

PORTH TEIGR MANAGEMENT COMPANY LIMITED

Registered in England and Wales No. 7706582

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017



Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

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Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Directors, Officers and Other Information

Directors:

Peter Connolly
Luke Baker

Company Secretary:

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Managing Agent:

Knight Frank LLP
55 Baker Street
London
EC3P 3DQ

Independent Auditors:

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered Office:

St Helen's
1 Undershaft
London
EC3P 3DQ

Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Directors' Report for the year ended 31 December 2017

The directors present their report and audited financial statements for the Company for the year ended 31 December 2017.

Directors

The current directors of the Company and those in office throughout the year, except as noted are as follows:

Peter Connolly

Luke Baker (appointed 28 September 2018)

Mark Nevitt (Resigned 20 May 2018)

Principal Activities

In 2007 the Welsh Ministers ("WM") planned to regenerate an area in Cardiff and engaged with Igloo Regeneration (General Partner) Limited ("IRGP") as the developer of Porth Teigr ("the Property"). Porth Teigr Management Company Limited ("PTMC") was incorporated in July 2011 and the principal activity of the company is the provision of estate management services for the Estate. Property on the Estate was sold to British Steel Pension Fund Trustee Limited (B.S.) on 12 September 2011.

Review of the Company's Business

Financial Position and Performance

The net result for the year, as shown in the Statement of Comprehensive Income on page 7, was £nil (2016: £nil).

Future Outlook

Following the termination of the 2007 Development Agreement between WM and IRGP, the stipulations under the 2011 Forward Funding Agreement between IRGP and B.S. requires the ownership of the Company's shares to be transferred from IRGP to another company nominated by the WM. However, this has yet to occur and the directors aim to maintain the management policies which have resulted in the Company's current position.

Dividends

The directors do not recommend the payment of a dividend for the financial year ended 31 December 2017 (2016: £nil).

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Creditor Payment Policy

It is the Company's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

Employees

The Company had no employees during the year (2016: nil). The directors received no remuneration from the Company (2016: £nil).

Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Directors' Report for the year ended 31 December 2017 (continued)

Disclosure of information to the auditors

Each person who was a Director of the Company on the date that this report was approved, confirms that

- (a) so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditors are unaware; and
- (b) each Director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

Qualifying Indemnity Provisions

The directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined in section 234 of the Companies Act 2006 and remains in force throughout the year and as at the date of approving the Directors' Report.

Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Directors' Report for the year ended 31 December 2017 (continued)

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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. 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.

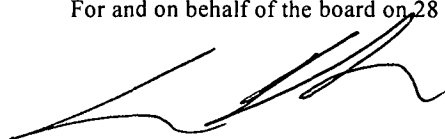
Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

For and on behalf of the board on 28 September 2018



L Baker
Director

Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Independent Auditors' Report to the members of Porth Teigr Management Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Porth Teigr Management Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2017; the Statement of Comprehensive Income, the statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Porth Teigr Management Company Limited

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Independent Auditors' Report to the members of Porth Teigr Management Company Limited (continued)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

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 this responsibility.



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

28 September 2018

Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Statement of Comprehensive Income

For the year ended 31 December 2017

		Year ended 31 December 2017	Year ended 31 December 2016
	Note(s)	£	£
Income			
Service charge income	2	238,629	90,718
Expenses			
Service charge expenses	3	(196,236)	(65,375)
Other operating expenses	3,4	(42,393)	(25,343)
Profit before income tax		-	-
Income tax expense		-	-
Profit and total comprehensive income for the financial year		-	-

The amounts reported in the Statement of Comprehensive Income relate to continuing operations.

There are no gains or losses other than those recognised above.

The notes on pages 11 to 19 form an integral part of these financial statements.

Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Statement of Financial Position

As at 31 December 2017

	Note	2017 £	2016 £
Current Assets			
Receivables and other financial assets	5	16,755	70,703
Cash and cash equivalents	5	99,000	99,825
Total current assets		<u>115,755</u>	<u>170,528</u>
Current Liabilities			
Payables and other financial liabilities	6	<u>(115,754)</u>	<u>(170,527)</u>
Total current liabilities		<u>(115,755)</u>	<u>(170,527)</u>
Net assets		<u><u>1</u></u>	<u><u>1</u></u>
Equity			
Ordinary share capital	7	<u>1</u>	<u>1</u>
Total equity		<u><u>1</u></u>	<u><u>1</u></u>

These financial statements were approved by the Board of Directors on 28 September 2018 and were signed on its behalf by:



L Baker
Director

The notes on pages 11 to 19 form an integral part of these financial statements.

Porth Teigr Management Company Limited

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Statement of Changes in Equity

For the year ended 31 December 2017

	Ordinary share capital Year ended 31 December 2017 £	Ordinary share capital Year ended 31 December 2016 £
Balance at 1 January	1	1
Net result and total comprehensive income for the year	-	-
Balance at 31 December	<u>1</u>	<u>1</u>

The notes on pages 11 to 19 form an integral part of these financial statements

Porth Teigr Management Company Limited

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Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Cash flows from operating activities		
Profit before income tax	-	-
Decrease in receivables and other financial assets	53,948	6,175
Decrease in payables and other financial liabilities	(54,773)	(81,666)
Net cash flows used in operating activities	(825)	(75,491)
Net increase in cash and cash equivalents	(825)	(75,491)
Cash and cash equivalents at 1 January	99,825	175,316
Cash and cash equivalents at 31 December	99,000	99,825

The notes on pages 11 to 19 form an integral part of these financial statements.

Porth Teigr Management Company Limited

Registered in England and Wales No. 7706582

Notes to the Financial Statements

For the year ended 31 December 2017

1. General Information

The Company is incorporated in the United Kingdom under The Companies Act 2006. The address of the registered office is St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ. The nature of the Company's operations and its principal activity is the provision of estate management services for Porth Teigr, a property in Cardiff developed by Igloo Regeneration Partnership, which is owned by British Steel Pension Fund.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, interpretations issued by the IFRS Interpretations Committee (IFRS IC) and Companies Act 2006, using the accounting policies as set out below, which have been applied consistently throughout the period.

Statement of compliance

The Company has opted to prepare financial statements in accordance with EU endorsed International Financial Reporting Standards, IFRICs interpretations and Companies Act 2006. The Company's financial statements have been prepared in accordance with IFRS applicable at 31 December 2017.

At the date of authorisation of these financial statements, the following Standard and Interpretation which has not been applied in these financial statements was in issue but not yet effective:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

Strategic report

A strategic report has not been included in these audited financial statements as the Company uses exemption under part 15 of the Companies Act 2006 relating to small companies.

Critical accounting estimates and assumptions

The preparation of financial statements requires the directors to make estimates and assumptions that affect items reported in the Statement of Financial Position, Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current facts, circumstances and to, some extent, future events and actions, actual results ultimately may differ from those estimates, possibly significantly.

The Directors do not consider any particular item susceptible to changes in estimates and assumptions.

Porth Teigr Management Company Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting policies (continued)

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Service charge income and expenditure

The Company's service charge income and service charge expenses arise from its property management activity, which is performed in the United Kingdom. Such activities include the provision of cleaning and security services. Income is earned through the levy of charges to the tenants as well as for management fees. The service charge accounts are prepared and audited separately from these financial statements. The service charge income is recognised when the services are rendered and the service charge expense is recognised when they are incurred.

Other operating expenses

Other operating expenses are costs such as statutory audit fees and property management fees. Operating expenses are recognised when they are incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand and deposits held at call with banks. For the purposes of the Statement of Cash Flows, cash and cash equivalents also include any bank overdrafts, which are included within payables and other financial liabilities on the Statement of Financial Position.

Porth Teigr Management Company Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting policies (continued)

Financial instruments

(i) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The classification of financial assets is determined at initial recognition.

The Company's financial assets consist only of loans and receivable. Loans and receivables include receivables and other financial assets and cash and cash equivalents.

Loans and receivables are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Statement of Comprehensive Income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Comprehensive Income.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Company transfers substantially all risks and rewards of ownership.

(ii) Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. The Company's financial liabilities consist of payables and other financial liabilities.

Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Porth Teigr Management Company Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

Accounting policies (continued)

Community Fund

The Company's Community Fund ("the Fund") represents monies collected through the service charge, for the benefit of the local community of the Porth Teigr area. Grants from the Fund are agreed by a management group made up of individuals from the local community, business and other representatives. The aim of the group is the promotion of the Porth Teigr Estate, the development of community cohesion throughout the Porth Teigr Estate, its integration with the local community and making a positive contribution to the wider neighbourhood and community of Porth Teigr. The Community Fund is recognised at cost and accrued for as a liability in the Statement of Financial Position until grants are made.

Fair value disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

- **Level 1:** Valuations based on quoted prices in active markets for identical assets or liabilities;
- **Level 2:** Valuations based on quoted prices in markets that are not active or for all which all significant inputs are observable, either directly (as prices) or indirectly (derived from prices); and
- **Level 3:** Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Carrying value of all Company's financial assets and liabilities approximates their fair value, which is within level 3 of the fair value hierarchy.

The Company believes that the fair value of the trade and other receivables and other financial assets are materially the same as their book value. Interest is not payable on these balances.

Taxation

The company would ordinarily be subject to tax at the main rate of 20%. As the company has made no profit before tax and there are no tax adjusting items to be made there will be no tax to pay. A tax reconciliation has therefore been omitted from the notes.

The company had no recognised or unrecognised deferred tax assets and liabilities at the statement of financial position date.

Porth Teigr Management Company Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

3. Service Charge Income

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Service charge income	238,629	90,718
	<u>238,629</u>	<u>90,718</u>

4. Expenses

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Service charge expenses	196,236	65,375
Other operating expenses	42,393	25,343
	<u>238,629</u>	<u>90,718</u>

The Company had no employees in the current and prior year. The Directors received no emoluments for services to the Company for the financial year (2016: £nil)

5. Auditors' remuneration

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Audit services	6,559	7,883
	<u>6,559</u>	<u>7,883</u>

Auditors' remuneration is included within other operating expenses.

Porth Teigr Management Company Limited
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Notes to the Financial Statements (continued)
For the year ended 31 December 2017

6. Receivables and other financial assets

	2017	2016
	£	£
Trade and other receivables	4,272	51,300
Prepayments	1,035	225
VAT	11,448	19,178
	<u>16,755</u>	<u>70,703</u>
Recoverable in less than one year	<u>16,755</u>	<u>70,703</u>

Concentrations of credit risk with respect to receivables are limited due to the size and spread of the company's trading base.

There was no material past due or impaired receivables as at 31 December 2017 (2016: £nil).

The carrying value of the trade and other receivables are unsecured, interest free, payable on demand and due from debtors with no indication of default or impairment to date.

7. Payables and other financial liabilities	2017	2016
	£	£
Service charge creditors	62,710	16,372
Deferred income	41,158	10,499
Community Fund	11,887	143,656
	<u>115,754</u>	<u>170,527</u>
Expected to be settled within one year	<u>115,754</u>	<u>170,527</u>

8. Ordinary share capital

	2017	2016
	£	£
Allotted, called up and fully paid share capital of the Company at 31 December:	1	1
1 (2016: 1) Ordinary B share of £1	<u>1</u>	<u>1</u>

Porth Teigr Management Company Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

9. Related party transactions

(a) Services provided by related parties

There were no transactions with related parties during the year (2016: nil).

(b) Parent and ultimate controlling undertaking

The Company is owned by Igloo Regeneration (General Partner) Limited which is owned 50% by Norwich Union (Shareholder GP) Limited, 25% by Igloo Regeneration Limited and 25% by Barclays Funds Investments Limited. No party has overall control of Igloo Regeneration (General Partner) Limited.

Norwich Union (Shareholder GP) Limited is a wholly owned subsidiary of the Aviva plc group of companies.

Copies of the financial statements of Aviva plc, Igloo Regeneration Limited and Barclays Funds Investments Limited are publicly available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

10. Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk and capital management policies are set out below:

(a) Approach to risk and capital management

Aviva plc and subsidiaries ("Aviva Group") operates within its own governance structure and priority framework. They also have their own established governance framework, with clear terms of reference for the Board and the Aviva Executive committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles). Aviva has an Audit Committee, which includes shareholder representatives.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to optimise the balance between return and risk.

In managing capital, the Company seeks to:

- Maintain sufficient, but not excessive, financial strength in accordance with risk appetite, to support new developments and investments and satisfy the requirements of its regulators and other stakeholders giving both its customers and shareholders assurance of its financial strength;
- Optimise its overall capital structure to enhance returns to its shareholder, subject to its capital risk appetite and balancing the requirements of the different stakeholders;
- Retain financial flexibility by maintaining strong liquidity, including significant unused credit facilities and access to a range of capital markets; and
- Declare dividends with reference to factors including growth in cash flows and earnings.

Details of the Group approach to capital management are set out in the Aviva plc Annual Report and Accounts 2017, available at <http://www.aviva.com/investor-relations/results-and-reports/reports/>

Porth Teigr Management Company Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

10. Principal risks and uncertainties (continued)

(b) Management of financial and non-financial risks

The Company's exposure to different types of risk is limited by the nature of its business as follows:

(i) Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems; or from external events. Details of Aviva's approach to operational risk are set out in the financial statements of Aviva Investors UK Fund Services Limited, which manages and administers the Company's activities.

(ii) Liquidity risk

Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the business.

(iii) Credit risk

Credit risk is the risk of financial loss as a result of the failure of third parties to pay their obligations to the Company. The Company's maximum exposure to credit risk is associated with its associated with its receivables and other financial assets and cash and cash equivalents.

Cash and cash equivalent are funds held by Knight Frank LLP, entity with no history of default, on behalf of the Company.

The Company's interests are managed by agents who have responsibility for the prompt collection of amounts due.

Porth Teigr Management Company Limited

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

10. Principal risks and uncertainties (continued)

(b) Management of financial and non-financial risks (continued)

	Less than 1 year £	From 1 to 5 years £	After 5 years £	Total £
31 December 2017				
Financial assets				
Cash and cash equivalents	99,000	-	-	99,000
Total financial assets	<u>99,000</u>	<u>-</u>	<u>-</u>	<u>99,000</u>
Financial liabilities				
Service charge creditors	(62,710)	-	-	(62,710)
Community Fund	(11,887)	-	-	(11,887)
Total financial liabilities	<u>(74,597)</u>	<u>-</u>	<u>-</u>	<u>(74,597)</u>
	Less than 1 year £	From 1 to 5 years £	After 5 years £	Total £
31 December 2016				
Financial assets				
Cash and cash equivalents	99,825	-	-	99,825
Total financial assets	<u>99,825</u>	<u>-</u>	<u>-</u>	<u>99,825</u>
Financial liabilities				
Service charge creditors	(16,372)	-	-	(16,372)
Community Fund	(143,656)	-	-	(143,656)
Total financial liabilities	<u>(160,028)</u>	<u>-</u>	<u>-</u>	<u>(160,028)</u>

11. Subsequent events

There have been no significant events since the year end.