UCP PLC

Report and Financial Statements

For the year ended
31 March 2022

Contents

Chairman's Statement

Shareholders will by now be very familiar with the long running litigation on several fronts, all arising from the matter generally referred to as the "stranded deposits", following the otherwise successful disposal of the Company's Indian property portfolio in November 2014. There is still uncertainty as to when this will be completed and what the end outcome will be. Since our last report, there has been some progress in the matter of cost recoveries, however further obstacles have arisen in that the English litigation which we had been advised as effectively closed is now being re-opened, and the insolvency of SREI in India has further complicated and delayed our recovery efforts there.

Claim by UCP against Nectrus in London

Last year we were pleased to report that Nectrus' challenges to the outcome of the matter pursued by the Company in the English Commercial Court had repeatedly been refused and that the Company was pursuing recovery of its legal costs. There have been further developments in both respects.

As previously reported, Nectrus had been unsuccessful in its application for permission to appeal against the 2019 judgments in the Company's favour against Nectrus for breaches in the performance of its duties under the Investment Management Agreement. As a result of those judgments, the Company became entitled to set off £9.6 million plus additional costs against sums withheld from the distribution of January 2015 (of £18.2 million) and/or from future distributions.

Even though the applications made by Nectrus in 2020 for permission to appeal the English judgments were refused, Nectrus further challenged that refusal. As previously reported, on 21 January 2021 this challenge was rejected by the English Court of Appeal. However, in an unexpected development, in November 2021 Nectrus launched a further challenge, which was served on the Company in March 2022 and heard by the Court of Appeal on 30 June 2022. In what has been described in legal commentary as "*an exceptional exercise of an already-exceptional jurisdiction*",[1] the Court of Appeal found that the previous refusals for permission to appeal by the Court of Appeal were tainted by 'apparent bias' and Nectrus was accordingly granted permission to appeal one specific aspect of the 2019 judgments. A hearing on this aspect before the Court of Appeal is now scheduled for early March 2023.

The matter in question is that Nectrus has argued that the legal principle of "reflective loss" should prevent the Company from recovering certain of the losses caused by Nectrus, because, on Nectrus' case, those losses were suffered by the Company in its capacity as a shareholder in Candor Investments Limited, the Mauritius subsidiary through which the Company held its interests in India. The November 2019 judgment rejected that argument (as did the July 2020 refusal of Nectrus' application for permission to appeal and the January 2021 Court of Appeal judgment). There have been further developments in the law since those judgments that Nectrus has sought to use to argue that its argument should not have been rejected, and that the set off should not have been awarded. This will be the subject of the upcoming Court of Appeal hearing. In addition, by extension the award of costs of £120,000 in the January 2021 judgment (and also set off against the distribution payable) was set aside.

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1 "Appeal reopened where judge's handling of previous application under CPR 52.30 affected by apparent bias (Court of Appeal)", by Practical Law Dispute Resolution, 27 July 2022 <https://uk.practicallaw.thomsonreuters.com/w-036-3957> [subscription required].

In respect of the Company's pursuit of its costs in relation to the English action, this was determined by a costs judge in a "detailed assessment" hearing in January 2022, following the refusal by Nectrus to agree to pay any amount. I am pleased to report that the Company was awarded £0.81 million in addition to the interim costs of £1.65 million originally awarded in the 2019 judgments, and became entitled to offset this against the withheld distribution payable in the same way as previous awards.

The Company currently retains a balance of £2.4 million from the withheld distribution. Any costs owed by Nectrus in respect of the Isle of Man and any further costs awarded to the Company in respect of the above appeal process in England will be offset against this, and the balance (if any) will be paid to the registered shareholders and onwards to Nectrus as beneficial owner (or into Court if certain freezing orders on Nectrus' assets 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. The action was stayed in 2018, pending the outcome of the English action, after the conclusion of which in 2019, the matter revived in 2021 and Nectrus filed an amended claim for interest on the withheld distribution. Nectrus abandoned its attempt to revise the amount of interest claimed, pursuing up to £2.9 million at the March 2022 hearing. The Company maintained that no interest is due. As at this date the court has not handed down its judgment.

Recovery of Deposits from SREI

As previously reported, the Company 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 the Company'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 repeatedly 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. In 2021 SREI submitted an application to the Supreme Court in respect of a portion of the interest included in the awards, but this too has been rejected. UDPL and the Company initially agreed that UDPL should retain an amount sufficient to cover the eventuality that it might be ordered to repay the portion that SREI was claiming, and not pay it on to the Company. Following the Supreme Court's rejection of SREI's application, UDPL paid this retention (plus interest less a share of certain costs) to the Company in December 2022, amounting in total to £1.0 million, UDPL's application for enforcement to recover the remaining amount of interest remains on foot in the Kolkata High Court.

In October 2021, the Reserve Bank of India took the rare step of replacing the board of SREI and almost immediately thereafter commenced the insolvency process. UDPL duly filed the relevant papers, identifying itself as a secured creditor, (although the security designation under

Indian law is less clear). Initially UDPL did not appear in the list of creditors, so UDPL had to apply to the National Company Law Tribunal (the “NCLT”) for an order for it to be included, which SREI’s administrator has resisted. The NCLT made an order in UDPL’s favour in July 2022. However, it was then only included in the list of creditors at a ‘nil’ value so does not presently enjoy creditors’ rights. Arguments are ongoing before the NCLT as to UDPL’s proper inclusion in the list. As a matter of statute, insolvency proceedings required a ‘resolution plan’ to have been completed by now, but the deadline has been extended to 5 January 2023. The most likely outcome is a sale of SREI to one of three bidders, but how this might translate into a payment to UDPL is not yet known.

Moreover, UDPL is not a mere creditor but has the benefit of an order of attachment over various assets (real estate and credit facilities) of SREI, and such assets should arguably not form part of the insolvency property. An application to enforce against these assets continues, but SREI (in insolvency) is resisting that application. The delays in getting matters heard in the Kolkata court have hindered the progress as well. The matter is now due to be heard in mid-December 2022.

The Board of UCP therefore considers that recovery of the remaining part of the award remains available, and that these actions are nearing their conclusion.

Financial results

Because of the above mentioned uncertainty, we do not recognise any amounts due from SREI as a receivable in the Company’s financial accounts, including the £1.0 million SREI recovery received in December 2022. Likewise, although there may be further cost awards in the Isle of Man, we do not yet bring them onto the balance sheet. We will take credit for these items only when there is greater visibility but we note them, collectively, as a contingent asset estimated at a total of £4.4 million.

Conversely we disclose the claim by Nectrus for interest and the possibility of an adverse ruling in the Court of Appeal only as a contingent liability, and do not recognise a liability in the Company’s financial accounts.

The accounts themselves show shareholder funds (net assets) at 31 March 2022 of £4.97 million, equivalent to 1.4 pence per share (there being 360 million shares in issue). This compares with £6.30 million a year earlier, (1.8 pence per share), the movement between the two dates consisting solely of an accounting loss in the year of £1.34 million. This reported loss is made up of the Company’s operating expenditure of £2.04 million less the recognition of the cost awards of £0.70 million (net).

Whilst the legal fees forming the greater part of the operating costs showed an increase over the level of previous years, this is largely a reflection of when significant hearings take place, and in any event it is not expected that such costs will go back to the levels incurred in earlier years. 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.

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 judgments, it has not been possible to pay any further distributions. The Board remains committed to making further capital distributions as soon as it is prudent to do so.

Conclusion

I commented last year on the long journey the Company has been on since the sale of its portfolio. Whilst it is disappointing that the appeal process has further delayed the finalisation of these matters, we still believe that further distributions to shareholders will be possible in due course. Once again, we thank shareholders for their continued support and patience.

Donald Lake, Chairman
14 December 2022

Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2022.

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 11 to 21. The Company reported net assets at the date of the Statement of Financial Position of £5.0 million (2021: net assets £6.3 million), not including contingent assets and liabilities. For the financial year then ended it reported a total comprehensive loss attributable to the Shareholders of £1.3 million (previous year: loss of £1.1 million).

The Company paid no distributions in the financial year (2021: £9.0 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
14 December 2022

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
14 December 2022

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 2022, 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 2.2.

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 2022 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 7, 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

14 December 2022

Statement of Comprehensive Income

	Notes	Year ended 31 March 2022	Year ended 31 March 2021
		£'000	**£'000**
Income			
Interest income on cash balances		**-**	5
Award for damages or costs, set-off against distribution payable	5	**701**	120
		701	125
Expenditure			
Operating expenses	8	**(2,038)**	(1,239)
		(2,038)	(1,239)
Loss for the year before tax		**(1,337)**	(1,114)
Tax expense	9	**-**	-
Loss for the year and total comprehensive profit / (loss) for the year		**(1,337)**	(1,114)

The notes on pages 16 to 22 form an integral part of the financial statements.

Statement of Financial Position

	Notes	31 March 2022	31 March 2021
		£'000	£'000
Current assets			
Trade and other receivables		**3**	4
Cash and cash equivalents		**7,521**	9,599
Total assets		**7,524**	9,603
Financed by:			
Equity			
Share capital and reserves			
Share capital	10	**3,600**	3,600
Distributable reserves		**1,370**	2,707
		4,970	6,307
Current liabilities			
Trade and other payables		**179**	220
Distribution payable	5	**2,375**	3,076
Total liabilities		**2,554**	3,296
Total equity and liabilities		**7,524**	9,603

The notes on pages 16 to 22 form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 14 December 2022 and signed on their behalf by:

Donald Lake
Director

Nicholas Sallnow-Smith
Director

Statement of Changes in Equity

	Notes	Share capital	Distributable reserves	Total
		£'000	£'000	£'000
Balance as at 1 April 2020		3,600	12,821	16,421
Total comprehensive loss for the year		-	(1,114)	(1,114)
		-	(1,114)	(1,114)
Distribution to shareholders	11	-	(9,000)	(9,000)
Balance at 31 March 2021		3,600	2,707	6,307
Restated balance at 1 April 2021		3,600	2,707	6,307
Total comprehensive loss for the year		-	(1,337)	(1,337)
		-	(1,337)	(1,337)
Balance at 31 March 2022		3,600	1,370	4,970

The notes on pages 16 to 22 form an integral part of the financial statements.

Statement of Cash Flows

	Notes	Year ended 31 March 2022	Year ended 31 March 2021
		£'000	**£'000**
Operating activities			
Loss for the year before tax		**(1,337)**	(1,114)
Adjustments for:			
Interest income from cash and cash equivalents		**-**	(5)
Operating loss before changes in working capital		**(1,337)**	(1,119)
Decrease in trade receivables and prepayments		**1**	4
Decrease/(increase) in other receivables		**-**	13,191
(Decrease) in distribution payable	5	**(701)**	(5,520)
(Decrease) in trade and other payables		**(41)**	(1,136)
		(741)	6,539
Tax paid		**-**	-
Net cash (used)/generated in operating activities		**(2,078)**	5,420
Investing activities			
Interest received		**-**	5
Financing activities			
Distribution paid	11	**-**	(9,000)
Decrease in cash and cash equivalents		**(2,078)**	(3,575)
Cash and cash equivalents at beginning of year		**9,599**	13,174
Cash and cash equivalents at end of the year		**7,521**	9,599

The notes on pages 16 to 22 form an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 March 2022

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 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 2021:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

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.

2.4 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 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 notes 6 and 7 Contingent Assets and Contingent Liabilities respectively.

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 Cash and cash equivalents

Cash and cash equivalents in the Company's statement of financial position comprise of cash balances only. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances only.

3.5 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.

3.6 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.

3.7 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 contingent assets (see note 7) as these are denominated in Indian Rupees.

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

As a general policy, the Company holds cash on interest bearing deposit accounts, and the Company is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. During most of the year and at the financial year-end, all the Company's financial assets and liabilities were non-interest bearing.

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:

	2022	**2021**
	£'000	£'000
Trade receivables and prepayments	**3**	4
Cash and cash equivalents	**7,521**	9,599
	7,524	9,603

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 6).

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 2022	**Less than 3 months**	**3 months to 1 year**	**Total**
Financial liabilities	**£'000**	**£'000**	**£'000**
Distribution payable (note 5)	**-**	**2,375**	**2,375**
Trade and other payables	**152**	**27**	**179**
	152	**2,402**	**2,554**

31 March 2021	**Less than 3 months**	**3 months to 1 year**	**Total**
	£'000	**£'000**	**£'000**
Distribution payable (note 5)	-	3,076	3,076
Trade and other payables	198	22	220
	198	3,098	3,296

5. 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 6, 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 became entitled to set-off the Company's costs of the English proceedings including interest, (less interim costs already awarded in 2019), amounting to £814,000 following a 'detailed assessment' in January 2022. In addition, interest of £7,000 was awarded on the interim costs in the Manx Proceedings; the Company was entitled to set-off this interest amount as at December 2019, but omitted to do so by oversight and so it is accounted for in the current reporting period.

On 30 October 2020, the Company paid £5,400,000 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.

Nectrus made a second application to re-open the refusal of its application for permission to appeal in November 2021, and that application was heard on 30 June 2022. The Court of Appeal granted permission to appeal, and ordered that the £120,000 costs award to the Company be reversed (this reversal post-dates the present accounting period, but is shown in the movements below as a post-balance sheet adjusting event). These and the other costs of the appeal process will be determined following the upcoming Court of Appeal hearing in 2023.

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)
Amount paid in October 2020	(5,400)
Set-off of costs awarded in January 2021	(120)
Balance reported at 31 March 2021	3,076
Interest on Manx costs	(7)
Set-off of costs awarded in January 2022	(814)
Reversal of January 2021 award ordered in June 2022	120
	2,375

The balance of £2,375,000 remains withheld, pending the outcome of the appeal hearing 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 the Company in the Isle of Man seeking recovery of the withheld distribution plus interest. That action was stayed pending the outcome of the English action (with the Company awarded its costs of seeking the stay, including an interim award of £150,000 that the English court ordered could be set-off by the Company). Following (what was then understood to be the) conclusion of the English action in 2019 described above, the matter revived. In their Claim, Nectrus sought interest on the withheld distribution amounting to up to £2.9 million (as at 4 March 2022; an attempted revision to a higher amount was abandoned by Nectrus) plus costs. The Company considers that no interest is due. The matter was heard in March 2022, but as at this date the judgment has not been handed down.

6. Contingent assets

At the time of completion of the sale by the Company of its wholly owned subsidiary, Candor, to an affiliate of Brookfield Property Partners in November 2014, 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.

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 continued to challenge these awards in part, but 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.

As at the balance sheet date, no further amounts had been recovered since then, and SREI was placed into insolvency in October 2021. The Company continues to seek recovery of the remaining amounts awarded either by way of participation as a creditor in the insolvency process or by enforcement of the attachments over certain SREI assets. As with the receipt in 2020 described above, the Company will be entitled to receive 60% of the recovered amounts (subject to tax, costs, and other deductions).

On 6 December 2022, the Company received a further £1.0 million, being the amount (plus interest less certain costs) which UDPL had received from SREI but not forwarded to the Company, pending the outcome of SREI's application to overturn part of the award. That application was rejected.

Further, as described in note 5, the Company is entitled to its costs of applying to stay the Manx proceedings. The Company may become entitled to further costs recoveries in the Isle of Man and/or England in due course. The Company is entitled to further set-off against the withheld distribution (or future distributions) such additional amounts as awarded or agreed with Nectrus.

The Directors estimate that the Company can reasonably expect to recover in total an amount of up to £4.4 million, as at the balance sheet date. In accordance with accounting standards, this is treated as a contingent asset, and is not included within the Statement of Financial Position.

7. Contingent liabilities

As described in note 5, Nectrus has been granted permission to appeal against the award given in the Company's favour in December 2019. Nectrus has not yet particularised what amounts it alleges UCP is barred from recovering. The Company will continue to resist Nectrus' attempts to reverse the award in whole or in part.

As also described in note 5, Nectrus has filed a claim for interest on the withheld distribution, and the Company is awaiting judgment. The Company maintained that no interest is due.

8. Operating expenses

	2022	**2021**
	£'000	**£'000**
Legal and advisory fees	**1,677**	845
Directors' fees and expenses (see note 12)	**163**	163
Administration fees	**144**	144
Audit fees	**32**	29
Professional fees	**11**	44
Other expenses	**11**	14
	2,038	1,239

9. Taxation

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

The Company has no taxation obligations in any other jurisdiction.

10. Share capital and reserves

10.1 Capital management

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

10.2 Share capital

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

11. Distribution

The Company paid no distributions during the year. In the previous financial year, the Company paid a distribution to all shareholders at the rate of 2.5 pence per share, amounting to £9,000,000 in total.

12. Directors' fees

Mr. Lake receives an annual Director's fee of £60,000 (2021: £60,000) for carrying out his role as Chairman of the Board.

The other Directors receive fees of £27,500 per annum (2021: £27,500). Mr. Sallnow-Smith receives an additional £5,000 per annum (2021: £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.

13. 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 2022 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 12.

There is no ultimate controlling party of the Company.

14. Subsequent events

On 6 December 2022, the Company received a further recovery of the Stranded Deposits amounting to £1,029,000 and forming part of the Contingent Assets described in note 6.

Company Information

Directors (all non-executive)

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