the United Kingdom) seeks to regulate alternative investment fund managers (in this paragraph, **AIFM**) and imposes obligations on managers who manage alternative investment funds (in this paragraph, **AIF**) in the EU or who market shares in such funds to EU investors. In order to obtain authorisation under the AIFM Directive, an AIFM needs to comply with various obligations in relation to the AIF, which may create significant additional compliance costs, some of which may be passed to investors in the AIF.

UIL is a non-EU AIF for the purposes of the AIFM Directive and related regimes in relevant EU Member States. Following national transposition of the AIFM Directive in a given EU Member State, the marketing of shares in AIFs that are established outside the EU (such as UIL) to investors in that EU Member State will be prohibited unless certain conditions are met. Certain of these conditions are outside UIL's control as they are dependent on the regulators of the relevant third country (in this case Bermuda) and the relevant EU Member State entering into regulatory co-operation agreements with one another. UIL cannot guarantee that such conditions will be satisfied. Bermuda has entered into a co-operation agreement with the United Kingdom. In cases where the conditions are not satisfied, the ability of UIL to market its shares or raise further equity capital in the relevant EU Member States may be limited or removed.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that limit UIL's ability to carry on its business or to market future issues of its shares may materially adversely affect UIL's ability to carry out its investment policy successfully and to achieve its investment objective, which in turn may have a material adverse effect on future Shareholder returns, including but not limited to, the right of ZDP Shareholders (including the 2024 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

### **NMPI Regulations**

On 1 January 2014 the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 (the NMPI Regulations) came into force in the UK. The NMPI Regulations extend the application of the existing UK regime restricting the promotion of unregulated collective investment schemes by FCA authorised persons (such as independent financial advisers) to other "non-mainstream pooled investments" (or "NMPIs"). From 1 January 2014, FCA authorised independent financial advisers and other financial advisers are restricted from promoting NMPIs to retail investors who do not meet certain high net worth tests or who cannot be treated as sophisticated investors.

The ZDP Shares (including the 2024 ZDP Shares) are excluded from the FCA's restrictions which apply to non-mainstream pooled investments because UIL Finance's payment obligations to investors in respect of the ZDP Shares are wholly or predominantly linked to, contingent on, highly sensitive to or dependent on, the performance of or changes in the value of shares, debentures or government and public securities.

If the ZDP Shares cease to be excluded securities for the purposes of the NMPI Regulations and the FCA does not otherwise grant a waiver, the ability of UIL Finance to raise further capital from retail investors may be affected. In this regard, it should be noted that, whilst the publication and distribution of a prospectus (including this document) is exempt from the NMPI Regulations, other communications by “approved persons” could be restricted (subject to any exemptions or waivers).

### **United States (U.S.) Tax Withholding and Reporting under the Foreign Account Tax Compliance Act (FATCA)**

The Government of the United States of America and the Government of Bermuda have entered into a Model 2 intergovernmental agreement (the **US-Bermuda IGA**) in relation to the application of FATCA in Bermuda and to Bermuda persons. The US-Bermuda IGA provides for applicable/affected Bermuda persons to register and/or enter into agreements and/or file required information directly with the US Internal Revenue Service (the **IRS**), including due diligence, reporting and withholding. The US-Bermuda IGA is intended to ensure that there are no local restrictions on or prohibitions for a Bermuda person to comply with FATCA. Assuming registration and compliance pursuant to the US-Bermuda IGA, a non-US financial institution (a **foreign financial institution** or **FFI**) would be treated as compliant with FATCA and not subject to withholding.

FATCA imposes a new reporting regime and potentially a 30 per cent withholding tax on certain payments made from (or attributable to) US sources or in respect of US assets (**US source payments**) to certain categories of recipient, including: (a) an FFI that does not comply with the terms of FATCA and is not otherwise exempt (a **nonparticipating FFI**); and (b) an accountholder which has failed to comply with certain documentation or information requirements under FATCA and is not otherwise exempt (a **recalcitrant accountholder**). Pursuant to the terms of the US-Bermuda IGA, certain Bermuda financial institutions (**reporting financial institutions**) will be required to provide certain information about their accountholders who are specified US persons or nonparticipating FFIs (both as defined in the US-Bermuda IGA) to the IRS, and to withhold on US source payments to accountholders which are nonparticipating FFIs and, in certain limited circumstances, recalcitrant accountholders, pursuant to the terms of an FFI Agreement (as defined in the US-Bermuda IGA).

Each of UIL and UIL Finance has registered with the IRS as a reporting financial institution for the purposes of FATCA. Accordingly, UIL and UIL Finance respectively have entered into and will be required to comply with the terms of an FFI Agreement (as defined in the US-Bermuda IGA), including the reporting and withholding requirements in respect of Shareholders and their interests outlined above. However, for so long as UIL's and UIL Finance's shares are admitted to trading on the Main Market of the London Stock Exchange, neither UIL nor UIL Finance may need to carry out any reporting or withholding in respect of the Shareholders or their interests (whether or not the Shareholders are nonparticipating FFIs, specified US persons or recalcitrant accountholders) to the extent that its shares are treated as regularly traded on an established securities market and do not, therefore constitute financial accounts for FATCA purposes. In such circumstances, UIL and/or UIL Finance may still need to file a nil return with the IRS.

UIL and UIL Finance are complying with the terms of FATCA by registering and reporting financial constitutions for the purposes of FATCA and complying with the terms of an FFI Agreement and all other terms of the reporting and withholding system contemplated by the US-Bermuda IGA and FATCA (insofar as applicable under the terms of the US-Bermuda IGA). No assurance can, however, be provided that UIL and/or UIL Finance will be able to comply with FATCA and, in the event that UIL is not able to do so, a 30 per cent withholding tax may be imposed on US source payments made to UIL, which may reduce the amounts available to it to make payments to its Shareholders including to UIL Finance under the Subscription Agreement to enable it to pay the Final Capital Entitlement on the relevant ZDP Repayment Date in full.

### **UK-Bermuda Intergovernmental Agreement**

In November 2014 the governments of the UK and Bermuda signed an intergovernmental agreement (**UK-Bermuda IGA**) under which certain disclosure requirements are imposed in respect of certain investors in UIL and UIL Finance who are resident in the UK or, in the case of entities, are controlled

by one or more residents in the UK. According to guidance which is currently published in draft form, the UK-Bermuda IGA is to be implemented through Bermuda's domestic legislation. Accordingly, the full impact of the UK-Bermuda IGA on UIL, UIL Finance and their reporting responsibilities pursuant to the UK-Bermuda IGA remain uncertain.

### **The Organisation for Economic Cooperation and Development's efforts to promote Tax Information Exchange**

In 2000, Bermuda committed to uphold the standards of transparency and exchange of tax information promoted by the Organisation for Economic Cooperation and Development (the **OECD**) and in doing so participated fully in the OECD Global Forum on Taxation and the development of a model exchange of tax information exchange agreement (a **TIEA**), which was subsequently adopted in 2002 as the international standard for the exchange of tax information amongst participating governments. In 2009 Bermuda was recognised and listed by the OECD Global Forum as being a jurisdiction that had substantially implemented those standards.

### **Common Reporting Standards**

More recently in 2014, the OECD announced the introduction of the Common Reporting Standard (**CRS**), which has now been widely accepted as the international standard for financial account reporting for tax purposes outside of the United States. The CRS sets out the financial account information to be exchanged between participating countries, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions. Bermuda became a participant of the CRS pursuant to a multilateral competent authority agreement executed in 2014. Unlike FATCA, which requires the direct reporting of requisite information to the United States authorities, under the CRS reporting financial institutions are required to report requisite data to the Minister of Finance, in his capacity as the Competent Authority in Bermuda, for onward inter-governmental exchange. Bermuda legislation has been amended to ensure all Bermuda persons comply with the obligations of the CRS, FATCA and any other arrangements or agreements entered into by the Government of Bermuda for the exchange of information for tax purposes.

Whilst the CRS establishes an automatic exchange of information protocol and requires ongoing due diligence and annual filing by persons in Bermuda who are classified as reporting financial institutions, governments that have executed a TIEA with Bermuda may continue to rely upon and seek tax information under the provisions of those agreements. Both the CRS and the TIEA regimes are aimed at promoting the transparency of tax information to combat tax evasion. Neither the CRS nor the TIEA regimes give rise to an increase in Bermuda tax liability of the Fund. Further, the Fund benefits from a Tax Assurance Certificate issued by the Minister of Finance which assures the company that in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of such tax shall not, until 31 March 2035, be applicable to the company or to any of the company's operations or the Shares, debentures or other obligations of the company except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Fund in respect of real property owned or leased by the company in Bermuda.

**If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of 2024 ZDP Shares, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser.**

## **ACTION TO BE TAKEN IN RESPECT OF THE ROLLOVER OFFER**

**This section applies only to holders of 2018 ZDP Shares. Holders of Ordinary Shares, 2020 ZDP Shares and/or 2022 ZDP Shares do not need to take any action.**

Accompanying this document is a Form of Election in respect of the Rollover Offer.

**IF YOU DO NOT WISH TO PARTICIPATE IN THE ROLLOVER OFFER IN RESPECT OF ANY OF YOUR 2018 ZDP SHARES OR YOU ARE AN OVERSEAS ZDP SHAREHOLDER, YOU NEED NOT COMPLETE OR RETURN THE FORM OF ELECTION.**

### **HOLDERS OF 2018 ZDP SHARES THAT ARE HELD IN CERTIFICATED FORM**

To elect to participate in the Rollover Offer in respect of 2018 ZDP Shares in certificated form complete and return the Form of Election by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and in any event by no later than 1.00 p.m. on 20 October 2017. A pre-paid envelope is enclosed for your use.

UIL Finance reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not in UIL Finance's sole judgement (acting reasonably) meet the requirements of the Rollover Offer. UIL Finance also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to UIL Finance in lieu thereof. None of UIL Finance, UIL, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

**If a holder of 2018 ZDP Shares signs and returns a Form of Election but does not specify in Box 1 of the form how many 2018 ZDP Shares he wishes to elect to participate in the Rollover Offer he will be deemed to have elected to participate in respect of his Basic Entitlement.**

### **HOLDERS OF 2018 ZDP SHARES THAT ARE HELD IN UNCERTIFICATED FORM (THAT IS THROUGH CREST)**

To elect to participate in the Rollover Offer in respect of 2018 ZDP Shares held as Depository Interests in uncertificated form you should send (or if you are a CREST sponsored member procure that your CREST sponsor sends) to Euroclear a TTE instruction in relation to your 2018 ZDP Shares. A TTE instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for Transfer to Escrow and must contain the following details:

- the corporate action number of the Rollover Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- the number of 2018 ZDP Shares in respect of which you wish to elect to participate in the Rollover Offer;
- your Member Account ID;
- your participant ID;
- the participant ID of the escrow agent, in its capacity as a CREST receiving agent. This is 3RA32;
- the Member Account ID of the escrow agent. This is: UILZ1601;
- the intended settlement date for the Rollover Offer, which should be as soon as possible and in any event not later than 2 November 2017;
- the ISIN of the 2018 ZDP Shares. This is: BMG916101162;

- input with the standard delivery instruction, priority 80; and
- a contact name and telephone number in the shared note field.

A CREST sponsor who sends or is treated as sending a valid dematerialisation instruction in accordance with the above procedures, will thereby represent and warrant that it is not a, and is not sending the dematerialisation instruction on behalf of any, Overseas ZDP Shareholder.

Full details of the action to be taken are set out in this document and in the instructions on the Form of Election. **YOU SHOULD READ THE WHOLE OF THIS DOCUMENT, WHICH CONTAINS THE MATERIAL TERMS OF THE PROPOSALS, AND NOT JUST THIS SECTION WHEN DECIDING WHAT ACTION TO TAKE.**

The attention of Overseas ZDP Shareholders is drawn to the section headed “Overseas ZDP Shareholders” of the Chairman’s Letter set out in Part 1 of this document.

If you have any queries in relation to your shareholding(s), please contact Computershare Investor Services PLC by telephone on 0370 873 5861 (or +44 370 873 5861 if calling from outside the United Kingdom). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Computershare Investor Services PLC can only provide information regarding the completion of the Form of Election and cannot advise on the merits of the Proposals or provide you with investment, legal or tax advice.

## IMPORTANT INFORMATION

### INVESTMENT CONSIDERATIONS

The 2024 ZDP Shares may not be a suitable investment for all investors. An investment in any 2024 ZDP Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in any 2024 ZDP Shares should constitute part of a diversified investment portfolio. Typical investors are expected to be professional investors and professionally advised private investors. If investors are in any doubt as to the consequences of their acquiring or holding any 2024 ZDP Shares or disposing of 2018 ZDP Shares, or whether an investment in 2024 ZDP Shares is suitable for them in the light of information contained in this document or their personal circumstances including the financial resources available to them, they should consult their stockbroker or other independent financial adviser authorised under FSMA or, in the case of investors outside the United Kingdom, another appropriately authorised independent financial adviser before making their own decision to invest in 2024 ZDP Shares.

Any potential investor in the 2024 ZDP Shares must determine the suitability of that investment in light of his own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of: (i) the 2024 ZDP Shares; (ii) the merits and risks of investing in the 2024 ZDP Shares; and (iii) the information contained or incorporated by reference in this document or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his particular financial situation, an investment in the 2024 ZDP Shares and the impact such investment will have on his overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the 2024 ZDP Shares;
- (d) understand thoroughly the terms of the 2024 ZDP Shares and be familiar with the behaviour of financial markets in which they participate; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect his investment and his ability to bear the applicable risks.

The contents of this document or any other communications from UIL Finance, UIL, the Joint Portfolio Managers or Stockdale Securities and any of their respective affiliates, directors, officers, employees or agents are not to be construed as advice relating to legal, financial, taxation, investment or any other matters. Prospective investors in the 2024 ZDP Shares should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of 2024 ZDP Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of 2024 ZDP Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of 2024 ZDP Shares.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Group and an investment in the 2024 ZDP Shares.

An investment in the 2024 ZDP Shares should be regarded as a long-term investment. There can be no assurance that UIL Finance will be able to pay the Final Capital Entitlement on the 2024 ZDP Repayment Date in full. It should be remembered that the price of securities and the income from them can go down as well as up.

## **FORWARD-LOOKING STATEMENTS**

This document includes statements that are, or may be deemed to be “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s financial condition and prospects.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors discussed in the sections entitled “Risk Factors” on pages 24 to 35 of this document and in “Part 2 – Information about the Group”.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect UIL Finance’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. UIL Finance expressly disclaims any obligations to update or revise any forward looking statements contained in this document to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based unless required to do so by law or any appropriate regulatory authority, including FSMA, the Prospectus Rules, the Disclosure Guidance and Transparency Rules and the Listing Rules. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in Section B, paragraph 4 of Part 6 of this document.

## **TIMES AND DATES**

References to times and dates in this document are, unless otherwise stated, to United Kingdom times and dates.

## **DISTRIBUTION**

The distribution of this document and the accompanying documents in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. This document and the accompanying documents do not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for any 2024 ZDP Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. In particular, no 2024 ZDP Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended) (the Securities Act), or under the securities laws of any state or other political sub-division of the United States or under the applicable securities laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Accordingly, subject to certain exceptions, no 2024 ZDP Shares may, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or for the benefit of any US Person (within the meaning of Regulation S made under the Securities Act) and this document will not be posted to any person in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa.

No person has been authorised to give any information or to make any representations other than those contained in this document and any supplementary prospectus published by UIL Finance prior to Admission and, if given or made, such information or representations must not be relied on as having been authorised by UIL Finance or UIL. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation

is unlawful. The delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Group since the date hereof.

## **NO INCORPORATION OF WEBSITE**

The contents of UIL's website at [www.uil.limited](http://www.uil.limited) do not form part of this document.

Investors should base their decision to invest on the contents of this document and any supplementary prospectus published by UIL Finance prior to Admission alone and should consult their professional advisers prior to making an election under the Rollover Offer or an application to subscribe for any 2024 ZDP Shares under the Placing.

## **PRESENTATION OF INFORMATION**

### **Presentation of market, economic and industry data**

Market, economic and industry data used throughout this document is derived from various industry and other independent sources. UIL Finance and the UIL Finance Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Presentation of financial information**

UIL and UIL Finance prepare their financial information under International Financial Reporting Standards (as adopted by the EU) (**IFRS**). The financial information contained or incorporated by reference in this document, including that financial information presented in a number of tables in this document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

### **Currency presentation**

Unless otherwise indicated, all references in this document to "GBP", "Sterling", "pounds sterling", "£", "pence" or "p" are to the lawful currency of the UK.

### **Definitions**

A list of defined terms used in this document is set out on pages 119 to 124 of this document.

### **Governing law**

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales and Bermuda (as appropriate) and are subject to changes therein.

## CONSEQUENCES OF A STANDARD LISTING

The 2018 ZDP Shares, 2020 ZDP Shares and 2022 ZDP Shares are, and application will be made for the 2024 ZDP Shares to be, admitted to the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for standard listings. A standard listing affords ZDP Shareholders a lower level of regulatory protection than that afforded to investors in securities that are admitted to the premium segment of the Official List.

As a consequence of the standard listing of the ZDP Shares, the additional ongoing requirements and protections applicable to a premium listing under the Listing Rules do not apply to UIL Finance or to the ZDP Shares. UIL Finance is not required to comply with the provisions of, among other things:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters;
- Chapter 9 of the Listing Rules relating to continuing obligations;
- Chapter 10 of the Listing Rules relating to significant transactions which requires shareholder consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by an issuer of its own shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders.

The ZDP Shareholders will therefore not receive the full protections of the Listing Rules associated with a premium listing on the Official List. UIL however, as an issuer with a premium listing of its securities, does comply with the requirements of these Listing Rules as they relate to it and its subsidiary undertakings. In addition, the Subscription Agreement and UIL Finance's Bye-laws contain provisions, as outlined in more detail in Part 5 and Part 9 of this document, which are designed to protect the interests of ZDP Shareholders.

Listing Rule 14.3 sets out the continuing obligations applicable to an issuer of ZDP Shares and requires that all the issuer's listed securities must be admitted to trading on a regulated market at all times. UIL Finance must have a minimum number of shares (25 per cent.) of any listed class in public hands at all times in the relevant jurisdictions (or such lower percentage that the FCA may agree to if it considers that the market will operate properly with a lower percentage in view of the large number of shares of the same class and the extent to their distribution to the public) and must notify the FCA as soon as possible if these holdings fall below the stated level. There are a number of other continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to an issuer of ZDP Shares. These include requirements as to:

- (a) the forwarding of circulars and other documentation to the FCA for publication through the national storage mechanism, and related notification to an Regulatory Information Service;
- (b) the form and content of temporary and definitive documents of title;
- (c) the appointment of a registrar;
- (d) the RIS notification obligation in relation to a range of debt and equity capital issues; and
- (e) compliance with the Disclosure Guidance and Transparency Rules.

## ISSUE STATISTICS

The following illustrative financial statistics are based on, and should be read in conjunction with, the Assumptions set out in Part 8 of this document. Prospective investors should note that actual outcomes can be expected to differ from these illustrations. The illustrations are not guarantees of future performance and involve certain risks and uncertainties that are hard to predict. Investors should therefore not rely on the illustrations. The attention of prospective investors is also drawn to the risk factors set out on pages 24 to 35 of this document.

2024 ZDP Share issue price	100p
Initial Capital Entitlement per 2024 ZDP Share	100p
Final Capital Entitlement per 2024 ZDP Share	138.35p
Gross Redemption Yield at 2024 ZDP Share issue price	4.75%
2024 ZDP Cover following the Rollover Offer, the Placing and the UIL Subscription*	1.61x
Maximum size of the Placing	30 million 2024 ZDP Shares**
UIL Subscription	up to 20 million 2024 ZDP Shares

\* Assuming that an aggregate of 50 million 2024 ZDP Shares arise upon conversion of 2018 ZDP Shares pursuant to the Rollover Offer and/or are issued pursuant to the Placing and the UIL Subscription

\*\* The number of 2024 ZDP Shares available under the Placing will be reduced to the extent that 2024 ZDP Shares are taken up under the Rollover Offer.

## EXPECTED TIMETABLE

Prospectus published	28 September 2017
Latest time for receipt of Forms of Election and TTE Instructions in connection with the Rollover Offer	1.00 p.m. 20 October 2017
Record Date for the Rollover Offer	6.00 p.m. 20 October 2017
Announcement of the result of the Rollover Offer	23 October 2017
Latest time and date for receipt of placing commitments under the Placing	11.00 a.m. 27 October 2017
Announcement of the result of the Placing and the UIL Subscription	30 October 2017
Admission of 2024 ZDP Shares arising upon conversion of 2018 ZDP Shares pursuant to the Rollover Offer and issued pursuant to the Placing and the UIL Subscription to the Official List and dealings commence on the London Stock Exchange	2 November 2017

\* All references to times are to London time unless specified otherwise. Each of the times and dates is subject to change. Any changes to the timetable will be notified by publication of a notice through a RIS

## DEALING CODES

The dealing codes for the 2024 ZDP Shares will be as follows:

ISIN	BMG916102079
Ticker	UTLG

## DIRECTORS, INVESTMENT MANAGERS AND ADVISERS

<b>Directors</b>	Peter Burrows, AO ( <i>Chairman</i> ) Alison Hill Warren McLeland Christopher Samuel David Shillson Eric Stobart
<b>Registered Office</b>	34 Bermudiana Road Hamilton HM 11 Bermuda
<b>AIFM, Joint Portfolio Manager</b>	ICM Investment Management Limited PO Box 208, Epsom Surrey KT18 7YF United Kingdom  <i>A representative of the AIFM can be contacted by telephone on: + 44 (0) 1372 271 486</i>
<b>Joint Portfolio Manager and Secretary</b>	ICM Limited 34 Bermudiana Road Hamilton HM 11 Bermuda
<b>Assistant Secretary</b>	BCB Charter Corporate Services Limited 34 Bermudiana Road Hamilton HM 11 Bermuda
<b>Administrator</b>	F&C Management Limited (trading as BMO Global Asset Management) Exchange House Primrose Street London EC2A 2NY Telephone: +44 (0) 207 628 8000
<b>Financial Adviser, Broker and Placing Agent</b>	Stockdale Securities Limited Beaufort House 15 St Botolph Street London EC3A 7BB
<b>Legal Adviser to the Group as to English law</b>	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
<b>Legal Adviser to the Group as to Bermuda law</b>	Appleby (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
<b>Registered Auditor</b>	KPMG LLP 15 Canada Square London E14 5GL

<b>Depository Service Provider</b>	J.P. Morgan Europe Limited 25 Bank Street Canary Wharf London E14 5JP
<b>Custodians</b>	JPMorgan Chase Bank, N.A. JPMorgan House Grenville Street St Helier Jersey JE4 8QH Channel Islands  Bermuda Commercial Bank Limited 34 Bermudiana Road Hamilton HM 11 Bermuda
<b>Legal Adviser to the Financial Adviser, Broker and Placing Agent as to English law</b>	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
<b>Registrar</b>	Computershare Investor Services (Bermuda) Limited 5 Reid Street Hamilton HM11 Bermuda
<b>Registrar to the Depository Interests and CREST Agent</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
<b>Principal Banker</b>	Scotiabank Europe plc 201 Bishopsgate 6th Floor London EC2M 3NS

**PART 1**

**LETTER FROM THE CHAIRMAN**

**UIL FINANCE LIMITED**

*(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39479)*

*Directors:*

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

*Registered Office:*

34 Bermudiana Road  
Hamilton HM 11  
Bermuda

28 September 2017

To holders of 2018 ZDP Shares and, for information only, to holders of Ordinary Shares, 2020 ZDP Shares and 2022 ZDP Shares

**INTRODUCTION**

Your Board has today announced detailed proposals to provide holders of existing 2018 ZDP Shares with the opportunity to roll over some or all (subject to the overall limits of the Rollover Offer) of their 2018 ZDP Shares into a new class of up to 30 million 2024 ZDP Shares. Your Board has also announced proposals for a placing of up to 30 million 2024 ZDP Shares (less the number of 2024 ZDP Shares arising upon conversion of 2018 ZDP Shares pursuant to the Rollover Offer) and the subscription by UIL of up to 20 million 2024 ZDP Shares.

The purpose of this letter is to explain the Proposals and why your Board considers them in the best interests of ZDP Shareholders as a whole.

**BACKGROUND TO THE PROPOSALS**

UIL Finance currently has three series of ZDP Share in issue. These are due for redemption on 31 October in 2018, 2020 and 2022 respectively. The aggregate redemption sum payable on the redemption of the 2018 ZDP Shares is approximately £80 million. This will be due on 31 October 2018. Following discussions regarding the payment of the Final Capital Entitlement in respect of the 2018 ZDP Shares, the UIL Finance Directors concluded that they wish to provide 2018 ZDP Shareholders with the opportunity to remain invested in the Group and as a result have formulated the Proposals, which consist of the Rollover Offer, the Placing and the UIL Subscription.

**THE ROLLOVER OFFER**

Under the Rollover Offer, each Qualifying Holder of 2018 ZDP Shares on the Record Date will be given the opportunity to rollover some or all of their Qualifying Holding (subject to the overall limits of the Rollover Offer) into new 2024 ZDP Shares. The Rollover Value attributed to each 2018 ZDP Share will be 156p, a premium of 4.2 per cent. to their Accrued Capital Entitlement as at the Rollover Date. The new 2024 ZDP Shares arising upon the conversion of 2018 ZDP Shares pursuant to the Rollover Offer will be deemed to be issued at the 2024 ZDP Share issue price, which will be 100p per 2024 ZDP Share.

The 2024 ZDP Shares will have a Gross Redemption Yield of 4.75 per cent. and a maturity date of 31 October 2024. Investors should note that the predetermined capital entitlement of the ZDP Shares is not guaranteed and is dependent upon UIL having sufficient assets to satisfy its obligations to UIL Finance under the Subscription Agreement. There is no present intention to put forward further proposals to 2018 ZDP Shareholders in advance of their ZDP Repayment Date on 31 October 2018.

## **THE PLACING AND THE UIL SUBSCRIPTION**

UIL Finance intends to issue up to 30 million 2024 ZDP Shares (less the number of 2024 ZDP Shares arising upon conversion of 2018 ZDP Shares pursuant to the Rollover Offer) pursuant to the Placing at the Issue Price which will be 100p per 2024 ZDP Share. Stockdale Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure placees for 2024 ZDP Shares at the Issue Price. Details of the Placing Agreement are set out in paragraph 8.11 of Part 9 of this document. The Placing will close at 11.00 a.m. on 27 October 2017 (or such later date, not being later than 30 November 2017, as UIL Finance and Stockdale Securities may agree). If the Placing is extended, the revised timetable will be notified via a Regulatory Information Service.

In addition, under the UIL Subscription, UIL Finance is proposing to issue up to 20 million 2024 ZDP Shares to UIL. The 2024 ZDP Shares issued pursuant to the UIL Subscription will be held by UIL for investment purposes in accordance with its investment policy. If the proceeds from cash distributions from portfolio investments and proceeds from portfolio realisations, as referred to below under the heading "Working Capital" in this Part 1 are not received on a timely basis prior to the redemption of the 2018 ZDP Shares then UIL may realise proceeds from the sale of the 2024 ZDP Shares acquired by it pursuant to the UIL Subscription.

In the event that UIL decides not to sell some or all of the 2024 ZDP Shares acquired by it pursuant to the UIL Subscription then UIL may, at any time, transfer back any 2024 ZDP Shares held by UIL to UIL Finance for cancellation in consideration for UIL Finance releasing UIL from its obligation under the Subscription Agreement to fund the redemption of such 2024 ZDP Shares.

The illustrative financial effects of the Proposals set out in this document are based on the Assumptions which assume an issue of 50 million 2024 ZDP Shares pursuant to the Proposals.

## **BENEFITS OF THE PROPOSALS**

UIL intends to realise funds through a combination of cash distributions from certain portfolio investments and proceeds from portfolio realisations which, when taken together with the proceeds from the Placing, and taking into account any 2018 ZDP Shares converted into 2024 ZDP Shares pursuant to the Rollover Offer, are expected to provide the funding required to finance the redemption of the outstanding 2018 ZDP Shares on 31 October 2018, as described in more detail below under the heading "Working Capital" in this Part 1.

The UIL Finance Board believes the Proposals have the following benefits:

- to allow 2018 ZDP Shareholders to remain invested in the Group;
- to raise new funds to assist in financing the amount required for the redemption of the 2018 ZDP Shares; and
- to give UIL the flexibility to sell down its holding of 2024 ZDP Shares acquired pursuant to the UIL Subscription as a means of funding the redemption of the 2018 ZDP Shares in the event that the proceeds of the Placing and from the realisation of portfolio investments, as referred to above, are lower than expected.

Holders of ordinary shares issued by UIL will not suffer any dilution of their voting rights as a result of the issue of the 2024 ZDP Shares pursuant to the Proposals as ZDP Shares do not carry any voting rights save in limited circumstances.

## **THE ROLLOVER OFFER**

Under the Rollover Offer, holders of 2018 ZDP Shares are being given the opportunity to convert some or all of their holding of 2018 ZDP Shares (subject to the overall limits of the Rollover Offer) into new 2024 ZDP Shares. The Rollover Value attributed to the 2018 ZDP Shares will be 156p, a premium of 4.2 per cent. to their Accrued Capital Entitlement as at the Rollover Date. The Rollover Offer is limited to a maximum of 38.5831 per cent. of the 2018 ZDP Shares in issue at the Record Date and each Qualifying Holder on the Register on the Record Date will be entitled to have accepted under the Rollover Offer his or her Basic Entitlement, which is equal to 38.5831 per cent. of their holding of 2018 ZDP Shares as at the Record Date, subject to the UIL Finance Directors not exercising their discretion to scale back elections under the Rollover Offer as described below.

The rights attaching to the 2024 ZDP Shares will be substantially similar to those attaching to the 2018 ZDP Shares although no further ZDP Shares will be issued at a price which has the effect of reducing the ZDP Cover for the 2024 ZDP Shares, at or around the time of the issue of such additional 2024 ZDP Shares, below 1.35x. In addition, subject to the Rollover Offer and Admission occurring, the 2024 ZDP Shares will have an illustrative initial capital entitlement on 2 November 2017 of 100p per 2024 ZDP Share and will have a Final Capital Entitlement of 138.35p per 2024 ZDP Share on 31 October 2024, the 2024 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 4.75 per cent. per annum on the 2024 ZDP Share Issue Price.

As with the 2018 ZDP Shares, the 2024 ZDP Shares will not carry the right to vote at general meetings of UIL or UIL Finance but they will carry the right to vote as a class on certain proposals which would be likely to affect materially their position. The 2024 ZDP Shares will carry no entitlement to income and the whole of any return will therefore take the form of capital.

Subject to completion of the Rollover Offer, each 2018 ZDP Share validly elected to be rolled over will be converted into 1.56 2024 ZDP Shares to be issued on the terms set out in the New UIL Finance Bye-Laws. Fractions of 2024 ZDP Shares will not be issued. The number of 2024 ZDP Shares arising upon conversion of 2018 ZDP Shares pursuant to an election under the Rollover Offer will be rounded down to the nearest whole number and any excess monies will be retained by UIL Finance.

The Rollover Offer is open to all Qualifying Holders on the Register at the Record Date (such Qualifying Holders being Eligible Shareholders). All such persons shall be entitled to have accepted in the Rollover Offer valid elections in respect of his or her Basic Entitlement. In addition, Eligible Shareholders may make elections in excess of their Basic Entitlement but such excess elections will only be satisfied to the extent that other 2018 ZDP Shareholders have not made valid elections in respect of all or any part of their Basic Entitlement. Elections in excess of the Basic Entitlement will be satisfied pro rata in proportion to the excess over the Basic Entitlement elected, rounded down to the nearest whole number of 2018 ZDP Shares and subject to the exercise of the UIL Finance Directors' discretion to scale back elections under the Rollover Offer as described below.

In order to elect to participate in the Rollover Offer, 2018 ZDP Shareholders are advised to refer to the section entitled "Action to be Taken" on pages 36 and 37 of this document and to complete the Form of Election in accordance with the instructions printed thereon or submit a TTE Instruction through CREST, in each case in accordance with the instructions set out in this document.

UIL Finance reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not, in the UIL Finance Board's sole judgement (acting reasonably), meet the requirements of the Rollover Offer. UIL Finance also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to UIL Finance in lieu thereof. None of UIL Finance, UIL, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

If a holder of 2018 ZDP Shares signs and returns a Form of Election but does not specify in Box 1 of the form how many 2018 ZDP Shares he wishes to elect to participate in the Rollover Offer he will be deemed to have elected to participate in respect of his Basic Entitlement.

Completion of the Rollover Offer is conditional on Admission, and therefore subject to the satisfaction of Listing Rule 14.2.2 as to the number of 2024 ZDP Shares held in public hands as at Admission. The UIL Finance Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a pro rata basis and whether or not such elections are in excess of a 2018 ZDP Shareholder's Basic Entitlement if the UIL Finance Directors consider this necessary to ensure that sufficient 2024 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement. Further, the UIL Finance Directors may exercise their discretion and scale back elections under the Rollover Offer and place 2024 ZDP Shares pursuant to the Placing in order to satisfy the Listing Rule requirement. The Rollover Offer is also conditional on the ZDP Cover of the 2024 ZDP Shares being

not less than 1.35x, taking into account the 2024 ZDP Shares arising on conversion of any 2018 ZDP Shares pursuant to the Rollover Offer. The UIL Finance Directors will therefore also have the discretion to scale back elections under the Rollover Offer if the UIL Finance Directors consider this necessary to satisfy the ZDP Cover requirement.

2018 ZDP Shareholders who are Overseas ZDP Shareholders and any other 2018 ZDP Shareholders who do not make a valid election to roll over all or part of their ZDP Shares on the Form of Election or submit a valid TTE Instruction, will be deemed to have declined the opportunity to participate in the Rollover Offer and will continue to hold their 2018 ZDP Shares, the rights attaching to which will be unaffected by the Proposals.

### **MECHANICS OF THE ROLLOVER OFFER**

The Rollover Offer will be effected by the conversion of those 2018 ZDP Shares that are validly elected and accepted to participate in the Rollover Offer into new 2024 ZDP Shares pursuant to the New UIL Finance Bye-Laws. The key points of the Rollover Offer are as follows.

Subject to completion of the Rollover Offer, each 2018 ZDP Share validly elected to be rolled over will automatically convert into 1.56 2024 ZDP Shares on and subject to the terms and conditions set out in this document and the Form of Election.

Forthwith upon conversion, any certificates relating to 2018 ZDP Shares that converted into 2024 ZDP Shares pursuant to the Rollover Offer shall be cancelled and UIL Finance shall issue to each such former holder of 2018 ZDP Shares new certificates in respect of the 2024 ZDP Shares which have arisen upon conversion unless such former holder of 2018 ZDP Shares elects to hold their 2024 ZDP Shares in uncertificated form.

Where the aggregate number of 2024 ZDP Shares to which a 2018 ZDP Shareholder is entitled upon the conversion of his 2018 ZDP Shares pursuant to an election made and accepted under the Rollover Offer results in an entitlement to a fraction of a 2024 ZDP Share, the total number of 2024 ZDP Shares to which such 2018 ZDP Shareholder is entitled will be rounded down to the nearest whole number and such rounded down fractional entitlements will then be aggregated and form part of UIL Finance's authorised but unissued share capital.

The rights attaching to 2018 ZDP Shares that are not converted into 2024 ZDP Shares pursuant to the Rollover Offer will remain unchanged, with their ZDP Repayment Date being 31 October 2018 and a Final Capital Entitlement of 160.52 pence per share.

### **CONDITIONS TO THE ROLLOVER OFFER**

The Rollover Offer is conditional on:

- valid elections being received in respect of 2024 ZDP Shares, together with 2024 ZDP Shares issued pursuant to the Placing and the UIL Subscription, with a minimum value at the Issue Price of £750,000;
- the ZDP Cover of the 2024 ZDP Shares being not less than 1.35x, taking into account the effect of the relevant allotment;
- the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms prior to completion of the Rollover Offer; and
- Admission of the 2024 ZDP Shares arising on conversion of the 2018 ZDP Shares pursuant to the Rollover Offer.

In circumstances in which these conditions are not fully met, the Rollover Offer will not take place and no 2018 ZDP Shares will be converted into 2024 ZDP Shares.

### **ANNOUNCEMENT OF THE RESULTS OF THE ROLLOVER OFFER**

The results of the Rollover Offer will be announced through a Regulatory Information Service on or around 23 October 2017. This announcement will include the number of 2024 ZDP Shares arising upon the conversion of 2018 ZDP Shares pursuant to the Rollover Offer, the number of 2018

ZDP Shares that have elected to take part and details of any scaling back in relation to elections in excess of the Basic Entitlement or where the UIL Finance Directors have exercised their discretion to scale back elections so as to satisfy the ZDP Cover condition or to enable UIL Finance to satisfy the Listing Rule requirement as to the minimum number of 2024 ZDP Shares which must be held in public hands which is a condition to Admission.

### **OVERSEAS ZDP SHAREHOLDERS**

In order to avoid any inadvertent breach of overseas securities laws, Overseas ZDP Shareholders shall be deemed to have elected to not participate in the Rollover Offer. Notwithstanding any other provision of this document, UIL Finance reserves the right to permit any Overseas ZDP Shareholders to receive 2024 ZDP Shares under the Rollover Offer if the UIL Finance Directors, in their sole and absolute discretion, are satisfied at any time prior to the Closing Date that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

### **THE PLACING**

Under the Placing, UIL Finance is proposing to issue up to 30 million 2024 ZDP Shares (less the number of 2024 ZDP Shares arising upon conversion of 2018 ZDP Shares pursuant to the Rollover Offer). Stockdale Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure placees for the 2024 ZDP Shares at the Issue Price. No 2024 ZDP Shares will be issued pursuant to the Placing where such issue would reduce the ZDP Cover of the 2024 ZDP Shares below 1.35x. The Placing will close at 11.00 a.m. on 27 October 2017 (or such later date, not being later than 30 November 2017, as UIL Finance and Stockdale Securities may agree). If the Placing is extended, the revised timetable will be notified via a Regulatory Information Service.

The Placing is conditional, *inter alia*, on:

- the minimum gross proceeds from the Placing and the UIL Subscription, together with the value of any 2024 ZDP Shares arising pursuant to the Rollover Offer, not being less than £750,000;
- the ZDP Cover of the 2024 ZDP Shares being not less than 1.35x taking into account the effect of the 2024 ZDP Shares created upon the conversion of any 2018 ZDP Shares pursuant to the Rollover Offer and the allotment of the 2024 ZDP Shares issued pursuant to the Placing and the UIL Subscription;
- the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms prior to completion of the Placing; and
- Admission of the 2024 ZDP Shares issued pursuant to the Placing.

The Placing is not being underwritten.

UIL reserves the right to subscribe for all or any of the 2024 ZDP Shares available under the Placing to the extent that such shares are not subscribed for by any other placees pursuant to the Placing, subject to ensuring that the ZDP Cover of the 2024 ZDP Shares is not less than 1.35x or that sufficient 2024 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement at Admission. Such 2024 ZDP Shares will be held by UIL for investment purposes in accordance with its investment policy.

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer and issued pursuant to the Placing and the UIL Subscription to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that unconditional dealings in such 2024 ZDP Shares will commence on the London Stock Exchange on 2 November 2017.

In the event that the aggregate applications under the Placing were to exceed the total number of 2024 ZDP Shares available under the Placing (which shall not be more than 30 million), it would be

necessary to scale back applications under the Placing. In such an event, applications under the Placing will be scaled back at Stockdale Securities' discretion (in consultation with the Group) and thereafter no further commitments will be accepted and the Placing will be closed.

In addition, it may also be necessary to scale back applications of 2024 ZDP Shares to ensure either that, following the Rollover Offer, the Placing and the UIL Subscription, the ZDP Cover of the 2024 ZDP Shares is not less than 1.35x or that sufficient 2024 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement at Admission.

The results of the Placing will be announced through an RIS on or around 30 October 2017.

### **THE UIL SUBSCRIPTION**

Under the UIL Subscription, UIL Finance is proposing to issue up to 20 million 2024 ZDP Shares to UIL.

The 2024 ZDP Shares issued pursuant to the UIL Subscription will be held by UIL for investment purposes in accordance with its investment policy. If the proceeds from cash distributions from certain identified portfolio investments and proceeds from portfolio realisations, as described below under the heading "Working Capital" in this Part 1, are not received on a timely basis prior to the redemption of the 2018 ZDP Shares then UIL may also realise proceeds from the sale of 2024 ZDP Shares acquired by it pursuant to the UIL Subscription.

In the event that UIL decides not to sell some or all of the 2024 ZDP Shares acquired by it pursuant to the UIL Subscription then UIL may, at any time, transfer back any 2024 ZDP Shares held by UIL to UIL Finance for cancellation in consideration for UIL Finance releasing UIL from its obligation under the Subscription Agreement to the fund the redemption of such 2024 ZDP Shares.

It may be necessary to reduce the number of 2024 ZDP Shares which UIL subscribes for under the UIL Subscription to ensure either that, following the Rollover Offer, the Placing and the UIL Subscription, the ZDP Cover of the 2024 ZDP Shares is not less than 1.35x or that sufficient 2024 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement at Admission.

### **Conditions to the allotment of 2024 ZDP Shares under the UIL Subscription**

The UIL Subscription is conditional on:

- the minimum gross proceeds from the UIL Subscription and the Placing, together with the value of any 2024 ZDP Shares arising pursuant to the Rollover Offer) not being less than £750,000;
- the ZDP Cover of the 2024 ZDP Shares being not less than 1.35x taking into account the effect of the allotment of the 2024 ZDP Shares issued pursuant to the Rollover Offer, the Placing and the UIL Subscription;
- the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms prior to completion of the UIL Subscription; and
- Admission of the 2024 ZDP Shares issued pursuant to the UIL Subscription.

In circumstances in which these conditions are not fully met, the issue of 2024 ZDP Shares pursuant to the UIL Subscription will not take place.

The results of the UIL Subscription will be announced through an RIS on or around 30 October 2017.

### **WORKING CAPITAL**

The Group is dependent on the reduction in the redemption sum payable on the redemption of the 2018 ZDP Shares following the Rollover Offer and proceeds from the Placing; cash distributions from portfolio investments and proceeds from portfolio realisations and an extension of its March 2018 £50 million bank facility in order to meet its working capital requirements for at least the 12 months following the date of this document and the redemption of the 2018 ZDP Shares.

If the cash distributions from portfolio investments or proceeds from portfolio realisations are not received on a timely basis prior to the redemption of the 2018 ZDP Shares then UIL may also realise proceeds from the sale of 2024 ZDP Shares acquired by it pursuant to the UIL Subscription.

If UIL's £50 million bank facility is not extended for at least 12 months the Group will need to make alternative arrangements to fund the repayment of its bank facility on 22 March 2018. In addition, if the conditions of the Rollover Offer, the Placing and the UIL Subscription are not satisfied the Group will need to make alternative arrangements to fund the redemption of the 2018 ZDP Shares on 31 October 2018. In such situations, which the Group believes to be reasonable worst case scenarios, the Group would be expected to have a shortfall of approximately £50 million by 22 March 2018 and a further £80 million by 31 October 2018. Accordingly the Group would make additional sales of investments from the Group's investment portfolio and may also seek further alternative sources of debt or ZDP financing. The Company believes that these alternative arrangements are likely to be successful.

The Group has a long track record of investment realisations having realised investments providing proceeds of £106 million per annum on average over the three financial years ended 30 June 2017. As at 30 June 2017 the Group's investment portfolio amounted to £449.1 million of which Level 1 investments amounted to £205.2 million, Level 2 investments amounted to £134.9 million and Level 3 investments amounted to £109.0 million. UIL has had a bank facility with Scotiabank since 2011 and has successfully extended it several times. The Group's Joint Portfolio Managers also have a track record of raising funds through alternative debt structures both for the Group and for other companies which they manage.

In the event that either a new debt facility could not be secured or a sale of investments to generate proceeds to repay the debt facility by 22 March 2018 was unsuccessful, Scotiabank would be entitled to enforce its security over UIL's assets and UIL would be likely to enter into administration. Furthermore, if the Group is unable to fund the redemption of the 2018 ZDP Shares on 31 October 2018, the bye-laws of UIL provide that the UIL Directors shall, *inter alia*, convene a special general meeting of UIL at which a resolution shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act.

### **ILLUSTRATIVE FINANCIAL EFFECTS OF THE PROPOSALS**

By way of illustration and based upon the Assumptions, had the Rollover Offer, the Placing and the UIL Subscription taken place at the date of this document, the Group's Gross Assets would have been increased by the estimated gross proceeds of the Placing and the UIL Subscription of £10 million, adjusted for all expenses in relation to the Proposals estimated to be approximately £0.56 million.

By way of illustration and based upon the Assumptions, if, 20 million 2024 ZDP Shares arise upon the conversion of 2018 ZDP Shares pursuant to Rollover Offer, 10 million 2024 ZDP Shares are issued pursuant to the Placing at a price of 100p per share, and 20 million 2024 ZDP Shares are issued pursuant to the UIL Subscription, the illustrative ZDP Cover for the 2018 ZDP Shares, the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares immediately following completion of the Proposals and Admission would be 4.88x, 3.04x, 2.09x and 1.61x respectively.

The above statements are unaudited and are solely for illustrative purposes only, represent hypothetical situations and, therefore, do not reflect the Group's actual financial position or results.

### **COSTS OF THE PROPOSALS**

The expenses of the Group incurred in connection with the Proposals (and based upon the Assumptions) are estimated to be approximately £0.56 million. The expenses of the Proposals are expected to be met out of the gross proceeds of the Placing and/or the UIL Subscription.

### **USE OF PROCEEDS**

The gross proceeds of the Placing and the UIL Subscription will be paid by UIL Finance to UIL for investment to continue to further diversify its portfolio in accordance with its investment policy.

## **ADMISSION AND DEALINGS**

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer and issued pursuant to the Placing and the UIL Subscription to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that unconditional dealings in such 2024 ZDP Shares will commence on the London Stock Exchange on 2 November 2017.

All allotments of 2024 ZDP Shares will be conditional on Admission of the relevant 2024 ZDP Shares. This document has been published in order to obtain Admission to a standard listing on the Official List of any 2024 ZDP Shares arising upon the conversion of 2018 ZDP Shares pursuant to Rollover Offer and/or issued pursuant to the UIL Subscription and, if applicable, the Placing. No application will be made for the 2024 ZDP Shares to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.

The 2024 ZDP Shares arising upon the conversion of 2018 ZDP Shares pursuant to Rollover Offer and to be issued pursuant to the UIL Subscription and, if applicable, the Placing will be in registered form and may be held either in certificated form or as Depositary Interests in uncertificated form and settled through CREST.

CREST is a computerised paperless settlements system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer. Foreign securities cannot be held or traded in the CREST system. To enable investors to settle their 2024 ZDP Shares through CREST, the DI Depositary will hold the relevant 2024 ZDP Shares and will issue dematerialised Depositary Interests representing the underlying 2024 ZDP Shares to the relevant investors. Dealings in the 2024 ZDP Shares in advance of the crediting of the relevant Depositary Interests acquired shall be at the risk of the person concerned.

The DI Depositary will hold the 2024 ZDP Shares on trust for the respective underlying 2024 ZDP Shareholders. This trust relationship is documented in a deed executed by the DI Depositary. The Depositary Interests are independent, English securities and are held on a register maintained by the Registrars. The Depositary Interests have the same security code as the 2024 ZDP Shares that they represent and do not require a separate admission to the London Stock Exchange.

Shareholders wishing to settle 2024 ZDP Shares through CREST can transfer their holding to the DI Depositary, which will then issue Depositary Interests representing the relevant transferred 2024 ZDP Shares. The Depositary Interest holder will not hold a certificate evidencing the underlying 2024 ZDP Share. Depositary Interests are issued on a one-for-one basis against the relevant 2024 ZDP Shares that they represent for all purposes. Any payments received by the DI Depositary will be passed on to each Depositary Interest holder noted on the Depositary Interest register as the beneficial owner of the relevant 2024 ZDP Shares.

Participation in CREST is voluntary and Shareholders who wish to hold 2024 ZDP Shares outside of CREST will be entered on the Register and issued with a share certificate evidencing ownership.

Application will be made by the DI Depositary for Depositary Interests representing the 2024 ZDP Shares to be admitted to CREST on their Admission.

Investors should be aware that 2024 ZDP Shares delivered in certificated form are likely to incur, on an ongoing basis, higher dealing costs than those 2024 ZDP Shares held through CREST. 2024 ZDP Shares initially issued in certificated form may subsequently be exchanged for Depositary Interests, which can be deposited into CREST in accordance with the procedure described above. Certificates in respect of 2024 ZDP Shares arising upon the conversion of 2018 ZDP Shares pursuant to Rollover Offer and, if applicable, those issued under the Placing and held in certificated form are expected to be despatched no later than 9 November 2017.

Temporary documents of title will not be issued pending the delivery of 2024 ZDP Shares to the persons entitled thereto and, during that period, transfers will be certified against the register of 2024 ZDP Shareholders.

**DIRECTORS' OPINION**

As the Proposals do not require the approval of ZDP Shareholders, the UIL Finance Directors are not required to make a recommendation as to how voting rights should be exercised. The UIL Finance Directors do, however, consider that the Proposals are in the best interests of UIL Finance and the ZDP Shareholders as a whole.

Yours faithfully

*Peter Burrows*  
Chairman

## PART 2

### INFORMATION ABOUT THE GROUP

#### UIL FINANCE

UIL Finance is an exempted, closed-ended investment company incorporated in Bermuda with limited liability. All UIL Finance ordinary shares are currently held by UIL. UIL Finance was established at the same time as UIL in order to be the issuer of the ZDP Shares. As at the date of this document, UIL Finance's only material obligations are in respect of the ZDP Shares and its only asset is the obligation of UIL to put UIL Finance in a position to meet its obligations in respect of the ZDP Shares on maturity pursuant to the Subscription Agreement.

#### UIL

UIL is an exempted, closed-ended investment company incorporated in Bermuda with limited liability, and was established as a successor company to Utilico Investment Trust plc. Trading in the Ordinary Shares commenced on 20 June 2007.

UIL's current 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.

#### INVESTMENT POLICY OF UIL

UIL will identify and invest in opportunities where the underlying value is not reflected in the market price. This perceived undervaluation may arise from factors such as technological change, market motivation, prospective financial engineering opportunities, competition, underperforming management or shareholder apathy.

UIL aims to maximise value for Shareholders through a relatively concentrated portfolio of investments.

Historically UIL has invested a significant proportion of its gross assets in existing infrastructure, utility and related sectors but, following the change in mandate in 2007, this direct exposure has reduced as UIL has, in addition, invested in other sectors. UIL has been reclassified in the AIC's database as a "Flexible Investment"

Subject to compliance with the Listing Rules in force from time to time, UIL may invest in other investment companies or vehicles, including any managed by the Joint Portfolio Managers, where such investment would be complementary to UIL's investment objective and policy.

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

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

UIL has the flexibility to invest in markets worldwide although investments in the utilities and infrastructure sectors are principally made in the developed markets of Australasia, Western Europe and North America, as UIL's exposure to the emerging markets infrastructure and utility sectors is primarily through its holding in Utilico Emerging Markets Limited. UIL has the flexibility to invest directly in these sectors in emerging markets with the prior agreement of Utilico Emerging Markets Limited.

UIL believes it is appropriate to support investee companies with their capital requirements whilst at the same time maintaining an active and constructive shareholder approach through encouraging a review of the capital structure and business efficiencies. The Joint Portfolio Managers' team maintains regular contact with investee companies and UIL may often be among the largest

shareholders. There are no limits on the proportion of an investee company that UIL may hold and UIL may take legal or management control of a company from time to time.

### **Investment limits**

The UIL Board has prescribed the following limits on the investment policy, all of which are at the time of investment unless otherwise stated.

There are no fixed limits on the allocation of investments between sectors and markets, however the following investment limits will apply:

- investments in unlisted companies will in aggregate not exceed 25 per cent. of Gross Assets at the time that any new unlisted investment is made. This restriction does not apply to loans to listed platform companies or to UIL's holding of shares linked to a segregated account of GERP, an unquoted Bermuda segregated accounts company. This account, which is structured as the Bermuda equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of UIL – as described below;
- no single investment will exceed 30 per cent. of Gross Assets at the time such investment is made, save that this limit shall not prevent the exercise of warrants, options or similar convertible instruments acquired prior to the relevant investment reaching the 30 per cent. limit; and
- derivative transactions are carried out by GERP on behalf of UIL to enable it to make investments more efficiently and for the purposes of efficient portfolio management. GERP spreads its investment risks by having the ability to establish an overall net short position in index options, contracts for difference, swaps and equity options. GERP may not hold more than 50 per cent. of the value of UIL's segregated portfolio in index options and GERP may not hold more than 100 per cent. of the relevant debt or of the relevant market value in foreign currency by way of foreign exchange options or forwards.

None of the above restrictions will require the realisation of any of UIL's assets where any restriction is breached as a result of an event outside the control of the Joint Portfolio Managers which occurs after the investment is made, but no further relevant assets may be acquired or loans made by UIL until the relevant restriction can again be complied with.

### **Borrowing limits**

Under UIL's Bye-laws, the Group is permitted to borrow (excluding the gearing provided through the Group's capital structure) an aggregate amount equal to 100 per cent. of its Gross Assets. Borrowings may be drawn down in any currency appropriate for the portfolio.

However, the UIL Board has set a current limit on gearing (being total borrowings excluding ZDP Shares measured against Gross Assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings may be drawn down in Sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

As required by the Listing Rules, there will be no material change to the investment policy (including the investment limits and the borrowing limits) without the prior approval of the FCA and Shareholders. Any such change would also require the approval of the ZDP Shareholders in accordance with the Subscription Agreement.

### **INVESTMENT OUTLOOK**

Markets in general continue to remain outside normal historic parameters. From a monetary policy perspective, UIL remains in an environment where unconventional tools are being deployed, such as negative interest rates in a number of countries and quantitative easing ("QE") is still being implemented in both Europe and Japan.

From a political perspective, UIL continues to witness a rise in populist politics with a move away from established parties and candidates as voters seek change. It is also witnessing an increase in geopolitical tensions in places such as North Korea and Turkey.

All of these factors, individually and collectively, create uncertainty and ultimately could have negative implications for markets. These issues are a concern from an investment perspective.

However, despite this uncertain backdrop, it is encouraging to see that most economies are still delivering positive GDP growth with low inflation and especially low wage inflation which should be positive for corporates and in turn investment markets.

While macro and political events will influence markets, UIL's investment approach and performance is driven by individual stock selection. The UIL Board remains confident that the Joint Portfolio Managers will continue to find attractive long term investments in the prevailing macroeconomic environment.

## **INVESTMENT PORTFOLIO**

Details of the ten largest investments in UIL's portfolio, its sectoral weighting and geographical spread, all as at 31 August 2017 (being the latest practicable date prior to the publication of this document) and on a look through basis, are set out in Part 3 of this document.

## **PROFILE OF TYPICAL INVESTOR**

An investment in the 2024 ZDP Shares is intended to constitute part of a diversified investment portfolio for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets through a relatively concentrated portfolio of investments. An investor in the 2024 ZDP Shares will be capable of evaluating the risks (including potential capital loss) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in the 2024 ZDP Shares is only intended for investors who can afford to set aside the invested capital for a number of years.

## **DIVIDEND POLICY**

ZDP Shares (including the 2024 ZDP Shares) are not eligible to receive any dividends.

The UIL Directors anticipate distributing to UIL Shareholders by way of dividend the majority of the Group's net revenue arising from normal income streams (such as dividends from investments) less costs (such as management fees). Any dividend payments will be made in accordance with Bermuda law.

## **BORROWINGS POLICY AND BORROWINGS**

The borrowing policy of UIL is described above under the heading "Borrowing limits".

As at 19 September 2017, being the latest practicable date prior to the publication of this document, UIL's borrowings under its Loan Facility of £50 million from Scotiabank amounted to £49.86 million. The Loan Facility is summarised below in paragraphs 8.6 of Part 9 of this document.

Leverage on the Ordinary Shares is increased by the Group's use of the ZDP Shares, which do not count towards the borrowing limit in the Bye-laws.

## **AIFM AND JOINT PORTFOLIO MANAGERS**

UIL has appointed ICM Investment Management Limited as its alternative investment fund manager (**AIFM**), with sole responsibility for risk management and ICMIM and ICM jointly provide portfolio management services to UIL, in each case subject to the overriding supervision of the UIL Board. Further details on the Joint Portfolio Managers are contained in Part 4 of this document.

## **CAPITAL STRUCTURE**

### **Introduction**

As at 27 September 2017, the issued share capital of UIL consisted of 90,197,208 Ordinary Shares.

Following the Proposals, UIL Finance's share capital will consist of ordinary shares held by UIL and four classes of zero dividend preference shares. The ZDP Shares are designed to provide a predetermined Final Capital Entitlement which ranks behind all other liabilities of the Group and other creditors of the Group, but in priority to Ordinary Shares save in respect of the UIL Shareholders' entitlement to the Winding-Up Revenue Profits.

## Dividends

The ZDP Shares (including the 2024 ZDP Shares) carry no entitlement to income and the whole of any return will therefore take the form of capital.

## Capital entitlement

The ZDP Shares do not pay dividends but they will have a Final Capital Entitlement at the end of their respective lives as follows:

- a 2018 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2018 of 160.52p, equating to a 7.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2018 ZDP Share of 100p on 26 January 2012;
- a 2020 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2020 of 154.90p, equating to a 7.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2020 ZDP Share of 100p on 31 July 2014;
- a 2022 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2022 of 146.99p, equating to a 6.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2020 ZDP Share of 100p on 23 June 2016; and
- a 2024 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2024 of 138.35p, equating to a 4.75 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2024 ZDP Share of 100p on 2 November 2017.

UIL is therefore free to pursue long-term capital appreciation without the constraint of funding an annual dividend payment to the holders of ZDP Shares. Investors should note that the predetermined capital entitlement of the ZDP Shares is not guaranteed and is dependent upon UIL being able to satisfy its funding obligations under the Subscription Agreement.

By way of illustration:

- (i) based on the Assumptions, the Final Capital Entitlement of the 2018 ZDP Shares would have ZDP Cover of approximately 4.88x following completion of the Rollover Offer, the Placing and the UIL Subscription. Based on the Assumptions, if UIL's Gross Assets were to fall by more than 79.5 per cent. during the period from 2 November 2017 (the anticipated date of completion of the Rollover Offer) to the 2018 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2018 ZDP Share of less than the 160.52p entitlement per 2018 ZDP Share due on the 2018 ZDP Repayment Date. A fall in UIL's Gross Assets of 91.7 per cent. or by more than 91.8 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2018 ZDP Shareholders;
- (ii) based on the Assumptions, the Final Capital Entitlement of the 2020 ZDP Shares would have ZDP Cover of approximately 3.04x following completion of the Rollover Offer, the Placing and the UIL Subscription. Based on the Assumptions, if UIL's Gross Assets were to fall by more than 67.1 per cent., or by more than 31.0 per cent. per annum, during the period from 2 November 2017 (the anticipated date of completion of the Rollover Offer) to the 2020 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2020 ZDP Share of less than the 154.90p entitlement per 2020 ZDP Share due on the 2020 ZDP Repayment Date. A fall in UIL's Gross Assets of 79.5 per cent. or by more than 41.1 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2020 ZDP Shareholders;
- (iii) based on the Assumptions, the Final Capital Entitlement of the 2022 ZDP Shares would have ZDP Cover of approximately 2.09x following completion of the Rollover Offer, the Placing and the UIL Subscription. Based on the Assumptions, if UIL's Gross Assets were to fall by more than 52.1 per cent., or by more than 13.7 per cent. per annum, during the period from 2 November 2017 (the anticipated date of completion of the Rollover Offer) to the 2022 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2022 ZDP Share of less than the 146.99p entitlement per 2022 ZDP Share due on the 2022 ZDP Repayment Date. A fall in UIL's Gross Assets of 67.1 per cent. or by more than 20.0 per cent. per annum during

this period and based on the Assumptions, would result in no payment being made to the 2022 ZDP Shareholders; and

- (iv) based on the Assumptions, the Final Capital Entitlement of the 2024 ZDP Shares would have ZDP Cover of approximately 1.61x following completion of the Rollover Offer, the Placing and the UIL Subscription. Based on the Assumptions, if UIL's Gross Assets were to fall by more than 37.9 per cent., or by more than 6.6 per cent. per annum, during the period from 2 November 2017 (the anticipated date of completion of the Rollover Offer) to the 2024 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2024 ZDP Share of less than the 138.35p entitlement per 2024 ZDP Share due on the 2024 ZDP Repayment Date. A fall in UIL's Gross Assets of 52.1 per cent. or by more than 10 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2024 ZDP Shareholders.

### **Voting rights**

The ZDP Shares (including the 2024 ZDP Shares) do not carry any voting rights at general meetings of UIL. However, UIL will not be able to carry out certain corporate actions unless it obtains the sanction of the holders of the ZDP Shares by the passing of an extraordinary resolution at a separate meeting of each class of the ZDP Shareholders. Separate approval of each class of ZDP Shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind-up UIL. The approval of ZDP Shareholders by the passing of an extraordinary resolution at separate class meetings is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of ZDP Shares and in relation to any proposal by UIL Finance which would reduce the cover of the existing 2018 ZDP Shares below 1.5x or reduce the cover of the existing 2020 ZDP Shares or the existing 2022 ZDP Shares or the new 2024 ZDP Shares below 1.35x.

### **Liquidation**

If any class of ZDP Shares is not redeemed in full on or before their respective repayment dates, under the terms of the Subscription Agreement, the UIL Directors shall convene a special general meeting at which a liquidation resolution will be put to wind-up UIL. At any such meeting, UIL Finance will be entitled to vote on the resolution to wind-up UIL in respect of its holding of one Ordinary Share. The vote on the liquidation resolution shall be taken by a poll and the number of votes which are cast by UIL Finance in favour of the resolution to wind-up UIL shall be equal to four times the aggregate number of votes cast against the resolution, thereby ensuring that UIL will be placed into voluntary liquidation. On a liquidation of UIL and/or UIL Finance, to the extent that the relevant classes of ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their Accrued Capital Entitlement as at the date of liquidation:

- the 2018 ZDP Shares shall rank in priority to the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares;
- the 2020 ZDP Shares shall rank in priority to the 2022 ZDP Shares and the 2024 ZDP Shares; and
- the 2022 ZDP Shares shall rank in priority to the 2024 ZDP Shares .

The entitlement of ZDP Shareholders of a particular class shall be determined in proportion to their holdings of ZDP Shares of that class. Further details of the rights attaching to the ZDP Shares are set out in Part 5 of this document.

### **REPURCHASES OF ORDINARY SHARES AND ZDP SHARES**

At its annual general meeting held on 16 November 2016, UIL was granted the authority to make market purchases of up to 13,550,000 Ordinary Shares (being the equivalent of 14.99 per cent. of the Ordinary Shares in issue as at the date of notice of the annual general meeting). UIL, as the sole ordinary shareholder of UIL Finance, granted UIL Finance authority to repurchase ZDP Shares at UIL Finance's annual general meeting held on the same date. The Directors will use these authorities

with the objective of enhancing shareholder value. Purchases will only be made within guidelines established from time to time by the UIL Board or UIL Finance Board (as applicable). Resolutions to renew these authorities will be proposed at the respective annual general meetings of UIL and UIL Finance to be held on 22 November 2017.

The price paid for each class of share will be within the maximum price permitted by the Financial Conduct Authority and in accordance with the Bermuda Companies Act and the Bye-laws, and in any event no purchase of Ordinary Shares will be made at a price in excess of the diluted NAV per Ordinary Share (at a date determined by the UIL Directors falling not more than 10 days before the date of purchase). Any Ordinary Shares may only be purchased at a price such that immediately after such purchase the ZDP Cover of the 2018 ZDP Shares would be at least 1.5x and the ZDP Cover of the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares would be at least 1.35x. Purchases of ZDP Shares will be made at a price not exceeding their Accrued Capital Entitlement (at a date determined by the UIL Finance Directors falling not more than 10 days before the date of purchase) unless the UIL Finance Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders.

Bermuda companies are permitted to hold shares acquired by way of market purchase in treasury rather than having to cancel them. Such shares may be subsequently cancelled or sold for cash. Accordingly, UIL and UIL Finance may hold each class of share purchased pursuant to share buy backs in treasury. This will give UIL and UIL Finance the ability to sell shares from treasury quickly and in a cost efficient manner and would provide UIL and UIL Finance with additional flexibility in the management of their capital base. The UIL Board has recommended that Ordinary Shares held in treasury would not be re-issued at a price below the prevailing diluted NAV per Ordinary Share and the UIL Finance Board has recommended that ZDP Shares would not be re-issued at a price below their respective Accrued Capital Entitlement.

It is proposed that any purchases of shares would be funded from UIL's or UIL Finance's own cash resources or, if appropriate, from short-term borrowing.

The UIL Board and the UIL Finance Board (as applicable) will endeavour to make any purchases of Ordinary Shares and ZDP Shares proportionally in order to maintain the Group's capital structure. However, there may be timing differences in such purchases, or it may prove impracticable or uneconomic to purchase sufficient (or any) shares of the relevant class which may lead to short or longer term imbalances in the Group's capital structure.

## **FURTHER ISSUES**

Subject to market conditions then prevailing and to all necessary consents and approvals being obtained, the respective Boards of UIL and UIL Finance may decide to make one or more further issues of their shares for cash from time to time.

UIL's and UIL Finance's authorised share capital is such that further issues of shares can be made. UIL's bye-laws contain pre-emption rights which apply on the issue of Ordinary Shares for cash consideration only. There are no pre-emption rights for ZDP Shareholders.

At its annual general meeting held on 16 November 2016, UIL was granted authority to issue up to 4,517,000 Ordinary Shares (equivalent to approximately 5 per cent. of UIL's issued ordinary share capital as at the date of notice of the annual general meeting) for cash on a non pre-emptive basis. No Ordinary Shares will be issued at a price less than the Net Asset Value per Ordinary Share without the approval of UIL Shareholders by a special resolution. Furthermore, no ZDP Shares which rank, as to capital, in priority to, or pari passu with, UIL's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares will be issued at a price which has the effect of reducing the ZDP Cover of the relevant classes of ZDP Shares, at or around the time of the issue of such additional ZDP Shares, below 1.5x in the case of the 2018 ZDP Shares, or 1.35x in the case of the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares, in each case without the approval of the relevant class of ZDP Shareholders by an extraordinary resolution.

## **LIFE OF UIL AND UIL FINANCE**

As UIL is a long term investment vehicle, it does not have a termination date or any periodic continuation votes.

It will not be necessary to liquidate UIL Finance in connection with the redemption of the ZDP Shares.

## **OVERSEAS INVESTORS**

The attention of persons resident outside the UK is drawn to the paragraph headed “Overseas ZDP Shareholders” in Part 1 of this document, which contains restrictions on the holding of ZDP Shares by certain persons.

## **TAXATION**

It is the intention of the Directors that UIL and UIL Finance will continue to be managed in such a way as to ensure that they are only resident in Bermuda for tax purposes. Potential investors are referred to Part 7 of this document for details of the taxation of UIL and UIL Finance and of certain Shareholders.

**Any information given in this document concerning tax is based on current law and regulation (which may change), is given by way of general summary only and does not constitute legal or tax advice to any ZDP Shareholder or investor. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of ZDP Shares, they should seek advice from their own professional advisers.**

## **ISAS**

Insofar as is possible, the UIL Finance Directors intend to manage the affairs of UIL Finance so that the ZDP Shares will be qualifying investments for the purposes of ISAs. Accordingly, the ZDP Shares will be eligible for inclusion in the stocks and shares components of an ISA, subject to applicable subscription limits, and provided that the ISA manager has been issued the 2024 ZDP Shares arising under the Rollover Offer or acquired the 2024 ZDP Shares through the secondary market following their Admission (and not as part of the Placing).

## **RISK FACTORS**

UIL’s business, and therefore UIL Finance’s ability to fund the redemption amounts for the ZDP Shares, is dependent on many factors and potential investors are advised to read the whole of this document, and in particular the section of this document entitled “Risk Factors” on pages 24 to 35.

## **FURTHER INFORMATION**

The attention of investors is drawn to the information contained in Parts 3, 4, 5, 6, 7, 8 and 9 of this document which provide additional information on the Group.

## PART 3

### THE INVESTMENT PORTFOLIO

#### 1. UIL'S CURRENT PORTFOLIO

- 1.1 The following table provides unaudited summary details of the ten largest investments in UIL's portfolio which represent approximately 87.3 per cent. by value of the portfolio on a look through basis as at 31 August 2017 (being the latest practicable date prior to the publication of this document).

<b>Company</b>	<b>Market value (£'m)</b>	<b>Percentage of total portfolio</b>
Somers Limited	91,674	18.9
Utilico Emerging Markets Limited	74,947	15.4
Resolute Mining Limited	67,243	13.9
Zeta Resources Limited	61,483	12.7
Afterpay Touch Group Limited	40,855	8.4
Infratil Limited	21,712	4.5
Vix Tech Pte Limited (unlisted)	19,731	4.1
Bermuda First Investment Company Limited (unlisted)	18,812	3.9
Optal Limited	16,809	3.5
Vix Verify Global Pty Ltd (unlisted)	9,651	2.0
<b>Total Top 10</b>	<b>422,917</b>	<b>87.3</b>

Source: UIL

- 1.2 The following table shows the sectoral distribution of UIL's portfolio on a look through basis as at 31 August 2017 (being the latest practicable date prior to the publication of this document):

<b>Sector</b>	<b>Percentage of total portfolio</b>
Technology	24.3
Financial Services	19.7
Gold Mining	17.6
Oil & Gas	8.0
Electricity	7.1
Resources	4.8
Other	4.6
Telecomms	4.1
Airports	2.2
Ports	1.9
Road and rail	1.7
Renewables	1.6
Water	1.2
Infrastructure Investments	1.2
	<b>100.00</b>

Source: UIL

- 1.3 The following table shows the geographical weighting of UIL's portfolio on a look through basis as at 31 August 2017 (being the latest practicable date prior to the publication of this document):

<b>Geographical area</b>	<b>Percentage of total portfolio</b>
Australia	29.9
Other – Gold Mining*	17.6
Bermuda	15.5
UK	9.8
Asia	6.5
Latin America	6.4
Europe (excluding UK)	6.1
New Zealand	5.4
Middle East/Africa	1.8
North America	1.0
	100.00

\*Australian and African activities.

Source: UIL

- 1.4 As at 31 August 2017, the Group's investment portfolio amounted to £484.7 million of which Level 1 investments amounted to £222.9 million (46.0 per cent of the portfolio), Level 2 investments amounted to £143.0 million (29.5 per cent of the portfolio), and Level 3 investments amounted to £118.8 million (24.5 per cent of the portfolio).
- 1.5 As noted above, UIL's ten largest investments represent approximately 87.3 per cent. of UIL's investment portfolio. However, five of these investments are themselves collective investment undertakings. Somers Limited is a financial services sector investment holding company listed on the Bermuda Stock Exchange and its two main investments are Bermuda Commercial Bank and Waverton, a UK private wealth manager. Utilico Emerging Markets Limited offers a more diverse exposure to emerging market utilities and transportation infrastructure investments. Zeta Resources Limited is a resources focused holding and development company offering exposure to a global portfolio of listed and unlisted securities which is listed on the Australian Stock Exchange. Infratil Limited offers targeted exposure to the energy, airport and public transport sectors, predominantly in New Zealand and Australia. Bermuda First Investment Company Limited offers exposure to portfolio of strategic investments in Bermudan companies.
- 1.6 Between 31 August 2017 and 27 September 2017 (the latest practicable date prior to the publication of this document) there have been no material sales or purchases of the investments within UIL's portfolio and no material changes to the portfolio composition.

## PART 4

# DIRECTORS, MANAGEMENT AND ADMINISTRATION

### 1. DIRECTORS OF UIL AND UIL FINANCE

The Directors of UIL, all of whom are non-executive for the purposes of the UK Corporate Governance Code, have overall responsibility for the Group's activities and the implementation of UIL's investment policy. The Directors of UIL have also been appointed as Directors of UIL Finance.

The Directors are as follows:

#### **Peter Burrows (Chairman)**

Mr Peter Burrows (AO), appointed a Director in September 2011 and Chairman in November 2015, has many years' experience as a stockbroker and founded his own independent specialist private client firm, Burrows Limited, in 1986. Mr Burrows was previously the chairman of Garratt's Limited, ASC Limited and Rabbit Photo Holdings Ltd and a director of a number of other listed and unlisted companies. Mr Burrows was made an officer in the Order of Australia (AO) for his services to medical research, tertiary education and finance.

#### **Alison Hill**

Ms Alison Hill FCMA, CGMA, appointed a Director in November 2015, is an executive director and chief executive officer of The Argus Group in Bermuda, which provides insurance, retirement and financial services. Ms Hill has over twenty five years' experience in global corporations in the financial services sector. Ms Hill is a trustee and a member of committees of a number of non-corporate organisations in Bermuda. Ms Hill is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant.

#### **Warren McLeland**

Mr Warren McLeland, appointed in September 2013, was formerly a stockbroker and investment banker and is now a director of Homeloans Limited, a non-bank lending company listed on the Australian Stock Exchange. In addition, he acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is chairman of Somers Limited and an experienced non-executive director.

#### **Christopher Samuel**

Mr Christopher Samuel, appointed a Director in November 2015, was Chief Executive of Ignis Asset Management until mid-2014, when it was taken over by Standard Life, and has worked in financial services throughout his career with over twenty years of Board level experience in the investment management sector. He is currently Chairman of Defaqto and Blackrock Throgmorton Trust plc as well as a non-executive director of Alliance Trust PLC, JP Morgan Japanese Investment Trust plc, Sarasin LLP and The London Community Foundation. Mr Samuel is a Chartered Accountant.

#### **David Shillson**

Mr David Shillson, appointed a Director in November 2015, is an experienced corporate and commercial lawyer and a senior partner of Kensington Swan, a New Zealand law firm. He has many years of experience acting for a mix of non-government and central and local government clients, particularly in acquisitions and investment structuring, advising on transactional and governance matters across the utilities (ports, airports), technology, energy, transport (rail and roads) and finance sectors. Mr Shillson is a member of the New Zealand Law Society and the New Zealand Institute of Directors.

#### **Eric Stobart (Chairman of Audit & Risk and Management Engagement Committees)**

Mr Eric Stobart, appointed in May 2007, has spent most of his career in merchant and commercial banking, latterly as Director of Public Policy and Regulation for what is now Lloyds Banking Group. He is a non-executive chairman of Capita Managing Agency Limited and a member of the audit and risk committee of London Business School. He is also a trustee of the Anglian Water Group Pension

Schemes, the Dixons Retail Pension Scheme, Lloyd's Superannuation Fund and the Royal Hospital for Neuro-Disability Pension Scheme. Mr Stobart is a chartered accountant with an MBA from London Business School.

The Directors are independent of the Joint Portfolio Managers apart from Warren McLeland and David Shillson. Warren McLeland is not considered to be independent of the Joint Portfolio Managers because he is Chairman of Somers Limited. David Shillson is not considered independent because he is a partner in Kensington Swan, a New Zealand law firm that acts for members of the UIL and ICM groups.

## **2. MANAGEMENT OF UIL**

The UIL Directors are responsible for the determination of UIL's investment objective and investment policy and have overall responsibility for its day-to-day activities, including the review of investment activity and performance. UIL has, however, entered into the Management Agreement with ICMIM and ICM under which ICMIM has been appointed as UIL's AIFM with sole responsibility for risk management and both ICMIM and ICM have been appointed as joint portfolio managers with responsibility for the management of UIL's assets, subject in each case to the overriding supervision of the UIL Directors.

ICMIM is authorised and regulated by the Financial Conduct Authority to act as an alternative investment fund manager pursuant to the AIFM Regulations.

ICM, UIL's joint portfolio manager, is licensed to carry on business in Bermuda, including providing investment advice to UIL, by the Minister of Business Development and Tourism of Bermuda.

Further details of the Management Agreement are summarised in paragraph 8.2 of Part 9 of this document.

In addition to its duties joint portfolio manager of UIL, ICM also provides company secretarial services to UIL and UIL Finance.

### **Investment Philosophy**

The Joint Portfolio Managers' investment philosophy is to focus on investments where they believe the underlying value is not reflected in the market price. This philosophy has the following features:

- searching for under-valued companies that are often under-rated and under-researched;
- analysing opportunities arising through technological development, market changes, competition or shareholder issues;
- using knowledge of and expertise in financial engineering and different financial instruments;
- developing techniques to compare companies across geographical regions and across industries;
- maintaining close working relationships with investee companies including visiting their key operational sites;
- maintaining a strong understanding of the infrastructure, utility and related sectors and their regulation; and
- possessing a sensitivity to step changes resulting from developments in regulation and competition.

In accordance with UIL's investment policy, the Joint Portfolio Managers may also use hedging instruments, where appropriate, for investment purposes and to protect UIL's portfolio from market volatility.

### **Investment Process**

The Joint Portfolio Managers follow a systematic investment process. They source and analyse investment opportunities before making investments where they believe they would offer good value. ICMIM and ICM are the joint portfolio managers to two listed funds, UIL and Utilico Emerging Markets Limited, and ICM has a number of other investment mandates, including private equity, fixed interest

and mining. The Joint Portfolio Managers have an established network of industry contacts and investment opportunities are sourced through a combination of sector knowledge and monitoring and a review of markets. Between them, the Joint Portfolio Managers have a good long term record in stock selection across the infrastructure and utilities sectors and of financial and investment structuring.

### Investment Performance

The unaudited Net Asset Value performance of UIL and, for comparison purposes, the FTSE All-Share Index, from inception of Utilico Investment Trust plc (UIL's predecessor) on 14 August 2003 to 31 August 2017 is set out in the table below:

	6 months (%)	1 year (%)	3 years (%)	5 years (%)	Inception* (%)
UIL – NAV total return	(5.2)	(9.1)	87.1	63.5	426.8
FTSE All-Share Index total return	5.3	14.3	24.8	63.7	223.1

\* Inception of Utilico Investment Trust plc

Source: UIL and Datastream; unaudited

The past performance of UIL is not a guide to future performance. The value and income of the Ordinary Shares and the value of the ZDP Shares can fall as well as rise and an investor may get back less than the amount invested.

### 3. GLOBAL EQUITY RISK PROTECTION LIMITED

UIL holds 3,920 Class A non voting shares in GERP which is a Bermuda company registered as a segregated accounts company. GERP was established to allow the Joint Portfolio Managers' clients to put in place hedging positions in a way that ensures efficient, fast dealing and satisfies the "best execution" requirements across the various funds.

Each of GERP's segregated accounts (including UIL's) is ring-fenced from the other segregated accounts such that no other segregated account has any claim or exposure to any assets or liabilities of any other segregated account. There is a central GERP corporate administrator which oversees the administration of the various accounts but the corporate administrator does not trade on its own account and all of its expenses are allocated against and funded by each of the segregated accounts. The directors of GERP are Charles Jillings, Duncan Saville and Alasdair Younie.

UIL's segregated account in GERP is solely for carrying out derivative transactions at the request of and on behalf of UIL in order that it may make investments more efficiently and for the purposes of efficient portfolio management. GERP spreads its investment risk by having the ability to establish an overall net short position in index options, contracts for difference, swaps and equity options (when taking into account the underlying long position and offsetting the derivative position). GERP may not hold:

- more than 50 per cent. of the value of UIL's portfolio in GERP in index options; and
- more than 100 per cent. of the relevant debt or of the relevant market value in foreign currency by way of foreign exchange options or forwards.

The UIL Board and ICMIM, as AIFM, regularly review the investments in GERP from a risk management perspective.

The Joint Portfolio Managers monitor and manage GERP's operational and anticipated portfolio risks and consider on an ongoing basis the aggregate investment in GERP for the purpose of ensuring that risk levels are appropriate and the guidelines set by the UIL Board are adhered to.

UIL has entered into a loan agreement with GERP in order to fund UIL's segregated account in GERP. Under the loan agreement GERP may draw down funds from UIL to meet any costs and liabilities arising from the assets held in UIL's segregated account. As at 19 September 2017, being the latest practicable date prior to publication of this document, UIL's segregated account in GERP had net liabilities of £142,000.

#### **4. CO-INVESTMENT**

Opportunities may arise for UIL to co-invest alongside companies associated with, or managed by, the Joint Portfolio Managers (or their respective associates). UIL (and other clients of the Joint Portfolio Managers) will be given the opportunity to invest in opportunities falling within its (or their) investment policy, pro rata to their assets available for investment in priority to the Joint Portfolio Managers (and their respective associates). UIL will, subject to the approval of the UIL Board, be free to co-invest when it is felt to be in the interests of Shareholders and would intend to do so. The ability to co-invest may be beneficial as it may enable UIL to benefit from more advantageous terms than would be available for a smaller investment made by UIL alone. The terms on which UIL co-invests will be no less favourable than the terms on which any company associated with, or managed by, the Joint Portfolio Managers (or their respective associates) invests.

#### **5. RELATIONSHIP WITH UTILICO EMERGING MARKETS LIMITED**

Whilst UIL and Utilico Emerging Markets Limited are two separate entities, each with their own board of directors and shareholders, they currently have overlapping investment policies and have each appointed the Joint Portfolio Managers to provide portfolio management services who use the same individuals to conduct investment research on behalf of both companies.

##### **Investment Allocation**

As the Joint Portfolio Managers provide investment advice to both UIL and Utilico Emerging Markets Limited (among other clients) an investment allocation policy has been put in place between UIL and Utilico Emerging Markets Limited, which is intended to provide transparency for shareholders in each company. The investment allocation policy is as follows:

- all investments in the infrastructure and utility sectors and related companies in Emerging Markets will first be offered in full to Utilico Emerging Markets Limited;
- if Utilico Emerging Markets Limited is technically able to make the investment, but the Joint Portfolio Managers believe it is inappropriate for it to do so, either in part or in full, (for example, this may be due to sector or geographical weighting issues or lack of funds) then the matter will be referred to the Chairman of Utilico Emerging Markets Limited;
- if the Chairman of Utilico Emerging Markets Limited agrees with the Joint Portfolio Managers' decision, then UIL will be free to make the investment (to the extent that the opportunity remains) if it wishes to do so;
- if Utilico Emerging Markets Limited is incapable of making any part of the investment, then UIL will be free to take up the balance of the investment if it wishes to do so; and
- in circumstances where both Utilico Emerging Markets Limited and UIL invest in the same securities at the same time, they will invest on substantially the same terms.

Utilico Emerging Markets Limited's investment objective is to invest predominantly in Emerging Markets. However, it has the flexibility to make investments in infrastructure, utilities and related companies outside Emerging Markets, including making investments in developed markets. Where the Joint Portfolio Managers identify an investment in infrastructure, utilities and related companies in a developed market which they believe would be suitable for Utilico Emerging Markets Limited's portfolio and is in accordance with its investment policy, a similar allocation policy to that set out above will be adopted, but with UIL being offered the relevant investment opportunity in the first instance. In the event that UIL is unable or does not wish to take up the relevant investment opportunity in full, then Utilico Emerging Markets Limited will be free to make that investment (to the extent that the opportunity remains).

#### **6. POTENTIAL CONFLICTS OF INTEREST**

ICMIM and ICM currently serve as the joint portfolio managers of Utilico Emerging Markets Limited, Somers, Zeta and Allectus as well as UIL, and they and their associates may be involved in other financial, investment or professional activities in the future, including providing investment management and/or advisory services to other investment clients. In particular, they may provide

investment management, investment advice or other services in relation to investment companies which may have similar investment policies and objectives to that of UIL. As a result, ICMIM and/or ICM may have conflicts of interest in allocating investments among UIL and other clients, including ones in which they or their associates may have a greater financial interest.

In accordance with the AIFM Directive, the Joint Portfolio Managers have undertaken to take all reasonable steps to avoid conflicts of interest. If such conflicts of interest cannot be avoided, the Joint Portfolio Managers shall take all reasonable steps to identify, manage, monitor and (where applicable) disclose those conflicts of interest in order to prevent them from adversely affecting the interests of UIL and Shareholders and to ensure that UIL is treated fairly.

## **7. MANAGEMENT AND PERFORMANCE FEES**

### **Management Fee**

Under the terms of the Management Agreement, an aggregate annual management fee of 0.5 per cent. of net assets is payable by UIL quarterly in arrears which is apportioned between the Joint Portfolio Managers in accordance with a management services agreement between them. The annual management fee is adjusted for fees earned by the Joint Portfolio Managers in respect of investment holdings managed or advised by them. The Joint Portfolio Managers are also reimbursed for all out-of-pocket costs and expenses incurred on behalf of UIL by them and for reasonable travel and related costs incurred in the performance of their duties.

### **Performance Fee**

UIL will pay to the Joint Portfolio Managers a performance fee determined as at each Calculation Date (as defined below) as follows:

$$PF = (A-B) \times 15 \text{ per cent.}$$

where:

PF is the performance fee (excluding VAT), if any, payable to the Joint Portfolio Managers;

A is the Adjusted Equity Funds as at that Calculation Date;

B is the "Base Equity Funds" being 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 under the Management Agreement (**High Water Mark**); and
- (ii) the Equity Funds on the last day of the previous Calculation Period, increased by the Real Percentage Yield on the Reference Index during that Calculation Period (**Previous Equity Funds**).

B (i) above, High Water Mark, will be adjusted as appropriate for any Capital Events occurring since the establishment of the High Water Mark.

B (ii) above, Previous Equity Funds, will be adjusted as appropriate for any Capital Events occurring since the previous Calculation Date. The value of those Capital Events will be added to (in respect of a capital increase) or deducted from (in respect of a capital reduction) the Previous Equity Funds, such adjustments being increased by the Real Percentage Yield on the Reference Index for the period between the date of the relevant Capital Event and the end of the Calculation Period.

The latest Calculation Period for the performance fee was the period from 1 July 2016 to 30 June 2017. No performance fee was paid in respect of this period.

The Performance Fee (if any) payable in respect of a Calculation Period shall be paid as soon as practicable following the end of the relevant Calculation Period (with any subsequent adjustment to the Performance Fee arising out of the audit of UIL's financial statements for the relevant Calculation Period being paid to or recouped from the Joint Portfolio Managers (in the same proportion as such Performance Fee was paid to them) in cash within 7 days of the publication of UIL's annual report and accounts for the relevant Calculation Period), or within 30 days of the termination of the Joint

Portfolio Managers' appointment or the commencement of the winding up of UIL where (ii) or (iii) in the definition of Calculation Period applies.

For the purpose of this calculation:

**Adjusted Equity Funds** means Equity Funds adjusted by adding back any dividends paid or accrued relating to that Calculation Period unless accrued in the prior period;

**Calculation Date** means the last day of each Calculation Period;

**Calculation Period** means each successive period starting on the first day of an accounting reference period of UIL and ending on the earlier of: (i) the last day of that accounting reference period; (ii) the termination of the Joint Portfolio Managers' appointment for any reason; and (iii) the commencement of the winding up of UIL, provided that in respect of the first Calculation Period under the Management Agreement such period shall be deemed to have commenced on 1 July 2010;

**Capital Event** means any repayment or otherwise that reduces funds attributable to Shareholders, or any issuance of equity or otherwise which has the effect of increasing funds attributable to Shareholders (including by means of further issues of ZDP Shares, the proceeds of which shall be advanced by UIL Finance to UIL). For the avoidance of doubt, the bonus issue of warrants to subscribe for Shares, the exercise of such warrants, the conversion of convertible loan stock, and buy backs of Shares are Capital Events;

**Equity Funds** means the Net Asset Value (including revenue items) attributable to the Ordinary Shares;

**Inflation** means the rate of UK inflation in annual percentage terms calculated by reference to the year on year change in the UK all items Retail Prices Index excluding mortgage interest payments as issued by the Office of National Statistics calculated as a monthly average;

**Real Percentage Yield** means the average percentage income yield on the Reference Index for the relevant Calculation Period, calculated on a monthly basis, reduced by the percentage rate of UK corporation tax, plus Inflation; and

**Reference Index** means the FTSE Actuaries Govt. Securities UK Gilts 5 to 10 Years Index.

A summary of the main provisions of the Management Agreement is set out in paragraph 8.2 of Part 9 of this document.

## **8. OTHER SERVICE PROVIDERS**

### **Administration**

F&C Management Limited has been appointed as administrator to UIL and UIL Finance. It is a subsidiary within the F&C Management Group, which is in turn wholly owned by the Bank of Montreal Group. The Administrator is regulated by the FCA and its registered office is at Exchange House, Primrose Street, London EC2A 2NY. Its telephone number at this office is +44 (0) 20 7628 8000.

The Administrator's appointment is terminable, *inter alia*, upon six months' notice in writing by either party.

Under the terms of the Administration Agreement, the Administrator is entitled to a fee of £310,000 per annum. From 1 October 2017 the fee will increase to £320,000 per annum. A summary of the main provisions of the Administration Agreement is set out in paragraph 8.3 of Part 9 of this document.

In addition, ICM Corporate Services (Pty) Ltd, a wholly-owned subsidiary of ICM, and accordingly a related party of UIL, provides administration services to GERP for an annual fee of £15,000 in respect of the segregated account in which UIL holds shares. The agreement relating to the appointment of ICM Corporate Services (Pty) Ltd is terminable on one month's notice in writing by either party.

## Depository Services Provider

UIL has appointed JPMEL to provide depository services under Articles 21(7), (8)(b) and (9) of the AIFM Directive, under the terms of the Depository Services Agreement. JPMEL is authorised and regulated in the United Kingdom by the FCA.

The services provided by JPMEL as depository services provider include:

- general oversight responsibilities over the issue and cancellation of UIL's share capital, the carrying out of Net Asset Value calculations, the application of income, and the ex-post review of investment transactions;
- monitoring UIL's cash flows and ensuring that all cash is booked in appropriate accounts in the name of UIL, ICMIM or JPMEL acting on behalf of UIL; and
- verifying UIL's ownership of its assets other than financial instruments and maintaining records sufficient for verification of UIL's ownership rights.

JPMEL receives an annual fee for its services under the Depository Services Agreement of 2.2 basis points on UIL's Net Asset Value, subject to a minimum fee of £25,000 per annum.

The Depository Services Agreement is terminable on 90 days' notice in writing by either party or on shorter notice in the event of breach of contract or insolvency.

A summary of the main provisions of the Depository Services Agreement is set out in paragraph 8.4 of Part 9 of this document.

## Custody

UIL has appointed JPMCB to provide custodial services pursuant to a novation agreement dated 13 April 2015 in accordance with the terms of a Global Custody Agreement dated 14 May 2007 (**Global Custody Agreement**). The services provided by JPMCB include the safekeeping of all assets held within UIL's investment portfolio, including those classed as financial instruments for the purpose of the AIFM Directive and retaining custody of UIL's financial instruments in segregated accounts so that they can be clearly identified as belonging to UIL.

JPMCB is regulated by the Jersey Financial Services Commission and is registered under the Banking Business (Jersey) Law 1991 (as amended) in the conduct of "deposit-taking business", Fund Services Business and Money Services Business under the Financial Services (Jersey) Law 1988.

JPMCB's appointment as custodian is terminable, *inter alia*, upon 60 days' notice given by either party.

JPMCB receives safekeeping and administration charges based on the market value of assets in different countries and a transaction charge for all securities transactions, both of which vary country-by-country, together with JPMCB's reasonable out-of-pocket or incidental expenses. The amount paid by UIL to JPMCB for the year ended 30 June 2017 was £204,000 and the UIL Directors do not anticipate that the annual charges going forward will be materially different and therefore the estimated maximum amount payable per annum is £250,000.

A summary of the main provisions of the Global Custody Agreement is set out in paragraph 8.5 of Part 9 of this document.

UIL has also appointed BCB to act as custodian in respect of such cash and other investments (mainly unlisted) as UIL shall from time to time deposit with it. BCB is a limited liability company and was incorporated and registered in Bermuda on 21 February 1969 under the Bermuda Companies Act with registered number LC 1404. BCB operates under the Bermuda Companies Act and is licensed and regulated by the BMA. Its registered office and principal place of business is 34 Bermudiana Road, Hamilton HM 11, Bermuda (telephone number 001 441 295 5678).

The fees payable to BCB depend on the nature and quantity of the assets deposited with BCB and there is no minimum fee. The fees paid to BCB for the year ended 30 June 2017 were £6,000 and the

UIL Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £20,000.

A summary of the main provisions of the custody agreement with BCB is set out in paragraph 8.10 of Part 9 of this document.

### **Registration Services**

Computershare Bermuda has been appointed to maintain the registers of UIL Shareholders and ZDP Shareholders in Bermuda. Computershare Bermuda liaises with Computershare Investor Services PLC, the DI Depository and UK transfer agent, for the transfer and settlement of Depository Interests.

Each of UIL and UIL Finance has entered into a separate registrar agreement with Computershare Bermuda which may be terminated, *inter alia*, on six months' notice by either party. The aggregate fees paid to Computershare under the Registrar Agreements for the year ended 30 June 2017 were £22,000 and the UIL Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £30,000.

### **DI Depository and Custody services**

Computershare Investor Services PLC has been appointed as depository for the settlement of Depository Interests. Each of UIL and UIL Finance has entered into a separate agreement for the provision of depository and custody services with Computershare Investor Services PLC, which may be terminated, *inter alia*, on six months' notice by either party.

In return for providing such services, the DI Depository is entitled to annual fees. The aggregate fees paid to Computershare Investor Services PLC under the agreements for the year ended 30 June 2017 were £33,000 and the UIL Directors do not anticipate that the aggregate annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £50,000.

### **Company secretarial services**

In addition to its duties joint portfolio manager, ICM also provides company secretarial services to UIL and UIL Finance pursuant to the Management Agreement. ICM receives a fee equal to one-third of the total employment costs incurred by it in employing a suitably experienced person to provide the company secretarial services to UIL and UIL Finance.

### **Assistant Secretary**

BCB Charter Corporate Services Limited acts as assistant secretary for UIL and UIL Finance.

## **9. FINANCIAL REPORTING AND INFORMATION**

### **Net Asset Value**

The Net Asset Value and the Net Asset Value per Ordinary Share (rounded to two decimal places), are calculated in pence Sterling per Ordinary Share by the Administrator (or such other person as the UIL Directors may appoint for such purpose from time to time) on a weekly basis. The Net Asset Value per Ordinary Share is announced through the London Stock Exchange without delay once calculated.

The Net Asset Value is calculated as the Gross Assets less the liabilities to creditors (including the provisions for such liabilities) of UIL determined in accordance with the valuation guidelines adopted by the UIL Directors from time to time.

In calculating the Net Asset Value, a liability will be included equating to the amount due to ZDP Shareholders at the calculation date each week. The amount due to ZDP Shareholders is accounted for at amortised cost, using the effective interest method. Announcements as to the Net Asset Value per Ordinary Share will include the Accrued Capital Entitlements of the ZDP Shares, including the 2024 ZDP Shares to be issued pursuant to the Rollover Offer, the Placing and the UIL Subscription.

Investments are measured at the UIL Board's estimate of fair value at the reporting date, in accordance with IFRS and is the amount for which an asset (or liability) could be exchanged between knowledgeable, willing parties in an arm's length transaction.

- **Publicly traded securities** – Investments listed in an active market are valued at their closing bid price on the reporting date. When a bid price is not available, the price of the most recent reported transaction would normally be used. Market bid prices are used even in situations where UIL holds a large position and a sale could reasonably affect the quoted price.
- **Unquoted securities** – The determination of fair value for unquoted securities where there is little, if any, market activity is achieved by the application of a valuation technique that is appropriate for the circumstances. This will make the maximum use of market-based information and is consistent with methodology generally used by market participants.

Valuation is normally determined using one of the following valuation methodologies:

***Start up and early stage investments:***

In the absence of revenues, profits, assets or cash flows, the approach used will be cost combined with set milestones to measure expectations and fair value.

***Established investments:***

There are three approaches to valuing established investments: multiples; discounted earnings; and recent investments. Depending on the investment and the relevance of the approach, any or all of these valuation methods could be used.

Appropriate market multiples will vary by instrument, but would typically be by reference to one or more of, but not limited to, net earnings ratio, EV/EBITDA ratio, dividend yield, discount to net asset value or yield to maturity.

Discounted earnings multiples will use maintainable earnings discounted at appropriate rates to reflect the value of the business. Where there has been a recent investment in an investee company, the price of that investment will provide a basis of the valuation.

If the UIL Directors consider that any of the above bases of valuation are inappropriate in any particular case or generally, they may adopt such other valuation procedures as they consider is reasonable in the circumstances having taken advice from UIL's auditor. The UIL Directors may delegate to the Joint Portfolio Managers any of their discretions under the valuation guidelines.

The preparation of valuations may be suspended in circumstances where the underlying data necessary to value UIL's investments cannot readily, or without undue expenditure, be obtained. Such suspension will be communicated to investors via a Regulatory Information Service.

**Accounting Policies**

The audited accounts of the Group are prepared in pounds Sterling under International Financial Reporting Standards as adopted by the European Union, which the Directors believe is an acceptable body of generally accepted accounting practice. Under IFRS, the Group prepares an income statement and a statement of changes in equity, which discloses revenue and capital results, including net investment gains.

Management fees, borrowing costs and running expenses of the Group are charged to revenue with the exception of the performance fee which is allocated between capital and revenue and other expenses of a capital nature which will be charged to the capital account. That part of the performance fee directly attributable to the capital performance of UIL's investments is allocated to capital, and that part directly attributable to revenue performance will be allocated to revenue.

**Reports and Accounts**

The annual accounts of the Group are made up to 30 June in each year, with copies of the annual report and accounts ordinarily sent to Shareholders in September. Annual general meetings of UIL and UIL Finance are typically held in November of each year. Shareholders also receive an

unaudited consolidated interim report covering the first six months of each financial year to 31 December. The interim report is ordinarily released to Shareholders in February of each year.

## 10. MEETINGS

It is intended that all general meetings of UIL and UIL Finance will be held outside the United Kingdom. UIL and UIL Finance each hold an annual general meeting every year. UIL Shareholders are entitled to attend and vote at all UIL general meetings. ZDP Shares do not carry any voting rights at general meetings of UIL, although the consent of ZDP Shareholders is required for certain proposals. Any such consent will be obtained through class meetings of ZDP Shareholders.

## 11. CORPORATE GOVERNANCE

### UIL Finance

The ZDP share capital of UIL Finance has a standard listing on the Official List and therefore under the Listing Rules UIL Finance is not required to comply or provide an explanation for any non-compliance with the UK Corporate Governance Code, and as at the date of this document does not so comply. Bermuda does not have its own corporate governance code with which UIL Finance is required to comply.

### UIL

Bermuda does not have its own corporate governance code with which UIL is required to comply. As a Bermuda incorporated company with a premium listing on the Official List, UIL is required to comply with the UK Corporate Governance Code issued by the Financial Reporting Council (the **UK Corporate Governance Code**). The UIL Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the **AIC Code**) by reference to the AIC Corporate Governance Guide for Investment Companies (the **AIC Guide**). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The UIL Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

UIL has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- nomination of a senior independent director.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the UIL Board considers these provisions are not relevant to the position of UIL, being a Bermuda-incorporated investment company with external investment managers. In particular, all of UIL's day-to-day investment management and administrative functions are outsourced to third parties. As a result, UIL has no executive directors, employees or internal operations. UIL therefore has not reported further in respect of these provisions.

In common with most investment companies, UIL does not have an internal audit function. All of UIL's management and administration functions are delegated to the Joint Portfolio Managers and Administrator, whose controls are monitored by the UIL Board and which include audit and risk assessment. It is therefore felt that there is no need for UIL to have its own internal audit function. However, this is reviewed annually by the Audit & Risk Committee. Action will be taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of the internal control system.

In view of the requirement of the Bye-laws that all UIL Directors retire by rotation, the UIL Board considers that it is not appropriate for the UIL Directors to be appointed for a specified term as recommended by the AIC Code. In addition, the UIL Board has considered provision B.7.1 in the UK Corporate Governance Code published in September 2014 recommending that all directors of FTSE 350 companies should be subject to annual re-election. The UIL Board believes that the current election system, with each UIL Director being re-elected to the UIL Board at least every three years or re-elected annually if they have served more than nine years or are “non-independent”, is sufficient as there could be risks in respect of the continuity and stability of the UIL Board with annual re-elections.

UIL does not have a separate Nomination Committee or Remuneration Committee and the UIL Board as a whole undertakes the work which would otherwise be undertaken by these Committees.

Details of the Group’s ten largest investments are published monthly and in the annual and half-yearly reports; a full list of investments is not published.

Whilst none of the Directors has a service contract with UIL or UIL Finance (and nor are any such contracts proposed), each of the Directors has signed a letter of appointment to formalise in writing the terms of their appointment. Under the Bye-laws of both UIL and UIL Finance, one third of their respective Boards is subject to retirement by rotation each year. In addition, all Directors are required to submit themselves for re-election at least every three years.

The UIL Board has constituted the following committees:

### **Audit & Risk Committee**

UIL has established a separately chaired Audit & Risk Committee whose duties include considering and recommending to the UIL Board for approval the contents of the half yearly and annual financial statements, and providing an opinion as to whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess UIL’s performance, business model and strategy. The terms of reference detailing the scope and duties of the Audit & Risk Committee are available on UIL’s website [www.uil.limited](http://www.uil.limited).

The Audit & Risk Committee meets at least three times a year. Two of the planned meetings are held prior to the UIL Board meetings to approve the half yearly and annual results and the Audit & Risk Committee receives information from the Joint Portfolio Managers and the Administrator on their internal controls. Representatives of the Joint Portfolio Managers and the Administrator attend all meetings.

The Audit & Risk Committee is composed of the independent UIL Directors and is chaired by Mr Stobart. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit & Risk Committee.

The primary role of the Audit & Risk Committee is to review UIL’s accounting policies, the contents of the accounts, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. In addition, it also reviews the provision of non-audit services by the external auditors, the risks to which UIL is exposed and the controls in place to mitigate those risks.

The Audit & Risk Committee has access to the Administrator’s group audit committee, and reports its findings to the UIL Board.

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

The UIL Board has reviewed and accepted the Joint Portfolio Managers’ anti-bribery and corruption and whistleblowing policies. It has also noted the whistleblowing policy of the Administrator.

### **Management Engagement Committee**

The UIL Board has appointed a Management Engagement Committee, chaired by Mr Stobart, which operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Group’s website at [www.uil.limited](http://www.uil.limited).

The Management Engagement Committee is comprised of the independent Directors of UIL and meets at least once a year.

The Management Engagement Committee undertakes an annual formal evaluation of the performance of, and fees paid to, the Joint Portfolio Managers for the services provided under the Management Agreement, together with the fees and other terms of that agreement. The Management Engagement Committee also considers the effectiveness of the administration services provided by the Joint Portfolio Managers and the Administrator, including the timely identification and resolution of areas of accounting judgement and implementation of new regulatory requirements, and the performance of other third party service providers.

**PART 5**  
**THE ZDP SHARES**

**1. RIGHTS ATTACHING TO THE ZDP SHARES**

The ZDP Shares, including the 2024 ZDP Shares arising pursuant to the Rollover Offer, each have the same rights as each other, save in respect of their ZDP Repayment Dates and their Final Capital Entitlements, which differ for each class of ZDP Share and, in the case of the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares, the level of ZDP Cover below which further ZDP Shares cannot be issued. The rights of the ZDP Shares are set out in the New UIL Finance Bye-Laws, which contain provisions, *inter alia*, to the following effect:

**1.1 Income**

- (a) The ordinary shares of 10p each in the capital of UIL Finance carry the right to receive the revenue profits of UIL Finance available for distribution (excluding any sums paid to UIL Finance by UIL under the Subscription Agreement) and determined to be distributed by way of dividend at such times as the UIL Finance Directors may determine.
- (b) The ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.

**1.2 Capital**

- (a) On a return of assets, on a liquidation or otherwise, the surplus assets of UIL Finance after payment of all debts and satisfaction of all liabilities (excluding, for this purpose only, the payment of the capital entitlement of each class of ZDP Share), shall be applied as follows:
  - (i) first, there shall be paid to the holders of 2018 ZDP Shares *pro rata* to the number of 2018 ZDP Shares held by them, the Accrued Capital Entitlement per 2018 ZDP Share;
  - (ii) secondly, there shall be paid to the holders of 2020 ZDP Shares *pro rata* to the number of 2020 ZDP Shares held by them, the Accrued Capital Entitlement per 2020 ZDP Share;
  - (iii) thirdly, there shall be paid to the holders of 2022 ZDP Shares *pro rata* to the number of 2022 ZDP Shares held by them, the Accrued Capital Entitlement per 2022 ZDP Share;
  - (iv) fourthly, there shall be paid to the holders of 2024 ZDP Shares *pro rata* to the number of 2024 ZDP Shares held by them, the Accrued Capital Entitlement per 2024 ZDP Share; and
  - (v) fifthly, there shall be paid to the holders of the UIL Finance ordinary shares any surplus assets available for distribution *pro rata* to the number of UIL Finance ordinary shares held by them.
- (b) The ZDP Shares will not pay dividends but they will have a Final Capital Entitlement at the end of their respective lives as follows:
  - (i) the 2018 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2018 of 160.52p;
  - (ii) the 2020 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2020 of 154.90p;
  - (iii) the 2022 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2022 of 146.99p; and
  - (iv) the 2024 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2024 of 138.35p.

- (c) On a liquidation of UIL and/or UIL Finance, to the extent that the relevant classes of ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their Accrued Capital Entitlement as at the date of liquidation:
- (i) the 2018 ZDP Shares shall rank in priority to the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares;
  - (ii) the 2020 ZDP Shares shall rank in priority to the 2022 ZDP Shares and the 2024 ZDP Shares; and
  - (iii) the 2022 ZDP Shares shall rank in priority to the 2024 ZDP Shares.

The entitlement of ZDP Shareholders of a particular class shall be determined in proportion to their holdings of ZDP Shares of that class.

### 1.3 Voting

- (a) The holders of the ordinary shares of 10p each in the capital of UIL Finance shall have the right to receive notice of and to attend and vote at general meetings of UIL Finance. Each holder of a UIL Finance ordinary share being present at a meeting shall upon a show of hands have one vote and (subject as referred to in paragraph (e) below) upon a poll every such holder present in person or by proxy shall have one vote in respect of every UIL Finance ordinary share held by him.
- (b) The holders of the ZDP Shares shall have the right to receive notice of, but shall not have the right as such to attend or vote at, any general meeting of UIL Finance except (save as provided in paragraph (h) below):
  - (i) upon any resolution to alter, modify or abrogate the special rights or privileges attached to the ZDP Shares; or
  - (ii) upon a Liquidation Resolution, Recommended Resolution and Reconstruction Resolution (as respectively defined in paragraphs (e), (f) and (g) below).

For the avoidance of doubt, the passing of a Liquidation Resolution, a Recommended Resolution or a Reconstruction Resolution or a resolution to increase the authorised share capital of UIL Finance shall not be treated as an alteration, modification or abrogation of the rights attached to the ZDP Shares.

- (c) Save as described in paragraphs (f) and (g) below, UIL Finance may not, without the previous sanction of an extraordinary resolution passed at a separate general meeting of each class of ZDP Shareholders convened and held in accordance with the provision of the New UIL Finance Bye-laws:
  - (i) subject to sub-paragraph (d) below, issue, and it shall, so far as it is able, procure that UIL shall not, issue any further shares or rights to subscribe for further shares or convert any securities into shares in any member of the Group or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or *pari passu* with, UIL's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares;
  - (ii) pass a resolution for the voluntary winding up of UIL Finance, such winding up to take effect prior to the final ZDP Repayment Date (or, if that day is not a business day, the immediately preceding business day);
  - (iii) pass a resolution to reduce the capital of UIL Finance in any manner or to purchase shares in UIL Finance other than as permitted below;
  - (iv) pass a resolution amending the provisions of the New UIL Finance Bye-laws summarised in this paragraph 1.3(c);
  - (v) pass a resolution authorising the UIL Finance Directors to pay a dividend or other distribution out of the capital reserves of UIL Finance; or

- (vi) make any material variation to the terms of the Subscription Agreement or any further subscription agreement entered into between UIL and UIL Finance in respect of any further issues of ZDP Shares which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the existing ZDP Shareholders,

provided that no such sanction will be required for the passing of any resolution authorising UIL Finance to purchase any ZDP Shares where such shares may only be purchased at prices at or below their prevailing Accrued Capital Entitlement (as determined by the UIL Finance Directors in accordance with the UIL Finance Bye-laws as at a date falling not more than 10 days before the date of the relevant repurchase) or at a higher price per ZDP Share if the UIL Finance Directors determine this to be in the interests of ZDP Shareholders, or for any purchase of such ZDP Shares in accordance with any such resolution.

- (d) Notwithstanding the restrictions described in paragraph (c)(i) above, any member of the Group may, subject as provided in the relevant company's bye-laws, issue any further shares or rights to subscribe for further shares or convert any securities into shares or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or pari passu with, UIL's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares provided that the UIL Finance Directors shall have calculated and UIL's and UIL Finance's financial adviser shall have reported to the UIL Finance Directors on such calculations within 60 days prior to the Calculation Date (as defined below) that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the ZDP Shares in issue immediately thereafter would have a ZDP Cover of not less than 1.5x in the case of the 2018 ZDP Shares and of not less than 1.35x in the case of the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares. For this purpose, the ZDP Cover shall represent a fraction where the numerator is equal to the gross assets of the Group on the Calculation Date and the denominator is equal to the aggregate on the Calculation Date of (i) the aggregate capital entitlement on the relevant ZDP Repayment Dates of the ZDP Shares in issue on the Calculation Date and (ii) the outstanding amounts payable by the Group under bank facilities and any borrowings ranking in priority to UIL's payment obligations under the Subscription Agreement.

Gross assets for this purpose shall mean the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by any member of the Group, less current liabilities (not including contingent liabilities) of the Group (other than principal monies borrowed), each as determined by the UIL Directors. The Calculation Date, for the purpose of this paragraph (d) shall mean the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue.

In calculating such ZDP Cover, the UIL Finance Directors shall where available:

- (i) use the gross assets of the Group at the most recent practicable date before the Calculation Date;
- (ii) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the end of the month prior to the Calculation Date;
- (iii) adjust the gross assets of the Group by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;
- (iv) take account of the entitlements to be attached to the new shares or securities or rights to be issued;

- (v) aggregate the Final Capital Entitlement of all the existing ZDP Shares and the capital entitlements of the new shares or securities or rights to be issued as aforesaid in each case as at the relevant ZDP Repayment Date;
  - (vi) make appropriate adjustments for any other issues or reclassifications or purchases of own share capital which have been made by UIL or UIL Finance since the end of the preceding month or will have been made by or at the time of the proposed issue of shares or rights of subscription or conversion into shares or reclassification;
  - (vii) make such other adjustments as they consider appropriate; and
  - (viii) the UIL Finance Directors shall have absolute discretion to determine whether the conditions set out above are satisfied in any case and no independent valuation need be carried out.
- (e) If all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the UIL Finance Bye-laws), the UIL Finance Directors shall: (i) exercise the right of UIL Finance under the Subscription Agreement to convene a special general meeting of UIL at which a resolution shall be proposed requiring that UIL shall be wound up voluntarily pursuant to the Bermuda Companies Act; and (ii) convene a special general meeting of UIL Finance to be held on the same date as the special general meeting to be convened by UIL in accordance with Subscription Agreement at which a resolution (the **Liquidation Resolution**) shall be proposed requiring that UIL Finance be wound up voluntarily pursuant to the Bermuda Companies Act. At such meeting the vote of those members entitled to vote shall be taken by poll and those holders of ZDP Shares who (being individuals) are present in person or by proxy or (being corporations) are present by proxy or by duly authorised representative and entitled to vote and who vote in favour of the Liquidation Resolution shall, on a poll, have such number of votes in respect of each share held by them (including fractions of a vote) so that the aggregate number of votes cast in favour of the Liquidation Resolution is four times the aggregate number of votes cast against the Liquidation Resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall on a poll have one vote for each share held.
- (f) If an offer is made to all holders of ZDP Shares (other than the offeror and/or persons controlled by or acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to the final ZDP Repayment Date, which offer entitles holders of ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the UIL Finance Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of UIL Finance and on the basis that UIL satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any option for alternative consideration pursuant to such offer) and such offer is recommended by the UIL Finance Directors and it is stated to be, in the opinion of the financial adviser appointed by UIL and UIL Finance, fair and reasonable then the provisions described in paragraph (e) above shall not apply and at any special general meeting of UIL Finance or separate general meeting of the holders of the ZDP Shares held between the date of making such recommendation and the relevant ZDP Repayment Date (both dates inclusive) the provisions relating to voting in sub-paragraph (h) below shall apply to any resolution or resolutions recommended by the UIL Finance Directors (a **Recommended Resolution**) and stated to be, in the opinion of the financial adviser appointed by the UIL Finance Directors, fair and reasonable.

- (g) If at any special general meeting of UIL Finance held on or prior to any ZDP Repayment Date there is proposed any resolution (a **Reconstruction Resolution**) to sanction any form of arrangement (whether involving the winding up of UIL Finance, the redemption of the ZDP Shares or otherwise) which would enable the holders of the ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the UIL Finance Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of UIL Finance and on the basis that UIL satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any options ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions described in sub-paragraph (e) above shall not apply and the provisions relating to voting described in sub-paragraph (h) below shall apply in respect of any Reconstruction Resolution.
- (h) Where any resolution or resolutions are proposed pursuant to the provisions of the UIL Finance Bye-laws referred to in sub-paragraph (f) or (g) above:
- (i) the holders of the ordinary shares of 10p each in the capital of UIL Finance present in person or by proxy and entitled to vote and who vote (whether for or against) on such resolution at any special general meeting of UIL Finance shall, on a poll, have for each such ordinary share such number of votes as is equal to four times the number of votes cast in aggregate by the holders of the ZDP Shares; and
  - (ii) those holders of ZDP Shares present in person or by proxy and entitled to vote and who vote in favour of such resolution at a separate general meeting of the holders of ZDP Shares shall, on a poll, have such number of votes in respect of ZDP Shares held by them (including fractions of a vote) so that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of such shares in respect of which votes are cast against the resolution and each holder of ZDP Shares present in person or by proxy and entitled to vote who votes against such resolution shall, on a poll, have one vote for each share held by him, provided that, if any term of any offer or arrangement referred to in sub-paragraph (f) or (g) above (as regards any one or more holders of ZDP Shares) shall have been breached (other than by such holder(s)) in any material respect of which the chairman of the meeting has received written notice prior to the commencement of such meeting, each holder shall, at any such meeting at which such holder is present in person or by proxy and entitled to vote, on a poll, have one vote for each such share held by him.
- (i) Where by virtue of the provisions of the UIL Finance Bye-laws, the holders of ZDP Shares are entitled to vote, every such holder present at a meeting shall upon a show of hands have one vote and (subject as referred to in sub-paragraph (h) above) upon a poll, every such holder present in person or by proxy shall have one vote in respect of each ZDP Share held by him.

#### 1.4 **Redemption**

- (a) UIL Finance shall (subject to the provisions of the Bermuda Companies Act) redeem all the outstanding ZDP Shares in each class on or within 14 days before the relevant ZDP Repayment Date.
- (b) On the redemption of ZDP Shares in accordance with the provisions described in this paragraph 1.4, there shall be paid to the holders of the relevant class of ZDP Shares an amount equal to the Accrued Capital Entitlement per ZDP Share determined in accordance with the provisions described in paragraph 1.2 above.
- (c) Any redemption notice shall specify the redemption amount and the address at which certificates for ZDP Shares are to be surrendered for redemption. A redemption notice

may not be withdrawn without the prior class consent of the holders of the ZDP Shares concerned. No defect in the redemption notice or in the giving thereof shall affect the validity of the redemption proceedings.

- (d) Unless otherwise determined by the UIL Finance Board, payments in respect of the amount due on redemption of ZDP Shares shall be made by Sterling cheque drawn on a bank in the City of London or, upon the request of the holder or joint holders, by transfer to a Sterling account maintained by the payee with a bank in the City of London. Such payment will be made against surrender of the relevant certificate in the case of certificated ZDP Shares or, if the relevant certificate has been lost or destroyed, the giving of an appropriate indemnity in a form satisfactory to the UIL Finance Board, provided that the UIL Finance Board may determine that surrender of certificates shall not be required, in which event each certificate shall be void and of no effect as from the date of payment of the amount due on the redemption of the ZDP Shares to which the certificate relates.

## **PART 6**

### **FINANCIAL INFORMATION RELATING TO THE GROUP**

The financial information contained in this Part 6 (Financial Information Relating to the Group) in respect of UIL Finance has been extracted without material adjustment from the report and audited accounts of UIL Finance for the three financial years ended 30 June 2015, 2016 and 2017. The financial information in respect of UIL has been extracted without material adjustment from the published annual report and audited accounts of the Group for each of the financial years ended 30 June 2015, 2016 and 2017 which have been incorporated by reference.

## SECTION A – UIL FINANCE

### 1. BASIS OF FINANCIAL INFORMATION

Statutory accounts of UIL Finance for the three financial years ended 30 June 2015, 2016 and 2017, in respect of which UIL Finance's auditors, KPMG LLP have given unqualified opinions that the accounts give a true and fair view of the state of affairs of UIL Finance for the three financial years ended 30 June 2015, 2016 and 2017 and that the accounts have been properly prepared in accordance with the Bermuda Companies Act 1981, have been incorporated into this document by reference.

### 2. PUBLISHED ANNUAL REPORTS AND ACCOUNTS FOR THE THREE FINANCIAL YEARS ENDED 30 JUNE 2015, 2016 AND 2017

#### 2.1 Historical financial information

The published annual reports and audited accounts for UIL Finance for the three financial years ended 30 June 2015, 2016 and 2017 include, on the pages specified in the table below, the following information which is incorporated by reference into this document. Those parts of the annual reports and audited accounts and half-yearly reports referred to above which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in the document.

Nature of information	Annual report and accounts for the year ended 30 June (audited)		
	2015 Page Nos	2016 Page Nos	2017 Page Nos
Income Statement	8	8	8
Balance sheet	9	9	9
Accounting policies	10-11	10-11	10-12
Notes to the accounts	10-17	10-18	10-18
Report of the independent auditor	18	19	19-21
Strategic Review	3	3	3
Report of the Directors	4-6	4-6	4-6

## 2.2 Selected financial information

The key audited figures that summarise UIL Finance's financial condition in respect of the three financial years ended 30 June 2015, 2016 and 2017, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of Section Part A, are set out in the following table:

	As at or for the period ended 30 June (audited) £'000		
	2015	2016	2017
Interest income	13,237	12,745	12,697
<b>Total income</b>	13,237	12,745	12,697
Other expenses	–	–	–
Profit before finance costs and taxation	13,237	12,745	12,697
Finance costs	(13,237)	(12,745)	(12,697)
<b>Profit before tax</b>	–	–	–
Taxation	–	–	–
<b>Profit for the period</b>	–	–	–
<b>Earnings per share – pence</b>	–	–	–
<b>Current assets</b>			
Other receivables	172,441	206,373	173,778
<b>Current liabilities</b>			
ZDP Shares	–	(61,327)	–
<b>Total assets less current liabilities</b>	172,441	145,046	173,778
<b>Non current liabilities</b>			
ZDP Shares	(172,441)	(145,046)	(173,778)
<b>Net assets</b>	–	–	–
<b>Equity attributable to equity holders</b>			
Ordinary share capital	–	–	–

## 2.3 Availability of annual reports and accounts for inspection

Copies of UIL Finance's annual reports and audited accounts for the three financial years ended 30 June 2015, 2016 and 2017 are available for inspection at the address set out in paragraph 15 of Part 9 of this document and also at [www.uil.limited](http://www.uil.limited).

## SECTION B – THE GROUP

### 1. BASIS OF FINANCIAL INFORMATION

Statutory accounts of the Group for the three financial years ended 30 June 2015, 2016 and 2017, in respect of which the Group's auditors, KPMG LLP, have given unqualified opinions that the accounts give a true and fair view of the state of affairs of the Group and of the profit or loss (as applicable) of UIL and the Group for the three financial years ended 30 June 2015, 2016 and 2017 and that the accounts have been properly prepared in accordance with the Bermuda Companies Act 1981 and that the part of the UIL Directors' Remuneration Report that is stated as having been audited shows the fees paid by UIL to its Directors, have been incorporated into this document by reference.

### 2. PUBLISHED ANNUAL REPORTS AND ACCOUNTS FOR THE THREE FINANCIAL YEARS ENDED 30 JUNE 2015, 2016 AND 2017

#### 2.1 Historical financial information

The published annual reports and audited accounts for the Group for the three financial years ended 30 June 2015, 2016 and 2017 include, on the pages specified in the table below, the following information which is incorporated by reference into this document. Those parts of the annual reports and audited accounts referred to above which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in the document.

Nature of information	Annual report and accounts for the year ended 30 June (audited)		
	2015 Page Nos	2016 Page Nos	2017 Page Nos
Income Statement/Statement of Comprehensive Income	61	69	68
Statement of changes in equity	63	71	70
Balance sheet	65	73	72
Statement of Cash Flows	66	74	73
Accounting policies	67-69	75-77	74-76
Notes to the accounts	67-90	75-102	74-102
Report of the independent auditor	58-60	65-68	63-67
Chairman's statement	5-7	7-10	7-9
Investment Manager's Report	8-16	11-20	10-18
Business Review	18-24	28-35	26-33
Report of the Directors	34-44	39-50	37-48

## 2.2 Selected financial information

The key audited figures that summarise the Group's financial condition in respect of the three financial years ended 30 June 2015, 2016 and 2017, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Section B, are set out in the following table:

	As at or for the year ended 30 June (audited)		
	2015	2016	2017
Net assets (£'000)	166,558	218,585	228,069
Net asset value per share – pence	169.00	241.12	252.86
Total income (£'000)	26,841	85,562	33,658
Net profit (£'000)	10,210	68,000	17,021
Earnings per share – pence	10.31	74.68	18.84
Dividends per share – pence	7.5	7.5	7.5
Revenue			
Total revenue income (£'000)	11,197	10,499	10,708
Net profit (£'000)	7,766	5,673	5,760
Earnings per share – pence	7.84	6.23	6.38

## 2.3 Operating and financial review

The Group's published annual reports and accounts for the three financial years ended 30 June 2015, 2016 and 2017 included, on the pages specified in the table below: descriptions of the Group's financial condition (in both capital and revenue terms); details of the Group's investment activity and portfolio exposure; and changes in its financial condition for each of those years.

Nature of information	Annual report and accounts for the year ended 30 June (audited)		
	2015 Page Nos	2016 Page Nos	2017 Page Nos
Chairman's statement	5-7	7-10	7-9
Investment Manager's Report	8-16	11-20	10-18
Portfolio analyses	27-32	21-27	19-25
Performance, discount and financial record	95	107	107

The causes of material changes in the capital value of the Group's assets in the three financial years ended 30 June 2017 can be summarised as follows (figures have been rounded to the nearest £1,000):

- (i) in the year to 30 June 2015, the Group made a net capital gain of £2,444,000. £6,308,000 of this related to gains on investments, with a realised gain on the sale of investments of £18,087,000 and an unrealised loss on investments held of £11,779,000. The balance consisted of gains on derivatives of £6,347,000, foreign exchange gains of £2,989,000, finance costs, including increase of ZDP Share liability, and other costs of £13,200,000;
- (ii) in the year to 30 June 2016, the Group made a net capital gain of £62,327,000. £103,464,000 of this related to gains on investments, with a realised gain on the sale of investments of £12,994,000 and an unrealised gain on investments held of £90,470,000. The balance consisted of foreign exchange losses of £6,388,000, losses on derivatives of £22,013,000, finance costs, including increase of ZDP Share liability, and other costs of £12,736,000; and
- (iii) in the year to 30 June 2017, the Group made a net capital gain of £11,261,000. £31,238,000 of this related to gains on investments, with a realised gain on the sale of investments of £35,237,000 and an unrealised loss on investments held of £3,999,000. The balance consisted of foreign exchange gains of £3,058,000, losses on derivatives of

£11,346,000, finance costs, including increase of ZDP Share liability, gains on sales of ZDP Shares held intra group and other costs of £11,659,000.

It is not expected that there will be any material impact on the earnings and liabilities per Ordinary Share as a result of the issue of the 2024 ZDP Shares.

#### 2.4 **Capital resources**

UIL is funded by both equity and debt, with the debt provided through a £50 million multi-currency facility pursuant to a loan agreement with Scotiabank which expires in March 2018. As at 19 September 2017, the latest practicable date prior to the publication of this document, approximately £49.86 million of the Loan Facility was drawn down and UIL's aggregate borrowings (including structural gearing provided by ZDP Shares) represented approximately 48.4 per cent., of UIL's Gross Assets (source: UIL's unaudited assets and liabilities schedule).

#### 2.5 **Availability of annual reports and accounts for inspection**

Copies of the Group's annual reports and audited accounts for the three financial years ended 30 June 2015, 2016 and 2017 are available for inspection at the address set out in paragraph 15 of Part 9 of this document and also at [www.uil.limited](http://www.uil.limited).

### 3. **CAPITALISATION AND INDEBTEDNESS**

3.1 The following table shows the Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 July 2017 and the Group's unaudited capitalisation as at 30 June 2017 (being the last date in respect of which the Group has published financial information).

#### **Indebtedness**

	<b>31 July 2017 (unaudited) £'000</b>
<b>Total Current Debt</b>	
Guaranteed	–
Secured	51,677
Unguaranteed/unsecured	853
	<hr/> 52,530 <hr/>
<b>Total Non-Current Debt</b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	174,774
	<hr/> 174,774 <hr/>
<b>Capitalisation</b>	
	<b>30 June 2017 (audited) £'000</b>
<b>Shareholder equity</b>	
Shareholder equity	9,020
Legal reserves	253,179
Other reserves	32,069
	<hr/> 294,268 <hr/>

There has been no capitalisation movement from the last published financial information at 30 June 2017 to 31 July 2017.

The following table shows the Group's unaudited net indebtedness as at 31 July 2017.

	<b>31 July 2017</b> <b>(unaudited)</b> <b>£'000</b>
A. Cash	1,307
B. Cash equivalent	–
C. Trading securities	–
D. Liquidity (A+B+C)	1,307
E. Current financial receivable	–
F. Current bank debt	52,530
G. Current portion of non-current debt	–
H. Trading securities payable	447
I. Other current financial debt	–
J. Current financial debt (F+G+H+I)	52,977
K. Net current financial indebtedness (J-E-D)	51,670
L. Non-current bank loans	–
M. Bonds issued	–
N. Other non-current loans	174,774
O. Non-current financial indebtedness (L+M+N)	174,774
P. Net financial indebtedness (K+O)	226,444

The Group has contingent indebtedness in the form of derivative financial instruments being the fair value of forward foreign exchange contracts and equity put options entered into for the purposes of efficient portfolio management. As at 31 July 2017, the fair value of the derivative contracts was (£3,879,000).

The Group has no further indirect or contingent indebtedness.

#### **4. WORKING CAPITAL**

In UIL Finance's opinion, UIL Finance does not have sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document. This statement reflects the requirement to redeem the 2018 ZDP Shares on 31 October 2018 and the conditionality of the Proposals and portfolio initiatives required to fund such redemption.

In UIL's opinion, the Group does not have sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

The Group is dependent on the reduction in the redemption sum payable on the redemption of the 2018 ZDP Shares following the Rollover Offer and proceeds from the Placing; cash distributions from portfolio investments and proceeds from portfolio realisations and an extension of its March 2018 £50 million bank facility in order to meet its working capital requirements for at least the 12 months following the date of this document and the redemption of the 2018 ZDP Shares.

If the cash distributions from portfolio investments or proceeds from portfolio realisations are not received on a timely basis prior to the redemption of the 2018 ZDP Shares then UIL may also realise proceeds from the sale of 2024 ZDP Shares acquired by it pursuant to the UIL Subscription.

If UIL's £50 million bank facility is not extended for at least 12 months the Group will need to make alternative arrangements to fund the repayment of its bank facility on 22 March 2018. In addition, if the conditions of the Rollover Offer, the Placing and the UIL Subscription are not satisfied the Group will need to make alternative arrangements to fund the redemption of the 2018 ZDP Shares on 31 October 2018. In such situations, which the Group believes to be reasonable worst case scenarios, the Group would be expected to have a shortfall of approximately £50 million by 22 March 2018 and a further £80 million by 31 October 2018. Accordingly the Group would make additional sales of investments from the Group's investment portfolio and may also seek further alternative sources of debt or ZDP financing. The Company believes that these alternative arrangements are likely to be successful.

The Group has a long track record of investment realisations having realised investments providing proceeds of £106 million per annum on average over the three financial years ended 30 June 2017.

As at 30 June 2017 the Group's investment portfolio amounted to £449.3 million of which Level 1 investments amounted to £205.3 million, Level 2 investments amounted to £109.0 million and Level 3 investments amounted to £127.1 million. UIL has had a bank facility with Scotiabank since 2011 and has successfully extended it several times. The Group's Joint Portfolio Managers also have a track record of raising funds through alternative debt structures both for the Group and for other companies which they manage.

In the event that either a new debt facility could not be secured or a sale of investments to generate proceeds to repay the debt facility by 22 March 2018 was unsuccessful, Scotiabank would be entitled to enforce its security over UIL's assets and UIL would be likely to enter into administration. Furthermore, if the Group is unable to fund the redemption of the 2018 ZDP Shares on 31 October 2018, the bye-laws of UIL provide that the UIL Directors shall, inter alia, convene a special general meeting of UIL at which a resolution shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act.

## **5. NAV**

UIL's most recent published NAV (unaudited) was as at 19 September 2017 and was £241.25 million, representing 267.46 pence per Ordinary Share.

## PART 7

### TAXATION

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise in relation to the Group and ZDP Shareholders. This is not a comprehensive summary of all technical aspects of the structure and is not intended to constitute legal or tax advice to potential investors. Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the ZDP Shares. The statements relate to investors acquiring ZDP Shares for investment purposes only, and not for the purposes of any trade. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the ZDP Shares is made will endure indefinitely. The tax consequences for each investor of investing in the ZDP Shares may depend upon the investor's own tax position and upon the relevant laws of any jurisdiction to which the investor is subject.

#### **BERMUDA TAXATION**

At the date of this document, there is no Bermuda income, corporation, or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Group or any of its Shareholders other than Shareholders ordinarily resident in Bermuda. The Group is not subject to stamp duty on the issue, transfer or redemption of any of its shares.

Both UIL and UIL Finance have received an undertaking from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act, 1966, as amended, that, in the event that there is enacted in Bermuda any legislation imposing (i) tax computed on profits or income, (ii) tax computed on any capital assets, gain or appreciation or (iii) any tax in the nature of estate duty or inheritance tax, such tax shall not until 31 March 2035 be applicable to the Group or to any of its operations, shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Group or any land leased to the Group.

As exempted companies, UIL and UIL Finance are each liable to pay the Bermuda Government an annual government fee which is currently US\$10,455.

#### **UK TAXATION**

The following paragraphs are intended only as a general guide and are based on current legislation and HM Revenue & Customs (HMRC) published practice, which is subject to change at any time (possibly with retrospective effect). They are of a general nature, do not constitute tax advice and apply only to ZDP Shareholders who are resident in the UK, who are the absolute beneficial owners of their ZDP Shares and who hold their ZDP Shares as an investment. They do not address the position of certain classes of ZDP Shareholders such as dealers in securities, charities, registered pension schemes, insurance companies or collective investment schemes. If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser without delay.

#### **UIL Finance**

It is the intention of the UIL Finance Directors to conduct the affairs of UIL Finance so that the central management and control of UIL Finance is not exercised in the UK so that UIL Finance is not treated as resident in the UK for taxation purposes. It is also the intention of the UIL Finance Directors that UIL Finance does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, UIL Finance should not be liable for UK taxation on its profits other than certain income deriving from a UK source. On the same basis, UIL Finance should not be within the scope of UK tax on chargeable gains wheresoever arising (other than, in certain circumstances, on a disposal of UK residential property).

## **UIL Limited**

UIL Limited should not be treated as resident in the UK pursuant to section 363A of the Taxation (International and Other Provisions) Act 2010 either (pursuant to which a company should be deemed not to be resident in the UK for UK income tax, corporation tax or capital gains tax purposes if, absent that section, the Company would otherwise be treated as UK resident).

## **ZDP Shareholders**

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise for ZDP Shareholders who as part of the Rollover Offer receive 2024 ZDP Shares (which may vary depending upon the particular individual circumstances and status of prospective investors), and a general guide to the tax treatment of UIL Finance. These comments are based on the laws and published practices as at the time of writing and may be subject to future revision (possibly with retrospective effect). This discussion is not intended to constitute advice to any person and should not be so construed.

Each ZDP Shareholder should consult their own tax advisers as to the possible tax consequences of buying, holding or selling 2024 ZDP Shares under the laws of their country of citizenship, residence or domicile or other jurisdictions in which they are subject to tax.

### ***The Rollover Offer***

The conversion of 2018 ZDP Shares into 2024 ZDP Shares under the Rollover Offer should not result in a holder of 2018 ZDP Shares being regarded as disposing of those 2018 ZDP Shares for the purposes of the UK taxation of chargeable gains. Instead, for such purposes, the exchange should be treated as a reorganisation of share capital and the 2024 ZDP Shares acquired should be treated as the same asset as the holding of 2018 ZDP Shares converted. Accordingly, the ZDP Shareholder should be regarded as having acquired those 2024 ZDP Shares at the same time and for the same base cost as his or her holding of 2018 ZDP Shares.

### ***Redemption and Disposals***

The ZDP Shares should not fall within the definition of an “offshore fund” for the purposes of United Kingdom tax legislation. Therefore, in principle, any profit on a disposal of ZDP Shares or on receipt of the Final Capital Entitlement by a UK resident ZDP Shareholder or a ZDP Shareholder who carries on a trade in the United Kingdom through a branch, agency or permanent establishment with which their investment in the ZDP Shares is connected, should be taxed as a chargeable gain for UK tax purposes, subject to applicable reliefs and allowances.

UK resident individual Shareholders are subject to UK capital gains tax, with effect from 6 April 2017, at the rate of 10 per cent. for basic rate taxpayers and 20 per cent. for higher and additional rate taxpayers and are entitled to an annual allowance of up to £11,300 per annum (for the tax year 2017/2018). UK corporation tax payers are subject to corporation tax on chargeable gains at the rate of 19 per cent.

There are two exceptions to the treatment described in the preceding paragraph of which ZDP Shareholders should be aware.

### ***ZDP Shareholders subject to UK Corporation Tax***

For ZDP Shareholders who are subject to UK Corporation Tax, if the Final Capital Entitlement is received otherwise than pursuant to a liquidation of UIL Finance, the amount by which the Final Capital Entitlement exceeds the amount originally subscribed for the ZDP Shares will instead be treated as a “distribution” for UK corporation tax purposes.

If the relevant 2024 ZDP Shareholder is a company that is not “small”, that distribution will normally be exempt from corporation tax. For a company which is “small”, that distribution will be subject to corporation tax as income. A company is “small” for the purposes of the previous paragraph for any accounting period during which staff headcount is below 50 and either turnover or balance sheet total is less than or equal to €10 million.

### ***Disguised Interest***

The Finance Act 2013 introduced disguised interest provisions intended to make returns which are economically equivalent to interest subject to income tax as income.

It is known that HMRC considers that these provisions are, in principle, capable of applying to zero dividend preference shares. However there is an exception for shares that are admitted to trading on a regulated market where, at the time of issue, there are no arrangements involving only the relevant ZDP Shares which would produce an amount which is economically equivalent to interest (as defined by the provisions). As a matter of strict legal interpretation of the legislation, it is not entirely clear whether this exception does apply to the ZDP Shares. However, the UIL Finance Directors and their advisors have considered HMRC guidance and other publicly available information concerning the exception and have concluded that the exception should apply to the ZDP Shares. The exception will not apply if there are arrangements made by any person in relation to any ZDP Shares where the main purpose or one of the main purposes is to ensure that the return is in fact economically equivalent to interest. Nor will the exception apply if the shareholder's return is virtually guaranteed on launch, for example where the company's portfolio is not exposed to investment risk. The UIL Finance Directors do not intend that UIL Finance will make any such arrangements and ZDP Shareholders should consider their position very carefully before making any such arrangements with respect to their own holdings of ZDP Shares and should take appropriate professional advice.

Similar rules concerning the UK tax treatment of disguised interest already exist for UK Corporation Tax but are subject to an exclusion for arrangements that have no tax avoidance purpose. The provisions for income tax do not contain such an exclusion.

UK individual ZDP Shareholders are also reminded that a subsequent "relevant arrangement" made by any person could result in the disguised interest provisions applying to the 2024 ZDP Shares even where those provisions did not previously apply to the 2024 ZDP Shares.

If these provisions apply to the ZDP Shares, it is likely that the return on the ZDP Shares would be subject to tax as income in the hands of ZDP Shareholders who are subject to United Kingdom income tax.

### **Other UK tax considerations**

The attention of individuals resident in the United Kingdom for taxation purposes is drawn to Chapter 2, Part 13 of the Income Tax Act 2007, which may render them liable to income tax in respect of the undistributed income of UIL Finance or any capital sum received from UIL Finance.

The attention of companies resident in the UK is drawn to the provisions contained in Part 9A of the Taxation (International and Other Provisions) Act 2010.

The UK "controlled foreign company" provisions subject UK resident companies to tax on the profits of companies not so resident in which they have an interest. Broadly, a charge may arise to UK tax resident corporate holders of ZDP Shares if a non-resident company is controlled by persons who are resident in the UK, it has profits which are attributable to its UK "significant people functions" and one of the exemptions does not apply. UK corporate investors are advised to consult their independent professional tax advisers as to the implications of these provisions.

It is anticipated that the shareholdings in UIL Finance will be such as to ensure that it would not be a "close company" if it were resident in the UK (broadly, controlled by five or fewer participants). If, however, UIL Finance would be a close company if so resident, capital gains accruing to it may be apportioned to UK resident or ordinarily resident shareholders, under the provisions of section 13 Taxation of Chargeable Gains Act 1992, who may thereby become chargeable to capital gains tax, or corporation tax on chargeable gains, on the gains apportioned to them.

If any ZDP Shareholder is in doubt as to his taxation position, he is strongly recommended to consult an independent profession adviser without delay.

### **ISAs**

The ZDP Shares are eligible to be held in the stocks and shares component of an ISA subject to applicable subscription limits, and provided that the ISA manager has been issued the ZDP Shares

under the Rollover Offer or acquired them through the secondary market following their Admission. ZDP Shares acquired pursuant to the Placing will not be eligible for inclusion in an ISA.

### **Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

Transfers of ZDP Shares will not be liable to UK stamp duty unless the instrument of transfer is executed within the UK when the transfer will be liable to UK ad valorem stamp duty at the rate of 0.5 per cent. of the consideration paid rounded up to the nearest £5. Provided that ZDP Shares are not registered in any register of UIL Finance kept in the UK, or paired with shares issues or raised by a UK company, any agreement to transfer the ZDP Shares should not be subject to SDRT.

Where Depositary Interests in respect of the ZDP Shares are traded within CREST, there should be no charge to SDRT due to the provisions of the Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999, provided that ZDP Shares are not registered in any register of UIL Finance kept in the UK.

The above statement is intended as a general guide to the current stamp duty and SDRT position and does not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements and clearance services.

## PART 8

### PRINCIPAL BASES AND ASSUMPTIONS

Unless otherwise indicated, the statistics contained in this document relating to the ZDP Shares have been calculated on the principal bases and assumptions set out below. For the avoidance of doubt, the Assumptions have not been used in preparing the working capital statement set out in paragraph 4 in Section B of Part 6 of this document.

There can be no guarantee that the Assumptions set out below will be realised. In particular, the actual gross proceeds and net proceeds of the Placing may differ from the assumed amounts; market gains or losses between the date of this document and the date of Admission will affect the amount of the Gross Assets and the Net Asset Value of UIL at Admission; costs will be incurred in investing the net proceeds of the Placing and the UIL Subscription; annual running expenses of the Group may exceed the assumed level. Accordingly, no reliance should be placed on the illustrative financial statistics derived from the Assumptions set out below. The attention of prospective investors is also drawn to the risk factors set out on pages 24 to 35 of this document.

The Assumptions used are:

- As at the Rollover Date, there are 90,197,208 Ordinary Shares, 49,842,413 2018 ZDP Shares, 39,000,000 2020 ZDP Shares and 50,000,000 2022 ZDP Shares in issue;
- The unaudited Gross Assets and Net Asset Value of UIL as at 19 September 2017 were £467.5 million and £241.25 million respectively;
- As at 19 September 2017, the Net Asset Value per Ordinary Share was 267.46p;
- The costs of the Proposals, assuming a total of 20 million 2024 ZDP Shares arise upon the conversion of 2018 ZDP Shares pursuant to the Rollover Offer, 10 million 2024 ZDP Shares are issued pursuant to the Placing and 20 million 2024 ZDP Shares are issued pursuant to the UIL Subscription are approximately £0.56 million (excluding VAT);
- As at 19 September 2017, UIL had outstanding bank debt of £49.86 million;
- A total of 30 million 2024 ZDP Shares arise on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer and/or pursuant to the Placing at 100 pence per 2024 ZDP Share;
- 20 million 2024 ZDP Shares are issued pursuant to the UIL Subscription;
- The capital accrual of a 2018 ZDP Share is 7.25 per cent. per annum, compounded from an issue date of 26 January 2012 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 160.52p per 2018 ZDP Share is payable on 31 October 2018;
- The capital accrual of a 2020 ZDP Share is 7.25 per cent. per annum, compounded from an issue date of 31 July 2014 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 154.90p per 2020 ZDP Share is payable on 31 October 2020;
- The capital accrual of a 2022 ZDP Share is 6.25 per cent. per annum, compounded from an issue date of 23 June 2016 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 146.99p per 2022 ZDP Share is payable on 31 October 2022;
- The capital accrual of a 2024 ZDP Share is 4.75 per cent. per annum, compounded from a notional issue date of 2 November June 2017 up to and including its repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The Final Capital Entitlement of 138.35p per 2024 ZDP Share is payable on 31 October 2024;
- Management fees, interest on borrowings and running expenses are charged 100 per cent. to revenue and the gross revenue receivable is at least equal to these costs;

- Performance fees are calculated and accrued weekly and charged to capital or revenue accounts based on performance;
- No allowance is made for investing the net proceeds of the Placing;
- UIL and UIL Finance have indefinite lives;
- No corporation tax or capital gains tax is payable by UIL or UIL Finance and no other changes occur in any relevant taxation law and practice;
- There are no changes to generally accepted accounting practices relevant to UIL and no changes in its accounting policies; and
- No redemption, conversions or repurchases of any Ordinary Shares or ZDP Shares are made prior to the redemption of the 2024 ZDP Shares.

## PART 9

### GENERAL INFORMATION

#### 1 RESPONSIBILITY

The UIL Finance Directors, the UIL Directors and each of UIL Finance and UIL accept responsibility for the information contained in this document, and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

#### 2 INFORMATION ON UIL FINANCE

- 2.1 UIL Finance was incorporated in Bermuda on 17 January 2007 as an exempted, closed-ended investment company with limited liability under the Bermuda Companies Act with registered number 39479. UIL Finance has an unlimited life.
- 2.2 UIL Finance operates under the Bermuda Companies Act, but is otherwise not regulated.
- 2.3 UIL Finance's registered office is in Bermuda and is located at 34 Bermudiana Road, Hamilton HM 11, Bermuda. UIL Finance's telephone number at this office is +1 441 295 5678.
- 2.4 Save for its entry into the material contracts summarised in paragraph 8 of this Part 9 and certain non-material contracts, since its incorporation UIL Finance has not traded or incurred any borrowings.

#### 3 INFORMATION ON UIL

- 3.1 UIL was incorporated in Bermuda on 17 January 2007 as an exempted, closed-ended investment company with limited liability under the Bermuda Companies Act with registered number 39480. UIL has an unlimited life.
- 3.2 UIL operates under the Bermuda Companies Act, but is otherwise not regulated.
- 3.3 UIL's registered office is in Bermuda and is located at 34 Bermudiana Road, Hamilton HM 11, Bermuda. UIL's telephone number at this office is +1 441 295 5678.

#### 4 SHARE CAPITAL OF UIL FINANCE

- 4.1 4.1 As at 1 July 2014 (the first date in the period covered by the historical financial information on UIL Finance set out in Section A of Part 6 of this document), the authorised share capital of UIL Finance was £1.00 divided into 10 ordinary shares of 10p each, 50,000,000 2014 ZDP Shares of 10p each, 50,000,000 2016 ZDP Shares of 10p each and 49,842,413 2018 ZDP Shares of 5.9319p each and the issued share capital was as set out in the table below:

	No. of issued and fully paid shares	Nominal amount (£) of issued and fully paid shares
Ordinary shares	10	1
2014 ZDP Shares	47,500,000	4,750,000
2016 ZDP Shares	47,500,000	4,750,000
2018 ZDP Shares	22,250,000	1,319,848

- 4.2 The only changes that occurred in UIL Finance's issued share capital during the period commencing on 1 July 2014 and ending on 27 September 2017 (being the latest practicable date prior to the publication of this document), were as follows:
  - (a) on 1 July 2014, by written resolution, UIL Finance increased its existing authorised share capital from £19,015,822 to £22,121,862 by the creation of a further 10,000,000 2016 ZDP Shares, 10,000,000 2018 ZDP Shares and 25,000,000 2020 ZDP Shares of 6.0514p each;
  - (b) pursuant to the terms and conditions of rollover offer contained in the prospectus published by UIL Finance on 2 July 2014, 9,382,718 2014 ZDP Shares were converted

into 15,504,888 2020 ZDP Shares on 31 July 2014. At the same time, UIL Finance also issued a further 9,495,112 new 2020 ZDP Shares at 100p per 2020 ZDP Share pursuant to a placing;

- (c) on 31 October 2014, UIL Finance redeemed all the outstanding 2014 ZDP Shares at 167.60p per 2014 ZDP Share;
- (d) on 18 May 2016, by written resolution, UIL Finance diminished its existing authorised share capital from £22,121,862 to £12,615,254 by the cancellation of all the 2012 ZDP Shares and the 2014 ZDP Shares comprised in its authorised but unissued share capital and then increased its authorised share capital from £12,615,254 to £15,848,832 by the creation of a further 9,494,963 2020 ZDP Shares and 50,000,000 2022 ZDP Shares of 5.3180p each;
- (e) pursuant to the terms and conditions of the rollover offer contained in the prospectus published by UIL Finance on 18 May 2016, 14,953,034 2016 ZDP Shares were converted into 28,117,612 2022 ZDP Shares on 23 June 2016. At the same time a further 21,882,388 2022 ZDP Shares were issued at 100p per 2022 ZDP Share pursuant to a placing;
- (f) on 14 July 2016, 14,000,000 new 2020 ZDP Shares were issued at 128p per 2020 ZDP Share pursuant to a further placing under UIL Finance's placing programme;
- (g) on 31 October 2016, UIL Finance redeemed all the outstanding 2016 ZDP Shares at 192.78p per 2016 ZDP Share; and
- (h) on 28 September 2017, by written resolution, UIL Finance diminished its existing authorised share capital from £15,848,832 to £11,344,135 by the cancellation of all of the 2016 ZDP Shares comprised in its authorised but unissued share capital and then increased its authorised share capital from £11,344,135 to £13,245,385 by the creation of 50,000,000 2024 ZDP Shares of 3.8025p each.

4.3 The authorised and issued share capital of UIL Finance as at the date of this document and at Admission (based on the Assumptions) is as follows:

	Authorised		Issued and fully paid as at the date of this document		Issued and fully paid as at Admission	
	No.	£	No.	£	No.	£
Ordinary shares	10	1	10	1	10	1
2018 ZDP Shares	70,198,945	4,164,131	49,842,413	2,956,602	49,842,413	2,956,602
2020 ZDP Shares	50,000,000	3,025,700	39,000,000	2,360,046	39,000,000	2,360,046
2022 ZDP Shares	78,117,685	4,154,298	50,000,000	2,659,000	50,000,000	2,659,000
2024 ZDP Shares	50,000,000	1,901,250	–	–	50,000,000	1,901,250

\* The above table assumes that a total of 50 million 2024 ZDP Shares are issued pursuant to the UIL Subscription and the Placing.

4.4 The ISIN number of the 2018 ZDP Shares is BMG916101162, of the 2020 ZDP Shares is BMG916101246, of the 2022 ZDP Shares is BMG916101329 and of the 2024 ZDP Shares is BMG916102079.

4.5 The liability of holders of the ordinary shares in the capital of UIL Finance and ZDP Shareholders is limited to the amount payable in respect of those ordinary shares and ZDP Shares held by them respectively.

4.6 The rights attaching to the ordinary shares in the capital of UIL Finance and rights attaching to the ZDP Shares are set out in paragraph 7 of this Part 9.

4.7 Save as disclosed in this paragraph 4 and pursuant to the Rollover Offer, the Placing and the UIL Subscription, in the last three years no share or loan capital of UIL Finance has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by UIL Finance in connection with the issue of any such capital.

- 4.8 No share or loan capital of UIL Finance is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 4.9 The UIL Finance Bye-laws authorise the UIL Finance Directors to allot an unlimited number of ZDP Shares without pre-emption rights applying for existing ZDP Shareholders.
- 4.10 A resolution of UIL Finance has been passed granting UIL Finance authority to make market purchases of up to 14.99 per cent. of the ZDP Shares in issue as at 16 November 2016, such authority to expire at the conclusion of the annual general meeting of UIL Finance to be held on 22 November 2017. The maximum price to be paid will not be more than the price permitted by the Listing Rules at the time of purchase (which is currently set a price equal to 5 per cent. above the average market values of the ZDP Shares as derived from the Daily List of the London Stock Exchange for the 5 business days before the purchase is made or the higher of: (i) the price of the last independent trade and (ii) the highest current bid at the time of purchase), and any purchases made will be in accordance with the Listing Rules and the Bermuda Companies Act. In any event no purchase of ZDP Shares will be made at a price in excess of their Accrued Capital Entitlement (at a date determined by the UIL Finance Directors falling not more than 10 days before the date of purchase) unless the UIL Finance Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders. A resolution to renew this authority will be proposed at the annual general meeting of UIL Finance to be held on 22 November 2017.
- 4.11 As of the date of this document, UIL Finance has no listed or unlisted securities not representing share capital.

## **5 SHARE CAPITAL OF UIL**

- 5.1 As at 1 July 2014 (the first date in the period covered by the historical financial information on UIL incorporated by reference in Section B of Part 6 of this document), the authorised share capital of UIL was £25,000,000 divided into 250,000,000 ordinary shares of 10p each and the issued share capital comprised 99,157,214 fully paid Ordinary Shares.
- 5.2 UIL's issued share capital during the last three financial years is set out below:
- (a) during the financial year ended 30 June 2015, 600,000 Ordinary Shares were purchased and cancelled. As at 30 June 2015, UIL's issued ordinary share capital comprised 98,557,214 fully paid Ordinary Shares;
  - (b) during the financial year ended 30 June 2016, 7,903,425 Ordinary Shares were purchased and cancelled. As at 30 June 2016, UIL's issued ordinary share capital comprised 90,653,789 fully paid Ordinary Shares; and
  - (c) during the financial year ended 30 June 2017, 456,581 Ordinary Shares were purchased and cancelled. As at 30 June 2017, UIL's issued ordinary share capital comprised 90,197,208 fully paid Ordinary Shares.
- 5.3 In the period from 1 July 2017 to 27 September 2017 (the latest practicable date prior to the publication of this document), no further Ordinary Shares have been purchased. The authorised and issued share capital of UIL as at the date of this document is, and, based upon the Assumptions, at Admission will be, 90,197,208 fully paid Ordinary Shares.
- 5.4 The ISIN number of the Ordinary Shares is BMG917071026.
- 5.5 The liability of UIL Shareholders is limited to the amount payable in respect of the Ordinary Shares held by them.
- 5.6 The rights attaching to the Ordinary Shares are set out in paragraph 7 of this Part 9.
- 5.7 No share or loan capital of UIL is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 5.8 Pursuant to a special resolution passed at UIL's annual general meeting on 16 November 2016, UIL is authorised to issue up to 4,517,000 Ordinary Shares (equivalent to approximately 5 per

cent of the total number of Ordinary Shares in issue as at the date of the notice of the annual general meeting) for cash on a non pre-emptive basis. This authority will expire at the conclusion of UIL's annual general meeting to be held on 22 November 2017. A resolution to renew this authority will be proposed at UIL's annual general meeting to be held on 22 November 2017. Where Ordinary Shares are issued for non-cash consideration pre-emption rights will not apply.

- 5.9 A resolution was passed at UIL's annual general meeting on 16 November 2016, which granted UIL the authority to make market purchases of up to 13,550,000 Ordinary Shares (being the equivalent of 14.99 per cent. of the issued Ordinary Shares as at the date of the notice of the annual general meeting). This authority will expire at the conclusion of UIL's annual general meeting to be held on 22 November 2017 unless renewed at an earlier date. The maximum price to be paid (exclusive of expenses payable by UIL) will not be more than the price permitted by the Listing Rules at the time of purchase (which currently set a price equal to 5 per cent. above the average market value of the Ordinary Shares as derived from the Daily List of the London Stock Exchange for the 5 business days before the purchase is made or the higher of (i) the price of the last independent trade and (ii) the highest current bid at the time of purchase), and any purchases made will be in accordance with the Listing Rules and the Bermuda Companies Act. In any event no purchase of Ordinary Shares will be made at a price in excess of the Net Asset Value of the Ordinary Shares (as determined by the UIL Directors on a date falling not more than 10 days before the date of purchase). A resolution to renew this authority will be proposed at the annual general meeting of UIL to be held on 22 November 2017.
- 5.10 As of the date of this document, UIL has no listed or unlisted securities not representing share capital.
- 5.11 Under section 103 of the Bermuda Companies Act, the holders of not less than 95 per cent. of the Ordinary Shares may give notice to the remaining UIL Shareholders to acquire their Ordinary Shares on the terms set out in the notice.

## 6 DIRECTORS' AND OTHER INTERESTS

- 6.1 As at the date of this document, the interests of the Directors and the persons connected (within the meaning of section 252 of the UK Companies Act 2006) with them (all of which, save as noted below, will be beneficial) in the share capital of UIL are as follows:

	<b>UIL Ordinary Shares</b>	<b>Percentage of UIL's issued share capital</b>
Peter Burrows*	639,617	0.71
Alison Hill	14,348	0.02
Warren McLeland	38,227	0.04
Christopher Samuel	20,000	0.02
David Shillson	50,838	0.06
Eric Stobart	50,000	0.06

\* 100,000 ordinary shares held by Peter Burrows are held in his capacity as trustee for a trust in which neither he nor his connected persons have any beneficial interest.

None of the Directors nor any persons connected (within the meaning of section 252 of the UK Companies Act 2006) with them have any interest in the share capital of UIL Finance.

- 6.2 In the financial year ended 30 June 2017, Peter Burrows received a Director's fee of £43,000, Eric Stobart received a Director's fee of £41,000 and each of Alison Hill, Warren McLeland, Christopher Samuel and David Shillson received a Director's fee of £31,800. The aggregate remuneration and benefits in kind of the Directors in respect of the Group's financial year ending on 30 June 2018 which will be payable out of the assets of UIL are expected to be £216,000.
- 6.3 The Directors have not been paid any amount of remuneration by way of benefits in kind, pension contributions and any contingent or deferred compensation by UIL or UIL Finance for

their services in all capacities to the Group. Accordingly, there are no amounts set aside or accrued by UIL or UIL Finance to provide pension, retirement or similar benefits to the Directors.

- 6.4 Eric Stobart acts pursuant to letters of appointment with each of UIL and UIL Finance dated 3 May 2007. Peter Burrows acts pursuant to a letter of appointment with UIL dated 16 September 2011 and a letter of appointment with UIL Finance dated 2 November 2011. Warren McLeland acts pursuant to a letter of appointment with UIL dated 17 September 2013. Each of Alison Hill, Christopher Samuel and David Shillson acts pursuant to respective letters of appointment with UIL dated 16 November 2015.
- 6.5 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by UIL or UIL Finance. UIL and UIL Finance maintain directors' and officers' liability insurance for the benefit of the Directors.
- 6.6 There are no actual or potential conflicts of interest between the duties of the Directors to UIL or to UIL Finance and their respective private interests or other duties.
- 6.7 None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group which has been effected by it since its incorporation.
- 6.8 The companies and partnerships of which the Directors currently are or have been members of the administrative, management or supervisory bodies or partners at any time during the five years preceding the date of this document (excluding subsidiaries of such companies or partnerships) are as follows:

	<b>Current directorships/partnerships</b>	<b>Former directorships/partnerships</b>
Peter Burrows	–	–
Alison Hill	The Argus Group Holdings Limited Bermuda Life Insurance Co Ltd Argus Insurance Company (Europe) Limited Argus Insurance Company Limited	Grotto Bay Beach Resort Ltd Keytech Limited Logic Limited
Warren McLeland	BJB Pty Ltd Homeloans Limited Permanent Investments Limited RESIMAC Limited Somers Limited Stranfield Pty Ltd	Bermuda Commercial Bank Limited Emerging Markets Partnership Pty Ltd Finsure Pty Ltd Fred Hosking Pty Ltd Intellect Solutions Limited Trust Company of Australia Wilson HTM Investment Group Limited
Christopher Samuel	Alliance Trust PLC BlackRock Throgmorton Trust plc JPMorgan Japanese Investment Trust Plc Regulus Bidco Limited Regulus Topco Limited Sarasin LLP Scrubbys Foods Limited The London Community Foundation	Alliance Trust Investments Limited Axial Investment Management Limited Bio-Bean Limited Ignis Asset Management Limited Ignis Capital Limited Ignis Fund Managers Limited Ignis Group Limited Ignis Investments Limited Ignis Investment Management Limited Ignis Investment Managers Limited Ignis Investment Services Limited Ignis LP Limited Ignis Nominees Limited Hawfinch Properties Limited Mastscreen Limited Scottish Mutual Investment Managers Limited Scottish Mutual PEP and ISA Managers Limited

	<b>Current directorships/partnerships</b>	<b>Former directorships/partnerships</b>
David Shillson	ANJ Finance Trustee Limited ANJ Management Limited ANJ Seatoun Properties Limited Boulcott Ventures Limited Customhouse Ventures Limited EM Infrastructure Limited F L Jeffries & Co Limited General Provincial Company Limited Johnston Ventures Limited Kelmarna Property Holdings Limited Kensington Swan Khandallah Trust Limited KS Trustee Services Limited NAG Ventures Limited Norfolk Trust Nominee Limited Poly Assets Limited Probatus Investments Limited Shillson Investments Limited Taranaki Land Limited Trustee Services Limited Victoria Ventures Limited Willeston Ventures Limited	General Provincial Company Limited* General Provincial Insurance Company Trustees Limited General Provincial Insurance Company Bonding Limited GPIC Limited Horizon Trust Management Limited Kensington Swan Building Services Limited Kensington Swan Holdings Limited Kensington Swan IP Limited Mastersoft (NZ) Limited Newport Black Holdings Limited NZ Investments Limited Permanent NZ Limited Permanent Investments Limited
		* this is a different company to the company with the same name of which David Shillson is a current director
Eric Stobart	Anglian Water Group Pension Scheme Capita Managing Agency Limited DSG Pension Trustees Limited LSF Pensions Management Limited The Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-Disability	Adviser (177) Limited BlackRock Throgmorton Trust plc Classic Southdown Omnibuses Limited Falcon Managers Limited Ignis Asset Management Limited Ignis Fund Managers Limited Ignis Investment Services Limited LGMC Investors LLP Lloyds Bank Pension Trust (No. 1) Limited Lloyds Bank Pension Trust (No. 2) Limited Lloyds Bank Trustee Services Limited Lloyds Bank S.F. Nominees Limited Lloyds Your Tomorrow Trustee Limited Millspires Limited Third Bagleys Lane Management Co Ltd T.T. Finance PLC 51 Edith Road Limited The Third Throgmorton Trust Limited

6.9 Save as disclosed in paragraph 6.10 below none of the Directors has:

- 6.8.1 any convictions in relation to fraudulent offences for at least the previous five years;
- 6.8.2 been declared bankrupt or been the subject of an individual voluntary arrangement within the previous five years;
- 6.8.3 save as set out below, been a director of a company, a member of the administrative, management or supervisory body or a senior manager of a company within the previous five years which has gone into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;
- 6.8.4 been a partner or a senior manager in a partnership which has gone into compulsory liquidation, administration or a partnership voluntary arrangement where he was a partner within the previous five years;
- 6.8.5 been subject to the receivership of any personal assets within the previous five years;
- 6.8.6 been a partner or a senior manager in a partnership which has gone into receivership where he was a partner within the previous five years; or
- 6.8.7 been the subject of any official public incrimination or sanctions by any statutory or regulatory authority (including designated professional bodies) or disqualified by a court from acting as a director of a company or as member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any company within the previous five years.

- 6.10 Scrubbys Foods Limited, a small crisp manufacturing business, in which Christopher Samuel invested as a minority shareholder and was appointed as a non-executive director in July 2015, was, following consultations with its principal creditor and shareholders, placed into administration by its principal creditor on 9 May 2016 in order to consummate an orderly sale of its business. A sale of the business was completed on 18 May 2016. Based upon the final progress report to creditors filed by the administrators on 5 May 2017, non-preferential creditors claims totalled £236,692 and a first and final dividend to non-preferential creditors in the amount of 3.22 pence in the pound was paid on 10 April 2017. The administrators filed a Notice to move from administration to dissolution with Companies House on 5 May 2017 and the company is expected to be dissolved on 18 October 2017.
- 6.11 Other than those persons set out below, the Directors are not aware of any persons holding, directly or indirectly, 5 per cent. or more of UIL or UIL Finance's issued share capital as at 27 September 2017, being the latest practicable date prior to the publication of this document.

**Percentage of UIL's issued  
Ordinary Share capital**

General Provincial Life Pension Fund Limited	62.1
Permanent Mutual Limited	7.0

- 6.12 Save in respect of General Provincial Life Pension Fund Limited, whose interest is set out in paragraph 6.11, neither UIL nor UIL Finance is aware of any persons who directly or indirectly, jointly or severally at the date of this document exercise or could exercise control over UIL or UIL Finance or immediately following Admission will exercise or would be able to exercise control over UIL or UIL Finance.
- 6.13 No Shareholders or ZDP Shareholders have voting rights attached to their Ordinary Shares or ZDP Shares they hold which are different to the voting rights attached to any other Ordinary Shares or ZDP Shares issued by the Group.

**7 BYE-LAWS**

- 7.1 Pursuant to written resolutions passed on 9 May 2007, each of UIL's and UIL Finance's principal object is to carry on business as an investment company. The objects of UIL and UIL Finance are contained in their respective memoranda of association which are available for inspection at the address specified in paragraph 15 of this Part 9.
- 7.2 The UIL Bye-laws contain provisions, *inter alia*, to the following effect:

**7.2.1 Income**

The Ordinary Shares carry the right to receive the profits of UIL available for distribution and determined to be distributed by way of dividend at such times as the UIL Directors may determine. Any dividend unclaimed after a period of 12 years from the date such dividend is declared shall be forfeited and shall cease to remain owing by UIL.

**7.2.2 Capital**

On a return of assets, on a liquidation or otherwise, the surplus assets of UIL after payment of all debts and satisfaction of all liabilities of UIL shall be applied as follows:

- 7.2.2.1 first, if all of the Winding-Up Revenue Profits (as such term is defined in the UIL Bye-laws) have not been distributed to holders of Ordinary Shares by way of dividend, an amount equivalent to the amount of Winding-Up Revenue Profits not so distributed shall be paid to the holders of Ordinary Shares *pro rata* to the number of Ordinary Shares then held by them; and
- 7.2.2.2 second, there shall be paid to the holders of the Ordinary Shares, after the payments to UIL Finance which UIL Finance is liable to pay to the holders of the ZDP Shares on their redemption in accordance with the UIL Finance Bye-laws, the surplus assets of UIL available for distribution *pro rata* to the number of Ordinary Shares then held by them.

### 7.2.3 Voting

The holders of the Ordinary Shares shall have the right to receive notice of and to attend and vote at general meetings of UIL. Each holder of an Ordinary Share being present at a meeting shall upon a show of hands have one vote and, save as described in paragraph 7.2.4.2 below, upon a poll every such holder present in person or by proxy shall have one vote in respect of every Ordinary Share held by him.

### 7.2.4 Voluntary liquidation of UIL

7.2.4.1 If all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within seven days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the UIL Finance Bye-laws), the UIL Directors shall convene a special general meeting of UIL to be held within 60 days of the relevant ZDP Repayment Date at which a resolution (the **Liquidation Resolution**) shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act. At such meeting the vote of those members entitled to vote shall be taken by poll and the provisions of sub-paragraph 7.2.4.2 below shall apply in relation to such vote.

7.2.4.2 At any such special general meeting, the Ordinary Share issued to UIL Finance in accordance with the Subscription Agreement and in respect of which UIL Finance shall vote in favour of the Liquidation Resolution, shall, on the poll taken in respect of the Liquidation Resolution, have such number of votes in respect of the Ordinary Share held by it so that the aggregate number of votes cast in favour of the Liquidation Resolution is four times the aggregate number of votes cast against the Liquidation Resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall on a poll have one vote for each share held.

7.2.4.3 If an offer is made to all holders of ZDP Shares (other than the offeror and/or persons controlled by or acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to the final ZDP Repayment Date, which offer entitles holders of all outstanding ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the UIL Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of UIL and on the basis that UIL satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any option for alternative consideration pursuant to such offer) and such offer is recommended by the directors of UIL Finance and it is stated to be, in the opinion of the financial adviser appointed by UIL and UIL Finance, fair and reasonable then the provisions of paragraphs 7.2.4.1 and 7.2.4.2 above shall not apply;

7.2.4.4 If at any general meeting of UIL held on or prior to any ZDP Repayment Date there is proposed any resolution to sanction any form of arrangement (whether involving the winding-up of UIL, the redemption of the ZDP Shares or otherwise) which would enable the holders of the ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the UIL Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of UIL and on the basis that UIL satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any

options ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions of paragraphs 7.2.4.1 and 7.2.4.2 above shall not apply.

7.3 The New UIL Finance Bye-laws contain provisions relating to the rights to income, capital, voting and redemption attaching to its issued share capital as are outlined in Part 5 of this document.

7.4 The following provisions appear in the UIL Bye-laws and the UIL Finance Bye-laws except where otherwise stated and references to "Bye-laws" shall be to the UIL Bye-laws and the UIL Finance Bye-laws as the context may require. References to the company in the following paragraphs are to UIL or UIL Finance and to the Board or the Directors are to the UIL Board or the UIL Finance Board, and to the UIL Directors and the UIL Finance Directors, in each case as the context requires.

(a) **Variation of Rights**

Subject to the Bermuda Companies Act, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of shares shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the shares shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the company's shares as set out in the Bye-laws.

(b) **Offers of shares**

(i) Subject to the provisions of the Bye-laws and without prejudice to any special rights conferred on the holders of any class of shares, any share in the company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the company may from time to time by resolution determine or if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

(ii) Subject to the Bye-laws, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine. Whilst there are no provisions of Bermuda law equivalent to the provisions of the UK Companies Act 2006 which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash such rights have been incorporated into the UIL Bye-Laws only, in accordance with the requirements of the Listing Rules.

(iii) The company may also pay such brokerages and/or commissions as may be lawful.

(iv) No person shall be recognised by the company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

(c) **Notice requiring disclosure of interest in shares**

(i) The Directors may serve notice on any shareholder requiring that shareholder to disclose to the company the identity of any person (other than the shareholder) who has an interest in the shares held by the shareholder. Any such notice shall

require any information in response to such notice to be given within such reasonable time as the Directors may determine. If any shareholder is in default in supplying to the company the information required by the company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares), the Directors in their absolute discretion may serve a direction notice on the shareholder. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the **default shares**) the shareholder shall not be entitled to vote in general meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the company (without interest) and that no transfer of the default shares (other than a transfer authorised under the Bye-laws) shall be registered until the default is rectified.

- (ii) In addition to the right of the Board to serve notice on any shareholder as described in sub-paragraph (ii) above, the Board may serve notice on any shareholder requiring that shareholder to provide the company promptly with any information, representations, certificates or forms relating to such shareholder (or its direct or indirect owners or account holders) that the Board determines from time to time are necessary or appropriate for the company to:
- (A) satisfy any account or payee identification, documentation or other due diligence requirements imposed under sections 1471 to 1474 of the United States Internal Revenue Code of 1986 Treasury Regulations made thereunder and any agreement relating thereto (including any amendments, modification, consolidation, re-enactment or replacement thereof made from time to time (**FATCA**) or the requirements of any similar laws or regulations to which the company may be subject enacted from time to time by any other jurisdiction (**Similar Laws**); or
  - (B) avoid or reduce any tax otherwise imposed by FATCA or Similar Laws (including any withholding upon any payments to such shareholders by the company); or
  - (C) permit the company to enter into, comply with, or prevent a default under or termination of, an agreement of the type described in section 1471(b) of the US Internal Revenue Code of 1986 or under Similar Laws.

If any Shareholder (a **Defaulting Shareholder**) is in default of supplying to the company the information referred to above within the prescribed period (which shall not be less than 28 days after the service of the notice), the continued holding of shares in the company by the Defaulting Shareholder shall be deemed to cause or likely to cause the company a pecuniary disadvantage and the Defaulting Shareholder shall be deemed to be a Non-Qualifying Holder and the Board may, in its discretion, require the Defaulting Shareholder to transfer its shares in accordance with paragraph (e) below.

(d) **Transfer of shares**

Subject as provided below, any shareholder may transfer all or any of his shares by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor.

In respect of a share which is fully paid up, the Board may, in its absolute discretion and without giving any reason, refuse to register any share transfer unless such transfer satisfies the following conditions:

- (i) (i) it is in respect of a share upon which the company has no lien;
- (ii) it is in respect of only one class of share;

- (iii) it is in favour of a single transferee or not more than four (4) joint transferees;
- (iv) it is duly stamped (if required by law);
- (v) it is delivered for registration to the Registered Office of the company or such other place as the Board may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so; and
- (vi) it is satisfied that all applicable consents, authorisations, permissions or approvals of any governmental body or agency in Bermuda or any other applicable jurisdiction required to be obtained under relevant law prior to such transfer have been obtained.

In the case of partly paid shares which are listed, the Board may in its absolute discretion and without giving any reason, refuse to register any share transfer provided that the Directors have exercised their discretion without thereby prejudicing dealings being on an open and proper basis.

The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Regulations or such other regulations as may be applicable to the holding of dematerialised securities and the relevant system.

The Board may also refuse to register a transfer of shares if it is in favour of a Non-Qualified Holder.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year. Notice of closure of the register shall be given in accordance with the requirements of the Bermuda Companies Act.

(e) **Compulsory transfer of shares**

If it shall come to the notice of the Board that any shares are owned directly, indirectly, or beneficially by a Non-Qualified Holder, the Board may give notice to such person requiring him either (i) to provide the Board within thirty days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Non-Qualified Holder; or (ii) to sell or transfer his shares to a person who is not a Non-Qualified Holder within thirty days and within such thirty days to provide the Board with satisfactory evidence of such sale or transfer. Pending such sale or transfer the Board may suspend the exercise of any voting or consent rights and rights to receive notice of, or attend, meetings of the company and any rights to receive dividends or other distributions with respect to such shares, and the holder shall repay the company any amounts distributed to such holder by the company during the time such holder held such shares. If any person upon whom such a notice is served does not within thirty days after such notice either (i) sell or transfer his shares to a person who is not a Non-Qualified Holder and establish to the satisfaction of the Board (whose judgment shall be final and binding) that such a sale or transfer has occurred or (ii) establish to the satisfaction of the Board (whose judgment shall be final and binding) that he is not a Non-Qualified Holder, the Board may, in its absolute discretion, arrange for the company to sell the shares at the best price reasonably obtainable to any other person so that the shares will cease to be held by a Non-Qualified Holder, in which event the company may take any action whatsoever that the Board considers necessary in order to effect the transfer of such shares by the holder of such shares and the company shall pay the net proceeds of sale to the former holder upon its receipt of the sale proceeds and the surrender by him of the relevant share certificate or, if no certificate has been issued,

such evidence as the Board may reasonably require to satisfy itself as to his former entitlement to the shares and to such net proceeds of sale and the former holder shall have no further interest in the relevant shares or any claim against the company in respect thereof. No trust will be created and no interest will be payable in respect of such net proceeds of sale.

(f) **Alteration of capital and purchase of shares**

The company may from time to time, subject to the provisions of the Bermuda Companies Act, purchase its own shares in any manner authorised by the Bermuda Companies Act.

The Bermuda Companies Act provides that the company may by resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; and convert its fully paid shares into shares denominated in a different currency.

The company may by resolution reduce its share capital, any redemption reserve fund or any stated capital account, including share premium account, in any manner permitted by and with and subject to any consent required by the Bermuda Companies Act.

(g) **Interests of Directors**

- (i) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the company).
- (ii) Subject to the Bermuda Companies Act, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  - (A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the company or any of its subsidiaries;
  - (B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
  - (C) a contract, arrangement, transaction or proposal concerning or the offer of shares, debentures or other securities of the company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
  - (D) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
  - (E) any arrangement for the benefit of employees of the company or any of its subsidiaries which accords to the Director only such privileges and

advantages as are generally accorded to the employees to whom the arrangement relates; or

(F) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.

(iii) Any Director may act by himself or by his firm in a professional capacity for the company other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

(iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the company is interested, and any such Director shall not be accountable to the company for any remuneration or other benefits received by him.

(h) **Remuneration of Directors**

(i) The Directors shall be remunerated quarterly for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees payable to the Directors shall not exceed £250,000 per annum (or such sum as UIL in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

(ii) A Director may hold any other office or place of profit under the company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

(iii) The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

(i) **Retirement of Directors**

(i) Directors shall be subject to retirement by rotation and any Director who retires shall be eligible for re-appointment. One third of the Directors will retire at each annual general meeting. Any Director who at an annual general meeting of the company shall have then been a Director at each of the preceding two annual general meetings of the company and did not retire by rotation at either such annual general meeting must retire by rotation.

(ii) A Director shall not be required to hold any qualification shares.

(iii) No person shall be or become incapable of being appointed a Director by reason of having attained the age of 70 or any other age and no Director shall be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

(j) **Dividends and distribution of assets on a winding up**

(i) The Directors may if they think fit from time to time pay the UIL Shareholders such interim dividends as appear to be justified by the profits of UIL. ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.

(ii) No dividend or other amount payable to any Shareholder shall bear interest against UIL. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of UIL until claimed. Payment by UIL of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute UIL a trustee in respect thereof. Any dividend unclaimed 12 years from the date when it first became payable shall be forfeited automatically, without the necessity for any declaration or other action by UIL.

- (iii) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to divide.
- (iv) If the company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of a resolution and any other sanction required by Bermuda Companies Act, divide amongst the members *in specie* the whole or any part of the assets of the company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

(k) **Borrowing**

- (i) UIL Finance does not have power to incur any borrowings. To the extent that it incurs any operational costs or expenses, these will be funded by UIL pursuant to the Subscription Agreement, further details of which are set out in paragraph 8.1 of this Part 9.
- (ii) In respect of UIL:
  - (A) The UIL Directors may exercise all and any powers of UIL to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and the uncalled capital of UIL and, subject to the provisions of the Bermuda Companies Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of UIL.
  - (B) The UIL Board shall restrict the borrowings of UIL and exercise all voting and other rights or powers of control exercisable by UIL in relation to its subsidiary undertakings so that (so far as it is able), without the prior sanction of an ordinary resolution of UIL, no new borrowings are incurred if, as a result, the aggregate principal amount outstanding of all net borrowings by the Group (excluding certain borrowings from one member of the Group to another member of the Group) exceeds an amount equal to 100 per cent. of UIL's gross assets.
  - (C) Any person lending money to UIL shall be entitled to assume that UIL is acting in accordance with the UIL Bye-laws and shall not be concerned to enquire whether such provisions have in fact been complied with.

(l) **Register of Shareholders**

The register of shareholders is the hard copy register of Shareholders and ZDP Shareholders kept in Bermuda pursuant to section 65 of the Bermuda Companies Act.

The register of Depositary Interests representing the Ordinary Shares and ZDP Shares will be kept by the CREST Agent in the United Kingdom.

(m) **Meetings**

Annual general meetings typically are held on such date and at such place as the Directors may determine. Notices convening each annual general meeting, together with the annual accounts and reports, are sent to Shareholders holding ordinary shares at least 21 clear days before the date fixed for the meeting.

All general meetings other than annual general meetings are called special general meetings and notice for such meetings are sent to Shareholders holding ordinary shares at least 14 clear days before the date fixed for the meeting.

## 8 MATERIAL CONTRACTS

Save as described below, the Group has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Group has any obligation or entitlement that is material to the Group as at the date of this document.

### 8.1 Subscription Agreement

An amended and restated subscription agreement dated 28 September 2017 between UIL and UIL Finance pursuant to which, in consideration for UIL Finance agreeing to transfer to UIL certain assets, UIL undertook to contribute (by way of gift, capital contribution or otherwise) such funds as will ensure that UIL Finance will have in aggregate sufficient distributable reserves on each ZDP Repayment Date to satisfy the Final Capital Entitlement of the ZDP Shares then due and any operational costs or expenses incurred by UIL Finance.

UIL has undertaken to UIL Finance for so long as UIL's obligations under the Subscription Agreement remain outstanding:

- (a) that for so long as it is the holder of all the ordinary shares in issue in UIL Finance, it shall not vote in general meetings to pass a resolution of UIL Finance on the matters which would require the previous sanction of an extraordinary resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders in accordance with the UIL Finance Bye-laws unless such previous sanctions have first been obtained. The relevant matters are summarised in paragraph 1.3(c) of Part 5 of this document;
- (b) that it shall not (and that it shall, so far as it is able, procure that none of its subsidiaries shall) enter into any transaction which, if it were a transaction entered into by UIL Finance, would require the sanction of the ZDP Shareholders under the UIL Finance Bye-laws or otherwise as required by law without such sanction having been obtained;
- (c) that, except with such sanction as aforesaid or as required from time to time by the Financial Conduct Authority or any other relevant legal or regulatory requirement, it shall ensure that the board of directors of UIL Finance as constituted from time to time comprises the same individuals who form the Board of UIL;
- (d) that, except with such sanction as aforesaid, it will not make any distribution to the Shareholders in excess of the amount of its net revenues and revenue reserves nor will it make any repayment of capital to the Shareholders or repurchase any of the Ordinary Shares in the event that following such repayment or repurchase the ZDP Cover shall be less than 1.5x in the case of the 2018 ZDP Shares or less than 1.35x in the case of the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares;
- (e) that it will have due regard to the interests of the ZDP Shareholders;
- (f) that if all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within seven days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the UIL Finance Bye-laws), UIL shall convene a special general meeting of UIL to be held within 60 days of the relevant ZDP Repayment Date at which a resolution shall be proposed requiring that UIL be wound up voluntarily pursuant to the Bermuda Companies Act;
- (g) that it shall not, without the previous sanction of an extraordinary resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders undertake any of the following matters:
  - (i) issue any further shares or rights to subscribe for further shares or convert any securities into shares in UIL or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or

reclassification rank, as to capital, in priority to, or *pari passu* with, UIL's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares unless the UIL Directors shall have calculated and UIL's financial adviser shall have reported to the UIL Directors on such calculations within 60 days prior to the Calculation Date (as defined below) that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the ZDP Shares in issue immediately thereafter would have a ZDP Cover of not less than 1.5x in the case of the 2018 ZDP Shares or less than 1.35x in the case of the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares. For this purpose, the ZDP Cover shall represent a fraction where the numerator is equal to the gross assets of the Group on the Calculation Date and the denominator is equal to the aggregate on the Calculation Date of (i) the aggregate capital entitlement on the relevant ZDP Repayment Dates of the ZDP Shares in issue on the Calculation Date and (ii) the outstanding amounts payable by the Group under bank facilities and any borrowings ranking in priority to its payment obligations under the Subscription Agreement. Gross assets for this purpose shall mean the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by UIL, less current liabilities (not including contingent liabilities) of UIL (other than principal monies borrowed), each as determined by the UIL Directors. The Calculation Date, for the purpose of this paragraph 8.1(g)(i) shall mean the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue. In calculating such ZDP Cover, the UIL Directors shall where available:

- (A) use the gross assets of UIL at the most recent practicable date before the Calculation Date;
- (B) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the end of the month prior to the Calculation Date;
- (C) adjust the gross assets of UIL by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;
- (D) take account of the entitlements to be attached to the new shares or securities or rights to be issued;
- (E) aggregate the Final Capital Entitlement of the existing ZDP Shares and the capital entitlements of the new shares or securities or rights to be issued as aforesaid in each case as at the relevant ZDP Repayment Dates;
- (F) make appropriate adjustments for any other issues or reclassifications or purchases of own share capital which have been made by UIL or UIL Finance since the end of the preceding month or will have been made by or at the time of the proposed issue of shares or rights of subscription or conversion into shares or reclassification; and
- (G) make such other adjustments as they consider appropriate.

The UIL Directors shall have absolute discretion to determine whether the conditions set out above are satisfied in any case and no independent valuation need be carried out; or

- (ii) pass a resolution to reduce the share capital of UIL in any manner or to purchase shares in UIL other than as permitted below;
- (iii) pass a resolution for the voluntary winding-up of UIL, such winding-up to take effect prior to the final ZDP Repayment Date; or

- (iv) alter any objects set out in the Memorandum of Association of UIL; or
- (v) pass any resolution which authorises or permits the UIL Directors to pay any dividend or other distribution out of the capital reserves of UIL (which, for the avoidance of doubt, shall not include a bonus or capitalisation issue of shares) other than as permitted below; or
- (vi) change the investment policy of UIL materially,

provided that no such sanction will be required for the passing of any resolution authorising UIL to purchase Ordinary Shares which shares may only be purchased at prices at or below their prevailing Net Asset Value on a diluted basis (as determined by the UIL Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and where such repurchases shall not reduce the ZDP Cover below 1.5x in the case of the 2018 ZDP Shares or below 1.35x in the case of the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares (as determined by the UIL Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and taking into account of any related purchase by UIL Finance of ZDP Shares which the UIL Finance Directors determine to make at or about the same time.

## 8.2 Management Agreement

A Management Agreement dated 31 March 2015 between UIL, ICMIM and ICM, as amended by supplemental agreements respectively dated 30 September 2016 and 30 June 2017, pursuant to which ICMIM has been appointed, with effect from 13 April 2015, to act as UIL's alternative investment fund manager with sole responsibility for risk management, and both ICMIM and ICM have been appointed as the joint portfolio managers of UIL. In addition to its duties as joint portfolio manager, ICMIM also provides company secretarial services to UIL and UIL Finance.

The aggregate annual management fee payable by UIL under the Management Agreement is 0.5 per cent. of net assets, payable quarterly in arrears which is apportioned between the Joint Portfolio Managers in accordance with a management services agreement between them. The annual management fee is adjusted for fees earned by the Joint Portfolio Managers in respect of investment holdings managed or advised by them or their associates.

The Joint Portfolio Managers are also entitled to a performance fee calculated on the basis described in Part 4 of this document under the heading "Performance fee".

In addition to the management fee and the performance fee, ICM receives a fee equal to one-third of the total employment costs incurred by it in employing a suitably experienced person to provide company secretarial services to UIL and UIL Finance.

The Joint Portfolio Managers are also reimbursed for all out of pocket costs and expenses incurred on behalf of UIL by them and for reasonable travel and related costs incurred in the performance of their duties.

The Management Agreement continues unless or until terminated by either the Joint Portfolio Managers giving to UIL not less than one year's notice in writing or by UIL giving to the Joint Portfolio Managers one year's notice, or unless otherwise terminated with cause upon immediate written notice from the non-defaulting party/(ies) to the defaulting party/(ies).

The Joint Portfolio Managers have the benefit of an indemnity from UIL in relation to liabilities incurred by them in the discharge of their duties under the Management Agreement other than those arising by reason of any fraud, wilful default, negligence or bad faith or breach of the Management Agreement on the part of the Joint Portfolio Managers or their delegates.

The Management Agreement is governed by English law.

### 8.3 Administration Agreement

The Administration Agreement dated 26 June 2015 between UIL, the Administrator and the Joint Portfolio Managers whereby UIL has appointed the Administrator to provide administrative services to UIL. Under the Administration Agreement, the Administrator has the authority to delegate the discharge of certain of its functions thereunder with the consent of UIL, not to be unreasonably withheld or delayed. The Administrator shall not be responsible for the performance by such third party of any duties delegated to them under the Administration Agreement, save as to negligence in the selection of a third party or in the on-going monitoring and management of the service provided by such third party.

The Administration Agreement is terminable on six months' notice in writing or on shorter notice in the event of breach of contract or insolvency.

The Administrator is paid an annual fee of £310,000 for its company administration and valuation services. From 1 October 2017 the fee will increase to £320,000 per annum. UIL will reimburse the Administrator in respect of reasonable out-of-pocket expenses properly incurred in the performance of its duties.

The Administrator has the benefit of an indemnity from UIL under the terms of the Administration Agreement in relation to liabilities incurred in the discharge of its duties other than those arising by reason of any bad faith, fraud, wilful default or negligence.

The Administration Agreement is governed by English law.

### 8.4 Depository Services Agreement

The Depository Services Agreement dated 13 April 2015 made between UIL, J.P. Morgan Europe Limited (**JPMEL**) and ICMIM pursuant to which UIL has appointed JPMEL to provide depository services under articles 21(7), (8)(b) and (9) of the AIFM Directive. The services provided by JPMEL include:

- general oversight responsibilities over the issue and cancellation of UIL's share capital, the carrying out of net asset value calculations, the application of income, and the ex-post review of investment transactions;
- monitoring UIL's cash flows and ensuring that all cash is booked in appropriate accounts in the name of UIL, ICMIM or JPMEL acting on behalf of UIL; and
- verifying UIL's ownership of its assets other than financial instruments and maintaining records sufficient for verification of UIL's ownership rights.

JPMEL receives an annual fee for its services of 2.2 basis points on UIL's Net Asset Value, subject to a minimum fee of £25,000 per annum.

The Depository Services Agreement is terminable on 90 days' notice in writing by either party or on shorter notice in the event of breach of contract or insolvency.

UIL has agreed to indemnify JPMEL against any liabilities that may be imposed on or incurred by JPMEL in connection with or arising of its performance under the Depository Services Agreement other than as a result of its fraud, negligence or wilful misconduct.

The Depository Services Agreement is governed by the English law

### 8.5 Global Custody Agreement

The novation and amendment agreement dated 13 April 2015 between UIL, JPMorgan Chase Bank, N.A. – London Branch (**JPMorgan**) and JPMorgan Chase Bank, N.A. – Jersey Branch (**JPMCB**) pursuant to which JPMorgan's rights and obligations under the Global Custody Agreement dated 7 May 2007 were novated to JPMCB. JPMCB has the benefit of an indemnity from UIL against liabilities arising in the absence of JPMCB's wilful misfeasance, bad faith, negligence, fraud or reckless disregard of its duties under this agreement. JPMCB receives safekeeping and administration charges based on the market value of assets in different countries and a transaction charge for all securities transactions, both of which vary country by

country, together with JPMCB's reasonable out-of-pocket or incidental expenses. The Global Custody Agreement with JPMCB is terminable on 60 days' notice.

The Custody Agreement is governed by English law.

#### **8.6 Loan Facility Agreement**

A £50 million secured multi-currency revolving loan facility made between UIL and Scotiabank dated 22 March 2011 (as amended and restated from time to time). The base currency of the facility is Sterling, although individual loans may be drawn down in US Dollars, Euros, New Zealand Dollars, Australian Dollars and any other currency acceptable to Scotiabank. The final repayment date for the loan is 22 March 2018.

UIL may not make further drawdowns where its debt to asset ratio is above 25 per cent. (or, if UIL's Gross Assets are below £200 million, above 15 per cent.). The debt to asset ratio is adjusted to exclude certain assets, including the value of investments in any single issuer in excess of 15 per cent. of Gross Assets. Liquid assets excludes the value of portfolio investments generally.

Scotiabank has a floating charge over the assets of UIL and has been assigned UIL's rights under certain material contracts, by way of security in respect of amounts owing under the facility. This security has been established by debentures under English and Bermuda law dated 22 March 2011 and a Jersey law custody agreement dated 13 April 2015, as amended on 13 May 2016.

The facility bears interest at an annual rate and the Loan Facility Agreement contains further representations, warranties, undertakings, events of default and indemnities which are customary for facility agreements of this nature.

The Loan Facility Agreement is governed by English law.

#### **8.7 2016 ZDP Rollover Loan Facility Agreement**

A £25 million secured short term loan facility made between UIL and Scotiabank dated 13 May 2016 in connection with the redemption of the 2016 ZDP Shares. The base currency of the facility was Sterling. The facility was repaid in full prior to its final repayment date of 24 June 2017.

Scotiabank was granted a floating charge over the assets of UIL and was assigned UIL's rights under certain material contracts, by way of security in respect of amounts owing under the facility. This security was established by debentures under English and Bermuda law dated 22 March 2011 and a Jersey law custody agreement dated 13 April 2015, as amended on 13 May 2016.

The facility bore interest at an annual rate and the agreement contained further representations, warranties, undertakings, events of default and indemnities which are customary for facility agreements of this nature.

The agreement was governed by English law.

#### **8.8 Stockdale Securities Engagement Letter**

The engagement letter dated 4 September 2017 between UIL and Stockdale Securities pursuant to which Stockdale Securities will provide financial advice to UIL and UIL Finance in connection with the Proposals.

#### **8.9 DI Depositary Services Agreements**

The DI Depositary Services Agreements dated 11 May 2007 between each of UIL and UIL Finance and the DI Depositary pursuant to which DI Depositary has agreed to act as CREST agent and UK transfer agent to UIL and UIL Finance respectively. Under each agreement the DI Depositary is entitled to an annual fee. Each agreement is terminable by either party on six months' notice.

#### 8.10 **BCB Custody Agreement**

The custody agreement dated 30 May 2010 between UIL and Bermuda Commercial Bank Limited (**BCB**) pursuant to which BCB shall act as UIL's custodian in respect of such cash and investments as UIL shall from time to time deposit with BCB. The fees payable to BCB depend on the nature and quantity of the assets deposited with BCB and there is no minimum fee. There is no obligation on UIL to deposit any assets with BCB. The agreement can be terminated on three months' notice by either party.

The BCB Custody Agreement is governed by Bermuda law.

#### 8.11 **Placing Agreement**

The Placing Agreement dated 28 September 2017 between UIL, UIL Finance, the Joint Portfolio Managers and Stockdale Securities whereby Stockdale Securities has agreed, as agent for UIL Finance to use its reasonable endeavours to procure subscribers for up to 30 million 2024 ZDP Shares under the Placing. For its services in connection with the Proposals, Stockdale Securities will be entitled to a corporate finance fee of £125,000, a commission of 0.5 per cent. of the aggregate value of the 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer and a commission of 1 per cent. of the gross proceeds of the Placing. Under the agreement, which may be terminated by Stockdale Securities in certain limited circumstances prior to Admission of the 2024 ZDP Shares, UIL, UIL Finance and the Joint Portfolio Managers have agreed to certain market standard warranties and indemnities in favour of Stockdale Securities concerning, *inter alia*, the accuracy of the information in this document.

#### 8.12 **UIL Subscription Agreement**

The subscription agreement dated 28 September 2017 between UIL and UIL Finance pursuant to which UIL has agreed to subscribe for up to 20 million 2024 ZDP Shares at the Issue Price of 100p per 2024 ZDP Share. The UIL Subscription is conditional, *inter alia*, on Admission of the 2024 ZDP Shares arising upon the conversion of 2018 ZDP Shares pursuant to the Tender Offer and the 2024 ZDP Shares issued pursuant to the UIL Subscription and if applicable, the Placing by 2 November 2017 (or such later date, not being later than 30 November 2017, as UIL and Stockdale Securities may agree).

#### 8.13 **2016 Placing Agreement**

The placing agreement dated 18 May 2016 between UIL, UIL Finance, the Joint Portfolio Managers and Stockdale Securities whereby Stockdale Securities agreed, as agent for UIL Finance to use its reasonable endeavours to procure subscribers for 2022 ZDP Shares under an initial placing and for 2022 ZDP Shares and 2020 ZDP Shares under a 12 month placing programme. For its services in connection with the rollover offer for the 2016 ZDP Shares and the associated initial placing and placing programme, Stockdale Securities was entitled to a corporate finance fee of £125,000, a commission of 0.5 per cent. of the aggregate value of the 2022 ZDP Shares arising under the rollover offer for the 2016 ZDP Shares and a commission of 1 per cent. of the gross proceeds of such initial placing and placing programme. Under the placing agreement, UIL, UIL Finance and the Joint Portfolio Managers agreed to certain market standard warranties and indemnities in favour of Stockdale Securities.

### **9 INVESTMENT RESTRICTIONS**

UIL has adopted the following investment and other restrictions:

- 9.1 UIL will at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy;
- 9.2 UIL will not conduct any trading activity which is significant in the context of the Group as a whole; and

9.3 not more than 10 per cent. in aggregate of the value of the total assets of UIL at the time the investment is made will be invested in other closed-ended investment funds which are listed on the Official List (except to the extent that those investment funds have stated investment policies to invest no more than 15 per cent. of their total assets in other investment companies which are listed on the Official List).

## **10 LITIGATION**

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which UIL or UIL Finance is aware) in the previous 12 months which may have, or have had in the recent past, significant effects on any member of the Group's financial position or profitability.

## **11 SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the Group since 30 June 2017, being the date to which the latest annual report and audited results of the Group were published.

## **12 RELATED PARTY TRANSACTIONS**

Save for as disclosed in note 25 on pages 82 to 83 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2015, note 27 on pages 93 and 94 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2016 and note 28 on pages 93 and 94 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2017, which have all been incorporated into this document by reference, the Group was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three years ended 30 June 2017 or during the period from 30 June 2017 to 27 September 2017 (being the latest practicable date prior to the publication of this document) other than UIL being a party to the Management Agreement (described in paragraph 8.2 of this Part 9).

## **13 SELLING RESTRICTIONS**

The attention of potential investors who are not resident in, or who are not citizens of, the UK is drawn to the paragraphs below.

The offer of 2024 ZDP Shares under the Rollover Offer and the Placing to potential investors may be affected by the laws of the jurisdictions of such potential investors. Such persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any applicable legal requirements to enable them to participate in the Rollover Offer and/or to subscribe for 2024 ZDP Shares under the Placing. It is the responsibility of all potential investors receiving this document and/or wishing to make an election under the Rollover Offer and/or to subscribe for 2024 ZDP Shares under the Placing to satisfy themselves as to full observance of the laws of their respective territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send it to any US Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that UIL Finance has not, and will not be, registered under the Investment Company Act and the offer, placing and sale of the 2024 ZDP Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

Accordingly, the 2024 ZDP Shares are only being offered and sold outside the United States to non-US Persons in an offshore transaction in reliance on the exemption from registration provided by Regulation S. The 2024 ZDP Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any US Person. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any 2024 ZDP Shares in the United States may constitute a violation of US law.

UIL Finance reserves the right to treat as invalid any election to rollover 2018 ZDP Shares into 2024 ZDP Shares or agreement to subscribe for 2024 ZDP Shares under the Placing if it appears to UIL Finance or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## 14 MISCELLANEOUS

14.1 Assuming that the maximum of 30 million 2024 ZDP Shares are issued under the Placing at an Issue Price of 100p per share, the gross proceeds of the Placing will be £30 million, the net proceeds of the Placing are expected to be £29.34 million. The net proceeds of the Placing will be advanced by UIL Finance to UIL in accordance with the Subscription Agreement and UIL will invest the net proceeds in accordance with its investment policy and/or use the net proceeds to reduce the level of borrowings and/or for working capital purposes.

14.1 No member of the Group has any employees.

14.2 No member of the Group owns or leases any land or buildings.

14.3 No application is being made for any ZDP Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the main market for listed securities of the London Stock Exchange.

14.4 The Ordinary Shares and the existing ZDP Shares are, and any ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer or issued under the Placing and the UIL Subscription will be, denominated in Sterling.

14.5 UIL has the following subsidiaries:

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Number and class of shares held</b>	<b>Holding and voting rights (%)</b>
UIL Finance	Bermuda	Investment company	10 ordinary shares of 10p nil paid	100
Bermuda First Investment Company Limited	Bermuda	Investment company focussing on Bermuda	1,891,195 ordinary shares of £0.01 fully paid	95.8
Energy Holding Ltd	Bermuda	Investment company	100 ordinary shares of 100p each fully paid	100
UIL Holdings Pte Ltd	Singapore	Investment company (dormant)	100 ordinary shares of SING \$ 1.00 each fully paid	100
Zeta Resources Limited	Bermuda	Investment company focussing on resources	85,539,612 ordinary shares of A\$1 fully paid	85.5

14.6 In addition, UIL holds shares linked to a segregated account in GERP. This account which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of UIL. In accordance with IFRS, the segregated account in GERP is classified as a subsidiary undertaking of UIL and its financial results are included within the accounts of the Group.

14.7 ICMIM which has been appointed as UIL's AIFM and as a joint portfolio manager under the Management Agreement was incorporated and registered in England on 27 February 2013, with registered number 8421482. The principal place of business of ICMIM is PO Box 208, Epsom, Surrey KT18 7YF (a representative of ICMIM can be contacted on telephone number + 44 (0) 1372 271486). ICMIM is subject to the provisions of the Companies Act 2006 and is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

14.8 ICM which has been appointed as a joint portfolio manager under the Management Agreement was incorporated and registered in Bermuda on 18 June 2010 as an exempted company

incorporated with limited liability with registered number 44350. The principal place of business of ICM is 34 Bermudiana Road, Hamilton HM11, Bermuda (a representative of ICM can be contacted on telephone number + 44 (0) 1372 271486). ICM is subject to the provisions of the Bermuda Companies Act and has a licence to carry on business in Bermuda including providing investment advice to UIL granted by the Minister of Business Development and Tourism of Bermuda

- 14.9 The auditors to UIL and UIL Finance for the three financial periods ended 30 June 2015, 30 June 2016 and 30 June 2017 were KPMG LLP of 15 Canada Square, London E14 5GL.
- 14.10 Where information in this document has been sourced from a third party, UIL and UIL Finance confirm that that information has been accurately reproduced and as far as UIL and UIL Finance are aware and are able to ascertain from the information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## **15 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of UIL Finance at 34 Bermudiana Road, Hamilton HM 11 Bermuda and at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of Admission:

- (a) the UIL Bye-laws and the New UIL Finance Bye-laws;
- (b) UIL Finance's audited annual financial statements for the financial years ended 30 June 2015, 2016 and 2017 referred to in Section A of Part 6 of this document;
- (c) UIL's audited annual financial statements for the financial years ended 30 June 2015, 2016 and 2017 referred to in Section B of Part 6 of this document;
- (d) the Subscription Agreement; and
- (e) this document.

## **16 AVAILABILITY OF PROSPECTUS**

A copy of this document is available for inspection at <http://www.morningstar.co.uk/uk/nsm>.

28 September 2017

## DEFINITIONS

The following definitions shall apply throughout this document unless the context requires otherwise:

<b>2012 ZDP Shares</b>	zero dividend preference shares of 10p each issued by UIL Finance that entitled their holders to a capital repayment of 177.52p per share on 31 October 2012 and which were redeemed on that date
<b>2014 ZDP Shares</b>	zero dividend preference shares of 10p each issued by UIL Finance that entitled their holders to a capital repayment of 167.60p per share on 31 October 2014 and which were redeemed on that date
<b>2016 ZDP Shares</b>	zero dividend preference shares of 10p each issued by UIL Finance that entitled their holders to a capital repayment of 192.78p per share on 31 October 2016 and which were redeemed on that date
<b>2018 ZDP Shares</b>	zero dividend preference shares of 5.9319p each issued by UIL Finance pursuant to a rollover offer in 2011, that entitle their holders to a capital repayment of 160.52p per share on 31 October 2018
<b>2020 ZDP Shares</b>	zero dividend preference shares of 6.0514p each issued by UIL Finance pursuant to a rollover offer and a placing in 2014 that entitle their holders to a capital repayment of 154.90p per share on 31 October 2020
<b>2022 ZDP Shares</b>	zero dividend preference shares of 5.3180p each issued by UIL Finance pursuant to a rollover offer and placing in 2016 that entitle their holders to a capital repayment of 146.99p per share on 31 October 2022
<b>2024 ZDP Shares</b>	zero dividend preference shares of 3.8025p each to be issued by UIL Finance arising upon the conversion of 2018 ZDP Shares pursuant to the Rollover Offer and to be issued by UIL Finance pursuant to the UIL Subscription and, if applicable, the Placing that will entitle their holders to a capital repayment of 138.5p per share on 31 October 2024
<b>2024 ZDP Redemption Date</b>	31 October 2024
<b>Accrued Capital Entitlement</b>	the accrued capital entitlement of a ZDP Share on any particular date
<b>Administration Agreement</b>	the administration agreement entered into between UIL, the Joint Portfolio Managers and F&C Management Limited, the terms of which are summarised in paragraph 8.3 of Part 9 of this document
<b>Administrator</b>	F&C Management Limited
<b>Admission</b>	the admission of the 2024 ZDP Shares arising upon conversion of 2018 ZDP Shares pursuant to the Rollover Offer and issued pursuant to the UIL Subscription and, if applicable, the Placing to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities
<b>AIC</b>	the Association of Investment Companies
<b>AIC Code</b>	the AIC Code of Corporate Governance
<b>AIF</b>	an alternative investment fund, as defined in the AIFM Directive

<b>AIFM</b>	an alternative investment fund manager, as defined in the AIFM Directive
<b>AIFM Directive</b>	the EU Alternative Investment Fund Managers Directive (No. 2011/61/EU)
<b>AIFM Regulations</b>	the Alternative Investment Fund Managers Regulations 2013 (SI 1773/2013)
<b>Allectus</b>	Allectus Capital Limited
<b>Assumptions</b>	the principal bases and assumptions set out in Part 8 of this document
<b>Basic Entitlement</b>	the entitlement of each Eligible Shareholder to elect to participate in the Rollover Offer in respect of 38.5831 per cent. of the 2018 ZDP Shares registered in such shareholder's name on the Record Date, in each case rounded down to the nearest whole number
<b>BCB Custody Agreement</b>	the custody agreement entered into between UIL and Bermuda Commercial Bank Limited, the terms of which are summarised in paragraph 8.10 of Part 9 of this document
<b>Bermuda Companies Act</b>	the Bermuda Companies Act 1981, as amended from time to time
<b>Board</b>	the UIL Board and/or the UIL Finance Board, as the context may require
<b>Business Day</b>	a day not being a Saturday or a Sunday on which banks are open for business in the City of London
<b>Bye-laws</b>	the bye-laws of UIL Finance or UIL, as the context may require
<b>certificated or in certificated form</b>	a share or other security which is not in uncertificated form (that is, not held in CREST)
<b>City Code</b>	the City Code on Takeovers and Mergers, administered by The Panel on Takeovers and Mergers
<b>Closing Date</b>	the closing time for elections under the Rollover Offer, being 1.00 p.m. on 20 October 2017
<b>Computershare Bermuda</b>	Computershare Investor Services (Bermuda) Limited
<b>CREST</b>	the system for paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
<b>Depository</b>	J.P. Morgan Europe Limited
<b>Depository Interests</b>	the dematerialised depository interests issued by the DI Depository representing the underlying ZDP Shares
<b>Depository Services Agreement</b>	the separate custody and service agreements entered into by each of UIL, JPMEL and ICMIM, a summary of which is set out in paragraph 8.4 of Part 9 of this document
<b>DI Depository</b>	Computershare Investor Services PLC
<b>DI Depository Services Agreements</b>	the separate custody and service agreements entered into by each of UIL and UIL Finance and the DI Depository further details of which are set out in paragraph 8.9 of Part 9 of this document
<b>Depository Interests</b>	the dematerialised depository interests issued by the DI Depository representing the underlying ZDP Shares

<b>Directors</b>	the UIL Finance Directors and/or the UIL Directors as the context may require
<b>Disclosure Guidance and Transparency Rules</b>	the disclosure guidance and transparency rules made under Part VI of FSMA (as set out in the FCA Handbook) (as amended)
<b>Eligible Shareholders</b>	Qualifying Holders on the Register on the Record Date
<b>Emerging Markets</b>	predominantly countries included in leading emerging market indices
<b>ERISA</b>	the regulations adopted under the United States Employee Retirement Income Security Act 1974
<b>EU</b>	the European Union
<b>Exchange Act</b>	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities Exchange Commission promulgated pursuant to it
<b>FCA or Financial Conduct Authority</b>	the UK Financial Conduct Authority (or any successor entity or entities) and, where applicable, acting as the competent authority for the purposes of admission to the Official List
<b>Final Capital Entitlement</b>	the accrued capital entitlement of a ZDP Share on the relevant ZDP Repayment Date or, if lower, the amount per ZDP Share to which the relevant ZDP Shareholders would be entitled, and would receive on a winding-up of UIL
<b>Form of Election</b>	the form of election for use by Eligible Shareholders in connection with the Rollover Offer
<b>FSMA</b>	Financial Services and Markets Act 2000, as amended
<b>GERP</b>	Global Equity Risk Protection Limited, an unquoted exempted company incorporated in Bermuda and registered as a segregated accounts company
<b>Global Custody Agreement</b>	the global custody agreement entered into between UIL and JPMorgan Chase Bank N.A. the terms of which are summarised in paragraph 8.5 of Part 9 of this document
<b>GPLPF</b>	General Provincial Life Pension Fund Limited, UIL's majority shareholder
<b>Gross Assets</b>	the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by the Group, less current liabilities (not including contingent liabilities) of UIL (other than principal monies borrowed and any payments due under the Subscription Agreement in respect of the ZDP Shares)
<b>Gross Redemption Yield</b>	in respect of a ZDP Share, the annually compounded rate of interest at which the total discounted value of future payments of capital equate to its actual or assumed value at the date of calculation
<b>Group</b>	UIL and all of its operating subsidiaries, being UIL Finance and GERP
<b>ICM</b>	ICM Limited, a joint portfolio manager of UIL
<b>ICMIM</b>	ICM Investment Management Limited, UIL's AIFM and a joint portfolio manager of UIL
<b>Initial Capital Entitlement</b>	the capital entitlement on the date of issue of a ZDP Share
<b>Investment Company Act</b>	the United States Investment Company Act 1940, as amended

<b>ISA</b>	Individual Savings Account
<b>Issue Price</b>	100 pence per 2024 ZDP Share
<b>Joint Portfolio Managers</b>	ICMIM and ICM
<b>JPMCB</b>	JPMorgan Chase Bank N.A. – Jersey Branch
<b>JPMEEL</b>	J.P. Morgan Europe Limited
<b>Listing Rules</b>	the rules and regulations made by the FCA under Part VI of FSMA
<b>Loan Facility</b>	the £50 million debt facility provided to UIL by Scotiabank pursuant to the Loan Facility Agreement
<b>Loan Facility Agreement</b>	the loan facility agreement pursuant to which Scotiabank has agreed to provide the Loan Facility to UIL, the terms of which are summarised in paragraph 8.6 of Part 9 of this document
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Management Agreement</b>	the management agreement between UIL, ICMIM and ICM, a summary of which is set out in paragraph 8.2 of Part 9 of this document
<b>Member State</b>	a member state of the EU
<b>Net Asset Value or NAV</b>	in respect of the Ordinary Shares, the amount which would be payable to a Shareholder on any specified date if UIL was wound up and its assets (after making provisions for all its liabilities, including the amounts due to ZDP Shareholders) distributed on that date, valuing assets and providing for liabilities in accordance with the normal accounting policies of UIL, but ignoring winding up expenses
<b>New UIL Finance Bye-laws</b>	the Bye-Laws of UIL Finance, which were adopted by a written resolution of UIL, the sole ordinary shareholder of UIL Finance, on 28 September 2017
<b>Non-Qualified Holder</b>	any person: (i) whose ownership of shares may cause UIL Finance's assets to be deemed "plan assets" for the purposes of ERISA or the US Internal Revenue Code; (ii) whose ownership of shares may cause UIL Finance to be required to register as an "investment company" under the Investment Company Act (including because the holder of the shares is not a "qualified purchaser" as defined in the Investment Company Act); (iii) whose ownership of shares may cause UIL Finance to register under the Exchange Act, the Securities Act or any similar legislation; (iv) whose ownership of shares may cause UIL Finance not being considered a "foreign private issuer" as such term is defined in rule 3b4(c) under the Exchange Act; or (v) whose ownership of shares may cause UIL Finance to be a "controlled foreign corporation" for the purposes of the US Internal Revenue Code, or may cause UIL Finance to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the US Internal Revenue Code)
<b>Official List</b>	the Official List of the FCA
<b>Ordinary Shares</b>	shares of 10p each in the capital of UIL
<b>Overseas ZDP Shareholders</b>	save as otherwise determined by the UIL Finance Directors, Qualifying Shareholders who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom, Channel Islands and the Isle of Man

<b>Placing</b>	the placing of 2024 ZDP Shares as described in Part 1 of this document
<b>Placing Agreement</b>	the placing agreement entered into between UIL, UIL Finance, the Joint Portfolio Managers and Stockdale Securities, the terms of which are summarised in paragraph 8.11 of Part 9 of this document
<b>Proposals</b>	the Rollover Offer, the Placing and the UIL Subscription
<b>Prospectus</b>	this document issued by UIL Finance dated 28 September 2017 prepared in accordance with the Listing Rules and the Prospectus Rules
<b>Prospectus Rules</b>	the rules published by the FCA under section 73A of FSMA
<b>Qualifying Holder</b>	registered holders of 2018 ZDP Shares who are not Overseas ZDP Shareholders
<b>Qualifying Holding</b>	the number of 2018 ZDP Shares registered in the name of an Eligible Shareholder as at the Record Date
<b>Receiving Agent</b>	Computershare Investor Services PLC
<b>Record Date</b>	6.00 p.m. on 20 October 2017
<b>Register</b>	the register of members of UIL Finance
<b>Registrars</b>	Computershare Investor Services (Bermuda) Limited
<b>Registrar Agreements</b>	the separate registrar agreements entered into between each of UIL and UIL Finance respectively and Computershare Bermuda
<b>RIS</b>	Regulatory Information Service
<b>Rollover Date</b>	the date on which 2018 ZDP Shares validly elected and accepted to participate under the Rollover Offer will be converted into 2024 ZDP Shares, expected to be 2 November 2017
<b>Rollover Offer</b>	the offer being made to Eligible Shareholders to convert part or all of their holding of 2018 ZDP Shares into 2024 ZDP Shares
<b>Rollover Value</b>	the value attributed to the 2018 ZDP Shares on the Rollover Date of 156.0p per 2018 ZDP Share
<b>Savings Plan</b>	the F&C Private Investor Plan and the F&C Pension Savings Plan
<b>Savings Plan Participants</b>	the participants in the Savings Plans
<b>Scotiabank</b>	Scotiabank Europe plc
<b>Securities Act</b>	the United State Securities Act of 1933, as amended
<b>Shareholders or UIL Shareholders</b>	holders of Ordinary Shares
<b>Somers</b>	Somers Limited
<b>Sterling</b>	the lawful currency of the United Kingdom
<b>Stockdale Securities</b>	Stockdale Securities Limited
<b>Subscription Agreement</b>	the amended and restated subscription agreement dated 28 September 2017 between UIL and UIL Finance pursuant to which, inter alia, UIL Finance transferred and agrees to transfer certain assets to UIL in consideration for which UIL agreed to put UIL Finance into sufficient funds to enable it to pay the Final Capital Entitlement of each ZDP Share when it falls due for payment in accordance with UIL Finance's Bye-laws and any operational costs or expenses incurred by UIL Finance

<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Corporate Governance Code</b>	the Financial Reporting Council's UK Corporate Governance Code as amended from time to time
<b>UIL</b>	UIL Limited
<b>UIL Board</b>	the board of directors of UIL
<b>UIL Directors</b>	the directors of UIL
<b>UIL Finance</b>	UIL Finance Limited, a subsidiary of UIL
<b>UIL Finance Board</b>	the board of directors of UIL Finance
<b>UIL Finance Directors</b>	the directors of UIL Finance
<b>UIL Finance Bye-laws</b>	the bye-laws of UIL Finance, as amended from time to time
<b>UIL Subscription</b>	the conditional subscription of up to 20 million 2024 ZDP Shares by UIL pursuant to the UIL Subscription Agreement as described in Part 1 of this document
<b>UIL Subscription Agreement</b>	the conditional agreement dated 28 September 2017 pursuant to which UIL has agreed to subscribed for up to 20 million 2024 ZDP Shares, the terms of which are summarised in paragraph 8.12 of Part 9 of this document
<b>uncertificated or in uncertificated form</b>	recorded on the Register as being held in uncertificated form (that is, securities held in CREST)
<b>United States</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>US Internal Revenue Code</b>	the United States Internal Revenue Code of 1986, as amended
<b>US Person</b>	has the meaning given in Regulation S under the Securities Act
<b>VAT</b>	value added tax
<b>Winding-up Revenue Profits</b>	the net revenue profits of UIL (including accumulated revenue reserves) as at the proposed date of winding up of UIL, determined in accordance with UIL's usual accounting policies and UIL's Bye-laws
<b>ZDP</b>	zero dividend preference
<b>ZDP Cover</b>	has the meaning given to it in the New UIL Finance Bye-Laws
<b>ZDP Repayment Date</b>	the date on which the Final Capital Entitlement becomes due for each class of ZDP Share, being 31 October 2018, 31 October 2020, 31 October 2022 and 31 October 2024 respectively
<b>ZDP Shares</b>	the 2018 ZDP Shares, the 2020 ZDP Shares, the 2022 ZDP Shares and the 2024 ZDP Shares
<b>ZDP Shareholders</b>	holders of ZDP Shares
<b>Zeta</b>	Zeta Resources Limited

