**Date:** 21 February 2023

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ICM Investment Management Limited
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# UIL LIMITED
# UNAUDITED HALF-YEARLY FINANCIAL REPORT
# FOR THE SIX MONTHS TO 31 DECEMBER 2022

UIL Limited ("UIL" or the "Company") today announced its unaudited financial results for the six months to 31 December 2022.

## FINANCIAL HIGHLIGHTS

- Revenue return per ordinary share 7.70p (3.40p)
- Dividends per ordinary share 4.00p (4.00p)
- Net asset value ("NAV") total return per ordinary share* of -6.5% (-9.9%)
- Share price total return per ordinary share* of -12.6% (-5.3%)
- NAV discount* as at 31 December 2022 of 33.3% (35.0%)
- Gearing* 73.4% (60.7%)

Figures in brackets are 31 December 2021
* See Alternate Performance Measures in the Half-yearly financial report for 31 December 2022

The half-yearly report for the six months to 31 December 2022 will be posted to shareholders in early March 2023. A copy will shortly be available to view and download from the Company's website at **www.uil.limited** and the National Storage Mechanism at **https://data.fca.org.uk/#/nsm/nationalstoragemechanism**. Please click on the following link to view the document: https://www.investegate.co.uk/uil-limited--utl-/rns/half-year-report/202302210945015772Q/

## UNAUDITED GROUP PERFORMANCE SUMMARY

| | **Half year 31 Dec 2022** | Half year 31 Dec 2021 | Annual 30 Jun 2022 | % change Jun-Dec 2022 |
|---|---|---|---|---|
| NAV total return per ordinary share (for the period)[1] (%) | **(6.5)** | (9.9) | (38.1) | n/a |
| Share price total return per ordinary share (for the period)[1] (%) | **(12.6)** | (5.3) | (27.6) | n/a |
| Annual compound NAV total return[1] (since inception[2]) (%) | **8.9** | 12.1 | 9.5 | n/a |
| NAV per ordinary share [1] (pence) | **240.02** | 384.57 | 260.89 | (8.0) |
| Ordinary share price (pence) | **160.00** | 250.00 | 187.50 | (14.7) |
| Discount[1] (%) | **33.3** | 35.0 | 28.1 | n/a |
| **Returns and dividends (pence)** | | | | |
| Revenue return per ordinary share | **7.70** | 3.40 | 8.35 | (126.5) [3] |
| Capital return per ordinary share | **(24.58)** | (46.95) | (171.68) | 47.6[3] |
| Total return per ordinary share | **(16.88)** | (43.55) | (163.33) | 61.2[3] |
| Dividends per ordinary share | **4.00**[4] | 4.00 | 8.00 | 0.0 [3] |
| FTSE All-Share total return Index | **8,392** | 8,364 | 7,981 | 5.1 |
| **Equity holders' funds (£m)** | | | | |
| Gross assets[5] | **343.3** | 520.0 | 410.6 | (16.4) |
| Bank loans | **50.0** | 60.2 | 51.1 | (2.2) |
| ZDP shares | **92.1** | 136.9 | 140.8 | (34.6) |
| Equity holders' funds | **201.2** | 322.9 | 218.7 | (8.0) |
| **Revenue account (£m)** | | | | |
| Income | **8.5** | 4.3 | 9.9 | 97.7[3] |
| Costs (management and other expenses) | **0.9** | 0.8 | 1.7 | 12.5[3] |
| Finance costs | **1.1** | 0.6 | 1.1 | 83.3[3] |
| Net income | **6.5** | 2.9 | 7.0 | 124.1[3] |
| **Financial ratios of the Group (%)** | | | | |
| Ongoing charges figure excluding performance fees[1] | **2.9**[6] | 2.0[6] | 2.2 | n/a |
| Ongoing charges figure including performance fees[1] | **2.9**[6] | 4.2[6][7] | 2.2 | n/a |
| Gearing[1] | **73.4** | 60.7 | 89.5 | n/a |

(1) See Alternative Performance Measures in the Half-yearly financial report for 31 December 2022
(2) All performance data relating to periods prior to 20 June 2007 are in respect of Utilico Investment Trust plc, UIL's predecessor
(3) Percentage change based on comparative six month period to 31 December 2021
(4) The second quarterly dividend of 2.00p has not been included as a liability in the accounts
(5) Gross assets less current liabilities excluding loans and ZDP shares
(6) For comparative purposes the figures have been annualised
(7) Performance fees for the period are only suffered within underlying funds

## CHAIRMAN'S STATEMENT

The half year to 31 December 2022 continued to be challenging for investors. UIL's performance was adversely impacted over the half year with UIL's NAV total return negative 6.5%. The FTSE All-Share total return Index ("FTSE") was up by 5.1% over the same period. Much of the difference in the half year's performance can be attributed to the FTSE being overweight energy stocks and the widening of Zeta Resources Limited's ("Zeta") discount. UIL's annual compound NAV total return since inception in 2003 was 8.9%, whilst the FTSE's return for the same period was 7.3%.

Since inception in August 2003, UIL has distributed £91.3m in dividends, invested £36.9m in ordinary share buybacks and made net gains of £230.1m for a total return of 423.3% (adjusted for the exercise of warrants and convertibles). Shareholders should note that the Board and the Investment Managers focus on longer term movements in market indices, whilst including short term comparisons for reference.

As shareholders are aware, Utilico Emerging Markets Trust plc ("UEM") and Zeta continue to be valued based on their market bid prices. As at 31 December 2022, discounts to published NAVs narrowed marginally to 13.3% for UEM and widened to 22.2% for Zeta. Together these discounts amount to £22.0m attributable to UIL. Adding these back would see UIL's adjusted NAV per share increase by 10.9% to 266.26p (30 June 2022: 286.89p) and UIL's implied discount widen to 39.9%.

A key milestone in the half year was the redemption of the 2022 ZDP shares. They were redeemed for £52.3m on 31 October 2022. To achieve this UIL sold down a third of its holding in UEM, realising £20.8m and saw repayments of Somers Limited ("Somers") and Zeta's loans to UIL of £35.8m.

The repayment of the 2022 ZDP shares has significantly reduced UIL's debt and gearing. As at 31 December 2022 bank loans and ZDP shares stood at £142.1m, down by £49.8m or 26.0% from £191.9m at the year-end. Gearing reduced to 73.4% from 89.5% as at 30 June 2022. The blended interest rate crept up to 4.8% for the half year from 4.7% as at 30 June 2022. As a result of the 2022 ZDP redemption, the cover for all three remaining ZDP shares improved over the half year.

Somers fared well over the half year. UIL moved to valuing Somers based on its daily NAV from June 2021. Adding back the dividends paid to UIL, Somers' valuation effectively increased by 10.8% although given the size of the dividend, Somers declined in absolute terms by 14.8%. Most of the gain was down to Waverton Investment Management Limited ("Waverton") which was ahead of budget in very challenging markets. Waverton's ability to add to its assets under management ("AUM") in these volatile markets is a credit to them.

Resimac Group Limited ("Resimac") declined in value in the face of net interest margin compression. This is understandable given their securitisation funding model and the rising interest rates. As interest rates decline, we would expect the net interest margins to expand again. Resimac's share price is down but should recover too as the headwinds reverse and become tailwinds.

Zeta's share price declined in the half year as concerns around China's zero-Covid policy, weaker outlook for global GDP growth and rising costs squeezing margins saw investors back away from mining companies. That said, Zeta should be well positioned to benefit from rising demand for commodities over the coming years, especially as China has reversed its zero-Covid policy.

It is pleasing to see UEM continue to perform strongly and UIL used the opportunity to realise its assets. The headwinds that the emerging markets ("EM") faced last year are certainly turning to be tailwinds and we anticipate UEM can continue to deliver for its shareholders.

The Board remains disappointed to see the ordinary shares trade at a discount of 33.3% as at 31 December 2022. In 2019, the Board determined, in agreement with the Investment Managers and the major shareholder, to target a lower discount level of 20.0% in the medium term and set 30.0% as an interim target. It was understandable that discounts were high through much of last year's uncertainties. It is hoped that given UIL's significantly improved profile that the discount will again narrow.

Total revenue income for the half year to 31 December 2022 was £8.5m, almost twice the £4.3m reported in the prior half year and this reflects Somers distributing its full year's revenue dividend in August 2022 (2021: paid semi annually), as part of a significant dividend distribution. It is expected Somers will revert to paying semi-annual dividends next year. The revenue return earnings per share ("EPS") of 7.70p represents an increase of 126.5% over the prior half year of 3.40p.

The Board has declared an unchanged second quarterly dividend of 2.00p per ordinary share in respect of the year ending 30 June 2023, which maintains the total for the half year at 4.00p, an annualised yield on the closing share price of 5.0%. The dividend was covered 1.93x by earnings in the half year and undistributed revenue reserves carried forward increased from £12.8m to £15.9m, equal to 19.02p per share. In the absence of unforeseen circumstances, the Board intends to pay a further 4.00p in dividends for the full year to 30 June 2023.

Following the capital losses of £144.1m for the year ended 30 June 2022, there was a further capital loss for the half year ended 31 December 2022 of £20.6m, partly due to the decline in Resimac and Zeta's valuation.

### GLOBAL EVENTS

A number of themes dominated global events last year: Covid-19, heightened geopolitical tensions, the outlook for inflation and interest rates, commodities and climate change.

On Covid-19 it was astonishing to watch China pivot from zero tolerance to living with Covid. The resultant surge in infections and herd immunity achieved will put the economy back on the front foot. Undoubtedly the impact on China will be brutal and scare people for many years to come. China is now focused on recovering the economy and we should expect that to translate into a surge in demand as the housing market and consumers recover. With China now open, the world's economies should be able to return to normal whilst living with infections from Covid.

Inflation remains elevated. This has been driven by the developed economies response to lockdowns which was to economically support the consumers. The consumer in turn saved much of this funding which led to a surge in demand as developed nations reopened. Supply chain disruptions created during the pandemic also added to the pricing pressure. This trend has been viciously reinforced by the Ukraine War which has led to energy supply challenges and highly inflated costs. Add to this tight labour markets with below trend unemployment rates. The response from central banks has been to raise interest rates to head off spiralling inflation. Our expectation is that the central banks have done enough and that 2023 will be characterised by falling inflation and interest rates. Our central case is for the global economy to post positive GDP for the year led by EM.

The ongoing friction between China and the USA is a clash of ideologies and is likely to continue between the two nations and their allies.

How is the world and in particular corporates responding to the challenges above? Simply put, they are diversifying their supply lines. Within EM, we are seeing a strong shift from China to nearshoring, and this is expected to continue for much of this decade. Countries such as Vietnam, Mexico and eastern Europe should therefore benefit.

Climate change is increasingly shifting to be a central focus and rightly so given the alarming evidence of a planet faced by the need to change its fossil fuel dependency. Over time we expect green policies will drive dramatic change. Short term security of energy supply is the key focus for most countries as they deal with the fallout from the Ukraine War and sanctions on Russia, but we expect renewable energy to accelerate in the coming years.

Flowing on from this there is likely to be an outsized demand for commodities: especially those in demand as China reopens and the need for a greener economy. Copper and lithium are certainly two examples and under investment in production is also likely to be a factor. Commodity led economies such as Australia, Canada, Chile and Brazil, should therefore benefit.

## BOARD

The Board regularly gives consideration to succession planning and has reviewed Board composition in light of three Directors having joined the Company in 2015. The Board believes it would be preferable to have no more than one director leaving each year and, having regard to the balance of UK and overseas based directors, Christopher Samuel will step down from the Board on 31 May 2023 and will accordingly not be standing for re-election at this year's annual general meeting. On behalf of the Board, I would like to thank Christopher for his invaluable contributions to the Company over the years. We will miss his wise counsel and challenging questions and he leaves the Board with our very best wishes. The current intention is to continue with a Board of four Directors, although this will be kept under review and may increase to five Directors for a period to provide for an orderly succession in respect of future Board changes.

## OUTLOOK

For 2023 we are optimistic for the global economy. If a recession emerges in the developed world, we expect it to be shallow. We anticipate inflation and interest rates to recede over the year. We believe demand for commodities, especially battery commodities to be elevated. Consequently, we believe that headwinds are turning into tailwinds, which should be positive for equities.

**Peter Burrows AO**
Chairman
21 February 2023

# INVESTMENT MANAGERS' REPORT

The half year to 31 December 2022 has, as anticipated, been a challenging period marked by high volatility. UIL's portfolio reduced by £67.0m, mainly as a result of realisations to fund the 2022 ZDP redemption of £52.3m.

## PORTFOLIO

The portfolio movements over the six months reflect three factors: investment losses of £13.5m, some 3.2% of the opening portfolio; realisations of £52.3m to meet the ZDP redemptions; and steps taken to increase UIL's directly held listed portfolio, thereby improving UIL's bank covenant ratios.

Within the portfolio, realisations included £20.8m from UEM and £35.8m from the repayment of Somers' and Zeta's loans.

Somers continues to be UIL's largest investment. Somers declared a significant dividend of USD 4.55 in the half year; adjusting for this, Somers' valuation grew by 10.8% during the six months to 31 December 2022. This was partly driven by an increase in Waverton and offset by a decrease in Resimac. Waverton exceeded its annual budget and continues to outperform in these challenging markets. Resimac's share price declined by 10.9% but continues to deliver good operational performance in difficult conditions. Despite seeing net interest margin compression, Resimac reported good profits and cashflow. We believe that Resimac's valuation is relatively modest at a historic price earnings ratio of 5.6x and when market conditions improve, Resimac's profitability is expected to recover.

UIL together with other Somers' shareholders bought out the minority shares in Somers at USD 21.00 per share in July 2022. Following this transaction, Somers declared a dividend of USD 4.55 per share and distributed a number of investments to its new shareholders to settle the dividend. UIL received shares in Resimac and The Market Herald Limited ("TMH"), an Australian Securities Exchange ("ASX") listed financial news service. UIL sold its unlisted holding in ICM Mobility Group Limited ("ICM Mobility") to Somers in exchange for various assets, including West Hamilton Holdings Limited ("West Hamilton"). See note 13 to the accounts for related party transactions.

Somers also issued warrants to its shareholders on a one for four basis at USD 18.92 per share, maturing on 30 September 2023. All of Somers shareholders, apart from UIL, exercised their warrants, which resulted in UIL's holding in Somers decreasing from 47.0% to 41.7%. On exercise of the warrants UIL's holding would return to 47.0%. As at 30 September 2022, Somers NAV was USD 13.82, which is below the exercise price.

Zeta's share price reduced by 15.2% in the half year to 31 December 2022. This reflected concerns about commodity demand in the face of China's zero-Covid policy and rising interest rates globally reducing the world's economic activity. Both of these factors dragged sentiment down and, as expected, valuations reduced. Copper Mountain Mining Corporation ("Copper Mountain"), Zeta's largest investment, has seen its share price weaken, down 6.1% in the six months to 31 December 2022. We remain convinced that Copper Mountain is well positioned to outperform. While nickel was up 32.0% in the half year, Panoramic Resources Limited ("Panoramic") saw its share price decline by 10.3% reflecting weak market conditions.

UEM was a strong performer and UEM's NAV total return was positive over the half year at 2.0%. This was a good performance against the wider EM. The MSCI EM Index was down 2.4% in Sterling terms. In light of UEM's liquidity, UIL realised one third of its position.

The ten largest holdings section starting on page 18 of the Half-yearly financial report for 31 December 2022 provides more information on UIL's key investments, including new additions to the portfolio. We are excited about our new investments and expect them to provide a mix of deep value operational performance opportunities which, combined with improving valuations, should deliver long term value to UIL shareholders.

## FOREIGN EXCHANGE

As at 31 December 2022 UIL held no forward contract FX derivative positions. During the half year, the decision was taken to close out the positions in full, in light of the sheer volatility in the FX markets and the need to meet cash demands of the positions, all of which was increasingly difficult to accommodate at a time when UIL was focused on its 2022 ZDP redemption. A small position in currency options was held as at 31 December 2022. In the half year, forward contract FX and currency losses were £3.6m, but we are today less vulnerable to the volatility in the FX markets.

## COMMODITIES

Commodities remained volatile. During the half year oil was down 25.2%. Copper was less volatile, ending the half year up 2.6%. Nickel was the standout performer, up 32.0% during the period.

## PORTFOLIO ACTIVITY

During the half year to 31 December 2022, UIL invested £108.7m and realised £162.2m, including loans repaid by Somers and Zeta. Purchases included investments in the listed assets acquired from Somers; two of which are now in UIL's top ten investments as at 31 December 2022.

## PLATFORM INVESTMENTS

UIL currently has four platform investments, Somers, Zeta, UEM and Allectus Capital Limited ("Allectus") in its top ten holdings. These investments account for 71.2% of the total portfolio as at 31 December 2022 (30 June 2022: 73.0%). During the half year to 31 December 2022, net withdrawals from these platforms amounted to £57.8m (30 June 2022: £37.4m).

## DIRECT INVESTMENTS

UIL has six direct investments in its top ten holdings, Resimac, West Hamilton, TMH, Panoramic, Littlepay Mobility Limited ("Littlepay") and AssetCo plc ("AssetCo"). All are listed except for Littlepay. In the half year UIL sold ICM Mobility to Somers for assets. Resolute Mining Limited and Starpharma Holdings Limited fell out of the top ten on weak share price performance. The direct holdings in Resimac, AssetCo, West Hamilton and TMH increased following purchases from Somers and a dividend distribution by Somers.

## GEOGRAPHIC REVIEW

The geographical split of the portfolio, on a look-through basis, shows Australia and New Zealand increasing to 39.5% of UIL's total investments (30 June 2022: 37.2%) reflecting the direct ownership of Resimac and TMH; and Bermuda nearly doubled to 8.8% (30 June 2022: 4.8%) reflecting the direct ownership of West Hamilton.

## SECTOR REVIEW

**Financial Services** – 44.3% (30 June 2022: 38.5%)

Somers is UIL's largest investment and accounts for 36.6% of UIL's total investments as at 31 December 2022 (30 June 2022: 35.7%). The direct holdings in Resimac, AssetCo and TMH all contributed to the financial services percentage rising to 44.3%.

**Technology** – 20.5% (30 June 2022: 25.8%)

UIL holds a number of early-stage investments in the technology sector, both indirectly through Allectus (UIL's fourth largest investment), and directly including Littlepay (UIL's tenth largest investment). During the half year UIL sold ICM Mobility to Somers and this largely accounted for the reduction in technology's percentage interest to 20.5%.

**Resources (excl. gold mining)** – 15.1% (30 June 2022: 15.4%)

UIL's largest investment in resources is Zeta, which accounted for 15.6% of the total portfolio as at 31 December 2022 (30 June 2022: 15.5%). Zeta's share price weakened over the half year declining by 15.2% resulting in the sector percentage interest standing still.

**Infrastructure Investments** – 10.5% (30 June 2022: 12.7%)

This consists of Telecommunications, Infrastructure, Electricity, Ports, Road & Rail, Oil & Gas, Renewables, Water & Waste and Airports. UIL's infrastructure exposure is largely through UEM. While UEM's NAV rose, this was more than offset by UIL selling one third of its holding in UEM thus reducing the sector percentage to 10.5%.

## LEVEL 3 INVESTMENTS

UIL's investment in level 3 companies reduced to 53.0% (30 June 2022: 57.4%).

## COVID-19

The Board has returned to pre-Covid travel and physical meetings and expects this to continue for the future.

## GEARING

As a result of the reduction in the ZDP liability following the redemption of the 2022 ZDP shares, and notwithstanding weak markets, gearing in the half year decreased to 73.4% (30 June 2022: 89.5%). This remains well inside UIL's target gearing of under 100.0%. UIL's total debt decreased over the half year from £195.7m to £147.7m as at 31 December 2022.

It is pleasing to see the continuing financing costs remain under 5.0%, with the blended interest rate of debt slightly increasing from 4.7% as at 30 June 2022 to 4.8% as at 31 December 2022. In the half year to 31 December 2022 the finance costs were £4.7m, up 6.8% on the prior half year's £4.4m.

## ZDP SHARES

On a consolidated basis the ZDP shares decreased from £140.8m as at 30 June 2022 to £92.1m as at 31 December 2022, down 34.6% mainly as a result of the redemption of the 2022 ZDP shares. UIL continues to hold 2.3m 2026 ZDP shares and 0.6m 2028 ZDP shares as at 31 December 2022. With three ZDP issues, UIL has spread the redemption liabilities over five years.

## DEBT

Bank debt was slightly reduced at £50.0m as at 31 December 2022 (30 June 2022: £51.1m). This was drawn in Sterling. Scotiabank Europe plc's £50.0m committed senior secured multi-currency revolving facility has been extended to 19 September 2023 and novated to the Bank of Nova Scotia, London Branch. The extension requires a reduction in the facility of £12.5m by 30 March 2023.

## REVENUE RETURNS

Revenue income for the half year increased 97.7% to £8.5m from £4.3m in the six months to 31 December 2021. This largely reflects a significant dividend declaration by Somers.

Management and administration fees and other expenses were up at £0.9m from £0.8m as at 31 December 2021. Finance costs were up at £1.1m as at 31 December 2022 from £0.6m as at 31 December 2021.

Revenue profit increased by 124.1% to £6.5m (31 December 2021: £2.9m) and EPS increased by 126.5% to 7.70p (31 December 2021: 3.40p).

## CAPITAL RETURNS

Capital total income was at a loss of £17.0m (31 December 2021: loss of £35.6m).

Finance costs decreased by 7.7% to £3.6m (31 December 2021: £3.9m) largely reflecting the lower number of ZDP shares in issue following the 2022 ZDP redemption in October 2022.

The resultant loss for the half year to 31 December 2022 on the capital return was £20.6m (31 December 2021: loss of £39.4m) and EPS loss was 24.58p (31 December 2021: loss of 46.95p).

## EXPENSE RATIO

The ongoing charges figure, including (fees paid in UIL's platform companies) and excluding performance fees, was 2.9% as at 31 December 2022 (30 June 2022: 2.2%). No performance fee was earned at UIL level.

All expenses are borne by the ordinary shareholders.

**Charles Jillings**
ICM Investment Management Limited and ICM Limited
21 February 2023

## HALF-YEARLY FINANCIAL REPORT AND RESPONSIBILITY STATEMENT

The Chairman's Statement and the Investment Managers' Report give details of the important events which have occurred during the period and their impact on the financial statements.

### PRINCIPAL RISKS AND UNCERTAINTIES

Most of UIL's principal risks and uncertainties are market related and are similar to those of other investment companies investing mainly in listed equities in developed countries.

The principal risks and uncertainties were described in more detail under the heading "Principal Risks and Risk Mitigation" within the Strategic Report section of the annual report and accounts for the year ended 30 June 2022 and have not changed materially since the date of that document.

The principal risks faced by UIL include not achieving long-term total returns for its shareholders, adverse market conditions leading to a fall in NAV, loss of key management, its shares trading at a discount to NAV, losses due to inadequate controls of third-party service providers, gearing risk and regulatory risk. In addition, the emergence of geopolitical risk and climate risk, and the ongoing risk of the Covid-19 pandemic continue to be monitored.

The annual report and accounts is available on the Company's website, **www.uil.limited**

### RELATED PARTY TRANSACTIONS

Details of related party transactions in the six months to 31 December 2022 are set out in note 13 to the accounts.

### DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Chapter 4 of the Disclosure Guidance and Transparency Rules, the Directors confirm that to the best of their knowledge:

• The condensed set of financial statements contained within the report for the six months to 31 December 2022 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position and return of the Group;
• The half-yearly financial report, together with the Chairman's Statement and Investment Managers' Report, includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements as required by DTR 4.2.7R;
• The Directors' statement of principal risks and uncertainties above is a fair review of the principal risks and uncertainties for the remainder of the year as required by DTR 4.2.7R; and
• The half-yearly report includes a fair review of the related party transactions that have taken place in the first six months of the financial year as required by DTR 4.2.8R.

On behalf of the Board
**Peter Burrows**
Chairman
21 February 2023

## CONDENSED GROUP INCOME STATEMENT (UNAUDITED)

| Notes | for the six months to 31 December | Revenue return £'000s | Capital return £'000s | 2022 Total return £'000s | Revenue return £'000s | Capital return £'000s | 2021 Total return £'000s |
|---|---|---|---|---|---|---|---|
| | Losses on investments | - | (13,471) | (13,471) | - | (35,029) | (35,029) |
| | Losses on derivative financial instruments | - | (2,099) | (2,099) | - | (310) | (310) |
| | Foreign exchange losses | - | (1,460) | (1,460) | - | (236) | (236) |
| | Investment and other income | 8,532 | - | 8,532 | 4,329 | - | 4,329 |
| | **Total income/(loss)** | 8,532 | (17,030) | (8,498) | 4,329 | (35,575) | (31,246) |
| 2 | Management and administration fees | (434) | - | (434) | (468) | - | (468) |
| | Other expenses | (500) | (3) | (503) | (381) | (3) | (384) |
| | Profit/(loss) before finance costs and taxation | 7,598 | (17,033) | (9,435) | 3,480 | (35,578) | (32,098) |
| | Finance costs | (1,144) | (3,571) | (4,715) | (557) | (3,870) | (4,427) |
| | **Profit/(loss) before taxation** | 6,454 | (20,604) | (14,150) | 2,923 | (39,448) | (36,525) |
| 3 | Taxation | - | - | - | (66) | - | (66) |
| | **Profit/(loss) for the period** | 6,454 | (20,604) | (14,150) | 2,857 | (39,448) | (36,591) |
| 4 | **Earnings per ordinary share – pence** | 7.70 | (24.58) | (16.88) | 3.40 | (46.95) | (43.55) |

The Group does not have any income or expense that is not included in the profit/(loss) for the period, and therefore the profit/(loss) for the period is also the total comprehensive income/(loss) for the period, as defined in International Accounting Standard 1 (revised).
All items in the above statement derive from continuing operations.
All income is attributable to the equity holders of the Company. There are no minority interests.

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

**for the six months to 31 December 2022**

| Notes | | Ordinary share capital £'000s | Share premium account £'000s | Special reserve £'000s | Capital reserves £'000s | Revenue reserve £'000s | Total £'000s |
|---|---|---|---|---|---|---|---|
| | Balance as at 30 June 2022 | **8,384** | **37,874** | **233,866** | **(74,230)** | **12,846** | **218,740** |
| | (Loss)/profit for the period | **-** | **-** | **-** | **(20,604)** | **6,454** | **(14,150)** |
| 5 | Ordinary dividends paid | **-** | **-** | **-** | **-** | **(3,354)** | **(3,354)** |
| | **Balance as at 31 December 2022** | **8,384** | **37,874** | **233,866** | **(94,834)** | **15,946** | **201,236** |

for the six months to 31 December 2021

| 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 as at 30 June 2021 | 8,430 | 6,986 | 233,866 | 32,069 | 69,883 | 12,547 | 363,781 |
| 9,10 | Transfer of reserves | - | 32,069 | - | (32,069) | - | - | - |
| | (Loss)/profit for the period | - | - | - | - | (39,448) | 2,857 | (36,591) |
| 5 | Ordinary dividends paid | - | - | - | - | - | (3,360) | (3,360) |
| | Shares purchased by the Company | (34) | (900) | - | - | - | - | (934) |
| | Balance as at 31 December 2021 | 8,396 | 38,155 | 233,866 | - | 30,435 | 12,044 | 322,896 |

for the year to 30 June 2022

| 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 as at 30 June 2021 | 8,430 | 6,986 | 233,866 | 32,069 | 69,883 | 12,547 | 363,781 |
| 9,10 | Transfer of reserves | - | 32,069 | - | (32,069) | - | - | - |
| | (Loss)/profit for the year | - | - | - | - | (144,113) | 7,013 | (137,100) |
| 5 | Ordinary dividends paid | - | - | - | - | - | (6,714) | (6,714) |
| | Shares purchased by the Company | (46) | (1,181) | - | - | - | - | (1,227) |
| | Balance as at 30 June 2022 | 8,384 | 37,874 | 233,866 | - | (74,230) | 12,846 | 218,740 |

## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION (UNAUDITED)

| Notes | As at | **31 Dec 2022** | 31 Dec 2021 | 30 Jun 2022 |
|---|---|---|---|---|
| | | **£'000s** | £'000s | £'000s |
| | **Non-current assets** | | | |
| 6 | Investments | **349,472** | 518,326 | 416,516 |
| | **Current assets** | | | |
| | Other receivables | **209** | 575 | 444 |
| 6 | Derivative financial instruments | **78** | 874 | 620 |
| | Cash and cash equivalents | **111** | 1,070 | 8 |
| | | **398** | 2,519 | 1,072 |
| | **Current liabilities** | | | |
| 7 | Loans | **(50,000)** | (49,623) | (51,080) |
| | Other payables | **(6,533)** | (11,070) | (4,393) |
| 6 | Derivative financial instruments | **-** | (363) | (2,562) |
| | Zero dividend preference shares | **-** | (49,609) | (51,166) |
| | | **(56,533)** | (110,665) | (109,201) |
| | **Net current liabilities** | **(56,135)** | (108,146) | (108,129) |
| | **Total assets less current liabilities** | **293,337** | 410,180 | 308,387 |
| | **Non-current liabilities** | | | |
| | Zero dividend preference shares | **(92,101)** | (87,284) | (89,647) |
| | **Net assets** | **201,236** | 322,896 | 218,740 |
| | | | | |
| | **Equity attributable to equity holders** | | | |
| 8 | Ordinary share capital | **8,384** | 8,396 | 8,384 |
| 9 | Share premium account | **37,874** | 38,155 | 37,874 |
| | Special reserve | **233,866** | 233,866 | 233,866 |
| | Capital reserves | **(94,834)** | 30,435 | (74,230) |
| | Revenue reserve | **15,946** | 12,044 | 12,846 |
| | **Total attributable to equity holders** | **201,236** | 322,896 | 218,740 |
| | | | | |
| 11 | **Net asset value per ordinary share -pence** | | | |
| | Basic – pence | **240.02** | 384.57 | 260.89 |

## CONDENSED GROUP STATEMENT OF CASH FLOWS (UNAUDITED)

| | **Six months to 31 Dec 2022 £'000s** | Six months to 31 Dec 2021 £'000s | Year to 30 Jun 2022 £'000s |
|---|---|---|---|
| **Operating activities:** | | | |
| Loss before taxation | **(14,150)** | (36,525) | (137,037) |
| Deduct investment income - dividends* | **(8,286)** | - | (7,539) |
| Deduct investment income - interest* | **(243)** | - | (2,338) |
| Deduct bank interest | **(3)** | - | (2) |
| Add back bank interest charged | **1,144** | - | 1,132 |
| Add back losses on investments | **13,471** | 35,029 | 120,524 |
| Add back losses on derivative financial instruments | **2,099** | 310 | 10,532 |
| Add back foreign exchange losses | **1,460** | 236 | 5,264 |
| Deduct non-cash flows on income | **-** | (2,969) | - |
| Decrease in accrued income | **-** | 383 | - |
| Increase in other debtors | **(45)** | (39) | (4) |
| Increase/(decrease) in creditors | **280** | (29) | 10 |
| Deduct ZDP shares finance costs | **3,571** | 3,870 | 7,790 |
| Tax on overseas income | **-** | 66 | - |
| **Net cash (outflow)/inflow from operating activities before dividends and interest** | **(702)** | 332 | (1,668) |
| Dividends received* | **1,962** | - | 3,039 |
| Investment income - interest received* | **91** | - | 369 |
| Bank interest received | **3** | - | 2 |
| Interest paid | **(1,144)** | - | (1,141) |
| Taxation paid | **-** | - | (63) |
| **Cash flows from operating activities** | **210** | 332 | 538 |
| **Investing activities:** | | | |
| Purchases of investments | **(10,003)** | (30,699) | (40,733) |
| Sales of investments | **70,333** | 20,690 | 51,150 |
| Settlement of derivatives | **(4,119)** | (401) | (8,170) |
| **Cash flows from investing activities** | **56,211** | (10,410) | 2,247 |
| **Financing activities:** | | | |
| Equity dividends paid | **(3,354)** | (3,360) | (6,714) |
| Drawdowns of bank loans | **50,000** | 1,074** | 1,894 |
| Repayment of bank loans | **(53,572)** | - | (3,147) |
| Cash flows from issue of ZDP shares | **-** | 950 | 950 |
| Cash flows from redemption of ZDP shares | **(52,283)** | - | - |
| Cost of shares purchased for cancellation | **-** | (934) | (1,227) |
| **Cash flows from financing activities** | **(59,209)** | (2,270) | (8,244) |
| | | | |
| Net decrease in cash and cash equivalents | **(2,788)** | (12,348) | (5,459) |
| Cash and cash equivalents at the beginning | | | 3,111 |
| of the period | **(3,827)** | 3,111 | |
| Effect of movement in foreign exchange | **1,032** | (235) | (1,479) |
| **Cash and cash equivalents at the end of the period** | **(5,583)** | (9,472) | (3,827) |
| | | | |
| **Comprised of:** | | | |
| Cash | **111** | 1,070 | 8 |
| Bank overdraft | **(5,694)** | (10,542) | (3,835) |
| **Total** | **(5,583)** | (9,472) | (3,827) |

* Disclosed under "non-cash flows on income" in the six months to 31 December 2021
** Disclosed as "Movement on loans" in the six months to 31 December 2021

## NOTES TO THE ACCOUNTS (UNAUDITED)

**1. SIGNIFICANT ACCOUNTING POLICIES**
The Company is an investment company incorporated in Bermuda, with its ordinary shares traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange and listed on the Bermuda Stock Exchange.

The Group accounts comprise the results of the Company and UIL Finance Limited.

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The annual financial statements of the Group for the year ended 30 June 2023 will be prepared in accordance with UK-adopted international accounting standards 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. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 30 June 2022.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the Directors in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2022.

The unaudited condensed Group accounts do not include all of the information required for full annual accounts and should be read in conjunction with the consolidated accounts of the Group for the year ended 30 June 2022, which were prepared under full IFRS requirements.

**2. MANAGEMENT AND ADMINISTRATION FEES**
The Company has appointed ICM Investment Management Limited ("ICMIM") as its Alternative Investment Fund Manager and joint portfolio manager with ICM Limited ("ICM"), for which they are entitled to a management fee and a performance fee. The aggregate 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 UK version of the EU Alternative Investment Fund Managers Directive as it forms part of UK domestic law by virtue of the European Union (withdrawal) Act 2018, as amended and also such other requirements applicable to ICMIM by virtue of its regulation by the Financial Conduct Authority.

The annual management fee is 0.5% per annum based on total assets less current liabilities (excluding borrowings and excluding the value of all holdings in companies managed or advised by the Investment Managers or any of their subsidiaries from which they receives a management fee), calculated and payable quarterly in arrears. The agreement with ICM and ICMIM may be terminated upon one year's notice given by the Company or by ICM and ICMIM, acting together.

In addition, the Investment Managers are entitled to a capped performance fee payable in respect of each financial period, equal to 15% of the amount by which the Company's NAV attributable to holders of ordinary shares outperforms the higher of (i) 5.0%, and (ii) the post-tax yield on the FTSE Actuaries Government Securities UK Gilts 5 to 10 years' index, plus inflation (on the RPIX basis) (the "Reference Rate"). The opening equity funds for calculation of the performance fee are the higher of (i) the equity funds on the last day of a calculation period in respect of which a performance fee was last paid, adjusted for capital events and dividends paid since that date (the "high watermark"); and (ii) the equity funds on the last day of the previous calculation period increased by the Reference Rate during the calculation period and adjusted for capital events and dividends paid since the previous calculation date. In a period where the Investment Managers or any of their associates receive a performance fee from any ICM managed investment in which UIL is an investor, the performance fee payable by UIL will be reduced by a proportion corresponding to UIL's percentage holding in that investment applied to the underlying investment performance fee, subject to the provision that the UIL performance fee cannot be a negative figure. In calculating any performance fee payable, a cap of 2.5% of closing NAV (adjusted for capital events and dividends paid) will be applied following any of the above adjustments and any excess over this cap shall be written off. A performance fee was last paid in respect of the year to 30 June 2019. As at that date the equity shareholders' funds were £326.3m. As at 30 June 2021, the attributable shareholders' funds were above the high watermark. However, after adjusting for the allocated share of performance fees (paid and accrued) from ICM managed investments in which UIL is an investor, no performance fee was accrued.

In the period to 31 December 2022, UIL's NAV return is below the required hurdle calculated at 15.2% return to entitle the Investment Managers to a performance fee and therefore no performance fee has been accrued. The final amount payable is dependent upon the performance of the Company, adjusted for the allocated share of any performance fees from ICM managed investments in which UIL is an investor, in the year to 30 June 2023.

ICM also provides company secretarial services to the Company, with the Company paying 45% of the incurred costs associated with this post.

JP Morgan Chase Bank N.A. – London Branch has been appointed Administrator and ICMIM has appointed Waverton Investment Management Limited to provide certain support services (including middle office, market dealing and information technology support services). The Company or the Administrator may terminate the agreement with the Administrator upon six months' notice in writing.

**3. TAXATION**

The revenue taxation charge of £nil (31 December 2021: £66,000 and 30 June 2022: £63,000) relates to overseas taxation suffered on interest income. Except as stated above, profits of the Company and subsidiaries for the period are not subject to any taxation within their countries of residence.

**4. EARNINGS PER ORDINARY SHARE**

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

| | **Six months to 31 Dec 2022 £'000s** | Six months to 31 Dec 2021 £'000s | Year to 30 Jun 2022 £'000s |
|---|---|---|---|
| Revenue | **6,454** | 2,857 | 7,013 |
| Capital | **(20,604)** | (39,448) | (144,113) |
| **Total** | **(14,150)** | (36,591) | (137,100) |
| | **Number** | Number | Number |
| Weighted average number of shares in issue during the period for earnings per share calculations | **83,842,918** | 84,015,278 | 83,942,540 |
| | **pence** | pence | pence |
| Revenue return per ordinary share | **7.70** | 3.40 | 8.35 |
| Capital return per ordinary share | **(24.58)** | (46.95) | (171.68) |
| **Total return per ordinary share** | **(16.88)** | (43.55) | (163.33) |

**5. DIVIDENDS**

| | **Record date** | **Payment date** | **Six months to 31 Dec 2022 £'000s** | Six months to 31 Dec 2021 £'000s | Year to 30 Jun 2022 £'000s |
|---|---|---|---|---|---|
| 2021 Fourth quarterly interim of 2.000p | 03-Sep-21 | 30-Sep-21 | **-** | 1,680 | 1,680 |
| 2022 First quarterly interim of 2.000p | 03-Dec-21 | 23-Dec-21 | **-** | 1,680 | 1,680 |
| 2022 Second quarterly interim of 2.000p | 04-Mar-22 | 31-Mar-22 | **-** | - | 1,677 |
| 2022 Third quarterly interim of 2.000p | 06-Jun-22 | 30-Jun-22 | **-** | - | 1,677 |
| 2022 Fourth quarterly interim of 2.000p | 02-Sep-22 | 30-Sep-22 | **1,677** | - | - |
| 2023 First quarterly interim of 2.000p | 02-Dec-22 | 22-Dec-22 | **1,677** | - | - |
| | | | **3,354** | 3,360 | 6,714 |

The Directors have declared a second quarterly dividend in respect of the year ending 30 June 2023 of 2.00p per ordinary share payable on 31 March 2023 to shareholders on the register at close of business on 3 March 2023. The total cost of this dividend, which has not been accrued in the results for the six months to 31 December 2022, is £1,677,000 based on 83,842,918 ordinary shares in issue as at the date of this half-yearly report.

**6. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

The tables below set out the fair value measurements hierarchy at the relevant period end.

These fair value measurements are categorised into a hierarchy consisting of the following three levels:
Level 1 – valued using unadjusted quoted prices in active markets for identical assets and liabilities.
Level 2 – valued by reference to valuation techniques using other observable inputs not included within level 1.
Level 3 – valued by reference to valuation techniques using unobservable inputs.

| | **Level 1 £'000s** | **Level 2 £'000s** | **Level 3 £'000s** | **31 Dec 2022 Total £'000s** |
|---|---|---|---|---|
| **Financial assets held at fair value through profit or loss** | | | | |
| Investments | **104,880** | **59,378** | **185,214** | **349,472** |
| Derivative financial instruments – foreign currency options | **-** | **78** | **-** | **78** |

During the period, holdings of value £65,586,000 were transferred from level 1 to level 2 due to the investee company shares having irregular trading in the period and a holding of value £3,511,000 was transferred from level 2 to level 1 due to changes in the trading liquidity of the investee company. The book cost and fair values were transferred using the 30 June 2022 balances.

| | Level 1 £'000s | Level 2 £'000s | Level 3 £'000s | 31 Dec 2021 Total £'000s |
|---|---|---|---|---|
| Financial assets held at fair value through profit or loss | | | | |
| Investments | 120,041 | 86,762 | 311,523 | 518,326 |
| Derivative financial instruments – forward foreign currency contracts | - | 874 | - | 874 |
| Financial liabilities held at fair value through profit or loss | | | | |
| Derivative financial instruments – forward foreign currency contracts | - | 363 | - | 363 |

During the period, holdings of value £78,050,000 were transferred from level 1 to level 2 due to the investee company shares having irregular trading in the period. The book cost and fair values were transferred using the 30 June 2021 balances.

| | Level 1 £'000s | Level 2 £'000s | Level 3 £'000s | 30 Jun 2022 Total £'000s |
|---|---|---|---|---|
| Financial assets held at fair value through profit or loss | | | | |
| Investments | 173,206 | 4,389 | 238,921 | 416,516 |
| Derivative financial instruments – forward foreign currency contracts | - | 620 | - | 620 |
| Financial liabilities held at fair value through profit or loss | | | | |
| Derivative financial instruments – forward foreign currency contracts | - | 2,562 | - | 2,562 |

In the year to 30 June 2022, holdings with value of £11,723,000 were transferred from level 2 to level 1 due to the changes in the trading liquidity of the investee companies. The book cost and fair value were transferred using the 30 June 2021 balances.

A reconciliation of fair value measurements in level 3 is set out in the following table:

| | **Six months to 31 Dec 2022 £'000s** | Six months to 31 Dec 2021 £'000s | Year to 30 Jun 2022 £'000s |
|---|---|---|---|
| Investments brought forward | | | |
| Cost | **199,073** | 219,605 | 219,605 |
| Gains | **39,848** | 103,259 | 103,259 |
| Valuation | **238,921** | 322,864 | 322,864 |
| Purchases | **59,035** | 28,597 | 53,378 |
| Sales | **(120,175)** | (21,445) | (71,449) |
| Gains/(losses) on investments | **7,433** | (18,493) | (65,872) |
| Valuation carried forward | **185,214** | 311,523 | 238,921 |
| | | | |
| Analysed | | | |
| Cost | **164,642** | 221,091 | 199,073 |
| Gains | **20,572** | 90,432 | 39,848 |
| Valuation carried forward | **185,214** | 311,523 | 238,921 |

**7. BANK LOANS**

The Company has a committed loan facility of £50,000,000 from Bank of Nova Scotia, London Branch, reducing to £37.5m on 30 March 2023 and expiring on 19 September 2023. 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 and the loan covenants, are typical of those normally found in facilities of this nature. Scotiabank has a floating charge over the assets of the Company in respect of amounts owing under the loan facility. As at 31 December 2022 £50,000,000 (31 December 2021: £49,623,000 and 30 June 2022: £51,080,000) was drawn down.

**8. ORDINARY SHARE CAPITAL**

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

| | **Total shares in issue Number** | **Total shares in issue £'000s** |
|---|---|---|
| Balance as at 31 December 2022 and 30 June 2022 | **83,842,918** | **8,384** |

No ordinary shares have been purchased for cancellation since the period end.

**9. SHARE PREMIUM ACCOUNT**

| | **31 Dec 2022 £'000s** | 31 Dec 2021 £'000s | 30 Jun 2022 £'000s |
|---|---|---|---|
| Balance brought forward | **37,874** | 6,986 | 6,986 |
| Purchase of ordinary shares | **-** | (900) | (1,181) |
| Transfer from Non-distributable Reserve (see note 10) | **-** | 32,069 | 32,069 |
| Balance carried forward | **37,874** | 38,155 | 37,874 |

**10. NON-DISTRIBUTABLE RESERVE**

| | **31 Dec 2022 £'000s** | 31 Dec 2021 £'000s | 30 Jun 2022 £'000s |
|---|---|---|---|
| Balance brought forward | **-** | 32,069 | 32,069 |
| Transfer to Share Premium Account | **-** | (32,069) | (32,069) |
| Balance carried forward | **-** | - | - |

The Non-distributable Reserve was created when the warrants issued in 2007 were exercised, following the recommendation by the SORP in issue at that time. The current SORP no longer requires this accounting treatment and the reserve has therefore been transferred back to the Share Premium Account. There is no impact to distributable reserves under Bermuda Law as a result of this transfer.

**11. NET ASSET VALUE PER SHARE**

Net asset value per ordinary share is based on net assets as at the period end of £201,236,000 (31 December 2021: £322,896,000 and 30 June 2022: £218,740,000) and on 83,842,918 ordinary shares in issue as at the period end (31 December 2021: 83,962,718 and 30 June 2022: 83,842,918).

**12. OPERATING SEGMENTS**

The Directors are of the opinion that the Group's activities comprise a single operating segment, namely that of investing in equity, debt and derivative securities to maximise shareholder returns.

**13. RELATED PARTY TRANSACTIONS**

The following transactions were carried out during the half year to 31 December 2022 between the Company and its related parties above:

**Subsidiaries of UIL**

**Allectus Capital Limited ("Allectus Capital")** - Pursuant to a loan agreement dated 1 September 2016 under which UIL agreed to loan monies to Allectus Capital, UIL advanced to Allectus Capital a loan of USD 0.3m and Allectus Capital repaid USD 6.9m. The balance of the loan as at 30 June 2022 was USD 6.6m and as at 31 December 2022 USD 0.4m. The loan is interest free and is converted into equity on an annual basis as at 30 June each year. Pursuant to a separate loan agreement dated 23 September 2022 under which UIL agreed to loan monies to Allectus Capital, UIL advanced to Allectus Capital a loan of USD 0.8m. The balance of the loan as at 31 December 2022 was USD 0.8m. The loan is interest free.

**Allectus Quantum Holdings Limited ("Allectus Quantum")** - Pursuant to a loan agreement dated 20 April 2022 under which UIL has agreed to loan monies to Allectus Quantum, UIL advanced to Allectus Quantum a loan of £2.4m. As at 31 December 2022 the loan balance was £2.4m. The loan is interest free and is converted into equity on an annual basis.

**Elevate Platform Limited ("Elevate")** - Pursuant to a loan agreement dated 1 January 2019 under which UIL agreed to loan monies to Elevate, no further funds were advanced to Elevate during the period. As at 31 December 2022, the balance of the loan was £1.6m. The loan bears interest at an annual rate of 6.0% and is repayable on 31 December 2023.

**Newtel Holdings Limited ("Newtel")** - The loan to Newtel was converted into equity during the period, bringing the loan balance to £nil as at 31 December 2022 (30 June 2022: £5.5m).

**West Hamilton Holdings Limited ("West Hamilton")** - In October 2022, Somers Limited ("Somers") acquired UIL's holding in ICM Mobility Group Limited ("ICM Mobility") and Snapper Services (UK) Limited for £45.6m. In exchange Somers sold to UIL its holding in West Hamilton for USD 19.7m, WT Financial Group Limited for AUD 5.7m and BNK Banking Corp Ltd for AUD 3.9m. Somers funded the balance of the transaction (£22.3m) via the loan account (see Somers below). As at 31 December 2022, UIL owns 57.1% of the ordinary shares of West Hamilton.

**Zeta Resources Limited ("Zeta")** - Pursuant to loan agreements dated 1 September 2016 (AUD loan) and 1 May 2018 (CAD loan), under which UIL agreed to loan monies to Zeta, UIL advanced to Zeta loans of AUD 2.2m and CAD 17.5m, capitalised interest of AUD nil and CAD 0.2m and received from Zeta repayments of AUD 2.2m and CAD 17.7m. As at 31 December 2022, the balance of the loans and interest outstanding was AUD nil and CAD nil. The AUD loan bears interest at an annual rate of 7.5% and the CAD loan bears interest at an annual rate of 7.25%. The loans are repayable on not less than 12 months' notice.

**Associated undertakings:**

**Carebook Technologies Inc ("Carebook")** - Pursuant to a convertible loan agreement dated 21 December 2021, amended and restated on 28 September 2022, UIL advanced to Carebook an additional loan tranche of CAD 500k. UIL received interest of CAD 17k. The loan bears an interest rate of the Canadian Variable Rate plus 10.0% and is repayable by 21 December 2026. Pursuant to a convertible loan agreement dated 15 December 2022, UIL advanced to Carebook a loan of CAD 1.25m. The loan bears an interest rate of the Canadian Variable Rate plus 10.0% and is repayable by 22 December 2026.

**ICM Mobility** - Pursuant to a loan agreement dated 1 June 2021, under which UIL has agreed to loan monies to ICM Mobility, UIL advanced to ICM Mobility loans of £0.6m and received from ICM Mobility £0.1m. In October 2022, UIL sold its loan to ICM Mobility (£0.5m) to Somers as part of the transaction where UIL sold its interest in ICM Mobility to Somers - see West Hamilton above.

**Novareum Blockchain Asset Fund Ltd ("Novareum") -** As at 31 December 2022, UIL's holding represented 36.7% of Novareum's units in issue and had a fair value of £0.7m (30 June 2022: 57.5% of units in issue and was classified as a subsidiary of UIL).

**Somers** - On 12 July 2022 UIL sold to Somers, at fair value, 2,953,446 Resimac Group Limited ("Resimac") shares for AUD 3.5m and received in exchange 134,153 AssetCo plc shares for £1.0m and 2,691,811 MJ Hudson Group plc shares for GBP 1.0m.

On 5 August 2022 Somers paid a distribution of USD 4.55 per share. In settlement, UIL received at fair value 38,451,000 Resimac shares for AUD 50.4m and 42,183,103 The Market Herald shares for AUD 16.0m. The distribution has been recognised as a return of capital of USD 38.7m and a revenue dividend of USD 7.6m. At the same time, Somers issued 5,412,314 warrants pro-rata to all of its shareholders on a one for four basis (the "Warrants"). The exercise price of the Warrants is USD 18.92 per share and can be converted at any time until maturity on 30 September 2023. These were issued for no consideration and UIL received and continues to hold 2,542,233 warrants as at 31 December 2022.

On 8 August 2022, as part of a group restructure, UIL sold to Somers at fair values, 16,472,685 Resimac shares for AUD 21.6m and in exchange UIL advanced loans to Zeta for AUD 2.2m and CAD 17.5m (included within Zeta data above).

Pursuant to a loan agreement dated 22 June 2018 under which UIL has agreed to loan monies to Somers, UIL advanced to Somers loans of £23.2m (see West Hamilton above) and Somers repaid loans of £23.2m. UIL received interest of £39k. As at 31 December 2022, the balance of the loans and interest outstanding was £nil. The loan bears interest at an annual rate of 6.0% and is repayable on not less than 12 months' notice

**Key management entities and persons:**
ICM and ICMIM are joint portfolio managers of UIL. Other than investment management fees and company secretarial costs as set out in note 2, and reimbursed expenses of £41,000, there were no other transactions with ICM or ICMIM or ICM Corporate Services (Pty) Ltd. As at 31 December 2022, £147,000 remained outstanding to ICM and ICMIM in respect of management and company secretarial fees and £nil in respect of performance fees. Mr Jillings received dividends from UIL of £14,000. There were no other transactions during the six months with Alasdair Younie, Charles Jillings, Duncan Saville and Sandra Pope and UIL.

**The Board**
The fees paid to Directors for the six months to 31 December 2022: Chairman £25,000; Chairman of Audit & Risk Committee £23,875; Directors £18,500. The Board received aggregate remuneration of £104,000 for services as Directors. As at 31 December 2022, £nil remained outstanding to the Directors. In addition to their fees, the Directors received dividends totalling £61,570. There were no other transactions during the six months with the Board and UIL.

**Companies controlled by key management persons:**
General Provincial Life Pension Fund Limited received dividends of £2,194,000 from UIL, Union Mutual Pension Fund Limited received dividends of £307,000 from UIL and Mitre Investments Limited received dividends of £105,000 from UIL. There were no other transactions between companies controlled by key management and UIL during the six months to 31 December 2022.

## 14. FINANCIAL RISK MANAGEMENT – LEVEL 3 FINANCIAL INSTRUMENTS

### Valuation methodology

The objective of using valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Company uses proprietary valuation models, which are compliant with IPEV guidelines and IFRS 13 and which are usually developed from recognised valuation techniques.

The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuations. The methodologies used to determine fair value are described in the 2022 annual report. The level 3 assets comprise of a number of unlisted investments at various stages of development and each has been assessed based on its industry, location and business cycle. The valuation methodologies include net assets, discounted cash flows, cost of recent investment or last funding round, listed peer comparison or peer group multiple or dividend yield, as appropriate. Where applicable, the Directors have considered observable data and events to underpin the valuations. A discount has been applied, where appropriate, to reflect both the unlisted nature of the investments and business risks.

UIL currently has investments in a number of closed-end investment companies including Allectus Capital and Somers. These closed-end fund interests are valued on a net assets basis, estimated based on the managers' NAVs. Managers' NAVs use recognised valuation techniques consistent with IFRS and are normally subject to audit. The fund valuations included in these financial statements were based principally on the 31 December 2022 managers' NAVs and these NAVs have been reviewed to ensure that the economic impact of the rising interest rate environment, inflation, the Ukraine war and Covid-19 have been considered.

### Sensitivity of level 3 financial investments measured at fair value to changes in key assumptions.

Level 3 inputs are sensitive to assumptions made when ascertaining fair value. While the Directors believe that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The sensitivities shown in the table below give an indication of the effect of applying reasonable and possible alternative assumptions.

In assessing the level of reasonably possible outcomes consideration was also given to the impact on valuations of the increased level of volatility in equity markets during 2022, principally reflecting concerns about increasing rates of inflation, tightening energy supplies, rising interest rates and the Ukraine war. The impact on the valuations has been varied and largely linked to their relevant sectors and this has been reflected in the level of sensitivities applied.

The following table shows the sensitivity of the fair value of level 3 financial investments to changes in key assumptions as at 31 December 2022.

| Investment | Investment type | Valuation methodology | Risk weighting | Sensitivity +/- | Carrying amount £'000s | Sensitivity £'000s |
|---|---|---|---|---|---|---|
| Somers | Equity | NAV | Low | 10% | 127,989 | 12,799 |
| Allectus Capital | Equity | NAV | Medium | 20% | 24,378 | 4,876 |
| West Hamilton | Equity | Fair value of assets | Medium | 20% | 15,585 | 3,117 |
| Littlepay | Equity | Peer multiples | Medium | 20% | 5,663 | 1,133 |
| Allectus Quantum | Equity | Price of recent investment | High | 30% | 4,659 | 1,398 |
| Arria NLG Limited ("Arria")* | Equity | Peer multiples | High | 400% | 1,188 | 4,751 |
| Other Investments | Equity | Various | Medium | 20% | 4,372 | 874 |
| Other Investments | Loans | Various | Low | 10% | 1,380 | 138 |
| Total | | | | | 185,214 | 29,086 |

UIL holds 6.6m ordinary shares in Arria which it valued at £1.2m as at 31 December 2022. The cost of this investment was £0.7m. In arriving at its valuation, UIL applied a peer revenue multiple to estimated recurring revenue. According to its most recent published accounts, Arria was materially loss making, cash flow negative and it may have insufficient cash reserves if its expected capital raise activities do not proceed as planned. Against this, Arria's revenues have recently gained traction and appear to be growing very strongly. Arria has also had historic success in raising funds. In arriving at the valuation, the Directors considered Arria's historic financial track record, its recent uplift in revenues and Arria's reliance on a successful future capital raising. The

Directors assessed that while the valuation uncertainty over Arria was high, should Arria's recent growth trajectory continue and should it have success in raising capital this would be expected to contribute to a valuation uplift. Accordingly, Arria's fair value has been given a sensitivity of 400% to reflect the high level of uncertainty over the future position of Arria.

**15. GOING CONCERN**

Notwithstanding that the Group has reported net current liabilities of £56,135,000 as at 31 December 2022 (31 December 2021: £108,146,000 and 30 June 2022: £108,129,000), the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Board's going concern assessment has focused on the forecast liquidity of the Group for 12 months from the date of approval of the financial statements. This analysis assumes that the Company will meet some of its short term obligations through the sale of level 1 securities, which represented 30.0% of the Company's total portfolio as at 31 December 2022. As part of this assessment the Board has considered a severe but plausible downside that reflects the impact of the key risks set out in the Strategic Report of the 2022 Annual Report and an assessment of the Company's ability to meet its liabilities as they fall due (including the loan liabilities), assuming a significant reduction in asset values and accompanying currency volatility.

The severe but plausible downside assumes a breach of bank loan covenants leading to the repayment of bank loan liabilities and a significant reduction in asset values in line with that experienced during the emergence of the Covid-19 pandemic in the first quarter of 2020. The Board also considered reverse stress testing to identify the reduction in the valuation of liquid investments that would cause the Group to be unable to meet its net current liabilities, being primarily the bank loan of £50,000,000. The Board is confident that the reduction in asset values implied by the reverse stress test is not plausible even in the current volatile environment.

As at the period end, the Company had a £50m multicurrency loan facility with Bank of Nova Scotia expiring on 19 September 2023 with the facility reducing to £37.5m on 30 March 2023. Post 19 September 2023, the Company will either extend or replace the facility or repay the outstanding debt when due from portfolio realisations.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the Board considers it appropriate to continue to adopt the going concern basis in preparing the accounts.

**16. RESULTS**

The condensed set of financial statements, forming the half year accounts, has been neither audited nor reviewed by the Company's auditors. The latest published accounts are for the year ended 30 June 2022; the report of the auditors thereon was unqualified. The condensed financial statements shown above for the year ended 30 June 2022 are an extract from those accounts.

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