

UIL Finance Limited

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

UIL Finance Limited

REPORT AND ACCOUNTS for the year ended 30 June 2020

Contents	Page
Company Directory	2
Strategic Report	3
Directors' Report	4
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7
Income Statement	10
Statement of Changes in Equity	10
Statement of Cash Flows	10
Statement of Financial Position	11
Notes to the Accounts	12

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 REPORT

The Strategic Report 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 30 June 2020, the parent company had net assets of £251,235,000 (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 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 which is based on the ability of its parent company to repay the intra-group loan to the Company. The KPIs for the parent company can be found in UIL Limited's Annual Report.

This Strategic Report was approved by the Board of Directors on 27 October 2020.

ICM Limited

Company Secretary
27 October 2020

UIL Finance Limited

DIRECTORS' REPORT

The Directors present their report and accounts of the Company for the year ended 30 June 2020.

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, since the Company has a Standard Listing on the Official List of the Financial Conduct Authority, the Company is not required to comply or provide an explanation for any non-compliance with the UK Corporate Governance Code issued by the Financial Reporting Council.

In the Directors' opinion, the interests of the Company and its shareholders are adequately covered by the governance procedures applicable to its parent company, UIL Limited. For example UIL Limited's Audit & Risk Committee considers the financial reporting procedures and oversees the internal control and risk management systems for the Group as a whole and the Directors see no benefit in convening a separate Audit Committee or any other committee for the Company. An overview of the Group's internal control and risk management systems are set out in UIL Limited's report and accounts.

Results and Dividends

The results for the year 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 year ended 30 June 2020 (2019: nil).

Directors

The following Directors held office throughout the year, 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 30 June 2020, no Director had any interest in the Company's shares (2019: none). No Director acquired or disposed of any interest in the shares in the Company during the year or since the year end.

Election and re-election of Directors

The Company's Bye-laws require that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter. However, the directors have voluntarily agreed to be subject to annual re-election. Consequently, at the forthcoming AGM Mr Bridges will stand for election and Mr Burrows, Ms Hill, Mr Samuel and Mr Shillson will stand for re-election.

The Board has considered the election and re-election of all the Directors individually and has reviewed the composition of the Board as a whole and borne in mind the need for a proper balance of skills and experience. Following an appraisal

of the performance of each of the Directors, the Board believes that these Directors make a valuable contribution based on their individual skills, knowledge and experience. They have commitment to their roles and the Board believes that their election and re-election would be in the best interests of the Company.

Each Director has signed a letter of appointment setting out the terms of their engagement as a Director, but does not have a service agreement with the Company.

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.

Zero dividend preference shares

Full details of the changes to the Company's authorised and issued zero dividend preference shares during the year 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.

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 2020 and was responsible for the audit of these accounts.

Audit fees relating to the year amounted to £7,500 (2019: £7,500) and were settled by the parent company, UIL Limited.

No fees were paid or payable to KPMG for non-audit work for the year under review (2019: £nil was paid to KPMG as reporting accountants for the issue of the ZDP shares and were settled by the parent company, UIL Limited).

Audit Information And Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

**ICM Limited,
Secretary**

27 October 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES in respect of the Report and Accounts

The Directors are responsible for preparing the Report and Accounts in accordance with applicable law and regulations.

The Directors are required to prepare Company financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1981 of Bermuda. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and Director' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board on 27 October 2020 and signed on its behalf by:

Peter Burrows
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UIL FINANCE LIMITED

1 Our opinion is unmodified

We have audited the financial statements of UIL Finance Limited ("the Company") for the year ended 30 June 2020 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and Statement of Cashflows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its result for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
<p>Going concern risk (new)</p> <p><i>Refer to page 4 (Directors report), page 12 (accounting policies) and page 20 (financial disclosures).</i></p>	<p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risks most likely to adversely affect the Company's available financial resources over this period were:</p> <ul style="list-style-type: none"> — Potential impairment of the receivable due from the Parent Company (UIL Limited), to meet the 2020 Zero Dividend Preference Share current liability. <p>The risk for our audit was whether or not the risk was such that it amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>Our procedures included:</p> <p>Sensitivity analysis:</p> <p>We considered sensitivities over the level of available financial resources of the Parent Company indicated by the Parent Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from the risk. We also considered reverse stress scenarios to consider the reduction in the valuation of liquid investments of the Parent Company at which point the Parent Company will not meet its liabilities as they fall due including the ZDPs related intercompany liability.</p> <p>Assessing transparency:</p> <p>Assessing the going concern disclosure to ensure it adequately covers the assessment that management has performed to support the going concern of the Company.</p>

<p>Accuracy of Zero Dividend Preference Shares (ZDPs) (£183.2m; 2019: £172.6m) and associated finance costs (£10.6m; 2019: 12.1m)</p> <p><i>Refer page 12 (accounting policies) and pages 14-16 (financial disclosures)</i></p>	<p>Low risk, high value</p> <p>UIL Finance Limited has been incorporated solely to facilitate the issue of Zero Dividend Preference ('ZDP') shares as a means of raising capital for its parent company, UIL Limited. In order to do so the ZDP shares are issued in tranches to mature at 2 year intervals at which point they will be required to be repaid. These are accounted for at amortised cost and incorrect application of accounting principles could lead to a misstatement in the liability and in the finance costs.</p>	<p>Our procedures included:</p> <p>Accounting analysis: Assessing the accounting of ZDPs to ensure they have been properly accounted for;</p> <p>Test of details: Obtaining the share issuance documentation to confirm the issue statistics as follows; initial placing price, initial and final capital entitlement to the holder, gross redemption yield and maximum size of the initial placing;</p> <p>Expectation vs outcome: recalculating the finance charge based on the brought forward liability and the legal terms to form an expectation of the finance charge for the year. This is then compared to the actual finance charge of UIL Finance Limited.</p> <p>Using the amortised cost approach, determine an expectation of the liability on the balance sheet at year end. The expected amount is then compared to the actual liability of UIL Finance Limited presented at year end.</p>
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3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.8m (2019: £1.7m), determined with reference to a benchmark of total assets, of which it represents 1% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.09m (2019: £0.10m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in this respect.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

6 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

7 The purpose of our audit work and to whom we owe our responsibilities

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

John Waterson
for and on behalf of KPMG LLP
Chartered Accountants
20 Castle Terrace
Edinburgh
EH1 2EG

27 October 2020

INCOME STATEMENT

		Year to 30 June 2020 £'000s	Year to 30 June 2019 £'000s
	Note		
Income	2	10,643	12,082
Total income		10,643	12,082
Other expenses		-	-
Profit before finance costs and taxation		10,643	12,082
Finance costs	3	(10,643)	(12,082)
Result before taxation		-	-
Taxation		-	-
Result for the year		-	-
Earnings per share – pence		-	-

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

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

The notes on pages 12 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

There are no movements in equity.

STATEMENT OF CASH FLOWS

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

UIL Finance Limited

STATEMENT OF FINANCIAL POSITION

As at 30 June	Note	2020 £'000s	2019 £'000s
Non-current assets			
Other receivables	6	124,121	172,565
Current assets			
Other receivables	6	59,087	-
Current liabilities			
Zero dividend preference shares	7	(59,087)	-
Total assets less current liabilities		124,121	172,565
Non-current liabilities			
Zero dividend preference shares	7	(124,121)	(172,565)
Net assets		-	-
Equity attributable to equity holders			
Ordinary share capital	8	-	-

Approved by the Board on 27 October 2020 and signed on its behalf by

Peter Burrows
Chairman

The notes on pages 12 to 20 form part of these financial statements.

NOTES TO THE ACCOUNTS for the year to 30 June 2020

1. Accounting policies

The Company is an investment company incorporated in Bermuda on 17 January 2007.

(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 year.

A number of new standards and amendments to standards and interpretations, which have not been applied in preparing these accounts, were in issue but not effective. None of these are expected to have a material effect on the accounts of the Company.

(b) Zero dividend preference shares

The ZDP shares, due to be redeemed on 31 October 2020, 2022, 2024 and 2026, at a redemption value, including accrued capitalised returns 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) Income

(i) 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.

(ii) Other income

The parent's contribution towards the issue costs of the ZDP shares and redemption proceeds is accrued on a time basis, calculated by amortising the issue costs over the life of the loan.

(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

NOTES TO THE ACCOUNTS (CONTINUED)

1. Accounting policies (continued)

(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 new IFRS 9 methodology and evaluated as having no significant credit risk. Therefore no amounts were recognised as an impairment provision.

(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. Income

	2020	2019
	£'000s	£'000s
Interest receivable	10,228	11,452
Other income	415	630
	10,643	12,082

3. Finance costs

	2020	2019
	£'000s	£'000s
ZDP shares	10,643	12,082

4. Earnings per share

The calculation of earnings per share is based on a result after tax for the period of £nil (2019: £nil) and a weighted average number of 10 ordinary shares in issue during the year (2019: 10 ordinary shares in issue during the year).

5. Dividends

There were no dividends paid or declared in respect of the year (2019: nil).

UIL Finance Limited

NOTES TO THE ACCOUNTS (CONTINUED)

6. Other receivables

	2020	2019
	£'000s	£'000s
Loan to parent company - UIL Limited		
- Receivable within one year	59,087	-
- Receivable after more than one year	124,121	172,565
	183,208	172,565

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

7. Zero dividend preference shares

	30 June	30 June
	2020	2019
	£'000s	£'000s
ZDP shares – current liabilities		
2020 ZDP shares	59,087	-
ZDP shares – non-current liabilities		
2020 ZDP shares	-	55,387
2022 ZDP shares	63,407	59,499
2024 ZDP shares	33,250	31,582
2026 ZDP shares	27,464	26,097
	124,121	172,565
Total ZDP shares liabilities	183,208	172,565

Authorised ZDP shares of the Company as at 30 June 2020 and 30 June 2019 are 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

NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares (continued)

ZDP shares issued by the Company are as follows:

Year to 30 June 2020

		Balance as at 30 June 2019	Finance costs	Balance as at 30 June 2020
2020	Number	39,000,000	-	39,000,000
	£'000s	55,387	3,700	59,087
2022	Number	50,000,000	-	50,000,000
	£'000s	59,499	3,908	63,407
2024	Number	30,000,000	-	30,000,000
	£'000s	31,582	1,668	33,250
2026	Number	25,000,000	-	25,000,000
	£'000s	26,097	1,367	27,464
Total	£'000s	172,565	10,643	183,208

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 year UIL Limited sold 9,517,241 2026 ZDP shares in the open market, receiving £10.3m. UIL Limited held 2,403,294 2026 ZDP shares as at 30 June 2020.

2020 ZDP shares

Based on the initial entitlement of a 2020 ZDP share of 100p on 31 July 2014, a 2020 ZDP share will have a final capital entitlement at the end of its life on 31 October 2020 of 154.90p equating to a 7.25% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2020 ZDP share as at 30 June 2020 was 151.23p (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 30 June 2020 was 127.59p (2019: 120.03p).

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 30 June 2020 was 113.13p (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 30 June 2020 was 111.21p (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

NOTES TO THE ACCOUNTS (CONTINUED)

8. Ordinary share capital

	Number	£
Authorised		
Ordinary shares of 10p each	10	1
Issued and nil paid		
Balance as at 30 June 2020 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 (30 June 2020: £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 63.8% 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 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.

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.

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	Within	More than
	£'000s	one year	one year
30 June 2020	£'000s	£'000s	£'000s
Exposure to fixed rates			
Zero dividend preference shares	(183,208)	(59,087)	(124,121)
Intra-group loan	183,208	59,087	124,121
Net exposures			
At year end	-	-	-
Maximum in year	-	-	-
Minimum in year	-	-	-

	Total	Within	More than
	£'000s	one year	one year
30 June 2019	£'000s	£'000s	£'000s
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	-	-	-

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 4.23 times by UIL Limited's gross assets as at 30 June 2020. Should gross assets fall by 76.4% 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 88.8% 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 2.58 times by UIL Limited's gross assets as at 30 June 2020. Should gross assets fall by 61.2% 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 76.4%, equivalent to an annual fall of 46.1%, the 2022 ZDP shares would receive no payment at the end of their life.

NOTES TO THE ACCOUNTS (CONTINUED)

12. Financial Risk Management (continued)

Credit Risk exposure

2024 ZDP shares

Based on their final entitlement of 138.35p per share, the final entitlement of the 2024 ZDP shares was covered 2.11 times by UIL Limited's gross assets as at 30 June 2020. Should gross assets fall by 52.7% 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 61.2%, equivalent to an annual fall of 19.6%, 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 1.81 times by UIL Limited's gross assets as at 30 June 2020. Should gross assets fall by 44.9% 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 52.7%, equivalent to an annual fall of 11.1%, 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 as at 30 June were:

	2020	2019
	£'000s	£'000s
2020 ZDP shares	59,280	58,305
2022 ZDP shares	63,250	66,000
2024 ZDP shares	31,650	34,200
2026 ZDP shares	23,813	26,875

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. At 30 June 2020, the parent company had net assets of £251,235,000 (2019: £326,268,000) after providing for amounts due to ZDP shareholders.

NOTES TO THE ACCOUNTS (CONTINUED)

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.

The Board considered the parent company's going concern assessment which focussed on the forecast liquidity of the Group for 12 months from the date of approval of the financial statements. This analysis assumes that the parent company will meet some of its short term obligations through the sale of listed securities, which represented 31% of the parent company's total portfolio as at 30 June 2020. As part of this assessment the board of the parent Company has considered a severe but plausible downside that reflects the impact of Covid-19 and an assessment of the parent company's ability to meet its liabilities as they fall due (including the loan liabilities and the 2020 ZDP liability), 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 from January 2020 to April 2020. The parent company 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 £50,646,000 and the 2020 tranche of the ZDP's of £60,411,000. The parent company board is confident that the reduction in asset values implied by the reverse stress test is not plausible even in the current volatile environment.

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.

14. Post Balance Sheet Event

On 17 September 2020, by written resolution, UIL Finance diminished its existing authorised share capital from £15,745,386 to £12,597,175 by the cancellation of all the 2018 ZDP Shares comprised in its authorised but unissued share capital.