UCP PLC

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Letter from the Chairman of UCP

Dear Shareholder,

I am writing to give you an update on the developments in UCP over the last few months since the Company published its 2016 Annual Report, including information about its financial position.

As previously reported, the Company's principal activity continues to be seeking recovery of amounts totaling £15.8 million owed to the Company, which were deposited with Indian financial institutions and not repaid as due. The future life of the Company will be dictated by progress in this, and also by clarification of any tax payable in India on which our view and external advice remains that none is payable.

Some of the following merely repeats what I have previously said as to history, and it is then followed by an update on recent progress.

Recovery of Deposits from SREI & Aten: Losses caused by Nectrus

£15.8 million was the sterling value at the date of closing of the sale of Candor, our principal subsidiary, to Brookfield, representing UCP's indirect interest in deposits of INR 1.57 billion placed by two of the project SPVs with Indian financial institutions SREI and ATEN (which includes Aten Capital and Aten PMS) and which were not repaid as due. The sale and purchase agreement for the sale of Candor to Brookfield provided that this amount of £15.8 million be deducted from the Candor sale proceeds, and sets out a mechanism by which the recovery of the deposits is to be pursued and the sums recovered ultimately paid to UCP.

Recovery of the deposits is being actively pursued through various avenues including the Indian arbitration processes prescribed under the deposit agreements.

A claim for damages has also been notified to the Company's former investment manager Nectrus, ultimately a subsidiary of Unitech Limited, for £18.2 million which comprises the £15.8 million deducted from the sale proceeds, interest, and an estimate of the total costs associated with the recovery of these funds. The deposits were denominated in Rupees, whereas the loss suffered by UCP was a sterling amount, and the costs being incurred in seeking recovery are variously in Sterling, Rupees and US Dollars.

The Board believes that the placing of the deposits represented breaches by Nectrus of duties and obligations owed to the Company, including under the investment management agreement, and accordingly the Company withheld £18.2 million from funds otherwise payable to Nectrus pursuant to the shareholder distribution in January 2015.

The Company has sought to mitigate its loss as provided in the SPA by assisting the SPVs in recovery of the deposits by way of three sets of similar actions in India. As and when the deposits are recovered, any net recovery received by UCP (i.e. less costs, interest and any other proper deductions) would result in the release of a corresponding amount to Nectrus, so as not to give rise to a double recovery.

Given that the claims are ongoing, we are not in a position to provide significant detail but can say that all efforts are focused on the recovery of these funds. As with all such processes, the timing and outcome are not wholly predictable, but the 2015 amendment to the Indian Arbitration Act 1996, which came into force about 12 months ago, is helpful and looks to awards to be made within 12 months of the commencement of arbitration, barring some agreed or ordered extension. An arbitrator has been appointed in each of the three arbitrations, some preliminary hearings have occurred and others will follow. If the timetables being set by the arbitrators are adhered to, rulings should be given later this year.

In short, it is said by two of the parties, SREI and Aten Capital, that by virtue of alleged verbal agreements, the written agreements by which monies were deposited are over-ridden and thus SREI and Aten Capital are able to seize the monies deposited, in satisfaction of sums due to them from Unitech Limited or other subsidiaries or affiliates of that company. If that were the case, it would amount to the SPVs' monies, (the management of which Nectrus was responsible for,) having been pledged as security for borrowings of Unitech Limited or other of its subsidiaries/affiliates , entirely unrelated to UCP.

The funds placed with Aten PM had previously been invested with Aten Capital and were due to mature, but were then transferred to Aten PM. Aten PM say that these monies were in fact further placed by them in non-convertible debentures with seven small local companies, and that these illiquid investments could not be broken when requested. A leading international accounting firm through its Indian office has been instructed as expert witness by the SPVs and has investigated the substance and trading history of these seven companies, which shows that none is or has been a company in which a responsible manager of investments would have invested. This is completely aside from the fact that such investments would have introduced a level of risk unacceptable to UCP under the treasury policy adopted by the Board regarding the use of unallocated funds of the SPVs.

Financial Update

As UCP is no longer listed on AIM, it has no regulatory obligation to prepare and publish half-year accounts. Instead, the following information provides an overview of the latest position.

UCP currently holds cash balances totalling £23.7 million. This compares with £25.6 million reported in the March 2016 Financial Statements, the majority of the reduction being due to the costs associated with the matters described above.

In those same financial statements, we carried a provision for run-off costs, as required by accounting standards, which was intended to cover all costs expected to be incurred up to and in respect of the winding up of the Company. The estimate of £1.65 million provided in the March 2016 Financial Statements has turned out to be insufficient, and it is still not possible to forecast with any accuracy what the total amount of future costs will be. However, the costs incurred since the beginning of 2016 relating either directly or indirectly to the recovery of the deposits from SREI and Aten and contributing significantly to that overrun form part of the claim against Nectrus for recoverable losses.

As indicated earlier, it is also not possible to forecast with any accuracy the amount and timing of recoveries from the SREI and Aten deposits. The face value of UCP's interest in the deposits of INR 1.75 billion was reported as a contingent asset of £18.4 million in the March 2016 Financial Statements, and it is worth noting that the same face value is currently equivalent to £20.8 million following the depreciation of Sterling in 2016.

Indian Tax

UCP reserved £4 million in cash for any potential Indian tax liability in its calculation of the amount available for distribution in January 2015. We continue to be advised that no tax is payable on the disposal of Candor, but that the tax filings in India were nevertheless required. The tax return was filed in September 2015. Official confirmation of a nil assessment is being sought. Assuming the nil assessment is confirmed, this £4 million cash would be available for distribution to shareholders.

Trading on AIM

As previously announced, the Company's shares were suspended from trading on AIM on 5 November 2015 being the 12 month anniversary of completion of the sale of Candor. In accordance with the AIM Rules, the shares were subsequently de-listed from AIM on 6 May

2016. The Company's administrator, FIM Capital Limited ('FIM'), has agreed to provide a service to assist in providing liquidity for shareholders through matched bargains. FIM is regulated by the Isle of Man Financial Services Authority and the UK Financial Conduct Authority. Any shareholder interested in trading in the Company's shares should contact FIM and lodge an expression of interest. FIM will thereafter introduce buyers and sellers to each other as appropriate, with trades to be effected off-market.

Further Distribution to Shareholders

We intend to continue to implement our strategy of actively pursuing recovery of the deposits from SREI and ATEN, maintaining our claims against Nectrus, and possibly commencing actions against other parties where appropriate, closely monitoring our costs, minimising expenses and looking to ultimately return the residual capital to shareholders.

Results to 31st March 2017

We anticipate that Full Year results for the year ending 31st March 2017 including the audited Financial Statements will be published in July or August 2017.

Donald Lake
Chairman
January 2017