UCP PLC

Report and Financial Statements

For the year ended
31 March 2021

Contents

Chairman's Statement

When I last wrote to shareholders in the 2020 Annual Report, I was able to report some significant developments in the Company's recovery of deposits in India and in its claim against Nectrus as its erstwhile investment manager. I do not repeat here the background to those matters, as they have been well rehearsed in recent years' reports, but please refer to those reports as necessary.

Progress over the past year has been slower, but we continue to believe that we can realise further value for our shareholders in due course.

Recovery of Deposits from SREI

As previously reported, UCP is interested in 60% of amounts recovered by its former Indian subsidiary, UDPL, in respect of deposits placed with SREI. Arbitration awards handed down in late 2017 entitled UDPL to INR 2,240 million (approximately £26 million at the time) plus some costs and post award interest. In July 2020, UCP received £13.2 million, this being UCP's share of amounts that were readily recoverable by UDPL (SREI having been ordered to pay certain funds into court and furnish third party bank guarantees), but enforcement of the awards and recovery of the remainder of the amounts has stalled due to the shutdowns and delays (except for high priority matters) in the Indian courts as a result of the COVID pandemic.

SREI has previously challenged the arbitral awards at all possible levels, and each time the challenge has been rejected: by the Kolkata High Court in September 2019, the Kolkata Division Bench in December 2019, and by the Supreme Court in December 2019 and again in March 2020. SREI has a pending application before the Supreme Court in respect of a portion of the awards, but this has not yet been listed for a preliminary hearing (at which stage it could be rejected) and it is not known if it will proceed.

Claim by UCP against Nectrus in London

As shareholders are already aware, in 2019 the English Commercial Court handed down a judgment in the Company's favour against Nectrus for breaches in the performance of its duties under the Investment Management Agreement. The judgment held that the Company was entitled to set off £9.6 million plus additional costs against sums withheld from the distribution of January 2015 (the withheld distribution of £18.2m) and/or from future distributions.

The total amount of additional costs to be recovered by the Company in relation to the English action remains unresolved as Nectrus has refused to agree any amount. If the costs remain unagreed they will be determined by a process called 'detailed assessment'. The detailed assessment hearing is scheduled before a costs judge in January 2022.

Even though the applications made by Nectrus in 2020 for permission to appeal the English judgment were refused, subsequent to my last update, Nectrus further challenged that refusal. On 21 January 2021 this challenge was rejected by the English Court of Appeal and Nectrus was ordered to pay the sum of £120,000 to the Company in respect of costs connected with defending the challenge. The Court of Appeal confirmed the Company's entitlement to set this amount off against sums withheld.

In October 2020, the Company released £5.4 million to the nominee shareholders that hold shares in UCP for the ultimate benefit of Nectrus. It is understood that due to freezing orders (to which the Company is not a party) those funds were then paid into the Isle of Man Court by those shareholders (not onwards to Nectrus).

The Company continues to retain a balance of c. £3.1 million from the withheld distribution, which will be set off against costs owed by Nectrus in respect of the English action in due course; any shortfall will be recovered from a future distribution, and the balance (if any) will be paid to the named shareholders and onwards to Nectrus (or into Court if the freezing orders remain in place).

Claims by Nectrus

In July 2017, Nectrus commenced an action against UCP in the Isle of Man seeking recovery of the withheld distribution, plus interest and costs. Upon a successful jurisdiction challenge by the Company, that action was stayed pending the outcome of the English action. Following conclusion of the English action earlier this year (save for detailed assessment of costs), the matter revived. Nectrus has since filed an amended Claim which is now for interest on the withheld distribution in the amount of £2.8 million. Nectrus has indicated that it wishes to revise the amount claimed to £4.3 million. The Company maintains that no interest is due, and the Claim will be vigorously defended. The matter will be heard in March 2022.

As previously reported, the English Commercial Court confirmed that the costs of the Company's successful jurisdiction challenge (£150,000) could be set-off against the sums withheld. Any further costs awarded to the Company in the Isle of Man action will similarly be subject to set-off pursuant to the English Court's order.

Financial results

As there is still significant uncertainty surrounding the precise amount and timing of payment of the final portion of the SREI awards, we do not recognise it as a receivable in the Company's financial accounts. Likewise, although we expect to be awarded further costs in respect of which we have an entitlement to set off, we do not apply any set off against the liability in the accounts. We will take credit for these items only when there is greater visibility but we note them, collectively, as a contingent asset totalling £5.2 million.

The accounts themselves show shareholder funds (net assets) at 31 March 2021 of £6.3 million, equivalent to 1.8 pence per share. This compares with £16.4 million a year earlier, (4.6 pence per share), the movement between the two dates consisting of the capital distribution of £9 million (2.5 pence per share) paid in October 2020, and an accounting loss in the year of £1.1 million. This reported loss is made up almost entirely of the Company's operating expenditure.

As litigation activity in the past year has been much less intensive than in the preceding years for the reasons given above, the operating expenditure at £1.2 million, of which legal costs form the greatest component, is much lower than the previous year's figure of £5.1 million. Looking forward, we do not expect costs to go back up to the earlier levels, as we approach the end of the disputes. Moreover, the legal costs which we continue to incur are included in our claim against Nectrus and we will seek to recover as much as possible.

The accounts for the prior year have been restated following a decision to remove the accounting provision for run-off costs. On a re-evaluation of the relevant accounting standards, it was concluded that the provision is not appropriate. However, this is purely an accounting matter, and does not reflect any lessening of the Board's intention to return cash to shareholders and wind up the Company as soon as the matters described earlier in this report are concluded.

Shareholder distribution

Having paid a capital distribution of 2.5 pence per share in October 2020 following the partial recovery of the SREI deposits and the English judgment, we do not expect to be in a position to announce a further distribution to shareholders in the immediate future. As soon as the outstanding Nectrus matters are concluded, or we are able to enforce the remainder of the awards against SREI, then we will be in a position to consider a distribution.

Life of Company

At the AGM in September 2019, shareholders voted to extend the life of the Company to 31 December 2021. There are still significant amounts recoverable, and as it is now clear that they will not be resolved by the end of this year, we shall be asking shareholders to approve a further two year extension to the end of 2023 at the AGM to be held in October 2021.

Conclusion

The journey over the past few years since the sale of the Company's property portfolio has been much longer than anyone anticipated, and we have faced many unexpected twists and turns along the way. However, we remain convinced that we can still make worthwhile recoveries for shareholders, and we are thankful for their continued support and patience.

Donald Lake, Chairman
7 September 2021

Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2021.

Principal Activities

UCP PLC (the "Company") is an investment company which was 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.

The Company returned capital to shareholders in January 2015 following the sale of the shares of Candor, and again in October 2020 following a partial recovery of the residual assets, 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 and return of capital

The Company's financial statements are set out on pages 9 to 20. The Company reported net assets at the date of the Statement of Financial Position of £6.3 million (2020: net assets £16.4 million), not including contingent assets. For the financial year then ended it reported a total comprehensive loss attributable to the Shareholders of £1.1 million (previous year: profit of £17.7 million).

The Company paid a distribution of £9.0m in the financial year (previous year: nil).

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
7 September 2021

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
7 September 2021

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

Our opinion is unmodified

We have audited the financial statements of UCP PLC (the "Company"), which comprise the statement of financial position as at 31 March 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information. These financial statements have not been prepared on the going concern basis for the reason set out in Note 2.3.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's 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 FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of litigation or impacts on the Company's ability to operate. We identified company law as being the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Respective responsibilities

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 including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

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 IM1 1LA

7 September 2021

Statement of Comprehensive Income

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 Restated £'000
Income			
Interest income on cash balances		**5**	57
Income from recovery of Stranded Deposits	5	**-**	13,191
Award for damages or costs, set-off against distribution payable	6	**120**	9,573
		125	22,821
Expenditure			
Operating expenses	8	**(1,239)**	(5,139)
		(1,239)	(5,139)
(Loss)/profit for the year before tax		**(1,114)**	17,682
Tax expense	10	**-**	-
(Loss)/profit for the year and total comprehensive profit / (loss) for the year		**(1,114)**	17,682

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

Statement of Financial Position

	Notes	31 March 2021 £'000	31 March 2020 Restated £'000	1 April 2019 Restated £'000
Current assets				
Receivables from recovery of Stranded Deposits	5	**-**	13,191	-
Trade and other receivables		**4**	8	8
Cash and cash equivalents	13	**9,599**	13,174	17,431
Total assets		**9,603**	26,373	17,439
Financed by:				
Equity				
Share capital and reserves				
Share capital	11	**3,600**	3,600	3,600
Distributable reserves		**2,707**	12,821	(4,861)
		6,307	16,421	(1,261)
Current liabilities				
Trade and other payables	14	**220**	1,356	531
Distribution payable	6	**3,076**	8,596	18,169
Total liabilities		**3,296**	9,952	18,700
Total equity and liabilities		**9,603**	26,373	17,439

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 7 September 2021 and signed on their behalf by:

Donald Lake
Director

Nicholas Sallnow-Smith
Director

Statement of Changes in Equity

	Notes	Share capital £'000	Distributable reserves £'000	Total £'000
Balance at 1 April 2019 (as previously reported)		3,600	(7,661)	(4,061)
Restatement	9	-	2,800	2,800
Restated balance at 1 April 2019		3,600	(4,861)	(1,261)
Total comprehensive profit for the year		-	17,682	17,682
Balance at 31 March 2020		3,600	12,821	16,421
Balance at 1 April 2020 (as previously reported)		3,600	11,171	14,771
Restatement	9	-	1,650	1,650
Restated balance at 1 April 2020		3,600	12,821	16,421
Total comprehensive loss for the year		-	(1,114)	(1,114)
Distribution to shareholders	12	-	(9,000)	(9,000)
Balance at 31 March 2021		3,600	2,707	6,307

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

Statement of Cash Flows

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 Restated £'000
Operating activities			
(Loss) / Profit for the year before tax		**(1,114)**	17,682
Adjustments for:			
Interest income from cash and cash equivalents		**(5)**	(57)
Operating (loss)/profit before changes in working capital		**(1,119)**	17,625
Decrease in trade receivables and prepayments		**4**	-
Decrease/(increase) in other receivables		**13,191**	(13,191)
(Decrease) in distribution payable	6	**(5,520)**	(9,573)
(Decrease)/increase in trade and other payables		**(1,136)**	825
		6,539	(21,939)
Tax paid		**-**	-
Net cash generated/(used) in operating activities		**5,420**	(4,314)
Investing activities			
Interest received		**5**	57
Financing activities			
Distribution paid	12	**(9,000)**	-
Decrease in cash and cash equivalents		**(3,575)**	(4,257)
Cash and cash equivalents at beginning of year		**13,174**	17,431
Cash and cash equivalents at end of the year		**9,599**	13,174

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 2021

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. No provision for liquidation costs has been made as this is immaterial. IFRS has been used for the preparation of the financial statements on a non-going concern basis as it provides suitable guidance to the entity in the circumstances.

2.3 Restatement of prior year comparatives

Following the realisation of the Company's investments, the return of cash to Shareholders and the intention to wind-up the Company's affairs, a provision had been made in the prior year accounts for the total estimated future costs up to and including the winding up. Upon a re-evaluation of accounting standards applicable to the preparation of non-going concern basis financial statements, it was concluded that such a provision should only be made where the Company is committed to meeting the costs at the relevant period end. The costs included in the provision for run-off costs did not meet this requirement and have therefore been taken out of the prior years' accounts. The impact on prior year accounts is set out in note 9.

2.4 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 April 2020:

- IFRS 3 Definition of a Business (Amendments to IFRS 3)
- IAS 1 and IAS 8 Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

Adoption of these new and amended standards has had no material impact on the financial statements of the Company.

Accounting Standards or interpretations, not yet early adopted

A number of new standards, amendments to existing standards and interpretations which have been issued or amended by IASB, are not yet effective and have not been applied in preparing these financial statements. The Directors are considering the standards, however, at this time they are not expected to have a significant impact on the Company.

2.5 Functional and presentation currency

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

2.6 Use of estimates and judgments

The preparation of financial statements requires the Board to make judgements, 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 judgements 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, and the final paragraph of note 6 regarding the outstanding legal matters.

2.7 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 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

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

During the year, the Company held cash on interest bearing deposit accounts, and the Company was subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. At the financial year-end, all the Company’s financial assets and liabilities were non-interest bearing. (At the previous financial year-end, the Company held cash of £13,174,000 on short dated interest bearing deposit accounts.)

During the year, interest income from cash was £5,000 (2020: £57,000).

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:

	2021	**2020**
	£’000	£’000
Trade receivables and prepayments	**4**	8
Other receivables	**-**	13,191
Cash and cash equivalents	**9,599**	13,174
	9,603	26,373

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 2021	**Less than 3 months**	**3 months to 1 year**	**Total**
Financial liabilities	**£'000**	**£'000**	**£'000**
Distribution payable (note 6)	**-**	**3,076**	**3,076**
Trade and other payables	**198**	**22**	**220**
	198	**3,098**	**3,296**

31 March 2020	**Less than 3 months**	**3 months to 1 year**	**Total**
	£'000	**£'000**	**£'000**
Distribution payable (note 6)	-	8,596	8,596
Trade and other payables	1,341	15	1,356
	1,341	8,611	9,952

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 it received £13,191,000. This was accounted for in the financial year to 31 March 2020.

No further amounts have been recovered since then, and accordingly income from the Stranded Deposits in the financial year to 31 March 2021 is nil. Further amounts which the Company is seeking to recover are recorded as a contingent asset in Note 7.

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 "withheld distribution")

The Company 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 2017, and in 2019 the Court found in the Company's favour and ordered that it was entitled to set-off £9,573,000 against the amounts withheld and any future distribution(s) due to Nectrus as beneficial owner. In addition, the Company is entitled to set-off the Company's costs of the English proceedings plus interest, (less interim costs already awarded and set off), such amount to be determined by a process called 'detailed assessment' unless agreed with Nectrus. The detailed assessment is currently scheduled to be heard by a costs judge in January 2022. No credit is taken in the financial statements for any additional cost recovery, but disclosure is given as a contingent asset (see note 7).

On 30 October 2020, the Company paid £5,400,000, being the undisputed portion of the withheld distribution, to the two registered shareholders that hold shares for the benefit of Nectrus.

Nectrus applied for permission to appeal against the judgments in the Company's favour but this was refused on 24 July 2020. Nectrus then challenged that refusal, and on 21 January 2021 that challenge was also rejected by the English Court of Appeal. The Court of Appeal ordered Nectrus to pay the sum of £120,000 to the Company in respect of costs, and authorised the Company to set-off this amount against the withheld distribution.

The movements in the distribution payable are summarised below:

	£'000
Distribution withheld in January 2015	18,169
Set-off of damages and interim costs awarded in July and November 2019	(9,573)
Balance reported as at 31 March 2020	8,596
Amount paid in October 2020	(5,400)
Set-off of costs awarded in January 2021	(120)
	3,076

The balance of £3,076,000 remains withheld, pending an award in respect of the English costs in the detailed assessment process, or agreement with Nectrus; and recovery of additional costs of the Isle of Man action by detailed assessment or agreement.

In July 2017 Nectrus had commenced an action against UCP in the Isle of Man seeking recovery of the withheld distribution plus interest. That action was stayed pending the outcome of the English action. Following conclusion of the English action (save for detailed assessment) described above, the matter revived. Nectrus has filed an amended Claim to which UCP has responded by way of Defence. In their Claim, Nectrus seeks interest on the withheld distribution amounting to £2.8 million. Nectrus has since indicated that it wishes to revise the amount claimed to £4.3 million. The Company maintains that no interest is due and the Claim will be vigorously defended. The matter is due to be heard in March 2022.

7. Contingent assets and liabilities

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 interim costs awards which have been set-off. 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. In accordance with accounting standards, this is treated as a contingent asset, and is not included within the Statement of Financial Position.

As also described in note 6, Nectrus has filed a claim for interest on the withheld distribution of £2.8 million and indicated that it wishes to revise the claim to £4.3 million. The Company maintains that no interest is due and will defend the claim, but notes this £4.3 million as a contingent liability.

8. Operating expenses

	2021	**2020**
	£'000	**£'000**
Legal and advisory fees	**845**	4,583
Directors' fees and expenses (see note 15)	**163**	310
Administration fees	**144**	144
Audit fees	**29**	29
Professional fees	**44**	53
Other expenses	**14**	20
	1,239	5,139

9. Restatement of prior year accounts

As described in note 2.3, the provision for run-off costs included in the accounts of prior years has been removed, as the criteria for such a provision are not fulfilled. The affected financial statement lines items for prior periods have been restated, and the following tables summarise the impacts on the financial statements.

Statement of Financial Position

1 April 2019	As previously reported £'000	Adjustments £'000	As restated £'000
Total assets	17,439	-	17,439
Trade and other payables	(531)	-	(531)
Distribution payable	(18,169)	-	(18,169)
Provision for run-off costs	(2,800)	2,800	-
Total liabilities	(21,500)	2,800	(18,700)
Share capital	3,600	-	3,600
Distributable reserves	(7,661)	2,800	(4,861)
Total equity	(4,061)	2,800	(1,261)

31 March 2020	As previously reported £'000	Adjustments £'000	As restated £'000
Total assets	26,373	-	26,373
Trade and other payables	(1,356)	-	(1,356)
Distribution payable	(8,596)	-	(8,596)
Provision for run-off costs	(1,650)	1,650	-
Total liabilities	(11,602)	1,650	(9,952)
Share capital	3,600	-	3,600
Distributable reserves	11,171	1,650	12,821
Total equity	14,771	1,650	16,421

Statement of Comprehensive Income

Year ended 31 March 2020	As previously reported £'000	Adjustments £'000	As restated £'000
Total income	22,821	-	22,821
Operating expenses	(5,139)	-	(5,139)
Movement in provision for run-off costs	1,150	(1,150)	-
Total expenditure	(3,989)	(1,150)	(5,139)
Profit / (loss) for the year	18,832	(1,150)	17,682

Statement of Change in Equity

Year ended 31 March 2020	As previously reported £'000	Adjustments £'000	As restated £'000
Share capital	3,600	-	3,600
Distributable reserves	(7,661)	2,800	(4,861)
Total comprehensive profit for the year	18,832	(1,150)	17,682
Balance as at 31 March 2020	**14,771**	**1,650**	**16,421**

There is no impact on the total operating, investing or financing cash flows for the year ended 31 March 2020.

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 were already accounted for in the £13,191,000 paid to the Company as described in note 5, and no further tax is payable by the Company in any jurisdiction.

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. Distribution

On 30 October 2020, the Company paid a distribution to all shareholders at the rate of 2.5 pence per share, amounting to £9,000,000 in total.

13. Cash and cash equivalents

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

	2021 £'000	**2020 £'000**
Current accounts	**9,599**	89
Short-term deposits	**-**	13,085
	9,599	13,174

14. Trade and other payables

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

	2021 £'000	2020 £'000
Trade payables	**187**	679
Accruals	**33**	677
	220	1,356

15. Directors' fees

Mr. Lake receives an annual Director's fee of £60,000 (2020: £60,000) for carrying out his role as Chairman of the Board. He received no additional fee during the year (2020: £73,200) 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 other Directors receive fees of £27,500 per annum (2020: £27,500). Mr. Sallnow-Smith receives an additional £5,000 per annum (2020: £5,000) for his role as Chairman of the Audit Committee.

All directors are entitled to 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. No physical meetings took place during the financial year due to the global pandemic.

16. Related-party transactions and ultimate controlling party

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 2021 and at 31 March 2020 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 15.

There is no ultimate controlling party of the Company.

17. Subsequent events

As described in Note 6 above, the detailed assessment hearing for the English Court costs is presently scheduled to be held in January 2022 and Nectrus' Isle of Man action will be heard in March 2022.

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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