

UIL Finance Limited

HALF-YEARLY REPORT

FOR THE SIX MONTHS TO 31 DECEMBER 2019

UIL Finance Limited

REPORT AND ACCOUNTS for the six months to 31 December 2019

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UIL Finance Limited

COMPANY DIRECTORY

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Directors	Peter Burrows, AO (Chairman) Stuart Bridges Alison Hill Christopher Samuel David Shillson
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 of 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 as adopted by the European Union ("IFRSs as adopted by the EU"). 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 2019, the parent company had net assets of £301,631,000 (31 December 2018: £264,763,000 and 30 June 2019: £326,268,000) 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. 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 13 March 2020.

ICM Limited
Company Secretary
13 March 2020

UIL Finance Limited

DIRECTORS' REPORT

The Directors present their report and accounts of the Company for the six months ended 31 December 2019.

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.

Results and Dividends

The results for the period are set out in the attached accounts which are prepared on a going concern basis and as set out in note 13, 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 contractual obligation of the parent company to ensure that UIL Finance is able to redeem the ZDP shares on each repayment date and the Directors are comfortable that the parent company has the financial resources to do so.

The Company has not declared a dividend in respect of the period ended 31 December 2019 (for the periods ended 31 December 2018 and 30 June 2019: nil).

Directors

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

Peter Burrows (Chairman)

Alison Hill

Christopher Samuel

David Shillson

Warren McLeland and Eric Stobart stepped down from the Board on 30 September 2019 and Stuart Bridges was appointed on 2 October 2019.

Directors' Disclosures

At 31 December 2019, no Director had any interest in the Company's shares (31 December 2018 and 30 June 2019: 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 half yearly 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 period can be found in note 8 to the accounts.

Ordinary shares of UIL Limited

Ordinary shares of UIL Limited rank behind the ZDP shares on a winding up of the Company and UIL Limited, together referred to as the Group (save for any undistributed revenue reserves of UIL Limited on a winding up).

Auditor

KPMG LLP ("KPMG") was the Company's auditor for the year ended 30 June 2019 and was re-appointed as auditor to the Company at the AGM of the Company on 7 November 2019.

By order of the Board

**ICM Limited,
Secretary
13 March 2020**

**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 2019 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.

**Peter Burrows
Chairman
13 March 2020**

UIL Finance Limited

UNAUDITED CONDENSED INCOME STATEMENT

	Note	Six months to 31 December 2019 £'000s	Six months to 31 December 2018 £'000s	Year to 30 June 2019 £'000s
Interest income	2	5,309	7,107	12,082
Total income		5,309	7,107	12,082
Other expenses		-	-	-
Profit before finance costs and taxation		5,309	7,107	12,082
Finance costs	3	(5,309)	(7,107)	(12,082)
Profit before taxation		-	-	-
Taxation		-	-	-
Profit for the period		-	-	-
Earnings per share – pence	4	-	-	-

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.

The unaudited condensed notes on pages 9 to 17 form part of these condensed financial statements.

UIL Finance Limited

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

As at		31 December	31 December	30 June
	Note	2019	2018	2019
		£'000s	£'000s	£'000s
Non-current assets				
Other receivables	6	120,635	167,590	172,565
Current assets				
Other receivables	6	57,239	-	-
Current liabilities				
Zero dividend preference shares	7	(57,239)	-	-
Total assets less current liabilities		120,635	167,590	172,565
Non-current liabilities				
Zero dividend preference shares	7	(120,635)	(167,590)	(172,565)
Net assets		-	-	-
Equity attributable to equity holders				
Ordinary share capital	8	-	-	-

The unaudited condensed notes on pages 9 to 17 form part of these condensed financial statements.

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS for the period to 31 December 2019

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 (see note 13) 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.

(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 as per the requirements of IFRS 9 "Financial Instruments", even though under Bermuda company law ZDP shares are required to be 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 Company's ZDP share capital was raised, and will be repaid, in pounds sterling, and has 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, calculated by accreting the initial recognition of the inter-company loan at present value (loan and contribution by the parent) to the final amount receivable at maturity.

(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.

(h) Inter-company loans

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. The inter-company loans are accordingly accounted for at amortised cost, using the effective interest method and were assessed for credit risk under the IFRS 9 methodology and evaluated as having no significant credit risk. Therefore, no amounts were recognised as an impairment provision.

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

1. Accounting policies (continued)

(i) Use of judgements, estimates and assumptions

The presentation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. Actual results may differ from these estimates. The area requiring the most significant judgement and estimation in the preparation of the financial statements is the accounting through the Income Statement of the parent contribution to UIL Finance to enable UIL Finance to repay the ZDP shareholders on each repayment date. The parent's contribution towards the issue cost of the ZDP shares and redemption proceeds has been treated through the Income Statement and recognised over the life of the loan as UIL Finance provides financing services to UIL and in return is due to receive reimbursement of any costs and expense as and when they fall due. The policy for interest income, including the allocation and recognition of the parent contributions, is set out in note 1(e) to the accounts.

2. Interest income

	Six months to 31 December 2019 £'000s	Six months to 31 December 2018 £'000s	Year to 30 June 2019 £'000s
Interest income	5,309	7,107	12,082

3. Finance costs

	Six months to 31 December 2019 £'000s	Six months to 31 December 2018 £'000s	Year to 30 June 2019 £'000s
ZDP shares	5,309	7,107	12,082

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 2018 and 30 June 2019: £nil) and a weighted average number of 10 ordinary shares in issue during the period (for the periods 31 December 2018 and 30 June 2019: 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 2018 and 30 June 2019: £nil).

6. Other receivables

	31 December 2019 £'000s	31 December 2018 £'000s	30 June 2019 £'000s
Loan to parent company - UIL Limited			
- Receivable within one year	57,239	-	-
- Receivable after more than one year	120,635	167,590	172,565
	177,874	167,590	172,565

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 2019 £'000s	31 December 2018 £'000s	30 June 2019 £'000s
ZDP shares – current liabilities			
2020 ZDP shares	57,239	-	-
ZDP shares – non-current liabilities			
2020 ZDP shares	-	53,655	55,387
2022 ZDP shares	61,442	57,681	59,499
2024 ZDP shares	32,414	30,799	31,582
2026 ZDP shares	26,779	25,455	26,097
	120,635	167,590	172,565
Total ZDP shares liabilities	177,874	167,590	172,565

Authorised ZDP shares of the Company as at 31 December 2019, 31 December 2018 and 30 June 2019 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 2019

		Balance as at 30 June 2019	Finance costs	Balance as at 31 December 2019
2020	Number	39,000,000	-	39,000,000
	£'000s	55,387	1,852	57,239
2022	Number	50,000,000	-	50,000,000
	£'000s	59,499	1,943	61,442
2024	Number	30,000,000	-	30,000,000
	£'000s	31,582	832	32,414
2026	Number	25,000,000	-	25,000,000
	£'000s	26,097	682	26,779
Total	£'000s	172,565	5,309	177,874

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares (continued)

Six months to 31 December 2018

		Balance as at 30 June 2018	Redemption of ZDP shares	Cancellation of ZDP shares	Finance costs	Balance as at 31 December 2018
2018	Number	32,716,029	(31,892,465)	(823,564)	-	-
	£'000s	51,266	(51,194)	(1,322)	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	(51,194)	(22,242)	7,107	167,590

Year to 30 June 2019

		Balance as at 30 June 2018	Redemption of ZDP shares	Cancellation of ZDP shares	Finance costs	Balance as at 30 June 2019
2018	Number	32,716,029	(31,892,465)	(823,564)	-	-
	£'000s	51,266	(51,194)	(1,322)	1,250	-
2020	Number	39,000,000	-	-	-	39,000,000
	£'000s	51,940	-	-	3,447	55,387
2022	Number	50,000,000	-	-	-	50,000,000
	£'000s	55,873	-	-	3,626	59,499
2024	Number	50,000,000	-	(20,000,000)	-	30,000,000
	£'000s	50,027	-	(20,920)	2,475	31,582
2026	Number	25,000,000	-	-	-	25,000,000
	£'000s	24,813	-	-	1,284	26,097
Total	£'000s	233,919	(51,194)	(22,242)	12,082	172,565

UIL Limited held 11,920,535 2026 ZDP shares as at 30 June 2019. In the period UIL Limited sold 8,829,682 2026 ZDP shares in the open market, receiving £9.5m. UIL Limited held 3,090,853 2026 ZDP shares as at 31 December 2019.

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 2019 was 146.12p (31 December 2018: 136.25p and 30 June 2019: 141.01p).

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 2019 was 123.79p (31 December 2018: 116.52p and 30 June 2019: 120.03p).

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares (continued)

2024 ZDP shares

Based on the initial entitlement of a 2024 ZDP share of 100p on 2 November 2018, 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 2019 was 110.54p (31 December 2018: 105.54p and 30 June 2019: 107.97p).

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 151.50p equating to a 5.00% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2026 ZDP share as at 31 December 2019 was 108.55p (31 December 2018: 103.38p and 30 June 2019: 105.89p).

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.

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.

UIL Finance Limited

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

8. Ordinary share capital

	Number	£
Authorised		
Ordinary shares of 10p each	10	1
Issued and nil paid		
Balance at 31 December 2019, 31 December 2018 and 30 June 2019	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 2018: £nil and 30 June 2019: £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, 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.

10. Related party transactions

UIL Limited, SIPTCL, General Provincial Life Pension Fund Limited which holds 63.7% of UIL Limited shares and ultimately controlled by 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 income 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.

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 Statement of Financial Position 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 IFRSs as adopted by the EU and best practice, and include the valuation of financial assets at fair value and liabilities at amortised cost.

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

12. Financial Risk Management (continued)

Interest Rate exposure

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

	Total £'000s	Within one year £'000s	More than one year £'000s
31 December 2019			
Exposure to fixed rates			
ZDP shares	(177,874)	(57,239)	(120,635)
Intra-group loan	177,874	57,239	120,635
Net exposures			
At period end	-	-	-
Maximum in period	-	-	-
Minimum in period	-	-	-
31 December 2018			
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)
30 June 2019			
Exposure to fixed rates			
Zero dividend preference shares	(172,565)	-	(172,565)
Intra-group loan	172,565	-	(172,565)
Net exposures			
At year end	-	-	-
Maximum in year	-	-	-
Minimum in year	-	-	-

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

12. Financial Risk Management (continued)

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 was covered 4.73 times by UIL Limited's gross assets as at 31 December 2019. Should gross assets fall by 78.9% 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 90.3%, equivalent to an annual fall of 93.9%, 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 was covered 2.85 times by UIL Limited's gross assets as at 31 December 2019. Should gross assets fall by 65.0% 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 78.9%, equivalent to an annual fall of 42.2%, 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 was covered 2.33 times by UIL Limited's gross assets as at 31 December 2019. Should gross assets fall by 57.1% 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 65.0%, equivalent to an annual fall of 19.5%, 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 was covered 2.00 times by UIL Limited's gross assets as at 31 December 2019. Should gross assets fall by 49.9% 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 57.1%, equivalent to an annual fall of 11.6%, 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.

Fair Values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the Statement of Financial Position at fair value except for the ZDP shares and the inter-company loan which are carried at amortised cost using effective interest method in accordance with IFRS 9, or at a reasonable approximation thereof.

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

	31 December 2019 £'000s	31 December 2018 £'000s	30 June 2019 £'000s
2020 ZDP shares	59,085	57,330	58,305
2022 ZDP shares	66,000	64,250	66,000
2024 ZDP shares	34,050	32,550	34,200
2026 ZDP shares	27,125	26,000	26,875

UNAUDITED CONDENSED NOTES TO THE ACCOUNTS (CONTINUED)

12. Financial Risk Management (continued)

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. This is dependent on the asset performance of the parent company. As at 31 December 2019, the parent company had net assets of £301,631,000 (31 December 2018: £264,763,000 and 30 June 2019: £326,268,000) after providing for amounts due to ZDP shareholders.

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 contractual obligation of the parent company to ensure that UIL Finance is able to redeem the ZDP shares on each repayment date and the Directors are comfortable that the parent company has the financial resources to do so.