

UIL Finance Limited

HALF-YEARLY REPORT

FOR THE SIX MONTHS TO 31 DECEMBER 2018

UIL Finance Limited

HALF-YEARLY REPORT for the six months to 31 December 2018

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UIL Finance Limited

Company Directory

Registered Office	34 Bermudiana Road Hamilton HM 11 Bermuda
Directors	Peter Burrows, AO (Chairman) Alison Hill Warren McLeland Christopher Samuel David Shillson Eric Stobart
Company Number	39479
Legal Entity Identifier	213800JPJWZ5P3QJX538
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom
Date of Formation	17 January 2007
Nature of Business	Closed end investment company
Ordinary Shareholder and Parent Company	UIL Limited

UIL Finance Limited

Strategic Review

The Strategic Review is designed to provide shareholders with an insight into the operations the Company during the period. In particular, it gives information on:

- the Company's objective and investment policy;
- the regulatory and competitive environment within which the Company operates;
- the Board's strategy for achieving its stated objectives;
- principal risks and risk management; and
- key performance indicators.

Objective

The Company's investment objective is to finance and fund the final capital entitlements of the zero dividend preference ("ZDP") shares.

Investment policy

The Company seeks to fund the final capital entitlements of the ZDP shares by lending current asset funds to its parent company, UIL Limited.

Regulatory and competitive environment

The Company is obliged to comply with Bermuda law, the Listing Rules of the Financial Conduct Authority and International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Company is exempt from taxation, except insofar as it is withheld from income received. Under Bermuda law, the Company may not distribute income by way of a dividend unless, after distribution of the dividend, the realisable value of the Company's assets would be greater than the aggregate of its liabilities.

ICM Investment Management Limited ("ICMIM") is the Alternative Investment Fund Manager of UIL Limited and joint investment manager with ICM Limited ("ICM"). ICM was appointed as company secretary with effect from 1 July 2017.

Strategy for achieving objectives

The Company's performance in pursuing its objective is based on the ability of its parent company to repay the intra-group loan to the Company. UIL Limited has provided an undertaking to provide sufficient funds to the Company to meet each redemption as it falls due.

Principal risks

The principal underlying risk of the Company continues to relate to its ability to repay the ZDP shares when they fall due. This is dependent on the asset performance of the parent company. At 31 December 2018, the parent company had net assets of £264,763,000 (31 December 2017: £240,001,000 and 30 June 2018: £261,134,000) after providing for amounts due to ZDP shareholders. Details of the ZDP shares are set out in note 7 to the accounts.

A further risk faced by the Company is that of a regulatory nature. A regulatory or legal breach could lead to financial penalties or a qualified audit report. The Company uses all reasonable efforts to ensure that the Company adheres to the relevant statutory and regulatory requirements.

Key Performance Indicators

The Board assesses the Company's success in pursuing its objectives in the ability to provide for the amounts due to the ZDP shareholders.

This Strategic Review was approved by the Board of Directors on 19 February 2019.

ICM Limited
Company Secretary
19 February 2019

UIL Finance Limited

REPORT OF THE DIRECTORS

The Directors present their report and accounts of the Company for the six months ended 31 December 2018.

Principal activity and status

UIL Finance Limited (the “Company”) is a Bermuda exempted, closed ended investment company with company registration number 39479. The Company’s issued ZDP shares are listed on the standard segment of the main market of the London Stock Exchange.

Corporate Governance

Bermuda does not have its own corporate governance code and, as a Bermuda incorporated company, the Company is not required to comply with the UK Corporate Governance Code issued by the Financial Reporting Council (the “Code”). However, it is the Company’s policy to comply with best practice on good corporate governance and maintain the same level of governance as UK listed investment companies. The Board has therefore considered the principles set out in the AIC Code of Corporate Governance (the “AIC Code”) and the relevant provisions of the Code.

Except as disclosed below, the Company complied throughout the period with the recommendations of the AIC Code and the relevant provisions of the Code. The provisions of the Code regarding the role of chief executive and on Directors’ remuneration are not relevant to the Company and are not reported on further.

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 specified terms as recommended by the AIC Code. However, in accordance with provision B.7.1 of the Code and principle 3 of the AIC Code, all Directors are subject to election by shareholders at the first annual general meeting following their appointment, and to re-election thereafter at intervals of no more than three years. Any Director serving beyond nine years is required to seek annual re-election. The Board of Directors does not consider it is necessary to appoint a Senior Independent Director.

Results and Dividends

The results for the period are set out in the attached accounts which are prepared on a going concern basis (see note 13).

The Company has not declared a dividend in respect of the period ended 31 December 2018.

Directors

The following Directors held office throughout the period, unless otherwise stated:

Peter Burrows (Chairman)

Alison Hill

Warren McLeland

Christopher Samuel

David Shillson

Eric Stobart

Directors' Disclosures

At 31 December 2018, no Director had any interest in the Company’s shares (31 December 2017: none and 30 June 2018: none). No Director acquired or disposed of any interest in the shares in the Company during the period or since the period end.

Board Meetings

The Board meets at least twice a year to consider strategic affairs and to approve the interim report and the annual report and accounts. In view of the nature of the Company’s business the Board does not consider it necessary to appoint a separate audit committee or nominations committee.

Directors' Remuneration

No Director received or is entitled to receive any remuneration from the Company.

Statement of Changes in Equity

There were no movements in equity attributable to equity holders and a statement of changes in equity has therefore not been prepared.

Cash Flow

There were no cash flows in the period and therefore a cash flow statement has not been prepared.

Zero dividend preference shares

Full details of the changes to the Company's authorised and issued zero dividend preference shares during the period can be found in note 7 to the accounts.

Ordinary Share Capital

Full details of the changes to the Company's authorised and issued ordinary share capital during the year can be found in note 8 to the accounts.

Auditor

KPMG LLP ("KPMG") was the Company's auditor for the year ended 30 June 2018 and was re-appointed as auditor to the Company at the AGM of the Company on 21 November 2018.

By order of the Board

ICM Limited

Company Secretary

19 February 2019

UIL Finance Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm to the best of our knowledge:

- the condensed set of financial statements contained within the report for the six months to 31 December 2018 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 Company; and
- The half-yearly 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;
- 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

19 February 2019

UIL Finance Limited

UNAUDITED CONDENSED INCOME STATEMENT

	Note	Six months to 31 December 2018 £'000s	Six months to 31 December 2017 £'000s	Year to 30 June 2018 £'000s
Interest income	2	7,107	6,206	12,821
Total income		7,107	6,206	12,821
Other expenses		-	-	-
Profit before finance costs and taxation		7,107	6,206	12,821
Finance costs	3	(7,107)	(6,206)	(12,821)
Profit before taxation		-	-	-
Taxation		-	-	-
Profit for the period		-	-	-
Earnings per share – pence		-	-	-

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

All items in the above statement are derived from continuing operations.

UIL Finance Limited

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

As at		31 December	31 December	30 June
	Note	2018	2017	2018
		£'000s	£'000s	£'000s
Non-current assets				
Other receivables	6	167,590	-	-
Current assets				
Other receivables	6	-	202,727	233,919
Current liabilities				
Zero dividend preference shares	7	-	(49,482)	(51,266)
Total assets less current liabilities		167,590	153,245	182,653
Non-current liabilities				
Zero dividend preference shares	7	(167,590)	(153,245)	(182,653)
Net assets		-	-	-
Equity attributable to equity holders				
Ordinary share capital	8	-	-	-

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS for the period to 31 December 2018

1. Accounting policies

The Company is an investment company incorporated in Bermuda on 17 January 2007. The accounting policies below are unchanged from the previous year.

(a) Basis of accounting

The financial statements of the Company have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards Committee that remain in effect.

A Statement of Changes in Equity has not been presented as there is no movement in the current or prior period.

In the current financial period the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and general hedge accounting. The Company measures the receivables of the loan to parent company and financial liabilities of Zero Dividend Preference ("ZDP") shares at amortised cost under IAS 39 and they will continue to be measured at amortised cost under IFRS 9, there are no impaired assets and does not enter into general hedge accounting. The inter company loan agreement has been reviewed and clarified to be in line with IFRS 9 requirements. There is no material impact in relation to the adoption of this standard.

(b) Zero dividend preference shares

The ZDP shares, due to be redeemed on 31 October 2020, 2022, 2024 and 2026, at a redemption value of 154.90 pence per share, 146.99 pence per share, 138.35 pence per share and 151.50 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of the Company 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. Under Bermuda company law ZDP shares are recognised as share capital in the Company.

(c) Cash flow statement

There were no cash flows in the period or in the prior year and therefore a cash flow statement has not been prepared. All transaction movements were through the intra-group loan account.

(d) Foreign currency

The functional and reporting currency is pounds sterling because the proceeds of the Company's ZDP share capital were raised in pounds sterling, and have been lent to, and will be repaid by the parent company in that currency.

(e) Interest income

Interest on debt is accrued on a time basis using the effective interest method.

(f) Expenses

The Company incurs no expenses other than finance costs. The Directors are not entitled to receive any remuneration and all other expenses relating to the Company are paid in full by the parent company.

(g) Finance costs

Finance costs are accounted for on an effective interest method.

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

1. Accounting policies (continued)

(h) Inter company loan

UIL Limited has agreed to place the Company in sufficient funds to enable the Company to pay the capital entitlement of each class of ZDP share on their respective redemption dates. The amount owed in the accounts is based on the entitlements of the ZDP shareholders at the relevant date.

2 Interest income

	Six months to 31 December 2018 £'000s	Six months to 31 December 2017 £'000s	Year to 30 June 2018 £'000s
Loan to parent company - interest receivable	7,107	6,206	12,821

3 Finance costs

	Six months to 31 December 2018 £'000s	Six months to 31 December 2017 £'000s	Year to 30 June 2018 £'000s
ZDP shares	7,107	6,206	12,821

4. Earnings per share

The calculation of earnings per share is based on a profit after tax for the period of £nil (for the periods to 31 December 2017 and 30 June 2018: £nil) and a weighted average number of 10 ordinary shares in issue during the period (for the periods 31 December 2017 and 30 June 2018: 10 ordinary shares in issue).

5. Dividends

There were no dividends paid or declared in respect of the period (for the periods to 31 December 2017 and 30 June 2018: £nil).

6. Other receivables

	31 December 2018 £'000s	31 December 2017 £'000s	30 June 2018 £'000s
Loan to parent company - UIL Limited			
- Receivable within one year	-	202,727	233,919
- Receivable after more than one year	167,590	-	-
	167,590	202,727	233,919

The loan is repayable on the date the underlying ZDP shares are redeemed.

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares

	31 December 2018 £'000s	31 December 2017 £'000s	30 June 2018 £'000s
ZDP shares – current liabilities			
2018 ZDP shares	-	49,482	51,266
ZDP shares – non-current liabilities			
2020 ZDP shares	53,655	50,308	51,940
2022 ZDP shares	57,681	54,149	55,873
2024 ZDP shares	30,799	48,788	50,027
2026 ZDP shares	25,455	-	24,813
	167,590	153,245	182,653
Total ZDP shares liabilities	167,590	202,727	233,919

Authorised ZDP shares of the Company at 31 December 2018 and 30 June 2018 were as follows:

	Number	£'000s
2018 ZDP shares of 5.9319p each	53,072,561	3,148
2020 ZDP shares of 6.0514p each	50,000,000	3,026
2022 ZDP shares of 5.3180p each	78,117,685	4,154
2024 ZDP shares of 3.8025p each	76,717,291	2,917
2026 ZDP shares of 10p each	25,000,000	2,500

ZDP shares issued by the Company are as follows:

Six months to 31 December 2018

		Balance at 30 June 2018	Redemption/ cancellation of ZDP shares	Finance costs	Balance at 31 December 2018
2018	Number	32,716,029	(32,716,029)	-	-
	£'000s	51,266	(52,516)	1,250	-
2020	Number	39,000,000	-	-	39,000,000
	£'000s	51,940	-	1,715	53,655
2022	Number	50,000,000	-	-	50,000,000
	£'000s	55,873	-	1,808	57,681
2024	Number	50,000,000	(20,000,000)	-	30,000,000
	£'000s	50,027	(20,920)	1,692	30,799
2026	Number	25,000,000	-	-	25,000,000
	£'000s	24,813	-	642	25,455
Total	£'000s	233,919	(73,436)	7,107	167,590

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares (continued)

Six months to 31 December 2017

		Balance at 30 June 2017	Issue of ZDP shares	Issue costs of ZDP shares	Conversion of 2018 ZDP shares	Finance costs	Balance at 31 December 2017
2018	Number	49,842,413	-	-	(17,126,384)	-	32,716,029
	£'000s	72,622	-	-	(25,644)	2,504	49,482
2020	Number	39,000,000	-	-	-	-	39,000,000
	£'000s	48,704	-	-	-	1,604	50,308
2022	Number	50,000,000	-	-	-	-	50,000,000
	£'000s	52,452	-	-	-	1,697	54,149
2024	Number	-	50,000,000	-	-	-	50,000,000
	£'000s	-	50,000	(1,613)	-	401	48,788
Total	£'000s	173,778	50,000	(1,613)	(25,644)	6,206	202,727

Year to 30 June 2018

		Balance at 30 June 2017	Issue of ZDP shares	Issue costs of ZDP shares	Conversion of 2018 ZDP shares	Finance costs	Balance at 30 June 2018
2018	Number	49,842,413	-	-	(17,126,384)	-	32,716,029
	£'000s	72,622	-	-	(25,644)	4,288	51,266
2020	Number	39,000,000	-	-	-	-	39,000,000
	£'000s	48,704	-	-	-	3,236	51,940
2022	Number	50,000,000	-	-	-	-	50,000,000
	£'000s	52,452	-	-	-	3,421	55,873
2024	Number	-	50,000,000	-	-	-	50,000,000
	£'000s	-	50,000	(1,626)	-	1,653	50,027
2026	Number	-	25,000,000	-	-	-	25,000,000
	£'000s	-	25,000	(410)	-	223	24,813
Total	£'000s	173,778	75,000	(2,036)	(25,644)	12,821	233,919

UIL Limited held 260,760 2018 ZDP shares at 30 June 2018. In the period UIL Limited purchased a further 562,804 2018 ZDP shares in the open market. On 22 October 2018 the Company cancelled all the 2018 ZDP shares held by UIL Limited in consideration for the Company releasing UIL Limited from its obligation under the subscription agreement to fund the redemption of such 2018 ZDP Shares. On 31 October 2018 the remaining 31,892,465 2018 ZDP shares that were in issue were redeemed at 160.52p per 2018 ZDP share.

UIL Limited held 20,000,000 2024 ZDP shares at 30 June 2018. On 22 October 2018 the Company cancelled all the 2024 ZDP shares held by UIL Limited in consideration for the Company releasing UIL Limited from its obligation under the subscription agreement to fund the redemption of such 2024 ZDP Shares.

UIL Limited held 13,420,535 2026 ZDP shares at 30 June 2018 and 31 December 2018.

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares (continued)

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 31 December 2018 was 136.25p (31 December 2017: 127.04p and 30 June 2018: 131.52p).

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 2022 ZDP share as at 31 December 2018 was 116.52p (31 December 2017: 109.67p and 30 June 2018: 113.10p).

2024 ZDP shares

Based on the initial entitlement of a 2024 ZDP share of 100p on 2 November 2017, a 2024 ZDP share will have a final capital entitlement at the end of its life on 31 October 2024 of 138.35p equating to a 4.75% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2024 ZDP share as at 31 December 2018 was 105.54p (31 December 2017: not applicable and 30 June 2018: 103.10p).

2026 ZDP shares

Based on the initial entitlement of a 2026 ZDP share of 100p on 26 April 2018, a 2026 ZDP share will have a final capital entitlement at the end of its life on 31 October 2026 of 151.10p equating to a 5.00% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2026 ZDP share as at 31 December 2018 was 103.38p (31 December 2017: not applicable and 30 June 2018: 100.87p).

The ZDP shares are admitted to the standard segment of the Official List and to trading 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 the Company and UIL Limited but in priority to the ordinary shares of the Company and UIL Limited save in respect of certain winding up revenue profits of UIL Limited.

The growth of each ZDP share accrues daily and is reflected in the return and net asset value per ZDP share on an effective interest method. 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 ZDP shares below 1.35 times.

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares (continued)

On a liquidation of UIL Limited and/or the Company, 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 2020 ZDP shares shall rank in priority to the 2022 ZDP shares, the 2024 ZDP shares and the 2026 ZDP shares;
- (ii) the 2022 ZDP shares shall rank in priority to the 2024 ZDP shares and the 2026 ZDP shares; and
- (iii) the 2024 ZDP shares shall rank in priority to the 2026 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.

8. Ordinary share capital

	Number	£
Authorised		
Ordinary shares of 10p each	10	1
Issued and nil paid		
Balance at 31 December 2018, 31 December 2017 and 30 June 2018	10	-

In addition to receiving any income distributed by way of dividend, the ordinary shareholders will be entitled to all surplus assets after payment of all debts, including ZDP shares.

Net asset value per ordinary share is £nil (31 December 2017: nil and 30 June 2018: £nil) based on 10 shares in issue.

9. Parent company

UIL Limited, incorporated in Bermuda, is the parent company of the Company, holding 100% of the nil paid ordinary shares.

In the opinion of the Directors, from 26 June 2018 the Company's ultimate parent undertaking is Somers Isles Private Trust Company Limited ("SIPTCL"), a company incorporated in Bermuda and owned by Mr Duncan Saville (prior to 26 June 2018, the Group's ultimate parent undertaking was General Provincial Life Pension Fund Limited ("GPLPF") which is incorporated in Bermuda).

10. Related party transactions

UIL Limited, GPLPFL, SIPTCL and the Board of the Company are considered related parties. Amounts owing from related parties are disclosed in the financial statements in note 6, ZDP shares issued to UIL Limited are disclosed in note 7 and interest receivable from related parties is disclosed in note 2.

11. Operating Segments

The Directors are of the opinion that the Company's activities comprise a single business segment of financing the Company's ZDP shares debt by lending current asset funds to its parent company and therefore no segmental reporting is provided.

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

12. Financial Risk Management

The Board of Directors is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in the interest rate exposure and credit risk management sections below.

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 International Financial Reporting Standards as adopted by the European Union and best practice, and include the valuation of financial assets at fair value and liabilities at amortised cost.

Interest Rate exposure

The exposure of the financial assets and liabilities to interest risks is shown below:

	Total	Within	More than
	£'000s	one year	one year
31 December 2018		£'000s	£'000s
Exposure to fixed rates			
ZDP shares	(167,590)	-	(167,590)
Intra-group loan	167,590	167,950	-
Net exposures			
At period end	-	167,950	(167,590)
Maximum in period	-	185,308	(185,308)
Minimum in period	-	165,953	(165,953)
	Total	Within	More than
	£'000s	one year	one year
31 December 2017		£'000s	£'000s
Exposure to fixed rates			
ZDP shares	(202,727)	(49,482)	(153,245)
Intra-group loan	202,727	202,727	-
Net exposures			
At period end	-	153,245	(153,245)
Maximum in period	-	177,768	(177,768)
Minimum in period	-	151,880	(151,880)

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

12. Financial Risk Management (continued)

30 June 2018	Total £'000s	Within one year £'000s	More than one year £'000s
Exposure to fixed rates			
ZDP shares	(233,919)	(51,266)	(182,653)
Intra-group loan	233,919	233,919	-
Net exposures			
At period end	-	182,653	(182,653)
Maximum in period	-	182,653	(182,653)
Minimum in period	-	152,452	(152,452)

Credit Risk exposure

The Company is exposed to potential failure by its parent company to settle the ZDP share liability on behalf of the Company on the respective repayment dates. The Board assesses this risk at each Board meeting.

2020 ZDP shares

Based on their final entitlement of 154.90p per share, the final entitlement of the 2020 ZDP shares were covered 4.32 times by UIL Limited's gross assets on 31 December 2018. Should gross assets fall by 76.9% over the remaining life of the 2020 ZDP shares, then the 2020 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 89.3%, equivalent to an annual fall of 70.4%, the 2020 ZDP shares would receive no payment at the end of their life.

2022 ZDP shares

Based on their final entitlement of 146.99p per share, the final entitlement of the 2022 ZDP shares were covered 2.61 times by UIL Limited's gross assets on 31 December 2018. Should gross assets fall by 61.7% over the remaining life of the 2022 ZDP shares, then the 2022 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 76.9%, equivalent to an annual fall of 31.7%, the 2022 ZDP shares would receive no payment at the end of their life.

2024 ZDP shares

Based on their final entitlement of 138.35p per share, the final entitlement of the 2024 ZDP shares were covered 2.13 times by UIL Limited's gross assets on 31 December 2018. Should gross assets fall by 53.1% over the remaining life of the 2024 ZDP shares, then the 2024 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 61.7%, equivalent to an annual fall of 15.2%, the 2024 ZDP shares would receive no payment at the end of their life.

2026 ZDP shares

Based on their final entitlement of 151.50p per share, the final entitlement of the 2026 ZDP shares were covered 1.83 times by UIL Limited's gross assets on 30 June 2018. Should gross assets fall by 45.3% over the remaining life of the 2026 ZDP shares, then the 2026 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 53.1%, equivalent to an annual fall of 9.2%, the 2026 ZDP shares would receive no payment at the end of their life.

None of the Company's financial liabilities is past due or impaired.

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

12. Financial Risk Management (continued)

Fair Values of financial assets and liabilities

The assets and liabilities of the Company 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 method.

The fair values of the ZDP shares based on their quoted market value were:

	31 December 2018 £'000s	31 December 2017 £'000s	30 June 2018 £'000s
2018 ZDP shares	-	51,488	52,182
2020 ZDP shares	57,330	52,063	55,575
2022 ZDP shares	64,250	62,250	62,250
2024 ZDP shares	32,550	52,625	53,750
2026 ZDP shares	26,000	-	25,563

Capital risk management

The objective of the Company is to finance and fund the redemption value of the ZDP shares. The Board has a responsibility for ensuring the Company's ability to continue as a going concern and to meet the redemption of the ZDP shares.

13. Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the Company can continue to operate due to the support of the parent company.

14. Results

The condensed set of financial statements, forming the half-yearly accounts, has been neither audited nor reviewed by the Company's auditor. The latest published accounts are for the year ended 30 June 2018; the report of the auditor thereon was unqualified. The condensed financial statements shown above for the year ended 30 June 2018 are an extract from those accounts and are not the Company's statutory financial statements.