

**UIL Finance Limited**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2023**

# UIL Finance Limited

## REPORT AND ACCOUNTS for the year ended 30 June 2023

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## UIL Finance Limited

### COMPANY DIRECTORY

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Directors	Peter Burrows, AO (Chairman) Stuart Bridges Alison Hill David Shillson
Company Number	39479
Legal Entity Identifier	213800JPJWZ5P3QJX538
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom
Date of Formation	17 January 2007
Nature of Business	Closed end investment company
Ordinary Shareholder and Parent Company	UIL Limited

# UIL Finance Limited

## STRATEGIC REPORT

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

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

### Objective

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

### Investment policy

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

### Regulatory and competitive environment

The Company is obliged to comply with Bermuda law, the Listing Rules of the Financial Conduct Authority and United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRSs"). The Company is exempt from taxation, except insofar as it is withheld from income received. Under Bermuda law, the Company may not distribute income by way of a dividend unless, after distribution of the dividend, the realisable value of the Company's assets would be greater than the aggregate of its liabilities. ICM Investment Management Limited ("ICMIM") is the Alternative Investment Fund Manager of UIL Limited and joint investment manager with ICM Limited ("ICM"). ICM is the company secretary.

### Strategy for achieving objectives

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

### Principal risks

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. As at 30 June 2023, the parent company had net assets of £167,078,000 (2022: £218,507,000) after providing for amounts due to ZDP shareholders. Details of the ZDP shares are set out in note 7 to the accounts.

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

### Key Performance Indicators

The Board assesses the Company's success in pursuing its objectives in the ability to provide for the amounts due to the ZDP shareholders which is based on the ability of its parent company to repay the intra-group loan to the Company. The KPIs for the parent company can be found in UIL Limited's Annual Report.

This Strategic Report was approved by the Board of Directors on 22 September 2023.

### ICM Limited

**Company Secretary**  
**22 September 2023**

## UIL Finance Limited

### DIRECTORS' REPORT

The Directors present their report and accounts of the Company for the year ended 30 June 2023.

#### Principal activity and status

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

#### Corporate Governance

Bermuda does not have its own corporate governance code and, since the Company has a Standard Listing on the Official List of the Financial Conduct Authority, the Company is not required to comply or provide an explanation for any non-compliance with the UK Corporate Governance Code issued by the Financial Reporting Council.

The Board meets at least twice a year to consider strategic affairs and to approve the half yearly report and the annual report and accounts.

In the Directors' opinion, the interests of the Company and its shareholders are adequately covered by the governance procedures applicable to its parent company, UIL Limited. For example, UIL Limited's Audit & Risk Committee considers the financial reporting procedures and oversees the internal control and risk management systems for the Group as a whole and the Directors see no benefit in convening a separate Audit Committee or any other committee for the Company. An overview of the Group's internal control and risk management systems are set out in UIL Limited's report and accounts.

#### Board Diversity

Listing Rule 14.3.33R requires companies to report against the following three diversity targets:

- (i) At least 40% of individuals on the board are women;
- (ii) At least one of the senior board positions (defined in the Listing Rules as the chair, CEO, SID and CFO) is held by a woman; and
- (iii) At least one individual on the board is from a minority ethnic background.

As at 30 June 2023, the Company's Board consists of three men and one woman, all of whom are White British or other White, and UIL Finance does not comply with targets (i) and (iii). As provided for in the Listing Rules, investment companies do not need to report against target (ii) if it is inapplicable. The Board believes that, since UIL Finance is an investment company which does not have executive management functions, including the roles of CEO or CFO, this target is not applicable.

The Board has chosen to align its diversity reporting reference date with the Company's financial year end. Whilst the current composition of the Board does not satisfy targets (i) and (iii), the Board will continue to have regard to boardroom diversity, including gender and ethnicity, during its consideration of succession planning and future Board appointments.

#### Results and Dividends

The results for the year are set out in the attached accounts which are prepared on a going concern basis and as set out in note 13, the Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the Company can continue to operate due to the contractual obligation of the parent company to ensure that UIL Finance is able to redeem the ZDP shares on each repayment date and the Directors are comfortable that the parent company has the financial resources to do so.

The Company has not declared a dividend in respect of the year ended 30 June 2023 (2022: nil).

## **Directors**

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

Peter Burrows (Chairman)

Stuart Bridges

Alison Hill

David Shillson

Christopher Samuel retired from the Board on 31 May 2023.

## **Directors' Disclosures**

As at 30 June 2023, no Director had any interest in the Company's shares (2022: 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**

The Company's Bye-laws require that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter. However, the directors have voluntarily agreed to be subject to annual re-election. Consequently, at the forthcoming AGM Mr Burrows, Mr Bridges, Ms Hill and Mr Shillson will stand 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 election and 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.

## **Zero dividend preference shares**

Full details of the changes to the Company's authorised and issued zero dividend preference shares during the year can be found in note 7 to the accounts.

## **Ordinary Share Capital**

Full details of the changes to the Company's authorised and issued ordinary share capital during the 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 2023 and was responsible for the audit of these accounts.

Audit fees relating to the year amounted to £7,500 (2022: £7,500) 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 (2022: £nil).

**Audit Information and Auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**By order of the Board**

**ICM Limited,  
Secretary  
22 September 2023**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES in respect of the Report and Accounts**

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

The Directors are required to prepare Company financial statements for each financial year. They have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards and applicable 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 the 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 UK adopted International Accounting Standards;
- 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 and Bermuda 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 Strategic Report and Director' Report include a fair review of the development and performance of the business and the position of the Company, 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 22 September 2023 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 financial statements of UIL Finance Limited (“the Company”) for the year ended 30 June 2023 which comprise the Income Statement, Statement of Changes in Equity, Statement of Cash flows, Statement of Financial Position, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 30 June 2023 and of its result for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards.

### **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.

We have fulfilled our ethical responsibilities under, and we are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements 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 matter, (unchanged from 2022), in arriving at our audit opinion above. This matter was addressed, in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

	<b>The risk</b>	<b>Our response</b>
<p><b>Recoverability of loan to Parent Company</b></p> <p>(£98.2 million, 2022: £144.2 million)</p> <p><i>Refer to page 16 (accounting policy) and page 17 (financial disclosures)</i></p>	<p><b>Low risk, high value</b></p> <p>The carrying amount of the Loan to parent company balance represents 100% (2022:100%) of the Company’s total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the financial statements, this is considered to be the area that had the greatest effect on our overall audit.</p>	<p>We performed the tests below rather than seeking to rely on any of the Company’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <p><b>Tests of detail:</b> Assessing 100% of the debtor to identify, with reference to the Parent Company’s financial statements, whether the Parent Company has a positive net asset value and therefore coverage of the debt owed, as well as assessing whether the Parent Company has historically been profit-making; and</p>

		<p><b>Assessing the Parent Company audit:</b> Assessing the work performed by the Parent Company audit team, and considering the results of that work, on those net assets, including assessing the liquidity of the assets and therefore the ability to fund the repayment of the receivable.</p>
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### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £0.98 million (2022: £1.4 million), determined with reference to a benchmark of total assets, of which it represents 1% (2022: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £0.73 million (2022: £1.0 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Board any corrected or uncorrected identified misstatements exceeding £0.05 million (2022: £0.07 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.

### 4 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability operate over this period were:

- Recoverability of the debt due from the Parent Company (UIL Limited), to meet the Zero Dividend Preference Shares (ZDP shares) liabilities.

We considered whether this risk could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Parent Company's liquid investment position (and the results of a reverse stress test).

We considered whether the going concern disclosure in note 1(a) and note 13 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1(a) and note 13 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## **5 Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Directors, and the Company's Investment Manager;
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non judgemental and straightforward, with limited opportunity for manipulation.

We performed procedures including:

- Evaluating the design and implementation of the controls over journal entries and other adjustments;
- Enquiring of the Investment Manager about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and
- Identifying and testing all material post closing journal entries by comparing the selected entries to supporting documentation.

We did not identify significant unusual transactions or any additional fraud risks.

### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and the Investment Manager, (as required by auditing standards), and discussed with the Directors and the Investment Manager the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and financial reporting aspects of relevant listing regulations, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation, and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and Investment Manager and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **6 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 financial statements. Our opinion on the financial statements 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 financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

## **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 financial statements including being satisfied that they give a true and fair view; 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; 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 financial statements as a whole are free from material misstatement, whether due to fraud 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 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 financial statements.

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).

## **9 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.

**John Waterson**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

20 Castle Terrace

Edinburgh

EH1 2EG

22 September 2023

**INCOME STATEMENT**

		<b>Year to 30 June 2023 £'000s</b>	Year to 30 June 2022 £'000s
	Note		
Income	2	<b>6,260</b>	7,988
<b>Total income</b>		<b>6,260</b>	7,988
Other expenses		-	-
Profit before finance costs and taxation		<b>6,260</b>	7,988
Finance costs	3	<b>(6,260)</b>	(7,988)
<b>Result before taxation</b>		-	-
Taxation		-	-
<b>Result for the year</b>		-	-
<b>Earnings per share – pence</b>		-	-

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.

The notes on pages 15 to 23 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

There are no movements in equity.

**STATEMENT OF CASH FLOWS**

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

## UIL Finance Limited

### STATEMENT OF FINANCIAL POSITION

As at 30 June	Note	2023 £'000s	2022 £'000s
<b>Non-current assets</b>			
Other receivables	6	98,222	93,079
<b>Current assets</b>			
Other receivables	6	-	51,166
<b>Current liabilities</b>			
Zero dividend preference shares	7	-	(51,166)
<b>Total assets less current liabilities</b>		<b>98,222</b>	<b>93,079</b>
<b>Non-current liabilities</b>			
Zero dividend preference shares	7	(98,222)	(93,079)
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>Equity attributable to equity holders</b>			
Ordinary share capital	8	-	-

Approved by the Board on 22 September 2023 and signed on its behalf by

Peter Burrows  
Chairman

The notes on pages 15 to 23 form part of these financial statements.

### NOTES TO THE ACCOUNTS for the year to 30 June 2023

#### 1. Accounting policies

The Company is an investment company incorporated in Bermuda on 17 January 2007.

##### (a) Basis of accounting

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

There have been no significant changes to the accounting policies during the year to 30 June 2023.

A number of new standards and amendments to standards and interpretations, which have not been applied in preparing these accounts, were in issue but not effective. None of these are expected to have a material effect on the accounts of the Company.

##### (b) Zero dividend preference shares

The ZDP shares, due to be redeemed on 31 October 2024, 2026 and 2028, at a redemption value, including accrued capitalised returns of 138.35 pence per share, 151.50 pence per share and 152.29 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of the Company to deliver to their holders a fixed and determinable amount at the redemption date. They are accordingly accounted for at amortised cost, using the effective interest method as per the requirements of IFRS 9 "Financial Instruments", even though under Bermuda company law ZDP shares are required to be recognised as share capital in the Company.

##### (c) Cash flow statement

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

##### (d) Foreign currency

The functional and reporting currency is pounds sterling because the Company's ZDP share capital was raised, and will be repaid, in pounds sterling, and has been lent to, and will be repaid, by the parent company, in that currency.

##### (e) Income

###### (i) Interest income

Interest on debt is accrued on a time basis using the effective interest method, calculated by accreting the initial recognition of the inter-company loan at present value (loan and contribution by the parent) to the final amount receivable at maturity.

###### (ii) Other income

The parent's contribution towards the issue costs of the ZDP shares and redemption proceeds is accrued on a time basis, calculated by amortising the issue costs over the life of the loan.

##### (f) Expenses

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

##### (g) Finance costs

Finance costs are accounted for on an effective interest method.



### NOTES TO THE ACCOUNTS (CONTINUED)

#### 1. Accounting policies (continued)

##### (h) Inter company loans

UIL Limited has undertaken (i) to repay any interest free loan, and (ii) to reimburse the Company (by way of payment in advance, if required) any and all costs, expenses, fees or interest the Company incurs or is otherwise liable to pay to the holder of the ZDP shares so as to enable the Company to pay the final capital entitlement of each class of ZDP share on their respective redemption date. The amount owed in the accounts is based on the entitlements of the ZDP shareholders at the relevant date. The inter company loans are accordingly accounted for at amortised cost, using the effective interest method and were assessed for credit risk under the new IFRS 9 methodology and evaluated as having no significant credit risk. Therefore, no amounts were recognised as an impairment provision.

##### (i) Use of judgements, estimates and assumptions

The presentation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. Actual results may differ from these estimates. The area requiring the most significant judgement and estimation in the preparation of the financial statements is the accounting through the Income Statement of the parent contribution to UIL Finance to enable UIL Finance to repay the ZDP shareholders on each repayment date. The parent's contribution towards the issue cost of the ZDP shares and redemption proceeds has been treated through the Income Statement and recognised over the life of the loan as UIL Finance provides financing services to UIL Limited and in return is due to receive reimbursement of any costs and expense as and when they fall due. The policy for interest income, including the allocation and recognition of the parent contributions, is set out in note 1(e) to the accounts.

#### 2. Income

	2023	2022
	£'000s	£'000s
Interest income	5,910	7,595
Other income	350	393
	<b>6,260</b>	<b>7,988</b>

#### 3. Finance costs

	2023	2022
	£'000s	£'000s
ZDP shares	<b>6,260</b>	<b>7,988</b>

#### 4. Earnings per share

The calculation of earnings per share is based on a result after tax for the period of £nil (2022: £nil) and a weighted average number of 10 ordinary shares in issue during the year (2022: 10 ordinary shares in issue during the year).

#### 5. Dividends

There were no dividends paid or declared in respect of the year (2022: nil).

## UIL Finance Limited

### NOTES TO THE ACCOUNTS (CONTINUED)

#### 6. Other receivables

	2023	2022
	£'000s	£'000s
Loan to parent company - UIL Limited		
- Receivable within one year	-	51,166
- Receivable after more than one year	98,222	93,079
	<b>98,222</b>	<b>144,245</b>

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

#### 7. Zero dividend preference shares

	30 June	30 June
	2023	2022
	£'000s	£'000s
<b>ZDP shares – current liabilities</b>		
2022 ZDP shares	-	51,166
<b>ZDP shares – non-current liabilities</b>		
2024 ZDP shares	38,765	36,833
2026 ZDP shares	31,979	30,397
2028 ZDP shares	27,478	25,849
	<b>98,222</b>	<b>93,079</b>
<b>Total ZDP shares liabilities</b>	<b>98,222</b>	<b>144,245</b>

Authorised ZDP shares of the Company as at 30 June 2023 and 30 June 2022 are as follows:

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

NOTES TO THE ACCOUNTS (CONTINUED)

7. Zero dividend preference shares (continued)

ZDP shares issued by the Company are as follows:

Year to 30 June 2023

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

Year to 30 June 2022

		Balance as at 30 June 2021	Finance costs	Balance as at 30 June 2022
2022	Number	35,569,069	-	35,569,069
	£'000s	48,052	3,114	51,166
2024	Number	30,000,000	-	30,000,000
	£'000s	34,996	1,837	36,833
2026	Number	25,000,000	-	25,000,000
	£'000s	28,893	1,504	30,397
2028	Number	25,000,000	-	25,000,000
	£'000s	24,316	1,533	25,849
Total	£'000s	136,257	7,988	144,245

On 31 October 2022 the 35,569,069 2022 ZDP shares that were in issue were redeemed at 146.99p per 2022 ZDP share.

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

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

**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 2023 was 130.04p (2022: 124.14p).

**2026 ZDP shares**

Based on the initial entitlement of a 2026 ZDP share of 100p on 26 April 2018, a 2026 ZDP share will have a final capital entitlement at the end of its life on 31 October 2026 of 151.50p equating to a 5.00% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2026 ZDP share as at 30 June 2023 was 128.75p (2022: 122.62p).

**NOTES TO THE ACCOUNTS (CONTINUED)**

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

**2028 ZDP shares**

Based on the initial entitlement of a 2028 ZDP share of 100p on 23 April 2021, a 2028 ZDP share will have a final capital entitlement at the end of its life on 31 October 2028 of 152.29p equating to a 5.75% per annum gross redemption yield. The capital entitlement (excluding issue costs) per 2028 ZDP share as at 30 June 2023 was 113.02p (2022: 106.87p).

The ZDP shares are admitted to the standard segment of the Official List and to trading on the London Stock Exchange and are stated at amortised cost using the effective interest method. The ZDP shares carry no entitlement to income however they have a pre-determined final capital entitlement which ranks behind all other liabilities and creditors of the Company and UIL Limited but in priority to the ordinary shares of the Company and UIL Limited save in respect of certain winding up revenue profits of UIL Limited.

The growth of each ZDP share accrues daily and is reflected in the return and net asset value per ZDP share on an effective interest method. The ZDP shares do not carry any voting rights at general meetings of the Company. However the Company will not be able to carry out certain corporate actions unless it obtains the separate approval of the ZDP shareholders (treated as a single class) at a separate meeting. Separate approval of each class of ZDP shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind up the Company. In addition the approval of ZDP shareholders by the passing of a special resolution at separate class meetings of the ZDP shareholders is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of the ZDP shares and in relation to any proposal by the Company or its parent company which would reduce the Group's cover of the existing ZDP shares below 1.35 times.

On a liquidation of UIL Limited and/or the Company, to the extent that the relevant classes of ZDP shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their accrued capital entitlement as at the date of liquidation:

- (i) the 2024 ZDP shares shall rank in priority to the 2026 ZDP shares and the 2028 ZDP shares; and
- (ii) the 2026 ZDP shares shall rank in priority to the 2028 ZDP shares.

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

**8. Ordinary share capital**

	Number	£
Authorised		
Ordinary shares of 10p each	<b>10</b>	<b>1</b>
Issued and nil paid		
Balance as at 30 June 2023 and 30 June 2022	<b>10</b>	-

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 2022: £nil) based on 10 shares in issue.

## UIL Finance Limited

### NOTES TO THE ACCOUNTS (CONTINUED)

#### 9. Parent company

UIL Limited, incorporated in Bermuda, is the parent company of the Company, holding 100% of the nil paid ordinary shares.

In the opinion of the Directors, the Company's ultimate parent undertaking is Somers Isles Private Trust Company Limited ("SIPTCL"), a company incorporated in Bermuda and owned by Mr Duncan Saville.

#### 10. Related party transactions

UIL Limited, SIPTCL, General Provincial Life Pension Fund Limited which holds 65.4% of UIL Limited shares and ultimately controlled by 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 from related parties is disclosed in note 2.

#### 11. Operating Segments

The Directors are of the opinion that the Company's activities comprise a single business segment of financing the Company's ZDP shares debt by lending 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 Statement of Financial Position carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with UK adopted IFRSs and best practice and include the valuation of financial assets at fair value and the ZDP shares and the inter-company loan 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
30 June 2023	£'000s	£'000s	£'000s
Exposure to fixed rates			
Zero dividend preference shares	(98,222)	-	(98,222)
Intra-group loan	98,222	-	98,222
Net exposures			
At year end	-	-	-
Maximum in year	-	-	-
Minimum in year	-	-	-

NOTES TO THE ACCOUNTS (CONTINUED)

12 Financial Risk Management (continued)

30 June 2022	Total £'000s	Within one year £'000s	More than one year £'000s
Exposure to fixed rates			
Zero dividend preference shares	(144,245)	(51,166)	(93,079)
Intra-group loan	144,245	51,166	93,079
Net exposures			
At year end	-	-	-
Maximum in year	-	-	-
Minimum in year	-	-	-

**Credit Risk exposure**

The Company is exposed to potential failure by its parent company to settle the ZDP share liability on behalf of the Company on the respective repayment dates. The Board assesses this risk at each Board meeting.

**2024 ZDP shares**

Based on their final entitlement of 138.35p per share, the final entitlement of the 2024 ZDP shares was covered 3.57 times by UIL Limited's gross assets as at 30 June 2023. Should gross assets fall by 72.0% 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 85.4%, equivalent to an annual fall of 76.2%, the 2024 ZDP shares would receive no payment at the end of their life.

**2026 ZDP shares**

Based on their final entitlement of 151.50p per share, the final entitlement of the 2026 ZDP shares was covered 2.49 times by UIL Limited's gross assets as at 30 June 2023. Should gross assets fall by 59.8% over the remaining life of the 2026 ZDP shares, then the 2026 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 72.0%, equivalent to an annual fall of 31.7%, the 2026 ZDP shares would receive no payment at the end of their life.

**2028 ZDP shares**

Based on their final entitlement of 152.29p per share, the final entitlement of the 2028 ZDP shares was covered 1.90 times by UIL Limited's gross assets as at 30 June 2023. Should gross assets fall by 47.5% over the remaining life of the 2028 ZDP shares, then the 2028 ZDP shares would not receive their final entitlements in full. Should gross assets fall by 59.8%, equivalent to an annual fall of 15.7%, the 2028 ZDP shares would receive no payment at the end of their life.

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

**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 Statement of Financial Position at fair value except for the ZDP shares and the inter-company loan which are carried at amortised cost using effective interest method in accordance with IFRS 9, or at a reasonable approximation thereof.

The fair values of the ZDP shares based on their quoted market value as at 30 June were:

	<b>2023</b>	2022
	<b>£'000s</b>	£'000s
2022 ZDP shares	-	51,219
2024 ZDP shares	<b>37,050</b>	36,750
2026 ZDP shares	<b>28,625</b>	28,875
2028 ZDP shares	<b>24,125</b>	24,750

The fair value of the inter-company loan is £89,800,000 (2022: £141,594,000).

**Capital risk management**

The objective of the Company is to finance and fund the redemption value of the ZDP shares. The Board has a responsibility for ensuring the Company's ability to continue as a going concern and to meet the redemption of the ZDP shares. This is dependent on the asset performance of the parent company. At 30 June 2023, the parent company had net assets of £167,078,000 (2022: £218,507,000) after providing for amounts due to ZDP shareholders.

**13. Going Concern**

The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the Company can continue to operate due to the contractual obligation of the parent company to ensure that UIL Finance is able to redeem the ZDP shares on each repayment date and the Directors are comfortable that the parent company has the financial resources to do so.

The Board considered the parent company's going concern assessment which focussed on the forecast liquidity of the Group for 12 months from the date of approval of the financial statements. This analysis assumes that the parent company will meet some of its short term obligations through the sale of listed securities, which represented 20.5% of the parent company's total portfolio as at 30 June 2023. As part of this assessment the board of the parent Company has considered a severe but plausible downside that reflects the impact of the key risks set out in the Strategic Report and an assessment of the parent company's ability to meet its liabilities as they fall due (including the loan liabilities), assuming a significant reduction in asset values and accompanying currency volatility.

The severe but plausible downside assumes a breach of bank loan covenants leading to the repayment of bank loan liabilities and a significant reduction in asset values in line with that experienced during the emergence of the COVID 19 pandemic in the first quarter of 2020. The parent company board also considered reverse stress testing to identify the reduction in the valuation of liquid investments that would cause the Group to be unable to meet its net current liabilities, being primarily the bank loan of £37,500,000, net bank overdraft of £2.6m and loan from Union Mutual Pension Fund Limited of £5.2m (repaid since the year end). The parent company board is confident that the reduction in asset values implied by the reverse stress test is not plausible even in the current volatile environment.

As at the year end, the parent company had a £37.5m multicurrency loan facility with Bank of Nova Scotia expiring on 19 September 2023. Subsequent to the year end, the parent company has extended the facility until 19 March 2024, the facility reducing to £25m on 19 September 2023, £20m by 31 October 2023, £15m by 31 December 2023, £10m by 19 February 2024 and fully repaid by 19 March 2024. The outstanding debt will be repaid when due from portfolio realisations.

The 2024 ZDP shares final liability of £41.5m is repayable on 31 October 2024, the parent company will manage this debt from portfolio realisations.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the Board considers it appropriate to continue to adopt the going concern basis in preparing the accounts.