UCP PLC

Report and Financial Statements

For the year ended
31 March 2018

Contents

Chairman's Statement

The Company's principal activities continue to be pursuing the recovery of monies owed to the Company. The length of the future life of the Company will be dictated by the time it takes to resolve these matters.

As I said last year, I am conscious that some of what I write below is repeating previous reports, but I do so here to avoid referring you to earlier reports and letters.

Recovery of deposits from SREI and Aten; losses caused by Nectrus

In November 2014 we closed the sale of our principal subsidiary, Candor, to Brookfield. The value received was impaired by £15.8 million, being the sterling value at the time of UCP's interest in monies deposited by SPVs with Indian financial institutions SREI Infrastructure Finance Limited and Aten (Aten Capital and Aten PM), which were not repaid as due or when demanded. The £15.8 million reflected this Company's 60% share in the value of the deposits, through our shareholdings in the two SPVs which had placed the deposits. The SPA with Brookfield provided that in the event these monies were not repaid before closing, as proved to be the case, the sale consideration would be reduced by the value of the missing amounts, and the SPA also provided a mechanism for the future recovery of these amounts.

The Board believes the placing of the deposits represented breaches by Nectrus of duties and obligations owed to the Company, including under the Investment Management Agreement. Accordingly, UCP withheld £18.2 million from Nectrus in the subsequent January 2015 distribution, being the contemporary estimate of the value of the missing deposits, related interest, and the likely cost of recovery.

The actions to recover the deposits, including interest, have consisted of: (i) providing assistance to the relevant SPVs in their claims for recovery through arbitrations in India (as required by the various deposit agreements) and (ii) UCP's separate claim against Nectrus in the English Courts. The former were pursued seeking to mitigate UCP's loss, the outcomes of which will help to define UCP's ultimate losses, and this has dictated the timetable of our actions.

Arbitrations in India

As previously reported, in the arbitration of Aten PM the sole Arbitrator found against the SPVs despite abundant evidence of the unsuitability of the investments said to have been made. We believe that Aten PM has no material accessible assets, and therefore the SPVs have not pursued a challenge.

In the arbitration with Aten Capital, the sole Arbitrator found in favour of the relevant SPV and the award required payment of the monies claimed together with interest, the majority of which had previously been secured by a payment into the Indian Court. This is by far the smallest of the three deposits, but an amount of £270k reflecting UCP's 60% interest has been received by UCP.

In the arbitration with SREI, the sole Arbitrator found in favour of the SPV. The awards require SREI to repay the monies deposited, with significant interest and some costs. To date, SREI

has failed to pay any of the amounts awarded, despite demand. SREI has also failed to comply with an order of the Indian Court that it provide security by payment into court of half of the outstanding award amount and a contempt petition has been filed. SREI has filed a challenge to the award and the Indian Court has granted a stay of the award conditional on SREI paying into court, in cash, the full amount of the award (not including costs or interest) by 13 August 2018. If the challenge does proceed, the Indian Arbitration Act provides that it should be resolved within a year of commencement of the challenge, although in practice that period may be longer.

Claims by Nectrus

Nectrus originally sought payment of the withheld distribution by an action in Cyprus, where it is based. This claim was subsequently abandoned by Nectrus, who were required to pay a very small amount of costs to UCP.

In India, Nectrus sought an injunction against all of UCP, the SPVs, Aten and SREI (among others) including to prevent the repayment of the deposit monies, founded on the action in Cyprus. Having abandoned the Cyprus action, Nectrus have sought the permission of the Indian Courts to substitute a new Isle of Man action (see below) as the foundation. The decision of the Indian Courts on whether such a substitution is permitted, and indeed whether the claim for an injunction can proceed at all, has been delayed on a number of occasions, and is still awaited.

As referred to above, for admitted tactical reasons in support of their claim for an injunction in India, Nectrus commenced a claim on the Isle of Man (where UCP is based) despite the Investment Management Agreement having a non-exclusive jurisdiction clause requiring any disputes to be settled in England. I am pleased to tell you that our challenge on jurisdiction was successful and this claim has been stayed pending the resolution of our claim in London (see below), and we shall be seeking costs from Nectrus.

Claim by UCP Against Nectrus in London

This is the principal action and is a claim against Nectrus for the impairment of the original sale price of Candor, interest and legal costs, after giving credit in like amount for any monies received through the Indian arbitrations (to the extent that these amounts reduce UCP's ultimate loss). As reported to you in March this year, Nectrus challenged the jurisdiction of the English Courts. That challenge failed and Nectrus was required to pay some £200k to UCP in costs, which has been received.

The trial of this action is set for mid May 2019. Inevitably we are limited in what can be disclosed while preparing for that trial, but I anticipate providing a general update by letter, also including a financial update to September 2018, in November.

Financial Update

The Company is reporting a loss for the year of £3.2 million. This consists of income of £270k in respect of the Aten Capital award referred to earlier, less operating expenditure of £3.5 million. This in turn is made up of actual expenditure in the year of £3.2 million, and an increase in the provision for run-off costs of £0.3 million.

This provision was first made in the 2014 accounts, as required by accounting standards in situations where a company is ceasing its operating or investing activity, and plans to wind up its affairs in the foreseeable future. Its purpose is to recognise all costs expected to be incurred up to the dissolving of the company, and subsequent profits or losses would therefore equal the variance between actual costs and the amount provided. In UCP's case, the actual costs have exceeded the amount initially provided by a wide margin, because of the problems associated with the deposit recovery, the complexity of which was not fully recognised, on advice from Unitech and Nectrus, when the provision was first made and at subsequent year-end revisions. Therefore, rather than actual expenditures being neutralised by a release from the provision since the 2014 year-end, the expenditures have caused the Company to report losses since then, as the provision has been maintained at broadly the same level. In these financial statements, the provision has been set at £2.8 million, but as in previous years this is only an estimate, and the actual future expenditure may well be significantly different.

As in the 2017 Annual Report, the claims to recover the SREI and Aten deposits are not recognised in the balance sheet, but only as an off-balance sheet contingent asset. This is not because the Directors consider them to have no value to the Company, but because the deposits do not meet all the accounting standards criteria for them to be included in the balance sheet. Conversely, however, the withheld distribution described earlier, which will be payable in whole or in part to Nectrus, should the SPV's recovery reduce the Company's loss, is maintained as a creditor in the accounts.

As a consequence of the requirement (a) to recognise future costs in the run-off provision, and (b) not to recognise the value to the of the potential recoveries of the Aten and SREI deposits, the balance sheet shows net liabilities of £0.9 million. This apparently adverse situation is due only to this accounting treatment, so the Directors do not consider the Company to be insolvent, and the Company is able to continue to meet its liabilities as they fall due.

Indian Tax

Following the disposal of Candor, we were advised that UCP should make a tax return in India. This return was filed in September 2015 and apart from some small and routine queries raised in mid-2016 and answered at the time, we have no response. We continue to be advised that no tax is payable on the disposal.

Conclusion

As noted above, we plan to make a further report to Shareholders in about four months' time including a financial update to the end of September, but will of course report any material news earlier as appropriate.

Donald Lake
Chairman
24 July 2018

Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2018.

Principal Activities

UCP PLC (the "Company") is an investment company established to invest in the Indian real estate sector. On 27 June 2014, Shareholders approved an Investing Policy which mandated the sale of the investment portfolio and a return of cash to Shareholders. On 4 November 2014 the Company completed the sale of the Company's wholly owned direct subsidiary Candor Investments Limited ("Candor") through which the Company held its entire real estate portfolio. However, the Company is entitled to recover some residual assets in India whose value had been deducted from the sale consideration, as described more fully in the Chairman's Report.

Following completion of the sale of the shares of Candor, a return of capital was effected in January 2015 in accordance with the Investing Policy. Future proceeds from the residual assets will also be returned to Shareholders, and thereafter the Company will be wound up by way of a members' voluntary liquidation or other restructuring, subject to approval by Shareholders.

Results

The Company's financial statements are set out on pages 9 to 19. The Company reported net liabilities at the date of the Statement of Financial Position of £0.9 million (2017: net assets £2.3 million) and for the year ended 31 March 2018 total comprehensive loss attributable to the Shareholders of £3.2 million (year ended 31 March 2017: loss £3.3 million). See note 2.2 regarding the Directors' Consideration of the Company Solvency position.

Directors

The Directors of the Company throughout the year and to date were:

Mohammad Yousuf Khan
Donald Lake
Nicholas Robert Sallnow-Smith
John Keith Sleeman

Donald Lake had an interest in 42,500 shares of the Company at 31 March 2018 and 31 March 2017. In addition, a person connected with him held 115,000 shares acquired in 2007 and 2011.

No other director had any interest in the shares of the Company.

Secretary

The Secretary of the Company throughout the year and to date was Philip Scales. Graham Smith acted as Assistant Company Secretary, and replaced Philip Scales as Company Secretary on 29 May 2018.

Auditors

KPMG Audit LLC, Isle of Man, being eligible, has indicated its willingness to continue in office.

By order of the Board

Graham Smith
Company Secretary **24 July 2018**

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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

The Directors are required to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

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 of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the financial statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

By order of the Board

Graham Smith
Company Secretary **24 July 2018**

Report of the Independent Auditors, KPMG Audit LLC, to the members of UCP PLC

Opinion

We have audited the financial statements of UCP PLC ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

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 have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – contingent asset

We draw attention to note 9 to the financial statements concerning a contingent asset estimated at £21m, excluding interest. This is not recognised in the Statement of Financial Position. The contingent asset is in respect of the recovery of deposits or investments made by two project special purpose vehicles with Indian financial institutions, which were deducted from the consideration received on the sale of the Company's interest in Candor Investments Limited on 4 November 2014. The contingent asset comprises the deposits or investments in Rupees and has been converted to Sterling at the year-end foreign currency exchange rate. The recovery of the deposits and investments is being pursued through a number of avenues, including arbitration in the Indian courts and a claim notified against Nectrus Limited, the former investment manager, and, as is the case in any such disputes, is uncertain. Our opinion is not modified in respect of this matter.

Emphasis of matter – provision for run-off costs

We draw attention to note 7 to the financial statements concerning the provision for run-off costs of £2.8m. These costs consist primarily of legal costs associated with the recovery of the deposits and investments described in note 9 and include general running costs of the Company and certain contingencies. This provision is inherently uncertain and any adjustment between the amount provided and costs actually incurred will be reflected in subsequent years. Our opinion is not modified in respect of this matter.

Non-going concern basis of preparation

As described in note 2.2, as the Company is in wind-up the financial statements have been prepared on a non-going concern basis, with assets stated at realisable amounts and provision made for the estimated costs of winding up. The Company has net liabilities as at 31 March 2018. Note 2.2 discloses the Directors' consideration of the solvency of the Company.

Other Information

The Directors are responsible for the other information presented with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or 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.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements and for 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.

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 80(C) of the Companies Act 2006. 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.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

27 July 2018

Statement of Comprehensive Income

	Notes	Year ended 31 March 2018 £ 000	Year ended 31 March 2017 £ 000
Income			
Interest income on cash balances		**18**	33
Other income	5	**274**	-
		292	33
Expenditure			
Other operating expenses	6	**3,182**	2,534
Movement in provision for run-off costs	7	**325**	825
		3,507	3,359
Loss for the year before tax		**(3,215)**	(3,326)
Current tax expense	8	**-**	-
Loss for the year and total comprehensive loss for the year		**(3,215)**	(3,326)

The notes on pages 13 to 19 form an integral part of the financial statements.

Statement of Financial Position

	Notes	31 March 2018 £ 000	31 March 2017 £ 000
Current assets			
Trade receivables and prepayments		**7**	8
Other receivables	5	**274**	-
Cash and cash equivalents	10	**20,507**	23,355
		20,788	23,363
Total assets		**20,788**	23,363
Financed by:			
Equity			
Share capital and reserves			
Share capital	11	**3,600**	3,600
Distributable reserves		**(4,472)**	(1,257)
		(872)	2,343
Current liabilities			
Trade and other payables	12	**691**	376
Distribution payable	13	**18,169**	18,169
Provision for run-off costs	7	**2,800**	2,475
Total liabilities		**21,660**	21,020
Total equity and liabilities		**20,788**	23,363

The notes on pages 13 to 19 form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 24 July 2018 and signed on their behalf by:

Donald Lake
Director

Nicholas Sallnow-Smith
Director

Statement of Changes in Equity

	Share capital	Distributable reserves	Total
	£ 000	**£ 000**	**£ 000**
Balance at 1 April 2016	3,600	2,069	5,669
Total comprehensive loss for the year:			
Loss for the year	-	(3,326)	(3,326)
Total comprehensive loss for the year	-	(3,326)	(3,326)
Balance at 31 March 2017	3,600	(1,257)	2,343
Balance at 1 April 2017	**3,600**	**(1,257)**	**2,343**
Total comprehensive loss for the year:			
Loss for the year	**-**	**(3,215)**	**(3,215)**
Total comprehensive loss for the year	**-**	**(3,215)**	**(3,215)**
Balance at 31 March 2018	**3,600**	**(4,472)**	**(872)**

The notes on pages 13 to 19 form an integral part of the financial statements.

Statement of Cash Flows

	Year ended 31 March 2018 £ 000	Year ended 31 March 2017 £ 000
Operating activities		
Loss for the period before tax	**(3,215)**	(3,326)
Adjustments for:		
Interest income from cash and cash equivalents	**(18)**	(33)
Operating loss before changes in working capital	**(3,233)**	(3,359)
Decrease/(increase) in trade receivables and prepayments	**1**	(2)
(Increase)/decrease in other receivables	**(274)**	-
Increase in trade and other payables	**315**	279
Increase in provisions	**325**	825
	367	1,102
Tax paid	**-**	-
Net cash used in operating activities	**(2,866)**	(2,257)
Investing activities		
Interest received	**18**	33
Net cash generated from investing activities	**18**	33
Decrease in cash and cash equivalents	**(2,848)**	(2,224)
Cash and cash equivalents at beginning of year	**23,355**	25,579
Cash and cash equivalents at end of the year	**20,507**	23,355

The notes on pages 13 to 19 form an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 March 2018

1. Reporting entity

UCP PLC (the "Company" or "UCP") is a closed-ended investment company domiciled in the Isle of Man. It was incorporated on 6 September 2006 in the Isle of Man as a public limited company.

The Company does not have any employees.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Isle of Man Companies Act 2006.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis. On 4 November 2014 the Company completed the sale of the entire issued share capital of Candor, through which it held its investment portfolio. Since that point, it has been intended that the Company be wound up in accordance with its Investing Policy, and consequently the financial statements have been presented on a non-going concern basis in which the assets of the Company are stated at realisable value and a provision has been made for the estimated costs of winding up the Company. (See note 7).

These financial statements account in full for the distribution withheld from Nectrus, as described in note 13. Conversely, the receivables described in note 9 are not recognised in the Statement of Financial Position, but are instead disclosed as a contingent asset. As a consequence of this accounting treatment, coupled with the provision for run-off costs, the Statement of Financial Position shows net liabilities. However, the Directors do not consider the Company to be insolvent, as they consider some recovery will be made in respect of the receivables treated as contingent asset and certain legal costs included in the provision for run-off costs could be avoided if required in order for the Company to be able to continue to meet its liabilities as they fall due.

2.3 Functional and presentation currency

The financial statements are presented in Pounds Sterling, which is the Company's functional currency and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 7 Provision for run-off costs and note 9 Contingent assets.

2.5 Future changes in accounting policies

There are no standards or interpretations with an effective date on or after 1 April 2018 that are considered will have a significant effect on the financial statements.

Notes to the Financial Statements (continued)

3. Significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below:

3.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Pounds Sterling at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Exchange differences arising on translation are recognised in Statement of Comprehensive Income.

3.2 Interest income

Interest income comprises bank interest earned on cash and cash equivalents and is recognised on an accruals basis using the effective interest rate method.

3.3 Expenses

Expenses are accounted for on an accruals basis.

3.4 Income tax expense

Income tax expense comprises current tax. Current tax is recognised in profit or loss except for items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.5 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.7 Contingent assets

Contingent assets are assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Company. Contingent assets are not recognised in the Statement of Financial Position but are disclosed in the notes to the financial statements when an inflow of economic benefit is probable.

3.8 Provision for run-off costs

Following the realisation of the Company's investments, the return of cash to Shareholders and the intention to wind-up the Company's affairs, provision is made for the total estimated future costs up to and including the winding up. The provision includes estimates of all costs incurred in dealing with outstanding matters.

Notes to the Financial Statements (continued)

4. Financial risk management

4.1 Financial risk factors

The Company's principal financial risks have changed since the sale of the entire share capital of Candor. The principal risks that the Company is exposed to are now market, credit and liquidity risk. The risk management policies employed by the Company to manage these risks are described below.

4.2 Market risk

(i) Foreign currency risk

The Company's principal operating currency is Pounds Sterling.

All monies returned to Shareholders and the reported net asset value of the Company is denominated in Pounds Sterling.

The Company is exposed to foreign currency risk on the contingent assets which it is seeking to recover (see note 9) as these are denominated in Indian Rupees.

(ii) Cash flow and fair value interest rate risk and sensitivity

The Company holds financial assets that are interest bearing. As a result the Company is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

31 March 2018	**Less than 1 month**	**Non-interest bearing**	**Total**
	£ 000	**£ 000**	**£ 000**
Financial assets			
Trade receivables and prepayments	**-**	**7**	**7**
Other receivables	**-**	**274**	**274**
Cash and cash equivalents	**20,507**	**-**	**20,507**
Total financial assets	**20,507**	**281**	**20,788**
Financial liabilities			
Trade and other payables	**-**	**18,169**	**18,169**
Total interest rate sensitivity gap	**20,507**	**-**	**-**

31 March 2017	**Less than 1 month**	**Non-interest bearing**	**Total**
	£ 000	**£ 000**	**£ 000**
Financial assets			
Trade receivables and prepayments	**-**	**8**	**8**
Cash and cash equivalents	**23,355**	**-**	**23,355**
Total financial assets	**23,355**	**8**	**23,363**
Financial liabilities			
Trade and other payables	**-**	**21,020**	**21,020**
Total interest rate sensitivity gap	**23,355**	**-**	**-**

During the year, interest income from cash was £18,000 (2017: £33,000). At 31 March 2018, if interest rates on average had increased/ decreased by 0.05% (2017: 0.05%) with all other variables held constant, total comprehensive income for the year would increase/decrease by £10,000 (2017: £12,000).

Notes to the Financial Statements (continued)

4. Financial risk management (continued)

4.3 Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation or commitment it has entered with the Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. This relates to financial assets carried at amortised cost, as they have a short term maturity.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2018	**2017**
	£ 000	£ 000
Trade receivables and prepayments	**7**	8
Other receivables	**274**	-
Cash and cash equivalents	**20,507**	23,355
	20,788	23,363

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The Company is also exposed to credit risk related to the recoverability of deposits lent and investments made by two of the Indian joint ventures. The deposits and investments, classified as contingent assets, are denominated in Indian Rupees so the value of the adjustment may vary to that calculated at 31 March 2018. See note 9.

4.4 Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash balances to meet its obligations. The Company's liquidity position is monitored by the Board of Directors. A maturity analysis showing the remaining contractual maturities of financial liabilities at year-end is shown below:

31 March 2018	**Less than 3 months**	**3 months to 1 year**	**Total**
Financial liabilities	**£ 000**	**£ 000**	**£ 000**
Distribution payable (note 13)	**-**	**18,169**	**18,169**
Provision for run-off costs	**500**	**2,300**	**2,800**
Trade and other payables	**486**	**205**	**691**
	986	**20,674**	**21,660**

31 March 2017	**Less than 3 months**	**3 months to 1 year**	**Total**
	£ 000	**£ 000**	**£ 000**
Distribution payable (note 13)	-	18,169	18,169
Provision for run-off costs	500	1,975	2,475
Trade and other payables	276	100	376
	776	20,244	21,020

5. Other income

As described more fully in note 9, the Company is engaged in litigation to recover assets whose value had been deducted from the consideration upon the disposal of Candor in November 2014. In the action against Aten Capital, an Arbitration Tribunal passed the Company's former JV Company an award on 9 October 2017 requiring Aten Capital to return the principal amount of INR 30 million plus interest. The Company was entitled to 60% of the total settlement, and accordingly on 8 May 2018 it received £274,000 which is recognised as a receivable in these Financial Statements.

Notes to the Financial Statements (continued)

6. Other operating expenses

Other operating expenses comprise of:

	2018 £ 000	2017 £ 000
Legal and advisory fees	**2,619**	1,915
Directors fees and expenses (see note 14)	**289**	301
Administration fees	**144**	144
Audit fees	**25**	31
Professional fees	**58**	59
Other expenses	**47**	84
	3,182	2,534

7. Provision for run-off costs

A provision has been made for the estimated costs that are expected to be incurred up to and in respect of the winding up of the Company in accordance with the accounting standard described in note 2.2. At 31 March 2018 it was estimated that these costs, consisting of (a) legal costs associated with the recovery of the funds described in note 9 and (b) general operating costs of the Company for the estimated remaining duration of the Company's life and (c) certain contingencies, are likely to be £2.8 million (31 March 2017: £2.5 million). This is a key uncertainty in the preparation of the financial statements and any adjustment between the amount provided and costs actually incurred will be reflected in subsequent years.

8. Taxation

A standard zero per cent rate of income tax applies for Isle of Man companies.

Upon the sale of Candor, the Company was advised that no tax is payable in India or Mauritius. The Company was advised that a tax filing in India was nevertheless required, and a tax return was therefore filed in September 2015. No tax assessment has been issued, and the advice that no tax will be payable remains unchanged, so no provision is made in the financial statements.

9. Contingent assets

At the time of completion of the sale of Candor to an affiliate of Brookfield Property Partners (Brookfield), funds placed by two of the project SPVs with Indian financial institutions had not been repaid as due despite demand. Accordingly, £15.8 million was deducted from the consideration payable by Brookfield and certain provisions of the sale and purchase agreement relating to the sale of Candor (SPA) came into effect.

The project SPVs, Unitech Developers & Projects Limited, since renamed Candor Gurgaon Two Developers & Projects Limited, (UDPL) and Unitech Realty Projects Limited, since renamed Candor Gurgaon One Realty Projects Limited, (URPL), had placed funds with SREI Infrastructure Finance Limited (SREI), Aten Capital Pvt. Limited (Aten Capital) and Aten Portfolio Managers Services Pvt. Limited (Aten PM). The amounts were deposited or invested in either "inter corporate deposits" or "non-convertible debentures" as follows:

	INR	Crores
SREI	1,500,000,000	150
Aten Capital	30,000,000	3
Aten PM	900,000,000	90
Total	**2,430,000,000**	**243**

At the date of completion of the sale of Candor (4 November 2014) the equivalent total in GBP (at current rates) of UCP's interest in the amounts deposited or invested, excluding accrued interest, was £16.0 million. Interest would be expected to be accrued on the balances, but cannot be accurately estimated.

Notes to the Financial Statements (continued)

Note 9. Contingent assets (continued)

The arrangements with SREI, Aten Capital and Aten PM by the SPVs were not properly reported to, or approved by, the UCP Board, nor were they in accordance with the UCP Board's Treasury Policy and the Investment Management Agreement (IMA) between Nectrus, Candor and UCP.

Since 2014, Nectrus has been on notice of its breaches of the IMA and a claim for £18.2 million in damages arising from: (i) the non-recovery of the funds, and (ii) current and anticipated costs associated with the recovery. UCP accordingly withheld £18.2 million from the cash return attributable to the shares held by Nectrus pursuant to the distribution in January 2015, pending recovery from SREI and Aten. Proceedings were initiated against Nectrus in the English High Court in August 2017 for a declaration in respect of this withholding. Those proceedings are ongoing.

Claims commenced against SREI, Aten Capital and Aten PM entities by UDPL and URPL under the Indian Arbitration and Conciliation Act 1996 have now all reached conclusion in the first instance, resulting in three sets of awards. The award in the arbitration with Aten Capital has been honoured. UCP has received £270,000 in relation to that award. The claim against Aten PM was unsuccessful. The claims against SREI were successful and the arbitrator made an award in which UCP's interest is equivalent to £15.6 million. However, SREI has sought to challenge the awards before the Indian Courts.

UCP will continue to vigorously pursue all avenues of recovery and, in the light of the above, the Company continues to believe that recovery will be made.

UCP's share of the SREI award and of the Aten PM claim, (excluding accrued interest), are together estimated to be approximately £21 million, before any tax that may potentially arise on payment. In accordance with accounting standards, this £21 million is treated as a contingent asset, and is not included within the Statement of Financial Position.

10. Cash and cash equivalents

The Company's cash and cash equivalents are held with two major global banks and are analysed as follows:

	2018	**2017**
	£ 000	**£ 000**
Short-term deposits	**8,037**	8,031
Current accounts	**12,470**	15,324
	20,507	23,355

11. Share capital and reserves

11.1 Capital management

Company capital comprises share capital and distributable reserves. The Company is not subject to externally imposed capital requirements.

11.2 Share capital

	Number 000	**£ 000**
Ordinary shares of par value £0.01 each		
Authorised	**500,000**	**5,000**
Issued	**360,000**	**3,600**

12. Trade and other payables

The Company's trade and other payables are analysed as follows:

	2018	**2017**
	£ 000	**£ 000**
Trade payables	**486**	244
Accruals	**205**	132
	691	376

Notes to the Financial Statements (continued)

13. Distribution payable

A distribution of 49.25 pence per share was declared on 7 January 2015. From the total distribution payable of £177.3 million, £18.2 million was withheld from the amount due to Nectrus in its capacity as the beneficial owner of 49,042,428 Ordinary Shares in the Company. The Company has an outstanding claim against Nectrus with respect to significant damages resulting from breaches by Nectrus of the Investment Management Agreement and generally in relation to the contingent assets as described in note 9, and the withheld distribution equaled the estimated total loss. This consisted of £15.8 million withheld from the sale proceeds of Candor in relation to the deposits and investments, plus estimated legal costs of £2.4 million relating to their recovery.

Nectrus had previously commenced proceedings in Cyprus for the non-payment of the distribution. UCP applied to strike out that action, and in December 2016 the action was withdrawn by Nectrus; a small amount of costs were paid to UCP in February 2018. A separate action for injunctive relief, filed by Nectrus in India and reliant on the Cyprus action, remains the subject of strike-out proceedings; a decision is expected in July 2018at which time the action may be disposed of.

In July 2017 Nectrus commenced an action against UCP in the Isle of Man seeking the recovery of the withheld £18.2 million pursuant to the distribution. That action was served on UCP in August/ September 2017. UCP challenged the jurisdiction of the Isle of Man courts to hear that claim, and was successful in its challenge.

Nectrus' claim necessarily includes a claim for interest (at a rate to be determined at the Court's discretion) and costs. Costs and interest generally follow the event, however the applicable rate(s), duration and proportion may be subject to argument. The rate of interest currently applicable in the Isle of Man is 4%; and generally runs from the date of claim.

14. Directors' fees

Mr. Lake receives an annual Director’s fee of £60,000 (2017: £60,000) for carrying out his role as Chairman of the Board. He also received an additional £72,900 during the year (2017: 96,000) for extra work carried out in connection with the legal actions in relation to the contingent assets as described in note 9. The remainder of the Board considered that his role in these activities was over and beyond his normal duties as non-executive Chairman, and that it was necessary because the Company has no internal management resources and it represented the most cost effective method of handling the matters.

The other Directors receive fees of £27,500 per annum (2017: £27,500).

All directors receive a sitting fee of £1,000 for each Board Meeting attended.

Mr. Sallnow-Smith receives an additional £5,000 per annum (2017: £5,000) for his role as Chairman of the Audit Committee.

15. Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

As at 31 March 2017 and at 31 March 2016 Donald Lake was beneficially interested in 42,500 Ordinary Shares in the Company, and a person connected with him held 115,000 shares.

Amounts paid to the Directors are disclosed in note 14.

16. Subsequent events

There are no material subsequent events.

Company Information

Directors (all non-executive)

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Mohammad Yousuf Khan
Nicholas Sallnow-Smith
John Sleeman

Company Secretary Graham Smith

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