UCP PLC

Report and Financial Statements

For the year ended
31 March 2019

Contents

Chairman's Statement

The Company's principal activity continues to be pursuing the recovery of monies owed to it. Since my letter of 5th December 2018 there has been significant activity, and there is some progress to report.

The business of UCP was to invest in large office parks in India. UCP held a 60% majority interest in the Indian SPV carrying out each project, and Unitech Limited of India held minorities. Unitech provided project management services, and Nectrus Limited of Cyprus (a wholly owned subsidiary of Unitech) provided services under an Investment Management Agreement.

In November 2014 we closed the sale of our principal subsidiary Candor to Brookfield, and the consideration of circa. £200 million was impaired by £15.8 million being the sterling value at the time of our 60% indirect interest in the monies deposited by SPVs with SREI and Aten, and which were not repaid as due or when demanded. The sale and purchase agreement (SPA) with Brookfield provided that if these amounts were not recovered by closing, as proved to be the case, the amounts would be deducted from the sale price. The SPA also provides a mechanism by which the recovery of the deposits can be pursued.

Recovery of Deposits from SREI and Aten

The Board of UCP 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. Accordingly, when the shareholder distribution was made in January 2015, £18.2 million was withheld from Nectrus as a shareholder, being the contemporary estimate of the value of the deposits, interest, and the anticipated cost of recovery.

In each case the deposit paperwork required that disputes go to arbitration in India, and thus the SPVs have been engaged in arbitrations there. By far the smallest amount was deposited with Aten Capital, and as previously reported UCP has recovered £270k. In the matter of Aten PM, as already reported we saw no point in expending further resources bearing in mind that Aten PM is not believed to have any accessible assets.

In the third matter of the deposits with SREI, as previously reported the arbitrator found in favour of the SPV and required that SREI repay the monies deposited, with significant interest and also some costs. Our former join venture UDPL was awarded amounts totaling c. INR 224 Crore (c. £26.2 million at current rates) plus costs of INR 1.5 Crore (c. £175 k), with post award interest accruing at 16% per annum. UCP is interested in 60% of these amounts by virtue of its previous holding in UDPL. SREI has paid none of these monies and has challenged the awards before the Kolkata High Court.

As a condition of being allowed to appeal the arbitration awards the Kolkata High Court and Indian Supreme Court ordered that SREI pay into Court 60% of the awarded amount (excluding costs) (INR 134 Crore / c. £15.7 million) and provide a credible third party bank guarantee for the remaining 40% of the awarded amounts (INR 89 Crore / c. £10.5 million), both of which were done.

SREI's legal challenge to these arbitration awards was heard in the Kolkata High Court in November 2018, and a decision is expected imminently. There are two further levels of appeal potentially available to SREI.

Claims by Nectrus

In 2015 Nectrus sought an injunction in India against UCP, the SPVs, Aten, SREI and others seeking to prevent the repayment of the deposit monies. However, in the English High Court Action described below, Nectrus was ordered by the Court to apply to unconditionally withdraw these proceedings at Nectrus' cost, and they were formally withdrawn at a hearing on 23rd August 2019.

In support of that Indian action Nectrus sought payment of the withheld distribution by an action in Cyprus where it is based. This action was subsequently abandoned and Nectrus was required to pay a very small amount of costs to UCP. Nectrus then sought payment of the withheld monies on the Isle of Man. That claim was stayed following a successful jurisdiction challenge by UCP, and pending the conclusion of our action in London. The costs awarded to UCP of £150k on account, and more to be determined remain unpaid. These costs are presently being pursued as part of the English High Court Action.

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, together with interest and legal costs, after giving credit for any monies received through the Indian arbitrations, to the extent these reduce UCP's ultimate loss.

UCP's claim was heard over eight days in May 2019 and judgment was given on 5th July 2019. Shortly before the Hearing, Nectrus sought to advance a new argument that the principle against recovery of "reflective loss" applied and therefore UCP's claim could not succeed because it was 'reflective' of a loss by Candor, and/or the Indian SPVs.

We believe that the principle does not apply to the facts here. The judge accepted that the point had in any event been raised very late and this prevented UCP being able to prepare for such argument, and therefore decided that the trial should be divided into parts. The first hearing in May dealt with liability, and a second hearing in November 2019 will deal with the application or not of reflective loss, and quantum i.e. amount of the loss caused to UCP by Nectrus.

Following UCP's success at the first hearing, a date for the second hearing has been set in November.

The judgment in July was that

A. Nectrus did owe duties to UCP under the Investment Management Agreement.
B. These duties included a duty to report and advise in respect of dealings with surplus monies that became the "stranded deposits".
C. Nectrus was in breach of its duties in respect of the investments which were placed by Aten PM with seven sham companies and lost (which monies had had initially been placed with Aten Capital and then, in great part, transferred on to Aten PM).
D. Nectrus was not in breach of its duties in respect of the investment with SREI. (This does not of course prevent the recovery in India by UDPL of the monies deposited with SREI.)

UCP has been awarded 2/3rds of its costs in the English proceedings to date including an interim payment of £650k that may be deducted from monies already withheld. This interim payment is subject to appeal. After the November hearing, the Court will determine whether UCP should have the remaining 1/3rd of the costs or if Nectrus should be awarded up to 1/3rd of its costs to date.

You will understand that as the matter is ongoing I cannot provide a commentary on our thoughts and further actions which may be taken.

Financial Update

The Company is reporting a loss for the year of £3.2 million. The only income in the year was interest income of £78,000, earned from the cash deposits. Operating expenses of £3.3 million were largely unchanged from the previous year (at £3.2 million). Given the ongoing legal processes to recover the deposits, this expenditure consists almost entirely of legal fees and associated expenditure. The provision for run-off costs has been kept unchanged at £2.8 million, so there is no charge or credit to the loss during the year.

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. Whilst the provision has been maintained at £2.8 million in these financial statements, the figure is only an estimate, and the actual future expenditure may well be significantly different.

As in the previous recent Annual Reports, the claims to recover the 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, in accordance with accounting standards, 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 deposits, the balance sheet shows net liabilities of £4.1 million. This apparently adverse situation is due to this accounting treatment. The Directors do not consider the Company to be insolvent, a view supported by independent advice; the Company is able to continue to meet its liabilities as they fall due.

AGM Notice

The Company's Articles of Association currently provide for the life of the Company not to extend beyond 31 December 2019. The Company is today giving notice of the Annual General Meeting (AGM) to be held on 27 September, and the AGM will seek shareholder approval for this to be altered to 31 December 2021. The Board recommends that shareholders vote in favour.

Conclusion

I hope to report in about January 2020 on the November hearing in London, and will report separately on the progress of the SREI matter as there is significant news.

The Company is being run as economically as possible with only one physical Board Meeting a year rather than four, but substantial legal costs continue to be incurred in pursuing recovery, some of which may ultimately be recovered from Nectrus.

Donald Lake, Chairman
30 August 2019

Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2019.

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 £3.3 million (2018: net liabilities £0.9 million) and for the year ended 31 March 2019 total comprehensive loss attributable to the Shareholders of £2.4 million (year ended 31 March 2018: loss £3.2 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

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
30 August 2019

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
30 August 2019

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 2019 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 2019 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 £21.0m in connection with the recovery of the Company's share of funds placed by two project SPVs with Indian financial institutions. The recovery of these funds is being pursued by legal action and the ultimate recovery is inherently 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 the associated claim against Nectrus described in note 13 and also include general running costs of the Company and other provisions. 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 2019 of £4.1m. 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

30 August 2019

Statement of Comprehensive Income

	Notes	Year ended 31 March 2019 £ 000	Year ended 31 March 2018 £ 000
Income			
Interest income on cash balances		**78**	18
Other income	5	**-**	274
		78	292
Expenditure			
Other operating expenses	6	**3,267**	3,182
Movement in provision for run-off costs	7	**-**	325
		3,267	3,507
Loss for the year before tax		**(3,189)**	(3,215)
Current tax expense	8	**-**	-
Loss for the year and total comprehensive loss for the year		**(3,189)**	(3,215)

The notes on pages 13 to 20 form an integral part of the financial statements.

Statement of Financial Position

	Notes	31 March 2019 £ 000	31 March 2018 £ 000
Current assets			
Trade receivables and prepayments		**8**	7
Other receivables	5	**-**	274
Cash and cash equivalents	10	**17,431**	20,507
		17,439	20,788
Total assets		**17,439**	20,788
Financed by:			
Equity			
Share capital and reserves			
Share capital	11	**3,600**	3,600
Distributable reserves		**(7,661)**	(4,472)
		(4,061)	(872)
Current liabilities			
Trade and other payables	12	**531**	691
Distribution payable	13	**18,169**	18,169
Provision for run-off costs	7	**2,800**	2,800
Total liabilities		**21,500**	21,660
Total equity and liabilities		**17,439**	20,788

The notes on pages 13 to 20 form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 30 August 2019 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 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)
Balance at 1 April 2018	**3,600**	**(4,472)**	**(872)**
Total comprehensive loss for the year:			
Loss for the year	**-**	**(3,189)**	**(3,189)**
Total comprehensive loss for the year	**-**	**(3,189)**	**(3,189)**
Balance at 31 March 2019	**3,600**	**(7,661)**	**(4,061)**

The notes on pages 13 to 20 form an integral part of the financial statements.

Statement of Cash Flows

	Year ended 31 March 2019 £ 000	Year ended 31 March 2018 £ 000
Operating activities		
Loss for the period before tax	**(3,189)**	(3,215)
Adjustments for:		
Interest income from cash and cash equivalents	**(78)**	(18)
Operating loss before changes in working capital	**(3,267)**	(3,233)
(Increase)/decrease in trade receivables and prepayments	**(1)**	1
Decrease/(increase) in other receivables	**274**	(274)
(Decrease)/increase in trade and other payables	**(160)**	315
(Decrease)/increase in provisions	**-**	325
	113	367
Tax paid	**-**	-
Net cash used in operating activities	**(3,154)**	(2,866)
Investing activities		
Interest received	**78**	18
Net cash generated from investing activities	**78**	18
Decrease in cash and cash equivalents	**(3,076)**	(2,848)
Cash and cash equivalents at beginning of year	**20,507**	23,355
Cash and cash equivalents at end of the year	**17,431**	20,507

The notes on pages 13 to 20 form an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 March 2019

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).

Assessment of solvency

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 contingent assets. As a consequence of this accounting treatment, 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 assets and the Company continues to be able to meet its liabilities as they fall due.

2.3 Changes in significant accounting policies

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

- impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Under IAS 39, impairment was recognised when losses were incurred. The Company did not previously report any incurred losses; and

- separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method. Previously, the Company disclosed this amount in the notes to the financial statements.

Additionally, the Company has adopted consequential amendments to *IFRS 7 Financial Instruments: Disclosures*, which are applied to disclosures about 2018 but have not generally been applied to comparative information.

The adoption of IFRS 9 had no material impact on either the presentation of information in the financial statements or the net assets attributable to holders of redeemable shares of the Company.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

The preparation of financial statements requires the Board 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, note 9 Contingent assets (estimation uncertainty and critical judgements in applying accounting policies) and note 13 Distribution payable (critical judgements in applying accounting policies).

2.6 Future changes in accounting policies

There are no standards or interpretations with an effective date on or after 1 April 2019 that are considered will have a significant effect on the financial statements.

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 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.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

3.6 Financial assets and financial liabilities

IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets and liabilities that were classified as fair value through profit or loss under IAS 39 are still classified as fair value through profit or loss under IFRS 9. All other financial assets and financial liabilities that were classified as receivables and payables and measured at amortised cost continue to be recognised and measured on that basis.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value.

Loans and receivables and other non-derivative financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method.

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.

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.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

4. Financial risk management (continued)

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 2019	**Less than 1 month**	**Non-interest bearing**	**Total**
	£ 000	**£ 000**	**£ 000**
Financial assets			
Trade receivables and prepayments	**-**	**8**	**8**
Other receivables	**-**	**-**	**-**
Cash and cash equivalents	**17,431**	**-**	**17,431**
Total financial assets	**17,431**	**8**	**17,439**
Financial liabilities			
Trade and other payables	**-**	**18,169**	**18,169**
Total interest rate sensitivity gap	**17,431**	**-**	**-**

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	-	-

During the year, interest income from cash was £78,000 (2018: £18,000). At 31 March 2019, if interest rates on average had increased/ decreased by 0.05% (2018: 0.05%) with all other variables held constant, total comprehensive income for the year would increase/decrease by £9,000 (2018: £10,000).

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:

	2019	**2018**
	£ 000	£ 000
Trade receivables and prepayments	**8**	7
Other receivables	**-**	274
Cash and cash equivalents	**17,431**	20,507
	17,439	20,788

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 former 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 2019. See note 9.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

4. Financial risk management (continued)

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 2019	**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	**28**	**503**	**531**
	528	**20,972**	**21,500**

31 March 2018	**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	2,300	2,800
Trade and other payables	486	205	691
	986	20,674	21,660

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 award (subject to tax and other deductions), and accordingly on 8 May 2018 it received £274,000 which was recognised as a receivable in the prior year comparatives in these Financial Statements.

6. Other operating expenses

Other operating expenses comprise of:

	2019	**2018**
	£ 000	**£ 000**
Legal and advisory fees	**2,671**	2,619
Directors' fees and expenses (see note 14)	**301**	289
Administration fees	**144**	144
Audit fees	**28**	25
Professional fees	**60**	58
Other expenses	**63**	47
	3,267	3,182

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 basis of preparation in note 2.2 and the accounting policy described in note 3.8. At 31 March 2019 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 other provisions, are likely to be £2.8 million (31 March 2018: £2.8 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.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

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, the "Stranded Deposits". 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.

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, and the Court heard the matter in May 2019, as described in note 13, and 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 received £270,000 in relation to that award, and accounted for it in the Financial Statements for the year ended 31 March 2018. The claim against Aten PM was unsuccessful. The claims against SREI were successful and UCP's interest in those awards is equivalent to £15.0 million. SREI has sought to challenge the awards before the Indian Courts, but was ordered to pay into Court 60% of the awarded amount (c. INR 134 crore / c. £15.0m) and secure the remaining 40% (c. INR 89 crore / c. £10.0m) by way of bank guarantee. SREI has complied with this order.

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.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

UCP's share of the SREI awards (secured by the payment into court and bank guarantee) is approximately £15.0 million. This does not include interest accrued from the date of the awards, but conversely is before any tax (and/or other costs) that may arise in the ultimate transfer of any amount to UCP. UCP's share of the amounts invested with Aten PM, excluding interest and costs incurred in seeking recovery, is approximately £6.0 million.

In accordance with accounting standards, this combined amount of £21.0 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:

	2019	**2018**
	£ 000	**£ 000**
Current accounts	**571**	470
Short-term deposits	**16,860**	20,037
	17,431	20,507

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:

	2019	**2018**
	£ 000	**£ 000**
Trade payables	**503**	486
Accruals	**28**	205
	531	691

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 (the "IMA") and generally in relation to the Stranded Deposits 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 Stranded Deposits, plus estimated legal costs of £2.4 million relating to their recovery.

In May 2019, UCP's claim against Nectrus was heard in the English High Court. At that point, the Court ordered that the hearing be divided into liability and quantum phases, with a quantum hearing to follow if UCP were to succeed on liability.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

UCP's claim is for damages arising out of the Stranded Deposits including the costs of seeking to recover them in the Indian arbitrations and satellite proceedings, (a sum now estimated at £5.1 million).

Following a judgment handed down on 9 July 2019, the Court ordered that

(1) Nectrus was in breach of contract in relation to the placing of funds with Indian companies referred to as the 'Sham Entities' (i.e., the INR 90 crore invested via Aten PM); and

(2) Nectrus was not in breach of contract in relation to the investment with SREI (i.e. the INR 150 crore placed in ICDs with SREI); and

(3) The quantum hearing shall determine the outcome of the proceedings (such hearing to be held in November 2019).

Subject to an appeal, UCP was awarded 2/3rds of its costs to the end of the liability hearing (to be assessed if not agreed), including an interim payment of £650,000. UCP is entitled to deduct from the monies already withheld. 1/3 of UCP's costs and 1/3 of Nectrus' costs of the liability hearing are held over for determination after the quantum hearing.

In addition to the above, the Court further ordered that Nectrus take all reasonable steps to withdraw its separate action for injunctive relief in India. That matter is next due to be heard on 23 August 2019, at which time the action may be disposed of; otherwise as soon as possible thereafter.

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 (plus interest). That action was served on UCP in August/ September 2017. UCP challenged the jurisdiction of the Isle of Man courts to hear that claim. The Isle of Man court ruled that the action be stayed, and it remains stayed, pending the outcome of the English proceedings. The Isle of Man Court further awarded costs in UCP's favour in September 2018. Nectrus failed to pay the ordered £150k interim payment in relation to those costs, or to respond to a statutory demand in relation to the same. These cost now form part of the claim in the English proceedings.

14. Directors' fees

Mr. Lake receives an annual Director's fee of £60,000 (2018: £60,000) for carrying out his role as Chairman of the Board. He also received an additional £91,500 during the year (2018: 72,900) 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 (2018: £27,500).

All directors receive a sitting fee of £2,500 for each Board Meeting attended, with the exception of Mr Lake, who receives a sitting fee or £1,000 for each Board Meeting attended.

Mr. Sallnow-Smith receives an additional £5,000 per annum (2018: £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 2019 and at 31 March 2018 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, apart from the hearing in London described in note 13.

Company Information

Directors (all non-executive)

Donald Lake (Chairman)
Mohammad Yousuf Khan
Nicholas Sallnow-Smith
John Sleeman

Company Secretary Graham Smith

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