

Minutes

Meeting: UKLI Limited (in Liquidation)
Committee Meeting

Present: Committee
Roger Sparkes ("RS")
Siddapa Garda ("SG")

FSA
Andrew Baum ("AB")

Addleshaw Goddard LLP
Monica Duggal ("MD")

Edwin Coe LLP
Vivien Davies ("VD")

Finers Stephens Innocent LLP
("FSI")
Philip Rubens ("RUB")

For the Joint Liquidators
Phil Reynolds ("PR")
Allon Freilich ("AF")
Keily Hedger ("KH")

Held on: 01 March 2010, 14.30

Apologies: Committee Member
Dr Mohla

Joint Liquidator
Lee Manning

Location: Telephone Meeting

DUE TO THE SENSITIVE NATURE OF THE MATERIAL DISCUSSED THAT COULD POTENTIALLY BE SUBJECT TO FUTURE LITIGATION, SEVERAL ITEMS HAVE BEEN OMITTED FROM THE PUBLIC VERSION OF THE MINUTES.

The meeting was opened at 14.30 and was quorate with 2 of the 3 members of the Committee present. Apologies for absence were received from Dr Mohla and Lee Manning.

1. Overview of progress concerning property realisations post 29 January 2010

PR provided an update post the January Creditors' Report concerning the sale of outstanding properties including;

- Lodge Farm for which contracts were exchanged on 1 March 2010 (sale completed on 9 March 2010).
- Mason Farm which had been divided into two plots, the first of which had been exchanged (now completed) and the second was awaiting exchange.

PR explained that sales realisations were not as great as initially anticipated due to the general market climate and some complicated planning issues caused by the "patchwork" nature of the unsold land surrounding the main property assets. These issues typically meant that cash buyers were the only option as banks were unwilling to fund purchases.

The difficult nature of dealing with plotted land was illustrated when attempting to sell a UKLI owned site where three plots had been sold in the middle of the large piece of the land.

The Liquidators undertook a series of negotiations to repurchase the land sold to the 3 investors for the original asking price (as this would have substantially raised the value of the surrounding land) but failed as one of the investors refused to sell his land.

PR used this example to highlight the difficulty any prospective company would face when attempting to negotiate purchase of c.200 plots to achieve a sale of a site, when just dealing with 3 plotters proved impossible.

2. Progress on intercompany loans

PR provided a brief overview from the report, detailing progress made in recovering the outstanding loans. Particular focus was directed towards;

- European Property Ventures Limited and St James Capital Investments (Pty) Limited. The former was controlled by an associate of Mr Chohan and a loan was made from UKLI for c.£190,000 at minimal interest and with no scheduled repayments. The latter was registered in South Africa and owed c.£60,000 to UKLI on matching terms. The Liquidators have negotiated a £70,000 settlement in total to be paid over 12 months.
- LDCG. - a care-home operator that owed c.£560,000 to UKLI. MD provided an update as to the current progress of recovery, explaining that the legal representatives of LDCG have delayed the progress of the claim by suggesting that the Liquidators have failed to

provide sufficient supporting evidence. A barrister acting on behalf of the Liquidators will be attending court on 4 March with a view to progress the case to a Judgement hearing. It can now be confirmed that UKLI Limited were successful at the hearing (note: the hearing was successful and LDCG now have to file a defence, costs were awarded to UKLI).

- UKHCG. Contracts have been exchanged on both of the care homes. However the prospective purchaser is awaiting regulatory clearance. If that fails to be granted by the middle of next week, the contract will be resubmitted to general tender with the Liquidators confident of receiving a substantially higher price due to the improved recent performance of the homes. This is the difference in the realisable value given in Appendix 5 of the creditors' report.

UKHCG has the one issued share held by Mr Chohan who conferred power of attorney to the Joint Liquidators over this share. For tax planning reasons, the share transfer to UKLU will only be exercised immediately prior to sale.

- PR stressed that it would be difficult to pursue the overseas entities including UKLI India and UKLI Malaysia due to the respective regulators closing the operations under their jurisdiction (which were effectively shells by the time of action).
- 568 Hamilton House is a property in which UKLI owns an equitable interest whose legal title is held by Mr Chohan. He has agreed to pay £240,000 in instalments on a monthly basis. The Liquidators acted to secure this agreement due to a substantial mortgage on the property that if Mr Chohan defaulted on would have likely left no value to the Liquidators.

3. Potential Terminal Loss Relief ("TLR") action

As UKLI made substantial profits in the years prior to Administration, the Liquidators are investigating whether the losses incurred can be offset against past profits in a TLR claim. This would result in HMRC making a payment to UKLI of c.£200,000. This however depends upon the Liquidators being able to reproduce accurate Company accounts, which, may be difficult to achieve. Deloitte Tax and Deloitte Forensics teams have been employed to explore this option further and the former Financial Director has been asked to assist (on paid terms). A successful recovery is therefore uncertain at present.

4. Potential action against third parties

RUB provided the committee with his credentials from investigating similar landbanking cases and explained there were two avenues to be considered;

1. Action against the legal advisers of UKLI Limited. Having undertaken investigative work it emerged that although a breach of duty of care could potentially be proven against the

advisers, it would be difficult to prove that this breach directly caused loss as in all likelihood even if the correct advice was given, it would have been unlikely to be followed by the Company.

Furthermore, it was noted that any action taken against the legal advisers may result in a pyrrhic victory with large costs and little chance of recovery. As such this course of action was dismissed. A copy of the advice note is attached

2. Action against the auditors of UKLI Limited.

As part of the investigation of the solicitors, the position of the auditors was also discussed in whether they were potentially negligent in signing off the accounts as a going concern.

More detailed work would be required to examine the feasibility of any such action. The Committee agreed that should funds be available for distribution, then this course of action would be of interest.

5. Class action

VD provided the background of her involvement in the case having been initially approached by an investor based in Dubai, which subsequently led to her representing c.150 investors. After some consideration, her clients would want to pursue third parties and lobby MPs and the media in order to gain support rather than accept a minimal payout.

VD accepted that the estate was unlikely to have significant surplus funds available to take action against negligent third parties but stressed that she was happy to continue liaising with the Liquidators and to act a conduit for her client's views.

PR maintained that there were minimal funds in the estate but the outcome of the care home sales and tax refund prospects could potentially provide funds to enable various actions to be considered.

6. Potential actions against the directors

This was discussed with the Committee

The meeting closed at 16.30