

**UIL Finance Limited**  
(Formerly Utilico Finance Limited)

Report and accounts for the year ended 30 June 2016

# UIL Finance Limited

## Report and accounts for the year ended 30 June 2016

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## UIL Finance Limited

### Company Directory

Registered Office	34 Bermudiana Road Hamilton HM 11 Bermuda
Directors	Peter Burrows, AO (Chairman) Alison Hill Warren McLeland Christopher Samuel David Shillson Eric Stobart
Company Number	39479
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
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 year. 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.

On 13 April 2015, ICM Investment Management Limited ("ICMIM") was appointed as the Alternative Investment Fund Manager of UIL Limited and as joint portfolio manager with ICM Limited, with ICMIM also being appointed as the Company's company secretary with effect from the same date.

### **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 2016, the parent company had net assets of £218,844,000 (2015: £166,558,000) after providing for amounts due to ZDP shareholders. Details of the ZDP shares are set out in note 7 to the accounts.

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

### **Key Performance Indicators**

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

This Strategic Review was approved by the Board of Directors on 19 September 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 year ended 30 June 2016.

### Principal activity and status

UIL Finance Limited (the "Company") is a Bermuda exempted, closed ended investment company with company registration number 39479. It changed its name from Utilico Finance Limited to UIL Finance Limited on 17 November 2015. 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 year 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 year are set out in the attached accounts which are prepared on a going concern basis (see note 14).

The Company has not declared a dividend in respect of the year ended 30 June 2016.

### Issue of new 2022 ZDP shares

The Company created a new class of ZDP, which is repayable on 31 October 2022. Pursuant to a rollover offer made to the holders of the 2016 ZDPs and to a placing, it issued 50 million new 2022 ZDPs on 23 June 2016, as follows:

- Rollover Offer  
Further to the Rollover Offer, valid elections were received from holders of a total of 14,953,034 2016 ZDP shares (representing approximately 31.5% of the total number of 2016 ZDP shares in issue). In accordance with the terms and conditions of the Rollover Offer, the Company issued 28,117,612 new 2022 ZDP shares, on the basis of each 2016 ZDP Share converting into 1.8804 2022 ZDP Shares (with fractional entitlements rounded down).
- Initial Placing  
The Company also placed 21,882,388 new 2022 ZDP shares at 100p per share with certain institutional and other investors (including 9,000,788 new 2022 ZDP Shares with UIL Limited), raising gross proceeds of approximately £12.9 million.

### Placing of 2020 ZDP Shares

On 14 July 2016 the Company placed 14 million 2020 ZDP Shares at 128p per share with certain institutional and other investors (including 3,225,815 new 2022 ZDP Shares with UIL Limited) raising gross proceeds of £13.8 million.

### Redemption of the 2016 ZDP shares

The outstanding 32,546,966 2016 ZDP Shares are redeemable in full on 31 October 2016 at 192.78p per share.

## **Directors**

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

Peter Burrows (elected Chairman with effect from 16 November 2015)

Alison Hill (appointed 16 November 2015)

Warren McLeland

Christopher Samuel (appointed 16 November 2015)

David Shillson (appointed 16 November 2015)

Eric Stobart

Dr Roger Urwin (retired 16 November 2015)

Graham Cole (retired 16 November 2015)

## **Directors' Disclosures**

At 30 June 2016, no Director had any interest in the Company's shares (2015: 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**

Ms Hill, Mr Samuel and Mr Shillson will all retire at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for election as Directors of the Company.

Mr Burrows will retire by rotation at the forthcoming AGM and Mr Stobart, having been a Director for over 9 years, also will be seeking re-election at the forthcoming AGM. Mr McLeland retires annually and will do so at the forthcoming AGM. All three Directors, being eligible, offer themselves 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 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 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.

## **Viability statement**

In accordance with the provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 (the "Code"), the Directors have assessed the prospects of the Company over the next three financial years. The Directors have determined that a three year period is a reasonable time horizon to consider the continuing viability of the Company, given the current regulatory environment, as they do not expect there to be any significant change to the current principal risks and to the mitigating controls in place over this period.

In its assessment of the viability of the Company, the Directors have considered the Company's principal risk and uncertainty, that UIL Limited, its parent company might not be able to repay its loan from the Company.

After review, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three financial years.

**Share Capital**

Full details of the changes to the Company's authorised and issued 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 2016 and was responsible for the audit of these accounts.

Audit fees relating to the year amounted to £4,000 (2015: £4,000) 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 (2015: £nil).

**By order of the Board**

**ICM Investment Management Limited,  
Secretary  
19 September 2016**

## UIL Finance Limited

### Directors' Statement of Responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements, which are required to include a Strategic Report, in accordance with applicable Bermuda law and IFRS, as adopted by the European Union.

The Directors must not approve the Company's financial statements unless in their opinion they give a true and fair view of the state of affairs of the Company as at 30 June 2016 and of the profit and loss of the Company for that period. The Directors are also responsible for ensuring that the annual report and accounts is fair, balanced and understandable and that the accounting records 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 the financial statements comply with IFRS. They have a 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.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors of the Company each confirm to the best of their knowledge that:

- (i) the financial statements, which have been prepared in accordance with applicable Bermuda law and IFRS, as adopted by the European Union, on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- (ii) the annual financial report includes a fair review of the development and performance of the Company and the important events that have occurred during the financial year and their impact on the financial statements, including a description of the principal risks and uncertainties that the Company faces; and
- (iii) the financial statements and the Report of the Directors include details of any related party transactions.

The annual report and accounts are published on UIL Limited website, [www.uil.limited](http://www.uil.limited), the maintenance and integrity of which is the responsibility of ICMIM. The work carried out by the auditor does not involve consideration of the maintenance and integrity of the website and accordingly, the auditor accepts no responsibility for any changes that have occurred in the financial statements since they were originally presented on the website. Visitors to the website need to be aware that the legislation governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

**Approved by the Board on 19 September 2016 and signed on its behalf by:**

**P Burrows**  
Chairman



## UIL Finance Limited

### Income Statement

		<b>Year to 30 June 2016 £'000s</b>	<b>Year to 30 June 2015 £'000s</b>
	Note		
Interest income	2	<b>12,745</b>	13,237
<b>Total income</b>		<b>12,745</b>	13,237
Other expenses		-	-
Profit before finance costs and taxation		<b>12,745</b>	13,237
Finance costs	3	<b>(12,745)</b>	(13,237)
<b>Profit before tax</b>		-	-
Taxation		-	-
<b>Profit for the year</b>		-	-
Earnings per share – pence		-	-

The Company does not have any income or expense that is not included in the profit for the year, and therefore the 'profit 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.

## UIL Finance Limited

### Balance Sheet

At 30 June

	Note	2016 £'000s	2015 £'000s
<b>Current assets</b>			
Other receivables	6	206,373	172,441
<b>Current liabilities</b>			
Zero dividend preference shares	7	(61,327)	-
<b>Total assets less current liabilities</b>		<b>145,046</b>	<b>172,441</b>
<b>Non-current liabilities</b>			
Zero dividend preference shares	7	(145,046)	(172,441)
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>Equity attributable to equity holders</b>			
Ordinary share capital	8	-	-

Approved by the Board on 19 September 2016 and signed on its behalf by

P Burrows  
Chairman

E St C Stobart  
Director

# UIL Finance Limited

## Notes to the Accounts for the year to 30 June 2016

### 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, 2020 and 2022, at a redemption value of 192.78 pence per share, 160.52 pence per share, 154.90 pence per share and 146.99 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

### 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

	2016	2015
	£'000s	£'000s
Loan to parent company - interest receivable	<b>12,745</b>	13,237

#### 3. Finance costs

	2016	2015
	£'000s	£'000s
ZDP shares	<b>12,745</b>	13,237

#### 4. Earnings per share

The calculation of earnings per share is based on a profit after tax for the period of £nil (2015: £nil) and a weighted average number of 10 ordinary shares in issue during the year (2015: 10 ordinary shares in issue during the year).

#### 5. Dividends

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

#### 6. Other receivables

	2016	2015
	£'000s	£'000s
Loan to parent company - UIL Limited	<b>206,373</b>	172,441

The loan is repayable on demand.

## UIL Finance Limited

### Notes to the Accounts (continued)

#### 7. Zero dividend preference shares

	30 June 2016 £'000s	30 June 2015 £'000s
<b>ZDP shares – current liabilities</b>		
2016 ZDP shares	<b>61,327</b>	-
<b>ZDP shares – non-current liabilities</b>		
2016 ZDP shares	-	83,493
2018 ZDP shares	<b>67,548</b>	62,816
2020 ZDP shares	<b>28,134</b>	26,132
2022 ZDP shares	<b>49,364</b>	-
	<b>145,046</b>	172,441
<b>Total ZDP shares liabilities</b>	<b>206,373</b>	172,441

Authorised ZDP shares of the Company at 30 June 2016 are as follows:

	Number	£'000s
2016 ZDP shares of 10p each	<b>45,046,966</b>	<b>4,505</b>
2018 ZDP shares of 5.9319p each	<b>70,198,945</b>	<b>4,164</b>
2020 ZDP shares of 6.0514p each	<b>50,000,000</b>	<b>3,026</b>
2022 ZDP shares of 5.3180p each	<b>78,117,685</b>	<b>4,154</b>

Authorised ZDP shares of the Company at 30 June 2015 are as follows:

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

On 18 May 2016, by written resolution, UIL Finance diminished its existing authorised share capital from £22,121,862.10 to £12,615,254 by the cancellation of all the 2012 ZDP Shares and the 2014 ZDP Shares comprised in its authorised share capital and then increased its authorised share capital from £12,615,254 to £15,848,832 by the creation of a further 9,494,963 2020 ZDP Shares and 50,000,000 2022 ZDP Shares of 5.3180p each.

## UIL Finance Limited

### Notes to the Accounts (continued)

#### 7. Zero dividend preference shares (continued)

ZDP shares issued by the Company are as follows:

30 June 2016	2016		2018		2020		2022		Total
	Number	£'000s	Number	£'000s	Number	£'000s	Number	£'000s	£'000s
Balance at 30 June 2015	47,500,000	83,493	49,842,413	62,816	25,000,000	26,132	-	-	172,441
Issue of ZDP shares	-	-	-	-	-	-	50,000,000	50,000	50,000
Issue costs of ZDP shares	-	-	-	-	-	-	-	(696)	(696)
Conversion of 2016 ZDP shares	(14,953,034)	(28,117)	-	-	-	-	-	-	(28,117)
Finance costs	-	5,951	-	4,732	-	2,002	-	60	12,745
Balance at 30 June 2016	32,546,966	61,327	49,842,413	67,548	25,000,000	28,134	50,000,000	49,364	206,373

30 June 2015	2014		2016		2018		2020		Total
	Number	£'000s	Number	£'000s	Number	£'000s	Number	£'000s	£'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)
Conversion of 2014 ZDP shares	(9,382,718)	(15,505)	-	-	-	-	-	-	(15,505)
Redemption of 2014 ZDP shares	(38,117,282)	(63,884)	-	-	-	-	-	-	(63,884)
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

### Notes to the Accounts (continued)

#### 7. Zero dividend preference shares (continued)

Pursuant to the rollover offer made to the holders of the 2016 ZDP Shares published by the Company on 18 May 2016, shareholders elected to rollover a total of 14,953,034 2016 ZDP Shares on the basis of each 2016 ZDP Share in respect of which an election was made and accepted converting into 1.8804 2022 ZDP Shares. Where the aggregate number of 2022 ZDP Shares to which a shareholder was entitled upon the conversion of their 2016 ZDP Shares resulted in an entitlement to a fraction of a 2022 ZDP Share, the total number of 2022 ZDP Shares to which such shareholder was entitled was rounded down to the nearest whole number and such rounded down fractional entitlements were then aggregated and became part of UIL Finance's authorised but unissued share capital. Accordingly, a total of 28,117,612 new 2022 ZDP Shares were issued on 23 June 2016 pursuant to the rollover offer.

Pursuant to a placing also announced on 18 May 2016, the Company placed 12,881,600 new 2022 ZDP Shares at 100p per share with certain institutional and other investors on 23 June 2016, raising gross proceeds of approximately £12.9 million. In addition, on the same date, 9,000,788 new 2022 ZDP Shares were subscribed for by UIL Limited at 100p per 2022 ZDP Share.

The 50,000,000 new 2022 ZDP shares were admitted to the standard segment of the Official List and to trading on the London Stock Exchange on 23 June 2016.

#### 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 30 June 2016 was 189.00p (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 30 June 2016 was 136.81p (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 30 June 2015 was 114.77p (2015: 106.61p).

#### 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 at 30 June 2016 was 100.43p (2015: not applicable).

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.

## UIL Finance Limited

### Notes to the Accounts (continued)

#### 7. Zero dividend preference shares (continued)

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 2016 ZDP shares and 2018 ZDP shares below 1.5 times and the Group's cover of the existing 2020 ZDP shares and 2022 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, the 2020 ZDP shares and 2022 shares;
- (ii) the 2018 ZDP shares shall rank in priority to the 2020 ZDP shares and the 2022 ZDP shares; and
- (ii) the 2020 ZDP shares shall rank in priority to the 2022 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 30 June 2015 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 (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, ZDP shares issued to UIL Limited are disclosed in note 7 and 13 and interest receivable from related parties is disclosed in note 2.



## UIL Finance Limited

### Notes to the Accounts (continued)

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

#### Interest Rate exposure

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

	Total £'000s	Within one year £'000s	More than one year £'000s
30 June 2016			
Exposure to fixed rates			
Zero dividend preference shares	(206,373)	(61,327)	(145,046)
Intra-group loan	206,373	206,373	–
Net exposures			
At year end	–	145,046	(145,046)
Maximum in year	–	176,614	(176,614)
Minimum in year	–	145,046	(145,046)

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

## UIL Finance Limited

### 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 5.13 times by UIL Limited's gross assets on 30 June 2016. Should gross assets fall by 80.5% 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 94.5%, equivalent to an annual fall of 100.0%, 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 2.68 times by UIL Limited's gross assets on 30 June 2016. Should the gross assets falls by 62.7% 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 80.5%, equivalent to an annual fall of 50.3%, 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 2.18 times by UIL Limited's gross assets on 30 June 2016. Should gross assets fall by 54.0% 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 62.7%, equivalent to an annual fall of 20.3%, the 2020 ZDP shares would receive no payment at the end of their life.

##### 2022 ZDP shares

Based on their final entitlement of 146.99p per share, the final entitlement of the 2022 ZDP shares were covered 1.60 times by UIL Limited's gross assets on 30 June 2016. Should gross assets fall by 37.6% 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 54.0%, equivalent to an annual fall of 11.5%, the 2022 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 at 30 June were:

	2016	2015
	£'000s	£'000s
2016 ZDP shares	62,165	87,044
2018 ZDP shares	73,393	68,409
2020 ZDP shares	32,500	27,125
2022 ZDP shares	52,250	-

## UIL Finance Limited

### Notes to the Accounts (continued)

#### 12. Financial Risk Management (continued)

##### Capital risk management

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

#### 13. Post Balance Sheet Events

On 1 July 2016, UIL Finance Limited announced plans to issue up to 14 million 2020 ZDP Shares pursuant to the Placing Programme at a price of 128p per 2020 ZDP Share. A total of 10,774,185 new 2020 ZDP Shares were placed with certain institutional investors at a price of 128p per 2020 ZDP Share raising gross proceeds of £13.8 million. The remaining 3,225,815 new 2020 ZDP Shares were acquired by UIL Limited at a price of 128p per 2020 ZDP Share and will be held by UIL Limited for investment purposes in accordance with its investment policy.

The 14 million 2020 ZDP Shares were admitted to the Official List and to trading on the London Stock Exchange and dealings on 14 July 2016.

Following admission, the Company's issued shares comprise of 10 Ordinary Shares, 32,546,966 2016 ZDP Shares, 49,842,413 2018 ZDP Shares, 39,000,000 2020 ZDP Shares (including shares held intra-group) and 50,000,000 2022 ZDP Shares.

Since the year end the UIL Limited has purchased in the market 342,807 2016 ZDP shares at an average price of 191.99p per 2016 ZDP share and has sold in the market 2,000,000 2022 ZDP shares at an average price of 106.78p per 2022 ZDP share.

Since the above admission, the UIL Limited has sold in the market 250,000 2020 ZDP shares at an average price of 133.25p per 2020 ZDP share.

Following these sales and purchases UIL Limited has a holding of 342,807 2016 ZDP shares, 2,975,815 2020 ZDP shares and 7,000,788 2022 ZDP shares.

#### 14. Going Concern

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

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

We have audited the financial statements of UIL Finance Limited for the year ended 30 June 2016 set out on pages 8 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

The audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report and Accounts 2016 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the Company's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

**Neil Palmer**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

19 September 2016