

UIL Finance Limited
(Formerly Utilico Finance Limited)

Report and accounts for the six months to 31 December 2015

UIL Finance Limited

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UIL Finance Limited

Company Directory

Directors	Peter Burrows, AO (Chairman) Alison Hill Warren McLeland Christopher Samuel David Shillson Eric St C Stobart
Registered Office	19 Par-la-Ville Road Hamilton HM 11 Bermuda
Company Number	39479
Reporting Accountants And Registered 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 (formerly Utilico Investments 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 ZDP shares.

Investment policy

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

Regulatory and competitive environment

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

ICM Investment Management Limited ("ICMIM") is the Alternative Investment Fund Manager of UIL Limited and joint investment manager with ICM Limited, with ICMIM also being appointed as the Company's 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

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 2015, the parent company had net assets of £146,387,000 (2014: £157,439,000) after providing for amounts due to ZDP shareholders. Details of the ZDP shares are set out in note 7 to the accounts.

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

Key Performance Indicators

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

This Strategic Review was approved by the Board of Directors on 22 February 2016.

ICM Investment Management Limited
Company Secretary

UIL Finance Limited

Report of the Directors

The Directors present their report and the financial statements of the Company for the six months ended 31 December 2015.

Principal activity and status

UIL Finance Limited (formerly Utilico Finance Limited)(the "Company") is a Bermuda exempted, closed ended investment company with company registration number 39479. The Company's issued zero dividend preference ("ZDP") shares are listed on the standard segment of the main market of the London Stock Exchange.

Corporate Governance

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

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

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

Results and Dividends

The results for the period are set out in the attached accounts.

The Company has not declared a dividend in respect of the period ended 31 December 2015 as it has no profit to distribute.

Directors

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

Peter Burrows (Chairman)

Graham Cole (resigned 16 November 2015)

Alison Hill (appointed 16 November 2015)

Christopher Samuel (appointed 16 November 2015)

David Shillson (appointed 16 November 2015)

Warren McLeland

Eric Stobart

Dr Roger Urwin (resigned 16 November 2015)

Directors' Disclosures

At 31 December 2015, no Director had any interest in the Company's shares (2014: none). No Director acquired or disposed of any interest in the shares in the Company during the period or since the period end.

UIL Finance Limited

Report of the Directors (continued)

Re-election of Directors

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 interim report and the annual report and accounts. In view of the nature of the Company's business the Board does not consider it necessary to appoint a separate audit committee or nominations committee.

Directors' Remuneration

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

Statement of Changes in Equity

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

Cash Flow

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

Share Capital

Full details of the changes to the Company's authorised and issued 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 2015 and was re-appointed as auditor to the Company at the AGM of the Company on 16 November 2015.

By order of the Board
ICM Investment Management Limited,
Company Secretary
22 February 2016

UIL Finance Limited

Directors' Statement of Responsibilities

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

- The condensed set of financial statements contained within the report for the six months to 31 December 2015 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;
- The half-yearly financial 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;

On behalf of the Board

Peter Burrows

Chairman

22 February 2016

UIL Finance Limited

Unaudited Condensed Income Statement

	Note	Six months to 31 December 2015 £'000s	Six months to 31 December 2014 £'000s	Year to 30 June 2015 £'000s
Interest income	2	6,279	7,276	13,237
Total income		6,279	7,276	13,237
Other expenses		-	-	-
Profit before finance costs and taxation		6,279	7,276	13,237
Finance costs	3	(6,279)	(7,276)	(13,237)
Profit before tax		-	-	-
Taxation		-	-	-
Profit for the period		-	-	-
Earnings per share – pence		-	-	-

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

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

UIL Finance Limited

Unaudited Condensed Balance Sheet

		31 December	31 December	30 June
		2015	2014	2015
	Note	£'000s	£'000s	£'000s
Current assets				
Other receivables	6	178,720	166,480	172,441
Current liabilities				
Zero dividend preference shares	7	(86,448)	-	-
Total assets less current liabilities		92,272	166,480	172,441
Non-current liabilities				
Zero dividend preference shares	7	(92,272)	(166,480)	(172,441)
Net assets		-	-	-
Equity attributable to equity holders				
Ordinary share capital	8	-	-	-

UIL Finance Limited

Unaudited Condensed Notes to the Accounts for the period to 31 December 2015

1. Accounting policies

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

(a) Basis of accounting

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

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

At the date of authorisation of these Accounts, the following standards and interpretations have not been applied in these Accounts since they were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date for accounting periods starting on or after
IFRS 9 Financial Instruments	1 January 2018

The Directors have chosen not to early adopt these standards and interpretations as they do not anticipate that they would have a material impact on the Company's Accounts in the period of initial application.

(b) Zero dividend preference shares

The ZDP shares, due to be redeemed on 31 October 2016, 2018 and 2020, at a redemption value of 192.78 pence per share, 160.52 pence per share and 154.90 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of the Company to deliver to their holders a fixed and determinable amount at the redemption date. They are accordingly accounted for at amortised cost, using the effective interest method. Under Bermuda company law ZDP shares are recognised as share capital in the Company.

(c) Cash flow statement

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

(d) Foreign currency

The functional and reporting currency is pounds sterling because the 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.

(f) Expenses

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

(g) Finance costs

Finance costs are accounted for on an effective interest method.

UIL Finance Limited

Unaudited Condensed Notes to the Accounts (continued)

(h) Inter company loan

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

2 Interest income

	Six months to 31 December 2015 £'000s	Six months to 31 December 2014 £'000s	Year to 30 June 2015 £'000s
Loan to parent company - interest receivable	6,279	7,276	13,237

3 Finance costs

	Six months to 31 December 2015 £'000s	Six months to 31 December 2014 £'000s	Year to 30 June 2015 £'000s
ZDP shares	6,279	7,276	13,237

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 2014 and 30 June 2015: £nil) and a weighted average number of 10 ordinary shares in issue during the period (for the periods 31 December 2014 and 30 June 2015: 10 ordinary shares in issue).

5. Dividends

There were no dividends paid or declared in respect of the period.

6. Other receivables

	31 December 2015 £'000s	31 December 2014 £'000s	30 June 2015 £'000s
Loan to parent company - UIL Limited	178,720	166,480	172,441

The loan is repayable on demand.

UIL Finance Limited

Unaudited Condensed Notes to the Accounts (continued)

7. Zero dividend preference shares

	31 December 2015 £'000s	31 December 2014 £'000s	30 June 2015 £'000s
ZDP shares – current liabilities			
2016 ZDP shares	86,448	-	-
ZDP shares – non-current liabilities			
2016 ZDP shares	-	80,685	83,493
2018 ZDP shares	65,152	60,600	62,816
2020 ZDP shares	27,120	25,195	26,132
	92,272	166,480	172,441
Total ZDP shares liabilities	178,720	166,480	172,441

Authorised ZDP shares of the Company at 31 December 2015, 31 December 2014 and 30 June 2015 are as follows:

	Number	£'000s
ZDP shares of 10p each		
2012 ZDP shares	60,592,190	6,059
2014 ZDP shares	50,000,000	5,000
2016 ZDP shares	60,000,000	6,000
ZDP shares of 5.9319p each		
2018 ZDP shares	59,842,413	3,550
ZDP shares of 6.0514p each		
2020 ZDP shares	25,000,000	1,513

UIL Finance Limited

Unaudited Condensed Notes to the Accounts (continued)

7. Zero dividend preference shares (continued)

ZDP shares issued by the Company are as follows:

31 December 2015	Number	2016 £'000s	Number	2018 £'000s	Number	2020 £'000s	Total £'000s
Balance at 30 June 2015	47,500,000	83,493	49,842,413	62,816	25,000,000	26,132	172,441
Finance costs	-	2,955	-	2,336	-	988	6,279
Balance at 31 December 2015	47,500,000	86,448	49,842,413	65,152	25,000,000	27,120	178,720

31 December 2014	2014 Number	£'000s	2016 Number	£'000s	2018 Number	£'000s	2020 Number	£'000s	Total £'000s
Balance at 30 June 2014	47,500,000	77,809	47,500,000	77,928	49,842,413	58,427	-	-	214,164
Issue of ZDP shares	-	-	-	-	-	-	25,000,000	25,000	25,000
Issue costs of ZDP shares	-	-	-	-	-	-	-	(571)	(571)
Redemption of 2014 ZDP shares	(47,500,000)	(79,389)	-	-	-	-	-	-	(79,389)
Finance costs	-	1,580	-	2,757	-	2,173	-	766	7,276
Balance at 31 December 2014	-	-	47,500,000	80,685	49,842,413	60,600	25,000,000	25,195	166,480

30 June 2015	2014 Number	£'000s	2016 Number	£'000s	2018 Number	£'000s	2020 Number	£'000s	Total £'000s
Balance at 30 June 2014	47,500,000	77,809	47,500,000	77,928	49,842,413	58,427	-	-	214,164
Issue of ZDP shares	-	-	-	-	-	-	25,000,000	25,000	25,000
Issue costs of ZDP shares	-	-	-	-	-	-	-	(571)	(571)
Redemption of 2014 ZDP shares	(47,500,000)	(79,389)	-	-	-	-	-	-	(79,389)
Finance costs	-	1,580	-	5,565	-	4,389	-	1,703	13,237
Balance at 30 June 2015	-	-	47,500,000	83,493	49,842,413	62,816	25,000,000	26,132	172,441

UIL Finance Limited

Unaudited Condensed Notes to the Accounts (continued)

7. Zero dividend preference shares (continued)

2016 ZDP shares

Based on the initial entitlement of a 2016 ZDP share of 100p on 15 June 2007, a 2016 ZDP share will have a final capital entitlement at the end of its life on 31 October 2016 of 192.78p equating to a 7.25% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2016 ZDP share at 31 December 2015 was 181.85p (31 December 2014: 169.57p and 30 June 2015: 175.55p).

2018 ZDP shares

Based on the initial entitlement of a 2018 ZDP share of 100p on 26 January 2012, a 2018 ZDP share will have a final capital entitlement at the end of its life on 31 October 2018 of 160.52p equating to a 7.25% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2018 ZDP share at 31 December 2015 was 131.65p (31 December 2014: 122.89p and 30 June 2015: 127.09p).

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 at 31 December 2015 was 110.43p (31 December 2014: 102.97p and 30 June 2015: 106.61p).

All the ZDP shares are admitted to 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.

UIL Finance Limited

Unaudited Condensed Notes to the Accounts (continued)

7. Zero dividend preference shares (continued)

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 2016 ZDP shares and 2018 ZDP shares below 1.5 times and the Group's cover of the existing 2020 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 2016 ZDP shares shall rank in priority to the 2018 ZDP Shares and the 2020 ZDP shares; and
- (ii) the 2018 ZDP shares shall rank in priority to the 2020 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 2015, 31 December 2014 and 30 June 2015	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 2014: nil and 30 June 2015: £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 ultimate holding undertaking is General Provincial Life Pension Fund (L) Limited which is incorporated in Malaysia, holding 61.8% of the ordinary shares in UIL Limited.

10. Related party transactions

UIL Limited, General Provincial Life Pension Fund (L) Limited and the Board of the Company are considered related parties. Amounts owing from related parties are disclosed in the financial statements in note 6 and interest receivable from related parties is disclosed in note 2.

11. Operating Segments

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

UIL Finance Limited

Unaudited Condensed Notes to the Accounts (continued)

12. Financial Risk Management

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

The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with International Financial Reporting Standards as adopted by the European Union and best practice, and include the valuation of financial assets at fair value and liabilities at amortised cost.

Interest Rate exposure

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

31 December 2015	Total £'000s	Within one year £'000s	More than one year £'000s
Exposure to fixed rates			
Zero dividend preference shares	(178,720)	(86,448)	(92,272)
Intra-group loan	178,720	178,720	–
Net exposures			
At period end	–	92,272	(92,272)
Maximum in period	–	176,579	(176,579)
Minimum in period	–	91,338	(91,338)

31 December 2014	Total £'000s	Within one year £'000s	More than one year £'000s
Exposure to fixed rates			
Zero dividend preference shares	(166,480)	–	(166,480)
Intra-group loan	166,480	166,480	–
Net exposures			
At period end	–	166,480	(166,480)
Maximum in period	–	227,072	(227,072)
Minimum in period	–	164,538	(164,538)

30 June 2015	Total £'000s	Within one year £'000s	More than one year £'000s
Exposure to fixed rates			
Zero dividend preference shares	(172,441)	–	(172,441)
Intra-group loan	172,441	172,441	–
Net exposures			
At period end	–	172,441	(172,441)
Maximum in period	–	227,072	(227,072)
Minimum in period	–	164,538	(164,538)

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.

2016 ZDP shares

Based on their final entitlement of 192.78p per share, the final entitlement of the 2016 ZDP shares were covered 2.62 times by UIL Limited's gross assets on 31 December 2015. Should gross assets fall by 61.8% over the remaining life of the 2016 ZDP shares, then the 2016 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 86.2%, equivalent to an annual fall of 90.6%, the 2016 ZDP shares would receive no payment at the end of their life.

2018 ZDP shares

Based on their final entitlement of 160.52p per share, the final entitlement of the 2018 ZDP shares were covered 1.68 times by UIL Limited's gross assets on 31 December 2015. Should the gross assets fall by 40.6% over the remaining life of the 2018 ZDP shares, then the 2018 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 61.8%, equivalent to an annual fall of 28.8%, the 2018 ZDP shares would receive no payment at the end of their life.

2020 ZDP shares

Based on their final entitlement of 154.90p per share, the final entitlement of the 2020 ZDP shares were covered 1.43 times by UIL Limited's gross assets on 31 December 2015. Should gross assets fall by 30.3% 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 40.6%, equivalent to an annual fall of 10.2%, the 2020 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 Balance Sheet at fair value except for ZDP shares which are carried at amortised cost using effective interest method in accordance with IAS39, or at a reasonable approximation thereof.

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

	31 December	31 December	30 June
	2015	2014	2015
	£'000s	£'000s	£'000s
2016 ZDP shares	89,894	87,440	87,699
2018 ZDP shares	72,022	68,409	70,652
2020 ZDP shares	31,033	27,125	30,595

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.

UIL Finance Limited

Unaudited Condensed Notes to the Accounts (continued)

13. Going Concern

The Directors believe in the light of the controls and monitoring processes that are in place, the Company has adequate resources and arrangements, due to the support of the parent company, to continue operating within its stated objective and policy for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the accounts.

14. Results

The condensed set of financial statements, forming the half-year accounts, has been neither audited nor reviewed by the Company's auditor. The latest published accounts are for the year ended 30 June 2015; the report of the auditor thereon was unqualified. The condensed financial statements shown above for the year ended 30 June 2015 are an extract from those accounts and are not the Company's statutory financial statements.