# UCP PLC

# Report and Financial Statements

## For the year ended
## 31 March 2023

# Contents

# Chairman's Statement

The recurring theme in this report over the past few years has been the continuation of our efforts to recover funds which we believed rightfully belonged to the Company, and the inherent uncertainties involved in any litigation. Having paid a distribution to shareholders of 49.25 pence per share (£177.3 million in total) in January 2015 and a further distribution of 2.5 pence per share (£9.0 million in total) in October 2020, we hoped that we would be able to pay a final small distribution to shareholders upon completion of the litigation before winding the Company up. Initial successes on two fronts, namely in the Company's action in London against its erstwhile manager, Nectrus, and a set of three arbitral awards in India against SREI, a financial institution which held the so called "stranded deposits", gave good reasons to believe that such a distribution would be possible.

I regret to inform shareholders that the Company has suffered reversals of fortune in the past year in both matters, and, as a result, shareholders can no longer expect any further distribution. Firstly, as reported in a circular to shareholders, the greater part of the award for damages against Nectrus was overturned in March 2023, and this reinstated much of the Company's liability to Nectrus. Secondly, in December 2023, the Company's former subsidiary in India failed in its efforts to enforce the award against SREI for the remaining part of the arbitral award which had not been paid. Further details on each are given below.

## Claim by UCP against Nectrus in London

In 2019 the English Commercial Court ordered that UCP could set-off a total of £9,573,000 against the distribution due to Nectrus in its capacity as a beneficial owner of 49 million shares (13.6% of the total shares in issue).

Nectrus applied for permission to appeal, which was refused in July 2020. Nectrus then challenged that refusal, and in January 2021 the challenge was also rejected by the English Court of Appeal. In November 2021, Nectrus launched a fresh challenge, which was served on the Company in March 2022 and heard by the Court of Appeal in June 2022. In what was described in legal commentary as "an exceptional exercise of an already-exceptional jurisdiction" 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, namely whether the legal principle of "reflective loss" should apply, whereby a parent company is precluded from recovering losses suffered by a diminution of value of its shareholding. The Court of Appeal hearing date was set for March 2023.

Nectrus argued that, according to this principle, the losses caused by Nectrus were suffered by UCP 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). However, there have been further developments in the law since those judgments, and these developments formed the basis of the appeal by Nectrus. In particular, during 2022 the principle of reflective loss became established in Mauritius (the law of Candor's incorporation), following a landmark ruling by the Privy Council in London in July 2020 regarding the application of the reflective loss principle, and UCP's arguments in the appeal became unsustainable.

The Court of Appeal accordingly ordered that £6,248,000 of the set off amounting to £9,573,000 awarded in 2019 be reversed, and that UCP should pay costs in an amount to be assessed, but in any event not less than £250,000.

The reversal of the set-offs previously awarded means that the withheld distribution reported in the March 2023 financial statements amounts to £8,625,000.

## Recovery of Deposits from SREI

As previously reported, the Company was 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, and a further £1.0 million was received in December 2022, these amounts being the Company's share of sums that were readily recoverable by UDPL (SREI having been ordered to pay certain funds into court and furnish third party bank guarantees). Enforcement of the awards and recovery of the remaining approximate amount of £5 million (to which UCP had a 60% interest) was repeatedly stalled due to the shutdowns and delays (except for new or high priority matters) in the Indian courts as a result of the COVID pandemic, and several challenges by SREI, each of which were rejected.

In October 2021, the Reserve Bank of India took the very rare step of replacing the board of SREI and almost immediately thereafter commencing an insolvency process. UDPL duly filed the relevant papers identifying itself as a secured creditor. Initially UDPL was excluded from the list of creditors, so UDPL had to apply to the courts for it to be included and the full value of its claim recognised. The insolvency process was concluded in the second half of 2023, and creditors were offered only 5% of the value of their claim. UDPL is therefore entitled to receive approximately £250,000 in a mix of cash and non-tradeable instruments. Discussions are ongoing with Brookfield, (as owner of UDPL), on the subject of costs, taxation, and monetisation of the instruments, which should hopefully lead to a further payment to UCP, but this will not be material.

In addition to being a creditor admitted into the insolvency process, UDPL had the benefit of an order of attachment over various assets (real estate and credit facilities) of SREI and applied to the courts to enforce against these assets, arguing that they should not form part of the insolvency property. The enforcement application by UDPL (which had been proceeding since the date of the awards, as above) ran in parallel to the insolvency process, and the final hearing took place in December 2023. Unfortunately, the courts rejected UDPL's arguments, and ruled that the attachments were void on the basis that the insolvency proceedings had, by that date, been concluded. The overall effect was therefore that UDPL was to be treated as an unsecured creditor of SREI, and with no claim against the attached assets.

## Claim by Nectrus for interest

In April 2023, the Isle of Man Court handed down its judgment on the claim by Nectrus for interest on the withheld deposit, which it had heard in March 2022. The Court ruled in favour of UCP, rejecting Nectrus' claim, and was awarded costs, including an interim award of £250,000. Nectrus submitted an appeal which came before the Court for initial consideration in June 2023, but UCP and Nectrus agreed a stay. That stay has been extended and is still in place at the date of this report.

## Financial position

As stated earlier, as a result of the partial overturning of the 2019 awards against Nectrus, the amount of withheld distribution due to the nominee shareholders of which Nectrus is the beneficiary as at 31 March 2023 stood at £8,625,000, which reduced to £8,375,000 in June following the interim costs award in the Isle of Man. This figure is subject to the addition of set-off (as appropriate) of costs assessed or agreed arising from the London and Isle of Man litigation. At the same date, the Company only held cash of £7,674,000 and had other liabilities of £893,000. Whilst the Company had a reasonable expectation of recovering further substantial amounts from SREI in the remainder of 2023, also as stated earlier, following the December 2023 judgment it can, at best, only expect to recover immaterial amounts. Therefore the Company cannot pay the withheld distribution and its other creditors in full.

Since March 2023, the Company has incurred a further £350,000 in costs (net of interest income received on the cash and near-cash holdings), and estimates that a further £80,000 will be required up to and including an orderly winding up of the Company.

The Company is therefore [holding / intending to hold] settlement discussions with Nectrus to seek the best possible outcome for all creditors, in circumstances where the appointment of a liquidator would result in further liabilities for the Company. It is, however, acknowledged that if a settlement cannot be reached with Nectrus, in the best interests of all creditors, a liquidator will need to be appointed. Apart from the withheld distribution itself, the creditors consist, almost entirely of its legal advisers, auditors, company administrator and directors.

## Shareholder General Meeting and Winding Up of Company

The Company was unable to call an AGM during 2023 as this Annual Report had not been published within the normal timescales. (The desire of the Directors to wait for definitive news on both the SREI matter and the dealings with Nectrus was a significant factor in the late issue of this Annual Report.) If there had been some prospect of making further recoveries, shareholders would have been asked to approve an extension of the Company's life. (The Articles currently require that the Company be wound up after 31 December 2023.) In the light of current circumstances, there is no reason for extending the Company's life, but instead, the Company hopes to reach a settlement agreement and immediately thereafter place the Company into a members voluntary liquidation. As set out above, in the event that settlement cannot be reached, the Company will be placed into a creditors voluntary liquidation.

## Concluding Remarks

The change in legal precedents around the principle of reflective loss and the insolvency of SREI together have meant that the Company has been unable to pay the additional distributions to shareholders which were hoped for. Regrettably the Company is now left with no option but to proceed to a winding up in an orderly manner.

Donald Lake, Chairman
3 April 2024

# Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2023.

**Principal Activities**

Since the sale of its interest in the Indian property portfolio in 2014, in which the sale price was adjusted to reflect cash deposits which were deemed "stranded", the Company's sole activity has been to recover the losses thereby caused, either by recovery of the stranded deposits themselves, or by way of damages from the Company's erstwhile Manager who had caused the losses. The Company did have some partial success, but suffered setbacks in 2022 and 2023. The only amounts which may still be recovered are not material.

**Results and return of capital**

The Company's financial statements are set out on pages 9 to 20. The Company reported net liabilities at the date of the Statement of Financial Position of £1.8 million (2022: net assets £5.0 million). For the financial year then ended it reported a total comprehensive loss attributable to the Shareholders of £6.8 million (2022: loss of £1.3 million). The loss is primarily due to the partial reversal of awards that had been recognised in previous years, but overturned in 2023.

The Company paid no distributions in the financial year, or in the previous financial year. As the Company's liabilities exceed its assets, no further distributions will be paid to shareholders in future.

**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

**Winding up**

The Company will settle its liabilities in an orderly manner to the extent it can in the near future, and plans to appoint a liquidator thereafter.

By order of the Board

Graham Smith, Company Secretary
3 April 2024

# 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
3 April 2024

# 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 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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.

*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 2023 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.

## Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 2 of the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

## 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.

## 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 pages 6 and 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

April 2024

# Statement of Comprehensive Income

| | Notes | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **Income** | | | |
| Interest income on cash balances | | **116** | - |
| Recovery of stranded deposits | 7 | **1,029** | - |
| Award for damages or costs, set-off against distribution payable | 5 | **-** | 701 |
| | | **1,145** | 701 |
| **Expenditure** | | | |
| Reversal of awards previously set-off against distribution payable | 5 | **(6,250)** | - |
| Costs awarded in favour of Nectrus | 6 | **(250)** | - |
| Operating expenses | 9 | **(1,456)** | (2,038) |
| | | **(7,956)** | (2,038) |
| **Loss for the year before tax** | | **(6,811)** | (1,337) |
| Tax expense | 10 | **-** | - |
| **Loss for the year and total comprehensive loss for the year** | | **(6,811)** | (1,337) |

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

# Statement of Financial Position

| | Notes | 31 March 2023 | 31 March 2022 |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **Current assets** | | | |
| Trade and other receivables | | **3** | 3 |
| Cash and cash equivalents | | **7,674** | 7,521 |
| **Total assets** | | **7,677** | 7,524 |
| **Financed by:** | | | |
| **Equity** | | | |
| **Share capital and reserves** | | | |
| Share capital | 12 | **3,600** | 3,600 |
| Distributable reserves | | **(5,440)** | 1,370 |
| | | **(1,840)** | 4,970 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **893** | 179 |
| Distribution payable | 5 | **8,625** | 2,375 |
| **Total liabilities** | | **9,527** | 2,554 |
| **Total equity and liabilities** | | **7,677** | 7,524 |

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

These financial statements were approved and authorised for issue by the Board of Directors on 3 April 2024 and signed on their behalf by:

**Donald Lake**
**Director**

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

# Statement of Changes in Equity

| | Notes | Share capital | Retained profit/(loss) | Total |
|---|---|---|---|---|
| | | £'000 | £'000 | £'000 |
| **Balance as 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 |
| **Balance at 1 April 2022** | | 3,600 | 1,370 | 4,970 |
| Total comprehensive loss for the year | | - | (6,810) | (6,810) |
| | | - | (6,810) | (6,810) |
| **Balance at 31 March 2023** | | 3,600 | (5,440) | (1,840) |

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

# Statement of Cash Flows

| | Notes | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **Operating activities** | | | |
| Loss for the year before tax | | **(6,811)** | (1,337) |
| Adjustments for: | | | |
| **Operating loss before changes in working capital** | | **(6,811)** | (1,337) |
| Decrease in trade receivables and prepayments | | **-** | 1 |
| Increase/(decrease) in distribution payable | 5 | **6,250** | (701) |
| Increase/(decrease) in trade and other payables | | **714** | (41) |
| | | **6,964** | (741) |
| **Increase/(decrease) in cash and cash equivalents** | | **153** | (2,078) |
| Cash and cash equivalents at beginning of year | | **7,521** | 9,599 |
| **Cash and cash equivalents at end of the year** | | **7,674** | 7,521 |

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

# Notes to the Financial Statements for the year ended 31 March 2023

## 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 cancelled its listing on the AIM market of the London Stock Exchange on 6 May 2016.

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 the directors' intention 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.

Furthermore, as a result of the London Court of Appeal's order in 2023 to reverse the awards given in 2019 (as described in Note 5), the Company's liabilities now exceed its assets. The winding up of the Company will commence in the near future. The Company is therefore not a going concern.

IFRS do not specify a liquidation basis of accounting. When an entity is not a going concern, there is no general dispensation from the measurement, recognition and disclosure requirements of the IFRS financial reporting framework. Consequently, the financial statements have been prepared on a basis that is consistent with IFRS and reflect the fact that the going concern assumption is not appropriate.

This involves writing down assets to their recoverable amounts based on conditions existing at the end of each financial reporting period (where applicable). In this respect, no provision is made for future losses or for liabilities which, in accordance with IFRS, should be recognised after the end of the relevant reporting period. Liabilities are recognised in the financial statements, without an anticipation of the Company being legally released from being the primary obligor under a liability, either judicially or by the creditor. The recognition of liabilities does not imply that the Company would be in a position to settle those liabilities as and when they fall due.

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 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

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 of 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 or in money market funds, and the Company is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. If the interest rates were to increase/(decrease) by 1%, the impact on the company would be an increase/(decrease) on the interest income by £1,160.

### 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:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Trade receivables and prepayments | 3 | 3 |
| Cash and cash equivalents | 7,674 | 7,521 |
| | 7,677 | 7,524 |

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The Company is also exposed to credit risk with regard to the contingent assets (note 7).

### 4.4 Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash balances to meet its obligations. The Company's liquidity position is monitored by the Board of Directors. A maturity analysis showing the remaining contractual maturities of financial liabilities at year-end is shown below:

| 31 March 2023 | Less than 3 months £'000 | 3 months to 1 year £'000 | Total £'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalent | 7,674 | - | 7,674 |
| Other receivables | 3 | - | 3 |
| | 7,677 | - | 7,677 |
| **Financial liabilities** | | | |
| Distribution payable (note 5) | - | 8,625 | 8,625 |
| Trade and other payables | 893 | - | 893 |
| | 893 | 8,625 | 9,528 |

| 31 March 2022 | Less than 3 months £'000 | 3 months to 1 year £'000 | Total £'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalent | 7,521 | - | 7,521 |
| Other receivables | 3 | - | 3 |
| | 7,524 | - | 7,524 |
| **Financial liabilities** | | | |
| Distribution payable (note 5) | - | 2,375 | 2,375 |
| Trade and other payables | 152 | 27 | 179 |
| | 152 | 2,402 | 2,554 |

## 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 in its capacity as the erstwhile investment manager, with respect to significant damages resulting from breaches by Nectrus of the investment management agreement and generally in relation to the Stranded Deposits as described in note 7, 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.

On 30 October 2020 following success in a partial recovery of the Stranded Deposits, 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. Nectrus made a second application to re-open the refusal of its application for permission to appeal in November 2021, and on 30 June 2022 the Court of Appeal granted permission to appeal. The appeal was set to be heard on 1 and 2 March 2023.

However, as a result of developments in the law of reflective loss in Mauritius (the law of Candor's incorporation) since 2019, UCP's arguments in the appeal became unsustainable. Consequently, the 2019 judgments were overturned, and the Court of Appeal ordered that £6,250,000 of the amount awarded and set off in 2019 (amounting to £9,573,000) be reversed, and that the Company pay costs of an amount to be assessed.

In an action running separately from the litigation in England as described above, 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 matter was heard in March 2022.

On 18 April 2023, judgment was handed down in which Nectrus' claims for interest were dismissed. The Isle of Man Court ordered costs in UCP's favour to be assessed or agreed, and on 27 June 2023 issued an interim costs award of £250,000 which UCP is entitled to set off against the distribution payable.

On 30 May 2023, Nectrus applied for and was granted permission to appeal against the Isle of Man judgment. However, at a hearing on 22 June 2023, UCP and Nectrus agreed that the matter be stayed, initially for one month and then subsequently extended three more times. The current stay is effective until 19 March 2024.

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 by the Company 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 |
| Balance reported at 31 March 2022 | 2,375 |
| Partial reversal of set-off of damages as per the March 2023 order | 6,250 |
| Balance reported in financial statements at 31 March 2023 | 8,625 |
| Interim Manx costs award issued June 2023 (after financial year-end) | (250) |
| Withheld balance as at current date | 8,375 |

The balance of £8,375,000 remains subject to change as a result of the outcome of the appeal hearing in the Isle of Man, the recovery of additional costs in UCP's favour of the Isle of Man action to be determined by detailed assessment or agreement, and the recovery of costs in Nectrus' favour of the English action to be determined by detailed assessment or agreement (in addition to the costs described in note 6). These potential additions to or deductions from the distribution payable are recognised as contingent liabilities and contingent assets respectively.

## 6. Costs awarded to Nectrus

As described in note 5, in March 2023 the English Court of Appeal awarded costs of the appeal in favour of Nectrus. The amount is to be determined by detailed assessment or agreement, but an interim award of £250,000 was issued. This amount is included in trade and other payables and was paid after the financial year-end. *(Readers should note that this is not to be confused with the interim costs award of exactly the same amount issued by the Isle of Man Court in favour of UCP in June 2023, and set off against the distribution payable described in note 5).*

## 7. Contingent assets

In the previous year's accounts, the Company reported contingent assets estimated to be in the region of £3.4 million, as at the balance sheet date. This consisted of firstly, the remaining amounts due under the arbitration awards in respect of the Stranded Deposits which the Company was seeking to enforce; and secondly, costs in respect of the litigation in the Isle of Man as described in note 5.

*Stranded Deposits*

To recap, 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 over the course of the last few years. 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. On 6 December 2022, the Company received a further £1,029,000, 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.

Insolvency proceedings were initiated against SREI in September 2021. UDPL was not included in the original list of creditors issued in November 2021, but following action pursued by UDPL, and a ruling by the relevant Indian Tribunal, the Insolvency Administrator was ordered to admit UDPL as a creditor; accordingly UDPL's claim of just over INR 500 million (£5m) was recognised. In Q3 2023 the insolvency process was concluded. Unfortunately, creditors are being paid at the rate of only 5% of the amount due, and even this is in a mix of cash and securities whose value might not be easily monetised. Therefore there is still uncertainty as to the amount that UDPL may receive in due course, which will in turn form the basis of discussions with Brookfield regarding costs and taxation etc. As stated earlier, the amount which UCP may receive is likely to be at most about £150,000. A 5% positive/negative movement in INR to GBP exchange rate would result in a £7,000 increase/decrease in the contingent asset.

In a separate action, UDPL had been seeking recovery in the Kolkata High Court of the remaining amounts awarded by enforcement of the attachments granted over certain SREI assets prior to its insolvency, on the basis that these attachments fell outside the insolvency process. The matter was finally heard in December 2023. The Court took the view that the attachments were void in view of the conclusion of the insolvency process and ruled that UDPL's execution proceedings were not maintainable. The Company may therefore no longer recognise a contingent asset in regard to this matter.

*Isle of Man litigation*

Further, as described in note 5, the Company is entitled to its costs of applying to stay the Manx proceedings in 2018, and the costs of the Manx proceedings themselves in March 2022. An interim costs award of £250,000 was issued on 27 June 2023, and the Company may seek further costs by assessment or agreement with Nectrus. As the interim costs award was not issued until after the balance sheet date, it is not included within the Statement of Financial Position, but is treated as a contingent asset at that date.

Any further amount assessed or agreed will reduce the face value of the amount due to Nectrus for the Withheld Distribution, but its effect will only be to marginally reduce the percentage of total creditors that this represents.

## 8. Contingent liabilities

As also described in note 5, Nectrus sought a right to interest of up to £2.9 million on the withheld distribution in the Isle of Man Court. The claim was rejected by the Court in April 2023, but Nectrus filed an appeal shortly thereafter. The appeal process was stayed a few times, most recently until mid March 2024. Whilst the latest stay has come to an end and the appeal is still pending, there are currently no directions for its onward progression. UCP is seeking to open settlement discussions with Nectrus.. UCP considers that the grounds for appeal are very weak.

Separately, Nectrus was awarded costs of the English appeal in March 2023. The interim award of £250,000 has been recognised in these financial statements, but further costs of up to £200,000 may become payable as a result of detailed assessment or agreement. As with the contingent asset for costs due to the Company in connection with the Isle of Man litigation described in note 7, any additional costs due to Nectrus will increase the face value of the amount due to Nectrus for the Withheld Distribution, and its effect will only be to increase the percentage of total creditors that this represents.

## 9. Operating expenses

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Legal and advisory fees | **1,075** | 1,677 |
| Directors' fees and expenses (see note 12) | **161** | 163 |
| Administration fees | **144** | 144 |
| Audit fees | **33** | 32 |
| Professional fees | **9** | 11 |
| Other expenses | **33** | 11 |
| | **1,455** | 2,038 |

## 10. 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.

## 11. Trade and other payables

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Trade creditors | **608** | 146 |
| Costs award payable (see note 6) | **250** | - |
| Directors' fees and expenses (see note 14 | **35** | 33 |
| | **893** | 179 |

## 12. Share capital and reserves

### 12.1 Capital management

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

### 12.2 Share capital

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

## 13. Distribution

The Company paid no distributions during the year (2021: £Nil).

## 14. Directors' fees

Mr. Lake receives an annual Director’s fee of £60,000 (2022: £60,000) for carrying out his role as Chairman of the Board of which £18,000 still outstanding (2022: £Nil).

The other Directors receive fees of £27,500 per annum (2022: £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 such fees have been taken since 2019.

Following the adverse outcome in the English Court of Appeal in March 2023, the Directors decided to defer the payment of their fees. As at the date of this report, they have been paid only one quarter of the fee entitlement which has arisen since that date.

## 15. 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 2022 and at 31 March 2023 Donald Lake was beneficially interested in 42,500 Ordinary Shares in the Company, and a person connected with him held 115,000 shares.

Amounts paid to the Directors are disclosed in note 14.

There is no ultimate controlling party of the Company.

## 16. Subsequent events

As described in notes 5 and 7, in April 2023 the Isle of Man Court rejected the claim by Nectrus for interest on the withheld distribution and issued an interim costs award of £250,000 which UCP is entitled to set off against the distribution payable. (This forms part of the contingent assets described in note 7.) Nectrus appealed against the judgment and that appeal is currently stayed.

Also as described in note 7, in December 2023 the Kolkata High Court rejected UDPL’s attempts to enforce the arbitration award against SREI in which UCP had an interest, as a result of the completion of the SREI’s winding up.

# Company Information

**Directors (all non-executive)**

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Mohammad Yousuf Khan
Nicholas Sallnow-Smith
John Sleeman

**Company Secretary** Graham Smith

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**Administrator**
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