

**UIL Finance Limited**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2018**

# UIL Finance Limited

## REPORT AND ACCOUNTS for the year ended 30 June 2018

<b>Contents</b>	<b>Page</b>
Company Directory	2
Strategic Review	3
Report of the Directors	4
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8
Income Statement	11
Balance Sheet	12
Notes to the Accounts	13

# 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
Legal Entity Identifier	213800JPJWZ5P3QJX538
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom
Date of Formation	17 January 2007
Nature of Business	Closed end investment company
Ordinary Shareholder and Parent Company	UIL Limited

## UIL Finance Limited

### STRATEGIC REVIEW

The Strategic Review is designed to provide shareholders with an insight into the operations of the Company during the period. In particular, it gives information on:

- the Company's objective and investment policy;
- the regulatory and competitive environment within which the Company operates;
- the Board's strategy for achieving its stated objectives;
- principal risks and risk management; and
- key performance indicators.

#### Objective

The Company's investment objective is to finance and fund the final capital entitlements of the zero dividend preference ("ZDP") shares.

#### Investment policy

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

#### Regulatory and competitive environment

The Company is obliged to comply with Bermuda law, the Listing Rules of the Financial Conduct Authority and International Financial Reporting Standards ("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 ("ICM"). ICM was appointed as company secretary with effect from 1 July 2017.

#### Strategy for achieving objectives

The Company's performance in pursuing its objective is based on the ability of its parent company to repay the intra-group loan to the Company. UIL Limited has provided an undertaking to provide sufficient funds to the Company to meet each redemption as it falls due.

#### Principal risks

The principal underlying risk of the Company continues to relate to its ability to repay the ZDP shares when they fall due. This is dependent on the asset performance of the parent company. At 30 June 2018, the parent company had net assets of £261,134,000 (2017: £245,984,000) 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 14 September 2018.

**ICM Limited**  
**Company Secretary**  
**14 September 2018**

# UIL Finance Limited

## REPORT OF THE DIRECTORS

The Directors present their report and accounts of the Company for the year ended 30 June 2018.

### Principal activity and status

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

### Corporate Governance

Bermuda does not have its own corporate governance code and, 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 13).

The Company has not declared a dividend in respect of the year ended 30 June 2018 (2017: nil)

### Placing of 2024 and 2026 ZDP Shares

On 2 November 2017, the Company issued 50 million new 2024 ZDP Shares at 100p per share comprising (i) 26.7 million issued pursuant to the rollover offer to 2018 ZDP Shareholders; (ii) 3.3 million issued pursuant to a placing with institutional and other investors raising gross proceeds of £3.3 million; and (iii) 20.0 million issued pursuant to a subscription by UIL Limited. On 26 April 2018 the Company placed 25 million 2026 ZDP Shares at 100p per share with certain institutional and other investors (including 14.4 million new 2026 ZDP Shares with UIL Limited) raising gross proceeds of £10.6 million.

### Directors

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

Peter Burrows (Chairman)

Alison Hill

Warren McLeland

Christopher Samuel

David Shillson

Eric Stobart

### Directors' Disclosures

At 30 June 2018, no Director had any interest in the Company's shares (2017: none). No Director acquired or disposed of any interest in the shares in the Company during the year or since the year end.

**Re-election of Directors**

Mr Samuel 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 and Mr Shillson retire annually and will do so at the forthcoming AGM. All four Directors, being eligible, offer themselves for re-election.

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

**Directors' Remuneration**

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

**Statement of Changes in Equity**

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

**Cash Flow**

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

**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 2018 and was responsible for the audit of these accounts.

Audit fees relating to the year amounted to £6,000 (2017: £4,000) and were settled by the parent company, UIL Limited.

Other non-audit fees of £25,000 were paid to KPMG as reporting accountants for the issue of the ZDP shares and included within the ZDP share issue costs for the year under review (2017: £nil) and were settled by the parent company, UIL Limited.

**By order of the Board**

**ICM Limited,  
Secretary  
14 September 2018**

## UIL Finance Limited

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

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

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

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

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

#### **Responsibility statement of the directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the annual report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that it faces.

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

Approved by the Board on 14 September 2018 and signed on its behalf by:

**Peter Burrows**  
Chairman



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

### 1 Our opinion is unmodified

We have audited the accounts of UIL Finance Limited ("the Company") for the year ended 30 June 2018 which comprise the Income Statement and Balance Sheet, and the related notes, including the accounting policies in note 1.

In our opinion the accounts:

- give a true and fair view of the state of Company's affairs as at 30 June 2018 and of the its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 29 October 2012. The period of total uninterrupted engagement is for the 6 financial years ended 30 June 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the accounts and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the accounts as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Accuracy of Zero Dividend Preference Shares (£182.653m (2017: £173.778m)) and associated finance costs (£12.821m (2017: £12.697m))

*Refer to pages 15 - 18 of the Accounts*

The Risk; UIL Finance Limited has been incorporated solely to facilitate the issue of Zero Dividend Preference (ZDP) shares as a means of raising capital for its parent company UIL Limited. In order to do so the ZDP shares are issued in tranches to mature at 2 year intervals at which point they will be required to be repaid. These are accounted for at amortised cost and incorrect application of accounting principles would lead to a misstatement in the liability and in the finance costs.

Our response; our procedures to address the risk included:

- Terms of ZDP Shares; to ensure that the ZDP's have been properly accounted for, KPMG have obtained the share issuance documentation to confirm the issue statistics as follows; initial placing price, initial and final capital entitlement to the holder, gross redemption yield and maximum size of the initial placing.
- Finance Charge; KPMG have performed a recalculation of the finance charge based on the brought forward liability and the issue statistics to form an expectation of the finance charge for the year. This has then been compared to

the calculated finance charge of UIL Finance Limited to ensure that the calculation performed by UIL Finance Limited is accurate.

- Calculation of the liability; based on the finance charge calculated as outlined above, KPMG reperformed the amortised cost calculation to establish an expectation of the liability on the balance sheet at year end. The expected amount was then compared to the UIL Finance Limited calculation to ensure UIL Finance
- Limited have accurately calculated and presented the liability at year-end.

### **3 Our application of materiality and an overview of the scope of our audit**

The materiality for the accounts as a whole was set at £2.339m (2017: £1.737m), determined with reference to a benchmark of Total Assets of which it represents 1% (2017: 1%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.117m (2017: £0.087m) and, in addition any other identified misstatements that warrant reporting on qualitative grounds are also communicated.

Our audit of the Company was undertaken to the materiality level specified above and was all principally performed at our offices in London, United Kingdom.

### **4 We have nothing to report on going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the accounts. We have nothing to report in these respects.

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

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

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

#### ***Strategic report and directors' report***

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the accounts; and

### **7 Respective responsibilities**

#### ***Directors' responsibilities***

As explained more fully in their statement set out on page 7 the Directors are responsible for: the preparation of the accounts including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditor's responsibilities***

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **8 The purpose of our audit work and to whom we owe our responsibilities**

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

**Jonathan Martin (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
14 September 2018

**INCOME STATEMENT**

	Note	Year to 30 June 2018 £'000s	Year to 30 June 2017 £'000s
Interest income	2	12,821	12,697
<b>Total income</b>		<b>12,821</b>	12,697
Other expenses		-	-
Profit before finance costs and taxation		12,821	12,697
Finance costs	3	(12,821)	(12,697)
<b>Result before taxation</b>		-	-
Taxation		-	-
<b>Result for the year</b>		-	-
Earnings per share – pence		-	-

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

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

## UIL Finance Limited

### BALANCE SHEET

At 30 June	Note	2018 £'000s	2017 £'000s
<b>Current assets</b>			
Other receivables	6	233,919	173,778
<b>Current liabilities</b>			
Zero dividend preference shares	7	(51,266)	-
<b>Total assets less current liabilities</b>		<b>182,653</b>	<b>173,778</b>
<b>Non-current liabilities</b>			
Zero dividend preference shares	7	(182,653)	(173,778)
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>Equity attributable to equity holders</b>			
Ordinary share capital	8	-	-

Approved by the Board on 14 September 2018 and signed on its behalf by

Peter Burrows  
Chairman

Eric Stobart  
Director

**NOTES TO THE ACCOUNTS  
for the year to 30 June 2018**

**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.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these accounts. None of these, including IFRS 9 'Financial Instruments' regarding the classification and measurement of financial assets, is expected to have a significant effect on the accounts of the Company. The Company does not plan to adopt IFRS 9 early and the extent of the impact has not been determined.

**(b) Zero dividend preference shares**

The ZDP shares, due to be redeemed on 31 October 2018, 2020, 2022, 2024 and 2026, at a redemption value of 160.52 pence per share, 154.90 pence per share, 146.99 pence per share, 138.35 pence per share and 151.50 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of the Company to deliver to their holders a fixed and determinable amount at the redemption date. They are accordingly accounted for at amortised cost, using the effective interest method. 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

	<b>2018</b>	2017
	<b>£'000s</b>	£'000s
Loan to parent company - interest receivable	<b>12,821</b>	12,697

#### 3. Finance costs

	<b>2018</b>	2017
	<b>£'000s</b>	£'000s
ZDP shares	<b>12,821</b>	12,697

#### 4. Earnings per share

The calculation of earnings per share is based on a result after tax for the period of £nil (2017: £nil) and a weighted average number of 10 ordinary shares in issue during the year (2017: 10 ordinary shares in issue during the year).

#### 5. Dividends

There were no dividends paid or declared in respect of the year (2017: nil).

#### 6. Other receivables

	<b>2018</b>	2017
	<b>£'000s</b>	£'000s
Loan to parent company - UIL Limited	<b>233,919</b>	173,778

The loan is repayable on demand.

## UIL Finance Limited

### NOTES TO THE ACCOUNTS (CONTINUED)

#### 7. Zero dividend preference shares

	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>£'000s</b>	£'000s
<b>ZDP shares – current liabilities</b>		
2018 ZDP shares	<b>51,266</b>	-
<b>ZDP shares – non-current liabilities</b>		
2018 ZDP shares	-	72,622
2020 ZDP shares	<b>51,940</b>	48,704
2022 ZDP shares	<b>55,873</b>	52,452
2024 ZDP shares	<b>50,027</b>	-
2026 ZDP shares	<b>24,813</b>	-
	<b>182,653</b>	173,778
<b>Total ZDP shares liabilities</b>	<b>233,919</b>	173,778

Authorised ZDP shares of the Company at 30 June 2018 are as follows:

	<b>Number</b>	<b>£'000s</b>
2018 ZDP shares of 5.9319p each	<b>53,072,561</b>	<b>3,148</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>
2024 ZDP shares of 3.8025p each	<b>76,717,291</b>	<b>2,917</b>
2026 ZDP shares of 10p each	<b>25,000,000</b>	<b>2,500</b>

Authorised ZDP shares of the Company at 30 June 2017 were as follows:

	<b>Number</b>	<b>£'000s</b>
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>

On 28 September 2017, by written resolution, UIL Finance diminished its existing authorised share capital from £15,848,832 to £11,344,135 by the cancellation of all the 2016 ZDP Shares comprised in its authorised but unissued share capital and then increased its authorised share capital from £11,344,135 to £13,245,385 by the creation of 50,000,000 2024 ZDP shares of 3.8025p each. On 2 November 2017, 17,126,384 2018 ZDP shares were converted into 26,717,110 2024 ZDP shares.

On 22 March 2018, by written resolution, UIL Finance increased its authorised share capital from £13,245,385 to £15,745,385.76 by the creation of 25,000,000 2026 ZDP shares.



## UIL Finance Limited

### NOTES TO THE ACCOUNTS (CONTINUED)

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

ZDP shares issued by the Company are as follows:

		Balance at 30 June 2017	Issue of ZDP shares	Issue costs of ZDP shares	Conversion of 2018 ZDP shares	Finance costs	Balance at 30 June 2018
2018	Number	49,842,413	-	-	(17,126,384)	-	32,716,029
	£'000s	72,622	-	-	(25,644)	4,288	51,266
2020	Number	39,000,000	-	-	-	-	39,000,000
	£'000s	48,704	-	-	-	3,236	51,940
2022	Number	50,000,000	-	-	-	-	50,000,000
	£'000s	52,452	-	-	-	3,421	55,873
2024	Number	-	50,000,000	-	-	-	50,000,000
	£'000s	-	50,000	(1,626)	-	1,653	50,027
2026	Number	-	25,000,000	-	-	-	25,000,000
	£'000s	-	25,000	(410)	-	223	24,813
Total	£'000s	173,778	75,000	(2,036)	(25,644)	12,821	233,919

		Balance at 30 June 2016	Issue of ZDP shares	Issue costs of ZDP shares	Redemption of 2016 ZDP shares	Finance costs	Balance at 30 June 2017
2016	Number	32,546,966	-	-	(32,546,966)	-	-
	£'000s	61,327	-	-	(62,744)	1,417	-
2018	Number	49,842,413	-	-	-	-	49,842,413
	£'000s	67,548	-	-	-	5,074	72,622
2020	Number	25,000,000	14,000,000	-	-	-	39,000,000
	£'000s	28,134	17,920	(345)	-	2,995	48,704
2022	Number	50,000,000	-	-	-	-	50,000,000
	£'000s	49,364	-	(123)	-	3,211	52,452
Total	£'000s	206,373	17,920	(468)	(62,744)	12,697	173,778

On 28 September 2017, UIL Finance announced plans for a rollover offer of 2018 ZDP Shares into 2024 ZDP Shares (the "Rollover Offer"); a placing of up to 30 million 2024 ZDP Shares (less the number of 2024 ZDP Shares arising on the conversion of 2018 ZDP Shares pursuant to the Rollover Offer); and a UIL Limited subscription of up to 20 million 2024 ZDP Shares.

Holders of 17,126,384 2018 ZDP Shares elected to roll over into the new 2024 ZDP Shares and 26,717,110 new 2024 ZDP were issued on the basis of each 2018 ZDP Share converting into 1.56 2024 ZDP Shares. UIL Finance placed 3,282,890 new 2024 ZDP Shares at 100 pence per share with certain institutional and other investors, raising gross proceeds of £3.3 million and issued 20 million 2024 ZDP Shares to UIL Limited.

The 50,000,000 new 2024 ZDP shares were admitted to the Official List and to trading on the London Stock Exchange on 2 November 2017.

UIL Limited held 20,000,000 2024 ZDP shares at 30 June 2018.

On 23 March 2018, UIL Finance published a prospectus in connection with the Initial Issue comprising the Initial Placing, Intermediaries Offer and Offer for Subscription of up to 25 million 2026 ZDP Shares and a Placing Programme of up to 25 million 2026 ZDP Shares (less the number of 2026 ZDP Shares issued pursuant to the Initial Issue).

### NOTES TO THE ACCOUNTS (CONTINUED)

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

UIL Finance raised gross proceeds of approximately £10.6 million through the issue of 10,616,760 new 2026 ZDP Shares at 100 pence per 2026 ZDP Share through the Initial Placing, Intermediaries Offer and Offer for Subscription. In addition, the remaining 14,383,240 new 2026 ZDP Shares were acquired by UIL at a price of 100 pence per 2026 ZDP Share.

The 25,000,000 2026 ZDP Shares were admitted to the Official List and to trading on the London Stock Exchange's main market on 26 April 2018.

In the period from 26 April 2018 to 30 June 2018, UIL sold 962,705 2026 ZDP shares in the open market, receiving £1.0m. UIL held 13,420,535 2026 ZDP shares at 30 June 2018.

#### 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 2018 was 156.78p (2017: 146.19p).

#### 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 2018 was 131.52p (2017: 122.64p).

#### 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 2018 was 113.01p (2017: 106.37).

#### 2024 ZDP shares

Based on the initial entitlement of a 2024 ZDP share of 100p on 2 November 2018, a 2024 ZDP share will have a final capital entitlement at the end of its life on 31 October 2024 of 138.35p equating to a 4.75% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2024 ZDP share as at 30 June 2018 was 103.10p (2017: n/a).

#### 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 151.10p equating to a 5.00% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2026 ZDP share as at 30 June 2018 was 100.87p (2017: n/a).

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

## UIL Finance Limited

### NOTES TO THE ACCOUNTS (CONTINUED)

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

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 2018 ZDP shares below 1.5 times and the Group's cover of the existing 2020 ZDP shares, 2022 ZDP shares, 2024 ZDP shares and 2026 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 2018 ZDP shares shall rank in priority to the 2020 ZDP shares, the 2022 ZDP shares, the 2024 ZDP shares and the 2026 ZDP shares;

(ii) the 2020 ZDP shares shall rank in priority to the 2022 ZDP shares, the 2024 ZDP shares and the 2026 ZDP shares;

(iii) the 2022 ZDP shares shall rank in priority to the 2024 ZDP shares and the 2026 ZDP shares; and

(iv) the 2024 ZDP shares shall rank in priority to the 2026 ZDP shares;

The entitlement of ZDP Shareholders of a particular class shall be determined in proportion to their holdings of ZDP shares of that class.

#### 8. Ordinary share capital

	Number	£
Authorised		
Ordinary shares of 10p each	10	1
Issued and nil paid		
Balance at 30 June 2018 and 30 June 2017	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 2017: £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, from 26 June 2018 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 (prior to 26 June 2018, the Group's ultimate parent undertaking was General Provincial Life Pension Fund Limited ("GPLPF") which is incorporated in Bermuda).

#### 10. Related party transactions

UIL Limited, GPLPFL, SIPTCL and the Board of the Company are considered related parties. Amounts owing from related parties are disclosed in the financial statements in note 6, ZDP shares issued to UIL Limited are disclosed in note 7 and interest receivable from related parties is disclosed in note 2.

**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
<b>30 June 2018</b>			
Exposure to fixed rates			
Zero dividend preference shares	(233,919)	(51,266)	(182,653)
Intra-group loan	233,919	233,919	-
Net exposures			
At year end	-	182,653	(182,653)
Maximum in year	-	182,653	(182,653)
Minimum in year	-	152,452	(152,452)
<b>30 June 2017</b>			
Exposure to fixed rates			
Zero dividend preference shares	(173,778)	-	(173,778)
Intra-group loan	173,778	173,778	-
Net exposures			
At year end	-	173,778	(173,778)
Maximum in year	-	173,778	(173,778)
Minimum in year	-	145,046	(145,046)

**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.

**2018 ZDP shares**

Based on their final entitlement of 160.52p per share, the final entitlement of the 2018 ZDP shares were covered 6.50 times by UIL Limited's gross assets on 30 June 2018. Should the gross assets fall by 84.6% 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 94.7%, equivalent to an annual fall of 100.0%, 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 3.71 times by UIL Limited's gross assets on 30 June 2018. Should gross assets fall by 73.1% 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 84.6%, equivalent to an annual fall of 55.1%, 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 2.44 times by UIL Limited's gross assets on 30 June 2018. Should gross assets fall by 59.0% over the remaining life of the 2022 ZDP shares, then the 2022 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 73.1%, equivalent to an annual fall of 26.1%, the 2022 ZDP shares would receive no payment at the end of their life

**2024 ZDP shares**

Based on their final entitlement of 138.35p per share, the final entitlement of the 2024 ZDP shares were covered 1.84 times by UIL Limited's gross assets on 30 June 2018. Should gross assets fall by 45.7% over the remaining life of the 2024 ZDP shares, then the 2024 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 59.0%, equivalent to an annual fall of 13.1%, 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 were covered 1.63 times by UIL Limited's gross assets on 30 June 2018. Should gross assets fall by 38.5% 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 45.7%, equivalent to an annual fall of 7.1%, the 2026 ZDP shares would receive no payment at the end of their life

None of the Company's financial liabilities is past due or impaired.

## UIL Finance Limited

### NOTES TO THE ACCOUNTS (CONTINUED)

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

##### 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:

	<b>2018</b>	2017
	<b>£'000s</b>	£'000s
2018 ZDP shares	<b>52,182</b>	77,131
2020 ZDP shares	<b>55,575</b>	54,748
2022 ZDP shares	<b>62,250</b>	59,750
2024 ZDP shares	<b>53,750</b>	-
2026 ZDP shares	<b>25,563</b>	-

##### 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. 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.