# UNITECH CORPORATE PARKS PLC

## Consolidated
## Financial statements

### For the year ended
### 31 March 2014

# Contents

# Chairman's Statement

On 11 June 2014 the Company announced that it had entered into a conditional agreement with an affiliate of Brookfield Property Partners for the sale and purchase of the entire issue share capital of Candor, the Company's principal subsidiary in Mauritius, and thus of the Company's interests in all our six development projects in India.

The Board is pleased to announce that the proposed sale and the consequent change in the Company's Investing Policy were approved at the extraordinary general meeting on 27 June 2014. A further condition precedent in the disposal agreement is obtaining the consent of the Board of Approvals to the proposed change in control of the SEZs. Following publication of the minutes of the 63rd meeting of the SEZ Board held on Thursday 18 September 2014 it has been confirmed that the proposed transfer of Candor's shares has been approved, subject to a number of customary conditions and we are expecting confirmation letters shortly. It is expected that Completion of the Disposal with take place in October and a further announcement will be made in due course.

The Board continues to work actively towards the recovery of certain deposits placed and investments made with two financial institutions by two of the project companies (see note 15 for further details). The maturity date in respect of all amounts deposited and invested has now expired and formal repayment has been demanded. No repayments have yet been received and the counterparties have failed to provide any justification for not returning the deposits and investments.

The Company has engaged English and Indian lawyers to assist in their recovery. The Board has received legal advice that, in the event that repayment is not forthcoming, the Company has recourse to alternative means to obtain redress and therefore continues to believe that the value of deposits and investments will be recovered. In light of this the Board believes that a solution satisfactory for shareholders is likely to be achieved and as such these funds have been disclosed in the Statement of Financial Position without impairment.

Following completion I shall write to you again to outline proposals for an initial cash distribution to shareholders. This is expected to be effected through the creation of a new class of B Shares to provide shareholders with a choice of receiving the initial distribution either as income or capital. Such structure will require your approval at a further extraordinary general meeting which is likely to be held in November 2014.

In the light of these events since our year end on 31 March 2014, these annual results do not include a further review of letting or other progress beyond the information we have already communicated to shareholders. The accompanying Financial Statements reflect the terms of the disposal agreement rather than an external property valuation, and also the mandatory change in accounting practice under IFRS 11 from proportional consolidation to equity accounting.

Donald Lake
Chairman
29 September 2014

# Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2014.

**Principal Activities**

Unitech Corporate Parks PLC (the "Company") is an investment company established to invest in the Indian real estate sector. The Company's strategy is to invest in commercial real estate developed specifically for the high growth IT (Information Technology) and ITES (IT Enabled Services) sectors. The Company focuses on investment in Special Economic Zones dedicated to the IT and ITES industries ("IT SEZs") or IT Parks which are suitable for foreign direct investment ("FDI"). The Company participated as a co-investor alongside the Unitech Group in six investment property development projects. The Unitech Group is one of the largest listed property development companies in India.

On 3 April 2014 the Board of the Company announced that it had received an approach from a third party expressing interest in a potential acquisition of the Company's wholly owned direct subsidiary Candor Investments Limited ("Candor"). On 11 June 2014 the Company announced that it had entered into an agreement ("SPA") with an affiliate of Brookfield Property Partners ("Brookfield") for the sale and purchase of the entire issued share capital of Candor. The sale of Candor will result in the sale of all the Company's subsidiaries and joint ventures.

On 27 June 2014 it was announced that the Shareholders had passed a resolution to approve the sale by the Company of the entire issued share capital of Candor.

**Investing Policy**

The Company's strategy was to target the real estate requirements of the growing Indian IT and ITES sectors.

The Company's new Investing Policy, which was adopted on 27 June 2014, is to return capital to Shareholders following completion of the sale of Candor. The return of capital, amounting to almost all of the expected net proceeds from the sale of Candor, is expected to be effected by way of a Shareholder distribution which will be subject to the formal approval by Shareholders of the Company at a future extraordinary general meeting. Such meeting is expected to be held within 3 months of Completion. Thereafter, the Company will conduct its affairs to comply with post Completion obligations relating to the Disposal and at the end of such period any residual funds will be returned to Shareholders by way of a members' voluntary winding up or other restructuring, subject to approval by Shareholders. On adoption of the New Investing Policy, the Company shall not make any new investments.

**Exit Strategy**

On completion of the sale of the shares of Candor any residual funds will be returned to Shareholders by way of a members' voluntary winding up or other restructuring, subject to approval by Shareholders.

The Company had an initial life of eight years which has been extended from 31 December 2014 to 31 December 2017 in accordance with the Company's Articles of Association which also provide an end to the life of the Company on 31 December 2018.

**Results and Dividend**

The Group's consolidated financial statements are set out on pages 9 to 31. The Group reported net assets at the date of the statement of financial position of £202.4 million (2013: £207.9 million) and for the year ended 31 March 2014 total comprehensive loss attributable to the shareholders of £5.5 million (year ended 31 March 2013: profit £20.8 million). The total comprehensive loss consisted of a profit for the year of £39.0 million less foreign currency translation differences of £44.5 million, due to the fall in the value of the Indian Rupee (INR) against £ sterling during the financial year.

INR amounts are converted to £ sterling at the 2013-14 average rate of INR 96.19 = £1 for revenue and expense amounts, and at INR 99.70 = £1 for those at the reporting date.

The Directors do not propose a dividend in respect of the year ended 31 March 2014 (year ended 31 March 2013: £nil).

The Company was re-registered under the Isle of Man Companies Act 2006 on 2 October 2013.

**Directors**

The Directors of the Company throughout the year and to date were:

Ajay Chandra
Mohammad Yousuf Khan
Donald Lake
Nicholas Robert Sallnow-Smith
John Keith Sleeman (appointed 1 June 2013)

The following Directors had interests in the shares of the Company as at 31 March 2014.

| | **2014** | **2013** |
|---|---|---|
| Donald Lake | 42,500 | 42,500 |

**Secretary**

The Secretary of the Company throughout the year and to date was:
Philip Peter Scales
Graham Roger Smith - Assistant Company Secretary

**Auditors**

KPMG Audit LLC, Isle of Man, being eligible, has indicated its willingness to continue in office.

By order of the Board

**P. P. Scales**
**Company Secretary** **29 September 2014**

# 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 and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("EU").

The financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group 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 they have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group 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. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

By Order of the Board

**P. P. Scales**
**Company Secretary** **29 September 2014**

# Corporate Governance Statement

The Directors recognise the value of the Principles of Good Corporate Governance and Code of Best Practice as set out in the UK Corporate Governance Code issued by the Financial Reporting Council (the "Governance Code"). Although the Company is not obliged by the AIM Rules issued by the London Stock Exchange to do so, the Board intends to take appropriate measures to ensure that the Company complies with the Governance Code to the extent appropriate taking into account the size of the Company and the nature of its business.

**The Board**

The Directors' bring a wide range of skills and experience to the Board. All the Directors have signed a letter of appointment to formalise in writing the terms of their engagement as Directors.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

The Board directs the Company's activities in an effective manner through its regular Board meetings and monitors performance through timely and relevant reporting procedures. It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. The members of the Board meet quarterly to review the investment performance and other high-level management information including financial reports and reports of a strategic nature. It monitors compliance with the Company's objectives and investing policy.

After each board meeting the independent directors only meet formally with the Administrator and others as appropriate to review the progress of the business of the Company and the performance of the Investment Manager and thus act as a Management Engagement Committee.

During the year the Board has maintained appropriate Directors' and Officers' liability insurance cover. The Board has direct access to the advice and services of the Company Secretary, Philip Scales, who is responsible for ensuring that Board and Committee procedures are followed and applicable regulations are complied with.

The quorum of any Board meeting is two Directors; however, attendance by all Directors at each meeting is strongly encouraged. Attendance at directors' meetings is shown in the table below:

| | A Chandra | M Khan | D Lake | N Sallnow-Smith | J Sleeman |
|---|---|---|---|---|---|
| 26 April 2013 | X | X | X | X | * |
| 23 July 2013 | - | X | X | X | X |
| 15 October 2013 | - | X | X | X | X |
| 15 January 2014 | X | X | X | X | X |
| 29 April 2014 | X | X | X | X | X |
| 21 May 2014 | X | X | X | X | X |

*Mr Sleeman was appointed to the Board on 1 June 2013.

The Board has established audit and nominations committees but does not consider it necessary to establish a remuneration committee. The Board as a whole will review annually the level of Directors' fees. Nicholas Sallnow-Smith is Chairman of both the Audit Committee and the Nomination Committee. The Directors recognise the value of progressive refreshing of, and succession planning for, company boards. The Directors regularly review the structure of the Board, including the balance of expertise and skills brought by individual Directors. The Board is of the view that length of service does not necessarily compromise the independence or contribution of Directors of an investment company, where continuity and experience can add significantly to the strength of the Board.

**Nomination Committee**

The Nomination Committee is a sub-committee of the Board and makes recommendations to the Board which retains the right of final decision. Nicholas Sallnow-Smith, Mohammad Yousuf Khan and Donald Lake make up the Nomination Committee.

The terms of reference of the Nomination Committee cover the following:

- the composition of the Committee, quorum and who else attends meetings;
- appointment and duties of the Chairman;
- duties in relation to externally monitoring the composition of the Board, succession planning for executive and non-executive directors, and recommendations to the Board in respect of appointments to the Board or its sub-committees;

**Audit Committee**

The Audit Committee is a sub-committee of the Board and makes recommendations to the Board which retains the right of final decision. The primary role of the Audit Committee is to review the Company's accounting policies, the contents of the financial statements, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. In addition, it also reviews the provision of non-audit services by the external auditor, the risks to which the Company is exposed and the controls in place to mitigate those risks.

The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information.

The Audit Committee is comprised of Directors who are considered by the Board to be independent and meets at least 4 times a year, including before each board meeting. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

The terms of reference of the Audit Committee cover the following:

- the composition of the Committee, quorum and who else attends meetings;
- appointment and duties of the Chairman;
- duties in relation to external reporting, including reviews of financial statements, shareholder communications and other announcements; and
- duties in relation to the external auditors, including appointment/dismissal, approval of fees and discussion of audit.

**Auditors**

The Audit Committee has direct access to the auditors, KPMG Audit LLC and the external valuers, CBRE. The auditors attend the Audit Committee meeting to review the annual results and provide a comprehensive review of the audit of the Company.

The Audit Committee has reviewed the findings of the work carried out by KPMG Audit LLC for the audit of the annual accounts. On the basis of this and their experience in auditing the affairs of the Company, the Audit Committee has assessed and is satisfied with the effectiveness of the external audit. The Audit Committee has taken into account the standing, experience and tenure of the audit partner, the nature and level of services provided and has received confirmation that the auditors have complied with all relevant and professional regulatory and independence standards. The Audit Committee considers KPMG Audit LLC to be independent of the Group, the Investment Manager and the Administrator in all respects.

**Internal Controls and Management of Risk**

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness and ensuring the day to day operations. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication are reliable.

Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised by the Board through regular discussion at Board Meetings.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

In common with most investment property companies of a similar size, the Company does not have an internal audit function. All of the Company's day to day management functions are delegated to the Investment Manager and the Administrator which have their own internal audit and risk assessment and whose controls are monitored by the Board. It is therefore felt that there is no need for the Company to have its own internal audit function. However, this will be reviewed annually by the Audit Committee. Action will be taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of the internal control system.

**Investor relations**

Communications with shareholders is given a high priority. The Company's annual report and accounts, containing a detailed review of performance, is sent to all shareholders. At the half year stage, an interim report, containing updated information in a more abbreviated form, is also sent to all shareholders. Updated information is also available on the Company's website.

All shareholders are invited to attend the Annual General Meeting, at which shareholders will be given an opportunity to question the Chairman.

**Nicholas Sallnow-Smith**
**Chairman, Audit Committee** **29 September 2014**

# Report of the Independent Auditors, KPMG Audit LLC, to the members of Unitech Corporate Parks plc

We have audited the financial statements of Unitech Corporate Parks PLC for the year ended 31 March 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the EU.

This report is made solely to the Company's members, as a body. 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.

***Respective responsibilities of Directors and Auditors***

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

***Scope of the audit of the financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

***Basis for qualified opinion on financial statements***

With respect to deposits and investments, having a carrying amount of £14,624,000 (INR 1,458,000,000) as at 31 March 2014, the audit evidence available to us was limited because, as at the date of this audit report, these deposits and investments were past repayment date, had been called for repayment and no repayment had been received. Further we have not received confirmation that the deposits and investments are free from any encumbrance. Although the Directors have been provided with legal advice that the Company has recourse to alternative means of redress, the success of these alternative means of redress remains uncertain. We were unable to obtain sufficient appropriate audit evidence regarding the recoverability of the deposits and investments by using other audit procedures.

***Qualified opinion on the financial statements***

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion on financial statements paragraph, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of the Group's result for the year then ended; and
- have been properly prepared in accordance with IFRSs, as adopted by the EU.

**KPMG Audit LLC**
**Chartered Accountants**
**Heritage Court**
**41 Athol Street**
**Douglas**
**Isle of Man IM99 1HN** **29 September 2014**

# Consolidated Statement of Comprehensive Income

| | Notes | Year ended 31 March 2014 £ '000 | Year ended 31 March 2013 £ '000 *Restated |
|---|---|---|---|
| **Income** | | | |
| Service fee income | | - | 1,138 |
| Interest income on cash balances | | 8 | 3 |
| | | 8 | 1,141 |
| **Expenditure** | | | |
| Management fee | 4 | 4,654 | 4,706 |
| Legal and other professional fees | 7 | 1,607 | 933 |
| Other operating expenses | | 110 | 340 |
| Provision for run-off costs | 8 | 1,750 | - |
| | | 8,121 | 5,979 |
| **Operating loss for the period** | | **(8,113)** | **(4,838)** |
| **Share of profits of equity-accounted joint ventures, net of tax** | 10 | 32,688 | 27,350 |
| **Valuation uplift upon classification of investments as assets held for sale** | 11 | 14,411 | - |
| **Profit for the year before tax** | | **38,986** | **22,512** |
| Current tax expense | 9 | - | (415) |
| **Profit for the year** | | **38,986** | **22,097** |
| **Other comprehensive loss** | | | |
| Foreign currency translation differences for foreign operations | | (44,482) | (1,304) |
| **Other comprehensive loss for the year net of income tax** | | (44,482) | (1,304) |
| **Total comprehensive (loss)/income for the year** | | **(5,496)** | **20,793** |
| **Basic and diluted earnings per share** | 12 | 10.83p | 6.14p |

*Restated – see note 2.2.

The notes on pages 13 to 31 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

| | | 2014<br>£ 000 | 2013<br>£ 000<br>*Restated |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Equity-accounted joint ventures | 13 | - | 143,272 |
| | | - | 143,272 |
| **Current assets** | | | |
| Assets held for sale and associated liabilities | 14 | 188,950 | 60,367 |
| Trade and other receivables | | 23 | 1,156 |
| Deposits and investments | 15 | 14,624 | - |
| Cash and cash equivalents | 16 | 775 | 4,432 |
| | | 204,372 | 65,955 |
| **Total assets** | | 204,372 | 209,227 |
| **Financed by:** | | | |
| **Equity** | | | |
| **Share capital and reserves** | 17 | | |
| Share capital | | 3,600 | 3,600 |
| Share premium | | 342,919 | 342,919 |
| Translation reserve | | - | 44,482 |
| Retained reserves | | (144,109) | (183,095) |
| | | 202,410 | 207,906 |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 212 | 1,321 |
| Provision for run-off costs | 8 | 1,750 | - |
| **Total liabilities** | | 1,962 | 1,321 |
| **Total equity and liabilities** | | 204,372 | 209,227 |

*Restated – see note 2.2.

The notes on pages 13 to 31 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 29 September 2014 and signed on their behalf by:

_____
**Donald Lake**
**Director**

_____
**Nicholas Sallnow-Smith**
**Director**

# Consolidated Statement of Changes in Equity

| | Share capital | Share premium | Translation reserve | Revaluation reserve | Retained loss | Total |
|---|---|---|---|---|---|---|
| | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 | £ 000 |
| **Balance at 1 April 2012** | 3,600 | 342,919 | 45,786 | (22,468) | (182,724) | 187,113 |
| **Total comprehensive profit/(loss) for the year:** | | | | | | |
| Profit for the year | - | - | | - | 22,097 | 22,097 |
| Other comprehensive loss | - | - | (1,304) | - | - | (1,304) |
| **Total comprehensive (loss)/ profit for the year** | - | - | (1,304) | - | 22,097 | 20,793 |
| Reclassification of reserves | - | - | - | 22,468 | (22,468) | - |
| **Balance at 31 March 2013** | 3,600 | 342,919 | 44,482 | - | (183,095) | 207,906 |
| **Balance at 1 April 2013** | 3,600 | 342,919 | 44,482 | - | (183,095) | 207,906 |
| **Total comprehensive profit/(loss) for the year:** | | | | | | |
| Profit for the year | - | - | - | - | 38,986 | 38,986 |
| Other comprehensive loss | - | - | (44,482) | - | - | (44,482) |
| **Total comprehensive (loss)/profit for the year** | - | - | (44,482) | - | 38,986 | (5,496) |
| **Balance at 31 March 2014** | 3,600 | 342,919 | - | - | (144,109) | 202,410 |

The notes on pages 13 to 31 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

| | Year ended 31 March 2014 £ 000 | Year ended 31 March 2013 £ 000 *Restated |
|---|---|---|
| **Operating activities** | | |
| Profit for the period before tax | 38,986 | 22,512 |
| Adjustments for: | | |
| Interest income on cash balances | (8) | (3) |
| Share of profit of equity-accounted joint ventures, net of tax | (32,688) | (27,350) |
| Valuation uplift upon classification of investments as assets held for sale | (14,411) | - |
| Foreign exchange loss | 13 | 170 |
| **Operating loss before changes in working capital** | (8,108) | (4,671) |
| Decrease in trade and other receivables | 1,132 | 2,821 |
| Increase/(decrease) in trade and other payables | (1,109) | (1,215) |
| Increase in provisions | 1,750 | - |
| | 1,773 | 1,606 |
| Tax paid | - | (415) |
| **Net cash used in operating activities** | (6,335) | (3,480) |
| **Investing activities** | | |
| Interest received | 8 | 3 |
| Subsidiaries cash and cash equivalents, receivables and payables reclassified as assets held for sale | (1,989) | - |
| Distribution received from joint venture | 4,672 | - |
| Joint venture share buy-back | - | 4,495 |
| **Net cash generated from investing activities** | 2,691 | 4,498 |
| **(Decrease)/increase in cash and cash equivalents** | (3,644) | 1,018 |
| Cash and cash equivalents at beginning of period | 4,432 | 3,584 |
| Exchange difference on cash and cash equivalents | (13) | (170) |
| **Cash and cash equivalents at end of the period (note 16)** | 775 | 4,432 |

*Restated – see note 2.2.

The notes on pages 13 to 31 form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements for the year ended 31 March 2014

## 1. Reporting entity

Unitech Corporate Parks 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 and is quoted on the Alternative Investment Market ("AIM") operated and regulated by the London Stock Exchange. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. In October 2013, the Company was re-registered under the Isle of Man Companies Act 2006.

The Company invests in the Indian real estate sector. The Company's strategy is to invest in commercial real estate developed specifically for the high growth IT (Information Technology) and ITES (IT Enabled Services) sectors, and in particular in Special Economic Zones dedicated to the IT and ITES industries (IT SEZs) or IT Parks which are suitable for foreign direct investment (FDI).

On 27 June 2014 the Company adopted a new Investing Policy which is to return capital to Shareholders following completion of the sale of its wholly owned subsidiary, Candor Investments Limited ("Candor"). The return of capital, amounting to almost all of the expected net proceeds from the sale of Candor, is expected to be effected by way of a Shareholder distribution which will be subject to the formal approval by Shareholders of the Company at a future extraordinary general meeting. Such meeting is expected to be held within 3 months of Completion. Thereafter, the Company will conduct its affairs to comply with post Completion obligations relating to the Disposal and at the end of such period any residual funds will be returned to Shareholders by way of a members' voluntary winding up or other restructuring, subject to approval by Shareholders. On adoption of the New Investing Policy, the Company shall not make any new investments.

The Company does not have any employees.

## 2. Basis of preparation

### 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Isle of Man Companies Act 2006.

### 2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except that assets held for sale are measured at realisable value. On 11 June 2014 the Company announced that it had entered into an agreement ("SPA") with an affiliate of Brookfield Property Partners ("Brookfield") for the sale and purchase of the entire issued share capital of Candor. After the distribution of cash generated by this sale the Company is expected to be wound up. This constitutes an adjusting post-balance sheet event and as such the financial statements have been presented on a non-going concern basis. The assets of the Group have been stated at realisable value and provision has been made for the unavoidable costs of winding up the Company.

During the year the Company changed its accounting policy for its interest in joint ventures in line with IFRS 11, which was adopted by the European Union and is effective for annual periods beginning on or after 1 January 2013. Under IFRS 11, the Company classified its interest in joint arrangements as joint ventures. When making the assessment, the Company considered the structure of the arrangements, the legal form of the separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

# Notes to the Consolidated Financial Statements (continued)

## 2. Basis of preparation (continued)

### 2.2 Basis of preparation (continued)

As a result of applying IFRS 11 during the year, the Company accounted for its interest in joint ventures using the equity method of accounting instead of the proportional consolidation method which was previously used. This significantly changed the presentation of the primary financial statements but there was no impact on the recognised net assets and comprehensive income of the Group. As at the financial year-end, the Company's interest in the joint ventures was reclassified as assets held for sale, following the post year-end sale agreement. All comparative financial information provided in these financial statements has been restated.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in British pounds, which is the Company's functional currency.

### 2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 6: Determination of Fair Values and Note 4: Management Fees.

### 2.5 Future changes in accounting policies

There are no standards and interpretation with an effective date on or after 1 April 2014 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 these consolidated financial statements are set out below:

### 3.1 Basis of consolidation

*Subsidiaries*

Subsidiaries are those entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

*Joint Ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

# Notes to the Consolidated Financial Statements (continued)

## 3. Significant accounting policies (continued)

### 3.1 Basis of consolidation (continued)

*Joint Ventures* (continued)

The Group used the equity accounting method to account for its share of the joint ventures up until the reclassification to assets held for sale. Under the equity accounting method, on initial recognition the investment in a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the joint venture after the date of acquisition.

*Transactions eliminated on consolidation*

Intra-group balances and any un-realised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### 3.2 Foreign currency

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates 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.

*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to British pounds at exchange rates at the reporting date. The income and expenses of foreign operations are translated to British pounds at exchange rates at the dates of the transactions. Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and presented in the translation reserve in equity. Since the sale of all foreign operations has been agreed the relevant amount in the translation reserve has been transferred to Statement of Comprehensive Income.

### 3.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises freehold land, freehold buildings, land held under finance lease and buildings held under finance/operating lease.

Land held under operating/finance lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease, if any, is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value with any change therein recognised in the Statement of Comprehensive Income. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The valuation of the properties has been completed by CBRE South Asia Private Limited (independent professionally qualified valuers) as of 31 March 2014. The valuation was carried out in accordance with RICS Appraisal and Valuation Standards ("The Red Book"). For the year ended 31 March 2013 the valuation was performed by Knight Frank (India) Private Limited.

# Notes to the Consolidated Financial Statements (continued)

## 3. Significant accounting policies (continued)

### 3.4 Investment property revenue

Revenue includes rental income, service charges and management charges from properties, and income from property trading, if any. Rental income from operating leases is recognized as income in accordance with the contractual payment obligations. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognized in the accounting period in which the services are rendered, i.e, on the completion of the activity relating to the service.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities.

Revenue is presented, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

*(a) Base rent, amenities income, fit-out and car park rental income*

Base rent, amenities income, fit-out and car park rental income, net of incentives received, are recognised in the Statement of Comprehensive Income in accordance with the contractual payment obligations.

Base rent comprises rental income earned from the leasing of the owned, completed and occupied lettable office area of the properties.

Amenities income is rental revenue earned from the leasing of the owned, completed and occupied lettable area at the properties for common amenities.

Fit-out rental income is rental revenue earned from fit-out provisions developed in accordance with specifications required by tenants of the properties. Fit-out rents typically arise from the higher costs related to tenant-specific fit-out requirements, which are in turn passed through to those tenants via fit-out provisions in their lease agreements. The cost of fit-outs is recovered from tenants over the lease period with an implied annual return on actual costs and a mark-up.

Car park rental income is earned from the operation of parking facilities, with parking spaces leased to tenants on a monthly basis. The parking facilities are expected to commence operations in line with the phasing schedules of the lettable area.

### 3.5 Interest income

Interest income comprises bank interest earned on un-invested funds and is recognised on an accruals basis using the effective interest rate method.

### 3.6 Expenses

Expenses are accounted for on an accruals basis.

### 3.7 Finance costs

Interest expense on lease payments is recognised on the effective interest rate method.

The net present value adjustment for mobilisation advances is included in finance costs. Finance costs also includes the finance expenses on discounting of security deposits.

### 3.8 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

# Notes to the Consolidated Financial Statements (continued)

## 3. Significant accounting policies (continued)

### 3.8 Income tax expense (continued)

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. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.9 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.10 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.

### 3.11 Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group invests in a single geographic region and has a single business segment.

# Notes to the Consolidated Financial Statements (continued)

## 3. Significant accounting policies (continued)

### 3.12 Assets classified as held for sale

Assets classified as held for sale as part of a disposal group are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

At 31 March 2014 all subsidiaries and joint ventures meet the criteria of held for sale and discontinuing operations in accordance with the International Financial Reporting Standard 5 'Non-Current Assets Held for Sale and Discontinued Operations' ("IFRS 5"). The impact of this on the presentation of the primary statements is to present the income and expenses of the disposal groups as one line in the Consolidated Statement of Comprehensive Income. All assets and liabilities of the disposal group are presented as a single line in the Consolidated Statement of Financial Position.

At 31 March 2014 assets classified as held for sale have been recognised at their realisable value which is considered to be fair value less costs to sell. The realisable value has been recognised because it is the intention to liquidate the Company once Candor has been sold. Therefore, the Company is not a going concern and assets should be reported at realisable value.

### 3.13 Investments – Non-convertible debentures

Non-convertible debentures are financial assets classified as available for sale.

## 4. Management fee

Nectrus Limited, the Investment Manager, and an affiliate of the Unitech Group, receives a management fee equivalent to 2 per cent per annum of the Company's average invested equity capital paid quarterly in arrears. With effect from 19 February 2009 25% of the management fee is being deferred until the sale of each asset is completed and payment will be contingent on an internal rate of return ("IRR") of 10% being achieved on that project. The remaining 75% of the management fee is to be invested in Company shares acquired in the open market. The management fee payable by Candor for the year ended 31 March 2014 amounted to £4.65 million of which £1.15 million was payable at the year end.

At 31 March 2014 the total deferred management fee amounted to £8.23 million (2013: £6.68 million). No provision for deferred management fee has been made in the financial statements at 31 March 2014, as the IRR on each project is below 10 per cent.

In addition the Group may become due to pay the Investment Manager a performance fee calculated by reference to the amount by which the internal rate of return on an investment project (Project IRR) exceeds certain benchmarks. The Investment Manager receives:

- a performance fee of 20 per cent of that part of the net cash flow generated in respect of a project that results in a Project IRR greater than 10 per cent and less than or equal to 20 per cent; and

- a performance fee of 30 per cent of that part of the net cash flow generated in respect of a project that results in a Project IRR greater than 20 per cent; minus

- any performance fees previously paid in respect of the relevant project.

The provision for performance fees at the year-end has been determined on an individual project basis. No provision has been made at 31 March 2014 based on the Project IRRs (2013: £nil).

# Notes to the Consolidated Financial Statements (continued)

## 5. Financial risk management

### 5.1 Financial risk factors

The Company's principal financial risks have changed since the agreed sale of the entire share capital of Candor. The principal risks that the Company is exposed to are now credit risk and liquidity risk. The risk management policies employed by the Group to manage these risks are discussed below.

### 5.2 Market risk

### (i) Foreign currency risk

The Group's principal operating currency is the British pound but substantially all of its income and expenditure were denominated in Indian Rupee. The sale price of Candor is denominated in British pounds which has removed the foreign currency risk of to the Group. The translation reserve due to the Indian operations has been realised on the announcement of the sale of Candor. All monies returned to shareholders and the reported net asset value of the Group will be denominated in British pounds.

At the reporting date, the Group's currency exposure was as follows:

| | 2014<br>£ 000 | 2013<br>£ 000 |
|---|---|---|
| British pounds | 187,520 | 2,858 |
| Indian Rupees | 14,624 | 204,767 |
| US dollar | 266 | 281 |
| Net assets | 202,410 | 207,906 |

If the Indian Rupee appreciated/depreciated by 5% against the British pound the effect on net assets would be to increase/decrease net assets by £0.73 million (2013: £10.34 million).

There is a contingent foreign currency risk arising on the potential adjustment to the sale price of Candor due to the recoverability of the deposits and investments. See note 15

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

The Group holds financial assets and liabilities that are interest bearing. As a result the Group is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

| 31 March 2014 | Less than 1 month<br>£ 000 | 1 – 3 months<br>£ 000 | 3 mths to 1 year<br>£ 000 | 1 – 5 years<br>£ 000 | Over 5 years<br>£ 000 | Non-interest bearing<br>£ 000 | Total<br>£ 000 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Trade and other receivables | - | - | - | - | - | 23 | 23 |
| Deposits and investments | - | - | 14,624 | - | - | - | 14,624 |
| Cash and cash equivalents | 775 | - | - | - | - | - | 775 |
| Total financial assets | 775 | | 14,624 | | | 23 | 15,422 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | - | - | - | - | - | 1,962 | 1,962 |
| **Total interest rate sensitivity gap** | 775 | - | - | - | - | - | 775 |

# Notes to the Consolidated Financial Statements (continued)

## 5. Financial risk management (continued)

### 5.2 Market risk (continued)

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

| 31 March 2013* | Less than 1 month £ 000 | 1 – 3 months £ 000 | 3 mths to 1 year £ 000 | 1 – 5 years £ 000 | Over 5 years £ 000 | Non-interest bearing £ 000 | Total £ 000 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Trade and other receivables | - | - | - | - | - | 1,156 | 1,156 |
| Cash and cash equivalents | 4,432 | - | - | - | - | - | 4,432 |
| Total financial assets | 4,432 | | - | | | 1,156 | 5,588 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | - | - | - | - | - | 1,321 | 1,321 |
| **Total interest rate sensitivity gap** | 4,432 | - | - | - | - | - | 4,432 |

*Restated – see note 2.2.

### 5.3 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 Group.

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 Group's financial assets exposed to credit risk amounted to the following:

| | 2014 £ 000 | 2013* £ 000 |
|---|---|---|
| Trade and other receivables | 23 | 1,156 |
| Deposits and investments | 14,624 | - |
| Cash and cash equivalents | 775 | 4,432 |
| | 15,422 | 5,588 |

*Restated – see note 2.2.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Management does not expect any counterparty to fail to meet its obligations.

The Company is exposed to credit risk related to a potential adjustment to the sales price which is dependent on the recoverability of deposits lent and investments made by two of the Indian joint ventures. The deposits and investments are denominated in Indian Rupees so the value of the adjustment may vary to that calculated at 31 March 2014. See note 15.

### 5.4 Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash balances to meet its obligations. The Group's liquidity position is monitored by the Investment Manager and the Board of Directors. The provision for unavoidable wind-up costs is expected to be paid from the consideration received by the Company on the sale of Candor. A maturity analysis showing the remaining contractual maturities of financial liabilities at year-end is shown below:

# Notes to the Consolidated Financial Statements (continued)

## 5. Financial risk management (continued)

### 5.4 Liquidity risk (continued)

**31 March 2014**

| | Less than 3 months £ 000 | 3 months to 1 year £ 000 | 1-5 years £ 000 | Over 5 years £ 000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade and other payables | 212 | 1,750 | - | - |
| | 212 | 1,750 | - | - |

**31 March 2013***

| | Less than 3 months £ 000 | 3 months to 1 year £ 000 | 1-5 years £ 000 | Over 5 years £ 000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade and other payables | 1,321 | - | - | - |
| | 1,321 | - | - | - |

*Restated – see note 2.2.

## 6. Determination of fair values

The Company's investment properties and investment property under construction were valued at fair value in accordance with the RICS Appraisal and Valuation Standards ("The Red Book") by CBRE South Asia Private Limited at 31 March 2014. These valuations provide the basis of the net assets reported in note 14 which do not take account of the gain recognized as a result of the contract to sell Candor to Brookfield. The valuer used the following valuation methodologies depending on each project's particular circumstances.

| Category | Method |
|---|---|
| Already constructed/ leased out and under construction portions | Income approach -<br>Discounted cash flow method<br>Term and reversion method |
| Land without construction | Market approach -<br>Direct comparable method |

**Discounted cash flow method** - this valuation methodology is based upon an estimation of future results. The methodology begins with a set of assumptions as to the projected income and expenses of the property. The income and expense figures are mathematically extended with adjustments for estimated changes in economic conditions. This methodology use market derived assumptions, including discount rates, obtained from analysed transactions.

**Term and reversion method**- this valuation methodology involves capitalizing a ‘normalised’ single year net income estimated by an appropriate market based yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income. This methodology uses market derived assumptions, including capitalization rates, obtained from market transactions.

# Notes to the Consolidated Financial Statements (continued)

## 6. Determination of fair values (continued)

**Direct comparable method** - this valuation methodology is applicable to all property which is capable of being bought or sold in the market. A comparison is made for the purpose of valuation with similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). This technique demonstrates what buyers have historically been willing to pay (and sellers/landlords willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of land that is typically traded as open plots or with structures thereon. Comparable properties are selected for similarity to the subject property by way of attributes, such as age, size, shape, quality of construction, building features, condition, design, gentry, etc. Sales prices are then adjusted for their difference from the subject property and a market value is estimated from the adjusted sales price of the comparable properties.

The Discount Rate and Capitalisation Rates used at 31 March 2014 are as below.

**31 March 2014**

| Portfolio | Discount Rate | Capitalisation Rate |
|---|---|---|
| K1 | 15.8% | 11.0% |
| N2 | 15.0% | 10.5% |
| G1 | 15.0% | 10.5% |
| G2 | 15.0% | 10.5% |
| N1 | 15.8% | 11.0% |

**Investment property at fair value reconciliation**

| | 2014<br>£ 000 | 2013*<br>£ 000 |
|---|---|---|
| **Value** | | |
| Balance at the start of year | 282,316 | 219,806 |
| Net additions | 27,727 | 41,504 |
| Transfer from property, plant and equipment | - | 180 |
| Revaluation of investment property | 20,981 | 22,687 |
| Effect of movements in exchange rates | (49,270) | (1,861) |
| Balance at end of year | 281,754 | 282,316 |
| | | |
| **Split of investment property in the Statement of Financial Position** | | |
| Investment property in a disposal group held for sale | 281,754 | 100,030 |
| Investment property in continuing operations | - | 182,286 |
| | 281,754 | 282,316 |

*Restated – see note 2.2.

At 31 March 2013 due to the status of sale negotiations for the sale of Unitech Developers and Projects Limited (G2) the Board reclassified the Group's interest in Infospace, Dundahera in Gurgaon "G2", including its associated liabilities, as held for sale under IFRS 5.

# Notes to the Consolidated Financial Statements (continued)

## 7. Legal and other professional fees

Legal and professional fees comprise of:

| | 2014<br>£ 000 | 2013*<br>£ 000 |
|---|---|---|
| Administration and accounting fees | 165 | 138 |
| Valuation fees | 57 | 37 |
| Legal and advisory fees | 610 | 62 |
| Directors fees and expenses (see note 17) | 386 | 334 |
| Audit fees | 85 | 59 |
| NOMAD and LSE expenses | 233 | 241 |
| Other professional fees | 71 | 62 |
| | 1,607 | 933 |

*Restated – see note 2.2.

## 8. Provision for run-off costs

A provision has been made for the estimated unavoidable costs that are expected to be incurred in respect of the winding up of the Company. See note 22. At 31 March 2014 it was estimated that these costs, including general contingencies, are likely to be £1.75m.

## 9. Taxation

A standard zero per cent rate of income tax applies for Isle of Man companies (except in relation to profits arising from banking, or from land and property in the Isle of Man).

The Mauritius subsidiaries are subject to taxation at 15 per cent on dividends received from the joint venture companies however a foreign tax credit will be available reducing the tax rate to 3 per cent. The Mauritius subsidiaries are not expected to have any liability to capital gains tax.

The joint venture companies are subject to corporate taxation in India at the rate of 33.99 per cent (2013: 32.445 per cent) on their net income calculated as per applicable tax rules. Indian entities are required to pay a Minimum Alternate Tax ("MAT") on book profits if they have taxable income but no tax is payable due to Income tax exemptions and concessions.

The tax and legal environment in India is complex and subject to a level of uncertainty regarding interpretation of requirements. The results of the Indian JV companies could be significantly affected by changes in this environment.

From time to time, the Indian JV companies receive inquiries from revenue authorities into their taxation affairs, as is common for entities operating in the Indian property market. It is the policy of the Indian JV companies to account for any taxation due as a result of such inquiry in the year in which the substance of any settlement become probable.

Deferred tax arising on the revaluation of investment property under construction has been provided for at the reporting date as Indian capital gains tax would be payable in the event that the property is sold.

The Directors consider that the sale of Candor is not expected to result in a tax liability for UCP in either India or Mauritius. The Company is, however, required to file a tax return in India after the end of the current tax year on 31 March 2015 and the Board has decided, conservatively, to retain an amount of £4.0m from the sale proceeds until such tax return has been filed. No provision has been made in the financial statements for this amount. In light of the advice that no tax liability is expected to result from the sale, it is anticipated that this sum should ultimately be able to be returned to Shareholders.

# Notes to the Consolidated Financial Statements (continued)

## 10. Share of profits of equity accounted joint ventures

The share of profits of equity accounted joint ventures for the financial years ended 31 March 2014 and 31 March 2013 are shown below.

| | 2014<br>£ 000 | 2013*<br>£ 000 |
|---|---|---|
| **Income** | | |
| Investment property revenue | 35,686 | 28,943 |
| Finance income | 5,423 | 4,256 |
| Loss on amortisation of security deposits | (653) | (2,323) |
| Net gain from fair value adjustments (note 6) | 20,981 | 22,687 |
| | 61,437 | 53,563 |
| **Expenditure** | | |
| Property expenses | 12,338 | 11,179 |
| Other expenses | 1,458 | 129 |
| | 13,796 | 11,308 |
| **Operating profit for the year** | 47,641 | 42,255 |
| Finance costs | 7,192 | 3,056 |
| **Profit for the year before tax** | 40,449 | 39,199 |
| Current tax (credit)/expense | 211 | 342 |
| Deferred tax charge | 14,677 | 11,507 |
| **Profit for the year after tax** | 25,561 | 27,350 |
| **Realisation of the translation reserve in relation to the Indian joint ventures** | 7,127 | - |
| **Share of equity-accounted joint ventures, net of tax** | 32,688 | 27,350 |

*Restated – see note 2.2.

## 11. Valuation uplift upon classification of investments as assets held for sale

The announcement of the sale of Candor after the financial year-end was considered to be an adjusting event after the reporting date, in accordance with IAS 10, because the intention of the Board and the Shareholders that the Company will be wound up once the sale is completed. As the Company is no longer considered a going concern the assets of the Company have been stated at their realisable value.

The realisable value of the subsidiaries and joint ventures of the Company are considered to be the sales price included in the SPA less the anticipated costs to sell. An adjustment has been made to the sales price for the deposits and investments (see note 15).

As a result of the adjustment from carrying value to realisable value less costs to sell the Company has recognised a gain of £14.41 million in the financial year ending 31 March 2014.

The costs to sell have been estimated at £2.12m based on agreements with the various professional advisors involved in the sale, and estimates or invoices received, if applicable.

# Notes to the Consolidated Financial Statements (continued)

## 12. Basic and diluted earnings per share

| | 2014 | 2013 |
|---|---|---|
| Gain attributable to ordinary shareholders (£ 000) | 38,986 | 22,097 |
| Weighted average number of ordinary shares in issue (number 000) | 360,000 | 360,000 |
| Basic earnings per ordinary share (in pence) | 10.83 | 6.14 |

The Company has no dilutive potential ordinary shares. The diluted earnings per share is therefore the same as the basic earnings per share.

## 13. Equity accounted joint ventures

At 31 March 2014 all equity accounted joint ventures have been recognised as assets held for sale see note 14. The assets of the equity accounted joint ventures that are attributable to the Company for the financial year ended 31 March 2013 are shown below for comparative purposes.

| | 2013* £ '000 |
|---|---|
| **Assets** | |
| Investment property (note 6) | 182,286 |
| Property, plant and equipment | 423 |
| Trade and other receivables | 14,976 |
| Cash and cash equivalents | 3,795 |
| | 201,480 |
| **Liabilities** | |
| Borrowings | 24,624 |
| Trade and other payables | 12,921 |
| Deferred tax liabilities | 20,258 |
| Finance lease liabilities | 194 |
| Income tax liabilities | 211 |
| | 58,208 |
| **Share of equity-accounted joint ventures net assets** | 143,272 |

*Restated – see note 2.2.

## 14. Assets held for sale and associated liabilities

The sale of the subsidiaries and joints ventures of the Company, as described in note 23, was under negotiation and highly probable at 31 March 2014 and the investments were available for immediate sale in their present condition at this time. Therefore at 31 March 2014 all the subsidiaries and joint ventures of the Company were classified as held for sale in accordance with IFRS 5.

Further details on the subsidiaries and joint ventures held for sale are disclosed in note 20.

# Notes to the Consolidated Financial Statements (continued)

## 14. Assets held for sale and associated liabilities (continued)

| Assets held for sale and associated liabilities | 2014 | 2013 |
|---|---|---|
| | £ 000 | £ 000 |
| **Assets** | | |
| Investment property (note 6) | 281,754 | 100,030 |
| Property, plant and equipment | 1,282 | 253 |
| Inter-corporate deposits | - | 19,476 |
| Trade and other receivables | 23,545 | 7,583 |
| Cash and cash equivalents | 8,159 | 9,718 |
| | 314,740 | 137,060 |
| **Liabilities** | | |
| Borrowings | 70,021 | 47,336 |
| Trade and other payables | 22,591 | 9,249 |
| Deferred tax liabilities | 47,589 | 20,108 |
| | 140,201 | 76,693 |
| Re-measurement to fair value less costs to sell | 14,411 | - |
| **Total assets held for sale and associated liabilities** | 188,950 | 60,367 |

Under IAS 10 Events after the Reporting Date the intention to wind up the Company (see note 22) would constitute an adjusting event after the reporting date. As such the assets held for sale and associated liabilities have been adjusted to their realisable value which is considered to be the fair value less costs to sell. Fair value less costs to sell has been determined by taking the sales price from the Share Purchase Agreement ("SPA") and deducting the estimated costs to sell and the deposits and investments (see note 15). Costs to sell have been estimated as £2.12 million.

At 31 March 2013 due to the status of sale negotiations for the sale of Unitech Developers and Projects Limited ("G2") the Board reclassified the Group's interest in G2, including its associated liabilities, as held for sale under IFRS 5. At this time the development was being actively marketed and generating interest from potential purchasers.

In the current financial year G2 made a cash distribution of £4.67m to its Mauritian joint venture partner company Gladiolys Realty Inc.

## 15. Deposits and investments

As explained further in notes 14 and 23, subsequent to the year-end the Company entered into an agreement for the sale and purchase of the entire share capital of Candor Investments Limited. The consideration receivable (see note 14) is subject to an adjustment to the extent that certain funds placed with two financial institutions by two of the Indian joint venture companies, Unitech Developers and Project Limited ("G2") and Unitech Realty Projects Limited ("G1"), are not recovered by the date of the sale's completion. If the sale is completed before the funds are repaid, the sales price will be adjusted and either (i) the rights of G2 and G1 to receive repayment of 60 per cent. of such outstanding funds will be assigned to the Company, subject to necessary approvals or (ii) any recovery of such amounts by or on behalf of G2 or G1 will be repaid to the Company.

At 31 March 2014 the balance outstanding excluding accrued interest was £14.62 million based on the exchange rate at 31 March 2014 of £1 = INR 99.70.

# Notes to the Consolidated Financial Statements (continued)

## 15. Deposits and investments (continued)

At 22 September 2014 and based on an exchange rate of £1 = INR 99.01, £9.09 million had been deposited on behalf of G2 with SREI Infrastructure Finance Limited, and £0.18 million with Aten Capital Pvt Limited. A total of £5.45 million had also been invested in non-convertible debentures managed by Aten Portfolio Managers Services Pvt Limited on behalf of G2 and G1. Interest, which is not included in these amounts, is accruing on the balances at a rate of 10.6% with SREI and 16% on the balance with Aten. The Board is of the opinion that these transactions were not conducted in accordance with the Group Treasury policy.

The maturity date in respect of all amounts deposited and invested has now expired and formal repayment has been demanded. No repayments have yet been received although the counterparties have failed to provide any justification for not returning the deposits and investments.

The Company has engaged English and Indian lawyers to assist in their recovery. The Board has received legal advice that, in the event that repayment is not forthcoming, the Company has recourse to alternative means to obtain redress and therefore continues to believe that the value of deposits and investments will be recovered. Accordingly, the Board has concluded that these amounts should be recorded in the Statement of Financial Position without impairment.

## 16. Cash and cash equivalents

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following balances:

| | 2014<br>£ 000 | 2013<br>£ 000 |
|---|---|---|
| UCP cash at bank | 775 | 1,858 |
| Mauritian subsidiaries cash at bank | - | 2,574 |
| Cash and cash equivalents for the purposes of the cash flow statement | 775 | 4,432 |

## 17. Share capital and reserves

### 17.1 Capital management

The Company's newly adopted investing policy is to achieve Shareholder returns through the sale of Candor.

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

### 17.2 Share capital

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

### 17.3 Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations. As a result of the agreed disposal of all foreign operations of the Company the translation reserve has been treated as realised and released to retained reserves.

# Notes to the Consolidated Financial Statements (continued)

## 18. Trade and other payables

The Group's trade and other payables are analysed as follows

| | 2014<br>£ 000 | 2013*<br>£ 000 |
|---|---|---|
| Trade payables | 103 | 1,204 |
| Accruals | 109 | 117 |
| | 212 | 1,321 |

*Restated – see note 2.2.

## 19. Directors' fees

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

The other Directors receive fees of £27,500 per annum.

All directors receive a sitting fee of £1,000 for each Board Meeting attended.

Mr Sallnow-Smith receives an additional £5,000 per annum for his role as Chairman of the Audit Committee.

## 20. Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Ajay Chandra, a Director of the Company, is also the Managing Director of Unitech Limited.

As at 31 March 2014 Donald Lake was beneficially interested in 42,500 Ordinary Shares in the Company (31 March 2013: 42,500).

Nectrus Limited, the Investment Manager to the Company, is an affiliate of the Unitech Group, the Company's co-investor in the investment property under construction. It receives a management fee and performance fee from the Group as detailed in Note 4. In May 2009, Nectrus Limited agreed to compensate the Company for a loss of £4.92 million incurred on a structured note investment. This amount has been repaid by way of offsetting the investment management fee due. At 31 March 2014 Nectrus Limited was beneficially interested in 49,042,428 Ordinary Shares in the Company (2013: 43,007,428).

Unitech Limited, who was the Company's co-investor, acts as Property Manager for the investment property under construction and receives a fee of 5% of the total cost of construction of each project (exclusive of service tax). The fees payable to Unitech Limited for the year ended 31 March 2014 totaled £1.09 million (year ended 31 March 2013: £1.86 million) and the amount outstanding as at 31 March 2014 was £0.26 million (31 March 2013: £0.56 million).

Unitech Limited was replaced as the joint venture partner in March 2014 of the Indian joint ventures by IDFC Limited. Unitech Limited continues to be the Property Manager for the developments.

Unitech Limited has provided corporate guarantees to Unitech Hi-Tech Structures Limited, Unitech Developers and Projects Limited and Seaview Developers Limited in respect of their bank borrowings and receives a fee of 1.25% pa of the sanctioned amount from each of those companies. The total fee payable to Unitech Limited for the year ended 31 March 2014 amounted to INR 167.60 million (year ended 31 March 2013: INR 89.43 million).

Unitech Infra Ltd., a 100% subsidiary of Unitech Ltd received payments amounting to £0.65 million during the year in respect of property maintenance and running costs (year ended 31 March 2013: £0.72 million).

# Notes to the Consolidated Financial Statements (continued)

## 20. Related-party transactions (continued)

QNS Facility Management Private Limited ("QNS"), formerly Unitech Property Management Pvt. Ltd, which is a wholly owned subsidiary of Unitech Limited, is rendering its services in respect of management and co-ordination of operation and maintenance services of the complexes including the common areas and certain other services. The fees payable to QNS for the year ended 31 March 2014 totaled £1.85 million (year ended 31 March 2013: £1.31 million) and the amount outstanding as at 31 March 2014 was £0.08 million (31 March 2013: £9,000).

Bengal Unitech Universal Infrastructure Property Limited, which is a wholly owned subsidiary of Unitech Limited, received lease rental income amounting to £21,000 from Unitech Hi-Tech Structures Limited, with £23,000 payable at 31 March 2014 (year ended 31 March 2013 income of £21,000 and outstanding amount at 31 March 2013 £6,000).

Elixir Hospitality Management Limited, formerly Unitech Hospitality Limited , which is a wholly owned subsidiary of Unitech Limited, provided management services for the food courts located in several of the properties. For this service they received a management fees of £206,000 for the year ended 31 March 2013 of which £77,000 remained payable at year-end (year ended 31 March 2013 income of £57,000 and outstanding amount at 31 March 2013 £26,000).

## 21. Group entities

It was announced on 10 June 2014 that the Company has entered into an agreement to sell all its subsidiaries and joint ventures.

### 21.1 Subsidiaries

| | Country of incorporation | Class of shares | Percentage holding |
|---|---|---|---|
| Candor Investments Limited | Mauritius | Ordinary | 100% |
| Acacia Properties Inc. | Mauritius | Ordinary | 100% |
| Dotterel Estates Limited | Mauritius | Ordinary | 100% |
| Gladiolys Realty Inc. | Mauritius | Ordinary | 100% |
| Myna Holdings Limited | Mauritius | Ordinary | 100% |
| Sparrow Properties Limited | Mauritius | Ordinary | 100% |
| Tulipa Investments Inc. | Mauritius | Ordinary | 100% |

On 16 November 2006 the Company acquired the entire share capital of Candor Investments Limited for a consideration of US$1. Prior to its acquisition by the Company, Candor Investments Limited had not traded.

On 28 November 2006 Candor Investments Limited acquired the entire share capital of the six underlying subsidiaries at par for a consideration of US$1 each. Prior to their acquisition by Candor Investments Limited none of the underlying subsidiaries had traded.

On 10 January 2007 Acacia Properties Inc. acquired a 60% interest in the ordinary share capital and a 100% interest in the preference share capital of Shantiniketan Properties Limited for a consideration of INR 2,630 million.

On 10 January 2007 Dotterel Estates Limited acquired a 60% interest in the ordinary share capital of Seaview Developers Limited for a consideration of INR 4,526 million.

On 29 January 2007 Tulipa Investments Inc. acquired a 60% interest in the ordinary share capital of Unitech Realty Projects Limited for a consideration of INR 6,268 million.

On 11 January 2007 Gladiolys Realty Inc. acquired a 60% interest in the ordinary share capital of Unitech Developers and Projects Limited for a consideration of INR 5,709 million.

# Notes to the Consolidated Financial Statements (continued)

## 21. Group entities (continued)

### 21.1 Subsidiaries (continued)

On 23 January 2007 Myna Holdings Limited acquired a 60% interest in the ordinary share capital of Unitech Hi-Tech Structures Limited for a consideration of INR 5,167 million.

On 10 January 2007 Sparrow Properties Limited acquired a 60% interest in the ordinary share capital of Unitech Infra- con Limited for a consideration of INR 2,973 million.

### 21.2 Joint ventures

The following companies are joint ventures and have been equity accounted for.

| | Country of incorporation | Class of shares | Percentage holding |
|---|---|---|---|
| Shantiniketan Properties Limited | India | Ordinary | 60% |
| Shantiniketan Properties Limited | India | Preference | 100% |
| Seaview Developers Limited | India | Ordinary | 60% |
| Unitech Developers and Projects Limited | India | Ordinary | 60% |
| Unitech Hi-Tech Structures Limited | India | Ordinary | 60% |
| Unitech Infra-Con Limited | India | Ordinary | 60% |
| Unitech Realty Projects Limited | India | Ordinary | 60% |

## 22. Net asset value per share

| | 2014 | 2013 |
|---|---|---|
| Net asset value (£ 000) | 202,410 | 207,906 |
| Ordinary shares in issue (number 000) | 360,000 | 360,000 |
| Net asset value per ordinary share (in pence) | 0.56 | 0.58 |

The exchange rate used to convert INR to GBP on on 31 March 2014 was GBP 1= INR 99.70 compared to GBP 1 = INR 82.56 at 31 March 2013.

## 23. Subsequent events

On 3 April 2014 the Board of the Company announced that it had received an approach from a third party expressing interest in a potential acquisition of the Company's wholly owned direct subsidiary Candor Investments Limited (“Candor”). On 10 June 2014 the Company entered into an agreement (“SPA”) with an affiliate of Brookfield Property Partners (“Brookfield”) for the sale and purchase of the entire issued share capital of Candor. This would result in the sale of all the Company’s subsidiaries and joint ventures. (See note 14 and 15).

Subsequently, on 27 June 2014 at an Extraordinary General Meeting of the Company, Shareholders passed two resolutions. One resolution was to approve the sale by the Company of the entire issued share capital of Candor to Brookfield, and the other was to approve the Company’s new investing policy as a result of the sale.

The Company’s Investing Policy which was adopted on 27 June 2014 is to return capital to Shareholders following completion of the sale of Candor. The return of capital, amounting to almost all of the expected net proceeds from the sale of Candor, is expected to be effected by way of a Shareholder distribution which will be subject to the formal approval by Shareholders of the Company at a future extraordinary general meeting. Such meeting is expected to be held within 3 months of Completion. Thereafter, the Company will conduct its affairs to comply with post Completion obligations relating to the Disposal and at the end of such period any residual funds will be returned to Shareholders by way of a members’ voluntary winding up or other restructuring, subject to approval by Shareholders. On adoption of the New Investing Policy, the Company shall not make any new investments.

# Notes to the Consolidated Financial Statements (continued)

## 23. Subsequent events (continued)

A further condition precedent in the disposal agreement is obtaining the consent of the Board of Approvals to the proposed change in control of the SEZs. The proposed transfer of Candor's shares was approved at a meeting of the Board of Approvals on 18 September 2014, subject to a number of customary conditions.

# Company Information

**Directors (all non-executive; * independent)**

Donald Lake (Chairman)*
Ajay Chandra
Mohammad Yousuf Khan*
Nicholas Robert Sallnow-Smith* (Senior Independent Director)
John Keith Sleeman*

**Company Secretary** Philip Peter Scales
**Assistant Company Secretary** Graham Roger Smith

**Registered Office**
IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP

**Company Number** 010231V

**Nominated Adviser and Broker**
Westhouse Securities Limited
Heron Tower
110 Bishopsgate
London EC2N 4AY

**Crest Service Provider**
Capita Registrars (Jersey) Limited
Victoria Chambers, Liberation Square
1/3 The Esplanade
St. Helier
Jersey

**Investment Manager**
Nectrus Limited
Strovolos Center, 77 Strovolos Avenue
2018 Strovolos
Cyprus

**Independent Auditors**
KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

**Administrator and Registrar**
IOMA Fund and Investment Management Limited
IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP