UIL LIMITED

2016
REPORT AND ACCOUNTS

MANAGED BY ICM

UIL LIMITED

CONTENTS

UIL LIMITED

INVESTMENT OBJECTIVE

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

NATURE OF THE COMPANY

UIL Limited (formerly Utilico Investments Limited) ("UIL" or the "Company") is a Bermuda exempted company incorporated with limited liability. The Company is a closed end investment company, whose ordinary shares are listed on the premium segment of the Official List of the Financial Conduct Authority and are traded on the Main Market of the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders in accordance with its investment objective and policy, generating a return for shareholders and spreading the investment risk. The Company has borrowings and gearing is also provided via zero dividend preference ("ZDP") shares, issued by UIL Finance Limited ("UIL Finance"), the proceeds from which can also be invested with the aim of enhancing returns to shareholders. This gearing increases the potential risk to ordinary shareholders should the value of the investments fall. The joint portfolio managers of the Company are ICM Investment Management Limited ("ICMIM") and ICM Limited ("ICM"), together referred to as the "Investment Managers".

The Company's shares are traded on the Main Market of the London Stock Exchange.

The Company's ordinary shares and ZDP shares can be held in an individual savings account ("ISA").

The Company's shares qualify to be considered as a mainstream investment product suitable for ordinary retail investors.

GEOGRAPHICAL INVESTMENT EXPOSURE

FINANCIAL CALENDAR	
Year end	30 June
Annual General Meeting ("AGM")	16 November 2016
Half year	31 December
Quarterly dividends, payable in	September, December, March and June
Q4 interim dividend – Ex-dividend – Paid	8 September 2016 28 September 2016

FORWARD–LOOKING STATEMENTS

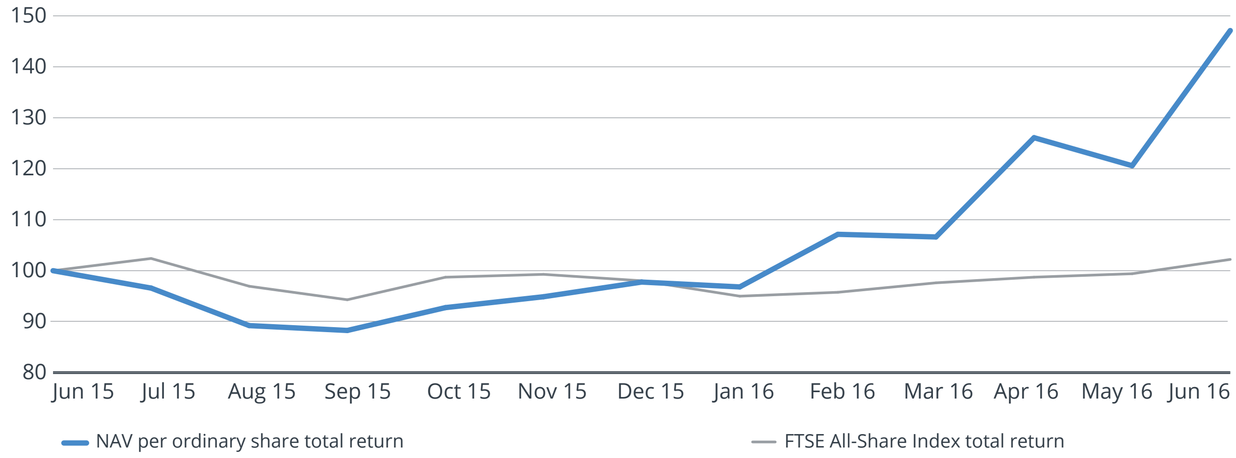
This annual report may contain "forward-looking statements" with respect to the financial condition, results of operations and business of the Company and the Group. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current views and on information known to them at the date of this report. Nothing in this publication should be construed as a profit forecast.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.

CURRENT YEAR PERFORMANCE

- **Net asset value ("NAV") total return of 47.1%**
- **Dividend per ordinary share maintained at 7.50p**
- **50.0m 2022 ZDP shares issued**

TOTAL RETURN COMPARATIVE PERFORMANCE*
June 2015 to June 2016



*Rebased to 100 at 30 June 2015

Source: ICM

Other attributes

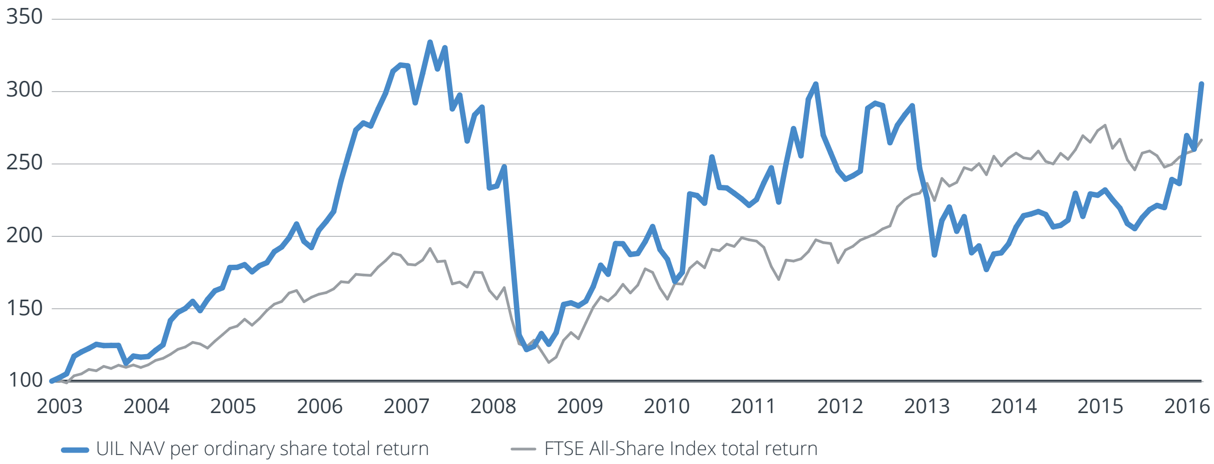
- Invested £47.2m and realised £65.4m
- Gearing reduced from 124.1% to 101.6%
- Bought back 8.0% of the ordinary shares at a 30% discount to the NAV
- Gold mining has increased from 7.3% to 23.7% of the total portfolio
- Technology investments are 21.0% of the total portfolio
- Unlisted investments are 14.5% of the total portfolio
- Ongoing charges 3.3%

PERFORMANCE SINCE INCEPTION

- **Annual compound NAV total return since inception of 9.9%**
- **Dividends per ordinary share have increased from 1.60p to 7.50p**

HISTORIC TOTAL RETURN PERFORMANCE*

from August 2003 to June 2016

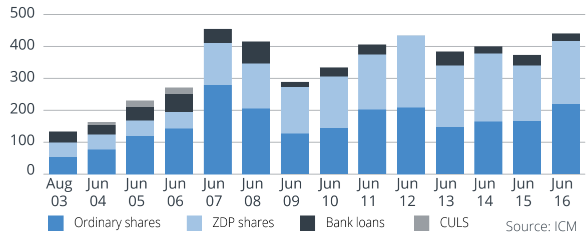


*Rebased to 100 at 14 August 2003

Source: ICM

ALLOCATION OF GROSS ASSETS (£m)

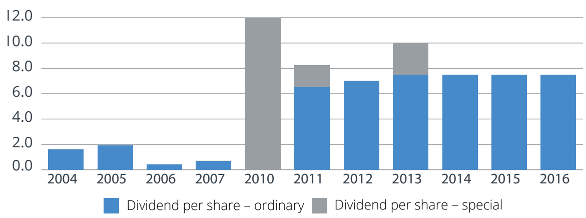
from August 2003 to June 2016



Source: ICM

DIVIDENDS PER ORDINARY SHARE (pence)

from June 2004 to June 2016

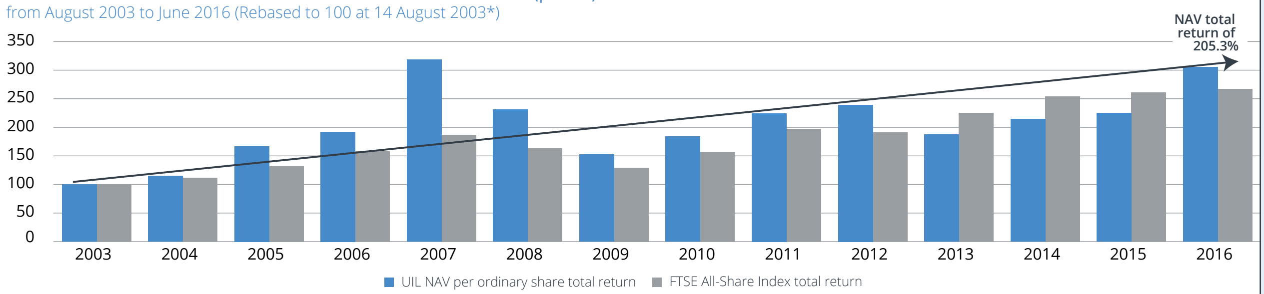


No dividends were paid between 2007 and 2010

Source: ICM

CUMULATIVE TOTAL RETURN COMPARATIVE PERFORMANCE (pence)

from August 2003 to June 2016 (Rebased to 100 at 14 August 2003*)



*Inception of Utilico Investment Trust PLC

Source: ICM

GROUP PERFORMANCE SUMMARY

	30 JUNE 2016	30 JUNE 2015	CHANGE % 2016/15
NAV total return[1] (for the year) (%)	**47.1**	6.4	n/a
Annual compound NAV total return (since inception) (%)	**9.9**	7.8	n/a
NAV per ordinary share (pence)	**241.12**	169.00	42.7
Ordinary share price (pence)	**130.75**	117.00	11.8
Discount (%)	**45.8**	30.8	n/a
FTSE All-Share Total Return Index	**5,737**	5,614	2.2
Returns and dividends (pence)			
Revenue return per ordinary share	**6.23**	7.84	(20.5)
Capital return per ordinary share	**68.45**	2.47	2,671.3
Total return per ordinary share	**74.68**	10.31	624.3
Dividend per ordinary share	**7.50**	7.50	0.0
ZDP shares[2] (pence)			
2016 ZDP shares			
Capital entitlement per ZDP share	**188.31**	175.55	7.3
ZDP share price	**191.00**	184.63	3.5
2018 ZDP shares			
Capital entitlement per ZDP share	**136.32**	127.09	7.3
ZDP share price	**147.25**	141.75	3.9
2020 ZDP shares			
Capital entitlement per ZDP share	**114.35**	106.61	7.3
ZDP share price	**130.00**	122.38	6.2
2022 ZDP shares			
Capital entitlement per ZDP share	**100.12**	n/a	n/a
ZDP share price	**104.50**	n/a	n/a
Equity holders' funds (£m)			
Gross assets[3]	**440.7**	373.4	18.0
Bank debt	**24.7**	34.4	(28.2)
ZDP shares	**197.4**	172.4	14.5
Equity holders' funds	**218.6**	166.6	31.2
Revenue account (£m)			
Income	**10.5**	11.2	(6.2)
Costs (management and other expenses)	**1.9**	1.8	5.6
Finance costs	**1.7**	1.1	54.5
Financial ratios of the Group (%)			
Revenue yield on average gross assets	**2.9**	2.9	n/a
Ongoing charges figure excluding performance fees[4]	**3.3**	2.0	n/a
Ongoing charges figure including performance fees[4]	**3.3**	2.4	n/a
Bank loans, overdraft and ZDP shares gearing on net assets	**101.6**	124.1	n/a

(1) Total return is calculated as change in NAV per ordinary share, plus dividends reinvested
(2) Issued by UIL Finance, a wholly owned subsidiary of UIL
(3) Gross assets less current liabilities excluding loans and ZDP shares
(4) Expressed as a percentage of average net assets. Ongoing charges comprise all operational, recurring costs that are payable by the Group or suffered within underlying investee funds, in the absence of any purchases or sales of investments

CHAIRMAN'S STATEMENT

I am very pleased to report in my first year as Chairman that UIL achieved a NAV total return per ordinary share of 47.1% over the year to 30 June 2016, outperforming the FTSE All Share Total Return Index by an impressive 44.9%.

Over the 13 years since Utilico Investment Trust PLC was launched in August 2003, which rolled into UIL in June 2007, we have distributed £47.5m in dividends, invested £22.0m in share buybacks and added net gains to our NAV of some £144.0m for a total return of 205.3%. This represents an average annual compound total return since inception of 9.9%, ahead of the FTSE All Share Total Return Index average annual compound total return of 7.9%.

In the first six months to 31 December 2015, we noted rising market divergence and increasing volatility and we expected this to continue. In the six months to 30 June 2016 we have seen extraordinary volatility. Oil went as low as US$27.88 per barrel and gold rose to US$1,325.55/oz. The UK voted for Brexit and Sterling moved by over 10% in a single day. These movements have caused significant stresses in the financial system, with a significant proportion of the world's government debt now yielding negative returns. The end outcome remains a deep concern.

A key feature of the year was Brexit and Sterling's resultant weakness. Over the year Sterling fell against the US Dollar, Euro, Australian Dollar and New Zealand Dollar by 15.0%, 14.8%, 12.3% and 19.3% respectively. This clearly benefited UIL's predominantly long non-Sterling investment portfolio.

The gain in UIL's portfolio is due to the Investment Managers' stock selection, strong conviction in the investments and in remaining fully invested. UIL's investments are driven by three core views held by the Investment Managers. First, the world's financial markets are over indebted; second, technological change offers strong investment upside; third, emerging markets offer higher gross domestic product ("GDP") growth opportunities. The Investment Managers are focused on finding investments at valuations that do not reflect their true long-term value. But the shape of the portfolio has been driven by these three core views. Resolute Mining Limited ("Resolute") has offered real defence against the global quantitative easing ("QE") financial response to global indebtedness. Touchcorp Limited ("Touchcorp") and other technology investments have provided excellent exposure to disruptive technologies and have delivered strong performances. Utilico Emerging Markets Limited ("UEM") has demonstrated it can invest in the emerging markets growth through essential infrastructure and utility service companies.

Our move to establish UIL as a broader based investor in 2007, with a consequent change in the mandate, has enabled the establishment of several investment platforms which have generally benefited from a sharper focus and more in-depth knowledge of segments of the market. It has also enabled UIL to benefit from ICM's broader stock selection abilities.

UIL continues to invest in and develop its platforms: UEM (emerging markets); Infratil Limited ("Infratil") (utility infrastructure in Australasia); Somers Limited ("Somers") (financial services); Zeta Resources Limited ("Zeta") (commodities); and Bermuda First Investment Company Limited ("BFIC") (Bermuda centric assets). In addition, UIL has established a strong track record of investing in the FinTech and PayTech sectors and is looking to establish a "platform"

I am very pleased to report in my first year as Chairman that UIL achieved a total return of 47.1% over the year to 30 June 2016, outperforming the FTSE All Share Total Return Index by an impressive 44.9%.

The gain in UIL's portfolio is due to the Investment Managers' stock selection, strong conviction in the investments and in remaining fully invested.

CHAIRMAN'S STATEMENT
(continued)

to capitalise on this position. Pleasingly the majority of our existing platforms have made significant progress over the last 12 months.

A negative of the platforms continues to be the discount on a discount. UEM's share price on 30 June 2016 was 192.00p, a discount of 9.9% to the diluted NAV for UEM of 213.10p. A look-through valuation of UEM, Somers, Zeta and BFIC would increase UIL's NAV by 13.4% to 273.50p per share. If the brokers' look-through valuation for Infratil of some NZ$4.00 per share was reflected in UIL's NAV, this would increase the look-through valuation by a further 2.5% to 279.50p.

The discount encouraged the Investment Managers, supported by the Board, to buy back 8.0% of its ordinary shares, 7.9m shares, during the year at 116.00p, at a then discount of over 30.0% to the NAV. These buybacks were significantly accretive to UIL's NAV per share and earnings per share ("EPS"). Further buybacks need to be balanced against the need to maintain adequate cover for the ZDP shareholders and liquidity for the redemption of the ZDP shares when due for repayment.

During April 2016, UIL announced its proposals for financing the £90m redemption of the 2016 ZDP shares, due on 31 October 2016. As part of this, UIL is seeking to reduce the absolute level of leverage and refinance the balance of the required funding with longer-dated ZDP issues.

UIL is on track to realise £27m from its portfolio and use the proceeds to redeem £27m of the 2016 ZDP shares on maturity, thus reducing the absolute level of leverage.

To refinance the balance of some £63m 2016 ZDP shares, UIL's wholly owned subsidiary, UIL Finance, created a new class of 50m 2022 ZDP shares which were offered to the existing 2016 ZDP holders by way of rollover and to the market by way of a placing, both at 100.00p. Of the 50m shares, 28.1m 2022 ZDP shares were issued on the rollover of 2016 ZDP shares, 12.9m shares were placed in the market for cash and UIL subscribed for the balance of 9.0m.

In summary £28.1m of the 2016 ZDP share liability has been rolled; a further £27.0m will be repaid from realisations; and £34.9m will be repaid from the issue of longer dated ZDP shares. The 2022 ZDP yield to redemption is 6.25%, 1.00% below the 2016 ZDP shares being retired. Going forward the blended finance cost is approximately 6.5%.

Since the year end UIL Finance has placed out some 10.8m 2020 ZDP shares at 128.00p per share, raising £13.8m and UIL took 3.2m 2020 ZDP shares onto its balance sheet.

It is pleasing to see the ability of UIL Finance to place ZDP shares and for the ZDP shares to trade above the capital entitlement today.

At the time of announcing the ZDP proposals, UIL also announced its intention to buy 2.5m Somers' ordinary shares, taking its holding to some 70.1% of Somers. This is to be funded by UIL issuing its ordinary shares in exchange for the Somers ordinary shares, both to be valued at their latest published NAV. This was subject to shareholder approval, which was received in June, and several regulatory approvals, one of which is still outstanding but is expected shortly.

The ZDP share liability and bank debt rose during the first six months to £230.8m from £206.8m as at 30 June 2015, mainly as a result of share buybacks funded by bank debt. In the second half of the year to 30 June 2016 it has reduced to £222.1m and will reduce further on redemption of the 2016 ZDP shares. Our target in terms of the refinancing is debt to equity of one to one or better and we are on track to deliver this. Bank debt has reduced since 31 December 2015 from £52.1m to £24.7m, reflecting portfolio realisations and ZDP share placing proceeds.

Scotiabank agreed to extend the £50m loan facility for two years to 22 March 2018. In addition, Scotiabank worked with UIL to structure a £25m bridging facility which may be drawn down for six months from the end of October 2016 in the event that UIL is unable, due to market conditions, to place out the ZDP shares it holds or make the further necessary realisations to redeem the 2016 ZDP shares on their maturity on 31 October 2016. The Board is appreciative of Scotiabank's strong and committed support for UIL.

Revenue return was £5.7m, down on the prior year of £7.8m, a reduction of 27.0%. The decline arose mainly from a combination of total income lower by £0.7m and finance costs being higher by £0.7m due to the funding of the share buybacks. In addition, the increased finance costs reflect the borrowings in Sterling being switched to both the Australian Dollar and New Zealand Dollar, which carry higher interest charges but offer natural hedges against portfolio assets in those currencies. The revenue return EPS of 6.23p was down from the prior year's 7.84p, a decrease of 20.5%. The better outcome at an EPS level is due to the significant buybacks in the year as there are a smaller number of shares in issue.

The Board maintained total dividends at 7.50p per share which represents a yield on the closing share price of 130.75p of 5.7%. Looking forward the Board expects to maintain the current dividend profile. Undistributed revenue reserves carried forward rose, due to the buybacks, to some 11.56p per share.

Management fees remained unchanged throughout the year to 30 June 2016, at the discounted rate of 0.25%. However, at the beginning of July 2016 the UIL NAV rose above the adjusted high watermark and, as a result, the voluntary management fee discount no longer applies and the fee has reverted to the historic 0.5% per annum, with effect from 1 July 2016.

The current low interest rate and inflationary environment and UIL's continuing move towards platform investments means the existing performance fee structure looks inappropriate. Under the existing performance fee arrangement, the hurdle would be 1.98% as a result of the lower interest rate and inflation outlook and the exclusion of platform investments managed by ICM would exclude over 50.0% of the portfolio. ICM considers the hurdle to be too low, the mechanism for excluding the platforms too cumbersome and the uncapped nature of the performance fee inappropriate. ICM voluntarily made a proposal to address these aspects of the performance fee to the Board, which the Board has reviewed and agreed. The key features of the changes are the introduction of a minimum hurdle of 5.0% on the performance fee benchmark, a cap on performance fees in any financial year of 2.5% of adjusted equity funds (net assets plus dividends paid in the period) and for the fee to be calculated on shareholders' funds of UIL, reduced by a proportion of any performance fees due to ICM on other platform mandates held by UIL. The proportionate reduction will be calculated based on UIL's year-end shareholding in the relevant platform. ICM has agreed that these changes will not result in a higher performance fee payable by UIL cumulatively than under the existing arrangements.

The capital return was £62.3m, a significant increase over the prior year return of £2.4m. This reflects portfolio gains of £103.5m offset by losses on derivative financial instruments, mainly FX transactions to hedge the UK Sterling ZDP liability, of £22.0m. UIL ran a currency neutral debt liability position going into Brexit and Sterling's fall of some 10.0% gave rise to much of this realised FX loss, even though it generated a significant resultant gain on the non Sterling portfolio exposure represented by shareholders' funds.

Ongoing charges are 3.3% (both excluding and including performance fees payable by the other companies managed by ICM) (2015: 2.0% excluding performance fees and 2.4% including performance fees). These include operational, recurring costs payable by the Group and a proportion of costs incurred in other investment companies held within the portfolio. The 3.3% charge includes the reversion of the management fee to 0.5% per annum (from the reduced fee of 0.25%) and includes this year £0.7m of fees payable by Somers.

July's stellar performance by UIL is worth highlighting, with gross assets being up by £73.0m and the record over 13 years from inception in August 2003 to 31 July 2016 increases the NAV total return per ordinary share since inception to 255.0%.

CHAIRMAN'S STATEMENT
(continued)

OUTLOOK

The world's economic outlook continues to be weak. The response from central bankers continues to be accommodative. However, the stress imposed on the world's markets by such accommodative policies is imposing significant strains on parts of the market. In particular exchange rates have been and are likely to continue to be volatile. In this environment the world's investors are driven to seeking out "yield" and risk is being overlooked. Any divergence from this "synchronised" global response is likely to cause deep dislocation and high volatility. Given this background we remain concerned about the outlook, especially for social and political divergence, as happened as a result of the Brexit vote. Our portfolio should benefit from a continuation of the current global response from central banks, which is driving up asset values and gold price; emerging markets and Fintech investments should also benefit. Should a rift emerge to the "synchronised" approach gold should benefit disproportionately. Our portfolio is driven by stock selection and continues to enable UIL and its platforms to identify niche investment opportunities.

Peter Burrows AO
Chairman
19 September 2016

INVESTMENT MANAGERS' REPORT

UIL's NAV total return of 47.1% for the twelve months to 30 June 2016 was a pleasing result in challenging markets.

As noted in the Chairman's Statement, market volatility has continued to rise throughout the previous twelve months and markets remain difficult for investors. The effects of this volatility can be seen both in commodities and currencies. For the year to 30 June 2016, the price of gold was up by 12.8%, whilst oil and nickel were both down by over 21.0%. Sterling has been weak, especially post Brexit and was down against the US Dollar, Euro, Australian Dollar and New Zealand Dollar by 15.0%, 14.8% 12.3% and 19.3% respectively for the twelve months to 30 June 2016.

Sterling's weakness benefited UIL's investment portfolio, which has limited Sterling exposure, resulting in a strong year end rally in UIL's NAV. Partially offsetting this were UIL's £148m foreign exchange ("FX") hedges in Sterling and bank borrowings in Euro and Australian Dollar, which resulted in liabilities increasing. The FX hedges were held to offset UIL's ZDP share Sterling liabilities.

The stand out performers, especially in the last six months, have been gold mining companies. Resolute's share price rose by 326.7% and was the top ASX 300 performer in the year to 30 June 2016. The other stand out sector in these markets continues to be technology and FinTech companies. UIL has benefited from its exposure to both the gold and technology sectors.

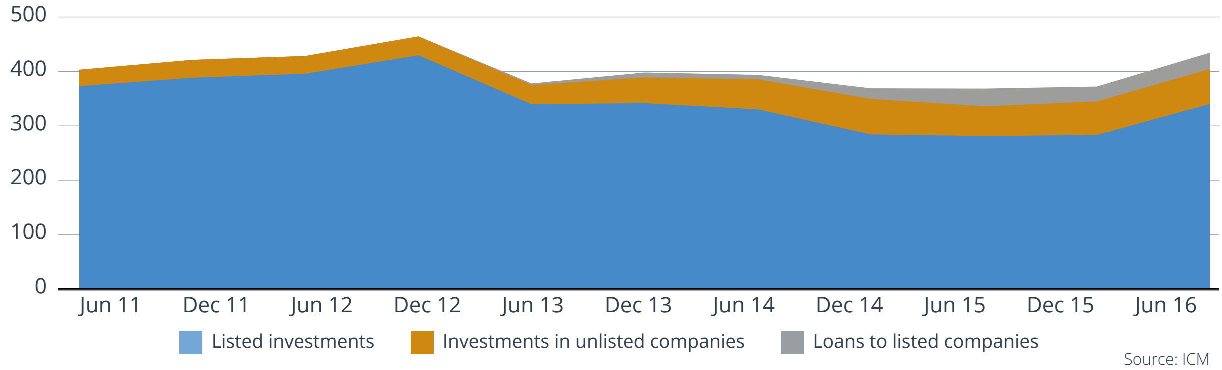
UIL's NAV also benefited from the 7.9m ordinary share buyback in July last year at a discount of 30.5%. The 30 June 2016 NAV per share was improved by 10.0p.

UIL has continued its move towards core platform investments, which offer the following benefits:

- Focused strategy. Each platform has a narrow mandate and as such is driven by the need to find and make investments within its mandate.
- Dedicated research analysts. The research analysts for each platform are focused on both understanding their portfolio businesses and identifying compelling investments.
- The platforms can draw on UIL's support and financial backing.
- The platforms can utilise the Investment Managers' wide knowledge across many jurisdictions to optimise investment opportunities and undertake corporate finance led transactions.

In short, the platforms have been set up to provide sharper focus leading to better investment opportunities and decisions within their sectors.

UIL INVESTMENTS (£m)
from 30 June 2011 to 30 June 2016



Source: ICM

INVESTMENT MANAGERS' REPORT
(continued)

We first articulated the platform approach in early 2012 and today these represent 54.9% of the portfolio, amounting to £247.9m.

During the year to 30 June 2016, UIL made net withdrawals of £22.4m from its platform investments. Key realisations included £31.3m from Infratil, £6.1m from UEM and £1.1m from BFIC. Key investments were £6.6m into Somers, £6.1m into Zeta and £3.3m into Vix Investments Limited ("Vix Investments"). These investments are each reviewed in detail below.

It must be noted that UIL suffers a discount drag on the platform investments. The initial investments made were based on NAV. Following this, the shares in the platform companies have traded at a discount. As UIL marks these investments to market there is an immediate negative effect from investments made and this has muted UIL's NAV performance.

As at 30 June 2016 there were discounts to published NAVs of 9.9% for UEM (some £8.8m); 19.3% for Somers (some £15.8m); and 41.6% for Zeta (some £30.3m). In addition, Infratil's shares were trading at NZ$3.19 as at 30 June 2016, significantly below the brokers' valuation of NZ$4.00, a discount of 20.3% (some £6.0m). Together this amounts to a discount on these investments of some £60.9m. Adding this back would see UIL's shareholders' funds increase by 27.9% to £279.5m.

A key driver in shaping the portfolio is the Investment Managers' three core views. First, the world's financial markets are over indebted; second, technological change offers strong investment upside; third, emerging markets offer higher GDP growth opportunities. The Investment Managers are about stock selection, remaining fully invested and are focused on finding investments at valuations that do not reflect their true long-term value, while being a supportive shareholder of investee companies. The shape of the portfolio has been driven by these three core views. Resolute has offered real defence against the global QE financial response to global indebtedness; Touchcorp and other technology owned investments have provided excellent exposure to disruptive technologies and have delivered strong performances and UEM has demonstrated it can invest in the growth of emerging markets through essential infrastructure and utility service companies.

PORTFOLIO

The portfolio continues to move away from infrastructure and utilities with 27.4% invested in these sectors. The prior year was 39.4%. The big increases are in gold and technology, which both rose as a result of valuation uplifts.

As at 30 June 2016 the top ten investments accounted for 88.4% of the portfolio versus prior year 87.5%. It should be noted that for both sector and geographic analysis, we continue to present the portfolio on a look-through basis.

PLATFORM INVESTMENTS

UIL currently has six platform investments – UEM, Somers, Zeta, Infratil, BFIC and Vix Investments. Together these investments represent six out of the top 10 investments and account for 54.9% of the portfolio as at 30 June 2016.

UEM is UIL's second largest investment accounting for 17.7% of the portfolio at the year end. In the year to 30 June 2016, UEM delivered another solid result, achieving a total return of 7.9% significantly, ahead of the MSCI Emerging Markets Total Return Index (Sterling adjusted) which grew by 3.9%. The Investment Managers' stock selection has once again been recognised with UEM's performance being highly commended and it has gained industry recognition, with the fund winning the Money Observer Trust Awards 2016 for being the Best Emerging Markets Trust, for consistent superior three-year performance. UEM was also awarded the Money Observer Rated Fund Award 2016 for the second year running.

UEM's performance over three and five years to 31 March 2016 has again been significantly ahead of the Index, with it achieving positive total returns of 7.6% and 32.5% respectively versus the MSCI Emerging Markets Total Return Index

(Sterling adjusted) which had negative returns of 7.0% and 8.1% respectively over these time periods. The market environment continues to be challenging with most key emerging market indices negative over the twelve months to 30 June 2016, with China a notable underperformer with Hong Kong's Hang Seng Index down by 20.8% and the Shanghai SE Composite Index down by 31.5%. Emerging market currencies also continue to be difficult, although much of UEM's strong performance in June 2016 was due to the sharp decline in the value of Sterling following the largely unexpected result of the UK's EU membership referendum at the end of June. Over the year to 30 June 2016, Sterling fell by 15.2% and 9.4% against the Hong Kong Dollar and Chinese Renminbi.

In the year to 30 June 2016 UIL reduced its holding in UEM by 7.9% with the sale of 3.5m shares, realising £6.1m.

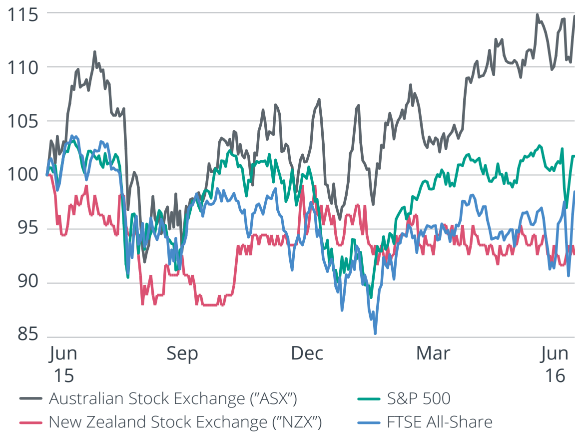
Somers' reported NAV per share decreased to US$17.03 as at 31 March 2016 from US$17.56 as at 31 March 2015, a decrease of 3.0%. Adding back dividends over the 12 months to 31 March 2016 the Somers total loss was 0.6%. Somers, a financial services investment company, is listed on the Bermuda Stock Exchange ("BSX") and its share price has remained virtually unchanged in the 12 months to 30 June 2016, decreasing slightly from US$14.00 to US$13.75 and the discount to the NAV has reduced to 17.7% from 25.4% last year. Somers is classified as an investment company under IFRS 10 and, accordingly, values its investments at fair value.

Somers' two biggest investments remain Bermuda Commercial Bank Limited ("BCB") and Waverton Investment Management Limited ("Waverton"). BCB reported total revenue of US$13.5m for the six months ended 31 March 2016 (31 March 2015: US$13.9m). Following the acquisition of a majority interest in Private & Commercial Finance Group plc ("PCFG") in September 2015, consolidated core earnings have improved with net interest income of US$14.1m for the six months (2015: US$6.1m). This improvement was offset by a reduction in BCB's investment portfolio, leaving an overall net loss of US$3.9m for the six month period (2015: net income US$2.1m). As at 31 March 2016, the value of BCB's holding in PCFG, on a mark to market basis, has increased by US$5.0m since acquisition and this unrealised gain is not included in the foregoing results.

PCFG's portfolio performance and profitability in the 12 months to 31 March 2016 has outperformed management's objectives. New business originations were £63m, up from £56m last year, while the car and commercial finance portfolio

INDICES MOVEMENTS

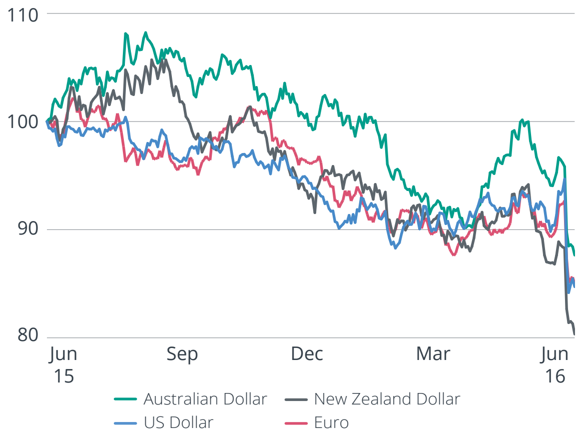
from June 2015 to June 2016



Source: Bloomberg

CURRENCY MOVEMENTS vs STERLING

from June 2015 to June 2016



Source: Bloomberg

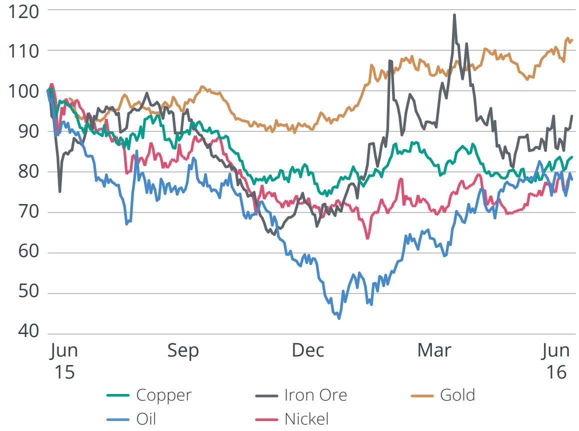
INVESTMENT MANAGERS' REPORT
(continued)

of finance receivables grew by 12% to £112m. The quality of PCFG's loan book improved again over the period, while loan loss provisioning continued to reduce.

Waverton's assets under management ("AuM") were £4.5bn as at 31 March 2016 (30 September 2015: £4.3bn). For the six months ended 31 March 2016, Waverton earned revenue of £15.8m (March 2015: £16.0m), EBITDA of £3.8m (March 2015: £5.2m) and profit before tax of £3.7m (March 2015: £4.8m). The year on year financial results were impacted by a lower average AuM driven by weaker capital markets and increased property costs due to Waverton moving into new premises in September 2015.

COMMODITIES MOVEMENTS

from June 2015 to June 2016



Source: Bloomberg

Ascot Lloyd Holdings Limited ("Ascot Lloyd"), one of Somers' strongest performing investments, had assets under administration at 30 June 2016 of approximately £2.5bn. Importantly for an independent financial advisory business, Ascot Lloyd's recurring income has grown to approximately £14m on an annualised basis. For the six months ended 30 June 2016, Ascot Lloyd reported unaudited revenue of £9.6m, profit before tax of £0.4m and underlying EBITDA of £2.4m.

Zeta's net tangible assets ("NTA") per share fell by 27.8% in the year to 30 June 2016. Over this same period, Zeta's share price fell by 55.0%, from A$0.40 to A$0.18. The share price discount to NTA at the end of June 2016 was 41.6%. Zeta's investments in oil and nickel were affected by falls in those commodity prices, which were down over the year by 21.9% and 21.2% respectively. In contrast, the price of gold on a US Dollar basis was up by 12.8%. As Zeta employs debt capital, changes in the share prices of its underlying investments have a magnified effect on Zeta's NTA.

Aside from Resolute (discussed below), Zeta's three largest investments are an oil and gas producer, New Zealand Oil and Gas Limited ("NZOG"), Australian-based oil junior Pan Pacific Petroleum NL ("PPP"), and Australian nickel company Panoramic Resources Limited ("Panoramic"). In the wake of lower oil prices, NZOG has curtailed exploration and moved to reduce costs; in the year to 30 June 2016, NZOG's share price fell by 15.5%. Similarly, PPP has also cut back on exploration and reduced costs; PPP's shares fell by 19.4%. At the end of 2015, Panoramic decided to put its operations on care and maintenance rather than continue to produce nickel uneconomically; its share price closed the financial year down by 72.8%.

Infratil had, what its managment deemed to be, a "satisfactory" year, continuing to deliver on a commitment to realise value through asset sales. In the year to March 2016, Infratil completed sales of Z Energy and iSite Limited, disposing of its remaining 20% stake in the former for NZ$480.0m and its 100% holding in the latter for NZ$49.0m. The investment returns on these sales were particularly impressive, with the NZ$392.3m net gain realised on Z Energy equating to a 48.4% annualised IRR over 5.5 years and the NZ$27.0m net gain recorded for iSite Limited equating to a 30.0% annualised IRR over 6.5 years. As a consequence, Infratil's net surplus reached a record NZ$438.3m, up from NZ$383.5m in the prior year.

Infratil's underlying EBIDAF registered a 2.5% year-on-year increase in the financial year to 31 March 2016. Strong growth at NZ Bus and RetireAustralia offset a flat result at Trustpower, which remains challenged by low wholesale pricing and generation-overcapacity. While NZ Bus has benefited considerably from productivity-focused investment, RetireAustralia has seen strong momentum in both sales and pricing, which has lifted profitability. Meanwhile, Wellington Airport delivered another consistent performance, with growth of 4.9% in earnings before interest, tax, depreciation, amortisation and fair value adjustments ("EBITDAF") benefiting from a strong uplift in passenger numbers (domestic +4.6%; international +16.0%). Going forward, growth should reflect new investment in route development – with the airport now part way through a NZ$300m investment upgrade programme – and scheduled increases in aeronautical charges.

The divestment of assets over the past several years has left Infratil with significant capacity for capital deployment, with over NZ$1bn in cash and undrawn bank facilities available. Investments across a number of sectors, including renewable energy, retirement & elderly care, waste and telecoms infrastructure, are currently being considered. Moreover, the demerger of Trustpower gives Infratil the opportunity to deploy significant capital for the expansion of wind farm developments.

In the year to 30 June 2016, Infratil's share price increased by 1.3%. UIL reduced its holding in Infratil by 60.6% with the sale of 21.5m shares at an average price of NZ$3.22, realising £31.3m.

BFIC's share price was unchanged over the year to 30 June 2016. BFIC's investee companies are beginning to reflect the improvement in Bermuda's economy over the last 12 months as infrastructure projects in advance of the 2017 America's Cup start to benefit the island. Bermuda's GDP grew in 2015 for the first time in a number of years and, with increased tourism and business investment, the outlook is benign.

BFIC's two major investments remain KeyTech Limited ("KeyTech") and Ascendant Group Limited ("Ascendant"). During the year KeyTech completed a significant transaction with the acquisition of the 58% of Cellone (one of Bermuda's two mobile networks) it didn't already own and the investment in KeyTech by ATN International Inc ("ATN") of BM$42m, which has resulted in ATN becoming a 51% shareholder in KeyTech. As a result of this investment, KeyTech was able to pay a special dividend of BM$0.75 per share, to reduce its net debt and to bring forward some of its capital expenditure plans in both Bermuda and the Cayman Islands. Ascendant reported much improved results in 2015 with operating profit doubling. This was the result of stronger sales driven by the improving Bermuda economy and reduced operating costs. Ascendant has been working with the Bermuda Government and recently submitted an integrated resource plan which focuses on the energy future of Bermuda, including the potential conversion of generation facilities to liquefied natural gas.

As at 30 June 2016, BFIC had total assets of BM$25.2m and reported a net profit for the twelve months of BM$1.9m. BFIC shares were untraded on the BSX in the year, but remained quoted at a bid price of BM$10.00. As a result, the holding in BFIC has been moved from level one to level two. As support for the bid price UIL has looked through to fair value of both Ascendant and Keytech, its two significant investments.

Vix Investments is an unlisted investment company holding a number of unlisted investments in technology companies, primarily related to FinTech. The largest holding in Vix Investment is Optal, which provides payment solutions to travel agents, principally as an issuer of single use Mastercard numbers. This allows agents to secure and pay for bookings through the Mastercard system, using a virtual card number linked to an individual transaction.

In the year to 31 December 2015, Optal's revenue was up to €81.3m and excluding disposals the profit before tax was up to €10.5m.

Two former holdings of Vix Investments, Touchcorp and DTI Group, listed last year and UIL now holds its share of these investments directly.

INVESTMENT MANAGERS' REPORT
(continued)

DIRECT INVESTMENTS

UIL has four direct investments in the top ten: Resolute, Vix Technology Limited ("VixTech"), Touchcorp and Augean plc ("Augean").

Resolute is UIL's largest investment, accounting for 20.0% of the portfolio as at 30 June 2016 and is an Australian gold mining company. Resolute was the top performer on the ASX 300 in the twelve months to 30 June 2016. Its share price in the year to 30 June 2016 rose by 326.7% to A$1.28. This was a reflection of increased gold prices, a decline in the Australian Dollar/US Dollar exchange rate, and cost reductions by the company. A change in management has seen a shift in culture towards a lower risk, cost conscious business. This is evident in the move to underground from open pit mining at Syama and the early pre-payment of all of its longer duration debts, leaving the company with a much stronger balance sheet and a net cash position.

Production in the year to 30 June 2016 of 315,169oz of gold was down on the previous year's production of 328,684oz. Resolute's principal producing assets include the Syama gold mine in Mali and Ravenswood in Australia. Gold ounces produced at Syama decreased by 6.8% to 209,617oz while the company focused on processing ore stockpiles ahead of development of underground mining, while cash costs rose by 3.8% to A$830/oz. At Ravenswood gold ounces produced rose by 1.7% to 105,552oz, largely in line with the previous year. Cash costs per ounce at Ravenswood increased by 9.9% to A$1,033/oz, in part due to the processing of larger volumes of lower grade ore.

In the year to 30 June 2016 Resolute reported revenues up by 21% year-on-year, gross profits up by 135% and net profit after tax at A$213m versus a loss of A$569m in the prior year. At end-June, Resolute had cash and bullion on hand of A$102m compared to total borrowings of just A$27m. The A$15m convertible note offering which was completed in December 2014, partially sub-underwritten by UIL was converted and redeemed in June 2016. Net cash inflows for the year totalled A$139m and Resolute used a significant portion of that to repay debt.

During the year Resolute completed a definitive feasibility study for underground mining in Syama, with work expected to commence on development in September 2016. Successful development of underground mining in Syama is expected to extend the life of the mine by at least 10 years. Resolute has also completed a feasibility study to commence mining at the Bibiani gold project in Ghana. The results were positive, and Resolute proposes to undertake additional drilling in order to extend the study's projected five-year mine life. Meanwhile at Ravenswood, Resolute is drilling with the aim of pursuing underground mining at Buck Reef West.

Resolute has provided guidance for gold production of 300,000oz at an all-in-sustaining-cost of A$1,280/oz (US$934/oz) for the year to 30 June 2017.

VixTech is an unlisted company in which UIL has a 39.8% holding. VixTech is a global leader in smart booking, ticketing, payments, real-time information and data management solutions for large-scale transport networks, with a customer base of more than 200 customers worldwide. VixTech leverages more than 25 years of industry experience designing, operating and maintaining proven next-generation ticketing, payment and loyalty platforms to help governments and businesses manage around five billion transactions a year and create new ways to connect with their customers. Harnessing the latest technologies, VixTech now also works with major sporting clubs, mining communities and event venues to boost engagement, save resources and enable powerful data-driven loyalty and reward schemes through simple solutions that achieve measurable growth and increase customer satisfaction. VixTech has a long history of successful transit ticketing and payment solutions in regions including Singapore, Hong Kong, USA, UK, Sweden and France. VixTech developed the world's largest payment central clearing house in Beijing before the 2008 Olympics, capable of processing more than 10 million passenger journeys per day.

Over the year to 30 June 2016, VixTech continued to deliver on its short term objectives to improve the quality of the order book, which resulted in a 29.6% increase in revenues. However, following management changes, VixTech is at the start of a transitional period to ensure that going forward it can operate more efficiently as a global, unified player. As a result, VixTech has incurred an increase in operating costs, resulting in EBITDA for the period falling by 68.0%.

Management's drive to expand geographically and increase its product offering continued throughout the year as it managed to secure a second contract with the Malaysian government authority, SPAD, to introduce a second transit ticketing system, enabling Malaysians in the near future to travel on bus, rail and monorail networks with one single smartcard. In addition, VixTech secured a contract with STIB, the Brussels' transport authority, to implement a new transit ticketing back office system, integrating multiple bus, tram and rail operators and operating systems into a single core platform. VixTech's pipeline remains robust as a number of opportunities are arising from major clients which should in the near future provide a solid sustainable uplift in revenue. The transitional period of making VixTech a more unified global player should result in the medium term in additional margin expansion which, if delivered and sustained, will result in a significant positive revaluation of the company.

Touchcorp is an Australian headquartered FinTech company, operating in Scandinavia, Europe, South–East Asia and the Australia Pacific regions. Touchcorp provides value-added products and services, including payment services, to retailers and to the providers of prepaid mobile phones, prepaid cards and to health and government organisations, through channels including the internet, mobile devices and retail agents (e.g. convenience stores, newsagents and petrol stations), as well as directly to consumers on behalf of product and service owners.

Touchcorp continued to exhibit strong growth with reported revenue for the year to 31 December 2015 up by 70.8% and pre-tax profits up by 27.0%. During the year, Touchcorp developed a solution for Afterpay Holdings Limited ("Afterpay"), a company that allows e-commerce website operators to offer their customers the facility to pay for their purchases in instalments. Touchcorp owns 30% of Afterpay.

Afterpay successfully listed on the Australian Stock Exchange in April 2016, with its shares advancing strongly ahead of the A$1.00 IPO price. Afterpay is currently benefiting from strong growth, with the number of customers, end users, transaction values and revenues more than doubling in the quarter to 30 June 2016 compared with the quarter to 31 March 2016.

Augean is a UK-based company providing specialist waste management services across a variety of industries. Augean's share price declined by 13.2% in the twelve months to 30 June 2016, despite Augean's good financial progress. In its financial year to December 2015, revenues increased by 10.9% and EBITDA increased by 20.2%, underpinned by strong growth in the core energy & construction business. However, reported net income registered a decline of 66.8%, impacted by a one-off asset impairment. Adjusted profit before tax was up by 12.1% and dividends increased by 30.0% on the previous year.

Landfill volumes handled by the energy & construction unit recorded an impressive 30.8% year-on-year increase, buoyed by increased activity in the construction sector. However, a decline in higher-margin air pollution control activities acted as a drag on the segment's EBITDA growth, which, at 15.0%, nonetheless exceeded expectations. In contrast, Radioactive Waste Services recorded a sharp 26.3% drop in volumes and 13.0% EBITDA growth as it is dependent on waste material from nuclear decommissioning. The Nuclear Decommissioning Authority reduced the release rate through 2015 but management anticipate a strong recovery from late-2016 to 2017.

Augean North Sea Services proved resilient in the year to December 2015, recording 34.0% EBITDA growth, albeit on relatively weak 2014 base-year figures. It is, however, worth mentioning that results in the second half of the year were significantly weaker than those in the first half, but new contracts relating to production platforms, onshore

INVESTMENT MANAGERS' REPORT
(continued)

waste management and decommissioning, as opposed to exploration drilling waste management, are in line with management objectives to diversify the business away from oil-price dependent services. While the outlook for this segment is challenging, management are confident they can maintain profitability.

Following a recent review of the portfolio based on tighter parameters a number of investments have been moved from level one to level two as they are infrequently traded.

UNLISTED INVESTMENTS

Unlisted investments were valued at £65.5m, 14.5% of the portfolio, as at 30 June 2016, up from £56.6m (15.5% of the portfolio), as at 30 June 2015. In addition, UIL has made loans to listed platform companies totalling £30.6m, some 6.8% of the portfolio, up from £25.8m, 7.0% at the previous year end. As these companies are listed, these loans are not regarded as an investment in an unlisted company.

Together the unlisted investments and the loans to the platforms are reported as level 3 investments amounting to £96.1m, prior year £82.4m.

FINTECH AND PAYTECH

Given our FinTech and PayTech performance and track record we are reviewing how better to achieve value from these investments to maximise our investment opportunity and the establishment of a platform may be the logical conclusion.

SECTOR REVIEWS

Gold Mining – 23.7%, prior year 7.3%

UIL's largest investment in gold mining is in Resolute, which is held directly through UIL (20.0% of the portfolio) and indirectly including through Zeta. Resolute is reviewed above.

The gains in gold mining are all down to the value uplift of Resolute and the Australian Dollar versus Sterling.

Technology – 21.0%, prior year 15.7%

UIL holds a number of investments in the technology sector, both directly and through Vix Investments. UIL's largest technology investment is Touchcorp, the seventh largest holding in the portfolio as at 30 June 2016, which successfully listed in Australia in March 2015 and is reviewed above.

VixTech provides ticketing payment solutions and is UIL's fifth largest investment. VixTech is reviewed above.

Vix Investments is UIL's ninth largest holding and has a number of investments in unlisted companies, principally in the FinTech space. Vix Investments is reviewed above.

Outside of the top ten, UIL holds shares in a small number of listed and unlisted technology companies which offer a range of software, hardware and specialist engineering solutions.

The technology sector grew mainly as a result of value increases.

Financial Services – 15.4%, prior year 15.1%

UIL's largest investment in financial services is in Somers, which accounts for 14.7% of UIL's portfolio as at 30 June 2016; Somers is reviewed above.

Financial services saw some increase mainly through value gains but percentage wise was marginally the same.

Oil & Gas – 9.6%, prior year 13.0%

UIL's largest investment in oil & gas is via Zeta, which accounts for 9.4% of UIL's portfolio as at 30 June 2016; Zeta is reviewed above.

Oil & gas declined due to strong downward pressure from weak commodities resulting in most investments declining in value.

DERIVATIVES

Equity: UIL continued to hold a modest market derivatives portfolio, mainly through S&P500 index options which resulted in a small loss of £0.1m for the year to 30 June 2016.

Foreign exchange: Currency positions within UIL's portfolio made significant losses of £21.9m due to Sterling's weakness. UIL has hedged a mixture of New Zealand Dollar, Australian Dollar, Euro and US Dollar. At the period end UIL's forward currency sale contracts in place were for nominal NZ$71.1m, A$142.7m, €22.5m and US$36.3m.

UIL has run a Sterling liability neutral policy and therefore hedged its predominantly Sterling liabilities with an appropriate mix of portfolio asset currency exposures.

GEARING

Gearing (including the ZDP shares) reduced from 160.4% three years ago to 124.1% last year and to 101.6% as at 30 June 2016. Although debt has increased by £15.3m in the year to 30 June 2016 from £206.8m to £222.1m, there has been a significant increase in shareholders' equity to £218.6m from £166.6m.

UIL has a goal of reducing gearing to 100.0% or below and this looks deliverable in the coming year.

ZDP SHARES

UIL's wholly owned subsidiary, UIL Finance, started the year with £172.4m of ZDP shares in issue, including £83.5m of 2016 ZDP shares due for redemption on 31 October 2016.

As indicated in the interim report, UIL Finance created 2022 ZDP shares in the second half of the financial year. Existing 2016 ZDP shareholders elected to roll approximately 15.0m shares into the 2022 ZDP shares, resulting in the issue of 28.1m 2022 ZDP shares and a further 12.9m 2022 ZDP shares were placed for cash in the market. On a consolidated basis, there were £40.4m 2022 ZDP shares and £61.3m 2016 ZDP shares outstanding as at 30 June 2016. The ZDP shares outstanding in total rose to £197.4m, up by £25.0m of which £12.7m represents the ZDP finance costs and £12.2m represents new 2022 ZDP shares placed in the market. The £12.2m cash raised has been used to reduce the bank debt.

As part of the rollover and placing, UIL acquired 9.0m 2022 ZDP shares for investment purposes; on consolidation, the ZDP shares held by UIL are eliminated.

Since the year end UIL Finance has placed out an additional 10.8m 2020 ZDP shares, raising some £13.8m and UIL has taken an additional 3.2m of these shares onto its balance sheet, all at 128.00p per 2020 ZDP share.

The ZDP cover has risen through the year and the yield to maturity reduced. This is a pleasing result. Further details on the ZDP shares is included in note 16 to the accounts on page 87.

DEBT

Bank debt increased from £34.4m at the start of the financial year to £52.1m at 31 December 2015 and then reduced to £24.7m as at 30 June 2016, with the reduction arising from the proceeds of the ZDP share placing of £12.2m, as noted

INVESTMENT MANAGERS' REPORT
(continued)

above and portfolio realisations. The intention is to reduce the debt to nil ahead of the 2016 ZDP share redemption, with it rising to £50.0m on funding of the redemption.

Scotiabank extended the £50.0m facility to 22 March 2018 and also granted UIL a short-term £25.0m bridging facility, should it be needed, to help fund the redemption of the 2016 ZDP shares.

REVENUE RETURNS

Revenue returns were £5.7m, down on the previous year's £7.8m, a reduction of some 27.0%, mainly as a result of a combination of total lower income of £0.7m and finance costs being higher by £0.7m. The total income reduced due to realisations to fund the share buybacks. The finance cost increase reflects the borrowings in Sterling being switched to both the Australian Dollar and New Zealand Dollar which carry higher interest charges but offer natural hedges against portfolio assets in those currencies. The revenue return EPS of 6.23p was down from the prior year's 7.84p, a reduction of 20.5%. The outcome at an EPS level is due to the reduction in number of ordinary shares in issue following the significant buybacks undertaken in the year.

The Board maintained total dividends at 7.50p per ordinary share and this represents a yield on the year end closing share price of 5.7%. Looking forward the Board expects to maintain the current dividend profile. Undistributed revenue reserves carried forward are some 11.56p per share.

The ICM management fees were unchanged throughout the year to 30 June 2016 at the voluntarily discounted rate of 0.25%. In July 2016 the UIL NAV exceeded the adjusted high watermark and as a result the management fee discount no longer applies and the fee has reverted to historic 0.5% per annum.

CAPITAL RETURNS

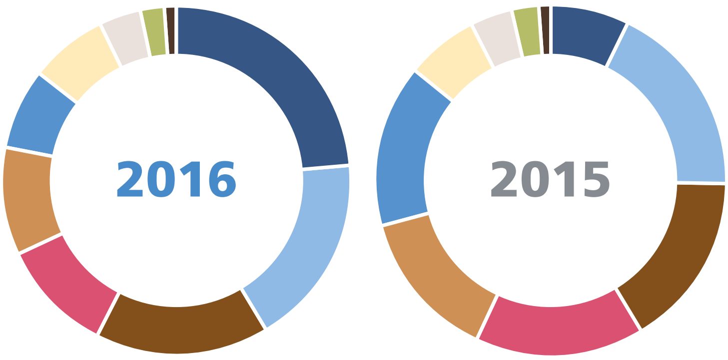
Capital returns were £62.3m, a significant increase over the previous year's return of £2.4m. This reflects portfolio gains of £103.5m offset by losses on derivative financial instruments, mainly FX transactions to hedge the short UK Sterling ZDP share positions of £22.0m. UIL managed a currency neutral liability position going into Brexit and Sterling's fall of some 10% gave rise to much of this loss.

Ongoing charges (both excluding and including performance fees payable by the other companies managed by ICM) were 3.3%. These include operational, recurring costs payable by the Group and a proportion of costs incurred in other investment companies held within the portfolio.

ICM Investment Management Limited and ICM Limited
Investment Managers
19 September 2016

GEOGRAPHICAL & SECTOR SPLIT OF INVESTMENTS

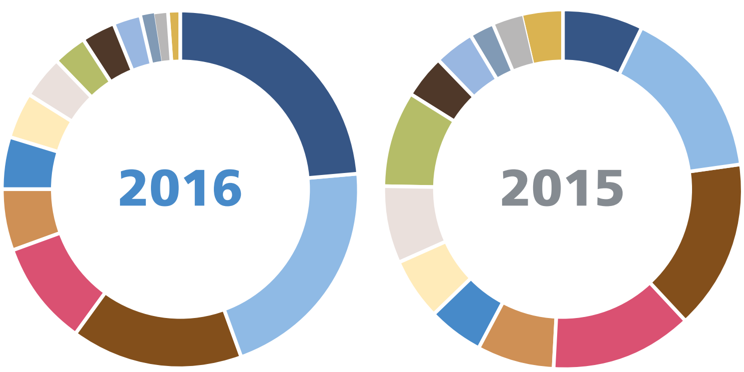
GEOGRAPHICAL SPLIT OF INVESTMENTS



COUNTRY	% OF TOTAL 2016	2015
Gold mining	23.7	7.3
Australia	17.9	18.0
Bermuda	16.0	16.1
Asia	10.6	15.7
UK and Channel Islands	10.1	13.8
New Zealand	7.4	15.0
Europe excluding UK	7.2	6.6
Latin America	4.0	3.9
Africa	2.1	2.6
North America	1.0	1.0

Source: ICM

SECTOR SPLIT OF INVESTMENTS



SECTOR	% OF TOTAL 2016	2015
Gold mining	23.7	7.3
Technology	21.0	15.7
Financial Services	15.4	15.1
Oil & Gas	9.6	13.0
Telecoms	5.5	6.9
Electricity	4.7	4.9
Water & waste	4.1	5.5
Other	3.9	7.0
Renewables	3.1	8.6
Airports	3.0	4.0
Ports	2.5	3.5
Toll roads	1.2	2.3
Resources	1.2	2.8
Infrastructure	1.1	3.4

Source: ICM

TEN LARGEST HOLDINGS

2016	*2015*	Company Description	Fair Value £'000s	% of total investments
1	*5*	**Resolute Mining Limited** Gold mining company	90,368	20.0%
2	*1*	**Utilico Emerging Markets Limited** Emerging markets investment company	79,981	17.7%
3	*2*	**Somers Limited** Financial services investment company	66,370	14.7%
4	*4*	**Zeta Resources Limited** Resources investment company	42,583	9.4%
5	*7*	**Vix Technology Limited** Automated fare collection systems	29,052	6.4%
6	*3*	**Infratil Limited** Infrastructure company	23,793	5.3%
7	*6*	**Touchcorp Limited** Electronic payment services company	22,712	5.0%
8	*8*	**Bermuda First Investment Company Limited** Bermuda investment company	19,949	4.4%
9	*10*	**Vix Investments Limited** Technology investment company	15,202	3.4%
10	*9*	**Augean plc** Waste treatment	9,736	2.1%
		Ten largest holdings	399,746	88.4%
		Other investments	52,451	11.6%
		Total investments	452,197	100.0%

REVIEW OF THE TEN LARGEST HOLDINGS

RESOLUTE MINING LIMITED

www.rml.com.au
Market Cap A$842.5m

Resolute is a gold producer listed on the ASX with two operating mines, one in southern Mali and the other in northeast Australia. In addition, Resolute owns a gold project in Ghana. Production in the year to 30 June 2016 of 315,169/oz of gold was down on the previous year's production of 328,684/oz and average cash costs rose from A$845/oz in the previous year to A$898/oz in the year ended June 2016.

The first half of the calendar year 2016 has seen a significant rise in the Australian Dollar price of gold. Prior to this rise, Resolute had focused on lowering costs. This focus on costs has meant the recent rise in gold prices has resulted in significant cash inflows to the company. During the period, Resolute repaid most of its outstanding debt and ended June 2016 with a net cash balance (including gold bullion) of A$75m. Looking forward, Resolute has completed feasibility studies for underground mining at Syama in Mali, development of Bibiani in Ghana and has taken steps to increase the life of operations at Ravenswood in Australia.

The gold price closed at US$1,326/oz as at 30 June 2016, up by 12.8% from the prior year. During the year ended 30 June 2016, Resolute's share price rose by 326.7%.

UTILICO EMERGING MARKETS LIMITED

www.uem.limited
Market Cap £406.0m

UEM is traded on the London Stock Exchange and invests predominantly in emerging markets with a focus on publicly-listed infrastructure and utility assets.

In the twelve months to 30 June 2016 UEM's NAV increased by 6.3% on a total return basis, significantly ahead of the MSCI Emerging Markets Total Return Index (Sterling adjusted) which grew by 3.9%. This return reflects a solid underlying performance from the portfolio constituents, aided by Sterling currency weakness following the sharp decline in the value of Sterling on the back of the surprise Brexit vote.

In the year to 30 June 2016 UEM's share price increased by 1.2%, while dividends increased to 6.40p per share from 6.10p as at 30 June 2015.

UEM's performance over three and five years to 31 March 2016 saw UEM achieve positive total returns of 7.6% and 32.5% respectively versus the MSCI Emerging Markets Total Return Index (Sterling adjusted) which had a negative return over both periods of 7.0% and 8.1% respectively.

REVIEW OF THE TEN LARGEST HOLDINGS
(continued)

SOMERS LIMITED

www.somers.limited
Market Cap US$164.5m

Somers is a financial services investment holding company whose shares are listed on the BSX.

Its two major investments are its wholly owned subsidiary, BCB (one of the four licensed banks in Bermuda) and a 62.5% interest in Waverton (a UK private wealth manager with over £4.6bn in assets under management). Other investments include a diluted 44% interest in Ascot Lloyd, a 57% interest in West Hamilton Holdings Limited and a 23% interest in Merrion Capital Holdings Limited. Post the year end Somers completed an additional £1.0m investment in Ascot Lloyd, increasing its economic interest up to 49%.

Somers reported a NAV per share of US$17.03 as at 31 March 2016 on shareholders' funds of US$203.8m. As at 30 June 2016 Somers' market capitalisation was US$164.5m and its dividend yield was 3.1%. In the year to 30 June 2016, Somers' share price decreased by 1.8%.

ZETA RESOURCES LIMITED

www.zetaresources.limited
Market Cap A$18.0m

Zeta is an ASX listed investment company, focused on investing in resource companies. As at 30 June 2016, its five largest holdings were: Resolute (discussed separately as UIL also has a direct investment in Resolute); NZOG, a New Zealand based oil and gas exploration and production firm with operations in New Zealand and Indonesia; PPP, an ASX-listed oil junior with an interest in producing oil in New Zealand; Panoramic, an Australian nickel company; and Seacrest, an unlisted specialist oil and gas seismic exploration firm.

Zeta has a concentrated portfolio, having slowly built up cornerstone shareholdings in gold, nickel, natural gas and oil companies. Subsequently, the pace of acquisitions has slowed and Zeta has focused on adding value to its existing investments.

Having been funded in part by debt financing from UIL, in late 2015 Zeta issued UIL shares and options in satisfaction of some of the outstanding debt, in order to strengthen Zeta's balance sheet.

In the year ended 30 June 2016, Zeta's net assets per share fell by 27.8% and its share price fell by 55.0%. The share price discount to net tangible assets at the end of June 2016 was 41.6%.

VIX TECHNOLOGY

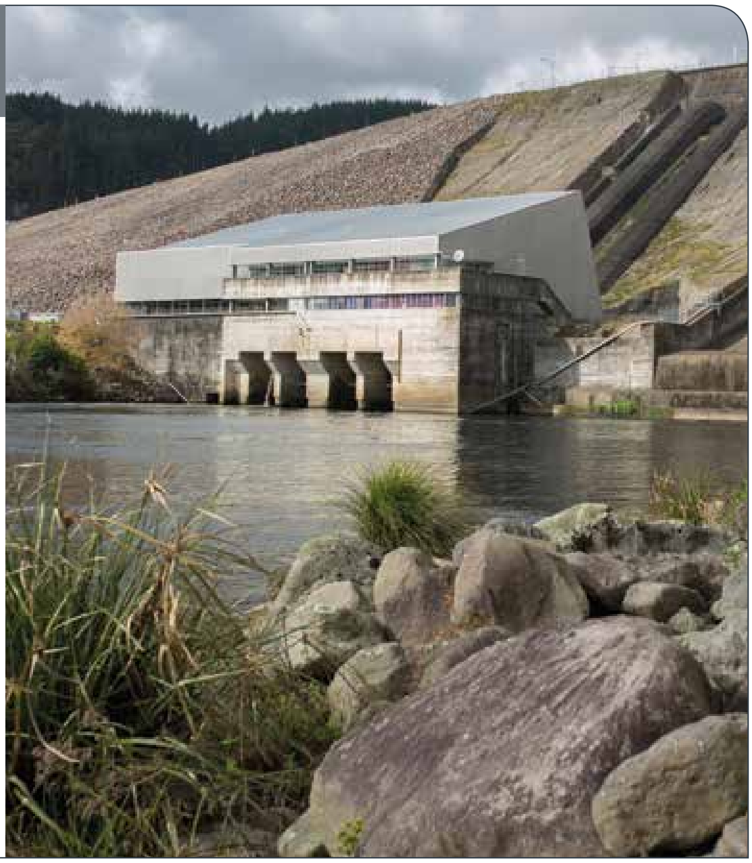
www.vixtechnology.com
unlisted

VixTech is an unlisted, integrated payment solutions company with a global footprint. VixTech's products are the cornerstone of some of the world's largest smartcard payment and billing systems and include flagship transportation solutions such as the Hong Kong Octopus Card, Singapore EzLink, Beijing ACC and Melbourne Metcard.

VixTech has developed solutions for over 200 cities and regions in 25 countries, enabling millions of people worldwide to experience the convenience of low-cost, smartcard travel via integrated systems processing billions of transactions per annum.

In the year ended 30 June 2016 revenues increased by 29.6% whilst EBITDA fell by 68.0%. The reduction in EBITDA reflects increased investment in products, processes and people as VixTech focuses on being a stronger player in its chosen markets.

INFRATIL LIMITED



www.infratil.com
Market Cap NZ$1,796.6m

Infratil is an infrastructure holding company managed by H.R.L. Morrison & Co and listed on the NZX and ASX.

Key businesses in which it is invested include Trustpower, where it has a 51% shareholding, Wellington Airport, (66% shareholding), RetireAustralia, (50% shareholding) and NZ Bus (100% shareholding).

In its financial year to 31 March 2016, Infratil recorded a 2.5% increase in underlying EBITDAF. Strong growth at NZ Bus and RetireAustralia offset a flat result at Trustpower. Meanwhile, Wellington Airport delivered another consistent performance, benefiting from a strong uplift in passenger numbers. In September 2015, Infratil completed the sale of its remaining 20% stake in Z Energy, recording a net gain of NZ$392.3m. As of March 2016, Infratil's surplus stood at a record NZ$438.3m.

In the year to 30 June 2016, Infratil's share price increased by 1.3%.

REVIEW OF THE TEN LARGEST HOLDINGS
(continued)

TOUCHCORP LIMITED

www.touchcorp.com
Market Cap A$206.0m

Touchcorp is an Australian listed and managed FinTech company that provides value added products, such as mobile phone top-ups, tolls and tickets. Touchcorp also provides services, including payment services, to retailers, health providers and governments. Touchcorp provides solutions to allow these products to be sold through retailers, with the company servicing outlets in Australia and a number of European countries, as well as online and through mobile phones.

Touchcorp has developed a solution for Afterpay, a rapidly growing ASX listed company in which Touchcorp has a 30% stake. Afterpay allows e-commerce merchants in Australia to offer their customers the option to pay for goods by instalments.

In the six months to 30 June 2016, Touchcorp reported revenues up by 20.4% and net income up by 14.1% compared with the same period in 2015. Afterpay listed on the ASX in May 2016 at A$1.00 and by the end of June its share price had risen to A$1.44. UIL also has a direct holding in Afterpay.

BERMUDA FIRST INVESTMENT COMPANY LIMITED

www.bfic.limited
Market Cap BM$20.1m

BFIC is an investment holding company whose shares and loan notes are listed on the BSX. It has a number of investments in local Bermudan companies, which are listed on the BSX. Its two main investments are KeyTech, a holding company for a number of telecommunications companies in Bermuda and Ascendant, Bermuda's main energy company. In addition to these holdings, BFIC has interests in insurance companies and a service company.

As at 30 June 2016, BFIC had total assets of BM$25.2m and reported a net profit for the twelve months of BM$1.9m.

BFIC's bid share price remained the same over the year to 30 June 2016. It should be noted that the shares were untraded on the BSX in the year, but remained quoted at a bid price of BM$10.00.

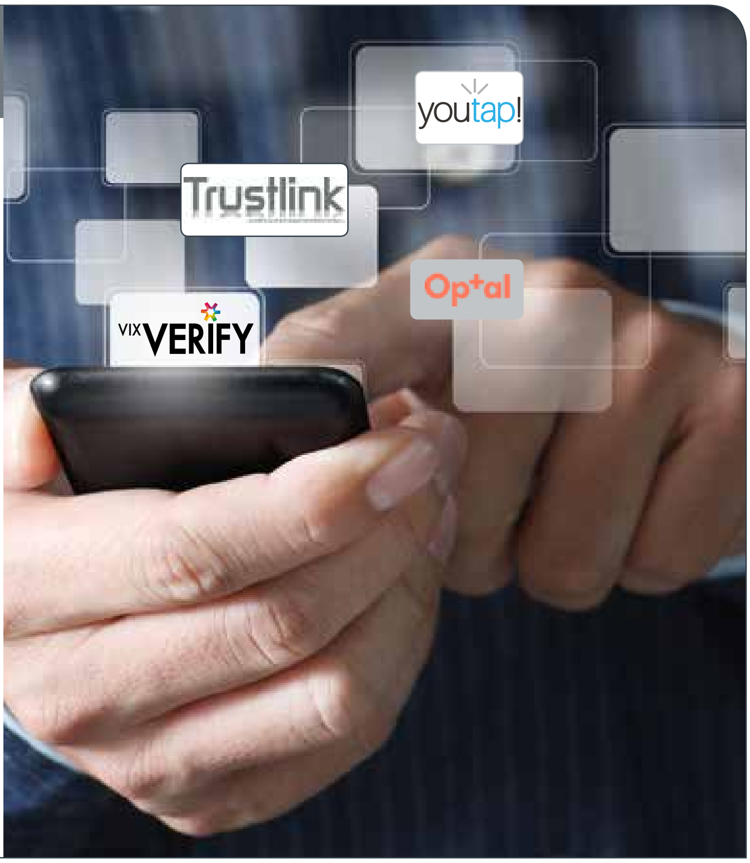
VIX INVESTMENTS LIMITED

Vix Investments is an unlisted investment company holding a number of unlisted investments in technology companies, primarily related to FinTech.

The largest holding by value is Optal. Optal provides payment solutions to travel agents, principally as an issuer of single use Mastercard numbers. This allows agents to secure and pay for bookings through the Mastercard system, using a virtual card number linked to an individual transaction.

In the year to 31 December 2015, Optal grew revenues to €81.3m and, excluding disposals, profit before tax increased to €10.5m.

Other smaller holdings in Vix Investments include Cohort Solutions, which provides payment solutions for international students and Plexure (formerly Vmob) which provides location based mobile advertising and promotion services to clients including McDonalds and 7-Eleven.



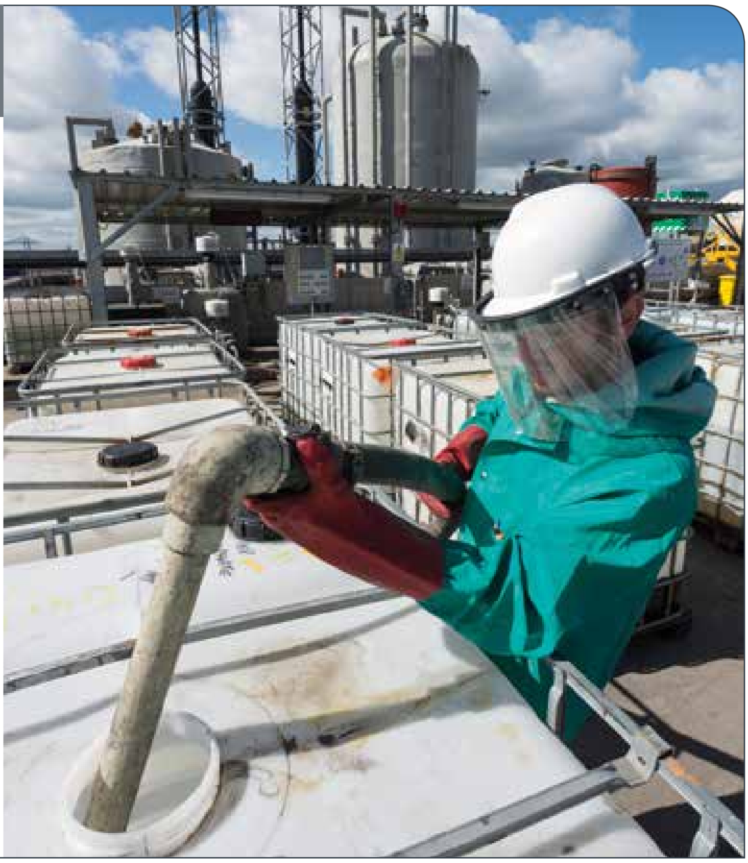
AUGEAN PLC

www.augeanplc.com
Market Cap £48.3m

Augean is a UK-based waste management company listed on AIM. Specialist services are provided through five key business units, which include energy & construction, industry & infrastructure, radioactive waste services and North Sea services. More recently, Augean has taken steps to diversify revenue streams in the oil-dependent North Sea services unit.

In the year to December 2015, Augean recorded revenue growth of 10.9% and EBITDA growth of 20.2%, underpinned by increased construction activity.

In the year to June 2016, Augean's share price declined by 12.4%.



STRATEGIC REPORT AND BUSINESS REVIEW

UIL is an investment company holding investments with gross assets of £440.7m as at 30 June 2016. Its principal activity is portfolio investment.

INVESTMENT OBJECTIVE

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

STRATEGY AND BUSINESS MODEL

The Company invests in accordance with the objective given above. It has no employees and outsources its activities to third party service providers. The strategy the Board of non-executive directors' follows to achieve that investment objective is to appoint external managers to deliver investment performance, with the Board setting investment policy and risk guidelines, together with investment limits. The Board oversees and monitors the activities of the service providers, including the Investment Managers, who are the principal service providers.

ICMIM, an English incorporated company which is authorised and regulated by the Financial Conduct Authority as an alternative investment fund manager ("AIFM") pursuant to the AIFM Rules, was appointed to act as the Company's AIFM with effect from 13 April 2015 and as joint portfolio manager alongside ICM. ICMIM also provides the company secretarial function.

ICMIM and ICM managed the portfolio throughout the year. Successful implementation of the investment strategy is achieved by identifying undervalued stocks in the relevant sectors, which generally generate an income stream, with the aim to maximise value for shareholders through a relatively concentrated portfolio of investments. This model, combined with the use of gearing, should crystallise financial returns, generating a total return through both capital and income.

The investment team responsible for the management of the portfolio is headed by Duncan Saville and Charles Jillings.

The Board, together with the Investment Managers, consider how the business strategy and model has to be adapted to comply with new legislation and regulations.

F&C Management Limited (the "Administrator") has been appointed to undertake general administration services, including dealing. Other administrative functions are contracted to external service providers.

INVESTMENT POLICY AND RISK

The Company 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.

The Company aims to maximise value for shareholders through a relatively concentrated portfolio of investments.

Historically the Company had 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 the Company has, in addition, invested in other sectors. The Company has been reclassified in the Association of Investment Companies ("AIC") database as a "Flexible Investment".

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

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

The Company may also use derivative instruments such as American 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 the Company's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. These investments will be long term in nature.

The Company 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 UEM. UIL has the flexibility to invest directly in these sectors in emerging markets with the prior agreement of UEM.

The Company 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 Investment 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.

As required by the Listing Rules, there will be no material change to the investment policy without prior approval of the FCA and shareholders. Any such change would also require the approval of the ZDP shareholders.

INVESTMENT LIMITS

The Board has prescribed the following limits on the investment policy, all of which are at 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 apply:

- investments in unlisted companies will in aggregate not exceed 20% of gross assets at the time that any new unlisted investment is made. This restriction does not apply to loans to listed platform companies and to the Company's holding of shares linked to a segregated account of Global Equity Risk Protection Limited ("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 the Company (see below);
- no single investment will exceed 30% 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% limit; and
- derivative transactions are carried out by GERP on behalf of the Company 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% of the value of UIL's segregated portfolio in index options and GERP may not hold more than 100% 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 assets of the Company where any restriction is breached as a result of an event outside of the control of the Investment Managers which occurs after the investment

STRATEGIC REPORT AND BUSINESS REVIEW (continued)

is made, but no further relevant assets may be acquired or loans made by the Company until the relevant restriction can again be complied with.

VALUATION METHODOLOGY

Investments are measured at the Board's estimate of fair value at the reporting date, in accordance with IFRS 13 – Fair Value 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 the Company holds a large position and a sale could reasonably affect the quoted price. Active market quotations are included in level one and inactive in level two. Where there is an inactive market the bid price is used unless there is reason to believe it is incorrect.

Unquoted securities

Unlisted loans to listed companies are valued at the principal amount loaned or if impaired at the impaired value. The determination of fair value for other 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, in accordance with the International Private Equity and Venture Capital Valuation Guidelines. This will make the maximum use of market based information and is consistent with methodology generally used by market participants.

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

Recent investments

For an initial or most recent relevant transaction, the approach used is cost for a limited period following the transaction, where the transaction represents fair value.

Established investments

There are three approaches to valuing established investments: multiples; discounted cash flows or earnings; and net assets. Depending on the investment and 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 NAV or yield to maturity.

Discounted earnings multiples will use maintainable earnings discounted at appropriate rates to reflect the value of the business. Generally, the latest historical accounts are used unless reliable forecast results for the current year are available. Earnings are adjusted where appropriate for exceptional or non-recurring items.

BORROWING AND GEARING POLICY

The Board carefully considers the Company's policy in respect of the level of equity exposure. The Board takes responsibility for the Company's gearing strategy and sets guidelines to control it, which it may change from time to time. The Company may, from time to time, use bank borrowings for short-term liquidity purposes. In addition it has longer term borrowings in the form of the ZDP shares that its subsidiary UIL Finance has issued. Details of the ZDP shares in issue and any changes during the year are included in note 16 to the accounts.

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% of the Group's gross assets. Borrowings will be drawn down in any currency appropriate for the portfolio.

The Board has set a current limit on gearing (being total borrowings excluding the ZDP shares measured against gross assets) not exceeding 33.3% at the time of drawdown. Borrowings may be drawn down in Sterling, US Dollars or any currency for which there are corresponding assets within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant assets in the portfolio).

The Company has a £50m multicurrency revolving facility with Scotiabank Europe plc which has been extended until 22 March 2018; as at 30 June 2016 £24.7m was drawn down under the facility. The Company has also entered into a £25m secured short term loan facility with Scotiabank, which can be drawn down at the end of October 2016 for six months to facilitate the redemption of the 2016 ZDP shares, if required. Further details of these loan facilities are included in note 17 to the accounts.

DERIVATIVES

The Investment Managers may follow a policy of actively hedging the market and balance sheet risks faced by the Company.

A review of the investment portfolio, borrowings and hedging is included in the Investment Managers' report and also within the notes to the accounts.

KEY PERFORMANCE INDICATORS

Delivery of shareholder value is achieved through the increase in capital value of the Company's shares and by its income return.

The Board reviews performance by reference to a number of Key Performance Indicators ("KPI") that include the following:

- NAV total return relative to the FTSE All-Share Index
- Share price
- Discount to NAV
- Revenue earnings
- Ongoing charges figure

While some elements of performance against KPIs are beyond management control, they provide measures of the Group's absolute and relative performance and are therefore monitored by the Board on a regular basis.

30 JUNE	2016	2015
NAV total return (%)	47.1	6.4
FTSE All-Share Index total return (%)	2.2	2.6
Share price (pence)	130.75	117.00
Discount to NAV (%)	45.8	30.8
Percentage of issued shares bought back during the year (based on opening share capital) (%)	8.0	0.6
Revenue EPS (pence)	6.23	7.84
Ongoing charges figure (%)	3.3	2.0

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

The Company achieved a positive performance in the year reflecting successful implementation of the business strategy by the Investment Managers.

A graph showing the historic NAV total return performance compared to the FTSE All-Share Index can be found on page 5. The Investment Managers' Report, on pages 11 to 20, provides a commentary on how this performance was achieved.

The ten year record on page 107 shows historic data for the Company's metrics.

Discount to NAV: The Board monitors the premium/discount at which the Company's shares trade in relation to the assets. During the year the Company's shares traded at a discount relative to NAV in a range of 25.5% to 45.8% and an average discount of 35.0%. The Board and the Investment Managers closely monitor both movements in the Company's share price and significant dealings in the shares. In order to avoid substantial overhangs or shortages of shares in the market the Board asks shareholders to approve resolutions which allow for the buyback of shares and their issuance which can assist in the management of the discount. The Company bought back, and cancelled, 7,903,425 ordinary shares during the year, representing 8.0% of its issued share capital.

Earnings and dividends per share: The Board's objective is to maintain or increase the total annual dividend. The Board and the Investment Managers attach great importance to maintaining dividends per share. The Board has the flexibility to pay dividends from capital reserves.

Dividends form a key component of the total return to shareholders and the level of potential dividend payable and income from the portfolio is reviewed at every Board meeting. The Company has declared four quarterly interim dividends, each of 1.875p, in respect of the year ended 30 June 2016. The fourth quarterly interim dividend was declared on 10 August 2016 and will be paid on 28 September 2016 to shareholders on the register at 9 September 2016. The total dividend for the year was 7.50p, the same as in the previous year.

Ongoing charges: These are the industry measure of costs as a percentage of NAV. The expenses of the Company are reviewed at every Board meeting, with the aim of managing costs incurred and their impact on performance. The ongoing charges figure appears high when compared to other investment companies as the expenses are expressed as a percentage of average net assets (after the deduction of the ZDP shares) and comprises all operational, recurring costs that are payable by the Company or suffered within underlying investee funds. This ratio is sensitive to the size of the Company as well as the level of costs.

FINANCIAL POSITION

As at 30 June 2016, the Group's net assets were valued at £218.6m (2015: £166.6m). These comprised a portfolio of mainly equity investments and net current assets.

UIL has a leveraged balance sheet structure, with the ordinary shares leveraged by the ZDP shares, bank debt and other loans.

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments and the income from investments against which must be set the costs of borrowing and management expenses.

The 2016 ZDP shares are repayable on 31 October 2016 at 192.78p per share. The capital cost of the redemption will be met from the issue of new ZDP shares, the realisation of assets and bank borrowings as described in the Chairman's Statement.

PRINCIPAL RISKS AND RISK MITIGATION

ICMIM was appointed as the Company's AIFM with effect from 13 April 2015 and has sole responsibility for risk management subject to the overall policies, supervision, review and control of the Board.

The Board carefully considers the Company's principal risks and seeks to mitigate these risks through continual and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with the Investment Managers and the Company's Administrator.

The Board applies the principles and recommendations of the UK Code on Corporate Governance and the AIC's Code on Corporate Governance (the "AIC Code") as described on page 52. The Company's internal controls are described in more detail on pages 46 and 47. Through these procedures, and in accordance with Internal Control: Revised Guidance for Directors on the Combined Code (the "FRC guidance"), the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the year. This process has been in place throughout the year under review and to the date hereof and will continue to be regularly reviewed by the Board going forward.

Most of the Company's principal risks are market-related and similar to those of other investment companies which invest globally in various currencies around the world. The principal ongoing risks and uncertainties currently faced by the Company, and the controls and actions to mitigate those risks are described below. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 30 to the accounts.

Investment risk – the risk that the investment strategy does not achieve long-term total returns for the Company's shareholders

The Board monitors the performance of the Company and has established guidelines to ensure that the investment policy that has been approved is pursued by the Investment Managers.

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

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

In addition, the ordinary shares of the Company may trade at a discount to their NAV. The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. The Board may buy back shares if there is a significant overhang of stock in the market, having regard to the percentage of shares in public hands.

The Board regularly reviews strategy in relation to a range of issues including the balance between quoted and unquoted stocks, the allocation of assets between geographic regions and sectors and gearing. Periodically the Board holds a separate meeting devoted to strategy, the most recent one being held in November 2015.

A fuller review of economic and market conditions is included in the Investment Managers' Report section of this Strategic Report.

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

No material change in overall risk in the year.

STRATEGIC REPORT AND BUSINESS REVIEW
(continued)

Gearing: the risk that the use of gearing may adversely impact on the Company's performance

The ordinary shares rank behind the bank debt and ZDP shares, making them a geared instrument.

The gearing level is high due to the capital structure of the balance sheet. Whilst the gearing should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. As at 30 June 2016, gearing on net assets, including bank loans, any overdrafts and ZDP shares, was 101.6%. The Board reviews the level of gearing at each Board meeting.

No material change in overall risk in the year.

Banking: a breach of the Company's loan covenants might lead to funding being summarily withdrawn

ICMIM monitors compliance with the banking covenants when each drawdown is made and at the end of each month. The Board reviews compliance with the banking covenants at each Board meeting.

No material change in overall risk in the year.

Key staff: loss by the Investment Managers of key staff could affect investment returns

The quality of the management team is a crucial factor in delivering good performance. There are training and development programs in place for employees of the Investment Managers and the recruitment and remuneration packages have been developed in order to retain key staff.

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

No material change in overall risk in the year.

Reliance on the Investment Managers and other service providers: inadequate controls by the Investment Managers or Administrator or other third party service providers could lead to misappropriation of assets

Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its investment policy. The Company's main service providers are listed on page 106. The Audit Committee monitors the performance of the service providers.

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

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

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

The Board reviews operational issues at each Board meeting and the Audit Committee receives reports on the operation of internal controls and the risk of cybercrime, as explained in more detail within "Internal Controls" on pages 46 and 47.
The risk of cybercrime is high, as it is with most organisations, but the Board regularly seeks assurances from the Investment Managers and other service providers on the preventative steps that they are taking to reduce this risk.

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

OUTLOOK AND FUTURE TRENDS

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Investment Managers' Report section of this Strategic Report. Further details as to the risks affecting the Company are set out above under "Principal Risks and Risk Mitigation".

VIABILITY STATEMENT

In accordance with the provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 (the "Code"), the Directors have assessed the prospects of the Company over the next three years. The Board has determined that a three year period is a reasonable time horizon to consider the continuing viability of the Company, given the current regulatory environment, as they do not expect there to be any significant change to the current principal risks and to the mitigating controls in place over this period.

In its assessment of the viability of the Company, the Board has considered each of the Company's principal risks and uncertainties detailed above, as well as the impact of a significant fall in equity markets on the value of the Company's investment portfolio. All of the key operations required by the Company are outsourced to third party providers and alternative providers could be engaged at relatively short notice if necessary. The Directors have also considered the Company's income and expenditure projections and the fact that a significant percentage of the Company's investments comprise readily realisable securities which could be sold to meet funding requirements if necessary.

Based on the Company's processes for monitoring operating costs, share price discount, the Investment Managers' compliance with the investment objective and policy, asset allocation, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

This Strategic Report and Business Review was approved by the Board of Directors on 19 September 2016.

By order of the Board
ICM Investment Management Limited
Company Secretary

19 September 2016

INVESTMENT MANAGERS AND TEAM

ICMIM, a company authorised and regulated by the FCA as an AIFM pursuant to the AIFM Rules, is the Company's AIFM with sole responsibility for risk management, subject to the overall policies, supervision, review and control of the Board and is joint portfolio manager of the Company, alongside ICM.

The Investment Managers are focused on finding investments at valuations that do not reflect their true long term value. Their investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value. The Investment Managers are long term investors and see markets as a place to exchange assets.

ICM manages over £11.5bn in funds, directly and indirectly, in a range of mandates. ICM has over 40 staff based in offices in Bermuda, Cape Town, Dublin, Hong Kong, London, Melbourne, Singapore and Wellington.

UIL has a broad investment opportunity. To better execute the mandate UIL has set up a number of platforms to focus the investment process and decisions. The Investment Managers have mirrored these platforms in establishing investment teams dedicated to each.

The investment teams are led by Duncan Saville and Charles Jillings.

Duncan Saville, a director of ICM, is a chartered accountant with experience in corporate finance and asset management. He was formerly a non-executive director of Utilico Investment Trust plc and is an experienced director having been or is a non-executive director of a number of utility, financial services, resource and technology companies. He is currently a director of New Zealand Oil and Gas Limited, Cue Energy Resources Limited, Touchcorp Limited, Vix Technology Limited, Somers Limited, West Hamilton Holdings Limited and Global Equity Risk Protection Limited.

Charles Jillings, a director of ICM and chief executive of ICMIM, is responsible for the day-to-day running of the Company and the investment portfolio. He is a qualified chartered accountant and has extensive experience in corporate finance and asset management. He is an experienced director having previously been a non-executive director in the water, waste and financial services sectors. His current portfolio of directorships include Keytech Limited, Somers Limited, Waverton Investment Management Limited, Merrion Capital Holdings Limited, Vix Investments Limited and Global Equity Risk Protection Limited.

Core teams assisting them at a senior level, including consultants, are:

Utilities & Infrastructure

Jacqueline Broers, who has been involved in the running of UIL and UEM since September 2010. Mrs Broers is focused on the transport sector worldwide with particular emphasis on emerging markets. Prior to joining the investment team, Mrs Broers worked in the corporate finance team at Lehman Brothers and Nomura. Mrs Broers is a qualified chartered accountant.

Jonathan Groocock, who has been involved in the running of UIL and UEM since February 2011. Mr Groocock is focused on the utilities sector worldwide with particular emphasis on emerging markets. Prior to joining the investment team Mr Groocock had nine years' experience in sell side equity research, covering telecoms stocks at Investec. Mr Groocock qualified as a CFA charterholder in 2005.

Mark Lebbell who has been involved in the running of UIL and UEM since their inception and before that was involved with Utilico Investment Trust plc and The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is focused on the communications sector worldwide with particular emphasis on emerging markets. Mr Lebbell is an associate member of the Institute of Engineering and Technology.

Fixed Income

Gavin Blessing, joined ICM in 2012. He has over 20 years of experience, mostly in the corporate fixed income markets, both investment grade and high yield. He worked as a credit research analyst and portfolio manager at Goldman Sachs

INVESTMENT MANAGERS AND TEAM

Asset Management in London for 10 years and subsequently as head of credit origination at ISTC in Dublin, Ireland. Prior to joining ICM he was head of bond credit research at Canaccord Genuity in Dublin. Mr Blessing is a qualified chartered accountant and chartered financial analyst.

Resources

Dugald Morrison, based in Wellington, New Zealand, is responsible for ICM NZ Limited. He is an experienced investment analyst, having worked in stockbroking, investment banking and investment management firms in New Zealand, the United Kingdom and the United States since 1987. Mr Morrison is focused on the resources sector worldwide and he is a non-executive director of Pan Pacific Petroleum NL. Mr Morrison is a member of the New Zealand Institute of Directors.

Technology

Rhoda Phillippo, based in Sydney, Australia, is an executive director of Vix Investments and executive chair of Vix Technology, chair of Snapper Services Ltd and a non-executive director on the board of Vocus Communications Ltd in Australia, LINQ (a technology start up in New Zealand) and Kiwibank Limited and is an alternate director for the Future Fund's investment in Perth Airport. Ms Phillippo has more than 30 years' experience in the telecommunications and IT sectors and also has experience in the energy sector. Ms Phillippo holds an MSc in Telecommunications Engineering and Business Management from University College London.

Corporate finance

Alasdair Younie is a director of ICM, based in Bermuda. Mr Younie is responsible for the day to day running of the Somers Group. Mr Younie has extensive experience in financial markets and corporate finance. He worked for six years within the corporate finance department of Arbuthnot Securities Limited in London. He is a director of Ascendant Group Limited, Bermuda Commercial Bank Limited, Bermuda First Investment Company Limited, Somers Limited and West Hamilton Holdings Limited. Mr Younie is a member of the Institute of Chartered Accountants in England and Wales.

Sandra Pope is a director of ICMIM. She has over 25 years' experience in corporate finance, having previously worked in corporate finance at Deloitte Haskins & Sells, Hill Samuel Bank and Close Brothers for 10 years and has worked for the ICM Group since 1999. Mrs Pope is a director of several private companies, including Westhouse Holdings plc. Mrs Pope is a qualified chartered accountant and holds the Securities & Investment Institute Certificate of Corporate Finance.

Operations

Brad Goddard has over 25 years' experience in international markets and finance and their related operations. Brad has been involved with UIL since its inception and prior to that, he was also involved with The Special Utilities Investment Trust plc. He was involved in the establishment of GERP and has previously served as a director of GERP. Brad is currently working closely with Somers' investee companies to achieve greater operational synergies across the Somers group.

Werner Van Kets has managed various operational and financial aspects of ICM since its inception. He manages ICM Corporate Services (Pty) Ltd, which provides accounting and other corporate support services to the ICM group. His previous work experience includes Deloitte (South Africa) and Credit Suisse in London. Werner is a qualified chartered accountant.

Company Secretary, ICM Investment Management Limited

Amanda Marsh, a chartered secretary, joined the team in March 2012 and provides company secretarial services for the Company and UEM. Miss Marsh has over 30 years' experience administering closed-end investment companies. Miss Marsh is a qualified chartered secretary.

DIRECTORS

Peter Burrows AO* (Director and Chairman with effect from 16 November 2015), who was appointed as a Director in September 2011, has many years' experience as a stockbroker and founded his own independent specialist private client firm, Burrows Limited, in 1986. Mr Burrows was previously the chairman of Garratt's Limited, ASC Limited and Rabbit Photo Holdings Ltd and a director of a number of other listed and unlisted companies. Mr Burrows was made an officer in the Order of Australia (AO) for his services to medical research, tertiary education and finance.

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

Warren McLeland, appointed in September 2013, was formerly a stockbroker and investment banker and he 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 an experienced non-executive director.

Christopher Samuel, ACA*, who was appointed a Director in November 2015, was chief executive of Ignis Asset Management until mid-2014, when it was taken over by Standard Life and has worked in the investment sector for most of his career. He is chairman of Defaqto and a non-executive director of Alliance Trust PLC, Alliance Trust Investments Limited, Blackrock Throgmorton Trust plc, JP Morgan Japanese Investment Trust plc 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, LLM, who was appointed a Director in November 2015, is an experienced corporate and commercial lawyer and a senior partner of Kensington Swan, a New Zealand law firm. He has many years of experience acting for a mix of non-government and central and local government clients, particularly in acquisitions and investment structuring, advising on transactional and governance matters across the utilities (ports, airports), technology, energy, transport (rail and roads) and finance sectors. Mr Shillson is a member of the New Zealand Law Society.

Eric Stobart, FCA* (Chairman of Audit and Management Engagement Committees), who was appointed in May 2007. He has spent most of his career in merchant and commercial banking, latterly as Director of Public Policy and Regulation for what is now Lloyds Banking Group. He is a non-executive director of BlackRock Throgmorton Trust plc and Capita Managing Agency Limited and a member of the audit and risk committee of London Business School. He is also a trustee of the Anglian Water Group Pension Schemes, the Dixons Retail Pension Scheme and Lloyd's Superannuation Fund. Mr Stobart is a chartered accountant with an MBA from London Business School.

* Independent Director and member of the Audit Committee and Management Engagement Committee

REPORT OF THE DIRECTORS

The Directors submit the Annual Report and Accounts of the Company and Group for the year ended 30 June 2016. The Corporate Governance Statement commencing on page 51, the Audit Committee Report on page 60 and the Directors' Remuneration Policy and Remuneration Report on page 56 all form part of this Report of the Directors. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

STATEMENT REGARDING ANNUAL REPORT AND ACCOUNTS

The Directors consider that, following advice from the Audit Committee, the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

STATUS OF THE COMPANY

The Company is a Bermuda exempted closed end investment company with company registration number 39480. It changed its name from Utilico Investments Limited to UIL Limited on 17 November 2015. The Company's ordinary shares are listed on the premium segment of the Official List of the FCA and are traded on the Main Market of the London Stock Exchange. It is a member of the AIC in the UK.

The Company's subsidiary undertaking, UIL Finance, carries on business as an investment company. The Company holds shares in a segregated account in GERP, an unquoted Bermuda segregated accounts company. 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 the Company. The segregated account in GERP is classified as a subsidiary of the Company and its financial results are included within the accounts of the Group.

Details of the subsidiary companies are given in note 11 to the accounts.

As at the year-end, the Company also held over 50% of BFIC, a company listed on the BSX which invests in Bermuda companies and of Zeta, a resources focused holding and development company, listed on the ASX and two unlisted non-trading companies. Details of these investments are given in note 11 to the accounts.

RESULTS AND DIVIDENDS

Details of the Company's performance in the year to 30 June 2016 are set out in the Chairman's Statement and Investment Managers' Report. The results for the year are set out in the attached accounts, which are prepared on a going concern basis as disclosed in note 29 to the accounts; details of the dividends declared in respect of this financial year are included in note 9 to the accounts.

The dividends in respect of the year, which total 7.50p per ordinary share, have been declared and paid as four interim dividends in order to maintain quarterly payments (in December, March, June and September) as the Board and its Investment Managers believe, from discussions with shareholders, that the timely and regular payment of dividends is valued by the Company's shareholders.

THE EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

The Company is a non-EU Alternative Investment Fund for the purposes of the AIFMD. The Company has appointed ICMIM, an English incorporated company which is regulated by the FCA, as its AIFM with effect from 13 April 2015, with sole responsibility for risk management and ICM and ICMIM jointly to provide portfolio management services.

The AIFMD requires certain information to be made available to investors in Alternative Investment Funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An

REPORT OF THE DIRECTORS
(continued)

Investor Disclosure Document ("IDD"), which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information, is available on the Company's website at www.uil.limited.

The Company has also appointed JPMEL as its depositary services provider, with effect from 13 April 2015. JPMEL's responsibilities, which are set out in the IDD on the Company's website at www.uil.limited, include general oversight over the issue and cancellation of the Company's shares, the calculation of the NAV, cash monitoring and asset verification and record keeping. JPMEL receives an ad-valorem fee of 2.2bps for its services, subject to a minimum fee of £25,000 per annum, payable monthly in arrears.

There have been no material changes to the information in the IDD requiring disclosure, other than a correction to the maximum leverage exposure, which was corrected to 425%. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a Regulatory Information Service. As a UK authorised AIFM, ICMIM will make the requisite disclosures on remuneration levels and policies to the FCA at the appropriate time.

FUND MANAGEMENT ARRANGEMENTS

The joint portfolio managers are ICMIM and ICM. The aggregate fees payable by the Company under the Investment Management Agreement ("IMA") are 0.5% per annum of gross assets after deducting current liabilities (excluding borrowings incurred for investment purposes), payable quarterly in arrears , with such fees to be apportioned between ICMIM and ICM as agreed by them. The Investment Managers agreed to reduce the management fee payable by the Company to 0.25% per annum until such time as the performance fee high watermark was regained; subsequent to the year end the high watermark has been achieved and the management fee has reverted to 0.5% per annum with effect from 1 July 2016. Note 4 to the accounts provides detailed information in relation to the management fee. The Investment Managers may also become entitled to a performance-related fee.

The IMA may be terminated by the Company giving ICM and ICMIM not less than one year's written notice or by the Investment Managers, acting together, giving the Company not less than six months' notice in writing.

ICMIM has also been appointed as UIL's company secretary under the IMA.

The Board continually reviews the policies and performance of the Investment Managers. The Board's philosophy and the Investment Managers' approach are that the portfolio should consist of shares thought attractive irrespective of their inclusion or weighting in any index. Over the long term, the Board expects the combination of the Company's and Investment Managers' approach to generate a positive return for shareholders. The Board is satisfied with the terms of appointment of ICMIM and ICM.

REGULATORY AND COMPETITIVE ENVIRONMENT

The Company is obliged to comply with Bermuda law, the Listing Rules of the FCA and International Financial Reporting Standards ("IFRS"). The financial statements are also presented, where relevant, in compliance with the Statement of Recommended Practice ("SORP") for Investment Trusts issued by the AIC in November 2014. The Company is exempt from taxation, except insofar as it is withheld from income received and capital gains taxes in some jurisdictions. Under Bermuda law, the Company may not distribute income or capital reserves by way of a dividend unless, after distribution of the dividend, the Company would be able to pay its liabilities as they become due and the realisable value of the Company's assets would be greater than the aggregate of its liabilities and its issued share capital and share premium account. It is registered with the IRS in the USA under the Foreign Account Tax Compliance Act.

In addition to annual and half-yearly accounts published under these rules, the Company announces net asset values weekly via the London Stock Exchange's Regulatory News Service and provides more detailed statistical information on a monthly basis on its website and to the AIC in order to allow investors and brokers to review its performance. The Company also reports to shareholders on performance against the investment objective, Directors' dealings in the shares of the Company, corporate governance, investment activities and share buybacks.

The accounting policies of the Company are detailed in note 1 to the accounts on pages 75 to 77.

DIRECTORS

The Company has a Board of six non-executive Directors who oversee and monitor the activities of the Investment Managers and other service providers and ensure that the Company's investment policy is adhered to. Details of the Board's responsibilities and the information it relies upon are set out below. The Board is supported by an Audit Committee and a Management Engagement Committee, which deal with specific aspects of the Company's affairs as summarised on pages 60 and 44 respectively.

Dr Roger Urwin and Mr Graham Cole retired from the Board on 16 November 2015. On the same date, Mr Peter Burrows was elected as Chairman and Ms Alison Hill, Mr Christopher Samuel and Mr David Shillson were all appointed as additional Directors of the Company. Information about the three new Directors is set out on page 38.

The Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 38.

Under the Company's Bye-Laws, the number of Directors on the Board may not exceed ten.

There is no chief executive position within the Company, as day-to-day management of the Company's affairs has been delegated to the Investment Managers under the terms of the IMA.

CHAIRMAN

The Chairman of the Company is Peter Burrows, a non-executive Director, who the Board considers to be independent. Mr Burrows has been Chairman of the Board of Directors since November 2015 and is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. Mr Burrows has been a Director since 2011 and in common with all the other members of the Board, he is subject to an annual performance appraisal. Following this year's appraisal, the Board has confirmed that Mr Burrows' performance as Chairman is effective and therefore recommends his re-election.

SENIOR INDEPENDENT DIRECTOR

It is considered unnecessary to identify a senior independent director due to the nature of an investment company and the relationship between the Board and the Investment Managers. Any of the Directors is available if shareholders have concerns which have not been resolved through the normal channels of contact with the Chairman or Investment Managers, or for which such channels are inappropriate.

BOARD RESPONSIBILITIES

The Board of Directors is responsible for overall stewardship of the Company, including corporate strategy, corporate governance, risk and controls assessment, overall investment policy and gearing limits. Although the Company has appointed ICMIM as its AIFM with responsibility for risk management, in performing its services, ICMIM is subject to the overall policies, supervision, review and control of the Board.

REPORT OF THE DIRECTORS
(continued)

Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Investment Managers and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company. The Directors are also responsible for the proper conduct of the Company's affairs and for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that the Company's policies and operations are in the best interests of all of its shareholders and that the interests of creditors and suppliers to the Company are properly considered.

The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures that the Board considers adequate to prevent persons associated with it from engaging in bribery for and on behalf of the Company.

A formal schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. The main responsibilities include setting the Company's objectives, policies and standards, considering any major acquisitions or disposals of portfolio companies (more than 15% of the portfolio), ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure, setting long-term objectives and strategy, assessing and managing risk (including supervising and reviewing the performance of ICMIM as the Company's AIFM with responsibility for risk management), reviewing investment performance, monitoring the net borrowing position, approving recommendations made by the Audit Committee, reviewing Directors' remuneration, undertaking nomination responsibilities and assessing the Investment Managers on an ongoing basis. The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares, through the portfolio details given in the annual and half-yearly financial reports, factsheets and weekly NAV disclosures.

There is an agreed procedure for Directors, in the furtherance of their duties, to take legal advice at the Company's expense, having first consulted with the Chairman.

SUPPLY OF INFORMATION

To enable the Directors to fulfil their roles, the Investment Managers ensure that all Directors have timely access to all relevant management, financial and regulatory information.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Board and the Investment Managers have also put arrangements in place to address the ongoing training requirements of Directors which include briefings from the Investment Managers' staff or external advisers and which ensure that Directors can keep up to date with new legislation and changing risks. The Board holds meetings with various specialists including the auditor at least once a year at which specific topics are addressed.

The Board meets on a regular basis at least four times each year. Additional meetings are arranged as necessary. Regular contact is maintained between the Investment Managers, the Chairman and the other Directors between formal meetings.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Investment Managers on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues. The Board also receives reports from the Board's Committees (Audit and Management Engagement).

BOARD DIVERSITY, APPOINTMENT, RE-ELECTION AND TENURE

The Board as a whole undertakes the responsibilities which would otherwise be assumed by a nomination committee. It considers the size and structure of the Board, including the balance of expertise and skills brought by individual Directors. It has regard to board diversity and recognises the value of progressive refreshing of, and succession planning for, company boards, which matters are discussed by the Board as a whole at least annually. The Board also seeks to have Directors with knowledge and experience of relevant sectors, who understand the key influences on businesses in their area, whether they are economic, political, regulatory or other issues. On the issue of diversity, any new appointment is considered on the basis of the skills and experience that the individual would bring to the Board, regardless of gender.

The Board is of the view that length of service does not necessarily compromise the independence or contribution of directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AIC Code. No limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. The Board has put in place a policy whereby Directors who have served for nine years or more will be subject to annual re-election.

The Board reviews succession planning at least annually. Appointments of new Directors will be made on a formalised basis with the Chairman agreeing in conjunction with his colleagues the skills and expertise required and other relevant selection criteria, and the methods of recruitment (where appropriate using an external recruitment agency), selection and appointment. The potential Director would meet with Board members prior to formal appointment. An induction process will be undertaken with new appointees to the Board being given a full briefing on the workings and processes of the Company and the management of the Company by the Chairman, the Investment Managers, the company secretary and other appropriate persons. All appointments are subject to subsequent confirmation by shareholders in general meeting.

The Bye-laws require that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter. Ms Hill, Mr Samuel and Mr Shillson will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election to the Board.

One-third of the Board is subject to retirement by rotation each year and in addition, any Director who is not considered to be independent stands down annually and seeks re-election. Mr Burrows will retire by rotation at the forthcoming AGM; as the Chairman, his re-election has been separately considered and reported on above. Mr Stobart has been a director for over nine years and will be seeking re-election at the AGM and Mr McLeland, who is not considered to be independent due to his directorship of other companies associated with the Investment Managers, retires annually and will do so at the forthcoming AGM and, being eligible, offers himself for re-election. The Bye-laws provide that the Company may, in a special general meeting, remove any Director from the Board.

The Board has reviewed the independence of Mr Stobart, who has served for more than nine years and also of Mr Samuel, who holds a common directorship with Mr Stobart. The Board has concluded that both Directors remain independent non-executive directors of the Company.

The Board has considered the election of Ms Hill, Mr Samuel and Mr Shillson and the re-election of Mr Stobart and Mr McLeland and has reviewed the composition of the Board as a whole and borne in mind the need for a proper balance of skills and experience. Following an appraisal of the performance of these Directors, the Board believes that these

REPORT OF THE DIRECTORS
(continued)

Directors should be put forward for re-election. The Board feels that all five Directors make a valuable contribution based on their individual skills, knowledge and experience. They have commitment to their roles and the Board believes that their re-election would be in the best interests of the Company.

AUDIT COMMITTEE

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 60 to 63. Copies of the terms of reference are available on the Company's website at www.uil.limited.

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 Company's website at www.uil.limited.

The Management Engagement Committee is comprised of the independent Directors of the Company and will meet at least once a year.

The Investment Managers' performance is considered by the Board at every meeting, with formal evaluation by the Management Engagement Committee annually. During the year, the Board received detailed reports and views from the Investment Managers on investment policy, asset allocation, gearing and risk at each Board meeting, with ad hoc market/company updates if there were significant movements in the intervening period. The Board reviewed the portfolio management services to be provided jointly by the Investment Managers when it considered the new IMA in April 2015.

The Management Engagement Committee also considers the effectiveness of the administration services provided by the Investment 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. In this regard, the Management Engagement Committee assessed the services provided by the Investment Managers, the Administrator and the other service providers to be good.

REMUNERATION COMMITTEE

The Board as a whole undertakes the work which would otherwise be undertaken by a Remuneration Committee. Its work is summarised in the Directors' Remuneration Report which starts on page 56.

BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE APPRAISAL

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Audit Committee and the Management Engagement Committee and individual Directors. The performance of the Board, Audit Committee and Management Engagement Committee and Directors has been assessed during the year in terms of:

- attendance at meetings;
- the independence of individual Directors;
- the ability of Directors to make an effective contribution to the Board and Committees through the range and diversity of skills and experience each Director brings to their role; and
- the Board's ability to challenge the Investment Managers' recommendations, suggest areas of debate and set the future strategy of the Company.

The Board opted to conduct performance evaluation through questionnaires and discussion between the Directors, the Chairman and the chairman of the Committees. This process is conducted by the Chairman, having regard to the performance evaluation questionnaire, reviewing individually with each of the Directors their performance, contribution and commitment to the Company and the possible further development of skills. In addition, the Chair of the Audit Committee reviews the performance of the Chairman with the other Directors, taking into account the views of the Investment Managers. The relevant points arising from these meetings are then reported to, and discussed by, the Board as a whole. This process has been carried out in respect of the year under review and will be conducted on an annual basis. The result of this year's performance evaluation process was that the Board, the Committees of the Board and the Directors individually were all assessed to have performed satisfactorily. No follow-up actions were required.

It is not felt appropriate currently to employ the services of, or to incur the additional expense of, an external third party to conduct the evaluation process as an appropriate process is in place; this will, however, be kept under review.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board meets at least quarterly, with additional Board and Board committee meetings being held on an ad hoc basis to consider particular issues as they arise.

The quorum for any Board meeting is two Directors, however attendance by all Directors at each meeting is strongly encouraged. A committee of the Board is constituted to deal with any matters between scheduled Board meetings. The following table sets out the number of formal Board meetings (excluding Board committee meetings) and other committee meetings held during the year under review and the number of meetings attended by each Director who held office at the end of the year under review.

	BOARD	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE
Number of meetings held during the year	6	3	1
Peter Burrows	6	3	1
Alison Hill	5/5	2/2	0/0
Warren McLeland	4	n/a	n/a
Christopher Samuel	5/5	2/2	0/0
David Shillson	5/5	n/a	n/a
Eric Stobart	6	3	1

Apart from the meetings detailed above, there were a number of meetings held by committees of the Board to approve the final versions of the interim and annual financial statements, the declaration of quarterly dividends, the 2016 ZDP share rollover proposals and other *ad hoc* items.

DIRECTORS' REMUNERATION AND SHAREHOLDINGS

The Directors' Remuneration Report, which can be found on page 56, contains information on the policy and annual remuneration of the Directors and their share interests in the Company. Shareholders will be asked to approve the Directors' annual report on remuneration on page 57 (excluding the remuneration policy which is next due for approval in 2017).

REPORT OF THE DIRECTORS
(continued)

DIRECTORS' INTERESTS

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 58.

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end. There are no agreements between the Company and its Directors concerning compensation for loss of office.

A Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Directors have declared any potential conflicts of interest to the Company. Potential conflicts of interest are reviewed regularly by the Board. The Directors have undertaken to advise the company secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains Directors' and officers' liability insurance which provides appropriate cover for any legal action brought against its Directors.

SAFE CUSTODY OF ASSETS

The Company's listed investments are held in safe custody by JPMorgan who was appointed on 13 April 2015, in place of JPMorgan Chase, London Branch. Operational matters with JPMorgan are carried out on the Company's behalf by ICMIM and the Administrator in accordance with the IMA and the Administration Agreement. JPMorgan is paid a variable fee dependent on the number of trades transacted and the location of the securities held.

The Company's unlisted investments continue to be held in safe custody by BCB.

INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS

The Directors acknowledge that they are responsible for ensuring that the Company maintains a sound system of internal financial and non-financial controls ("internal controls") to safeguard shareholders' investments and the Company's assets.

The Company's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/or adhere to the Company's investment policy and/or investment limits. The system can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

The Investment Managers, Administrator and Custodians maintain their own systems of internal controls and the Board and the Audit Committee receive regular reports from the Investment Managers and Administrator.

The Board meets regularly, at least four times a year. It reviews financial reports and performance against relevant stock market criteria and the Company's peer group, amongst other things. The effectiveness of the Company's system of internal controls, including financial, operational, compliance and risk management systems is reviewed at least bi-annually against risk parameters approved by the Board. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from its review. No significant failings or weaknesses occurred during the year ended 30 June 2016 or subsequently up to the date of this annual financial report.

The Board has reviewed and accepted the Investment Managers' anti-bribery and corruption and whistleblowing policies. It has also noted the whistleblowing policy of the Administrator.

The Administrator produces an annual report on policies and procedures in operation in respect of Investment Trust Fund Accounting in accordance with AAF (AAF 01/06) issued by the Institute of Chartered Accountants in England and Wales for its clients. This sets out the control policies and procedures with respect to the duties carried out by the Administrator on the Company's behalf. The effectiveness of these controls is monitored by the Administrator's group audit committee, which receives regular reports from the Administrator's internal audit department. The Company's Audit Committee has received and reviewed the statement for the period ended 31 October 2015, together with a report from the Administrator's group audit committee on the effectiveness of the internal controls maintained on behalf of the Company.

COMPANY SECRETARY

The Board has direct access to the advice and services of the company secretary, who is an employee of ICMIM. The company secretary, with advice from the Company's lawyers and financial advisers, is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The company secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. The company secretary is responsible for advising the Board, through the Chairman, on all governance matters.

ADMINISTRATION

The provision of accounting, dealing and administration services to the Company has been delegated to the Administrator. The Company and the Investment Managers entered into a new administration agreement with the Administrator on 26 June 2015, in place of the previous agreement, under which the Administrator agreed to continue to provide dealing, accounting and general administrative services to the Company and UIL Finance for a fee, payable monthly in arrears, of £310,000 per annum (previously £295,000 per annum). The Administrator and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Company or the Administrator may terminate this agreement upon six months' notice in writing.

Annually, the Management Engagement Committee also considers the ongoing administrative requirements of the Company and assesses the services provided. The Board, based on the recent review of activities by the Management Engagement Committee, believes that the continuing appointments of ICMIM as company secretary and F&C Management Limited as administrator remain in the best interests of the Company and its shareholders.

SHARE CAPITAL

As at 30 June 2016 the issued share capital of the Company and the total voting rights were 90,653,789 ordinary shares of 10p each. Full details of changes to the Company's authorised and issued share capital during the year can be found in note 18 to the accounts.

Since the year end, the Company has bought back 306,581 ordinary shares at an average price of 165.76p per share. As at 19 September 2016 the issued share capital and total voting rights were 90,347,208 ordinary shares of 10p each.

At the last AGM, the Company was granted authority to make market purchases of up to 14.99% of its ordinary shares. A total of 7,903,425 ordinary shares were bought back and cancelled during the year.

UIL Finance, a wholly owned subsidiary of the Company, issued a total of 50.0m 2022 ZDP shares (of which approximately 28.1m shares arose on the conversion of 2016 ZDP shares pursuant to the 2016 ZDP share rollover offer) on 20 June 2016. Since the year end UIL Finance has issued 14.0m 2020 ZDP shares.

REPORT OF THE DIRECTORS
(continued)

SUBSTANTIAL SHARE INTERESTS

As at 19 September 2016, the Company had received notification of the following holdings of voting rights:

	NUMBER OF ORDINARY SHARES HELD	% HELD
General Provincial Life Pension Fund (L) Limited	56,001,533	61.9
Permanent Mutual Limited	6,354,977	7.0

CORPORATE GOVERNANCE, SOCIALLY RESPONSIBLE INVESTMENT AND VOTING

The Company has developed a policy on corporate governance, socially responsible investment and voting. The Company believes that the interests of its shareholders are served by investing in companies that adopt best practice in corporate governance and social responsibility. Where the Investment Managers become aware that best practice in corporate governance and social responsibility is not followed, the Company and the Investment Managers will encourage changes towards this goal.

As an investment company, environmental policy has limited application. The Investment Managers consider various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Investment Managers do not necessarily decide to, or not to, make an investment on environmental and social grounds alone.

The Company is not within the scope of the Modern Slavery Act 2015 because it has no or insufficient turnover and is therefore not obliged to make a human trafficking statement.

The exercise of voting rights attached to shares held by the Company lies with the Investment Managers. Their Stewardship and Voting policy is included on the Company's website at www.uil.limited. Generally, the Investment Managers will vote in favour of all resolutions at general meetings, unless they see clear investment reasons for doing otherwise. The Board periodically receives a report on instances where the Investment Managers have voted against the recommendation of the management on any resolution. It also expects to be informed of any sensitive voting issues involving the Company's investments.

GREENHOUSE GAS EMISSIONS

The Company has no employees or property and it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling for its own use. Accordingly, the quantifiable amount of carbon dioxide equivalent produced by the Company annually is zero tonnes. All services are outsourced on a fee basis that is independent of any energy expended on its behalf and it is not practical for the Company to attempt to quantify emissions in respect of such proxy energy use.

FACILITATING RETAIL INVESTMENTS

The Company currently conducts its affairs so that its securities can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The securities are excluded from the FCA's restrictions which apply to non-mainstream investment products 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.

As a consequence, the Company's shares qualify to be considered as a mainstream investment product suitable for ordinary retail investors.

The Company's ordinary shares are eligible for inclusion in an ISA.

THE COMMON REPORTING STANDARD

New tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the "Common Reporting Standard") was introduced on 1 January 2016. The legislation requires the Company, as an investment company, to provide personal information on shareholders to the Company's local tax authority in Bermuda. The Bermuda tax authority may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders, excluding those whose shares are held as depositary interests, who are entered on the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

RELATIONS WITH SHAREHOLDERS

The Company welcomes the views of shareholders and places great importance on communication with shareholders. The Investment Managers hold meetings with the Company's largest shareholders and report back to the Board on these meetings. The Chairman and other Directors are available to discuss any concerns with shareholders, if required.

The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the calculation and publication weekly, via a Regulatory Information Service, of the NAV of the Company's ordinary shares and by monthly factsheets produced by the Investment Managers.

Shareholders can visit the Company's website: www.uil.limited in order to access copies of half-yearly and annual financial reports, Company factsheets and regulatory announcements.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 16 November 2016.

The notice of the AGM and related notes can be found on pages 103 to 105. All resolutions are ordinary resolutions unless otherwise identified.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM:

Resolution 12 Authority for the Company to purchase its own shares

The Directors' authority to buy back shares was renewed at last year's AGM and will expire at the end of the AGM in 2016.

The Directors are proposing to renew the authority at the forthcoming AGM, and are seeking authority to purchase in the market up to 13,550,000 ordinary shares (equivalent to approximately 14.99% of the issued ordinary shares as at

REPORT OF THE DIRECTORS
(continued)

the date of this report) as set out in Resolution 12 in the Notice of AGM. This authority, unless it is varied, revoked or renewed, will expire at the conclusion of the Company's AGM in 2017.

Any purchases will be made at prices below the prevailing NAV per ordinary share. The maximum price that can be paid is the higher of: (a) 105% of the average of the mid-market quotations of the ordinary shares for the five business days immediately before the date of purchase; and (b) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. Any ordinary shares purchased by the Company may be held in treasury or cancelled.

Any purchases are regarded as investment decisions. It is proposed that any purchase of shares would be funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

The Board intends to seek a renewal of such authority at subsequent AGMs.

Resolution 13 Disapplication of pre-emption rights

The Company's Bye-laws provide that, unless otherwise determined by a special resolution, the Company is not able to allot ordinary shares for cash without offering them to existing shareholders first in proportion to their shareholdings. Resolution 13 will grant the Company authority to dis-apply these pre-emption rights in respect of up to £451,700 of relevant securities in the Group (equivalent to 4,517,000, ordinary shares of 10p each, representing 5% of its ordinary shares in issue as at 19 September 2016). This will allow the Company flexibility to issue further ordinary shares for cash without conducting a rights issue or other pre-emptive offer in circumstances where the Directors believe it may be advantageous to shareholders to do so. Any such issues would only be made at prices greater than NAV and would therefore increase the assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy.

Resolution 13 is a Special Resolution and will require the approval of a 75% majority of votes cast in respect of it.

RECOMMENDATION

The Board considers the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that shareholders should vote in favour of all the resolutions to be proposed at the AGM.

By order of the Board
ICM Investment Management Limited, Secretary
19 September 2016

CORPORATE GOVERNANCE

THE COMPANY'S GOVERNANCE NETWORK

Responsibility for good governance lies with the Board. The Board is committed to maintaining high standards of corporate governance and is accountable to shareholders for the governance of the Company's affairs.

The governance framework of the Company reflects the fact that as an investment company it has no employees and outsources investment management and company secretarial services to the Investment Managers and administration to the Administrator and other external service providers.

THE BOARD

Six non-executive directors (NEDs)

Chairman: Peter Burrows

Key Objectives:

- to set strategy, values and standards;
- to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed; and
- to constructively challenge and scrutinise performance of all outsourced activities.

AUDIT COMMITTEE

All the independent Directors

Chairman: Eric Stobart

Key Objective:

- to oversee the financial reporting and control environment.

MANAGEMENT ENGAGEMENT COMMITTEE

All the independent Directors

Chairman: Eric Stobart

Key Objectives:

- to review the performance of the Investment Managers and the Administrator; and
- to review the performance of other service providers.

NOMINATION COMMITTEE FUNCTION

The Board as a whole performs this function

Key Objectives:

- to regularly review the Board's structure and composition; and
- to consider any new appointments.

REMUNERATION COMMITTEE FUNCTION

The Board as a whole performs this function

Key Objective:

- to set the remuneration policy for the Directors of the Company.

INTRODUCTION

As a Bermuda incorporated company with a premium listing on the Official List, the Company is required to comply with the UK Corporate Governance Code issued by the Financial Reporting Council. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment

CORPORATE GOVERNANCE
(continued)

Companies. 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. Bermuda does not have its own corporate governance code.

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.

COMPLIANCE WITH THE AIC CODE

The Company 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
- 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 the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management and administration functions are delegated to the Investment 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 the Company 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 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 issued by the Financial Reporting Council 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 there could be risks in respect of continuity and stability on the Board with annual re-elections.

The Company does not have a Nomination or Remuneration Committee.

Details of the Company's ten largest investments are published monthly and in this report; a full list of investments is not published.

Information on how the Company has applied the principles of the AIC Code and the UK Corporate Governance Code is provided in the Report of the Directors as follows:

- The composition and operation of the Board and its Committees is summarised on pages 41, 44 and 51, and pages 60 to 63 in respect of the Audit Committee.
- The Company's approach to internal control and risk management is summarised on pages 33 and 34 and page 46.

- The contractual arrangements with, and assessment of, the Investment Managers are summarised on page 40.
- The Company's capital structure and voting rights are summarised on page 47. The substantial shareholders in the Company are listed on page 48.
- Powers to buy back the Company's shares or to issue shares on a non pre-emptive basis, which are sought annually, are summarised on page 49.

Details of how the Company communicates with its shareholders are included in the Report of the Directors, under "Relations with Shareholders" on page 49

By order of the Board
ICM Investment Management Limited
Company Secretary

19 September 2016

CAPITAL STRUCTURE

UIL has a leveraged balance sheet structure, with the ordinary shares leveraged by the ZDP shares, bank debt and other loans.

ORDINARY SHARES

The number of ordinary shares in issue, and the voting rights, as at 30 June 2016 were 90,653,789 shares. The ordinary shares are entitled to all the revenue profits of the Company available for distribution and resolved to be distributed by the Directors by way of a dividend. The Directors consider the payment of dividends on a quarterly basis.

On a winding up, holders of ordinary shares will be entitled, after payment of all debts and the satisfaction of all liabilities of the Company, to the winding up revenue profits of the Company and thereafter, after paying to UIL Finance for its ZDP shareholders their accrued capital entitlement, to all the remaining assets of the Company.

ZDP SHARES

The ZDP shares are issued by UIL Finance, a wholly-owned subsidiary of UIL. The ZDP shares carry no entitlement to income and the whole of any return will take the form of capital.

2016 ZDP shares

32,546,966 2016 ZDP shares were in issue as at 30 June 2016. The 2016 ZDP shares rank for payment in priority to the ordinary shares (save for any undistributed revenue profit on a winding up) and the 2018, 2020 and 2022 ZDP shares, but rank behind the bank debt for capital repayment of 192.78p per 2016 ZDP share on 31 October 2016. The capital repayment is equivalent to a redemption yield of 7.25% per annum based on the initial capital entitlement of 100p.

2018 ZDP shares

49,842,413 2018 ZDP shares were in issue as at 30 June 2016. The 2018 ZDP shares rank for payment in priority to the ordinary shares (save for any undistributed revenue profit on winding up) and the 2020 and 2022 ZDP shares, but rank behind the bank debt and 2016 ZDP shares for capital repayment of 160.52p per 2018 ZDP share on 31 October 2018. The capital repayment is equivalent to a redemption yield of 7.25% per annum based on the initial capital entitlement of 100p.

2020 ZDP shares

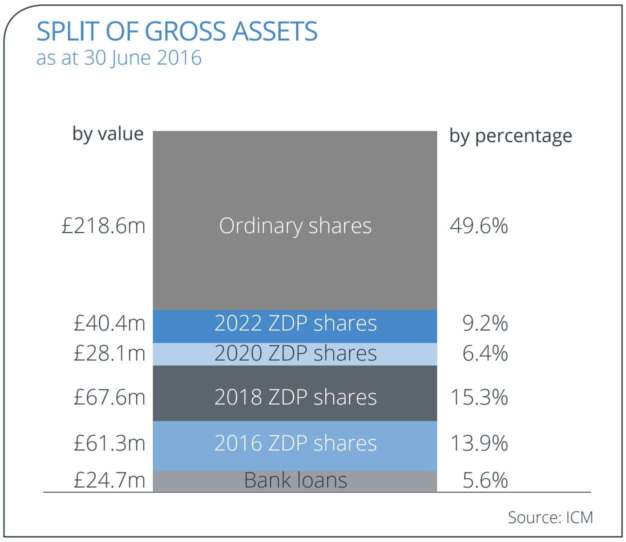
25,000,000 2020 ZDP shares were in issue as at 30 June 2016. The 2020 ZDP shares rank for payment in priority to the ordinary shares (save for any undistributed revenue profit on winding up) and the 2022 ZDP shares but rank behind the bank debt, 2016 and 2018 ZDP shares for capital repayment of 154.90p per 2020 ZDP share on 31 October 2020. The capital repayment is equivalent to a redemption yield of 7.25% per annum based on the initial capital entitlement of 100p. Subsequent to the year end, a further 14.0m 2020 ZDP shares have been issued, of which UIL took 3.2m.

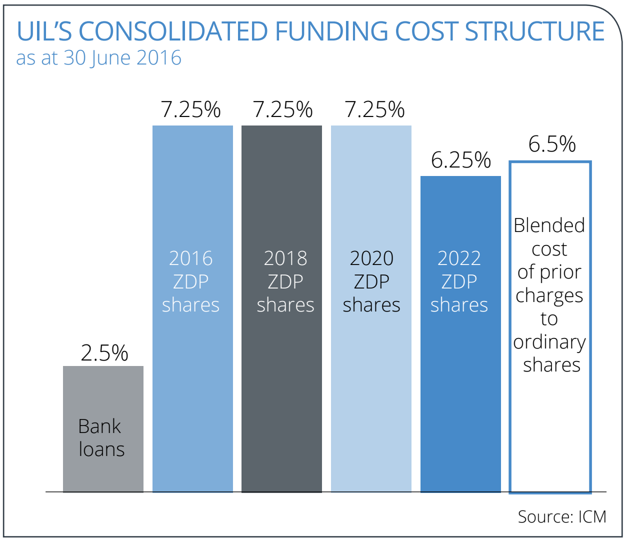
2022 ZDP shares

50,000,000 2022 ZDP shares were in issue as at 30 June 2016. The 2022 ZDP shares rank for payment in priority to the ordinary shares (save for any undistributed revenue profit on winding up) but rank behind the bank debt, 2016, 2018 and 2020 ZDP shares for capital repayment of 146.99p per 2022 ZDP share on 31 October 2022. The capital repayment is equivalent to a redemption yield of 6.25% per annum based on the initial capital entitlement of 100p.UIL held 9.0m of the 2022 ZDP shares as at 30 June 2016.

BANK DEBT

At the year-end UIL had a £50.0m multi-currency loan facility provided by Scotiabank, secured against the Company's assets by way of a debenture. It also has a bridging facility in place, which it can draw down at the end of October 2016 for a period of six-months to provide part funding for the redemption of the 2016 ZDP shares, if required.





SENSITIVITY OF RETURNS AND RISK PROFILES

Ordinary shares rank behind the ZDP shares (save for any undistributed revenue profit on a winding up) and bank debt such that they represent a geared instrument. For every £100 of gross assets of the Company as at 30 June 2016, the ordinary shares could be said to be interested in £49.60 of those assets after deducting the prior claims as above. This makes the ordinary shares more sensitive to movements in gross assets. Based on these amounts, a 1.0% movement in gross assets would change the NAV attributable to ordinary shares by 2.0%.

The interest cost of UIL's bank debt, combined with the annual accruals in respect of ZDP shares, currently represents a blended cost to the ordinary shares of 6.5%.

Based on their final entitlement of 192.78p per share, the final entitlement of the **2016 ZDP shares** was covered 5.13 times by gross assets as at 30 June 2016. Should gross assets fall by 80.5% over the remaining life of the 2016 ZDP shares, then the 2016 ZDP shares would not receive their final entitlement in full. Should gross assets fall by 94.5%, equivalent to an annual fall of 100.0%, the 2016 ZDP shares would receive no payment at the end of their life.

Based on their final entitlement of 160.52p per share, the final entitlement of the **2018 ZDP shares** was covered 2.68 times by gross assets as at 30 June 2016. Should the gross assets fall by 62.7% over the remaining life of the 2018 ZDP shares, then the 2018 ZDP shares would not receive their final entitlement in full. Should gross assets fall by 80.5%, equivalent to an annual fall of 50.3%, the 2018 ZDP shares would receive no payment at the end of their life.

Based on their final entitlement of 154.90p per share, the final entitlement of the **2020 ZDP shares** was covered 2.18 times by gross assets as at 30 June 2016. Should the gross assets fall by 54.0% over the remaining life of the 2020 ZDP shares, then the 2020 ZDP shares would not receive their final entitlement in full. Should gross assets fall by 62.7%, equivalent to an annual fall of 20.3%, the 2020 ZDP shares would receive no payment at the end of their life.

Based on their final entitlement of 146.99p per share, the final entitlement of the **2022 ZDP shares** was covered 1.60 times by gross assets as at 30 June 2016. Should the gross assets fall by 37.6% over the remaining life of the 2022 ZDP shares, then the 2022 ZDP shares would not receive their final entitlement in full. Should gross assets fall by 54.0%, equivalent to an annual fall of 11.5%, the 2022 ZDP shares would receive no payment at the end of their life.

DIRECTORS' REMUNERATION REPORT
for the year ended 30 June 2016

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company and therefore no remuneration committee has been appointed. The Board as a whole undertakes the responsibilities which would otherwise be assumed by a remuneration committee.

Full details of the Company's policy with regards to Directors' fees and fees paid during the year ended 30 June 2016 are shown below. There were no changes to the policy during the year.

Under company law, the auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's report is contained on pages 65 to 68.

STATEMENT BY THE CHAIRMAN

The Board's policy on remuneration is set out below. A key element is that fees payable to Directors should reflect the time spent by them on the Company's affairs and should be sufficient to attract and retain individuals with suitable knowledge and experience.

DIRECTORS' REMUNERATION POLICY

The Board considers the level of the Directors fees at least annually. The Company's Bye-laws currently limit the aggregate fees payable to the Directors to a total of £250,000 per annum (increased from £200,000 at the AGM in 2015). Within that limit, it is the responsibility of the Board as a whole to determine the level of Directors' fees.

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Directors and the chairman of the Audit Committee are taken into account. The policy aims to be fair and reasonable in relation to comparable investment companies.

The fees are fixed and are payable in cash, quarterly in arrears. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at Board and general meetings and committee meetings. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors are provided with a letter of appointment when they join the Board. There is no provision for compensation upon early termination of appointment. The letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes before and during the forthcoming AGM.

The Directors' Remuneration Policy was approved by shareholders at the Company's AGM in November 2014. Over 99% of the votes cast were in favour of resolution and less than 1% were against. The Directors' Remuneration Policy will next be put to shareholders for approval at the AGM in 2017 unless changes are proposed to be made in the meantime. The Directors' Remuneration Report was approved by shareholders at the Company's AGM in November 2015. Over 99% of the votes cast were in favour of the resolution and less than 1% were against.

The Board reviews the fees payable to the Chairman and Directors annually. The fees payable to the Chairman and Directors were reviewed and increased with effect from 1 July 2015 such that the Directors received fees of £31,000 per annum, the chairman of the Audit Committee received £40,000 and the Chairman of the Board received £42,000 in the year to 30 June 2016.

The review in respect of 2016/2017 has resulted in the fees being increased with effect from 1 July 2016 as detailed in the table below.

	2017 £'000s	2016* £'000s	2015* £'000s
Chairman	43.0	42.0	40.5
Directors	31.8	31.0	30.0
Chairman of Audit Committee	41.0	40.0	38.5

*Actual

Based on the levels of fees effective from 1 July 2016, Directors remuneration for the year ending 30 June 2017 would be as follows:

YEAR ENDING	2017 £'000s
Peter Burrows (Chairman)	43.0
Alison Hill	31.8
Warren McLeland	31.8
Christopher Samuel	31.8
David Shillson	31.8
Eric Stobart	41.0
Total	211.2

DIRECTORS' ANNUAL REPORT ON REMUNERATION

Shareholders will be asked to approve this Directors' annual report on remuneration at the forthcoming annual general meeting.

During the year ended 30 June 2016, the Chairman received a fee of £37,950 (based on his position as a Director to 15 November 2015 and then his election as Chairman) and the remaining Directors received a fee of £31,000, pro-rated from their date of appointment where relevant. The chairman of the Audit Committee received a fee, including his Director's fees, of £40,000 per annum.

The amounts paid to each Director are set out in the following table, which has been audited. These fees were for services to the Company solely in the capacity of non-executive Directors and have no performance related element.

DIRECTORS' REMUNERATION REPORT
(continued)

REMUNERATION FOR QUALIFYING SERVICES TO THE COMPANY (AUDITED)

DIRECTOR(1)	2016 £'000s	2015 £'000s(1)
Peter Burrows (Director and then Chairman from 16 November 2015)	37.9	30.0
Roger Urwin (Chairman until his retirement on 16 November 2015)	15.9	40.5
Graham Cole(2)	11.7	24.0
J Michael Collier(3)	-	6.0
Alison Hill(4)	19.4	-
Warren McLeland	31.0	30.0
Christopher Samuel(4)	19.4	-
David Shillson(4)	19.4	-
Eric Stobart(5)	40.0	38.5
Total	194.7	169.0

(1) The Directors' entitlement to fees is calculated in arrears as set out in note 1(j) on page 77
(2) Appointed 11 September 2014; retired 16 November 2015
(3) Retired 11 September 2014
(4) Appointed 16 November 2015
(5) Mr Stobart's fee includes entitlement of £9,000 (2015, £8,500) for being chairman of the Audit Committee

DIRECTORS' INTERESTS AND INDEMNIFICATION

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year.

The Company has insurance in place which indemnifies the Directors against certain liabilities arising in carrying out their duties.

There are no agreements between the Company and its Directors concerning compensation for loss of office.

DIRECTORS' BENEFICIAL SHARE INTERESTS

Ordinary shares of 10p each

AT 30 JUNE	2016	2015
Peter Burrows(1)	539,617	76,456
Graham Cole(2)	–	12,878
Alison Hill	–	–
Warren McLeland	23,879	23,879
Christopher Samuel	20,000	–
David Shillson	32,333	–
Eric Stobart	50,000	50,000
Roger Urwin(2)	–	144,371

*at date of appointment
(1) Mr Burrows holds a further 100,000 shares in a non-beneficial capacity
(2) Retired as a Director on 16 November 2015

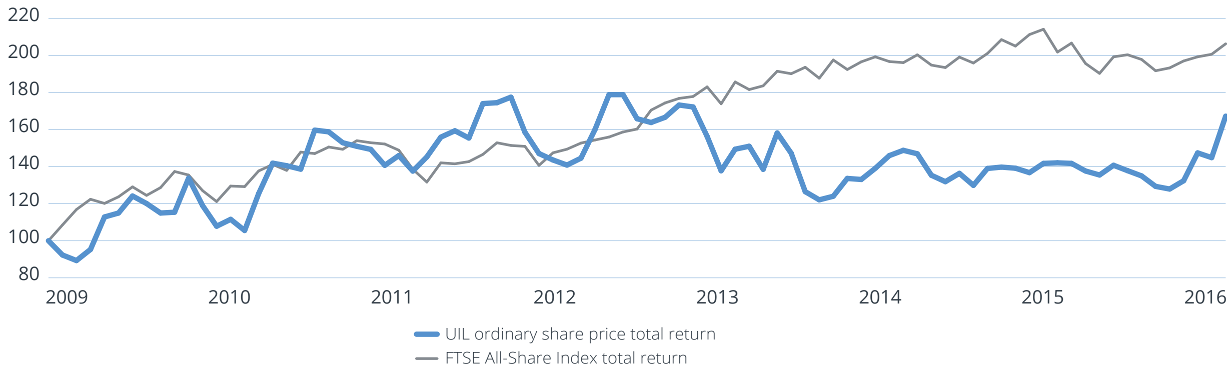
No Director held any interest, beneficial or otherwise, in the issued shares of the Company other than as stated in the table.

COMPANY PERFORMANCE

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Managers pursuant to the IMA, as referred to in the Report of the Directors' on page 40. The graph below compares, for the seven years ended 30 June 2016, the share price total return to ordinary shareholders (assuming all dividends are reinvested) to the FTSE All-Share Index total return (GBP adjusted). An explanation of the performance of the Company for the year ended 30 June 2016 is given in the Chairman's Statement and Investment Managers' Report.

SHARE PRICE TOTAL RETURN

from June 2009 to June 2016 (rebased to 100 at 30 June 2009)



Source: ICM

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table compares the remuneration paid to the Directors with aggregate distributions paid to shareholders in the year to 30 June 2016 and the prior year. This disclosure is a statutory requirement, however the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment company with an objective of providing shareholders with long-term total return.

	2016 £'000s	2015 £'000s	CHANGE £'000s
Aggregate Directors' emoluments	195	169	26
Aggregate shareholder distributions[1]	6,799	7,426	(627)

(1) The dividend per share was the same in both years at 7.50p per ordinary share; the total dividend paid has reduced in 2016 due to the reduction in number of shares in issue following the significant share buybacks.

On behalf of the Board
Peter Burrows
Chairman
19 September 2016

AUDIT COMMITTEE REPORT

As chairman of the Audit Committee, I am pleased to present the Audit Committee's report to shareholders for the year ended 30 June 2016.

ROLE AND RESPONSIBILITIES

The Company 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 the Company's performance, business model and strategy. The terms of reference detailing the scope and duties of the Audit Committee are available on the website www.uil.limited/investor_relations/other_documents

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 Investment Managers and Administrator on their internal controls. Representatives of the Investment Managers and the Administrator attend all meetings.

COMPOSITION

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

RESPONSIBILITIES AND REVIEW OF THE EXTERNAL AUDIT

During the year the principal activities of the Audit Committee included:

- regular review of the portfolio, particularly of the unlisted investments;
- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditor's report;
- considering the Company's viability statement:
- considering the narrative elements of the annual financial report, including whether the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders;
- evaluation of reports received from the auditor with respect to the annual financial statements and its review of the interim report;
- management of the relationship with the external auditor, including its appointment and the evaluation of scope, effectiveness, independence and objectivity of its audit, with particular regard to non-audit fees;
- evaluation of the effectiveness of the internal control and risk management systems, including reports received on the operational controls of the Company's service providers;
- monitoring developments in accounting and reporting requirements that impact on the Company's compliance with relevant statutory and listing requirements; and
- review of AAF and SSAE 16 reports or their equivalent from the Administrator and the Custodian.

AUDITOR AND AUDIT TENURE

KPMG LLP ("KPMG") has been the auditor of the Company since 2012, following a competitive tender process. The audit director is Neil Palmer. The Audit Committee has considered the independence of the auditor and the objectivity of the audit process and is satisfied that KPMG has fulfilled its obligations to shareholders as independent auditor to the Company.

It is the Company's policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the interim report or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the Audit Committee would consider whether the particular skills of the audit firm made it a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit. Non-audit fees paid to KPMG during the year amounted to £59,000 for the year ended 30 June 2016 (2015: £4,000) and related to the review of the interim accounts (£4,000) and acting as reporting accountants on the issue of the 2022 ZDP shares (£55,000); more details are included in note 5A to the accounts.

The director and manager of the audit team at KPMG presented their audit plan to the Audit Committee and subsequently reported on the nature, scope and results of their audit at the meeting when the draft annual financial report was considered. Representatives of the Administrator's investment trust and business risk departments also attended the Audit Committee meetings at which the half yearly and annual financial reports were considered in order to inform the Audit Committee on internal control, risk and regulatory matters that might have a bearing on the Company's business.

Members of the Audit Committee meet in camera with the external auditor at least once annually.

The audit plan and timetable were presented by and agreed with KPMG in advance of the financial year end. Items of audit focus were discussed, agreed and given particular attention during the audit process. KPMG reported to the Audit Committee on these items, amongst other matters. This report was considered by the Audit Committee and discussed with KPMG and the Investment Managers prior to approval of the annual financial report.

ACCOUNTING MATTERS AND SIGNIFICANT AREAS

The Audit Committee considered the appropriateness of the accounting policies at the meeting when it reviewed the annual financial statements and agreed with KPMG when discussing the audit plan the more significant accounting matters in relation to the Company's annual financial statements. For the year end the accounting matters that were subject to specific consideration by the Audit Committee and consultation with KPMG where necessary were as follows:

SIGNIFICANT AREA	HOW ADDRESSED
Carrying value of the listed investments	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. The Audit Committee regularly reviews the portfolio. The Audit Committee reviews the annual internal control report produced by the Administrator, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of the securities. KPMG independently tests the pricing of the listed investments.
Value of the unlisted investments	Investments that are unlisted or not actively traded are valued using a variety of techniques to determine a fair value, as set out in note 1(d) to the accounts, and all such valuations are carefully reviewed by the Audit Committee with the Investment Managers. The Audit Committee receives detailed information on all the unlisted investments and it discusses and challenges the valuations with the Investment Managers. It considers market comparables and discusses any proposed revaluations with the Investment Managers. The Audit Committee checks with KPMG that it has reviewed and tested the proposed valuations for reasonability.

AUDIT COMMITTEE REPORT
(continued)

The above was satisfactorily addressed through consideration of reports provided by, and discussed with, the Investment Managers, the Administrator and KPMG. As a result, and following a thorough review process, the Audit Committee advised the Board that it is satisfied that, taken as a whole, the annual financial report for the year to 30 June 2016 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Audit Committee has assumed that the reader of the report would have a reasonable level of knowledge of the investment company industry.

The Chairman of the Audit Committee will be present at the AGM to respond to any questions relating to the financial statements.

EXTERNAL AUDIT, REVIEW OF ITS EFFECTIVENESS AND AUDITOR REAPPOINTMENT

The Audit Committee advises the Board on the appointment of the external auditor, its remuneration for audit and non-audit work and its cost effectiveness, independence and objectivity.

As part of the review of the effectiveness of the audit process, a formal evaluation process incorporating views from the members of the Audit Committee and relevant personnel at the Investment Managers and Administrator is followed and feedback is provided to KPMG. Areas covered by this review include:

- the calibre of the audit firm, including reputation and industry presence;
- the extent of quality controls including review processes, second director oversight and annual reports from its regulator;
- the performance of the audit team, including skills of individuals, specialist knowledge, partner involvement, team member continuity and quality and timeliness of audit planning and execution;
- audit communication including planning, relevant accounting and regulatory developments, approach to significant accounting risks, communication of audit results and recommendations on corporate reporting;
- ethical standards including independence and integrity of the audit team, lines of communication to the Committee and partner rotation; and
- reasonableness of audit fees.

For the 2016 financial year, the Audit Committee is satisfied that the audit process was effective.

Resolutions proposing the reappointment of KPMG as the Company's auditor and authorising the Directors to determine its remuneration will be put to the shareholders at the forthcoming AGM.

AUDIT INFORMATION

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the UK Companies Act 2006.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Company's risk assessment process and the way in which significant risks are managed is a key area of focus for the Audit Committee. Work here was driven by the Committee's assessment of the risks arising in the Company's operations and identification of the controls exercised by the Board and its delegates, the Investment Managers, the Administrator and other service providers. These are recorded in risk matrices prepared by ICMIM as the Company's AIFM with responsibility for risk management and by the Administrator, which continue to serve as effective tools to highlight and monitor the principal risks, details of which are provided in the Strategic Report and Business Review. The Committee also received and considered, together with representatives of the Investment Managers, reports in relation to the operational controls of the Investment Managers, Administrator, Custodians and share registrar. These reviews identified no issues of significance.

INTERNAL AUDIT

Due to the nature of the Company, being an externally managed investment company with no executive employees, the Company does not have its own internal audit function. The Committee and the Board have concluded that there is no current need for such a function, based on the satisfactory operation of controls within the Company's service providers.

COMMITTEE EVALUATION

The Audit Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under "Board, Committee and Directors' performance appraisal" on page 44.

Eric Stobart
Chairman of the Audit Committee
19 September 2016

DIRECTORS' STATEMENT OF RESPONSIBILITIES
in respect of the financial statements

The Directors are responsible for preparing the annual report and accounts, which is required to include a Strategic Report, a Corporate Governance Statement, a Directors' Remuneration Report and a Report of the Directors.

The Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company as at 30 June 2016 and of the results for the year then ended. The Directors are also responsible for ensuring that the annual report and accounts is fair, balanced and understandable and that the accounting records are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements and the Directors' annual report on remuneration comply with IFRS. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors of the Company, whose names are shown on page 38 of this report, each confirm to the best of their knowledge that:
- the financial statements, which have been prepared in accordance with applicable Bermuda law and IFRS, as adopted by the European Union, on a going concern basis, give a true and fair view of the assets, liabilities, financial position and net return of the Company and Group;
- the annual financial report includes a fair review of the development and performance of the Company and the important events that have occurred during the financial year and their impact on the financial statements, including a description of the principal risks and uncertainties that it faces; and
- the financial statements and the Report of the Directors' include details of any related party transactions.

Approved by the Board on 19 September 2016 and signed on its behalf by:

Peter Burrows
Chairman

ELECTRONIC PUBLICATION

The annual report and accounts are published on the Company's website, www.uil.limited, the maintenance and integrity of which is the responsibility of ICMIM. The work carried out by the auditor does not involve consideration of the maintenance and integrity of the website and accordingly, the auditor accepts no responsibility for any changes that have occurred in the financial statements since they were originally presented on the website. Visitors to the website need to be aware that the legislation governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

REPORT OF THE INDEPENDENT AUDITOR

To the members of UIL Limited only

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of UIL Limited for the year ended 30 June 2016 set out on pages 69 to 102. In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 30 June 2016 and of the profit of the Group and Parent Company for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows (unchanged from 2015):

Carrying amount of Listed Investments (£327.4m (2015: £284.6m)) Risk vs 2015 ◀▶

Refer to page 61 (Audit Committee Report), page 76 (accounting policy) and pages 82 to 83 (financial disclosures)

- The risk: The Group's portfolio of listed investments makes up 72% of the total Group assets (by value) and is considered to be one of the key drivers of performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
- Our response: Our procedures over the existence, completeness, ownership and valuation of the Group's portfolio of listed investments included, but were not limited to:
  - documenting and assessing the processes in place to record investment transactions and to value the listed portfolio;
  - agreeing the pricing of the listed investments in the portfolio to externally quoted prices; and
  - agreeing 100% of investment holdings in the portfolio to independently received third party confirmations.

Carrying amount of Unlisted Investments (£124.8m (2015: £82.3m)) Risk vs 2015 ◀▶

Refer to page 61 (Audit Committee Report), page 76 (accounting policy) and pages 82 to 83 (financial disclosures)

- The risk: 27% of the Group's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples, and net assets. There is a significant risk over the valuation of these investments and this is a key judgemental area that our audit focused on.
- Our response: Our procedures over the existence, completeness, ownership and valuation of the Group's portfolio of unlisted investments included, but were not limited to:
  - documenting and assessing the processes in place to record investment transactions and to value the unlisted portfolio;

REPORT OF THE INDEPENDENT AUDITOR
(continued)

- challenging the Investment Manager on key judgements affecting investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we challenged the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors, and the choice of benchmark for earnings multiples;
- comparing key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable;
- challenging the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable, and we obtained an understanding of existing and prospective investee company cash flows to understand whether borrowings can be serviced or whether refinancing may be required;
- where a recent transaction had been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report;
- inspected loan documentation supporting loan positions to understand how secure the loans were by looking at performance against covenants where applicable;
- attending the year-end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations; and
- consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions; and obtaining confirmation of ownership by inspecting of loan documentation, custodian confirmation or share certificates.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £4.6m (2015: £5.6m), determined with reference to a benchmark of Total Assets, of which it represents 1% (2015: 1.5%) reflecting industry consensus levels.

In addition, we applied materiality of £0.3m (2015: £0.4m) to a number of income statement items, including investment and other income, management and administration fees, and other expenses for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the company.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.2m (2015: £0.3m); any corrected and uncorrected identified misstatements exceeding £0.02m (2015: £0.02m) for the financial statement captions described above; and, in addition to other identified misstatements that warranted reporting on qualitative grounds are also communicated.

Our audit of the Group was undertaken to the materiality level specified above and was principally performed at the office of the managers, ICM Management Limited, in Epsom, United Kingdom and at our offices in London, United Kingdom.

4 Our opinion on the Directors' Remuneration Report is unmodified

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare (in addition to that required to be prepared) as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with SI 2008 No. 410 made under the UK Companies Act 2006, as if those requirements were to apply to the Company.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of longer term viability on page 35, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the next three years; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 52 and 53 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

In addition to our audit of the financial statements, the Directors have engaged us to review certain other disclosures as if the Company were required to comply with the Listing Rules applicable to companies incorporated in the UK. Under the terms of our engagement we are required to review the Directors' statement, set out on page 39 in relation to going concern.

We have nothing to report in respect of the above responsibilities.

SCOPE AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 64, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair

REPORT OF THE INDEPENDENT AUDITOR
(continued)

view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMPANY'S MEMBERS AS A BODY

This report is made solely to the Company's members, as a body, in accordance with section 90(2) of the Companies Act 1981 of Bermuda and, in respect of the separate opinion in relation to the Directors' Remuneration Report, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Palmer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
19 September 2016

GROUP INCOME STATEMENT

Notes	for the year to 30 June	2016 Revenue return £'000s	2016 Capital return £'000s	2016 Total return £'000s	2015 Revenue return £'000s	2015 Capital return £'000s	2015 Total return £'000s
10	Gains on investments	–	103,464	103,464	–	6,308	6,308
13	(Losses)/gains on derivative financial instruments	–	(22,013)	(22,013)	–	6,347	6,347
	Foreign exchange gains/(losses)	181	(6,388)	(6,207)	(74)	2,989	2,915
2	Investment and other income	10,318	–	10,318	11,271	–	11,271
	Total income	**10,499**	**75,063**	**85,562**	11,197	15,644	26,841
3	Income not receivable	(887)	–	(887)	–	–	–
4	Management and administration fees	(849)	–	(849)	(846)	–	(846)
5	Other expenses	(1,083)	(2)	(1,085)	(1,003)	(5)	(1,008)
	Profit before finance costs and taxation	7,680	75,061	82,741	9,348	15,639	24,987
6	Finance costs	(1,739)	(12,734)	(14,473)	(1,082)	(13,195)	(14,277)
	Profit before taxation	**5,941**	**62,327**	**68,268**	8,266	2,444	10,710
7	Taxation	(268)	–	(268)	(500)	–	(500)
	Profit for the year	**5,673**	**62,327**	**68,000**	7,766	2,444	10,210
8	**Earnings per ordinary share (basic) – pence**	**6.23**	**68.45**	**74.68**	7.84	2.47	10.31

The Group does not have any income or expense that is not included in the profit for the year, and therefore the "profit for the year" is also the "total comprehensive income for the year", as defined in International Accounting Standard 1 (revised).

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the Company. There are no minority interests.

COMPANY INCOME STATEMENT

Notes	for the year to 30 June	2016 Revenue return £'000s	2016 Capital return £'000s	2016 Total return £'000s	2015 Revenue return £'000s	2015 Capital return £'000s	2015 Total return £'000s
10	Gains on investments	–	103,674	103,674	–	6,233	6,233
13	(Losses)/gains on derivative financial instruments	–	(21,944)	(21,944)	–	6,423	6,423
	Foreign exchange gains/(losses)	181	(6,420)	(6,239)	(74)	2,993	2,919
2	Investment and other income	10,318	–	10,318	11,271	–	11,271
	Total income	10,499	75,310	85,809	11,197	15,649	26,846
3	Income not receivable	(887)	–	(887)	–	–	–
4	Management and administration fees	(834)	–	(834)	(831)	–	(831)
5	Other expenses	(1,075)	(2)	(1,077)	(996)	(5)	(1,001)
	Profit before finance costs and taxation	7,703	75,308	83,011	9,370	15,644	25,014
6	Finance costs	(1,739)	(12,745)	(14,484)	(1,082)	(13,237)	(14,319)
	Profit before taxation	5,964	62,563	68,527	8,288	2,407	10,695
7	Taxation	(268)	–	(268)	(500)	–	(500)
	Profit for the year	5,696	62,563	68,259	7,788	2,407	10,195
8	**Earnings per ordinary share (basic) – pence**	6.25	68.71	74.96	7.87	2.43	10.30

The Company does not have any income or expense that is not included in the profit for the year, and therefore the "profit for the year" is also the "total comprehensive income for the year", as defined in International Accounting Standard 1 (revised).

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the Company.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year to 30 June 2016

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Non-distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
	Balance at 30 June 2015	9,856	28,414	233,866	32,069	(149,255)	11,608	166,558
	Profit for the year	–	–	–	–	62,327	5,673	68,000
9	Ordinary dividends paid	–	–	–	–	–	(6,799)	(6,799)
18	Shares purchased by the Company	(791)	(8,383)	–	–	–	–	(9,174)
	Balance at 30 June 2016	**9,065**	**20,031**	**233,866**	**32,069**	**(86,928)**	**10,482**	**218,585**

for the year to 30 June 2015

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
	Balance at 30 June 2014	9,916	29,020	233,866	32,069	(151,699)	11,268	164,440
	Profit for the year	–	–	–	–	2,444	7,766	10,210
9	Ordinary dividends paid	–	–	–	–	–	(7,426)	(7,426)
	Shares purchased by the Company	(60)	(606)	–	–	–	–	(666)
	Balance at 30 June 2015	9,856	28,414	233,866	32,069	(149,255)	11,608	166,558

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year to 30 June 2016

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
	Balance at 30 June 2015	9,856	28,414	233,866	32,069	(149,451)	11,804	166,558
	Profit for the year	–	–	–	–	62,563	5,696	68,259
9	Ordinary dividends paid	–	–	–	–	–	(6,799)	(6,799)
18	Shares purchased by the Company	(791)	(8,383)	–	–	–	–	(9,174)
	Balance at 30 June 2016	**9,065**	**20,031**	**233,866**	**32,069**	**(86,888)**	**10,701**	**218,844**

for the year to 30 June 2015

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total £'000s
	Balance at 30 June 2014	9,916	29,020	233,866	32,069	(151,858)	11,442	164,455
	Profit for the year	–	–	–	–	2,407	7,788	10,195
9	Ordinary dividends paid	–	–	–	–	–	(7,426)	(7,426)
	Shares purchased by the Company	(60)	(606)	–	–	–	–	(666)
	Balance at 30 June 2015	9,856	28,414	233,866	32,069	(149,451)	11,804	166,558

BALANCE SHEETS

Notes	at 30 June	GROUP 2016 £'000s	GROUP 2015 £'000s	COMPANY 2016 £'000s	COMPANY 2015 £'000s
	Non-current assets				
10	Investments	**452,197**	366,928	**462,624**	367,609
	Current assets				
12	Other receivables	**2,945**	2,583	**2,945**	2,583
13	Derivative financial instruments	**1,067**	3,359	**–**	2,658
	Cash and cash equivalents	**174**	1,236	**11**	1,053
		4,186	7,178	**2,956**	6,294
	Current liabilities				
14	Loans	**–**	(34,351)	**–**	(34,351)
15	Other payables	**(1,101)**	(560)	**(207,467)**	(172,994)
13	Derivative financial instruments	**(14,637)**	(196)	**(14,570)**	–
16	Zero dividend preference shares	**(61,327)**	–	**–**	–
		(77,065)	(35,107)	**(222,037)**	(207,345)
	Net current liabilities	**(72,879)**	(27,929)	**(219,081)**	(201,051)
	Total assets less current liabilities	**379,318**	338,999	**243,543**	166,558
	Non-current liabilities				
17	Loans	**(24,699)**	–	**(24,699)**	–
16	Zero dividend preference shares	**(136,034)**	(172,441)	**–**	–
	Net assets	**218,585**	166,558	**218,844**	166,558
	Equity attributable to equity holders				
18	Ordinary share capital	**9,065**	9,856	**9,065**	9,856
19	Share premium account	**20,031**	28,414	**20,031**	28,414
20	Special reserve	**233,866**	233,866	**233,866**	233,866
21	Non-distributable reserve	**32,069**	32,069	**32,069**	32,069
22	Capital reserves	**(86,928)**	(149,255)	**(86,888)**	(149,451)
23	Revenue reserve	**10,482**	11,608	**10,701**	11,804
	Total attributable to equity holders	**218,585**	166,558	**218,844**	166,558
24	**Net asset value per ordinary share**				
	Basic – pence	**241.12**	169.00	**241.41**	169.00

Approved by the Board on 19 September 2016 and signed on its behalf by

P Burrows
Chairman

E St C Stobart
Director

STATEMENTS OF CASH FLOWS

Notes	for the year to 30 June	GROUP 2016 £'000s	GROUP 2015 £'000s	COMPANY 2016 £'000s	COMPANY 2015 £'000s
25	Cash flows from operating activities	**4,217**	3,587	**4,238**	3,613
	Investing activities				
	Purchases of investments	**(46,049)**	(42,255)	**(46,582)**	(43,746)
	Sales of investments	**65,169**	86,466	**65,169**	86,466
	Purchases of derivatives	**(8,302)**	(887)	**(4,716)**	–
	Sales of derivatives	**3,022**	3,246	**–**	2,817
	Cash flows on margin accounts	**–**	1	**–**	–
	Cash flows from investing activities	**13,840**	46,571	**13,871**	45,537
	Cash flows before financing activities	**18,057**	50,158	**18,109**	49,150
	Financing activities				
	Equity dividends paid	**(6,799)**	(7,426)	**(6,799)**	(7,426)
	Movements on loans	**(11,483)**	12,634	**(11,483)**	12,634
	Cash flows from issue of ZDP shares	**12,435**	8,993	**12,435**	8,993
	Cash flows from redemption of ZDP shares	**–**	(62,172)	**–**	(61,346)
	Cost of shares purchased for cancellation	**(9,174)**	(666)	**(9,174)**	(666)
	Cash flows from financing activities	**(15,021)**	(48,637)	**(15,021)**	(47,811)
	Net increase in cash and cash equivalents	**3,036**	1,521	**3,088**	1,339
	Cash and cash equivalents at the beginning of the year	**1,225**	(2,689)	**1,042**	(2,694)
	Effect of movement in foreign exchange	**(4,375)**	2,393	**(4,407)**	2,397
	Cash and cash equivalents at the end of the year	**(114)**	1,225	**(277)**	1,042
	Comprised of:				
	Cash	**174**	1,236	**11**	1,053
	Bank overdraft	**(288)**	(11)	**(288)**	(11)
	Total	**(114)**	1,225	**(277)**	1,042

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The Company, UIL Limited (formerly Utilico Investments Limited), is an investment company incorporated in Bermuda and traded on the London Stock Exchange. The Company commenced trading on 20 June 2007.

The Group Accounts comprise the results of the Company, UIL Finance Limited (formerly Utilico Finance Limited) ("UIL Finance") and Global Equity Risk Protection Limited ("GERP"). Details of the subsidiaries and associates are included in notes 10 and 11 to the Accounts.

The Group is engaged in a single segment of business, focusing on maximising shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.

(a) Basis of accounting

The Accounts have been prepared on a going concern basis in accordance with IFRS, which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect and to the extent that they have been adopted by the European Union.

The functional and reporting currency is pounds Sterling because that is the currency the Group operates in and is the currency most relevant to the Company's shareholders.

There have been no significant changes to the accounting policies during the year to 30 June 2016.

Where presentational recommendations set out in the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the Association of Investment Companies ("AIC") in November 2014, do not conflict with the requirements of IFRS, the Directors have prepared the Accounts on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated and listed in the United Kingdom.

In accordance with the SORP, the Income Statement has been analysed between a revenue return (dealing with items of a revenue nature) and a capital return (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income, operating expenses, finance costs and taxation (insofar as they are not allocated to capital, as described in notes 1(j) and 1(k)). Net revenue returns are allocated via the revenue return to the revenue reserve.

Capital returns include, but are not limited to, profits and losses on the disposal and the valuation of non-current investments and derivative instruments and on cash and borrowings. Net capital returns are allocated via the capital return to capital reserves.

Dividends on ordinary shares may be paid out of the revenue reserve and the capital reserves.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these consolidated accounts. None of these are expected to have a significant effect on the consolidated accounts of the Company except for IFRS 9 'Financial Instruments'. IFRS 9 'Financial Instruments' could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unlisted investments, details of which are set out in accounting policy 1(d).

(b) Basis of consolidation

The consolidated Accounts include the Accounts of the Company and its operating subsidiaries, UIL Finance and GERP. All intra group transactions, balances, income and expenses are eliminated on consolidation. Other subsidiaries and associate undertakings held as part of the investment portfolio (see 1(d) below) are not accounted for in the Group Accounts, but are carried at fair value through profit or loss and accounted for in accordance with IFRS 10 Financial Instruments: Recognition and Measurement.

NOTES TO THE ACCOUNTS
(continued)

1. ACCOUNTING POLICIES (continued)

(c) Financial instruments

Financial instruments include non-current assets, derivative assets and liabilities and long-term debt instruments. For those financial instruments carried at fair value, accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange or quoted on any secondary market.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be convertible loans in listed investee companies, securities for which the quoted price has been recently suspended, forward exchange contracts and certain other derivative instruments.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate of fair value, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instruments. Included in Level 3 are investments in private companies or securities, whether invested in directly, via loans or through pooled private equity vehicles.

(d) Valuation of investments and derivative financial instruments held at fair value through profit or loss

Investment purchases and sales are accounted for on the trade date, inclusive of transaction costs. Investments used for efficient portfolio management are classified as being at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments (including those ordinarily classified as subsidiaries under IFRS 10 but exempted by that financial reporting standard from the requirement to be consolidated) are designated as being at fair value through profit or loss on initial recognition. Derivatives including forward foreign exchange contracts and options are accounted for as a financial asset/liability at fair value through profit or loss. The Company manages and evaluates the performance of these investments and derivatives on a fair value basis in accordance with its investment strategy and information about the Company is provided internally on this basis to the Company's Directors and key management personnel. Gains and losses on investments and on derivatives are analysed within the Income Statement as capital returns. Quoted investments are shown at fair value using market bid prices. The fair value of unquoted investments is determined by the Board in accordance with the International Private Equity and Venture Capital Valuation guidelines. In exercising its judgement over the value of these investments, the Board uses valuation techniques which take into account, where appropriate, latest dealing prices, valuations from reliable sources, net asset values, earnings multiples, recent orderly transactions in similar securities and other relevant factors.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank.

(f) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. No debt instruments held during the year required hierarchical classification. Finance charges, including interest, are accrued using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year. See 1(k) below for allocation of finance costs between revenue and capital return within the Income Statement.

(g) Zero dividend preference shares

The ZDP shares, due to be redeemed in 2016, 2018, 2020 and 2022 at a redemption value, including accrued capitalised returns (see note 16) of 192.78 pence per share, 160.52 pence per share, 154.90 pence per share and 146.99 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of the Group to deliver to their holders a fixed and determinable amount at the redemption date. They are accordingly accounted for at amortised cost, using the effective interest method. ZDP shares held by the Company are deemed cancelled for Group purposes.

1. ACCOUNTING POLICIES (continued))

(h) Foreign currency

Foreign currency assets and liabilities are expressed in Sterling at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to the Income Statement and analysed as capital or revenue as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates.

(i) Investment and other income

Dividends receivable are brought into the Income Statement and analysed as revenue return (except where, in the opinion of the Directors, their nature indicates they should be recognised as capital) on the ex-dividend date or, where no ex-dividend date is quoted, when the Group's right to receive payment is established. Where the Group or the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as revenue return. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital return. Interest on debt securities is accrued on a time basis using the effective interest method. Bank and short-term deposit interest is recognised on an accruals basis. These are brought into the Income Statement and analysed as revenue returns.

(j) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement and analysed under revenue return except for those expenses incidental to the acquisition or disposal of investments and performance related fees (calculated under the terms of the management agreement), which are analysed under the capital return, as the Directors believe such fees arise from capital performance.

(k) Finance costs

Finance costs are accounted for using the effective interest method, recognised through the Income Statement and analysed under the revenue return except those finance costs of the ZDP shares which are analysed under the capital return.

(l) Dividends payable

Dividends paid by the Company are accounted for in the year in which the Company is liable to pay them and are reflected in the Statement of Changes in Equity. Under Bermuda law, the Company is unable to pay dividends unless it has revenue and other reserves (excluding share capital and share premium) which together have a positive value exceeding the cost of the dividend.

(m) Capital reserves

The following items are accounted for through the Income Statement as capital returns and transferred to capital reserves:

Capital reserve – arising on investments sold

- gains and losses on the disposal of investments and derivative instruments
- exchange differences of a capital nature
- expenses allocated in accordance with notes 1(j) and 1(k)

Capital reserve – arising on investments held

- increases and decreases in the valuation of investments and derivative instruments held at the year end.

(n) Use of estimates and judgements

The presentation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE ACCOUNTS
(continued)

2. INVESTMENT AND OTHER INCOME

Group and Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Investment income						
Dividends	**6,679**	**–**	**6,679**	8,858	–	8,858
Interest	**3,636**	**–**	**3,636**	2,412	–	2,412
	10,315	**–**	**10,315**	11,270	–	11,270
Other income						
Interest on cash and short-term deposits	**3**	**–**	**3**	1	–	1
Total income	**10,318**	**–**	**10,318**	11,271	–	11,271

3. INCOME NOT RECEIVABLE

Group and Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Accrued dividend not received	**(887)**	**–**	**(887)**	–	–	–

4. MANAGEMENT AND ADMINISTRATION FEES

Group	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Payable to:						
ICM/ICMIM – management fee, secretarial and administration fees	**539**	**–**	**539**	547	–	547
F&C Management Limited – administration fee	**310**	**–**	**310**	299	–	299
	849	**–**	**849**	846	–	846

Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Payable to:						
ICM/ICMIM – management and secretarial fees	**524**	**–**	**524**	532	–	532
F&C Management Limited – administration fee	**310**	**–**	**310**	299	–	299
	834	**–**	**834**	831	–	831

4. MANAGEMENT AND ADMINISTRATION FEES (continued)

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

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

The annual management fee is based on total assets less current liabilities (excluding borrowings and excluding the value of all holdings in companies managed or advised by the Investment Managers or any of its subsidiaries from which it receives a management fee), payable quarterly in arrears. The agreement with ICM and ICMIM may be terminated upon one year's notice given by the Company and not less than six months' notice given by ICM and ICMIM, acting together.

The annual management fee throughout the year was 0.25% per annum (prior to 1 January 2014 the fee payable was 0.5% per annum). The fee payable will revert back to 0.5% per annum with effect from 1 July 2016 as the high watermark of net asset value of 284.81p per share has been regained.

Included within the management fees of £489,000 (2015: £477,000) paid to the Investment Managers is £nil (2015: £32,000) salary and PAYE costs relating to employees of the Company (excluding the costs associated with the Company Secretary). These costs were deducted from the management fee payable by the Company to ICM. The average number of employees of the Company in the year was nil (30 June 2015: four).

In addition, the Investment Managers are entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount by which the Company's net asset value attributable to the holders of ordinary shares 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 calculation of the performance fee are the higher of the equity funds on the last day of a calculation period in respect of which a performance fee was last paid and the equity funds on the last day of the previous calculation period increased by the real percentage yield on the reference index during the calculation period. A performance fee was last paid in respect of the 12 month period to 30 June 2007. As at that date the equity holders' funds were £279.0m. In calculating any performance fee payable, the value of all holdings in companies managed or advised by the Investment 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 the portfolio excluding those investments.

As at 30 June 2016, the attributable shareholders' funds were below the high watermark and therefore no performance fee has been accrued (30 June 2015: same).

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

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

F&C Management Limited ("F&C") provides accounting, dealing and administration services to the Company for a fee of £310,000 per annum, payable monthly in arrears. The agreement with F&C may be terminated upon six months' notice given by either party in writing.

NOTES TO THE ACCOUNTS
(continued)

5. OTHER EXPENSES

Group	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Auditors' remuneration (see note 5A)	**65**	**–**	**65**	65	–	65
Broker and consultancy fees	**51**	**–**	**51**	56	–	56
Custody fees	**166**	**–**	**166**	131	–	131
Directors' fees for services to the Company						
(see Directors' Remuneration Report on pages 56 to 59)	**195**	**–**	**195**	169	–	169
Travel expenses	**171**	**–**	**171**	234	–	234
Professional and legal fees	**134**	**–**	**134**	108	–	108
Sundry expenses	**301**	**2**	**303**	240	5	245
	1,083	**2**	**1,085**	1,003	5	1,008

Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Auditors' remuneration (see note 5A)	**63**	**–**	**63**	63	–	63
Broker and consultancy fees	**51**	**–**	**51**	56	–	56
Custody fees	**166**	**–**	**166**	131	–	131
Directors' fees for services to the Company						
(see Directors' Remuneration Report on pages 56 to 59)	**195**	**–**	**195**	169	–	169
Travel expenses	**171**	**–**	**171**	234	–	234
Professional and legal fees	**134**	**–**	**134**	108	–	108
Sundry expenses	**295**	**2**	**297**	235	5	240
	1,075	**2**	**1,077**	996	5	1,001

5A. AUDITOR'S REMUNERATION

Fees paid to the Group's auditor are summarised below:

Group Auditor – KPMG LLP Annual audit fees	Group 2016 £'000s	Group 2015 £'000s	Company 2016 £'000s	Company 2015 £'000s
Audit of the Group and Company's annual financial statements	**55**	55	**55**	55
Audit of financial statements of subsidiaries	**6**	6	**4**	4
Total audit fees	**61**	61	**59**	59
Other non-audit services – review of interim financial statements	**4**	4	**4**	4
Total auditor's remuneration allocated to the income statement	**65**	65	**63**	63
Other non-audit services – reporting accountants for the issue of ZDP shares and included within the ZDP share issue costs	**55**	–	**55**	–
Total auditor's remuneration for the year	**120**	65	**118**	63

6. FINANCE COSTS

Group	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Loans and bank overdrafts	**1,739**	**–**	**1,739**	1,082	–	1,082
ZDP shares	**–**	**12,734**	**12,734**	–	13,195	13,195
	1,739	**12,734**	**14,473**	1,082	13,195	14,277

Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Loans and bank overdrafts	**1,739**	**–**	**1,739**	1,082	–	1,082
Intra-group loan account	**–**	**12,745**	**12,745**	–	13,237	13,237
	1,739	**12,745**	**14,484**	1,082	13,237	14,319

7. TAXATION

Group and Company	Revenue £'000s	Capital £'000s	2016 Total £'000s	Revenue £'000s	Capital £'000s	2015 Total £'000s
Overseas taxation	**268**	**–**	**268**	500	–	500

Profits of the Company and subsidiaries for the year are not subject to any taxation within their countries of residence (2015: same).

8. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share from continuing operations is based on the following data:

	Group 2016 £'000s	Group 2015 £'000s	Company 2016 £'000s	Company 2015 £'000s
Revenue	**5,673**	7,766	**5,696**	7,788
Capital	**62,327**	2,444	**62,563**	2,407
Total	**68,000**	10,210	**68,259**	10,195
	Number	Number	**Number**	Number
Weighted average number of shares in issue during the year for earnings per share calculations	**91,060,816**	99,005,981	**91,060,816**	99,005,981

NOTES TO THE ACCOUNTS
(continued)

9. DIVIDENDS

Group and Company	Record date	Payment date	**2016 Total £'000s**	2015 Total £'000s
2014 Fourth quarterly of 1.875p	22 Aug 14	08 Sep 14	**–**	1,859
2015 First quarterly of 1.875p	28 Nov 14	19 Dec 14	**–**	1,859
2015 Second quarterly of 1.875p	27 Feb 15	20 Mar 15	**–**	1,859
2015 Third quarterly of 1.875p	15 May 15	16 Jun 15	**–**	1,849
2015 Fourth quarterly of 1.875p	21 Aug 15	16 Sep 15	**1,700**	–
2016 First quarterly of 1.875p	20 Nov 15	21 Dec 15	**1,700**	–
2016 Second quarterly of 1.875p	19 Feb 16	08 Mar 16	**1,700**	–
2016 Third quarterly of 1.875p	03 Jun 16	23 Jun 16	**1,699**	–
			6,799	7,426

The Directors declared a fourth quarterly dividend in respect of the year ended 30 June 2016 of 1.875p per share which will be paid on 28 September 2016 to all ordinary shareholders on the register at close of business on 9 September 2016. The total cost of the dividend, which has not been accrued in the results for the year to 30 June 2016, is £1,695,000 based on 90,414,511 ordinary shares in issue.

10. INVESTMENTS

Group	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**2016 Total £'000s**	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2015 Total £'000s
Investments brought forward								
Cost	**303,113**	**–**	**86,026**	**389,139**	339,358	–	73,612	412,970
Losses	**(18,537)**	**–**	**(3,674)**	**(22,211)**	(1,392)	–	(9,040)	(10,432)
Valuation	**284,576**	**–**	**82,352**	**366,928**	337,966	–	64,572	402,538
Movements in the year:								
Transfer between levels*	**(90,344)**	**89,952**	**392**	**–**	2,514	–	(2,514)	–
Purchases at cost	**8,650**	**14,955**	**23,592**	**47,197**	28,007	–	27,216	55,223
Sales								
proceeds	**(45,715)**	**(218)**	**(19,459)**	**(65,392)**	(82,416)	–	(14,725)	(97,141)
realised net gains on sales	**11,627**	**–**	**1,367**	**12,994**	17,272	–	815	18,087
Gains/(losses) on investments held at year end	**80,884**	**1,705**	**7,881**	**90,470**	(18,767)	–	6,988	(11,779)
Valuation at 30 June	**249,678**	**106,394**	**96,125**	**452,197**	284,576	–	82,352	366,928
Analysed at 30 June								
Cost	**174,702**	**117,332**	**91,904**	**383,938**	303,113	–	86,026	389,139
Gains/(losses)	**74,976**	**(10,938)**	**4,221**	**68,259**	(18,537)	–	(3,674)	(22,211)
Valuation	**249,678**	**106,394**	**96,125**	**452,197**	284,576	–	82,352	366,928

*Transfer from level 1 to level 2 due to holdings in investee companies being thinly traded and from level 1 to level 3 due to security no longer traded.

10. INVESTMENTS (continued)

Company	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2016 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2015 Total £'000s
Investments brought forward								
Cost	**303,113**	**13,109**	**86,026**	**402,248**	341,041	12,444	73,612	427,097
Losses	**(18,537)**	**(12,428)**	**(3,674)**	**(34,639)**	(1,389)	(12,326)	(9,040)	(22,755)
	284,576	**681**	**82,352**	**367,609**	339,652	118	64,572	404,342
Movements in the year:								
Transfer between levels*	**(90,344)**	**89,952**	**392**	**–**	2,514	–	(2,514)	–
Purchases at cost	**17,651**	**15,490**	**23,592**	**56,733**	28,833	665	27,216	56,714
Sales								
proceeds	**(45,715)**	**(218)**	**(19,459)**	**(65,392)**	(84,955)	–	(14,725)	(99,680)
realised net gains on sales	**11,627**	**–**	**1,367**	**12,994**	17,302	–	815	18,117
Gains/(losses) on investments held at year end	**81,154**	**1,645**	**7,881**	**90,680**	(18,770)	(102)	6,988	(11,884)
Valuation at 30 June	**258,949**	**107,550**	**96,125**	**462,624**	284,576	681	82,352	367,609
Analysed at 30 June								
Cost	**183,703**	**130,976**	**91,904**	**406,583**	303,113	13,109	86,026	402,248
Gains/(losses)	**75,246**	**(23,426)**	**4,221**	**56,041**	(18,537)	(12,428)	(3,674)	(34,639)
Valuation	**258,949**	**107,550**	**96,125**	**462,624**	284,576	681	82,352	367,609

*Transfer from level 1 to level 2 due to holdings in investee companies being thinly traded and from level 1 to level 3 due to security no longer traded.

Level 1 includes investments listed on any recognised stock exchange or quoted on any secondary market.

Level 2 includes investment in GERP on a look through basis and holdings linked directly to companies whose prices are quoted.

Level 3 includes investments in private companies and other unquoted securities.

Gains on investments held at fair value	Group 2016 £'000s	Group 2015 £'000s	Company 2016 £'000s	Company 2015 £'000s
Gains on investments sold	**12,994**	18,087	**12,994**	18,117
Gains/(losses) on investments held	**90,470**	(11,779)	**90,680**	(11,884)
Total gains on investments	**103,464**	6,308	**103,674**	6,233

Associated undertakings

Under IFRS10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, the following associate undertakings at 30 June 2016 are held as part of the investment portfolio and consequently are accounted for as investments at fair value through profit and loss:

	Somers Limited ("Somers")	Vix Investments Limited ("Vix Investments")	Vix Verify ("Vix Verify")	Vix Technology ("VixTech")
Country of registration and incorporation	Bermuda	Bermuda	Australia	Bermuda
Number of ordinary shares held	5,940,288	477,720	44,327,353	4,061
Percentage of ordinary shares held	49.7%	39.8%	39.8%	39.8%

NOTES TO THE ACCOUNTS
(continued)

10. INVESTMENTS (continued)

Transactions with associated undertakings

Somers	Purchase of 50,000 ordinary shares at a cost of US$0.7m Received 173,618 ordinary shares by way of stock dividends with a distribution value of US$2.4m Loans of A$1.0m, £4.0m and US$2.9m were advanced to Somers with £0.5m and US$2.7m repaid At the year end the balance of the loans were A$1.0m, £3.5m and US$0.3m, and the numbers of shares held were 5.9m valued at US$81.7m
Vix Investments	Loans of US$4.5m and NZ$1.3m were advanced to Vix Investments with US$0.5m repaid At the year end the balance of the loans were US$4.3m and NZ$1.3m
Vix Verify	There were no transactions
VixTech	Net loans of A$2.8m advanced to Vix Tech At the year end the balance of the loan was A$3.2m

Significant interests

In addition to the above, the Group and Company have a holding of 3% or more of any class of share capital of the following investments, which are material in the context of the Accounts:

Company	Country of registration and incorporation	Class of instruments held	2016 % of class of instruments held	2015 % of class of instruments held
Resolute Mining Limited	Australia	Ordinary Shares	19.3%	19.8%
Utilico Emerging Markets Limited	Bermuda	Ordinary Shares	19.3%	20.8%

11. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company at 30 June 2016 and 30 June 2015

Company	Country of registration and incorporation	Number and class of shares held	Holdings and voting rights %
UIL Finance Limited(1)	Bermuda	10 ordinary shares of 10p nil paid share	100
Global Equity Risk Protection Limited(2)	Bermuda	3,920 Class A shares linked to a segregated account in GERP	100

(1) The subsidiary was incorporated, and commenced trading, on 17 January 2007 to carry on business as an investment company.

(2) The subsidiary, an unquoted Bermuda segregated accounts company, was incorporated, and commenced trading, on 4 May 2006. The segregated 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 the Company. The holding represents 100% of the issued Class A shares that have no voting rights.

11. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Under IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, Bermuda First Investment Company Limited ("BFIC") and Zeta Resources Limited ("Zeta") are subsidiaries of the Company, held as part of the investment portfolio, and are accounted for as investments at fair value through profit and loss.

	Country of registration and incorporation	Number of ordinary shares held	2016 Holding and voting rights %	Number of ordinary shares held	2015 Holding and voting rights %
BFIC	Bermuda	1,582,360	78.8	1,582,360	78.8
Energy Holdings Ltd	Bermuda	100	100.0	n/a	n/a
UIL Holdings Pte Ltd	Singapore	100	100.0	n/a	n/a
Zeta	Bermuda	85,489,612	85.5	77,990,502	83.7

Transactions with subsidiaries held as investments

BFIC	Loan of US$0.4m was advanced to BFIC, US$1.4m repaid and loan interest received US$0.5m
Energy Holdings Ltd	The subsidiary was incorporated on 21 June 2016 and remains dormant. UIL paid BM$100 for 100 shares issued
UIL Holdings Pte Ltd	The subsidiary was incorporated on 28 August 2015 and remains dormant. UIL paid S$100 for 100 shares issued
Zeta	Purchase of 729,830 ordinary shares at a cost of A$180,000
	Loans of A$21.4m advanced to Zeta
	UIL exchanged loans of A$8.8m and US$12.4m into ordinary shares and options exercisable at A$0.001

12. OTHER RECEIVABLES

Group and Company	2016 £'000s	2015 £'000s
Investment debtors	**223**	–
Accrued income	**2,683**	2,530
Prepayments and other debtors	**39**	53
	2,945	2,583

NOTES TO THE ACCOUNTS
(continued)

13. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Current assets £'000s	Current liabilities £'000s	2016 Net current assets/ (liabilities) £'000s	Current assets £'000s	Current liabilities £'000s	2015 Net current assets/ (liabilities) £'000s
Forward foreign exchange contracts – GBP/A$	–	(6,222)	(6,222)	191	–	191
Forward foreign exchange contracts – GBP/EUR	–	(1,233)	(1,233)	287	–	287
Forward foreign exchange contracts – GBP/NZ$	–	(4,491)	(4,491)	2,180	–	2,180
Forward foreign exchange contracts – GBP/US$	–	(2,376)	(2,376)	–	–	–
Forward foreign exchange contracts – US$/A$	–	(248)	(248)	–	–	–
Total forward foreign exchange contracts	–	(14,570)	(14,570)	2,658	–	2,658
S&P futures and options – US$	1,067	(67)	1,000	701	(196)	505
Total derivative financial instruments	1,067	(14,637)	(13,570)	3,359	(196)	3,163

Classified (see note 1(c)) as:	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Level 1	1,067	(67)	1,000	701	(196)	505
Level 2	–	(14,570)	(14,570)	2,658	–	2,658
	1,067	(14,637)	(13,570)	3,359	(196)	3,163

Company	Current assets £'000s	Current liabilities £'000s	2016 Net current assets/ (liabilities) £'000s	Current assets £'000s	Current liabilities £'000s	2015 Net current assets/ (liabilities) £'000s
Forward foreign exchange contracts – GBP/A$	–	(6,222)	(6,222)	191	–	191
Forward foreign exchange contracts – GBP/EUR	–	(1,233)	(1,233)	287	–	287
Forward foreign exchange contracts – GBP/NZ$	–	(4,491)	(4,491)	2,180	–	2,180
Forward foreign exchange contracts – GBP/US$	–	(2,376)	(2,376)	–	–	–
Forward foreign exchange contracts – US$/A$	–	(248)	(248)	–	–	–
Total derivative financial instruments	–	(14,570)	(14,570)	2,658	–	2,658

The above derivatives are classified as level 2 as defined in note 1(c).

Changes in derivatives

Changes in total net current derivative financial instruments are as follows:

	Group 2016 £'000s	Group 2015 £'000s	Company 2016 £'000s	Company 2015 £'000s
Valuation brought forward	3,163	(825)	2,658	(948)
Net acquisitions	8,302	887	4,716	–
Net settlements	(3,022)	(3,246)	–	(2,817)
(Losses)/gains	(22,013)	6,347	(21,944)	6,423
Valuation carried forward	(13,570)	3,163	(14,570)	2,658

14. LOANS – CURRENT LIABILITY

Group and Company	2016 £'000s	2015 £'000s
€6.5m repaid March 2016	–	4,605
£20.5m repaid March 2016	–	20,500
NZ$21.5m repaid March 2016	–	9,246
	–	34,351

For details of the loan facilities, see note 17.

15. OTHER PAYABLES

	Group		Company	
	2016 £'000s	2015 £'000s	2016 £'000s	2015 £'000s
Bank overdraft	288	11	288	11
Accrued finance costs	64	21	64	21
Intra-group loans	–	–	206,373	172,441
Accrued expenses	749	528	742	521
	1,101	560	207,467	172,994

The Directors consider that the carrying values of other payables are equivalent to their fair value.

16. ZERO DIVIDEND PREFERENCE SHARES

	Group	
ZDP shares – current liabilities	2016 £'000s	2015 £'000s
2016 ZDP shares	61,327	–
ZDP shares – non-current liabilities		
2016 ZDP shares	–	83,493
2018 ZDP shares	67,548	62,816
2020 ZDP shares	28,134	26,132
2022 ZDP shares	40,352	–
	136,034	172,441
Total ZDP shares liabilities	197,361	172,441

Authorised ZDP shares of the Company at 30 June 2016 are as follows:	Number	£'000s
2016 ZDP shares of 10p each	45,046,966	4,505
2018 ZDP shares of 5.9319p each	70,198,945	4,164
2020 ZDP shares of 6.0514p each	50,000,000	3,026
2022 ZDP shares of 5.3180p each	78,117,685	4,154

Authorised ZDP shares of the Company at 30 June 2015 are as follows:	Number	£'000s
2012 ZDP shares of 10p each	60,592,190	6,059
2014 ZDP shares of 10p each	50,000,000	5,000
2016 ZDP shares of 10p each	60,000,000	6,000
2018 ZDP shares of 5.9319p each	59,842,413	3,550
2020 ZDP shares of 6.0514p each	25,000,000	1,513

NOTES TO THE ACCOUNTS
(continued)

16. ZERO DIVIDEND PREFERENCE SHARES (continued)

On 18 May 2016, by written resolution, UIL Finance diminished its existing authorised share capital from £22,121,862 to £12,615,254 by the cancellation of all the 2012 ZDP Shares and the 2014 ZDP Shares comprised in its authorised share capital and then increased its authorised share capital from £12,615,254 to £15,848,832 by the creation of a further 9,494,963 2020 ZDP Shares and 50,000,000 2022 ZDP Shares of 5.3180p each.

Pursuant to a rollover offer made to the holders of the 2016 ZDP Shares, a total of 14,953,034 2016 ZDP Shares were converted into 28,117,685 new 2022 ZDP Shares (on the basis of a conversion ratio of 1.8804 2022 ZDP Shares for each 2016 ZDP Share in respect of which a valid election was made and accepted under the rollover offer).

ZDP shares issued by the Group are as follows:

2016	**Number**	**2016 £'000s**	**Number**	**2018 £'000s**	**Number**	**2020 £'000s**	**Number**	**2022 £'000s**	**Total £'000s**
Balance at 30 June 2015	47,500,000	83,493	49,842,413	62,816	25,000,000	26,132	–	–	**172,441**
Issue of ZDP shares	–	–	–	–	–	–	40,999,212	40,999	**40,999**
Issue costs of ZDP shares	–	–	–	–	–	–	–	(696)	**(696)**
Conversion of ZDP shares	(14,953,034)	(28,117)	–	–	–	–	–	–	**(28,117)**
Finance costs (see note 6)	–	5,951	–	4,732	–	2,002	–	49	**12,734**
Balance at 30 June 2016	32,546,966	61,327	49,842,413	67,548	25,000,000	28,134	40,999,212	40,352	**197,361**

2015	Number	2014 £'000s	Number	2016 £'000s	Number	2018 £'000s	Number	2020 £'000s	Total £'000s
Balance at 30 June 2014	46,480,000	76,138	47,500,000	77,928	49,842,413	58,427	–	–	212,493
Issue of ZDP shares	–	–	–	–	–	–	25,000,000	25,000	25,000
Issue costs of ZDP shares	–	–	–	–	–	–	–	(571)	(571)
ZDP shares purchased by UIL and held intra-group in the year	(495,000)	(826)	–	–	–	–	–	–	(826)
Conversion of ZDP shares	(9,382,718)	(15,505)	–	–	–	–	–	–	(15,505)
Redemption of ZDP shares	(36,602,282)	(61,345)	–	–	–	–	–	–	(61,345)
Finance costs (see note 6)	–	1,538	–	5,565	–	4,389	–	1,703	13,195
Balance at 30 June 2015	–	–	47,500,000	83,493	49,842,413	62,816	25,000,000	26,132	172,441

Pursuant to the rollover offer made to the holders of the 2016 ZDP Shares published by UIL Finance on 18 May 2016, shareholders elected to rollover a total of 14,953,034 2016 ZDP Shares on the basis of each 2016 ZDP Share in respect of which an election was made and accepted converting into 1.8804 2022 ZDP Shares. Where the aggregate number of 2022 ZDP Shares to which a shareholder was entitled upon the conversion of their 2016 ZDP Shares resulted in an entitlement to a fraction of a 2022 ZDP Share, the total number of 2022 ZDP Shares to which such shareholder was entitled was rounded down to the nearest whole number and such rounded down fractional entitlements were then aggregated and became part of UIL Finance's authorised but unissued share capital. Accordingly, a total of 28,117,612 new 2022 ZDP Shares were issued on 23 June 2016 pursuant to the rollover offer.

Pursuant to a placing also announced on 18 May 2016, UIL Finance placed 12,881,600 new 2022 ZDP Shares at 100p per share with certain institutional and other investors on 23 June 2016, raising grossing proceeds of approximately £12.9 million. In addition, on the same date, 9,000,788 new 2022 ZDP Shares were subscribed for by UIL at 100p per 2022 ZDP Share, and are held by UIL for investment purposes in accordance with its investment policy. This intra group transaction is eliminated on consolidation.

The 50,000,000 new 2022 ZDP shares (including the 9,000,788 issued to UIL) were admitted to the Standard Segment of the Official List and to trading on the London Stock Exchange on 23 June 2016.

16. ZERO DIVIDEND PREFERENCE SHARES (continued)

2016 ZDP shares

Based on the initial entitlement of a 2016 ZDP share of 100p on 15 June 2007, a 2016 ZDP share will have a final capital entitlement at the end of its life on 31 October 2016 of 192.78p equating to a 7.25% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2016 ZDP share as at 30 June 2016 was 189.00p (2015: 175.55p).

2018 ZDP shares

Based on the initial entitlement of a 2018 ZDP share of 100p on 26 January 2012, a 2018 ZDP share will have a final capital entitlement at the end of its life on 31 October 2018 of 160.52p equating to a 7.25% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2018 ZDP share as at 30 June 2016 was 136.81p (2015: 127.09p).

2020 ZDP shares

Based on the initial entitlement of a 2020 ZDP share of 100p on 31 July 2014, a 2020 ZDP share will have a final capital entitlement at the end of its life on 31 October 2020 of 154.90p equating to a 7.25% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2020 ZDP share as at 30 June 2016 was 114.77p (2015: 106.61).

2022 ZDP shares

Based on the initial entitlement of a 2022 ZDP share of 100p on 23 June 2016, a 2022 ZDP share will have a final capital entitlement at the end of its life on 31 October 2022 of 146.99p equating to a 6.25% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2020 ZDP share as at 30 June 2016 was 100.43p (2015: n/a).

The ZDP shares are traded on the London Stock Exchange and are stated at amortised cost using the effective interest method. The ZDP shares carry no entitlement to income however they have a pre-determined final capital entitlement which ranks behind all other liabilities and creditors of UIL Finance and UIL but in priority to the ordinary shares of the Company save in respect of certain winding up revenue profits.

The growth of each ZDP accrues daily and is reflected in the capital return and net asset value per ZDP share on an effective interest rate basis. The ZDP shares do not carry any voting rights at general meetings of the Company. However the Company will not be able to carry out certain corporate actions unless it obtains the separate approval of the ZDP shareholders (treated as a single class) at a separate meeting. Separate approval of each class of ZDP shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind up the Company. In addition the approval of ZDP shareholders by the passing of a special resolution at separate class meetings of the ZDP shareholders is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of the ZDP shares and in relation to any proposal by the Company or its parent company which would reduce the Group's cover of the existing 2016 ZDP shares and 2018 ZDP shares below 1.5 times and the Group's cover of the existing 2020 ZDP shares and 2022 ZDP shares below 1.35 times.

On a liquidation of UIL and/or UIL Finance, to the extent that the relevant classes of ZDP shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their accrued capital entitlement as at the date of liquidation:
(i) the 2016 ZDP shares shall rank in priority to the 2018 ZDP Shares, the 2020 ZDP shares and 2022 share;
(ii) the 2018 ZDP shares shall rank in priority to the 2020 ZDP shares and the 2022 ZDP shares; and
(ii) the 2020 ZDP shares shall rank in priority to the 2022 ZDP shares.

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

17. BANK LOANS – NON-CURRENT LIABILITY

Group and Company	2016 £'000s	2015 £'000s
A$20.5m repayable March 2018	**11,441**	–
€$16.0m repayable March 2018	**13,258**	–
Balance carried forward	**24,699**	–

The Company has a committed loan facility of £50,000,000 from Scotiabank Europe plc ("Scotiabank") expiring on 22 March 2018 and a further £25,000,000 new bridging loan facility from Scotiabank which may be drawn from the end of October 2016 and expiring on 30 April 2017. Commissions are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature. Scotiabank has a floating rate charge over the assets of the Company in respect of amounts owing under the loan facility.

NOTES TO THE ACCOUNTS
(continued)

18. ORDINARY SHARE CAPITAL

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

2016	**Total shares in issue Number**	**Total shares in issue £'000s**
Balance at 30 June 2015	**98,557,214**	**9,856**
Purchased for cancellation	**(7,903,425)**	**(791)**
Balance at 30 June 2016	**90,653,789**	**9,065**

2015	Total shares in issue Number	Total shares in issue £'000s
Balance at 30 June 2014	99,157,214	9,916
Purchased for cancellation	(600,000)	(60)
Balance at 30 June 2015	98,557,214	9,856

During the year the Company bought back for cancellation 7,903,425 ordinary shares at a total cost of £9,174,000.

Since the year end, the Company has purchased for cancellation 306,581 ordinary shares at a total cost of £508,000.

In addition to receiving the income distributed by way of dividend, the ordinary shareholders will be entitled to any balances on the revenue reserve at the winding up date, together with the assets of the Company remaining after payment of the ZDP shareholders' entitlement. The ordinary shareholders participate in all general meetings of the Company on the basis of one vote for each share held.

19. SHARE PREMIUM ACCOUNT

Group and Company	**2016 £'000s**	2015 £'000s
Balance brought forward	**28,414**	29,020
Purchase of ordinary shares	**(8,383)**	(606)
Balance carried forward	**20,031**	28,414

This is a non-distributable reserve arising on the issue of share capital.

20. SPECIAL RESERVE

Group and Company	**2016 £'000s**	2015 £'000s
Balance brought forward and carried forward	**233,866**	233,866

The special reserve can be used to purchase the Company's own shares in accordance with Bermuda law. The reserve will not constitute winding up revenue profits in the event of the Company's liquidation, but it constitutes a reserve under Bermuda law for assessing the sufficiency of reserves for the purpose of making dividend payments to ordinary shareholders.

21. NON-DISTRIBUTABLE RESERVE

Group and Company	2016 £'000s	2015 £'000s
Balance brought forward and carried forward	**32,069**	32,069

The non-distributable reserve constitutes a reserve for the purpose of assessing the sufficiency of reserves for the purpose of making dividend payments to ordinary shareholders.

22. CAPITAL RESERVES

			2016			2015
Group	**Capital reserve (arising on investments sold) £'000s**	**Capital reserve (arising on investments held) £'000s**	**Capital reserves total £'000s**	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s
Gains on investments sold	**12,994**	**–**	**12,994**	18,087	–	18,087
Gains/(losses) on investments held	**–**	**90,470**	**90,470**	–	(11,779)	(11,779)
(Losses)/gains on derivative financial instruments sold	**(5,029)**	**–**	**(5,029)**	2,159	–	2,159
(Losses)/gains on derivative financial instruments held	**–**	**(16,984)**	**(16,984)**	–	4,188	4,188
Foreign exchange (losses)/gains	**(6,388)**	**–**	**(6,388)**	2,989	–	2,989
Other capital charges	**(2)**	**–**	**(2)**	(5)	–	(5)
ZDP shares finance charges	**(12,734)**	**–**	**(12,734)**	(13,195)	–	(13,195)
	(11,159)	**73,486**	**62,327**	10,035	(7,591)	2,444
Balance brought forward	**(129,551)**	**(19,704)**	**(149,255)**	(139,586)	(12,113)	(151,699)
Balance at 30 June	**(140,710)**	**53,782**	**(86,928)**	(129,551)	(19,704)	(149,255)

			2016			2015
Company	**Capital reserve (arising on investments sold) £'000s**	**Capital reserve (arising on investments held) £'000s**	**Capital reserves total £'000s**	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s
Gains on investments sold	**12,994**	**–**	**12,994**	18,117	–	18,117
Gains/(losses) on investments held	**–**	**90,680**	**90,680**	–	(11,884)	(11,884)
(Losses)/gains on derivative financial instruments sold	**(4,716)**	**–**	**(4,716)**	2,817	–	2,817
(Losses)/gains on derivative financial instruments held	**–**	**(17,228)**	**(17,228)**	–	3,606	3,606
Foreign exchange (losses)/gains	**(6,420)**	**–**	**(6,420)**	2,993	–	2,993
Other capital charges	**(2)**	**–**	**(2)**	(5)	–	(5)
Intra-group loan account finance charges	**(12,745)**	**–**	**(12,745)**	(13,237)	–	(13,237)
	(10,889)	**73,452**	**62,563**	10,685	(8,278)	2,407
Balance brought forward	**(117,470)**	**(31,981)**	**(149,451)**	(128,155)	(23,703)	(151,858)
Balance at 30 June	**(128,359)**	**41,471**	**(86,888)**	(117,470)	(31,981)	(149,451)

NOTES TO THE ACCOUNTS
(continued)

22. CAPITAL RESERVES (continued)

Group and Company

Included within the capital reserve movement for the year is £nil (2015: £9,199,000) of dividend receipts recognised as capital in nature, £3,000 (2015: £14,000) of transaction costs on purchases of investments and £84,000 (2015: £150,000) of transaction costs on sales of investments.

23. REVENUE RESERVE

	Group		Company	
	2016 £'000s	2015 £'000s	**2016 £'000s**	2015 £'000s
Amount transferred to revenue reserve	**5,673**	7,766	**5,696**	7,788
Dividends paid in the year	**(6,799)**	(7,426)	**(6,799)**	(7,426)
Balance brought forward	**11,608**	11,268	**11,804**	11,442
Balance at 30 June	**10,482**	11,608	**10,701**	11,804

24. NET ASSET VALUE PER ORDINARY SHARE

Group and Company

Net asset value per ordinary share is based on net assets at the year end of £218,585,000 for the Group and £218,844,000 for the Company (2015: £166,558,000 for the Group and Company) and on 90,653,789 ordinary shares in issue at the year end (2015: 98,557,214).

25. RECONCILIATION OF TOTAL RETURN BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group		Company	
	2016 £'000s	2015 £'000s	**2016 £'000s**	2015 £'000s
Profit before taxation	**68,268**	10,710	**68,527**	10,695
Adjust for non-cash flow items:				
Gains on investments	**(103,464)**	(6,308)	**(103,674)**	(6,233)
Losses/(gains) on derivative financial instruments	**22,013**	(6,347)	**21,944**	(6,423)
Foreign exchange losses/(gains)	**6,207**	(2,915)	**6,239**	(2,919)
Non-cash flows on income	**(2,038)**	(1,890)	**(2,038)**	(1,890)
Income not receivable	**887**	–	**887**	–
Increase in accrued income	**(153)**	(2,278)	**(153)**	(2,278)
Decrease/(increase) in other debtors	**14**	(5)	**14**	(5)
Increase/(decrease) in creditors	**18**	(75)	**16**	(71)
ZDP share finance costs	**12,734**	13,195	**–**	–
Intra-group loan account finance costs	**–**	–	**12,745**	13,237
Tax on overseas income	**(269)**	(500)	**(269)**	(500)
	(64,051)	(7,123)	**(64,289)**	(7,082)
Cash flows from operating activities	**4,217**	3,587	**4,238**	3,613

26. ULTIMATE PARENT UNDERTAKING

In the opinion of the Directors, the Group's ultimate parent undertaking is General Provincial Life Pension Fund (L) Limited which is incorporated in Malaysia.

27. RELATED PARTY TRANSACTIONS

The following are considered related parties of UIL:

UIL's majority shareholder General Provincial Life Pension Fund (L) Limited ("GPLPF") which holds 61.8% of UIL's shares.

Subsidiaries of UIL:

BFIC, Energy Holdings Limited, GERP, UIL Finance, UIL Holdings Pte Ltd and Zeta (on consolidation, transactions between the Company, UIL Finance and GERP have been eliminated)

Controlled Entities:

Somers, Vix Investments Limited, Vix Technology and Vix Verify.

Subsidiaries of the above subsidiaries and controlled entities:

BCB, PCFG, Waverton, West Hamilton Holdings Limited and Zeta Energy.

Key management entities and persons:

ICM and ICMIM and the board of directors of ICM who are Duncan Saville, Charles Jillings, Alasdair Younie and of ICMIM, Charles Jillings and Sandra Pope.

Persons exercising control of UIL:

The Board of UIL.

Companies controlled by key management persons:

Platform Technology Limited ("PTL"), Permanent Investment Limited ("PIL"), Permanent Mutual Limited ("PML"), Mitre Finance Limited and Mitre Investments Limited.

The following transactions were carried out during the year to 30 June 2016 between the Company and its related parties above:

UIL Finance

Loans from UIL Finance to UIL of £172.4m as at 30 June 2015 increased by £34.0m, to £206.4m as at 30 June 2016. Interest is payable at 7.05% per annum. The loans are repayable on demand.

In the year to 30 June 2016, the number of ZDP shares subscribed for by UIL is detailed in note 16 to the accounts (2015: UIL purchased 495,000 2014 ZDP shares in the open market).

GERP

During the year UIL made net payments to GERP of £0.5m in settlement of investment transactions.

BFIC, Zeta, UIL Holdings and Energy Holdings.

Transactions are disclosed in note 11.

Somers, Vix Investments Limited, Vix Verify and Vix Technology.

Transactions are disclosed in note 10.

BCB, Waverton, Zeta Energy, West Hamilton Holdings Limited and PCFG.

There were no transactions between these entities and UIL in the year.

ICM and ICMIM

ICM and ICMIM are joint portfolio managers of UIL. ICMIM received £100,000 for advice on the 2016 ZDP share refinancing. These were no other transactions with ICM or ICMIM or ICM Investment Research Limited and ICM Corporate Services (Pty) Ltd, both wholly owned subsidiaries of ICM, other than investment management, secretarial costs and administration fees as set out in note 4 and reimbursed expenses included within note 5 of £85,000 (2015: £148,000). At the year-end £247,000 (2015: £225,000) remained outstanding to ICM and ICMIM in respect of management, company secretarial fees and the advice of the 2016 refinancing.

NOTES TO THE ACCOUNTS
(continued)

27. RELATED PARTY TRANSACTIONS (continued)

Duncan Saville, Charles Jillings, Alasdair Younie and Sandra Pope

Mr Saville is a director of Somers, Touchcorp, Vix Technology, Vix Investments, GERP, West Hamilton Holdings Limited and PTL. Mr Jillings is a director of PIL, Somers, Waverton and GERP. Mr Younie is a director of BCB, BFIC, Somers, West Hamilton, GERP and PTL. Mr Jillings bought 25,000 shares in UIL through his SIPP at 102.00p per share. Mr and Mrs Jillings bought 100,000 2020 ZDP shares in the initial placing by UIL at 100.00p each. Mr Jillings also received dividends from UIL of £24,844. There were no other transactions in the year with Duncan Saville, Charles Jillings, Alasdair Younie and Sandra Pope and UIL.

The Board

As detailed in the Directors' Remuneration Report on page 58, the Board received aggregate remuneration of £195,000 (2015: £169,000) included within "Other expenses" in note 5 to the Accounts for services as Directors. As at the year-end £51,500 (2015: £42,250) remained outstanding to the Directors. In addition to their fees, the Directors received dividends totalling £46,275 (2015: £24,141) during the year under review in respect of their shareholdings in the Company.

There were no further transactions with the Board during the year.

PTL

PTL is 100% owned by Mr Saville and holds the regulated businesses of Newtel Holdings Limited ("Newtel"). UIL advanced a further £0.3m to Newtel. 100% of economic interest in Newtel accrues to UIL through a CFD.

PIL and PML

PIL and PML are both 100% owned by Mr Saville and hold 34.3% and 5.5% of Somers ordinary shares respectively. PML bought in the market 570,000 shares in UIL at an average price of 104.68p per share. PML also received dividends of £444,561 from UIL.

There were no other transactions between the Company and PIL or between the Company and PML in the year.

Other

GPLPF received dividends of £4,200,115 from UIL. There were no other transactions between the above associates and the Company other than investments in the ordinary course of UIL's business.

28. OPERATING SEGMENTS

Operating segments are considered to be secondary reporting segment. The Directors are of the opinion that the Company's activities comprise a single operating segment, which is investing in equity, debt and derivative securities to maximise shareholder returns.

29. GOING CONCERN

The financial statements have been prepared on a going concern basis. The majority of the Company's assets consist of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

As at the year end, the Company had a £50m multicurrency loan facility with Scotiabank expiring on 22 March 2018, and a further £25m new loan facility from Scotiabank expring on 30 April 2017. Drawdowns under the facility are detailed in note 17 to the accounts. The Company will either extend or replace the facility or repay the outstanding debt when due from portfolio realisations.

30. FINANCIAL RISK MANAGEMENT

The Group's investment objective is to maximise shareholder returns by identifying and investing in investments worldwide when the underlying value is not reflected in the market share price.

The Group seeks to meet its investment objective by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Group has the power to take out both short and long term borrowings. In pursuing the objective, the Group is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors, together with the Investment Managers, is responsible for the Group's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The Company's risks include the risks within UIL Finance and GERP and therefore only the Group risks are analysed below as the differences are not considered to be significant. The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the Accounts. The policies are in compliance with IFRS and best practice, and include the valuation of financial assets and liabilities at fair value except as noted in (d) below and in note 16 in respect of ZDP shares. The Group does not make use of hedge accounting rules.

(a) Market risks

The fair value of equity and other financial securities held in the Group's portfolio and derivative financial instruments fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Group's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Managers assess exposure to market risks when making each investment decision and monitors on-going market risk within the portfolio. The Group's other assets and liabilities may be denominated in currencies other than Sterling and may also be exposed to interest rate risks. The Investment Managers and the Board regularly monitor these risks. The Group does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Group's exposure to future changes in exchange rates.

Gearing may be short- or long-term, in Sterling and foreign currencies, and enables the Group to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility. Income earned in foreign currencies is converted to Sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency exposure

The principal currencies to which the Group was exposed were the Australian Dollar, Bermuda Dollar, Euro, New Zealand Dollar and US Dollar. The exchange rates applying against Sterling at 30 June and the average rates for the year were as follows:

	2016	**Average**	2015
A$ – Australian Dollar	**1.7953**	**2.0242**	2.0462
BM$ – Bermuda Dollar	**1.3368**	**1.4782**	1.5727
EUR – Euro	**1.2033**	**1.3368**	1.4115
NZ$ – New Zealand Dollar	**1.8770**	**2.2070**	2.3254
US$ – US Dollar	**1.3368**	**1.4782**	1.5727

NOTES TO THE ACCOUNTS
(continued)

30. FINANCIAL RISK MANAGEMENT (continued)

The Group's assets and liabilities at 30 June (shown at fair value, except derivatives at gross exposure value), by currency excluding Sterling based on the country of primary exposure, are shown below:

2016	**A$ £'000s**	**BM$ £'000s**	**EUR £'000s**	**NZ$ £'000s**	**US$ £'000s**	**Other £'000s**	**Total £'000s**
Other receivables	**1,895**	**122**	**–**	**–**	**800**	**40**	**2,857**
Derivative financial instruments – assets	**7,054**	**–**	**–**	**–**	**54,812**	**–**	**61,866**
Cash and cash equivalents	**(20)**	**10**	**–**	**–**	**163**	**(239)**	**(86)**
Other payables	**–**	**–**	**–**	**–**	**–**	**(558)**	**(558)**
Derivative financial instruments – liabilities	**(79,321)**	**–**	**(18,683)**	**(37,810)**	**(44,564)**	**–**	**(180,378)**
Long-term borrowings	**(11,441)**	**–**	**(13,258)**	**–**	**–**	**–**	**(24,699)**
Net monetary (liabilities)/assets	**(81,833)**	**132**	**(31,941)**	**(37,810)**	**11,211**	**(757)**	**(140,998)**
Investments	**80,952**	**72,501**	**32,769**	**33,428**	**4,447**	**182,538**	**406,635**
Net financial assets	**(881)**	**72,633**	**828**	**(4,382)**	**15,658**	**181,781**	**265,637**

2015	A$ £'000s	BM$ £'000s	EUR £'000s	NZ$ £'000s	US$ £'000s	Other £'000s	Total £'000s
Other receivables	1,706	755	–	–	69	–	2,530
Derivative financial instruments – assets	–	–	–	–	13,353	–	13,353
Cash and cash equivalents	436	9	(6)	–	180	–	619
Short-term borrowings	–	–	(4,605)	(9,246)	–	–	(13,851)
Other payables	(1)	–	–	(1)	–	–	(2)
Derivative financial instruments – liabilities	(4,887)	–	(8,502)	(25,799)	(12,717)	–	(51,905)
Net monetary (liabilities)/assets	(2,746)	764	(13,113)	(35,046)	885	–	(49,256)
Investments	63,543	71,887	24,886	55,825	3,654	109,507	329,302
Net financial assets	60,797	72,651	11,773	20,779	4,539	109,507	280,046

Based on the financial assets and liabilities held, and exchange rates applying, at Balance Sheet date, a weakening or strengthening of Sterling against each of these currencies by 10% would have had the following approximate effect on annualised income after tax and on net asset value (NAV) per share:

					2016					2015
Weakening of Sterling	**A$ £'000s**	**BM$ £'000s**	**EUR £'000s**	**NZ$ £'000s**	**US$ £'000s**	A$ £'000s	BM$ £'000s	EUR £'000s	NZ$ £'000s	US$ £'000s
Income Statement										
Revenue profit for the year	**226**	**376**	**-**	**153**	**-**	174	359	–	366	–
Capital profit for the year	**(284)**	**8,057**	**92**	**(487)**	**1,651**	6,566	7,988	1,308	2,309	497
Total profit for the year	**(58)**	**8,433**	**92**	**(334)**	**1,651**	6,740	8,347	1,308	2,675	497
NAV per share										
Basic – pence	**(0.06)**	**9.30**	**0.10**	**(0.37)**	**1.82**	6.84	8.47	1.33	2.71	0.50

30. FINANCIAL RISK MANAGEMENT (continued)

Strengthening of Sterling	2016 A$ £'000s	2016 BM$ £'000s	2016 EUR £'000s	2016 NZ$ £'000s	2016 US$ £'000s	2015 A$ £'000s	2015 BM$ £'000s	2015 EUR £'000s	2015 NZ$ £'000s	2015 US$ £'000s
Income Statement										
Revenue profit for the year	(226)	(376)	-	(153)	-	(174)	(359)	–	(366)	–
Capital profit for the year	284	(8,057)	(92)	487	(1,651)	(6,566)	(7,988)	(1,308)	(2,309)	(497)
Total profit for the year	58	(8,433)	(92)	334	(1,651)	(6,740)	(8,347)	(1,308)	(2,675)	(497)
NAV per share										
Basic – pence	0.06	(9.30)	(0.10)	0.37	(1.82)	(6.84)	(8.47)	(1.33)	(2.71)	(0.50)

These analyses are broadly representative of the Group's activities during the current year as a whole, although the level of the Group's exposure to currencies fluctuates in accordance with the investment and risk management processes.

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate risks at 30 June is shown below:

	2016 Total £'000s	2016 Within one year £'000s	2016 More than one year £'000s	2015 Total £'000s	2015 Within one year £'000s	2015 More than one year £'000s
Exposure to floating rates						
– Cash	174	174	-	1,236	1,236	–
– Bank overdraft	(288)	(288)	-	(11)	(11)	–
– Borrowings	(24,699)	-	(24,699)	(34,351)	(34,351)	–
	(24,813)	(114)	(24,699)	(33,126)	(33,126)	–
Exposure to fixed rates						
Zero dividend preference shares	(197,361)	(61,327)	(136,034)	(172,441)	–	(172,441)
Net exposures						
– At period end	(222,174)	(61,441)	(160,733)	(205,567)	(33,126)	(172,441)
– Maximum in year	(235,283)	(140,758)	(94,525)	(237,421)	(101,066)	(136,355)
– Minimum in year	(205,567)	(33,126)	(172,441)	(205,567)	(33,126)	(172,441)

	2016 Total £'000s	2016 Exposure to floating interest rates £'000s	2016 Fixed interest rates £'000s	2015 Total £'000s	2015 Exposure to floating interest rates £'000s	2015 Fixed interest rates £'000s
Net exposures						
– Maximum in year	(235,283)	(52,309)	(182,974)	(237,421)	(24,928)	(212,493)
– Minimum in year	(205,567)	(33,126)	(172,441)	(205,567)	(33,126)	(172,441)

NOTES TO THE ACCOUNTS
(continued)

30. FINANCIAL RISK MANAGEMENT (continued)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Group arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts is at ruling market rates. Finance costs on the ZDP shares are fixed (see note 16). Interest paid on borrowings is at ruling market rates (2015: same) The Group's total returns and net assets are sensitive to changes in interest rates on cash and borrowings. Based on the financial assets and liabilities held, and the interest rates pertaining, at each Balance Sheet date, a decrease or increase in interest rates by 2% would have had the following approximate effects on the Group Income Statement revenue and capital returns after tax and on the NAV per share.

		2016		2015
	Increase in rate £'000s	**Decrease in rate £'000s**	Increase in rate £'000s	Decrease in rate £'000s
Revenue profit for the year	**(496)**	**496**	(663)	663
Capital profit for the year	**–**	**–**	–	–
Total profit for the year	**(496)**	**496**	(663)	663
NAV per share				
Basic – pence	**(0.55)**	**0.55**	(0.67)	0.67

Other market risk exposures

The portfolio of investments, valued at £452,197,000 at 30 June 2016 (2015: £366,928,000) is exposed to market price changes. The Group enters into currency and index options in managing its exposure to other market risks.

The Investment Managers assess these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out on page 21. The Investment Managers have operated a strategic market position via the purchase and sale of equity index put and call options, principally on the S&P500 Index. The level of the position is kept under constant review, and will depend upon several factors including the relative performance of markets, the price of options as compared to the market, and the Investment Managers' view of likely future volatility and market movements.

Based on the portfolio of investments at the balance sheet date, and assuming other factors, including derivative financial instrument exposure, remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the Income Statement Capital Return after tax and on the NAV per share:

		2016		2015
	Increase in value	**Decrease in value**	Increase in value	Decrease in value
Income Statement capital profit for the year (£'000s)	**90,439**	**(90,439)**	73,552	(73,522)
NAV per share				
Basic – pence	**99.76**	**(99.76)**	74.60	(74.60)

(b) Liquidity risk exposure

The Group and the Company are required to raise funds to meet commitments associated with financial instruments including ZDP shares. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Group or the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Group's portfolio, 26 at 30 June 2016 (44 at 30 June 2015); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts on page 21); and the existence of an on-going loan facility agreement. Cash balances are held with reputable banks.

30. FINANCIAL RISK MANAGEMENT (continued)

The Investment Managers review liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Group has bank loan facilities of £75.0m as set out in note 17 to the accounts and ZDP share liabilities of £197.4m as set out in note 16. The contractual maturities of the financial liabilities, based on the earliest date on which payment can be required, were as follows:

				2016				2015
	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Bank overdraft	288	–	–	288	11	–	–	11
Other creditors	813	–	–	813	549	–	–	549
Derivative financial instruments	180,378	–	–	180,378	51,905	–	–	51,905
Bank loans	–	–	24,832	24,832	–	34,440	–	34,440
ZDP shares	–	62,744	178,997	241,741	–	–	210,303	210,303
	181,479	62,744	203,829	448,052	52,465	34,440	210,303	297,208

(c) Credit risk and counterparty exposure

The Group is exposed to potential failure by counterparties to deliver securities for which the Group has paid, or to pay for securities which the Group has delivered. The Board approves all counterparties used in such transactions, which must be settled on a basis of delivery against payment (except where local market conditions do not permit). A list of pre-approved counterparties is maintained and regularly reviewed by the Administrator and the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. Cash and deposits are held with reputable banks. The Group has an on-going contract with its Custodians for the provision of custody services. The contracts are reviewed regularly. Details of securities held in custody on behalf of the Group are received and reconciled monthly. To the extent that the Investment Managers and F&C carry out duties (or cause similar duties to be carried out by third parties) on the Group's behalf, the Group is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with management and internal auditors of F&C.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk was as follows:

		2016		2015
Current assets	30 June £'000s	Maximum exposure in the year £'000s	30 June £'000s	Maximum exposure in the year £'000s
Cash at bank	174	8,219	1,236	6,401
Financial assets through profit and loss				
– derivatives (put options and call options)	23,564	103,542	13,353	13,353
– derivatives (forward foreign exchange contracts)	154,869	154,869	41,846	94,008

None of the Group's financial assets are past due or impaired. The Group's principal custodian is JPMorgan Chase Bank. BCB acts as custodian for unquoted investments. UIL has an indirect interest in BCB.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Group are, in the opinion of the Directors, reflected in the Balance Sheet at fair value except for ZDP shares which are carried at amortised cost using effective interest rate basis (see note 16). Borrowings under loan facilities do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into Sterling at exchanges rates ruling at each valuation date.

NOTES TO THE ACCOUNTS
(continued)

30. FINANCIAL RISK MANAGEMENT (continued)

The fair values of ZDP shares derived from their quoted market price at 30 June, were:

Current assets	2016 £'000s	2015 £'000s
2016 ZDP shares	**62,165**	87,044
2018 ZDP shares	**73,393**	68,409
2020 ZDP shares	**32,500**	27,125
2022 ZDP shares	**42,844**	–

Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments.

The Directors regularly review the principles applied by the Investment Manager to those valuations to ensure they comply with the Group's accounting policies and with fair value principles.

Level 3 financial instruments

Valuation methodology

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied and the valuation. The Level 3 assets comprise a number of unlisted investments at various stages of development and each has been assessed based on its industry, location and business cycle. Where sensible, the Directors have taken into account observable data and events to underpin the valuations. All unlisted valuations which are based on observable data have been discounted by 10.0% to 30.0% to reflect both the unlisted nature of the investment and business risks.

The Level 3 financial instruments are split between a) unlisted companies and b) loans to listed companies.

(i) Unlisted companies

Vix Technology ("VixTech") Bermuda incorporated

Valuation inputs: 2018 EV/EBITDA 9.2 times continuous EBITDA. Discount applied 30.0% and execution risk discount of 35.0%.

Valuation methodology: VixTech has been valued based on peer comparisons and in particular EV/EBITDA for 2018. Listed peer valuations averaged 9.2 times for 2018. Based on continuous EBITDA for the year to 30 June 2018 of A$29.1m and after applying a 30.0% unlisted discount (prior year 20.0%) the valuation is A$183.2m. Given the organisational restructuring of VixTech an execution risk discount of 35.0% has been applied and based on this, a value of A$119.1m has been obtained. UIL holds a 39.8% equity interest in VixTech and as at 30 June 2016 carried this investment at A$47.4m, £26.4m.

Sensitivities: Should the 2018 EBITDA of VixTech move by A$1.0m the gain or loss in valuation would be A$1.7m, (£0.9m). Should the peer group multiple ascribed to VixTech's EBITDA be reduced/increased by 1.0 the gain or loss on valuation for UIL would be A$5.3m (£2.9m).

Vix Investments Limited ("Vix Investments") Bermuda incorporated

Valuation inputs: Sum-of-the-parts valuations range from transactions through to peer group matrices. The key asset of Vix Investments is Optal, which accounts for 85.0% of the gross assets. The holding in Optal is included at fair value to Vix, based on a share price of A$7.43, valuing Optal at A$452.2m. Discount applied to Optal of 20.0%. Vix Investments has a 15.5% interest in Optal.

Valuation methodology: UIL has a 39.8% interest in Vix Investments and the investment was valued at A$28.5m at 30 June 2016. UIL has loans to Vix of US$4.3m and NZ$1.3m; together £15.2m.

Sensitivities: The underlying portfolio is ungeared in nature.

Seacrest Limited ("Seacrest") Bermuda incorporated

Valuation inputs: The unlisted investment comprises an equity interest in Seacrest and a carried interest in the management fee for Seacrest. The company's sole asset is its holding in Azimuth, a joint venture between Seacrest and PGS (the listed Norwegian seismic data service company).

The valuation of Azimuth is based on fair value GAAP accounting. Using the General Partner's valuation of the Seacrest portfolio a discount is applied to each Azimuth subsidiary. The extent of the discount depends on whether the assets are in a mature or frontier basin. In addition, following the fall in the oil price a further discount was applied thereby calculating a fair value for Azimuth.

30. FINANCIAL RISK MANAGEMENT (continued)

Valuation methodology: UIL has used a fair value valuation of Seacrest of US$0.86 per share based on the value of Azimuth, described above; £5.5m.

Sensitivities: Given Azimuth is an exploration company its risks are significant in both directions. Should commercially recoverable oil not be discovered then the value will fall to nil. Should substantial commercially recoverable oil be discovered the valuation uplifts are significant.

Other unlisted companies

Valuation methodology: UIL has a further ten unlisted holdings valued from £0.04m to £2.9m each. These holdings were valued at a mixture of book value for recent investments, yield for two dividend distributors and realisable values, together a total value of £17.9m.

(ii) Loans to listed companies

Zeta Resources Limited ("Zeta") Bermuda incorporated

Valuation inputs: Gross asset to gross debt cover of over 2.0 times. The prior year loans were valued on a similar basis with debt cover being over 1.5 times.

Valuation methodology: The loan to Zeta (A$45.5m) carried interest at 10.0% to 30 June 2016 and currently bears interest at 7.5%. The loan is repayable on 31 December 2017. The asset cover and nature of Zeta's portfolio is such that the loans are carried at book value plus accrued interest.

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

Somers Limited ("Somers") Bermuda incorporated

Valuation inputs: Gross asset to gross debt cover of over 50 times. The prior year loans were valued on a similar basis with debt cover being over 50 times.

Valuation methodology: The loans to Somers of US$7.0m bears interest at 6.0%. The loans are repayable on 30 June 2017. The asset cover and nature of Somers' portfolio is such that the loans are carried at book value plus accrued interest. The loan value at 30 June 2016 was £5.3m, prior year £0.6m

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

(e) Capital risk management

The objective of the Group is stated as being to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price. In pursuing this long term objective, the Board has a responsibility for ensuring the Group's ability to continue as a going concern. It must therefore maintain its capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year earnings as well as out of brought forward reserves. Changes to ordinary share capital are set out in note 18 to the accounts.

Dividends are set out in note 9 to the accounts. Borrowings are set out in notes 14 and 17 to the accounts. ZDP shares are set out in note 16 to the accounts.

31. ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIMFD")

In accordance with the AIFMD, information in relation to the Group's leverage and the remuneration of the Company's AIFM, ICMIM, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy are available on the Company's website or from ICMIM on request. The numerical remuneration disclosures in relation to the AIFM's first relevant accounting period will be made available in due course.

The Group's maximum and actual leverage at 30 June 2016 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	**425%**	**425%**
Actual	**285%**	**284%**

The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

NOTES TO THE ACCOUNTS
(continued)

32. POST BALANCE SHEET EVENTS

On 1 July 2016, UIL Finance announced plans to issue up to 14 million 2020 ZDP shares pursuant to the Placing Programme at a price of 128p per 2020 ZDP share. A total of 10,774,185 new 2020 ZDP shares were placed with certain institutional investors at a price of 128p per 2020 ZDP share raising gross proceeds of £13.8 million. The remaining 3,225,815 new 2020 ZDP shares were acquired by UIL at a price of 128p per 2020 ZDP share and will be held by UIL for investment purposes in accordance with its investment policy.

The 14 million 2020 ZDP shares were admitted to the Official List and to trading on the London Stock Exchange and dealings on 14 July 2016.

Following the admission, the Group's issued shares comprise of 90,653,789 ordinary shares, 32,546,966 2016 ZDP shares, 49,842,413 2018 ZDP shares, 39,000,000 2020 ZDP shares (including shares held intra-group) and 50,000,000 2022 ZDP shares (including shares held intra-group).

Since the year end the Company has purchased in the market 342,807 2016 ZDP shares at an average price of 191.99p per 2016 ZDP share and has sold in the market 2,000,000 2022 ZDP shares at an average price of 106.78p per 2022 ZDP share.

Since the above admission, the Company has sold in the market 250,000 2020 ZDP shares at an average price of 133.25p per 2020 ZDP share.

Following these sales and purchases UIL has a holding of 342,807 2016 ZDP shares, 2,975,815 2020 ZDP shares and 7,000,788 2022 ZDP shares.

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in UIL Limited, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the 2016 Annual General Meeting of UIL Limited will be held at the Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Wednesday, 16 November 2016 at 9.00am (local time) for the following purposes:

To consider and, if thought fit, to pass the following resolutions:

ORDINARY BUSINESS:

1. To confirm the Minutes of the last General Meeting.
2. To receive and adopt the Report of the Directors, the report of the independent auditor and the accounts for the year ended 30 June 2016.
3. To approve the Directors' Remuneration Report for the year ended 30 June 2016.
4. To elect Ms A Hill as a Director.
5. To elect Mr C Samuel as a Director.
6. To elect Mr D Shillson as a Director.
7. To re-elect Mr P Burrows as a Director.
8. To re-elect Mr E Stobart as a Director.
9. To re-elect Mr W McLeland as a Director.
10. To re-appoint KPMG LLP as auditor of the Company.
11. To authorise the Directors to determine the auditor's remuneration.

SPECIAL BUSINESS:

12. **As an Ordinary Resolution:** That in substitution for the Company's existing authority to make market purchases of ordinary shares of 10p in the Company ("Ordinary Shares"), the Company be and it is generally and unconditionally authorised to make market purchases of Ordinary Shares, provided that:
    (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 13,550,000 (being the equivalent of 14.99% of the issued Ordinary Shares as at the date of this notice);
    (b) the minimum price which may be paid for an Ordinary Share shall be 10p;
    (c) the maximum price (exclusive of expenses payable by the Company) which may be paid for an Ordinary Share shall be the higher of:
        (i) 105% of the average of the middle market quotations of the Ordinary Shares for the five business days prior to the date on which such shares are contracted to be purchased; and
        (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;
    (d) such purchases shall be made in accordance with the Bermuda Companies Act;
    (e) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the expiration of such authority.

NOTICE OF ANNUAL GENERAL MEETING
(continued)

13. **As a Special Resolution:** That, for the purpose of Bye-law 4A of the Company's Bye-laws, the Company may issue Relevant Securities (as defined in the Bye-laws) representing up to 4,517,000 Ordinary Shares, equivalent to approximately 5% of the total number of Ordinary Shares in issue as at the date of this notice otherwise than on a pre-emptive basis, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution (as defined in the Bye-laws)) at the earlier of the conclusion of the annual general meeting to be held in 2017 or 18 months from the date of this resolution but so that this power shall enable the Company to make such offers or agreements before such expiry which would or might otherwise require Relevant Securities to be issued after such expiry and the Directors may issue Relevant Securities in pursuance of such offer or agreement as if such expiry had not occurred.

By order of the Board
ICM Investment Management Limited, Secretary
19 September 2016

Notes

1. Only the holders of ordinary shares registered on the register of members of the Company at close of business on 11 November 2016 shall be entitled to attend and vote or to be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register after close of business on 11 November 2016 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules need not make a separate notification to the Company and the Financial Conduct Authority.
4. Any such person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
5. A form of proxy is provided with this notice of meeting. The return of a form of proxy will not preclude a member from attending the meeting and voting in person if he/she wishes to do so. To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services (Bermuda) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 4:00 pm (GMT) on 11 November 2016. Shareholders may also lodge their votes electronically by visiting the website www.eproxyappointment.com (the on-screen instructions will give details on how to complete the voting process).

   In view of this requirement, investors holding shares in the Company through a depository interest should ensure that Forms of Instruction are returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 4:00 pm (GMT) on 10 November 2016 or give an instruction via the CREST system as detailed below.

   CREST members who wish to vote through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by not later than 10 November 2016 at 4:00 pm (GMT). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. The register of Directors' holdings is available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.
7. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Company's Bye-laws. The letters of appointment are available for inspection on request at the Company's registered office and at the annual general meeting.
8. The fourth quarterly dividend of 1.875p per ordinary share in respect of the year ended 30 June 2016 will be paid on 28 September 2016 to the relevant holders on the register at the close of business on 9 September 2016.

COMPANY INFORMATION

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

REGISTERED OFFICE
34 Bermudiana Road, Hamilton HM 11, Bermuda
Company Registration Number: 39480

AIFM, JOINT PORTFOLIO MANAGER AND SECRETARY
ICM Investment Management Limited
PO Box 208, Epsom, Surrey, KT18 7YF
United Kingdom

Telephone number 01372 271486

Authorised and regulated in the UK
by the Financial Conduct Authority

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 (trading as BMO GAM)
Exchange House, Primrose Street, London EC2A 2NY
United Kingdom
Authorised and regulated in the UK
by the Financial Conduct Authority

BROKER
Stockdale Securities Limited
Beaufort House, 15 St Botolph Street, London EC3A 7BB
United Kingdom
Authorised and regulated in the UK
by the Financial Conduct Authority

COMPANY BANKER
Scotiabank Europe PLC
201 Bishopsgate, 6th Floor, London EC2M 3NS
United Kingdom

LEGAL ADVISOR TO THE COMPANY
(as to English law)

Norton Rose Fulbright LLP
3 More London Riverside, London SE1 2AQ
United Kingdom

LEGAL ADVISOR TO THE COMPANY
(as to Bermuda law)

Appleby (Bermuda) Limited
Canon's Court, 22 Victoria Street, Hamilton HM 12
Bermuda

REPORTING ACCOUNTANTS AND REGISTERED AUDITOR
KPMG LLP
15 Canada Square, London E14 5GL, United Kingdom
Member of the Institute of Chartered Accountants in England and Wales

DEPOSITARY SERVICES PROVIDER
J.P. Morgan Europe Limited
25 Bank Street, Canary Wharf, London E14 5JP
United Kingdom
Authorised and regulated in the UK by the Financial Conduct Authority

CUSTODIANS
JPMorgan Chase Bank N.A.
JPMorgan House, Grenville Street, St Helier, Jersey JE4 8QH

Bermuda Commercial Bank Limited
34 Bermudiana Road, Hamilton HM 11, Bermuda

REGISTRAR
Computershare Investor Services (Bermuda) Limited
5 Reid Street, Hamilton HM 11, Bermuda
Telephone 0370 707 4040

REGISTRAR TO THE DEPOSITARY INTERESTS AND CREST AGENT
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS13 6ZY
United Kingdom

HISTORICAL PERFORMANCE

at 30 June	2016	2015	2014	2013[1]	2012	2011	2010	2009	2008[2]	2007[3]
NAV per ordinary share (pence)	**241.12**	169.00	165.84	148.33	209.67	201.63	166.39	146.87	225.20	350.29
Ordinary share price (pence)	**130.75**	117.00	128.00	130.00	144.00	147.25	116.50	117.00	234.00	299.00
Discount/(premium) (%)	**45.8**	30.8	22.8	12.4	31.3	27.0	30.0	20.3	(3.9)	4.2
FTSE All-Share Total Return Index	**5,737**	5,614	5,471	4,837	4,101	4,234	3,370	2,782	3,499	4,023
Returns and dividends (pence)										
Revenue return per ordinary share	**6.23**	7.84	7.03	12.06	11.99	7.65	10.49	2.77	3.56	1.84
Capital return per ordinary share	**68.45**	2.47	19.85	(63.65)	2.73	26.05	21.15	(82.62)	(103.32)	178.01
Total return per ordinary share	**74.68**	10.31	26.88	(51.59)	14.72	33.70	31.62	(79.85)	(99.76)	179.85
Dividend per ordinary share	**7.50**	7.50	7.50	10.00[4]	7.00	8.25	–	–	–	0.80
Capital distribution per ordinary share	**–**	–	–	–	–	–	12.00	–	–	–
ZDP shares[5] (pence)										
2016 ZDP shares										
– Capital entitlement per ZDP share	**188.31**	175.55	163.70	152.64	142.33	132.69	123.72	115.37	107.57	100.29
– ZDP share price	**191.00**	184.63	177.13	165.50	148.50	133.50	108.75	102.50	103.75	103.00
2018 ZDP shares										
– Capital entitlement per ZDP share	**136.32**	127.09	118.50	110.50	103.03	n/a	n/a	n/a	n/a	n/a
– ZDP share price	**147.25**	141.75	128.25	113.38	104.00	n/a	n/a	n/a	n/a	n/a
2020 ZDP shares										
– Capital entitlement per ZDP share	**114.35**	106.61	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
– ZDP share price	**130.00**	122.38	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2022 ZDP shares										
– Capital entitlement per ZDP share	**100.12**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
– ZDP share price	**104.50**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Equity holders' funds (£m)										
Gross assets[6]	**440.7**	373.4	399.1	383.0	434.5	408.7	334.2	288.9	414.6	454.6
Bank debt	**24.7**	34.4	22.2	42.5	–	30.9	29.3	17.0	69.2	44.8
ZDP shares	**197.4**	172.4	212.5	193.4	224.4	172.8	161.2	145.1	140.2	130.8
Other debt	**–**	–	–	–	1.2	3.5	–	–	–	–
Equity holders' funds	**218.6**	166.6	164.4	147.1	208.9	201.5	143.7	126.8	205.2	279.0
Revenue account (£m)										
Income	**10.5**	11.2	10.4	16.2	15.9	11.9	13.8	8.5	10.5	8.4
Costs (management and other expenses)	**1.9**	1.8	2.1	3.2	3.0	2.9	2.4	2.4	3.1	2.6
Finance costs	**1.7**	1.1	0.9	0.8	0.8	2.0	1.4	2.6	3.6	4.1
Financial ratios of the Group (%)										
Revenue yield on average gross assets	**2.9**	2.9	2.6	4.2	4.0	3.1	4.2	2.6	2.3	2.3
Ongoing charges figure	**3.3[7]**	2.0[7]	2.2[7]	1.8[7]	1.7[7]	2.0[7]	0.7	0.8	0.7	0.7
Bank loans, other loans and ZDP shares gearing on net assets	**101.6**	124.1	144.4	160.4	108.0	102.8	132.6	127.9	102.0	62.9

(1) Restated on adoption of IFRS10 Consolidated Financial Statements
(2) Restated consolidating GERP
(3) UIL began trading on 20 June 2007. An investment update was produced for the year ended 30 June 2007 which included figures from UIL's predecessor, Utilico Investment Trust PLC. As such these numbers are neither audited nor reviewed under auditing standards
(4) Includes the special dividend of 2.50p per share
(5) Issued by UIL Finance, a wholly owned subsidiary of UIL
(6) Gross assets less current liabilities excluding loans
(7) The ongoing charges figures is expressed as a percentage of average net assets. Ongoing charges comprise all operational, recurring costs that are payable by the Group or suffered within underlying investee funds, in the absence of any purchases or sales of investments, excluding performance fees, and income not receivable

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