

UIL Finance Limited

HALF-YEARLY FINANCIAL REPORT

FOR THE SIX MONTHS TO 31 DECEMBER 2023

UIL Finance Limited

HALF-YEARLY FINANCIAL REPORT for the six months to 31 December 2023

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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 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 United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRSs"). 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 is the company secretary.

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 and uncertainties

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 2023, the parent company had net assets of £170,283,000 (31 December 2022: £200,838,000 and 30 June 2023: £167,078,000) 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 Review was approved by the Board of Directors on 21 February 2024.

ICM Limited

Company Secretary
21 February 2024

UIL Finance Limited

DIRECTORS' REPORT

The Directors present their half-yearly financial report of the Company for the six months ended 31 December 2023.

Principal activity and status

UIL Finance Limited (the "Company" or "UIL Finance") 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.

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 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 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 2023 (for the periods ended 31 December 2022 and 30 June 2023: nil).

Directors

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

Peter Burrows (Chairman)

Stuart Bridges

Alison Hill

David Shillson

Directors' Disclosures

At 31 December 2023, no Director had any interest in the Company's shares (31 December 2022 and 30 June 2023: none). No Director acquired or disposed of any interest in the shares in the Company during the period or since the period end.

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 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 2023 and was re-appointed as auditor to the Company at the AGM of the Company on 9 November 2023.

By order of the Board

ICM Limited

Secretary

21 February 2024

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 2023 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" on a going concern basis and gives a true and fair view of the assets, liabilities, financial position and return of the Company;
- 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 within the Strategic Review 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

21 February 2024

UIL Finance Limited

CONDENSED INCOME STATEMENT (UNAUDITED)

		Six months to 31 December 2023 £'000s	Six months to 31 December 2022 £'000s	Year to 30 June 2023 £'000s
	Note			
Income	2	2,666	3,662	6,260
Total income		2,666	3,662	6,260
Other expenses		-	-	-
Profit before finance costs and taxation		2,666	3,662	6,260
Finance costs	3	(2,666)	(3,662)	(6,260)
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 condensed notes (unaudited) on pages 9 to 17 form part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

There are no movements in equity.

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

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

UIL Finance Limited

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at		31 December 2023 £'000s	31 December 2022 £'000s	30 June 2023 £'000s
	Note			
Non-current assets				
Other receivables	6	61,124	95,624	98,222
Current assets				
Other receivables	6	39,764	-	-
Current liabilities				
Zero dividend preference shares	7	(39,724)	-	-
Total assets less current liabilities		61,124	95,624	98,222
Non-current liabilities				
Zero dividend preference shares	7	(61,124)	(95,624)	(98,222)
Net assets		-	-	-
Equity attributable to equity holders				
Ordinary share capital	8	-	-	-

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

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) for the period to 31 December 2023

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

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

The annual financial statements of the Company for the year ending 30 June 2024 will be prepared in accordance with UK-adopted international accounting standards, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards Committee that remain in effect. The financial statements of the Company have been prepared on a going concern basis (see note 13).

(b) Zero dividend preference shares

The ZDP shares, due to be redeemed on 31 October 2024, 2026 and 2028, at a redemption value, including accrued capitalised returns of 138.35 pence per share, 151.50 pence per share and 152.29 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.

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (CONTINUED)

1. Accounting policies (continued)

(h) Inter-company loans

UIL Limited has undertaken (i) to repay any interest free loan, and (ii) to reimburse the Company (by way of payment in advance, if required) any and all costs, expenses, fees or interest the Company incurs or is otherwise liable to pay to the holder of the ZDP shares so as to enable the Company to pay the final capital entitlement of each class of ZDP share on their respective redemption date. 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 Limited 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

	Six months to 31 December 2023 £'000s	Six months to 31 December 2022 £'000s	Year to 30 June 2023 £'000s
Interest income	2,500	3,468	5,910
Other income	166	194	350
	2,666	3,662	6,260

3. Finance costs

	Six months to 31 December 2023 £'000s	Six months to 31 December 2022 £'000s	Year to 30 June 2023 £'000s
ZDP shares	2,666	3,662	6,260

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 2022 and 30 June 2023: £nil) and a weighted average number of 10 ordinary shares in issue during the period (for the periods 31 December 2022 and 30 June 2023: 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 2022 and 30 June 2023: £nil).

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (CONTINUED)

6. Other receivables

	31 December 2023 £'000s	31 December 2022 £'000s	30 June 2023 £'000s
Loan to parent company - UIL Limited			
- Receivable within one year	39,764	-	-
- Receivable after more than one year	61,124	95,624	98,222
	100,888	95,624	98,222

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

7. Zero dividend preference shares

	31 December 2023 £'000s	31 December 2022 £'000s	30 June 2023 £'000s
ZDP shares – current liabilities			
2024 ZDP shares	39,764	-	-
ZDP shares – non-current liabilities			
2024 ZDP shares	-	37,790	38,765
2026 ZDP shares	32,796	31,181	31,979
2028 ZDP shares	28,328	26,653	27,478
	61,124	95,624	98,222
Total ZDP shares liabilities	100,888	95,624	98,222

Authorised ZDP shares of the Company as at 31 December 2023, 31 December 2022 and 30 June 2023 were as follows:

	Number	£'000s
2022 ZDP shares of 5.3180p each	63,686,754	3,387
2024 ZDP shares of 3.8025p each	76,717,291	2,917
2026 ZDP shares of 10p each	25,000,000	2,500
2028 ZDP shares of 3.8676p each	44,842,717	1,734

UIL Finance Limited

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (CONTINUED)

7. Zero dividend preference shares (continued)

ZDP shares issued by the Company are as follows:

Six months to 31 December 2023

		Balance as at 30 June 2023	Finance costs	Balance as at 31 December 2023
2024	Number	30,000,000	-	30,000,000
	£'000s	38,765	999	39,764
2026	Number	25,000,000	-	25,000,000
	£'000s	31,979	817	32,796
2028	Number	25,000,000	-	25,000,000
	£'000s	27,478	850	28,328
Total	£'000s	98,222	2,666	100,888

Six months to 31 December 2022

		Balance as at 30 June 2022	Redemption of ZDP shares	Finance costs	Balance as at 31 December 2022
2022	Number	35,569,069	(35,569,069)	-	-
	£'000s	51,166	(52,283)	1,117	-
2024	Number	30,000,000	-	-	30,000,000
	£'000s	36,833	-	957	37,790
2026	Number	25,000,000	-	-	25,000,000
	£'000s	30,397	-	784	31,181
2028	Number	25,000,000	-	-	25,000,000
	£'000s	25,849	-	804	26,653
Total	£'000s	144,245	(52,283)	3,662	95,624

Year to 30 June 2023

		Balance as at 30 June 2022	Redemption of ZDP shares	Finance costs	Balance as at 30 June 2023
2022	Number	35,569,069	(35,569,069)	-	-
	£'000s	51,166	(52,283)	1,117	-
2024	Number	30,000,000	-	-	30,000,000
	£'000s	36,833	-	1,932	38,765
2026	Number	25,000,000	-	-	25,000,000
	£'000s	30,397	-	1,582	31,979
2028	Number	25,000,000	-	-	25,000,000
	£'000s	25,849	-	1,629	27,478
Total	£'000s	144,245	(52,283)	6,260	98,222

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (CONTINUED)

7. Zero dividend preference shares (continued)

UIL Limited held 2,309,620 2026 ZDP shares as at 31 December 2023, 31 December 2022 and 30 June 2023.

UIL Limited held 583,735 2028 ZDP shares as at 31 December 2023, 31 December 2022 and 30 June 2023.

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 2023 was 133.07p (31 December 2022: 127.06p and 30 June 2023: 130.04p).

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 2023 was 131.90p (31 December 2022: 125.65p and 30 June 2023: 128.75p).

2028 ZDP shares

Based on the initial entitlement of a 2028 ZDP share of 100p on 23 April 2021, a 2028 ZDP share will have a final capital entitlement at the end of its life on 31 October 2028 of 152.29p equating to a 5.75% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2028 ZDP share as at 31 December 2023 was 116.21p (31 December 2022: 109.91p and 30 June 2023: 113.02p).

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.

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (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 2024 ZDP shares shall rank in priority to the 2026 ZDP shares and the 2028 ZDP shares; and
- (ii) the 2026 ZDP shares shall rank in priority to the 2028 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 2023, 31 December 2022 and 30 June 2023	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 2022: £nil and 30 June 2023: £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 ("GPLPF") which holds 65.4% of UIL Limited shares and Union Mutual Pension Fund Limited ("UMPLF") which holds 10.2% of UIL Limited shares and the Board of the Company are considered related parties. GPLPF and UMPF are ultimately controlled by SIPTCL. 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.

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (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 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 UK 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 2023	£'000s	£'000s	£'000s
Exposure to fixed rates			
ZDP shares	(100,888)	(39,764)	(61,124)
Intra-group loan	100,888	39,764	61,124
Net exposures			
At period end	-	-	-
Maximum in period	-	-	-
Minimum in period	-	-	-
	Total	Within	More than
	£'000s	one year	one year
31 December 2022	£'000s	£'000s	£'000s
Exposure to fixed rates			
ZDP shares	(95,624)	-	(95,624)
Intra-group loan	95,624	-	95,624
Net exposures			
At period end	-	-	-
Maximum in period	-	-	-
Minimum in period	-	-	-
	Total	Within	More than
	£'000s	one year	one year
30 June 2023	£'000s	£'000s	£'000s
Exposure to fixed rates			
Zero dividend preference shares	(98,222)	-	(98,222)
Intra-group loan	98,222	-	98,222
Net exposures			
At year end	-	-	-
Maximum in year	-	-	-
Minimum in year	-	-	-

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (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.

2024 ZDP shares

Based on their final entitlement of 138.35p per share, the final entitlement of the 2024 ZDP shares was covered 4.47 times by UIL Limited's gross assets as at 31 December 2023. Should gross assets fall by 77.6% 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 91.6%, equivalent to an annual fall of 94.9%, 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 2.84 times by UIL Limited's gross assets as at 31 December 2023. Should gross assets fall by 64.8% 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 77.6%, equivalent to an annual fall of 41.0%, the 2026 ZDP shares would receive no payment at the end of their life.

2028 ZDP shares

Based on their final entitlement of 152.29p per share, the final entitlement of the 2028 ZDP shares was covered 2.08 times by UIL Limited's gross assets as at 31 December 2023. Should gross assets fall by 51.9% over the remaining life of the 2028 ZDP shares, then the 2028 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 64.8%, equivalent to an annual fall of 19.4%, the 2028 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 2023 £'000s	31 December 2022 £'000s	30 June 2023 £'000s
2024 ZDP shares	38,100	37,500	37,050
2026 ZDP shares	27,125	28,625	28,625
2028 ZDP shares	22,375	23,875	24,125

CONDENSED NOTES TO THE ACCOUNTS (UNAUDITED) (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 2023, the parent company had net assets of £170,283,000 (31 December 2022: £200,838,000 and 30 June 2023: £167,078,000) 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.

The Board considered the parent company's going concern assessment which focused on the forecast liquidity of the Group for 12 months from the date of approval of the financial statements. This analysis assumes that the parent company will meet some of its short term obligations through the sale of level 1 listed securities, which represented 20.0% of the parent company's total portfolio as at 31 December 2023. As part of this assessment the board of the parent company has considered a severe but plausible downside that reflects the impact of the key risks set out in the Strategic Report of the Annual Report and an assessment of the parent company's ability to meet its liabilities as they fall due (including the loan liabilities), assuming a significant reduction in asset values and accompanying currency volatility.

The severe but plausible downside assumes a breach of bank loan covenants leading to the repayment of bank loan liabilities and a significant reduction in asset values in line with that experienced during the emergence of the COVID 19 pandemic in the first quarter of 2020. The 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 £15,000,000, the bank overdraft of £9,767,000 and the repayment to the 2024 ZDP shareholders of £41,505,000. 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.