

Company Number: 02579323

**SOUTH WALES TPL INVESTMENTS LIMITED**

**ANNUAL REPORT**

**31 DECEMBER 2016**

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# SOUTH WALES TPL INVESTMENTS LIMITED

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## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2016. A strategic report has not been prepared as the company is entitled to the small companies exemption under section 414B of the Companies Act 2006.

### 1. Principal activities

The principal activity of the company is to hold an investment in Teesside Power Investments Limited.

The company's ultimate parent undertaking and controlling entity is The Goldman Sachs Group, Inc. ('Group Inc.'). Group Inc. is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System ('Federal Reserve Board'). Group Inc. together with its consolidated subsidiaries form 'the group'. The Group is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

The company primarily operates in a British pound environment. Accordingly, the company's functional currency is the British pound and these financial statements have been prepared in that currency.

### 2. Financial Overview

The financial statements have been drawn up for the year ended 31 December 2016. Comparative information has been presented for the year ended 31 December 2015.

The results for the year are shown in the profit and loss account on page 5. Loss before taxation for the year was £6,060,748 (year ended 31 December 2015: Profit £39,473).

The company had total assets of £3,232,752 (31 December 2015: £7,802,137).

### 3. Post balance sheet events

On 12 May 2017, the company cancelled 7,142,998 ordinary shares of £1 each creating distributable reserves. Subsequently, on 6 June 2017, the company paid a dividend, out of the distributable reserves created, to its parent company, ELQ Investors, Ltd. of £1,519,448.

### 4. Future outlook

The directors consider that the year end financial position of the company was satisfactory and do not anticipate any significant changes in its activities in the forthcoming year.

### 5. Dividends

The directors do not recommend the payment of a dividend in respect of the year (31 December 2015: £nil).

### 6. Financial risk management

The company's financial risk management objectives and policies, as well as its risk exposures, are described in note 16 of the financial statements.

### 7. Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## SOUTH WALES TPL INVESTMENTS LIMITED

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### REPORT OF THE DIRECTORS (continued)

#### 8. Independent auditors

Prior to 1 October 2007, the company passed an elective resolution under section 386 of the Companies Act 1985 to dispense with the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to section 487(2) of the Companies Act 2006 and paragraph 44 of Schedule 3 to the Companies Act 2006 (Commencement No. 3 Consequential Amendment, Transitional Provisions and Savings) Order 2007.

#### 9. Directors

The directors of the company who served throughout the year and to the date of this report, except where noted, were:

**Name**

M. Holmes

J. A. Wiltshire

No director had, at the year end, any interest requiring note herein.

#### 10. Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulators. Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for that period.

In preparing those 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 accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### 11. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on *28 JUNE 2017*.

**ON BEHALF OF THE BOARD**



**Director**

# **Independent auditors' report to the members of South Wales TPL Investments Limited**

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## **Report on the financial statements**

### **Our opinion**

In our opinion, South Wales TPL Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

South Wales TPL Investment's financial statements comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Report of the Directors. We have nothing to report in this respect.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from

# **Independent auditors' report to the members of South Wales TPL Investments Limited**

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## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibility set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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 company'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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Report of the Directors, we consider whether this report includes the disclosures required by applicable legal requirements.

John Wei (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

28 June 2017

## SOUTH WALES TPL INVESTMENTS LIMITED

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### PROFIT AND LOSS ACCOUNT for the year ended 31 December 2016

		Year Ended 31 December 2016	Year Ended 31 December 2015
	Note	£	£
Interest receivable and similar income	5	71,007	76,622
Administrative expenses	6	(6,131,755)	(37,149)
<b>(LOSS)/ PROFIT BEFORE TAXATION</b>		<b>(6,060,748)</b>	<b>39,473</b>
Tax on (loss)/ profit	9	11,695	(7,993)
<b>(LOSS)/ PROFIT FOR THE FINANCIAL YEAR</b>		<b>(6,049,053)</b>	<b>31,480</b>

The (loss)/ profit of the company is derived from continuing operations in the current and prior years.

The company has no recognised gains and losses other than those included in the profit and loss account for the years shown above, and therefore no separate statement of other comprehensive income has been presented.

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The accompanying notes are an integral part of these financial statements.


# SOUTH WALES TPL INVESTMENTS LIMITED

## BALANCE SHEET

as at 31 December 2016

	Note	31 December 2016 £	31 December 2015 £
<b>CURRENT ASSETS</b>			
Investments	10	-	-
Debtors	11	3,232,752	7,802,137
		<u>3,232,752</u>	<u>7,802,137</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	<u>(91,998)</u>	<u>(155,869)</u>
<b>NET CURRENT ASSETS</b>		<u>3,140,754</u>	<u>7,646,268</u>
<b>PROVISION FOR LIABILITIES</b>	13	<u>(1,543,539)</u>	-
<b>NET ASSETS</b>		<u>1,597,215</u>	<u>7,646,268</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	7,242,998	7,242,998
Profit and loss account		(5,645,783)	403,270
<b>TOTAL SHAREHOLDER'S FUNDS</b>	13	<u>1,597,215</u>	<u>7,646,268</u>

The financial statements were approved by the Board of Directors on *18 June 2017* and signed on its behalf by:



Director

The accompanying notes are an integral part of these financial statements.

Company number: 02579323

## SOUTH WALES TPL INVESTMENTS LIMITED

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### Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total shareholder's funds £
<b>Balance at 1 January 2015</b>	2,626,356	371,790	2,998,146
Profit for the financial year	-	31,480	31,480
Share capital issued	4,616,642	-	4,616,642
<b>Balance at 31 December 2015</b>	7,242,998	403,270	7,646,268
Loss for the financial year	-	(6,049,053)	(6,049,053)
<b>Balance at 31 December 2016</b>	7,242,998	(5,645,783)	1,597,215

No dividends were paid in 2016 and 2015.

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The accompanying notes are an integral part of these financial statements.



# SOUTH WALES TPL INVESTMENTS LIMITED

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## Notes to the Financial Statements - 31 December 2016

### 1. GENERAL INFORMATION

The company is a limited liability company and is incorporated and domiciled in England and Wales. The address of its registered office is Peterborough Court, 133 Fleet Street, London, EC4A 2BB, United Kingdom.

The immediate parent undertaking is ELQ Investors, Ltd., a company incorporated and domiciled in England and Wales.

The ultimate parent undertaking and the parent company of the smallest and largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its consolidated financial statements can be obtained from Investor Relations, 200 West Street, New York, NY 10282, United States of America, or at [www.goldmansachs.com/shareholders/](http://www.goldmansachs.com/shareholders/).

### 2. ACCOUNTING POLICIES

#### a. Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention, modified to include the revaluation of certain financial instruments, and in accordance with FRS 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The following exemptions from the requirements of IFRS as adopted by the EU have been applied in the preparation of these financial statements in accordance with FRS 101:

(i) IFRS 2 'Share-based Payment' paragraph 45(b) and 46 to 52. These disclosures are provided in the consolidated financial statements of Group Inc.;

(ii) IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of IAS 1 'Presentation of Financial Statements' paragraph 79(a)(iv);

(iii) IAS 1 'Presentation of Financial Statements' paragraphs 10(f), 16 and 40A-D;

(iv) IAS 7 'Statement of Cash Flows';

(v) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;

(vi) IAS 24 'Related Party Disclosures' paragraph 17; and

(vii) IAS 24 'Related Party Disclosures' requirements to disclose transactions with companies also wholly owned within group.

# SOUTH WALES TPL INVESTMENTS LIMITED

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## Notes to the Financial Statements - 31 December 2016

### 1. ACCOUNTING POLICIES (continued)

#### b. Foreign currencies

The company's financial information is presented in British pounds, which is also the company's functional currency.

Transactions denominated in foreign currencies are translated into British pound at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into British pound at rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses are recognised in (loss)/profit before taxation.

#### c. Financial assets and financial liabilities

##### (i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or if the company transfers the financial asset and substantially all the risks and rewards of ownership of that financial asset. A financial liability is derecognised only when it is extinguished (i.e. when the obligation specified in the contract is discharged, is cancelled or expires).

##### (ii) Classification and measurement

Financial assets comprise all of the company's current assets and financial liabilities comprise all of the company's creditors (with the exception of tax liabilities).

The company classifies its financial assets and financial liabilities into the below categories. The classification, which is determined at initial recognition, depends on the purpose for which they were acquired or originated.

- Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprise equity investments. These investments are designated at fair value as they are managed and their performance is evaluated on a fair value basis. Financial assets designated at fair value through profit or loss are initially recognised at fair value with transaction costs expensed in profit or loss. They are measured in the balance sheet at fair value and all subsequent gains or losses are recognised in the profit and loss account.

- Loans and receivables and financial liabilities measured at amortised cost

Loans and receivables and financial liabilities measured at amortised cost are initially recognised at fair value and are subsequently remeasured at amortised cost, with finance income and expense recognised on an accruals basis. All finance income and expense is recognised in the profit and loss account.

##### (iii) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet where there is:

- currently a legally enforceable right to set off the recognised amounts; and
- intent to settle on a net basis or to realise the asset and settle the liability simultaneously.

Where these conditions are not met, other financial assets and financial liabilities are presented on a gross basis on the balance sheet.

# SOUTH WALES TPL INVESTMENTS LIMITED

## Notes to the Financial Statements - 31 December 2016

### 1. ACCOUNTING POLICIES (continued)

#### d. Current and deferred taxation

The tax expense for the period comprises current tax. Tax is recognised in the profit and loss account.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future with the following exceptions.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

#### e. Dividends

Final equity dividends are recognised as a liability and deducted from equity in the period in which the dividends are approved by the company's shareholder. Interim equity dividends are recognised and deducted from equity when paid.

#### f. Provisions

Provisions are recognised in the financial statements when it is probable that an outflow of economic benefits will be required to settle a present (legal or constructive) obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. Legal obligations that may arise as a result of proposed new laws are recognised as obligations only when the legislation is virtually certain to be enacted as drafted.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in these financial statements. The nature of estimation means that actual outcomes could differ from those estimates. In the opinion of management, significant judgement was applied in the assessment of the recoverability of the other receivable and the potential interest payable to HMRC, that is material to the financial statements (see note 15).

### 4. SEGMENTAL REPORTING

The directors manage the company's activities as a single business in the same geographical region and accordingly no segmental analysis has been provided.

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£	£
Interest on loan to group undertaking	<u>71,007</u>	<u>76,622</u>

## SOUTH WALES TPL INVESTMENTS LIMITED

### Notes to the Financial Statements - 31 December 2016

#### 6. ADMINISTRATIVE EXPENSES

The table below represents the company's administrative expenses:

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£	£
Provisions (see note 15)	6,160,181	-
Foreign exchange losses/(gains)	95	(966)
Professional expenses	(28,521)	38,115
	<u>6,131,755</u>	<u>37,149</u>

The auditors' remuneration for the current and prior years of £5,000 has been borne by the company's immediate parent undertaking.

Professional expenses for the year ended 31 December 2016 includes £33,903 reversal of accruals relating to the prior year borne by the company's immediate parent undertaking.

#### 7. STAFF COSTS

The company has no employees (31 December 2015: nil). All persons involved in the company's operation are employed by a group undertaking and no charge is borne by the company.

#### 8. DIRECTORS' EMOLUMENTS

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£	£
<b>Directors:</b>		
Aggregate emoluments	665	596
Company pension contributions to money purchase schemes	19	8
	<u>684</u>	<u>604</u>

In accordance with the Companies Act 2006, directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only. This total only includes the value of cash and benefits in kind, and does not include the value of equity awards in accordance with the provisions of schedule 5 of Statutory Instrument 2008/410. Directors also receive emoluments for non qualifying services which are not required to be disclosed.

All directors were members of a defined contribution pension scheme and a defined benefit pension scheme during the year. All directors have received or are due receipt of Group Inc. shares under a long term incentive scheme during the year. No directors have exercised options during the year.

**SOUTH WALES TPL INVESTMENTS LIMITED**

**Notes to the Financial Statements - 31 December 2016**

**9. TAX ON (LOSS)/ PROFIT**

	<b>Year Ended 31 December 2016</b>	<b>Year Ended 31 December 2015</b>
	<b>£</b>	<b>£</b>
<b>Current tax:</b>		
U.K. corporation tax at 20% (2015: 20.25%)	-	7,993
Adjustments in respect of prior periods	(11,695)	-
<b>Tax on (loss)/ profit</b>	<b>(11,695)</b>	<b>7,993</b>

The table below presents a reconciliation between tax on (loss)/ profit and the amount calculated by applying the weighted average rate of U.K. corporation tax applicable to the company for the year of 20% (2015: 20.25%) to the (loss)/ profit before taxation.

	<b>Year Ended 31 December 2016</b>	<b>Year Ended 31 December 2015</b>
	<b>£</b>	<b>£</b>
(Loss)/profit before taxation	(6,060,748)	39,473
(Loss)/profit before taxation multiplied by the weighted average rate in the U.K. 20% (2015: 20.25%)	(1,212,150)	7,993
Permanent differences	1,232,036	-
Tax losses surrendered from group undertaking for nil consideration	(19,886)	-
Adjustments in respect of prior periods	(11,695)	-
<b>Total tax on (loss)/ profit</b>	<b>(11,695)</b>	<b>7,993</b>

## SOUTH WALES TPL INVESTMENTS LIMITED

### Notes to the Financial Statements - 31 December 2016

#### 10. INVESTMENTS

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>£</b>	<b>£</b>
Equity investment	-	-

#### 11. DEBTORS

Debtors, all of which are due within one year of the balance sheet date, comprise:

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>£</b>	<b>£</b>
Other receivable	-	4,616,642
Loan due from group undertaking	3,197,066	2,779,000
Accrued interest on loan due from group undertaking	-	387,153
Amounts due from group undertaking	35,686	19,342
	<b>3,232,752</b>	<b>7,802,137</b>

Other receivables represents an accelerated payment to HMRC. A provision for the full amount has been made in the current year (see note 15).

Loan due from group undertaking represents excess cash placed on an overnight facility. The interest accrued during the year is within a range of 0.05% to 3.22% in accordance with the policy of the group on intercompany loans. Subsequent to year end, the loan was fully repaid.

Amounts due from group undertaking represents cash balances held on account by a fellow group undertaking.

#### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>£</b>	<b>£</b>
Amounts due to group undertakings	81,528	115,432
Corporation tax payable	-	11,695
Group tax relief payable	10,470	28,742
	<b>91,998</b>	<b>155,869</b>

#### 13. PROVISION FOR LIABILITIES

	<b>£</b>
As at 1 January 2016	-
Charge to the profit and loss account	1,543,539
<b>As at 31 December 2016</b>	<b>1,543,539</b>

The provision of £1,543,539 represents potential interest payable to HMRC (see note 15)

# SOUTH WALES TPL INVESTMENTS LIMITED

## Notes to the Financial Statements - 31 December 2016

### 14. CALLED UP SHARE CAPITAL

At 31 December 2016 and 31 December 2015 called up share capital comprised:

	31 December 2016		31 December 2015	
	No.	£	No.	£
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	7,242,998	<u>7,242,998</u>	7,242,998	<u>7,242,998</u>
		<u><u>7,242,998</u></u>		<u><u>7,242,998</u></u>

### 15. FINANCIAL COMMITMENTS AND CONTINGENCIES

The company, its immediate parent company, ELQ Investors, Ltd., and certain other group companies (together the 'group parties') provided an indemnity to the purchaser of Teesside Power Limited (TPL) as part of the sale of TPL by the group parties in a prior year. The group parties are jointly and severally liable under the indemnity. The purchaser is indemnified, amongst other things, against losses incurred in respect of potential tax obligations of TPL relating to periods prior to the sale. Her Majesty Revenue and Customs (HMRC) and the group parties are in the process of legal proceedings in respect of certain prior period tax returns of TPL, and any settlement required in respect of such proceedings would necessitate payment under the indemnity.

An accelerated payment of £4,616,642 was made to HMRC during 2015 under this indemnity and disclosed within debtors. At the balance sheet date, the litigation remains ongoing and the outcome is uncertain. Subsequent to the year end, a tribunal ruling was made in favour of HMRC and the company is pursuing an appeal against the decision. While the outcome of the appeal is uncertain, management has decided to make a full provision against the receivable (see note 11) and a further provision for potential interest on late payment of £1,543,539 (see note 13).

### 16. FINANCIAL RISK MANAGEMENT

The company monitors its capital on an ongoing basis. The company's objective is to be prudently capitalised in terms of the amount and composition of its equity base.

The company is exposed to financial risk through its financial assets and liabilities. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the most important components of financial risk the directors consider relevant to the company are credit risk, liquidity risk, and market risk. The company, as part of a global group, adheres to global risk management policies and procedures.

#### a. Market risk

Market risk is the risk of loss in value of investments, as well as certain other financial assets and financial liabilities, due to changes in market conditions. Risks are monitored and controlled through strong firmwide oversight and independent control and support functions across the company's business. Relevant market risks for the company are interest rate risk, currency risk and equity price risk.

Interest rate risk results from exposures to changes in level, slope and curvature of yield curves, volatilities of interest rates and credit spreads.

Currency risk results from exposures to changes in spot prices, forward prices and volatilities of currency rates.

The company manages its interest rate and currency risks as part of the group's risk management policy

Equity price risk arises from exposures to changes in prices and volatilities of individual investments. The company holds its equity investments at £nil (2015: £ nil).

## SOUTH WALES TPL INVESTMENTS LIMITED

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### Notes to the Financial Statements - 31 December 2016

#### 16. FINANCIAL RISK MANAGEMENT (continued)

##### b. Credit risk

Credit risk represents the potential for loss due to the default or deterioration in the credit quality of a counterparty. Credit risk is managed by reviewing the credit quality of the counterparties and reviewing, if applicable, the underlying collateral against which the financial assets are secured.

The company's maximum exposure to credit risk is equivalent to the carrying value of its debtors as at 31 December 2015 and 31 December 2016.

##### c. Liquidity risk

Liquidity risk is the risk that the company does not have sufficient cash or collateral to make payments to its counterparties or customers as they fall due. The company manages its liquidity risk in accordance with the group's comprehensive and conservative set of liquidity and funding policies to address both company specific and broader industry or market liquidity events.

#### 17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The company's investment is a financial asset held at fair value of £nil (31 December 2015: £nil).

All other financial assets and financial liabilities are not measured at fair value.

##### a. Fair value of financial instruments not measured at fair value

The company has £3,232,752 (31 December 2015: £7,802,137) of current financial assets and £91,998 (31 December 2015: £144,174) of current financial liabilities that are not measured at fair value. Given the short term nature of these instruments, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

##### b. Maturity of financial liabilities

All financial liabilities are due within 12 months of balance sheet date.

#### 18. POST BALANCE SHEET EVENTS

On 12 May 2017, the company cancelled 7,142,998 ordinary shares of £1 each creating distributable reserves. Subsequently, on 6 June 2017, the company paid a dividend, out of the distributable reserves created, to its parent company, ELQ Investors, Ltd. of £1,519,448.