

This document comprises a prospectus relating to UIL Limited (**UIL**) 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 ordinary shares of 10p each in the capital of UIL to be issued pursuant to the Sale and Purchase Agreement (the **Consideration Shares**) to be admitted: (i) to the premium segment of the Official List; 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 Consideration Shares will commence on the London Stock Exchange on or around 1 August 2016 (and in any event, subject to satisfaction of all the conditions to the Sale and Purchase Agreement other than Admission, by no later than 31 December 2016, being the long-stop date for completion of the Acquisition under the Sale and Purchase Agreement).

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## **UIL LIMITED**

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

### **Issue of up to 25 million Consideration Shares in connection with the acquisition of further ordinary shares in Somers Limited**

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The whole of this document should be read. The attention of potential investors is drawn in particular to pages 15 to 23 of this document, which set out the principal risk factors associated with an investment in UIL.

**14 July 2016**

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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'

### SECTION A – INTRODUCTIONS AND WARNINGS

<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 is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document.

### SECTION B –THE ISSUER

<b>B.1</b>	Legal & commercial name	UIL's legal and commercial name is UIL Limited.
<b>B.2</b>	Domicile/ Legal form/ Legislation/ Country of incorporation	UIL was incorporated as an exempted closed-ended investment company in Bermuda under the Bermuda Companies Act. UIL is domiciled in Bermuda.
<b>B.5</b>	Group Structure	UIL's investments are held directly and indirectly through subsidiary undertakings.
<b>B.6</b>	Notifiable interests / Voting rights	As at the close of business on 13 July 2016, 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:

		Number of UIL's Ordinary Shares	Percentage of UIL's issued Ordinary Share capital																																																																																											
		56,001,533	61.8																																																																																											
		6,354,977	7.01																																																																																											
		<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 (L) 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 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>B.7</b>	Financial information	<p>Selected historical financial information of the Group for the financial periods ended 30 June 2013, 30 June 2014 and 30 June 2015 is set out below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="3" style="text-align: center;"><b>As at or for the year ended 30 June (audited)</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2013</b></th> <th style="text-align: center;"><b>2014</b></th> <th style="text-align: center;"><b>2015</b></th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td style="text-align: right;">147,080</td> <td style="text-align: right;">164,400</td> <td style="text-align: right;">166,558</td> </tr> <tr> <td>Net asset value per share (pence)</td> <td style="text-align: right;">148.33</td> <td style="text-align: right;">165.84</td> <td style="text-align: right;">169.00</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;">(33,494)</td> <td style="text-align: right;">44,353</td> <td style="text-align: right;">26,841</td> </tr> <tr> <td>Net (loss)/profit (£'000)</td> <td style="text-align: right;">(51,330)</td> <td style="text-align: right;">26,656</td> <td style="text-align: right;">10,210</td> </tr> <tr> <td>Earnings per share (pence)</td> <td style="text-align: right;">(51.59)</td> <td style="text-align: right;">26.88</td> <td style="text-align: right;">10.31</td> </tr> <tr> <td>Dividend per share (pence)</td> <td style="text-align: right;">10.0</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;">16,216</td> <td style="text-align: right;">10,410</td> <td style="text-align: right;">11,197</td> </tr> <tr> <td>Net profit (£'000)</td> <td style="text-align: right;">11,997</td> <td style="text-align: right;">6,973</td> <td style="text-align: right;">7,766</td> </tr> <tr> <td>Earnings per share (pence)</td> <td style="text-align: right;">12.06</td> <td style="text-align: right;">7.03</td> <td style="text-align: right;">7.84</td> </tr> </tbody> </table> <p>Selected historical financial information of the Group for the six month periods ended 31 December 2014 and 31 December 2015 is set out below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;"><b>As at or for the period ended 31 December (unaudited)</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2014</b></th> <th style="text-align: center;"><b>2015</b></th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td style="text-align: right;">157,439</td> <td style="text-align: right;">146,387</td> </tr> <tr> <td>Net asset value per share (pence)</td> <td style="text-align: right;">158.78</td> <td style="text-align: right;">161.48</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> </tr> <tr> <td>Total income (£'000)</td> <td style="text-align: right;">5,503</td> <td style="text-align: right;">569</td> </tr> <tr> <td>Net loss (£'000)</td> <td style="text-align: right;">(3,283)</td> <td style="text-align: right;">(7,596)</td> </tr> <tr> <td>Earnings per share (pence)</td> <td style="text-align: right;">(3.31)</td> <td style="text-align: right;">(8.30)</td> </tr> <tr> <td>Dividend per share (pence)</td> <td style="text-align: right;">3.75</td> <td style="text-align: right;">3.75</td> </tr> <tr> <td><b>Revenue</b></td> <td></td> <td></td> </tr> <tr> <td>Total revenue income (£'000)</td> <td style="text-align: right;">4,107</td> <td style="text-align: right;">4,544</td> </tr> <tr> <td>Net profit (£'000)</td> <td style="text-align: right;">2,558</td> <td style="text-align: right;">2,659</td> </tr> <tr> <td>Earnings per share (pence)</td> <td style="text-align: right;">2.58</td> <td style="text-align: right;">2.91</td> </tr> </tbody> </table> <p>Over the period from 1 July 2012 to 31 December 2015, the period covered by the historical financial information, there has been a reduction in the net assets of the Group's investments from £208.9 million to £146.4 million, purchases and disposals of investments of £249.1 million and £300.2 million</p>			<b>As at or for the year ended 30 June (audited)</b>				<b>2013</b>	<b>2014</b>	<b>2015</b>	Net assets (£'000)	147,080	164,400	166,558	Net asset value per share (pence)	148.33	165.84	169.00	<b>Total</b>				Total income (£'000)	(33,494)	44,353	26,841	Net (loss)/profit (£'000)	(51,330)	26,656	10,210	Earnings per share (pence)	(51.59)	26.88	10.31	Dividend per share (pence)	10.0	7.5	7.5	<b>Revenue</b>				Total revenue income (£'000)	16,216	10,410	11,197	Net profit (£'000)	11,997	6,973	7,766	Earnings per share (pence)	12.06	7.03	7.84		<b>As at or for the period ended 31 December (unaudited)</b>			<b>2014</b>	<b>2015</b>	Net assets (£'000)	157,439	146,387	Net asset value per share (pence)	158.78	161.48	<b>Total</b>			Total income (£'000)	5,503	569	Net loss (£'000)	(3,283)	(7,596)	Earnings per share (pence)	(3.31)	(8.30)	Dividend per share (pence)	3.75	3.75	<b>Revenue</b>			Total revenue income (£'000)	4,107	4,544	Net profit (£'000)	2,558	2,659	Earnings per share (pence)	2.58	2.91
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		<p>respectively, realised profits of £13.4 million and unrealised losses of £12.2 million. In addition, UIL has received gross placing proceeds of approximately £29.1 million through the issue of 27,592,413 2018 ZDP Shares in October 2012 and approximately £9.5 million through the issue of 9,465,112 2020 ZDP Shares in July 2014, with a corresponding increase in the Group's liabilities through the increase in the aggregate Accrued Capital Entitlement of the ZDP Shares. On 31 October 2012 UIL provided the funds for the redemption by UIL Finance of the 2012 ZDP Shares which had an aggregate accrued capital entitlement of £69.8 million and on 31 October 2014 UIL provided the funds for the redemption by UIL Finance of the 2014 ZDP Shares which had an aggregate accrued capital entitlement of £63.9 million. Over the same period, the NAV per Ordinary Share has decreased from 209.67 (audited) to 161.48p (unaudited).</p> <p>Since 31 December 2015, UIL Finance has: (i) issued 50,000,000 2022 ZDP Shares pursuant to the Initial Placing and the Rollover Offer under the 2016 ZDP Rollover Prospectus, with a corresponding increase in the Group's liabilities through the increase in the Accrued Capital Entitlement of the ZDP Shares and UIL received gross placing proceeds of approximately £12.9 million; and (ii) announced that it has applied for 14 million 2020 ZDP Shares to be admitted to the standard segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange.</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 31 December 2015, being the date to which the latest unaudited half-yearly results of the Group 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.
<b>B.9</b>	Profit estimate	Not applicable. No profit forecast or estimate has been made.
<b>B.10</b>	Audit report qualifications	Not applicable. There are no qualifications in the audit reports of UIL for the three years ended 30 June 2015 which are incorporated into this document by reference.
<b>B.11</b>	Insufficiency of working capital	Not applicable. In UIL's opinion, the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.
<b>B.34</b>	Investment policy	<p><b>Investment Objective</b></p> <p>UIL's current investment objective is to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.</p> <p><b>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.</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><i>Investment limits</i></p> <p>The 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 20 per cent of Gross Assets at the time that any new investment is made. This restriction does not apply 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 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.</li> </ul>
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		<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 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	<p>UIL operates under the Bermuda Companies Act, but is otherwise not regulated in Bermuda.</p> <p>UIL is not regulated or authorised by the Financial Conduct Authority but is subject to the Listing Rules, Prospectus Rules and Disclosure and Transparency Rules applicable to closed-ended investment companies.</p>
<b>B.37</b>	Investor profile	<p>An investment in UIL 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 UIL will be capable of evaluating the risks (including the potential capital loss) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in UIL is only intended for investors who can afford to set aside the invested capital for a number of years.</p>
<b>B.38</b>	Investment of 20 per cent or more in single underlying asset or investment company	<p>Not applicable. UIL has not invested more than 20 per cent of its Gross Assets in a single asset or collective investment undertaking.</p>
<b>B.39</b>	Investment of 40 per cent or more in single underlying asset or investment company	<p>Not applicable. UIL has not invested more than 40 per cent of its Gross Assets in a single asset or collective investment undertaking.</p>

<p><b>B.40</b></p>	<p>Service providers</p>	<p><b>AIFM and Joint Portfolio Managers</b></p> <p>Pursuant to a management agreement dated 31 March 2015 (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 AIFM, ICMIM 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. The Joint Portfolio Managers have reduced the management fee payable by UIL to 0.25 per cent per annum until such time as the performance fee high watermark of 284.81 pence per Share is regained.</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 Shareholders outperforms the real after-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index during the period. The opening equity funds for 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 a 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, ICMIM 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 six months' 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. UIL will also reimburse the Administrator in respect of reasonable out-of-pocket expenses</p>
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	<p>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 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 2015 was £115,000 and the Directors do not anticipate that the annual charges going forward will be materially different and therefore the estimated maximum amount payable per annum is £200,000.</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 2015 were £16,000 and the</p>
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		<p>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 2015 were £12,000 and the 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><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 Services Agreements for the year ended 30 June 2015 were £36,000 and the 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></p> <p>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	<p>UIL's Net Asset Value and NAV per Share are calculated by the Administrator on a weekly basis. UIL's NAV per Share is announced through the London Stock Exchange without delay once calculated.</p>
<b>B.43</b>	Umbrella collective investment	<p>Not applicable. UIL is not an umbrella collective investment undertaking.</p>

	undertaking																																					
<b>B.45</b>	Portfolio	The following table provides unaudited summary details of the ten largest investments in UIL's portfolio which represent approximately 86.3 per cent by value of the portfolio on a look through basis as at 30 June 2016 (being the latest practicable date prior to the publication of this document).																																				
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		<p>Europe (ex UK) 7.1</p> <p>Latin America 3.9</p> <p>Middle East/Africa 2.0</p> <p>North America 1.0</p> <hr/> <p>100.0</p> <p>* Australia and African activities</p> <p>Source: UIL</p>
<b>B.46</b>	NAV per Ordinary Share	UIL's most recent published NAV (unaudited) was as at 5 July 2016 and was £234.0 million, reflecting 258.13 pence per Share.

### SECTION C – SECURITIES

<b>C.1</b>	Type and class of securities being offered	<p>UIL is proposing to issue ordinary shares of 10p each in its capital to Permanent Investments Limited in consideration for the acquisition of further ordinary shares in Somers Limited pursuant to the Sale and Purchase Agreement (the <b>Consideration Shares</b>).</p> <p>The ISIN of the Consideration Shares is BMG917071026 and the SEDOL is BZ4BVN3.</p>
<b>C.2</b>	Currency of the Issue	Sterling
<b>C.3</b>	Issued Shares	<p>As at 13 July 2016 (being the latest practicable date prior to the publication of this document), UIL had 90,653,789 Shares in issue, all of which are fully paid.</p> <p>The nominal value of each Share is 10 pence.</p>
<b>C.4</b>	Rights attaching to securities	<p><i>Dividends</i></p> <p>Shareholders are entitled to all the net income distributed by UIL.</p> <p><i>Capital entitlement</i></p> <p>On a winding up, after satisfying all liabilities of UIL (including its obligation under the Subscription Agreement to make payments to UIL Finance equal to the amounts which UIL Finance is liable to pay to the holders of the ZDP Shares on their redemption in accordance with UIL Finance's Bye-laws), Shareholders will be entitled to all the remaining assets of UIL.</p> <p><i>Voting rights</i></p> <p>Shareholders will be entitled to attend and vote at all general meetings of UIL.</p>
<b>C.5</b>	Restrictions on transferability	<p>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. The 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> <p>(a) it is in respect of a share upon which UIL has no lien;</p> <p>(b) it is in respect of only one class of share;</p> <p>(c) it is in favour of a single transferee or not more than four (4) joint transferees;</p> <p>(d) it is duly stamped (if required by law);</p>

		<p>(e) it is delivered for registration to the Registered Office of UIL 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</p> <p>(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.</p> <p>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 providing that the Directors have exercised their discretion without thereby prejudicing dealings being on an open and proper basis.</p> <p>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.</p> <p>The Board may furthermore refuse to register a transfer of shares if it is in favour of a Non-Qualified Holder. For these purposes a Non-Qualified Holder means any person: (a) whose ownership of shares may cause UIL's assets to be deemed "plan assets" for the purposes of ERISA or the US Internal Revenue Code; (b) whose ownership of shares may cause UIL to be required to register as an "investment company" under the US Investment Company Act (including because the holder of the shares is not a "qualified purchaser" as defined in the US Investment Company Act); (c) whose ownership of shares may cause UIL to register under the US Exchange Act, the US Securities Act or any similar legislation; (d) whose ownership of shares may cause UIL not being considered a "foreign private issuer" as such term is defined in rule 3b4(c) under the US Exchange Act; or (e) whose ownership of shares may cause UIL to be a "controlled foreign corporation" for the purposes of the US Internal Revenue Code, or may cause UIL to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the US Internal Revenue Code).</p>
<b>C.6</b>	Applications for admission	<p>Applications will be made to the Financial Conduct Authority and to the London Stock Exchange for the Consideration Shares to be admitted: (i) to the premium segment of the Official List; and (ii) to the London Stock Exchange's main market for listed securities (together <b>Admission</b>). Subject to satisfaction of all the other conditions to the Sale and Purchase Agreement, it is expected that Admission will become effective and that unconditional dealings in the Consideration Shares will commence on the London Stock Exchange on or around 1 August 2016 (and in any event, by no later than 31 December 2016, being the long-stop date for completion of the Acquisition under the Sale and Purchase Agreement).</p>
<b>C.7</b>	Dividend policy	<p>The Directors anticipate distributing to 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.</p>

## SECTION D - RISKS

<p><b>D.2</b></p>	<p>Key information on the key risks specific to the issuer/guarantor</p>	<p>The key risks relating to UIL, its investment policy and investment portfolio are:</p> <ul style="list-style-type: none"> <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 under all or any market conditions.</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 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 have an adverse impact on UIL's profitability and on future Shareholder returns.</li> <li>• UIL uses gearing 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> <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> </ul>
<p><b>D.3</b></p>	<p>Key information on the key risks that are specific to the securities</p>	<p>The key risk factors relating to the Shares are:</p> <ul style="list-style-type: none"> <li>• There can be no guarantee that the investment objective of UIL will be achieved or provide the returns sought by the holders of the Shares.</li> <li>• Although the Shares are listed on the premium segment of the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, it is possible that there may not be a liquid market in them and Shareholders may have difficulty selling them.</li> <li>• The value of the Shares can go down as well as up. The market price of the Shares may not fully reflect their underlying Net Asset Value and Shareholders may be unable to realise their investments through the secondary market at Net Asset Value.</li> </ul>

## SECTION E – OFFER

<b>E.1</b>	Net proceeds and expenses	<p>There is no associated fundraising in connection with the issue of the Consideration Shares which will be issued by UIL to Permanent Investments Limited in consideration for the sale to UIL of a further 2.45 million ordinary shares in the capital of Somers Limited pursuant to the Sale and Purchase Agreement (the <b>Acquisition</b>).</p> <p>The estimated expenses of the issue of the Consideration Shares is approximately £0.1 million and will be paid by UIL out of its existing resources.</p>
<b>E.2a</b>	Reasons for the Offer and Use of Proceeds	<p>The Consideration Shares are being issued to Permanent Investments Limited in consideration for the sale to UIL of a further 2.45 million ordinary shares in the capital of Somers Limited pursuant to the Sale and Purchase Agreement.</p>
<b>E.3</b>	Terms and conditions	<p>Completion of the Acquisition and the issue of the Consideration Shares in consideration for such acquisition is subject, among other things, to satisfaction of the following conditions:</p> <ul style="list-style-type: none"> <li>(a) the Acquisition having been approved by the Independent Shareholders in accordance with the related party rules contained in the Listing Rules. This approval was obtained at a special general meeting of UIL held on 10 June 2016;</li> <li>(b) the FCA, the BMA and the Central Bank of Ireland having to the extent necessary, approved the increase in UIL's indirect interest, which will arise as a result of the Acquisition, in the various companies in which Somers is interested that are authorised and regulated by the FCA, the BMA and the Central Bank of Ireland, as applicable; and</li> <li>(c) admission of the Consideration Shares to the premium segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange.</li> </ul> <p>The condition that the Acquisition be approved by Independent Shareholders was satisfied by the passing of an ordinary resolution at a special general meeting of UIL held on 10 June 2016 and the FCA and BMA approved the necessary changes of control on 10 June 2016 and 26 May 2016 respectively. As at the date of this document, the other conditions to the Acquisition have not yet been satisfied and Completion will only occur upon satisfaction of all the conditions (which must occur by not later than 31 December 2016, being the long-stop date for Completion under the Sale and Purchase Agreement).</p>
<b>E.4</b>	Material interests	<p>Not applicable.</p>
<b>E.5</b>	Sellers	<p>Not applicable.</p>
<b>E.6</b>	Dilution	<p>The exact number of Consideration Shares to be issued will only be determined following the publication of the unaudited UIL NAV prior to completion of the Acquisition. Based on the latest published unaudited UIL NAV per Ordinary Share of 258.13p as at 5 July 2016 and the unaudited Somers NAV per share of US\$17.03 as at 31 March 2016, the Acquisition would result in UIL issuing approximately 12.4 million Consideration Shares. Assuming that 12.4 million Consideration Shares are issued, existing Shareholders will suffer a dilution of approximately 12.1 per cent to their</p>

		<p>existing percentage holdings.</p> <p>In addition, based on the share price as at the latest practicable date and the latest published net asset values for Somers, since the Somers shares trade at a discount to net asset value, the UIL NAV per Ordinary Share will be diluted immediately following completion of the Acquisition. Based on the issue of 12.4 million Consideration Shares and the share price of US\$13.75 per Somers share as at the latest practicable date, UIL's latest published net asset value per Share of 258.13p would be reduced to 252.13p on a <i>pro forma</i> basis.</p>
<b>E.7</b>	Expenses	<p>Under the Sale and Purchase Agreement, UIL and Permanent Investments Limited have agreed that each party shall be responsible for its respective legal and other costs incurred in relation to the negotiation, preparation and completion of the Acquisition.</p>



## **RISK FACTORS**

Investment in UIL 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 prior to making any investment decision.

Prospective investors should note that the risks relating to UIL and the Shares summarised in the "Summary" are the risks that the Board believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in UIL. 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 and the 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, the Group and the Shares.

Any decision to invest in UIL should be based on a consideration of this document as a whole. An investment in UIL 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 Shares could decline and investors could lose all or part of their investment.

### **Risks relating to UIL**

UIL is an investment company. Investment companies aim to generate returns for shareholders by investing in other companies. As an investment company may invest in a range of different companies, sectors and geographic regions, it may represent a method for investors to gain a diversified investment exposure. However, Shareholders should be aware of certain factors which apply to UIL and to investment companies, as set out below.

Investment in UIL should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of UIL's assets will occur or that the investment objective of UIL will be achieved. Investors may not get back the full amount invested. The price of Shares and the income from Shares may go down as well as up.

### ***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. Prospective investors should regard an investment in UIL as long-term in nature and they may not recover the full amount initially invested or any amount at all.

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.

### ***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.

### ***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 86.3 per cent of the portfolio (as at 30 June 2016, being the latest practicable date prior to publication of this document) and includes Utilico Emerging Markets Limited (an investment company investing in infrastructure, utility and related sectors, mainly in Emerging Markets), Somers Limited (a financial services sector holding company), Infratil Limited (a holding company with investments in the power and transportation sectors), Zeta Resources Limited (a holding company with investments in the resources sector), Bermuda First Investment Company Limited (a holding company with investments in Bermudan companies) and Vix Investments Limited (an investment company holding a number of investments in technology companies primarily related to financial technology), 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.

### ***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 Shares.

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.

### ***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.

### ***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 result of the referendum on the UK's continued membership of the EU***

UIL, in common with other UK listed investment companies, faces risks associated with potential uncertainty following the referendum on the United Kingdom's continued membership of the EU, held on 23 June 2016, where a majority voted to leave the EU. The decision could 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.

### ***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.

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.

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.

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 1 of this document, UIL has the flexibility to invest in other investment companies and in particular has significant investments in Utilico Emerging Markets Limited, Somers Limited, Infratil Limited, Zeta Resources Limited, Bermuda First Investment Company Limited and Vix Investments 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.

### ***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.

### ***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 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 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 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 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.

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.

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 UIL's investment policy, 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 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 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 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 Directors will be able to find a replacement manager if the Joint Portfolio Managers resign. In this event the 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 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.

### ***Taxation***

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.

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.

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

UIL has not been or will not 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. To avoid being required to register as an investment company under the Investment Company Act and to avoid violating the

Investment Company Act, UIL has implemented restrictions on the ownership of its shares, which may require certain 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 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 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 Shares not owned by them, as would be required by Rule 9 of the City Code.

As at 13 July 2016, the Shares held by GPLPF represented 61.8 per cent of the voting rights exercisable on a poll at a general meeting of UIL.

### ***Enforcement of Judgements***

As UIL is a Bermuda exempted company, the rights of Shareholders are governed by Bermuda law and the Memorandum of Association and Bye-laws of UIL. 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 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.

### ***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 Shares are excluded from the FCA's restrictions which apply to non-mainstream pooled investments because the investment returns received in connection with the 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 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 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 Prospectus) 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).

UIL has registered with the IRS as a reporting financial institution for the purposes of FATCA. Accordingly, UIL 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 shares are admitted to trading on the main market for listed securities of the London Stock Exchange, UIL may not 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 may still need to file a nil return with the IRS.

UIL is complying with the terms of FATCA by registering and reporting financial institutions 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 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.



### ***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 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 and its reporting responsibilities pursuant to the UK-Bermuda IGA remain uncertain.

### ***Common Reporting Standards***

In 2014, the OECD announced the 'Common Reporting Standard' (**CRS**) which is intended to become an international standard for financial account reporting. As a result, Bermuda is likely to sign up to further intergovernmental agreements with other countries (future IGAs) similar to the US and UK IGAs for reporting to the fiscal authorities (**foreign fiscal authorities**) of countries that adopt the CRS. The US has not yet adopted the CRS and one difference to note between the US IGA and the CRS is that reporting is to be made between the competent authorities of the relevant jurisdictions (rather than between an issuer and foreign fiscal authorities directly). At this time, neither the identity of the competent authority in Bermuda for the purposes of the CRS (**Competent Authority**) nor the mechanism through which UIL would provide information to the Competent Authority is yet known.

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

## IMPORTANT INFORMATION

Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of Shares; (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of Shares. Shareholders must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning UIL and an investment therein.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to subscribe for or to buy, any Shares in any jurisdiction. The issue or circulation of this Prospectus may be prohibited in some countries.

### 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 15 to 23 of this document and in "Part 1 – Information about UIL".

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect UIL'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 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 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 paragraph 4 of Part 5 of this document.

### Distribution

The distribution of this document in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document comes 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 does 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 Shares in any jurisdiction. In particular, no 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 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).

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 prior to Admission of the Consideration Shares and, if given or made, such information or representations must not be relied on as having been authorised by UIL. 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.

### **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 confirms that such data has been accurately reproduced and, so far as it is aware and is 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 prepares its 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 81 to 86 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.

## DIRECTORS, INVESTMENT MANAGERS AND ADVISERS

Directors	Peter Burrows, AO ( <i>Chairman</i> ) Alison Hill Warren McLeland Christopher Samuel David Shillson Eric Stobart
Registered Office	34 Bermudiana Road Hamilton HM 11 Bermuda
AIFM, Joint Portfolio Manager and Secretary	ICM Investment Management Limited PO Box 208, Epsom Surrey KT18 7YF United Kingdom  A representative of the AIFM can be contacted by telephone on: + 44 (0) 1372 271 486
Joint Portfolio Manager	ICM Limited 34 Bermudiana Road Hamilton HM 11 Bermuda
Assistant Secretary	BCB Charter Corporate Services Limited 34 Bermudiana Road Hamilton HM 11 Bermuda
Administrator	F&C Management Limited Exchange House Primrose Street London EC2A 2NY Telephone: +44 (0) 207 628 8000
Financial Adviser and Broker	Stockdale Securities Limited Beaufort House 15 St Botolph London EC3A 7BB
Sponsor	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
Legal Adviser to the Group <i>as to English law</i>	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Legal Adviser to the Group <i>as to Bermuda law</i>	Appleby (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Registered Auditor	KPMG LLP 15 Canada Square

	London E14 5GL
Depository Service Provider	J.P. Morgan Europe Limited 25 Bank Street Canary Wharf London E14 5JP
Custodians	JPMorgan Chase Bank, N.A. JPMorgan House Grenville Street St Helier Jersey JE4 8QH Channel Islands
	Bermuda Commercial Bank Limited 34 Bermudiana Road Hamilton HM11 Bermuda
Registrar	Computershare Investor Services (Bermuda) Limited 5 Reid Street Hamilton HM11 Bermuda
Registrar to the Depository Interests and CREST Agent	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Principal Banker	Scotiabank Europe plc 201 Bishopsgate 6 <sup>th</sup> Floor London EC2M 3NS

## **PART 1 INFORMATION ABOUT UIL**

### **Introduction**

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 is publishing this document to obtain admission of the Consideration Shares to be issued pursuant to the Sale and Purchase Agreement to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange.

### **Investment Objective**

UIL's current investment objective is to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.

### **Investment Policy**

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.

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 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 20 per cent of Gross Assets at the time that any new investment is made. This restriction does not apply 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 the UIL 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 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**

The divergence in the world's economies is continuing to lead to increasing volatility and unpredictability in markets. UIL's portfolio over the last twelve months has been resilient not withstanding this challenging background. There are no signs that the uncertainty in global economic conditions will resolve in the short term and so this volatility is expected to continue.

#### **Investment Portfolio**

Details of the ten largest investments in UIL's portfolio, its sectoral weighting and geographical spread, all as at 30 June 2016 (being the latest practicable date prior to the publication of this document) and on a look through basis, are set out in Part 2 of this document.

#### **Profile of Typical Investor**

An investment in UIL 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 UIL 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 UIL is only intended for investors who can afford to set aside the invested capital for a number of years.

### **Dividend Policy**

The Directors anticipate distributing to 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 and Borrowing Policy**

Under the UIL Bye-laws, UIL is obliged to restrict the Group's borrowings to an aggregate amount equal to 100 per cent of the Gross Assets (excluding the gearing provided through the Group's capital structure).

However, the 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 will 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 at 5 July 2016, being the latest practicable date prior to the publication of this document, UIL's borrowings under its Existing Loan Facility of £50 million from Scotiabank amounted to £25.3 million, reflecting the realisation of some investments from UIL's portfolio. Under the terms of the New Loan Facility with Scotiabank, UIL may borrow a further £25 million from 31 October 2016 for a period of up to six months. The Existing Loan Facility and the New Loan Facility are summarised below in paragraphs 6.6 and 6.7 of Part 7 of this document.

Leverage on the 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 Board. Further details on the Joint Portfolio Managers are contained in Part 4 of this document.

### **Capital Structure**

UIL's share capital is comprised of ordinary shares of 10p each and as at 13 July 2016, 90,653,789 Ordinary Shares were in issue. The Ordinary Shares are admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange.

UIL Finance, a wholly owned subsidiary of UIL, currently has four class of ZDP Shares in issue. UIL is required to provide funds to UIL Finance to pay the redemption amount of the ZDP Shares on each of the ZDP Repayment Date in accordance with the Subscription Agreement. Each class of the ZDP Shares is admitted to the standard segment of the Official List and the ZDP Shares are traded on the main market for listed securities of the London Stock Exchange.

### **Characteristics of the Shares**

- *Dividends*

Shareholders are entitled to all the net income distributed by UIL.

- *Capital entitlement*



On a winding up, after satisfying all liabilities of UIL (including its obligation under the Subscription Agreement to make payments to UIL Finance equal to the amounts which UIL Finance is liable to pay to the holders of the ZDP Shares on their redemption in accordance with UIL Finance's Bye-laws), Shareholders will be entitled to all the remaining assets of UIL.

- *Voting rights*

Shareholders will be entitled to attend and vote at all general meetings of UIL.

Further details of the rights attaching to the Shares are set out in paragraph 5 of Part 7 of this document.

As a result of the issue of ZDP Shares by UIL Finance, the Shares are geared by the rising capital entitlements of the ZDP Shares. As the ZDP Shares rank for payment of the relevant redemption amounts in priority to any return being paid to the Shares (save in respect of the Winding Up Revenue Profits), a positive Net Asset Value for the Shares is dependent upon UIL's assets being sufficient to meet the entitlements of ZDP Shareholders, as well as all other liabilities of the Group.

### **Repurchases of Shares**

At its annual general meeting held on 16 November 2015, UIL was granted the authority to make market purchases of up to 13,589,370 Shares (being the equivalent of 14.99 per cent of the 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 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 in 2016.

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 UIL Bye-laws, and in any event no purchase of Shares will be made at a price in excess of the diluted NAV per Share (at a date determined by the Directors falling not more than 10 days before the date of purchase). Any Shares may only be purchased at a price such that immediately after such purchase the ZDP Cover of the 2016 ZDP Shares and the 2018 ZDP Shares would be at least 1.5x and the ZDP Cover of the 2020 ZDP Shares and the 2022 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 Board has recommended that Shares held in treasury would not be re-issued at a price below the prevailing diluted NAV per 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 Board and the UIL Finance Board (as applicable) will endeavour to make any purchases of 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 Shares for cash consideration only. There are no pre-emption rights for ZDP Shareholders.

At its annual general meeting held on 16 November 2015, UIL was granted authority to issue up to 9,065,370 Shares (equivalent to approximately 10 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 Shares will be issued at a price less than the Net Asset Value per 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 2016 ZDP Shares and the 2018 ZDP Shares, or 1.35x in the case of the 2020 ZDP Shares and the 2022 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.

## Taxation

It is the intention of the Directors that UIL will continue to be managed in such a way as to ensure that it is only resident in Bermuda for tax purposes. Potential investors are referred to Part 6 of this document for details of the taxation of UIL 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 Shareholder or investor. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Shares, they should seek advice from their own professional advisers.**

## ISAs and SIPPs

Insofar as is possible, the Directors intend to manage the affairs of UIL so that the Shares will be qualifying investments for the purposes of ISAs. Accordingly, the 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 acquired the Shares through the secondary market or pursuant to a public offer for subscription made by UIL.

Shares should also qualify as a permissible asset for inclusion in a SIPP.

## Risk Factors

UIL's business 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 15 to 23.

## Further Information

The attention of investors is drawn to the information contained in Parts 2, 3, 4, 5, 6 and 7 of this document which provide additional information on the Group.

## PART 2 THE INVESTMENT PORTFOLIO

### 1 Current Portfolio

- 1.1 The following table provides unaudited summary details of the ten largest investments in UIL's portfolio which represent approximately 86.3 per cent by value of the portfolio on a look through basis as at 30 June 2016 (being the latest practicable date prior to the publication of this document).

<b>Company</b>	<b>Market Value (£'000)</b>	<b>Percentage of total portfolio</b>
Resolute Mining Limited	90,368	19.5
Utilico Emerging Markets	79,981	17.3
Somers Limited	66,370	14.3
Zeta Resources Limited	42,583	9.2
Vix Technology Limited	29,052	6.3
Infratil Limited	23,793	5.1
Touchcorp Limited	22,712	4.9
Bermuda First Investment Company Limited	19,949	4.3
Vix Investments Limited	15,202	3.3
Augean plc	9,736	2.1
<b>Total Top 10</b>	<b>399,746</b>	<b>86.3</b>

Source: UIL

- 1.2 The following table shows the sectoral distribution of UIL's portfolio on a look through basis as at 30 June 2016 (being the latest practicable date prior to the publication of this document):

<b>Sector</b>	<b>Percentage of total portfolio</b>
Gold	23.2
Technology	20.6
Financial Services	15.1
Oil & Gas	9.4
Telecoms	5.4
Electricity	4.6
Water	4.0
Other	3.8
Renewables	3.1
Airports	3.0
Ports	2.4
Infrastructure Investment	2.0
Resources	1.2
Toll Roads	1.1
Infrastructure	1.1
	<b>100.0</b>

Source: UIL

- 1.3 The following table shows the geographical weighting of UIL's portfolio on a look through basis as at 30 June 2016 (being the latest practicable date prior to the publication of this document):

<b>Geographical area</b>	<b>Percentage of total portfolio</b>
Other – Gold*	23.2
Australia	17.5
Bermuda	15.7
UK	11.9
Asia	10.4
New Zealand	7.3
Europe (ex UK)	7.1
Latin America	3.9
Middle East/Africa	2.0
North America	1.0
	100.0

\*Australian and African activities  
Source: UIL

- 1.4 As at 30 June 2016, 75.1 per cent of UIL's investment portfolio comprised of listed securities, 4.2 per cent was in holdings where the prices are linked to listed securities, 6.6 per cent was in loans to listed companies and 14.1 per cent was in unlisted investments.
- 1.5 As noted above, UIL's ten largest investments represent approximately 86.3 per cent of UIL's investment portfolio. However, six of these investments are themselves collective investment undertakings. Utilico Emerging Markets Limited offers a more diverse exposure to emerging market utilities and transportation infrastructure investments. 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. Infratil Limited offers targeted exposure to the energy, airport and public transport sectors, predominantly in New Zealand and Australia. 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. Bermuda First Investment Company Limited is a company listed on the Bermuda Stock Exchange which offers exposure to portfolio of strategic investments in Bermudan companies. Vix Investments Limited is an unlisted investment company holding a number of investments in technology companies, primarily related to financial technology.
- 1.6 Between 30 June 2016 and 13 July 2016 (being 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 3 THE ISSUE

### 1 Introduction

Pursuant to the Sale and Purchase Agreement, UIL has agreed to acquire a further 2.45 million ordinary shares in Somers from Permanent Investments Limited, an Associate of ICM and accordingly a related party of UIL for the purposes of the Listing Rules.

Somers is an investment holding company specialising in the financial services sector. It currently has investments in the banking, asset financing, wealth management and stockbroking sectors. Somers' primary investments include its 100 per cent owned subsidiary, Bermuda Commercial Bank Limited (**BCB**), one of Bermuda's four licensed banks and a 62.5 per cent holding in Waverton Investment Management Limited, a UK wealth manager with \$6.5 billion in assets under management.

Somers is listed on the BSX and based on a share price of US\$13.75 per share as at 13 July 2016 had a market capitalisation of US\$164.5 million. As at 30 September 2015, Somers' audited net assets amounted to US\$209.2 million (US\$17.74 per share) and as at 31 March 2016 Somers' unaudited net assets amounted to US\$203.8 million (US\$17.03 per share).

UIL has had a significant shareholding in Somers since it was established in 2012 as a new investment holding company for BCB, its subsidiaries and investments in certain other financial services companies and UIL's current shareholding amounts to 49.6 per cent of Somers. Somers' primary objective is to deliver superior total shareholder returns through both capital and income by investing in undervalued companies within the financial services and related sectors and markets. Somers believes that there will continue to be a number of opportunities for investment in such companies arising, for example, due to a limited number of buyers, the paucity of bank lending to smaller financial services companies and a number of financial services companies for sale as banks continue to deleverage in response to the global financial crisis. In addition, continuing regulatory changes and the ongoing drive for consolidation is expected to also lead to potential for investment.

Following completion of the Acquisition, UIL's interest in Somers would represent approximately 18.7 per cent of UIL's Gross Assets based on the latest reported portfolio information as at 30 June 2016.

The Sale and Purchase Agreement and therefore the Issue is conditional, *inter alia*, on:

- (a) the Acquisition, which is a related party transaction for the purposes of the Listing Rules, having been approved by the Independent Shareholders;
- (b) the FCA, the BMA and the Central Bank of Ireland having to the extent necessary, approved the increase in UIL's indirect interest, which will arise as a result of the Acquisition, in the various companies in which Somers is interested that are authorised and regulated by the FCA, the BMA and the Central Bank of Ireland, as applicable; and
- (c) Admission of the Consideration Shares.

The condition that the Acquisition be approved by Independent Shareholders was satisfied by the passing of an ordinary resolution at a special general meeting of UIL held on 10 June 2016 and the FCA and the BMA approved the necessary changes of control on 10 June 2016 and 26 May 2016 respectively. As at the date of this document, the other conditions to the Acquisition have not yet been satisfied and Completion will only occur upon satisfaction of all the conditions (which must occur by not later than 31 December 2016, being the long-stop date for Completion under the Sale and Purchase Agreement).

## **2 Issue of the Consideration Shares**

The consideration for the Acquisition will be satisfied through the issue of new ordinary shares of 10p each in the capital of UIL (**Consideration Shares**) at a price per Share based on UIL's most recently published unaudited Net Asset Value prior to Completion. In consideration for the issue of the Consideration Shares, Permanent Investments Limited will transfer 2.45 million Somers' ordinary shares to UIL, at a price per Somers' ordinary share calculated using the most recently published unaudited Somers' NAV prior to Completion.

The number of Consideration Shares issued pursuant to the Sale and Purchase Agreement and the issue price of such Consideration Shares will be announced via a Regulatory Information Service upon completion of the Acquisition.

## **3 Dilution**

The exact number of Consideration Shares to be issued and the extent of any dilution in the UIL NAV per Share as a result of the Acquisition will only be determined immediately prior to Completion.

Based on the latest published unaudited UIL NAV per Share of 258.13p as at 5 July 2016 and the unaudited Somers NAV per share of US\$17.03 as at 31 March 2016, the Acquisition would result in UIL issuing approximately 12.4 million Consideration Shares. Assuming that 12.4 million Consideration Shares are issued, existing Shareholders will suffer a dilution of approximately 12.1 per cent to their existing percentage holdings.

In addition, based on the current share price and latest published net asset values for Somers, since the Somers share trade at a discount to net asset value, the UIL NAV per Share will be diluted immediately following completion of the Acquisition. Based on the issue of 12.4 million Consideration Shares and the share price of US\$13.75 per Somers share as at the latest practicable date, UIL's latest published Net Asset Value per Share of 258.13p would be reduced to 252.13p on a pro forma basis.

## **4 Net Proceeds**

There is no associated fundraising in connection with the issue of the Consideration Shares. All the Consideration Shares will be issued to Permanent Investments Limited in consideration for the sale to UIL of a further 2.45 million ordinary shares in the capital of Somers pursuant to the Sale and Purchase Agreement.

## **5 Costs of the Issue**

Under the Sale and Purchase Agreement, UIL and Permanent Investments Limited have agreed that each party shall be responsible for its respective legal and other costs incurred in relation to the negotiation, preparation and completion of the Sale and Purchase Agreement.

The estimated expenses of the issue of the Consideration Shares is approximately £0.1 million and will be paid by UIL out of its existing resources.

## **6 Admission and dealings**

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the Consideration Shares to be admitted to the premium segment of the Official List and 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 Consideration Shares will commence on the London Stock Exchange on or around 1 August 2016 (and in any event, subject to satisfaction of all the conditions to the Sale and Purchase Agreement, by no later than 31 December 2016).

The Consideration Shares will be issued in registered form and may be held in certificated form or as Depositary Interests in uncertificated form and settled through CREST.

## **PART 4**

### **DIRECTORS, MANAGEMENT AND ADMINISTRATION**

#### **1 Directors**

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 was appointed on 16 September 2011 as a director of UIL and on 2 November 2011 as a director of UIL Finance. He 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 was previously 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 was appointed as a director of UIL and UIL Finance on 16 November 2015. She 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. She is a board trustee of Bermuda High School for Girls and a member of other committees 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 was appointed as a director of UIL and UIL Finance on 17 September 2013. He was formerly a stockbroker and investment banker and is now chief executive officer of RESIMAC Limited, a securitisation company. 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 is an experienced non-executive director.

#### **Christopher Samuel**

Mr Christopher Samuel was appointed as a director of UIL and UIL Finance on 16 November 2015. He was chief executive of Ignis Asset Management until mid-2014, when it was taken over by Standard Life and has worked in the investment sector for most of his career. He is Chairman of Defaqto, a non-executive director of Alliance Trust PLC, Alliance Trust Investments Limited (which is the asset management subsidiary of Alliance Trust PLC), BlackRock Throgmorton Trust plc, JPMorgan Japanese Investment Trust plc, Scrubbys Foods Limited and The London Community Foundation, where he is also a member of the executive committee and chair of the finance and investment committee. Mr Samuel is a chartered accountant.

#### **David Shillson**

Mr David Shillson was appointed as a director of UIL and UIL Finance on 16 November 2015. He is an experienced corporate and commercial lawyer and a senior partner of Kensington Swan, a New Zealand law firm; he was a member of Kensington Swan's four partner Board for a number of years before retiring from that role in 2014. 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

### **Eric Stobart**

Mr Eric Stobart was appointed as a director of UIL and UIL Finance on 3 May 2007. He is a chartered accountant spending most of his career in merchant and commercial banking. He is a non-executive director of Capita Managing Agency Limited, DSG Pension Trustees Limited, LSF Pension Management Limited and BlackRock Throgmorton Trust plc, as well as a trustee of Anglian Water Group Pension Schemes.

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 also chief executive officer of RESIMAC Limited and Chairman of Somers Limited. David Shillson is not considered independent because he is a partner in Kensington Swan, a New Zealand law firm that has acted for members of the UIL and ICM groups.

## **2 Management of UIL**

The 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 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 6.2 of Part 7 of this document.

In addition to its duties, as AIFM and joint portfolio manager of UIL, ICMIM 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 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 30 June 2016 is set out in the table below:

	<b>6 months (%) (unaudited)</b>	<b>1 year (%)</b>	<b>3 years (%)</b>	<b>5 years (%)</b>	<b>Inception* (%)</b>
UIL – NAV total return	51.9	47.3	79.2	40.0	205.7
FTSE All-Share Index total return	4.3	2.2	18.6	35.5	166.6

\* inception of Utilico Investment Trust plc  
Source: UIL and Datastream

The past performance of UIL is not a guide to future performance. The value and income of the 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 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 5 July 2016, being the latest practicable date prior to publication of this document, UIL's segregated account in GERP had net assets of £1.2 million.

#### **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 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 similar portfolio methodologies 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, 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.

The Joint Portfolio Managers have agreed to reduce the annual management fee to 0.25 per cent per annum from 1 January 2014 until the high water mark of 289.81p is regained.

### **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 2014 to 30 June 2015. 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 6.2 of Part 7 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. A summary of the main provisions of the Administration Agreement is set out in paragraph 6.3 of Part 7 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 Depositary Services Agreement of 2.2 basis points on UIL's Net Asset Value, subject to a minimum fee of £25,000 per annum.

The Depositary 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 Depositary Services Agreement is set out in paragraph 6.4 of Part 7 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 2015 was £115,000 and the Directors do not anticipate that the annual charges going forward will be materially different and therefore the estimated maximum amount payable per annum is £200,000.

A summary of the main provisions of the Global Custody Agreement is set out in paragraph 6.5 of Part 7 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 2015 were £16,000 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 6.11 of Part 7 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 2015 were £12,000 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.

## **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 2015 were £36,000 and the 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, as AIFM and joint portfolio manager, ICMIM also provides company secretarial services to UIL and UIL Finance pursuant to the Management Agreement. ICMIM 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 Share (rounded to two decimal places), are calculated in Sterling pence per Share by the Administrator (or such other person as the Directors may appoint for such purpose from time to time) on a weekly basis. The Net Asset Value per 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 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 Share will include the Accrued Capital Entitlements of the ZDP Shares.

Investments are measured at the Board's estimate of fair value at the reporting date, in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Fair value 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 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 are reasonable in the circumstances having taken advice from UIL's auditor. The 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, 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 will be held outside the United Kingdom. UIL holds 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

Bermuda does not have its own corporate governance code. 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 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 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 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 functions are delegated to the Joint Portfolio Managers and Administrator, whose controls are monitored by the 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 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 UIL Bye-laws that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by the AIC Code. In addition, the 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 Board believes that the current election system, with each Director being re-elected to the 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 annual re-elections could pose risks to the continuity and stability of the Board. Any non-independent director is subject to annual re-election.

UIL does not have a separate Nomination Committee or Remuneration Committee and the 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 Board has constituted the following committees:

#### **Audit Committee**

UIL has established a separately chaired Audit Committee whose duties include considering and recommending to the 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 Committee are available on UIL's website [www.uil.limited](http://www.uil.limited).

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

The Audit Committee is composed of the independent 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 Committee.

The primary role of the Audit 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 Committee has access to the Administrator's group audit committee, and reports its findings to the Board.

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

The 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 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 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 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 FINANCIAL INFORMATION

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 2013, 2014 and 2015 and the published half-yearly unaudited reports for the periods ended 31 December 2014 and 2015 which have been incorporated by reference.

### 1 Basis of financial information

Statutory accounts of the Group for the three financial years ended 30 June 2013, 2014 and 2015, in respect of which the Group's auditors, KPMG Audit Plc (in the case of the statutory accounts for the financial year ended 30 June 2013) and KPMG LLP (in the case of the statutory accounts for the financial years ended 30 June 2014 and 2015), 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 2013, 2014 and 2015 and that the accounts have been properly prepared in accordance with the Bermuda Companies Act 1981 and that the part of the Directors' Remuneration Report that is stated as having been audited shows the fees paid by UIL to its Directors, has been incorporated into this document by reference. The half-yearly reports published by the Group for the six month periods ended 31 December 2014 and 2015, which have also been incorporated into this document by reference, were unaudited.

On 23 September 2013 the Group appointed KPMG LLP as auditor because KPMG Audit Plc had advised the Group that it had instigated an orderly wind down of its business, with future audit work being transferred to its parent entity, KPMG LLP. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.

### 2 Published annual reports and accounts for the three financial years ended 30 June 2013, 2014 and 2015 and unaudited half-yearly reports for the periods ended 31 December 2014 and 2015

#### 2.1 Historical financial information

The published annual reports and audited accounts for the Group for the three financial years ended 30 June 2013, 2014 and 2015 and the unaudited half-yearly reports for the periods ended 31 December 2014 and 2015 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)			Half yearly report for the period ended 31 December (unaudited)	
	2013 Page Nos	2014 Page Nos	2015 Page Nos	2014 Page Nos	2015 Page Nos
Income Statement/Statement of Comprehensive Income	46-47	58	61	18-19	16-17
Statement of changes in equity	49	60	63	20-21	18-19
Balance sheet	50	62	65	22	20
Cash flow statement	51	63	66	23	21
Accounting policies	52-55	64-66	67-69	24	22
Notes to the accounts	52-82	64-92	67-90	24-33	22-30
Report of the independent auditor	43-44	55-57	58-60	n/a	n/a
Chairman's statement	6-7	7-8	5-7	2-4	2-3
Investment Manager's Report	9-13	9-15	8-16	5-13	4-12
Business Review	-	16-22	18-24	-	-
Report of the Directors	26-33	33-42	34-44	-	-

## 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 2013, 2014 and 2015 and the half-year periods ending 31 December 2014 and 31 December 2015, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 above, are set out in the following table:

	As at or for the year ended 30 June (audited)			Half-yearly report for the period ended 31 December (unaudited)	
	2013	2014	2015	2014	2015
Net assets (£'000)	147,080	164,400	166,558	157,439	146,387
Net asset value per share – pence	148.33	165.84	169.00	158.78	161.48
<i>Total</i>					
Total income (£'000)	(33,494)	44,353	26,841	5,503	569
Net (loss)/profit (£'000)	(51,330)	26,656	10,210	(3,283)	(7,596)
Earnings per share – pence	(51.59)	26.88	10.31	(3.31)	(8.30)
Dividends per share – pence	10.0	7.5	7.5	3.75	3.75
<i>Revenue</i>					
Total revenue income (£'000)	16,216	10,410	11,197	4,107	4,544
Net profit (£'000)	11,997	6,973	7,766	2,558	2,659
Earnings per share - pence	12.06	7.03	7.84	2.58	2.91

## 2.3 Operating and financial review

The Group's published annual reports and accounts for the three financial years ended 30 June 2013, 2014 and 2015 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)			Half-yearly report for the period ended 31 December (unaudited)	
	2013 Page Nos	2014 Page Nos	2015 Page Nos	2014 Page Nos	2015 Page Nos
Chairman's statement	6-7	7-8	5-7	2-4	2-3
Investment Managers' Report	9-13	10-15	8-16	5-13	4-12
Portfolio analyses	14-20	25-31	27-32	14-15	8 / 13
Performance, discount and financial record	87	96	95	37	33

The causes of material changes in the capital value of the Group's assets in the three financial years ended 30 June 2015 and the unaudited half-yearly period ended 31 December 2015 can be summarised as follows (figures have been rounded to the nearest £1,000):

- (i) in the year to 30 June 2013, the Group made a net capital loss of £63,327,000. £45,005,000 of this related to losses on investments, with a realised loss on the sale of investments of £13,877,000 and an unrealised loss on investments held of £31,128,000. The balance consisted of exchange losses of £991,000, losses on derivatives of £3,714,000, finance costs, including increase of ZDP Share liability, and other costs of £13,617,000;

- (ii) in the year to 30 June 2014, the Group made a net capital gain of £19,683,000. £36,709,000 of this related to gains on investments, with a realised gain on the sale of investments of £7,411,000 and an unrealised gain on investments held of £29,298,000. The balance consisted of losses on derivatives of £2,247,000, exchange losses of £519,000, finance costs, including increase of ZDP Share liability, and other costs of £14,238,000 and a taxation charge of £22,000;
- (iii) 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, exchange gains of £2,989,000, finance costs, including increase of ZDP Share liability, and other costs of £13,200,000; and
- (iv) in the unaudited six month period ended 31 December 2015, the Group made a net capital loss of £10,255,000. £3,223,000 of this related to gains on investments, with a realised gain on the sale of investments of £1,782,000 and an unrealised gain on investments held of £1,441,000. The balance consisted of losses on derivatives of £4,752,000, exchange losses of £2,446,000, finance costs, including increase of ZDP Share liability, and other costs of £6,280,000.

It is not expected that there will be any material impact on the earnings and net asset value per Share as a result of the issue of the Consideration 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 and a short term debt facility also pursuant to a loan agreement with Scotiabank under which UIL may drawdown a further £25 million on 31 October 2016 which will be repayable within six months of drawdown. As at 5 July 2016, being the latest practicable date prior to the publication of this document, approximately £25.3 million of the Existing Loan Facility was drawn down and UIL's aggregate borrowings (including structural gearing provided by the ZDP Shares) represented approximately 49.8 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 2013, 2014 and 2015 and the unaudited half-yearly reports for the periods ended 31 December 2014 and 2015 are available for inspection at the address set out in paragraph 13 of Part 7 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 May 2016 and the Group's unaudited capitalisation as at 31 December 2015 (being the last date in respect of which the Group has published financial information).

### Indebtedness

	<b>31 May 2016 (unaudited) £'000</b>
<i>Total Current Debt</i>	
Guaranteed	-
Secured	35,865
Unguaranteed/unsecured	89,684
	<hr style="width: 100%; border: 0.5px solid black;"/>
	125,549
<i>Total Non-Current Debt</i>	
Guaranteed	-

Secured	-
Unguaranteed/unsecured	95,111
	<u>220,660</u>

#### Capitalisation

	<b>31 December 2015</b> <b>(unaudited)</b> <b>£'000</b>
<i>Shareholder equity</i>	
Shareholder equity	9,065
Legal reserves	253,896
Other reserves	32,069
	<u>295,030</u>

There has been no capitalisation movement from the last published financial information at 31 December 2015 to 31 May 2016.

The following table shows the Group's unaudited net indebtedness as at 31 May 2016.

	<b>31 May 2016</b> <b>(unaudited)</b> <b>£'000</b>
A. Cash	2,979
B. Cash equivalent	-
C. Trading securities	21
D. Liquidity (A+B+C)	3,000
E. Current financial receivable	-
F. Current bank debt	36,580
G. Current portion of non-current debt	-
H. Trading securities payable	-
I. Other current financial debt	88,969
J. Current financial debt (F+G+H+I)	125,549
K. Net current financial indebtedness (J-E-D)	122,549
L. Non-current bank loans	-
M. Bonds issued	-
N. Other non-current loans	95,111
O. Non-current financial indebtedness (L+M+N)	95,111
P. Net financial indebtedness (K+O)	217,660

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 May 2016, the fair value of the derivative contracts was £1,653,000.

The Group has no further indirect or contingent indebtedness.

#### 4 Working capital

In UIL's opinion, the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

#### 5 NAV

UIL's most recent published NAV (unaudited) was as at 5 July 2016 and was £234.0 million, reflecting 258.13 pence per Share.



## **PART 6 TAXATION**

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise in relation to UIL and 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 UIL. The statements relate to investors acquiring 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 Shares is made will endure indefinitely. The tax consequences for each investor of investing in the 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 is liable to pay the Bermuda Government an annual government fee which is currently US\$10,455.

### **United Kingdom 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 and do not constitute tax advice and apply only to Shareholders who are resident in the UK, who are the absolute beneficial owners of their Shares and who hold their Shares as an investment. They do not address the position of certain classes of Shareholders such as dealers in securities, 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 or Bermuda, you should consult an appropriate professional adviser without delay.**

### ***UIL***

The Directors intend that the affairs of UIL should be managed and conducted so that it does not become resident in the UK for UK taxation purposes. Accordingly, and provided that UIL does not carry on a trade in the UK through a permanent establishment, UIL will not be subject to UK income tax or corporation tax on its profits other than on any UK source income.

Certain interest and other income received by UIL which has a UK source may be subject to withholding taxes in the UK.

## **Shareholders**

### *Income*

Shareholders who are resident in the UK for taxation purposes may, depending on their circumstances, be liable to UK income tax or corporation tax in respect of dividends paid by UIL.

A UK resident individual will be entitled to an annual tax free dividend allowance of £5,000 of dividend income (which is subject to UK income tax at 0 per cent). To the extent that dividend income exceeds £5,000 tax will be levied at the rate of 7.5 per cent for basic rate taxpayers, 32.5 per cent for higher rate taxpayers and 38.1 per cent for additional rate taxpayers.

A UK resident corporate Shareholder will be liable to UK corporation tax (currently 20 per cent but due to reduce to 17 per cent by 2020) unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. It is anticipated that dividends will fall within one of such exempt classes (subject to anti-avoidance rules), however this cannot be guaranteed and Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers to determine whether dividends received will be subject to UK corporation tax.

### *Chargeable gains*

Any gains on transfers or disposals of shares (including a disposal on a winding-up of UIL) by UK resident Shareholders or Shareholders who carry on a trade in the UK through a permanent establishment with which their investment in UIL is connected may, depending on their circumstances, give rise to a liability to UK tax on capital gains.

UK resident Shareholders who are individuals (or otherwise not within the charge to UK corporation tax) and who are basic rate taxpayers are currently subject to tax on their chargeable gains at a flat rate of 10 per cent. Individuals who are higher or additional rate taxpayers are currently subject to tax on their chargeable gains at a flat rate of 20 per cent. No indexation allowance will be available to such Shareholders but they may be entitled to an annual exemption from capital gains (this is £11,100 for the tax year 2016/2017).

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains in respect of any gain arising on a disposal of Shares. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the Shares but will not create or increase an allowable loss.

The Directors have been advised that UIL should not be an offshore fund for the purposes of UK taxation and the provisions of Part 8 of the Taxation (International and Other Provisions) Act 2010 should not apply.

### **Other UK tax considerations**

The attention of UK resident Shareholders is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by UIL can be attributed to a Shareholder who holds, alone or together with associated persons, more than 25 per cent of the Shares. This applies if UIL would be a close company for the purposes of UK taxation if it was resident in the UK. It is not anticipated that UIL would be regarded as a close company if it were resident in the UK although this cannot be guaranteed.

The attention of individuals resident in the UK for taxation purposes is drawn to the provisions of sections 714 to 751 of the Income Tax Act 2007. These sections contain anti-avoidance legislation dealing with the transfer of assets to overseas persons in circumstances which may render such individuals liable to taxation in respect of undistributed profits of UIL.

The attention of companies resident in the UK is drawn to the controlled foreign companies legislation contained in Part 9A of the Taxation (International and Other Provisions) Act 2010. Broadly, a charge may arise to UK tax resident companies if UIL is controlled directly or indirectly by persons who are resident in the UK, it has profits which are attributable to its significant people functions and one of the exemptions does not apply.

### **Stamp duty and stamp duty reserve tax (SDRT)**

The following comments are intended as a guide to the general UK stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of Shares. UK stamp duty (at the rate of 0.5 per cent, rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Shares executed within, the UK or which "relates to any matter or thing done or to be done" in the UK, although in practice any such instrument will not require stamping in order for the Register of Members to be updated. Unstamped transfer instruments, however, may not be used for certain official purposes (e.g. civil litigation and updating the share registers of UK incorporated or registered companies) in the UK until they are duly stamped. Provided that Shares are not registered in any register of UIL kept in the UK and are not paired with shares issued by a UK company, any agreement to transfer Shares, including any paperless transfers of Shares within the CREST system, should not be subject to SDRT. No stamp duty liability should arise on paperless transfers of Shares within the CREST system either, on the basis that the transfer should not be effected by executing a transfer instrument.

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

### **ISAs and SIPPs**

It is expected that Shares will be eligible for inclusion in an ISA. The subscription limit for an ISA account is £15,240 (for the tax year 2016/2017).

Shares should also qualify as a permissible asset for inclusion in a SIPP.

## **PART 7 GENERAL INFORMATION**

### **1 Responsibility**

The Directors 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 History**

- 2.1 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.
- 2.2 UIL operates under the Bermuda Companies Act, but is otherwise not regulated.
- 2.3 UIL's registered office is in Bermuda and is located at 34 Bermudiana Road, Hamilton 11, Bermuda. UIL's telephone number at this office is +1441 295 5678.

### **3 Share capital**

- 3.1 As at 1 July 2012 (the first date in the period covered by the historical financial information on UIL incorporated by reference in Part 5 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 99,632,214 fully paid Shares.
- 3.2 UIL's issued share capital during the last three financial years is set out below:
  - (a) during the financial year ended 30 June 2013, 475,000 Shares were purchased and cancelled. As at 30 June 2013, UIL's issued ordinary share capital comprised 99,157,124 fully paid Shares;
  - (b) there were no changes to UIL's share capital during the financial year ended 30 June 2014 and as at 30 June 2014, UIL's issued ordinary share capital comprised 99,157,124 fully paid Ordinary Shares; and
  - (c) during the financial year ended 30 June 2015, 600,000 Shares were purchased and cancelled. As at 30 June 2015, UIL's issued ordinary share capital comprised 98,557,124 fully paid Shares.
- 3.3 In the period from 1 July 2015 to 13 July 2016 (the latest practicable date prior to the publication of this document), a further 7,903,425 Shares have been purchased and cancelled. The authorised and issued share capital of UIL as at the date of this document is 90,653,789 fully paid Shares. The exact number of Consideration Shares to be issued pursuant to the Sale and Purchase Agreement will only be determined following the publication of the unaudited UIL NAV prior to completion of the Acquisition. Based on the latest published unaudited UIL NAV per Ordinary Share of 258.13p as at 5 July 2016 and the unaudited Somers NAV per share of US\$17.03 as at 31 March 2016, the Acquisition would result in UIL issuing approximately 12.4 million Consideration Shares.
- 3.4 The ISIN number of the Shares is BMG917071026 and the SEDOL is BZ4BVN3.
- 3.5 The liability of Shareholders is limited to the amount payable in respect of the Shares held by them.
- 3.6 The rights attaching to the Shares are set out in paragraph 5 of this Part 7.

- 3.7 No share or loan capital of UIL is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.8 Pursuant to a special resolution passed at UIL's annual general meeting on 16 November 2015, UIL is authorised to issue up to 9,065,370 Shares (equivalent to 10 per cent of the total number of 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 earlier of conclusion of the 2016 annual general meeting of UIL or 18 months from the date of the resolution. A resolution to renew this authority will be proposed at UIL's annual general meeting to be held in 2016. Where Shares are issued for non-cash consideration pre-emption rights will not apply.
- 3.9 A resolution was passed at UIL's annual general meeting on 16 November 2015, which granted UIL the authority to make market purchases of up to 13,589,000 Shares (being the equivalent of 14.99 per cent of the issued Shares as at the date of the notice of the annual general meeting). This authority will expire at the conclusion of the annual general meeting to be held in 2016 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 Shares as derived from the Daily List of the London Stock Exchange for the five 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 Shares will be made at a price in excess of the Net Asset Value of the Shares (as determined by the 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 in 2016.
- 3.10 The Directors have absolute authority to allot Shares and are expected to allot the Consideration Shares shortly prior to Admission, conditional only on Admission.
- 3.11 As of the date of this document, UIL has no listed or unlisted securities not representing share capital.
- 3.12 Under section 103 of the Bermuda Companies Act, the holders of not less than 95 per cent of the Shares may give notice to the remaining Shareholders to acquire their Shares on the terms set out in the notice.

#### **4 Directors' and other interests**

- 4.1 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 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	0.70
Alison Hill	-	-
Warren McLeland	23,879	0.03
Christopher Samuel	20,000	0.02
David Shillson	32,333	0.04
Eric Stobart	50,000	0.06

100,000 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.

- 4.2 In the financial year ended 30 June 2016, Peter Burrows a received a Director's fee of £37,950, Eric Stobart received a fee of £40,000, Warren McLeland received a fee of £31,000, each of Alison Hill, Chris Samuel and David Shillson (all of whom were appointed on 16 November 2015) received a Director's fee of £19,407, and Roger Urwin and Graham Cole (both of whom retired on 16 November 2015) received a fee of £15,908 and £11,741 respectively. The aggregate remuneration and benefits in kind of the Directors in respect of the Group's financial year ending on 30 June 2017 which will be payable out of the assets of UIL are expected to be £211,320.
- 4.3 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.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 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	-	Bell Potter Securities Eclectic Investment Company plc
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	Intellect Solutions Limited Permanent Investments Limited	Bermuda Commercial Bank Limited

	RESIMAC Limited	
	Somers Limited	
	Trust Company of Australia	
Christopher Samuel	Alliance Trust PLC	Axial Investment Management Limited
	Alliance Trust Investments Limited	Bio-Bean Limited
	BlackRock Throgmorton Trust plc	Ignis Asset Management Limited
	JPMorgan Japanese Investment Trust Plc	Ignis Capital Limited
	Regulus Bidco Limited	Ignis European Services Limited
	Regulus Topco Limited	Ignis Fund Managers Limited
	Scrubbys Foods Limited	Ignis Group Limited
	The London Community Foundation	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
David Shillson	ANJ Finance Trustee Limited	General Provincial Insurance Company Limited
	ANJ Management Limited	Horizon Trust Management Limited
	ANJ Seatoun Properties Limited	Kensington Swan Building Services Limited
	NZ Investments Limited	Kensington Swan Holdings Limited
	Boulcott Ventures Limited	Kensington Swan IP Limited
	Customhouse Ventures Limited	Mastersoft (NZ) Limited
	EM Infrastructure Limited	Newport Black Holdings Limited
	F L Jeffries & Co 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	
Eric Stobart	BlackRock Throgmorton Trust plc	Adviser (177) Limited
	Anglian Water Group Pension Schemes	A E Grant (Underwriting Agencies) Ltd.
	Capita Managing Agency Limited	Bermuda Commercial Bank Limited
	DSG Pension Trustees Limited	Classic Southdown Omnibuses Limited
	LSF Pensions Management Limited	Falcon Managers Limited
	Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-Disability	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
		Norwich & Peterborough Building Society
		The Stroke Association
		Third Bagleys Lane Management Co Ltd
		T.T. Finance PLC
		51 Edith Road Limited
		The Third Throgmorton Trust Limited



- 4.9 None of the Directors has:
- (a) any convictions in relation to fraudulent offences for at least the previous five years;
  - (b) been declared bankrupt or been the subject of an individual voluntary arrangement within the previous five years;
  - (c) 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;
  - (d) 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;
  - (e) been subject to the receivership of any personal assets within the previous five years;
  - (f) 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
  - (g) 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.

4.10 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 statutory statement of the administrator's proposals filed on 1 July 2016, as at that date, the Company had creditors of approximately £140,000 and assets having a book value of approximately £60,000. As at the date of this Prospectus, the administration process is on-going.

4.11 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's issued share capital as at 13 July 2016, being the latest practicable date prior to the publication of this document.

	<b>Percentage of UIL's issued Ordinary Share capital</b>
General Provincial Life Pension Fund (L) Limited	61.8
Permanent Mutual Limited	7.01

4.12 Save in respect of General Provincial Life Pension Fund (L) Limited, whose interest is set out in paragraph 4.11, UIL is not 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 immediately following Admission of the Consideration Shares will exercise or would be able to exercise control over UIL.

4.13 No Shareholders have voting rights attached to the Shares they hold which are different to the voting rights attached to any other Shares issued by the UIL.

## **5 UIL Bye-laws**

5.1 Pursuant to written resolutions passed on 9 May 2007, UIL's principal object is to carry on business as an investment company. The objects of UIL are contained in its memorandum of

association which is available for inspection at the address specified in paragraph 13 of this Part 7.

5.2 The UIL Bye-laws contain provisions, *inter alia*, to the following effect:

(a) Income

The 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 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.

(b) 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:

- (i) 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 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 Shares then held by them; and
- (ii) second, there shall be paid to the holders of the 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 Shares then held by them.

(c) Voting

The holders of the Shares shall have the right to receive notice of and to attend and vote at general meetings of UIL. Each holder of a Share being present at a meeting shall upon a show of hands have one vote and, save as described in paragraph 5.2(d)(ii) below, upon a poll every such holder present in person or by proxy shall have one vote in respect of every held by him.

(d) Voluntary liquidation of UIL

- (i) 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 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 5.2(d)(ii) below shall apply in relation to such vote.
- (ii) At any such special general meeting, the 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 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.

- (iii) 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 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 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 of paragraphs 5.2(d)(i) and 5.2(d)(ii) above shall not apply;
- (iv) 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 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 5.2(d)(i) and 5.2(d)(ii) above shall not apply.

(e) 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 UIL's shares as set out in the UIL Bye-laws.

(f) Offers of shares

- (i) Subject to the provisions of the UIL 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 UIL 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 UIL 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, in accordance with the requirements of the Listing Rules.

- (iii) UIL may also pay such brokerages and/or commissions as may be lawful.
  - (iv) No person shall be recognised by UIL as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.
- (g) Notice requiring disclosure of interest in shares
- (i) The Directors may serve notice on any shareholder requiring that shareholder disclose to UIL 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 UIL the information required by UIL 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 UIL 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 UIL 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 UIL 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 UIL 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 UIL); or
    - (C) permit UIL 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 UIL 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 UIL 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 (i) below.

(h) 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) it is in respect of a share upon which UIL has no lien;
- (ii) it is in respect of only one class of share;
- (iii) it is in favour of a single transferee of 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 UIL 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 providing 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.

(i) 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 UIL and any rights to receive dividends or other distributions with

respect to such shares, and the holder shall repay UIL any amounts distributed to such holder by UIL 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 UIL 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 UIL 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 UIL 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 UIL in respect thereof. No trust will be created and no interest will be payable in respect of such net proceeds of sale.

(j) Alteration of capital and purchase of shares

UIL 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 UIL 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.

UIL 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.

(k) 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 UIL).

(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 UIL or any of its subsidiaries;

(B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of UIL 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 UIL 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 UIL 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 UIL 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 UIL is interested, and any such Director shall not be accountable to UIL for any remuneration or other benefits received by him.

(l) 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 UIL (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.

(m) 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 UIL shall have then been a Director at each of the preceding two annual general meetings of UIL 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.

- (n) Dividends and distribution of assets on a winding up
- (i) The Directors may if they think fit from time to time pay the 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 UIL 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 UIL 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.

(o) Borrowing

- (i) The 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.
- (ii) The 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.
- (iii) 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.

(p) Register of Shareholders

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

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

(q) 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 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 at least 14 clear days before the date fixed for the meeting.

## **6 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.

### **6.1 Subscription Agreement**

An amended and restated subscription agreement dated 18 May 2016 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;
- (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 Shares in the event that following such repayment or repurchase the ZDP Cover shall be less than 1.5x in the case of the 2016 ZDP Shares and the 2018 ZDP Shares or less than 1.35x in the case of the 2020 ZDP Shares and the 2022 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 Directors shall have calculated and UIL's financial adviser shall have reported to the 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 2016 ZDP Shares and the 2018 ZDP Shares or less than 1.35x in the case of the 2020 ZDP Shares and the 2022 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 Directors. The Calculation Date, for the purpose of this paragraph 6.1(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 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 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; or
- (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 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 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 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 2016 ZDP Shares and the 2018 ZDP Shares or below 1.35x in the case of the 2020 ZDP Shares and 2022 ZDP Shares (as determined by the 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.

## 6.2 Management Agreement

A Management Agreement dated 31 March 2015 between UIL, ICMIM and ICM, as amended by a supplemental agreement dated 15 June 2015, 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 AIFM, 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 have agreed to reduce the annual management fee to 0.25 per cent per annum from 1 January 2014 until the high water mark of 289.81p is regained.

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, ICMIM 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 six months' 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.

### 6.3 **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. 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.

### 6.4 **Depository Services Agreement**

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

JP MEL 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 JPMEEL against any liabilities that may be imposed on or incurred by JPMEEL in connection with or arising of its performance under the Depositary Services Agreement other than as a result of its fraud, negligence or wilful misconduct.

The Depositary Services Agreement is governed by the English law

#### 6.5 **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.

#### 6.6 **Existing 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 (i) its debt to asset ratio is above 25 per cent, increasing to 30 per cent for so long as any amounts are drawn under the New Loan Facility (or, if UIL's Gross Assets are below £200 million, above 15 per cent) or (ii) during the period when the New Loan Facility Agreement is drawn, its debt to liquid asset ratio is greater than 50 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 Existing Loan Facility Agreement contains further representations, warranties, undertakings, events of default and indemnities which are customary for facility agreements of this nature.

The Existing Loan Facility Agreement is governed by English law.

#### 6.7 **New Loan Facility Agreement**

A £25 million secured short term loan facility made between UIL and Scotiabank dated 13 May 2016. The base currency of the facility is Sterling. The final repayment date for the loan is 30 April 2017.

UIL may not make further drawdowns where (i) its debt to asset ratio is above 30 per cent (or, if UIL's Gross Assets are below £200 million, above 15 per cent) (the **Debt/Asset Limit**) or (ii) its debt to liquid asset ratio is greater than 50 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 New Loan Facility Agreement contains further representations, warranties, undertakings, events of default and indemnities which are customary for facility agreements of this nature.

The New Loan Facility Agreement is governed by English law.

#### **6.8 Stockdale Securities Engagement Letter**

The engagement letter dated 28 April 2016 between UIL and Stockdale Securities pursuant to which Stockdale Securities will provide financial advice to UIL and UIL Finance in connection with the Rollover Offer, the Initial Placing, the Placing Programme and the Acquisition.

#### **6.9 Dickson Minto W.S. Engagement Letter**

The engagement letter dated 1 July 2016 between UIL and Dickson Minto W.S. pursuant to which Dickson Minto W.S. act as UIL's sponsor in connection with the Admission of the Consideration Shares and the publication of this document.

#### **6.10 DI Depository Services Agreements**

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

#### **6.11 BCB Custody Agreement**

A 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.

#### **6.12 2016 Placing Agreement**

The Placing Agreement dated 18 May 2016 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 2022 ZDP Shares and 2020 ZDP Shares under an initial placing and placing programme in accordance with the prospectus published by UIL Finance dated 18 May 2016. For its services in connection with the Rollover Offer and the associated initial placing and placing programme, Stockdale Securities is 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 and a commission of 1 per cent of the gross proceeds of the initial placing and the placing programme. Under the agreement, which may be terminated by Stockdale Securities in certain limited circumstances prior to admission of the relevant ZDP Shares. Under the Placing Agreement 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.

## 6.13 2014 Placing Agreement

The placing agreement dated 2 July 2014 between UIL, UIL Finance, ICM and Stockdale Securities (under its former name, Westhouse Securities Limited) whereby Stockdale Securities agreed, as agent for UIL Finance to use its reasonable endeavours to procure subscribers for 2020 ZDP Shares under an initial placing and the placing programme. For its services in connection with the rollover offer for the 2014 ZDP Shares and the associated placing programme, Stockdale Securities was entitled to a corporate finance fee of £120,000, a commission of 0.5 per cent of the aggregate value of the 2020 ZDP Shares arising under the rollover offer for the 2014 ZDP Shares and a commission of 1 per cent of the gross proceeds of such initial placing and the placing programme. Under the placing agreement, UIL, UIL Finance and ICM agreed to certain market standard warranties and indemnities in favour of Stockdale Securities.

## 7 Investment Restrictions

UIL has adopted the following investment and other restrictions:

- 7.1 UIL will at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy;
- 7.2 UIL will not conduct any trading activity which is significant in the context of the Group as a whole; and
- 7.3 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).

## 8 Litigation

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which UIL 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.

## 9 Significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest unaudited half-yearly results of the Group were published.

## 10 Related party transactions

Save for the Acquisition and save as disclosed in note 34 on pages 75 to 77 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2013, note 25 on page 82 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2014, note 25 on pages 82 and 83 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2015 and note 12 on page 28 of the half-yearly report for the period ended 31 December 2015, 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 and a half years ending 31 December 2015 or during the period from 1 January 2016 to 13 July 2016 (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 6.2 of this Part 7).

## **11 CREST**

- 11.1 The Shares are in registered form and may be held either in certificated form or as Depositary Interests in uncertificated form and settled through CREST.
- 11.2 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 Shares through CREST, the DI Depositary will hold the relevant Shares and will issue dematerialised Depositary Interests representing the underlying Shares to the relevant investors.
- 11.3 The DI Depositary will hold the Shares on trust for the respective underlying 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 Shares that they represent and do not require a separate admission to the London Stock Exchange.
- 11.4 Shareholders wishing to settle Shares through CREST can transfer their holding to the DI Depositary, which will then issue Depositary Interests representing the relevant transferred Shares. The Depositary Interest holder will not hold a certificate evidencing the underlying Share. Depositary Interests are issued on a one-for-one basis against the relevant 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 Shares.
- 11.5 Participation in CREST is voluntary and Shareholders who wish to hold Shares outside of CREST will be entered on the Register and issued with a share certificate evidencing ownership.

## **12 Miscellaneous**

- 12.1 The exact number of Consideration Shares to be issued will only be determined following the publication of the unaudited the UIL NAV prior to completion of the Acquisition. Based on the latest published unaudited UIL NAV per Ordinary Share of 258.13p as at 5 July 2016 and the unaudited Somers NAV per share of US\$17.03 as at 31 March 2016, the Acquisition would result in UIL issuing approximately 12.4 million Consideration Shares. Assuming that 12.4 million Consideration Shares are issued, existing Shareholders will suffer a dilution of approximately 12.1 per cent to their existing percentage holdings. In addition, based on the current share price and latest published net asset values for Somers, since the Somers share trade at a discount to net asset value, the UIL NAV per Ordinary Share will be diluted immediately following completion of the Acquisition. Based on the issue of 12.4 million Consideration Shares and the current share price of US\$13.75 per Somers share, UIL's latest published net asset value per Share of 258.13p would be reduced to 252.13p on a pro forma basis.
- 12.2 Under the Sale and Purchase Agreement, UIL and Permanent Investments Limited have agreed that each party shall be responsible for its respective legal and other costs incurred in relation to the negotiation, preparation and completion of the Acquisition. The estimated expenses of the issue of the Consideration Shares payable by UIL is approximately £0.1 million and will be paid by UIL out of its existing resources.
- 12.3 No member of the Group has any employees.
- 12.4 No member of the Group owns or leases any land or buildings.
- 12.5 All the existing issued Shares are admitted to trading on the main market for listed securities of the London Stock Exchange. No application is being made for any 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.



12.6 The existing issued Shares are, and the Consideration Shares to be issued pursuant to the Sale and Purchase Agreement will be, denominated in Sterling.

12.7 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	1,582,360 ordinary shares of £0.01 fully paid shares	78.8
Zeta Resources Limited	Bermuda	Investment company focussing on resources	85,489,612 ordinary shares of A\$1 fully paid	85.5

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.

12.8 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.

12.9 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.

12.10 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 license to carry on business in Bermuda including providing investment advice to UIL granted by the Minister of Business Development and Tourism of Bermuda

12.11 The auditors to UIL for the financial period ended 30 June 2013 were KPMG Audit Plc of 15 Canada Square, London E14 5GL and the auditors of UIL for the two financial periods ended 30 June 2014 and 2015 were KPMG LLP of 15 Canada Square, London E14 5GL.

12.12 Where information in this document has been sourced from a third party, UIL 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

12.13 Stockdale Securities has given and not withdrawn its written consent to the issue of this document and the references to its name in the form and context in which such references appear.

12.14 Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document and the references to its name in the form and context in which such references appear.

### **13 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 Admission:

- (a) the UIL Bye-laws;
- (b) UIL's interim reports and unaudited financial statements for the six month periods ended 31 December 2014 and 2015 referred to in Part 5 of this document;
- (c) UIL's audited annual financial statements for the financial years ended 30 June 2013, 2014 and 2015 referred to in Part 5 of this document;
- (d) the written consents referred to paragraph 12.13 and 12.14 above of this Part 7; and
- (e) this document.

### **14 Availability of Prospectus**

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

14 July 2016

## DEFINITIONS

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

<b>2016 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 6.12 of Part 7 of this document
<b>2016 ZDP Shares</b>	zero dividend preference shares of 10p each issued by UIL Finance that entitle their holders to a capital repayment of 192.78p per share on 31 October 2016
<b>2016 ZDP Rollover Prospectus</b>	the prospectus published UIL Finance dated 18 May 2016 which relates to a rollover offer in respect of the 2016 ZDP Shares and an initial placing and placing programme of 2022 ZDP Shares and 2020 ZDP Shares
<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 the Rollover Offer and the Initial Placing that entitle their holders to a capital repayment of 146.99p per share on 31 October 2022
<b>Accrued Capital Entitlement</b>	the accrued capital entitlement of a ZDP Share on any particular date
<b>Acquisition</b>	the proposed acquisition of further ordinary shares in Somers pursuant to the Sale and Purchase Agreement
<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 6.3 of Part 7 of this document
<b>Administrator</b>	F&C Management Limited
<b>Admission</b>	the admission of the Consideration Shares to listing on the premium segment of 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>Associates</b>	has the meaning given in the Listing Rules
<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 6.11 of Part 7 of this document
<b>Bermuda Companies Act</b>	the Bermuda Companies Act 1981, as amended from time to time
<b>Board</b>	the board of directors of UIL
<b>BMA</b>	Bermuda Monetary Authority
<b>BSX</b>	Bermuda Stock Exchange
<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>Completion</b>	completion of the Acquisition in accordance with the Sale and Purchase Agreement
<b>Computershare Bermuda</b>	Computershare Investor Services (Bermuda) Limited
<b>Consideration Shares</b>	the Shares to be issued to Permanent Investments Limited in consideration for the Acquisition pursuant to the Sale and Purchase Agreement
<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 Shares
<b>Depository Services Agreement</b>	the depository services agreement between UIL, JPMEL and ICMIM, a summary of which is set out in paragraph 6.4 of Part 7 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 6.10 of Part 7 of this document
<b>Director</b>	the directors of UIL
<b>Disclosure and</b>	the disclosure and transparency rules made under Part VI of

<b>Transparency Rules</b>	FSMA (as set out in the FCA Handbook) (as amended)
<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>Existing Loan Facility</b>	the £50 million debt facility provided to UIL by Scotiabank pursuant to the Existing Loan Facility Agreement
<b>Existing Loan Facility Agreement</b>	the loan facility agreement pursuant to which Scotiabank has agreed to provide the Existing Loan Facility to UIL, the terms of which are summarised in paragraph 6.6 of Part 7 of this document
<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>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 6.5 of Part 7 of this document
<b>GPLPF</b>	General Provincial Life Pension Fund (L) 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>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>Independent Shareholders</b>	the Shareholders excluding ICM and its Associates

<b>Initial Placing</b>	the initial placing of 2022 ZDP Shares as described in the 2016 ZDP Rollover Prospectus
<b>Investment Company Act</b>	the United States Investment Company Act 1940, as amended
<b>ISA</b>	Individual Savings Account
<b>Issue</b>	the issue of Consideration Shares pursuant to the Sale and Purchase Agreement
<b>Joint Portfolio Managers</b>	ICMIM and ICM
<b>JPMCB</b>	JPMorgan Chase Bank N.A. – Jersey Branch
<b>JPMEL</b>	J.P. Morgan Europe Limited
<b>Listing Rules</b>	the rules and regulations made by the FCA under Part VI of FSMA
<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 6.2 of Part 7 of this document
<b>Member State</b>	a member state of the EU
<b>Net Asset Value or NAV</b>	in respect of the 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 Loan Facility</b>	the £25 million short term debt facility provided to UIL by Scotiabank pursuant to the New Loan Facility Agreement
<b>New Loan Facility Agreement</b>	the loan facility agreement pursuant to which Scotiabank has agreed to provide the New Loan Facility to UIL, the terms of which are summarised in paragraph 6.7 of Part 7 of this document
<b>Non-Qualified Holder</b>	any person: (i) whose ownership of shares may cause UIL'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 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 to register under the Exchange Act, the Securities Act or any similar legislation; (iv) whose ownership of shares may cause UIL 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 to be a "controlled foreign corporation" for the purposes of the US Internal Revenue Code, or may cause UIL 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>Placing Programme</b>	the placing programme of 2022 ZDP Shares and 2020 ZDP Shares as described in the 2016 ZDP Rollover Prospectus
<b>Prospectus</b>	this document issued by UIL dated 14 July 2016 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>Register</b>	the register of members of UIL
<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 Offer</b>	the offer being made to eligible holders of 2016 ZDP Shares to convert part or all of their holding of 2016 ZDP Shares into 2022 ZDP Shares on the terms set out in the 2016 ZDP Rollover Prospectus
<b>Sale and Purchase Agreement</b>	the sale and purchase agreement relating to the Acquisition dated 18 May 2016 made between UIL and Permanent Investments Limited, summary details of which are set out in Part 3 of this document
<b>Scotiabank</b>	Scotiabank Europe plc
<b>Securities Act</b>	the United State Securities Act of 1933, as amended
<b>Shareholders</b>	holders of Shares
<b>Shares</b>	shares of 10p each in the capital of UIL
<b>Somers</b>	Somers Limited, incorporated in Bermuda with registered number 46441
<b>Somers NAV</b>	the net asset value of Somers calculated in accordance with the normal accounting policies of Somers
<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 18 May 2016 between UIL and UIL Finance pursuant to which, <i>inter alia</i> , UIL Finance transferred 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, the terms of which are summarised in paragraph 6.1 of Part 7 of this document
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Corporate Governance</b>	the Financial Reporting Council's UK Corporate Governance

<b>Code</b>	Code as amended from time to time
<b>UIL</b>	UIL Limited
<b>UIL Bye-laws</b>	the bye-laws of UIL, as amended from time to time
<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 NAV</b>	the net asset value of UIL calculated in accordance with the normal accounting policies of UIL
<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 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, 31 October 2016, 31 October 2018, 31 October 2020 and 31 October 2022 respectively
<b>ZDP Shares</b>	the 2016 ZDP Shares, the 2018 ZDP Shares, the 2020 ZDP Shares and the 2022 ZDP Shares
<b>ZDP Shareholders</b>	holders of ZDP Shares