

MPF Power Holdings Ltd and subsidiaries (the Calon Group)

UK Tax Strategy

Date of publication: 19 March 2019

Scope

This strategy applies to MPF Holdings Limited, a limited company registered in Jersey, but managed and controlled in the UK, and prepares UK corporation tax returns (under the UK registered name of MPF Power Holdings Limited). This strategy applies to all direct and indirect subsidiary companies (see appendix 1) known as the Calon Group (“Calon”). This strategy has been published in accordance with paragraph 16(2) of Schedule 19 to the Finance Act 2016 (duty to publish a company tax strategy for a UK qualifying company).

This strategy relates to the financial year ending 31 March 2019 and applies from the date of publication until it is superseded. References to ‘UK Taxation’ are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which Calon has legal responsibilities.

Aim

The Calon Group engages in the power generation business in the United Kingdom. Calon is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. Calon’s tax affairs are managed in a way which takes into account the group’s wider corporate reputation in line with Calon’s overall high standards of governance.

Governance in relation to UK taxation

Calon obtains advice and technical support from reputable accounting firms and others as required in relation to those tax strategies. In formulating the strategy Calon fully considers the company’s tax and economic risks. Ultimate responsibility for Calon’s tax strategy and compliance rests with the Board of Calon.

Day-to-day operations are executed by the staff in charge of accounting and tax affairs at Calon’s Finance Team who ultimately report to the CFO of Calon.

The staff in charge of accounting and tax affairs have the skills and experience required to perform their tasks properly. Where necessary Calon staff will engage with and obtain advice from reputable tax advisers.

The Directors of Calon ensure that Calon’s tax strategy is one of the factors considered in all investments and significant business decisions taken.

Risk Management

Calon operates a system of tax risk assessment and controls as a component of the overall internal control framework applicable to the group’s financial reporting system.

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Calon seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.

Processes relating to different taxes are allocated to appropriate process owners, who carry out a review of activities and processes to identify key risks and mitigating controls in place. These key risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required.

Appropriate training is carried out for staff who manage or process matters which have tax implications. Staff will attend external technical events as necessary.

Advice is sought from external advisers where appropriate on tax planning or tax compliance matters.

Attitude towards tax planning and level of risk

Calon manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax at the right time.

When entering into commercial transactions, Calon seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, UK tax. Calon does not undertake tax planning which has little or no commercial substance or which is artificial in any way.

At all times Calon seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the Directors of Calon are ultimately responsible for identifying the commercial and economic risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question.

Relationship with HMRC

Calon seeks to have a transparent relationship with HMRC ensuring that relevant information in respect of developments in Calon's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes are made available as and when required.

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Calon files tax returns and pays taxes in a timely fashion and provides information appropriately to HMRC either at its request or under the Self-Assessment regime. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified. If any issues or errors are pointed out by HMRC, the company will investigate their causes and take steps immediately.

When submitting tax computations and returns to HMRC, Calon discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

Appendix 1

Subsidiary companies

- Calon Energy (Investments) Limited
- Calon Energy Limited
- Calon Energy (Baglan Bay) Limited
- Baglan Operations Limited
- Baglan Generating Limited
- Baglan Pipeline Limited
- Calon Energy (Sutton Bridge) Limited
- Sutton Bridge Power Generation
- Sutton Bridge (Transactions) Limited
- Sutton Bridge Power Fund
- Sutton Bridge Power Systems (London) Limited
- Sutton Bridge Power Systems Holdings Limited
- Sutton Bridge Investors Limited
- Calon Energy (Severn) Limited
- Severn Power Limited
- Severn Gas Transportation Limited
- Willington Power Limited
- MPF Trustee Company (No. 2) Limited