# UCP PLC

# Report and Financial Statements

## For the year ended
## 31 March 2020

## Contents

# Chairman's Statement

As shareholders are well aware, the Company's principal activity since the sale of its property portfolio in 2014 has been to pursue the recovery of monies owed to it. Since my update to shareholders of 14 January 2020 there has been significant activity, and there is progress to report.

To recap, the business of UCP was to develop and invest in large office parks in India. UCP held a 60% majority interest in six Indian SPVs each carrying out a particular 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 (which in turn indirectly held the interests in the Indian SPVs) to Brookfield. 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 two of the SPVs with SREI, Aten Capital and Aten PM, 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, c. £18.2 million was withheld from Nectrus as a shareholder, being the estimate at that time 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 £274k. In the matter of Aten PM, also as already reported, the sole Arbitrator found against the SPVs despite abundant evidence of the unsuitability of the investments said to have been made, but we saw no point in expending further resources, bearing in mind that Aten PM is not believed to have any accessible assets.

In the matter of the deposits with SREI, as previously reported, at the end of 2017 the arbitrator found in favour of one of the SPVs, UDPL, and awarded amounts totalling c. INR 224 Crore (c. £26.2 million at current rates) plus some costs and post award interest. UCP is interested in 60% of these amounts by virtue of its previous holding in UDPL.

SREI has challenged those awards via every possible route from the Kolkata High Court to the Indian Supreme Court over the last two and a half years. As reported, SREI's challenges have been rejected by the Kolkata High Court in September 2019, the Kolkata Division Bench in December 2019; and two challenges before the Supreme Court were rejected in December 2019 and March 2020 respectively.

At the time of writing, SREI still has a live challenge before the Supreme Court in respect of a portion of the awards, and continues to resist enforcement in the Kolkata High Court. With the intervening pandemic and the closure or part-closure of the Indian Courts, it is not known when the challenge and enforcement matters will next be heard.

SREI was, however, ordered to pay the majority of the awarded amounts to UDPL, a large portion of which had previously been paid into court or was the subject of a third party bank guarantee. These amounts were passed to UDPL earlier this year.

Pursuant to the SPA, on 22 July 2020 Brookfield remitted to UCP the portion of the recovered amounts owed to it, in the amount of £13.2m.

## Claims by Nectrus

As previously reported, Nectrus has pursued actions against UCP: (i) in Cyprus, which was abandoned in December 2016; (ii) in India, which was withdrawn in August 2019; and (iii) an action in pursuit of the withheld monies on the Isle of Man, commenced in 2017.

The Isle of Man claim has been stayed since 2018 following a successful jurisdiction challenge by UCP, and pending the conclusion of our action in London. The costs awarded to UCP were £150k on account, plus interest and more to be determined. The English Commercial Court has confirmed that these costs can be set-off against the withheld monies.

## 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, giving credit for monies received through the Indian arbitrations, to the extent these reduce UCP's ultimate loss.

Shortly before the hearing of this matter was due to commence in the Commercial Court in May 2019, 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. As that point was raised so late, the judge decided that the trial should be divided into parts. The first hearing in May dealt with liability, and a second hearing in November dealt with the application or not of reflective loss, and quantum i.e. the amount of the loss caused to UCP by Nectrus.

The judgment in July 2019 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 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.

E. UCP was entitled to 2/3 of its costs with the remaining 1/3 to be determined in November 2019.

The judgment in November 2019 was that UCP is entitled to set-off the following amounts against the withheld monies or distribution(s) to Nectrus:

A. c. £7.8 million in damages for: (i) the impairment of the original sale price of Candor corresponding to the unrecovered Aten monies, plus (ii) costs incurred by UCP in seeking to mitigate its loss of these amounts in India.

B. £150k interim costs award that Nectrus has failed to pay in the Isle of Man, plus interest, together with any further costs found due to UCP arising from Nectrus' Manx claim. The amount of these costs will be determined by a process called 'detailed assessment' if Nectrus does not agree a figure with UCP.

C. £650k interim costs award made by the Court following the May hearing.

D. £1 million interim costs award made by the Court following the November hearing; and

E. UCP's costs of the English proceedings (5/6 of the May hearing and all of the costs of the November hearing) plus interest. The amount of these costs will be determined by a process called 'detailed assessment' if Nectrus does not agree a figure with UCP.

## Appeal

Both parties sought permission to appeal the Commercial Court judgments. UCP was granted permission in respect of the decision on the SREI stranded deposits. However, in the light of the remittance from Brookfield already referred to, this challenge is redundant and has been withdrawn. Nectrus' applications for permission to appeal failed. Certain grounds were refused immediately. A ground based on the principle against recovery of "reflective loss" was initially given 'contingent permission', but this was subsequently refused on 24 July 2020 on the basis of a recent Supreme Court judgment that confirmed that Nectrus' appeal was not arguable.

## Financial results

As a result of the progress made in these matters, the Company is recognising in these financial statements its interest in the funds recovered from SREI, and its right to set off the awarded damages and costs against the withheld distribution to Nectrus. As the Company had previously only recognised them in the notes to its financial statements as "contingent assets", the favourable outcome taking these two items together mean that the Company is reporting £22.8 million of income in the financial year. In addition, as neither matter is yet finally concluded, the Company still has contingent assets amounting to approximately £5.2 million, representing the Company's estimate of what it reasonably still expects to recover, but for which there can be no certainty yet.

After operating expenses of £5.1 million and a reduction of £1.1 million in the run-off provision, to give net expenses of £4.0 million, we are pleased to report a profit for the year of £18.8 million. The net assets as at 31 March 2020 amounted to £14.8 million, which is equivalent to 4.1 pence per share.

## Shareholder distribution

I am further pleased to announce that, in accordance with our stated policy of recovering the stranded deposits and returning the proceeds to shareholders, the Board plans to announce a capital distribution to shareholders before the end of this month.

## Conclusion

We are pleased that the Company has made significant progress in the Nectrus and SREI matters, and that we are now in a position to distribute some of the proceeds to shareholders. As noted, certain elements of those matters remain ongoing, and we will continue to pursue them. You will understand that I cannot provide a commentary on what further actions may be taken.

I would like to thank shareholders for their continued support and patience.

Donald Lake, Chairman
1 September 2020

# Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2020.

**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 10 to 21. The Company reported net assets at the date of the Statement of Financial Position of £14.8 million (2019: net liabilities £4.1 million) and for the year ended 31 March 2020 total comprehensive profit attributable to the Shareholders of £18.8 million (year ended 31 March 2019: loss £3.2 million).

**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
1 September 2020

# 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; (as explained in note 2.2, the Directors do not consider it appropriate to prepare these financial statements on a going concern basis).

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
1 September 2020

# 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 2020 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. These financial statements have not been prepared on the going concern basis for the reason set out in note 2.2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit 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.

### 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 7, 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

2 September 2020

## Statement of Comprehensive Income

| | Notes | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|---|
| **Income** | | | |
| Interest income on cash balances | | **57** | 78 |
| Income from recovery of Stranded Deposits | 5 | **13,191** | - |
| Award for damages, set-off against distribution payable | 6 | **9,573** | - |
| | | **22,821** | 78 |
| **Expenditure** | | | |
| Operating expenses | 8 | **(5,139)** | (3,267) |
| Movement in provision for run-off costs | 9 | **1,150** | - |
| | | **(3,989)** | (3,267) |
| **Profit / (loss) for the year before tax** | | **18,832** | (3,189) |
| Tax expense | 10 | **-** | - |
| **Profit/ (loss) for the year and total comprehensive profit / (loss) for the year** | | **18,832** | (3,189) |

The notes on pages 14 to 21 form an integral part of the financial statements.

## Statement of Financial Position

| | Notes | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|---|
| **Current assets** | | | |
| Receivables from recovery of Stranded Deposits | 5 | **13,191** | - |
| Prepayments | | **8** | 8 |
| Cash and cash equivalents | 11 | **13,174** | 17,431 |
| **Total assets** | | **26,373** | 17,439 |
| **Financed by:** | | | |
| **Equity** | | | |
| **Share capital and reserves** | | | |
| Share capital | 12 | **3,600** | 3,600 |
| Distributable reserves | | **11,171** | (7,661) |
| | | **14,771** | (4,061) |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **1,356** | 531 |
| Distribution payable | 6 | **8,596** | 18,169 |
| Provision for run-off costs | 9 | **1,650** | 2,800 |
| **Total liabilities** | | **11,602** | 21,500 |
| **Total equity and liabilities** | | **26,373** | 17,439 |

The notes on pages 14 to 21 form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 1 September 2020 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 2018** | 3,600 | (4,472) | (872) |
| Total comprehensive loss for the year | - | (3,189) | (3,189) |
| **Balance at 31 March 2019** | 3,600 | (7,661) | (4,061) |
| **Balance at 1 April 2019** | 3,600 | (7,661) | (4,061) |
| Total comprehensive profit for the year | - | 18,832 | 18,832 |
| **Balance at 31 March 2020** | 3,600 | 11,171 | 14,771 |

The notes on pages 14 to 21 form an integral part of the financial statements.

## Statement of Cash Flows

| | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| **Operating activities** | | |
| Profit / (Loss) for the period before tax | **18,832** | (3,189) |
| Adjustments for: | | |
| Interest income from cash and cash equivalents | **(57)** | (78) |
| **Operating profit/(loss) before changes in working capital** | **18,775** | (3,267) |
| (Increase)/decrease in trade receivables and prepayments | **-** | (1) |
| (Increase)/decrease in other receivables | **(13,191)** | 274 |
| Decrease in trade and other payables | **(8,748)** | (160) |
| Decrease in provisions | **(1,150)** | - |
| | **(23,089)** | 113 |
| Tax paid | **-** | - |
| **Net cash used in operating activities** | **(4,314)** | (3,154) |
| **Investing activities** | | |
| Interest received | **57** | 78 |
| **Net cash generated from investing activities** | **57** | 78 |
| **Decrease in cash and cash equivalents** | **(4,257)** | (3,076) |
| Cash and cash equivalents at beginning of year | **17,431** | 20,507 |
| **Cash and cash equivalents at end of the year** | **13,174** | 17,431 |

The notes on pages 14 to 21 form an integral part of the financial statements.

# Notes to the Financial Statements for the year ended 31 March 2020

## 1. Reporting entity

UCP PLC (the "Company") 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 9).

### 2.3 Changes in significant accounting policies

The following were new standards and amendments to existing standards which are relevant to the Company and are effective for annual periods commencing on or after 1 January 2019:

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax Treatment

Annual improvements 2015-2017 cycle, which contains amendments to four IFRSs (IFRS 3, IFRS 11, IAS12 and IAS23), as a result of the IASB’s annual improvement project

- IFRS 9 – prepayment features
- IAS 28 – Long-term interest
- IAS 19 – Plan amendment, curtailment or settlement to harmonise accounting practices

The adoption of these amendments did not have any impact on the financial statements of the Company for the current period or any prior period and is not likely to affect future periods.

### 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 Contingent assets, note 9 Provision for run-off costs, and the final paragraph of note 6 regarding the outstanding legal matters.

### 2.6 Future changes in accounting policies

There are no standards or interpretations with an effective date on or after 1 April 2020 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.

### 3.6 Financial assets and financial liabilities

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 Contingent liabilities

A contingent liability is a possible or present obligation that does not meet the criteria for recognition in the accounts because it is either:

a) a possible obligation (i.e. one not yet confirmed to actually be a present obligation, with any degree of certainty) that arises from past events and where the final outcome will be contingent on one or more uncertain future events, not wholly within the control of the entity;

or

b) a present obligation that arises from past events but is not recognised because the loss is not probable, or the amount of the obligation cannot be measured with sufficient reliability

### 3.9 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 receivables and contingent assets (see notes 5 and 7) 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 2020** | **Less than 1 month** | **Non-interest bearing** | **Total** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **Financial assets** | | | |
| Trade receivables and prepayments | **-** | **8** | **8** |
| Other receivables | **-** | **13,191** | **13,191** |
| Cash and cash equivalents | **13,174** | **-** | **13,174** |
| Total financial assets | **13,174** | **13,199** | **26,373** |
| **Financial liabilities** | | | |
| Trade and other payables | **-** | **8,596** | **8,596** |
| **Total interest rate sensitivity gap** | **13,174** | **-** | **-** |

| 31 March 2019 | Less than 1 month £'000 | Non-interest bearing £'000 | Total £'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 | - | - |

During the year, interest income from cash was £57,000 (2019: £78,000). At 31 March 2020, if interest rates on average had increased/decreased by 0.05% (2019: 0.05%) with all other variables held constant, total comprehensive income for the year would increase/decrease by £7,000 (2019: £9,000).

### 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:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Trade receivables and prepayments | **8** | 8 |
| Other receivables | **13,191** | - |
| Cash and cash equivalents | **13,174** | 17,431 |
| | **26,373** | 17,439 |

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 with regard to the contingent assets (note 7).

### 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 2020 | Less than 3 months £'000 | 3 months to 1 year £'000 | Total £'000 |
|---|---|---|---|
| **Financial liabilities** | | | |
| Distribution payable (note 6) | **-** | **8,596** | **8,596** |
| Provision for run-off costs | **412** | **1,238** | **1,650** |
| Trade and other payables | **1,341** | **15** | **1,356** |
| | **1,753** | **9,849** | **11,602** |

| 31 March 2019 | Less than 3 months £'000 | 3 months to 1 year £'000 | Total £'000 |
|---|---|---|---|
| Distribution payable (note 6) | - | 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 |

## 5. Income from Stranded Deposits

At the time of completion of the sale of Candor to an affiliate of Brookfield Property Partners, 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 Property Partners upon the disposal of Candor in November 2014.

The Company has been engaged in actions to recover these Stranded Deposits. In the action against one of these financial institutions, SREI Infrastructure Finance Limited, ("SREI"), an Arbitration Tribunal gave awards in 2017 in favour of the Company's former JV Company ("UDPL") requiring the return of the principal amount of INR 150 million plus interest and limited costs. SREI continues to challenge these awards in part, but has now paid across the majority of the awarded amount to UDPL. The Company was entitled to 60% of the total award (subject to tax and other deductions), and on 21 July 2020 (following the financial year-end) it received £13.2m that is accordingly shown as a receivable at 31 March 2020.

As the amounts claimed against SREI had not been included as a receivable in the accounts of the Company in recent years (but only disclosed as a contingent asset), this figure is recorded as income in the financial year and as a receivable in the balance sheet.

## 6. 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 pursued a 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 5, and the withheld distribution equalled the then-estimated loss.

Proceedings were initiated against Nectrus in the English Commercial Court in August 2017. The Company succeeded at the liability phase in July 2019 as to the INR 900 million invested via Aten PM; but not in relation to the INR 1,500 million placed with SREI. At the quantum phase, in November 2019 the Court found in the Company's favour and ordered that it was entitled to set-off the following amounts against the amounts withheld and future distribution(s) due to Nectrus:

A. £7,773,000 in damages for: (i) the impairment of the original sale price of Candor corresponding to the unrecovered Aten monies, plus (ii) costs incurred by the Company in seeking to mitigate its loss of these amounts in India;

B. £150,000 interim costs award that Nectrus has failed to pay in the Isle of Man, plus interest, together with any further costs found due to the Company arising from Nectrus' Manx claim;

C. £650,000 interim costs award made by the Court following the May hearing;

D. £1,000,000 interim costs award made by the Court following the November hearing; and

E. the Company's costs of the English proceedings (as above) plus interest. The amount of these costs will be determined by a process called 'detailed assessment' unless agreed with Nectrus.

The amounts in items A to D amount to £9,573,000.

The Company was granted permission to appeal the liability judgment in respect of the SREI amount. Nectrus was granted "contingent" permission to appeal the quantum judgment, dependent on the outcome of an awaited ruling by the UK Supreme Court in *Marex v Sevilleja* but this was subsequently refused as the decision of the Supreme Court in that case rendered the Nectrus appeal unarguable. UCP will not proceed with its own appeal, which is redundant in light of the remittance from Brookfield.

For the purposes of these financial statements, the Company has recognised the £9,573,000 as income in the year. This amount has been set off against the distribution figure in the balance sheet, thereby reducing it from £18,169,000 to £8,596,000. The final amount of set off will be increased to the extent that the costs ultimately determined exceed the interim amounts awarded of £1.65 million. No credit is taken in these financial statements for any additional cost recovery (as described in point E above), but disclosure is given as a contingent asset (see note 7).

In July 2017 Nectrus commenced an action against UCP in the Isle of Man seeking recovery of the £18.2 million pursuant to the distribution (plus interest). The Isle of Man court ruled that the action be stayed pending the outcome of the English action. Unless and until the English action is concluded that action remains stayed. Nectrus have not confirmed that the English action is at an end and have intimated further challenge(s). To date, all of Nectrus' challenges and applications to appeal have failed, and no further applications have been made.

## 7. Contingent assets

As described in note 5, SREI continues to challenge the awards made in UDPL's favour, and has paid the majority of the amounts awarded but not the full amounts. UDPL continues to pursue enforcement in relation to the remainder of the SREI awards, and the Company will be entitled to receive 60% of the recovered amounts (subject to tax, costs, and other deductions).

Further, as described in note 6, the Company is entitled to costs of the English and Manx proceedings in addition to the three interim costs awards, as included in the £9,573,000 which has been recognised as income in the Statement of Comprehensive Income and set-off against the distribution payable in the Statement of Financial Position. The Company is entitled to further set-off against the withheld distribution such additional amounts as awarded or agreed with Nectrus.

The Directors estimate that the Company can reasonably expect to recover in total an amount in the region of £5.2 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. In accordance with accounting standards, this is treated as a contingent asset, and is not included within the Statement of Financial Position.

## 8. Operating expenses

Operating expenses comprise of:

| | **2020 £'000** | **2019 £'000** |
|---|---|---|
| Legal and advisory fees | **4,583** | 2,671 |
| Directors' fees and expenses (see note 14) | **310** | 301 |
| Administration fees | **144** | 144 |
| Audit fees | **29** | 28 |
| Professional fees | **53** | 60 |
| Other expenses | **20** | 63 |
| | **5,139** | 3,267 |

## 9. 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 3.9. At 31 March 2020 it was estimated that these costs, consisting of (a) legal costs associated with the recovery of the funds described in notes 5 and 6, 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 £1.65 million (31 March 2019: £2.8 million). Given the inherent uncertainty in the duration and extent of legal action to recover the funds, 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.

## 10. Taxation

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

Income tax is payable by UDPL in India on the interest portion of the recovery of the Stranded Deposits, and Indian withholding taxes are applicable on the payment by UDPL to Brookfield for onward payment of the Company's share. Such taxes are already accounted for in the £13,191,000 due to the Company as described in note 5, and no further tax is payable by the Company in any jurisdiction.

## 11. Cash and cash equivalents

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Current accounts | **89** | 571 |
| Short-term deposits | **13,085** | 16,860 |
| | **13,174** | 17,431 |

## 12. 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** |

## 13. Trade and other payables

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Trade payables | **679** | 503 |
| Accruals | **677** | 28 |
| | **1,356** | 531 |

## 14. Directors' fees

Mr. Lake receives an annual Director's fee of £60,000 (2019: £60,000) for carrying out his role as Chairman of the Board. He also received an additional £73,200 during the year (2019: £91,500) for extra work carried out in connection with the legal actions in relation to the stranded deposits as described in notes 5 and 6. 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 represented the most cost effective method of handling the matters in the absence of internal management resources.

The other Directors receive fees of £27,500 per annum (2019: £27,500). Mr. Sallnow-Smith receives an additional £5,000 per annum (2019: £5,000) for his role as Chairman of the Audit Committee.

All directors receive a sitting fee of £2,500 for each Board Meeting attended, with the exception of Mr Lake, who receives no sitting fee for Board Meeting attendance.

## 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 2020 and at 31 March 2019 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

On 21 July 2020, the Company received payment of £13.2 million, being the Company's entitlement to the recovery to date of the stranded deposits, as described in note 5.

As described in note 6, Nectrus applied for permission to appeal against the awards in the Company's favour in the matter of the withheld distribution. On 24 July 2020, the last of Nectrus' applications was refused.

# 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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