

Utilico Finance Limited

Report and accounts for the year to 30 June 2015

Utilico Finance Limited

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Utilico Finance Limited

Company Directory

Registered Office	19 Par-la-Ville Hamilton HM 11 Bermuda
Directors	Dr Roger Urwin, CBE (Chairman) (retiring 16 November 2015) Peter Burrows, AO Graham Cole, CBE (retiring 16 November 2015) Warren McLeland Eric St C 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	Utilico Investments Limited

Utilico 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, Utilico Investments 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 Utilico Investments Limited and as joint investment 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. Utilico Investments 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 2015, the parent company had net assets of £166,558,000 (2014: £164,455,000) 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 21 September 2015.

ICM Investment Management Limited
Company Secretary

Utilico Finance Limited

Report of the Directors

The Directors present their report and the financial statements of the Company for the year ended 30 June 2015.

Principal activity and status

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 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.

The Company has not declared a dividend in respect of the year ended 30 June 2015 as it has no profit to distribute.

Issue of new 2020 ZDP shares

The Company created a new class of ZDP, which is repayable on 31 October 2020. Pursuant to a rollover offer made to the holders of the 2014 ZDPs and to a placing, it issued 25 million new 2020 ZDPs on 31 July 2014, as follows:

- Rollover Offer
Further to the Rollover Offer, valid elections were received from holders of a total of 9,382,718 2014 ZDP Shares (representing approximately 19.8% of the total number of 2014 ZDP Shares in issue). In accordance with the terms and conditions of the Rollover Offer, UFL issued 15,504,888 new 2020 ZDP Shares, on the basis of each 2014 ZDP Share converting into 1.6525 2020 ZDP Shares.
- Initial Placing
UFL also placed 9,495,112 new 2020 ZDP Shares at 100p per share with certain institutional and other investors raising gross proceeds of approximately £9.5 million.

Redemption of the 2014 ZDP shares

The 38,117,282 outstanding 2014 ZDP Shares were redeemed in full on 31 October 2014 at 167.60p per share.

Report of the Directors (continued)

Directors

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

Dr Roger Urwin (Chairman)

Peter Burrows

J. Michael Collier (resigned 11 September 2014)

Graham Cole (appointed 11 September 2014)

Warren McLeland

Eric Stobart

Since the year end, Dr Urwin and Mr Cole have advised that they will be retiring from the Board at the Annual General Meeting in November. The Board has elected Mr Burrows to succeed Dr Urwin as Chairman and is reviewing its composition and intends to appoint additional Directors in due course.

Directors' Disclosures

At 30 June 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 year or since the year end.

Re-election of Directors

Mr Stobart will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election (Resolution 3). Mr McLeland retires annually and will do so at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election (Resolution 4).

The Board has considered the re-election of Mr Stobart and Mr McLeland 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.

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.

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.

Report of the Directors (continued)

Ordinary shares of Utilico Investments Limited

Ordinary shares of Utilico Investments Limited rank behind the ZDP shares on a winding up of the Company and Utilico Investments Limited, together referred to as the Group (save for any undistributed revenue reserves of Utilico Investments Limited on a winding up).

Auditor

KPMG LLP ("KPMG") was the Company's auditor for the year ended 30 June 2015 and was responsible for the audit of these accounts.

Audit fees relating to the year amounted to £4,000 (2014: £7,000) and were settled by the parent company, Utilico Investments Limited.

No fees were paid or payable to KPMG for non-audit work for the year under review (2014: £nil).

**By order of the Board
ICM Investment Management Limited,
Secretary
21 September 2015**

Utilico 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 2015 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 Utilico Investments Limited website, www.utilico.bm, 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 21 September 2015 and signed on its behalf by:

Dr R J Urwin
Chairman

Utilico Finance Limited

Income Statement

	Note	Year to 30 June 2015 £'000s	Year to 30 June 2014 £'000s
Interest income	2	13,237	14,380
Total income		13,237	14,380
Other expenses		-	-
Profit before finance costs and taxation		13,237	14,380
Finance costs	3	(13,237)	(14,380)
Profit before tax		-	-
Taxation		-	-
Profit for the year		-	-
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.

Utilico Finance Limited

Balance Sheet

At 30 June

	Note	2015 £'000s	2014 £'000s
Current assets			
Other receivables	6	172,441	214,164
Current liabilities			
Zero dividend preference shares	7	-	(77,809)
Total assets less current liabilities		172,441	136,355
Non-current liabilities			
Zero dividend preference shares	7	(172,441)	(136,355)
Net assets		-	-
Equity attributable to equity holders			
Ordinary share capital	8	-	-

Approved by the Board on 21 September 2015 and signed on its behalf by

Dr RJ Urwin
Chairman

E St C Stobart
Director

Utilico Finance Limited

Notes to the Accounts for the year to 30 June 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.

Utilico Finance Limited

Notes to the Accounts (continued)

(h) Inter company loan

Utilico Investments 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

	2015	2014
	£'000s	£'000s
Loan to parent company - interest receivable	13,237	14,380

3. Finance costs

	2014	2014
	£'000s	£'000s
ZDP shares	13,237	14,380

4. Earnings per share

The calculation of earnings per share is based on a profit after tax for the period of £nil (2013: £nil) and a weighted average number of 10 ordinary shares in issue during the year (2013: 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

	2015	2014
	£'000s	£'000s
Loan to parent company - Utilico Investments Limited	172,441	214,164

The loan is repayable on demand.

Utilico Finance Limited

Notes to the Accounts (continued)

7. Zero dividend preference shares

	30 June	30 June
	2015	2014
	£'000s	£'000s
ZDP shares – current liabilities		
2014 ZDP shares	-	77,809
ZDP shares – non-current liabilities		
2016 ZDP shares	83,493	77,928
2018 ZDP shares	62,816	58,427
2020 ZDP shares	26,132	-
	172,441	136,355
Total ZDP shares liabilities	172,441	214,164

Authorised ZDP shares of the Company at 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

Authorised ZDP shares of the Company at 30 June 2014 were 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	50,000,000	5,000
ZDP shares of 5.9319p each		
2018 ZDP shares	49,842,413	2,956

On 1 July 2014 the authorised share capital of the Company was increased from £19,015,822.10 to £22,121,862.10 by the creation of a further 10,000,000 2016 ZDP shares, a further 10,000,000 2018 ZDP shares and 25,000,000 2020 ZDP shares of a nominal value of 6.0514p each.

Utilico Finance Limited

Notes to the Accounts (continued)

7. Zero dividend preference shares (continued)

ZDP shares issued by the Company are as follows:

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)
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

30 June 2014	Number	2014 £'000s	Number	2016 £'000s	Number	2018 £'000s	Total £'000s
Balance at 30 June 2013	47,500,000	72,705	47,500,000	72,734	49,842,413	54,345	199,784
Finance costs	-	5,104	-	5,194	-	4,082	14,380
Balance at 30 June 2014	47,500,000	77,809	47,500,000	77,928	49,842,413	58,427	214,164

Utilico Finance Limited

Notes to the Accounts (continued)

7. Zero dividend preference shares (continued)

Pursuant to the rollover offer made to the holders of the 2014 ZDPs and to a placing, published by the Company on 2 July 2014, shareholders in respect of a total of 9,382,718 2014 ZDP shares elected to rollover to 2020 ZDP shares. 15,504,888 new 2020 ZDP Shares were issued on 31 July 2014, on the basis of each 2014 ZDP Share converting into 1.6525 2020 ZDP Shares. UFL placed 9,495,112 new 2020 ZDP Shares at 100p per share on 31 July 2014, raising gross proceeds of £9.5 million.

The 25,000,000 new 2020 ZDP shares were admitted to the Official List and to trading on the London Stock Exchange on 31 July 2014.

The Board closed the Placing Programme as described in the Prospectus dated 2 July 2014 on 15 September 2014.

On 31 October 2014 the remaining 38,117,282 2014 ZDP shares that were in issue, were redeemed at 167.60p per 2014 ZDP share.

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 2015 was 175.55p (2014: 163.70p).

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 2015 was 127.09p (2014: 118.50p).

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 106.61p (2014: not applicable).

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 Utilico Investments Limited but in priority to the ordinary shares of the Company and Utilico Investments Limited save in respect of certain winding up revenue profits of Utilico Investments 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.

Utilico Finance Limited

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 Utilico Investments 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 30 June 2015 and 30 June 2014	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 2014: £nil) based on 10 shares in issue.

9. Parent company

Utilico Investments 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 Utilico Investments Limited.

10. Related party transactions

Utilico Investments 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.

Utilico 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	Within	More than
	£'000s	one year	one year
		£'000s	£'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)
30 June 2014			
Exposure to fixed rates			
Zero dividend preference shares	(214,164)	(77,809)	(136,355)
Intra-group loan	214,164	214,164	-
Net exposures			
At year end	-	136,355	(136,355)
Maximum in year	-	204,159	(204,159)
Minimum in year	-	130,888	(130,888)

Utilico Finance Limited

Notes to the Accounts (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 2.95 times by Utilico Investments Limited's gross assets on 30 June 2015. Should gross assets fall by 66.1% 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 90.7%, equivalent to an annual fall of 83.1%, 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 1.80 times by Utilico Investments Limited's gross assets on 30 June 2015. Should the gross assets falls by 44.5% 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 66.1%, equivalent to an annual fall of 27.7%, 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 1.52 times by Utilico Investments Limited's gross assets on 30 June 2015. Should gross assets fall by 34.1% 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 44.5%, equivalent to an annual fall of 10.4%, 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 at 30 June were:

	2015	2014
	£'000s	£'000s
2014 ZDP shares	-	77,273
2016 ZDP shares	87,044	84,137
2018 ZDP shares	68,409	63,923
2020 ZDP shares	27,125	-

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.

Independent Auditor's Report To The Members Of Utilico Finance Limited

We have audited the financial statements of Utilico Finance Limited for the year ended 30 June 2015 set out on pages 8 to 17. 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 2015 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 2015 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;

Jatin Patel
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
21 September 2015