

First Hydro Finance plc

**Report and financial statements for the year ended
31 December 2014**

Registered number: 3085928

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First Hydro Finance plc
Registered No. 3085928
Strategic report
For the year ended 31 December 2014

The Directors present the Strategic report of First Hydro Finance plc for the year ended 31 December 2014.

Principal activities

The principal activity of the Company is to facilitate financing for an investment in First Hydro Company whose principal activity is the generation of electricity.

Business review

In 2014 the Company continued to facilitate the financing for the investment in First Hydro Company.

As shown in the Company's profit and loss account on page 7, the Company's interest receivable and similar income, and interest payable were in line with the prior year.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end. The increase in shareholder's funds from £130,000 to £133,000 at the end of the year was due to the profit realised during the year of £3,000.

The Company paid interim dividends of £nil during the year (2013 – £nil). The directors do not propose the payment of a final dividend (2013 – £nil).

Future developments and subsequent events

The Directors do not expect the current activities of the Company to change in the future.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Principal risks and uncertainties

Market risk

The key business risks faced by the Company are the volatility in its fellow subsidiary's markets (balancing services and wholesale markets), and plant reliability, affecting the generation of the cash resources required to pay the Company's financing costs.

Credit Risk

The principle credit risk relates to the £400m loan to First Hydro Holdings Company. The financial strength of First Hydro Finance plc ultimately depends on the trading performance of First Hydro Company. The trading performance of First Hydro Company is regularly monitored and is forecasted to have sufficient profits to meet interest payments as they fall due.

Currency Risk

No direct currency risk results from the Company's principle activities.

First Hydro Finance plc
Registered No. 3085928
Strategic report (continued)
For the year ended 31 December 2014

Principal risks and uncertainties (continued)

Interest Rate Risk

The Company has both interest bearing liabilities and assets. Firstly, the Company has £400m of bonds issued, on which it pays interest at a fixed rate of 9%. It has also extended a loan to First Hydro Holdings Company of £400m, which has a fixed interest rate of 9%. The Company invests surplus cash over varying periods of time, but ultimately interest income is subject to changes in interest rates.

Liquidity risk

The Directors use a combination of short term and long term borrowings to ensure continuing liquidity.

By order of the Board



Simon Amell
Director

24 February 2015

Registered Office:
Senator House,
85 Queen Victoria Street,
London, EC4V 4DP

First Hydro Finance plc
Registered No. 3085928
Directors' report
For the year ended 31 December 2014

The Directors present their annual report and the audited financial statements of the Company (registered number 3085928) for the year ended 31 December 2014.

Going concern

The Company expects to be able to meet its liabilities as they fall due, as discussed in Note 1, and has therefore prepared these financial statements on the going concern basis.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Directors and directors' interests

The following Directors, served during the year and subsequent to year-end, and do not have any beneficial interests in the share capital of the Company:

D Alcock
A Garner
I Kajimura
S Pinnell

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Statement regarding the disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Director has taken all the 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 company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the Board



Simon Pinnell, Director

24 February 2015

Registered Office: Senator House, 85 Queen Victoria Street, London, EC4V 4DP

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole; and
- The strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

Independent auditor's report to the members of First Hydro Finance plc

We have audited the financial statements of First Hydro Finance plc for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit 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.

Independent auditor's report to the members of First Hydro Finance plc (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Makhan Chahal (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London

United Kingdom

26 February 2015

First Hydro Finance plc
Registered No. 3085928
Profit and loss account
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	1e	31	21
Administration expenses		(29)	(20)
Operating profit		2	1
Interest receivable and similar income	2	36,001	36,001
Interest payable and similar charges	3	(36,000)	(36,000)
Profit on ordinary activities before taxation	4	3	2
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation and retained profit for the year	11,12	3	2

All results were derived from continuing activities.

There are no recognised gains and losses in the period other than those included in the profit and loss account presented above. Accordingly no statement of total recognised gains and losses has been shown.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

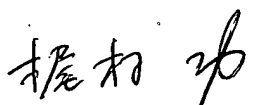
The notes on pages 9 to 15 form part of these financial statements.

First Hydro Finance plc
Registered No. 3085928
Balance sheet
As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Current assets			
Debtors			
- due within one year	7	15,028	14,995
- due after more than one year	7	400,000	400,000
Cash at bank and in hand		78	105
		<u>415,106</u>	<u>415,100</u>
Creditors: Amounts falling due within one year	8	<u>(14,973)</u>	<u>(14,970)</u>
Net current assets		<u>400,133</u>	<u>400,130</u>
Total assets less current liabilities		<u>400,133</u>	<u>400,130</u>
Creditors: Amounts falling due after more than one year	9	<u>(400,000)</u>	<u>(400,000)</u>
Net assets		<u>133</u>	<u>130</u>
Capital and reserves			
Called-up equity share capital	10	13	13
Profit and loss account	11	120	117
Shareholder's funds	12	<u>133</u>	<u>130</u>

The notes on pages 9 to 15 form part of these financial statements.

The financial statements on pages 7 to 15 were approved by the Board of Directors on 24 February 2015 and were signed on its behalf by:


1590 K. Komura
Director

Company Registration number 3085928

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the prior year are set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The Strategic report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. The Directors have prepared a cash flow forecast which, taking into account all reasonably possible changes in trading performance, shows that the Company should be able to meet its liabilities as they fall due. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Cash flow statement

The Company has taken advantage of its entitlement under FRS 1 (Revised) 'Cash Flow Statements' not to prepare a cash flow statement as it is a wholly owned subsidiary of a parent company which publishes group accounts which include the Company and are publicly available.

c) Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Group tax relief is not charged or chargeable for relief provided within the First Hydro Holdings Company group of companies. Group tax relief provided by entities outside of the First Hydro Holdings Company group of companies is charged at the prevailing rate of corporation tax for which tax relief is provided.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

First Hydro Finance plc
Registered No. 3085928
Notes to financial statements (continued)
For the year ended 31 December 2014

1 Accounting policies (continued)

d) Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. Finance costs of debt are recognised in the profit and loss account based on the rates of interest applicable to the debt.

e) Turnover

Turnover represents amounts receivable from the Company's immediate parent company (First Hydro Holdings Company) for management services provided, net of Value Added Tax. Turnover arises wholly in the UK and is recognised as services are provided.

f) Financial instruments

The Company has reviewed its requirements in respect of its accounting policies and has adopted FRS 26 and the disclosure requirements of FRS 29 in the current period. There is no impact on the carrying value of financial assets and financial liabilities or the associated disclosures.

2 Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable on loans to other group undertakings	36,000	36,000
Other interest receivable	1	1
	<u>36,001</u>	<u>36,001</u>

3 Interest payable and similar charges

	2014 £'000	2013 £'000
Other loans	36,000	36,000
	<u>36,000</u>	<u>36,000</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2014 £'000	2013 £'000
Auditor's remuneration		
– Fees payable in respect of the audit	<u>5</u>	<u>5</u>

No non-audit fees were payable in the year ended 31 December 2014 (2013: £nil).

5 Staff costs

The directors did not receive any emoluments for their services to this company in either the current or the prior years. The directors are all employees of another group company and are remunerated by that company. It is not practicable to split the remuneration between companies within the group.

Except for the Directors, the Company has no employees (2013 - none).

Pensions

The number of directors who were members of a pension scheme by virtue of their employment by other International Power Ltd Group entities was as follows:

	2014 Number	2013 Number
Defined benefit schemes	3	3

Share Options

The number of directors who exercised share options in GDF-Suez S.A. or International Power Ltd:

	2014 Number	2013 Number
Number of Directors	-	-

6. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current taxation:		
UK corporation tax on profit in the year at 21.5% (2013 – 23.25%)	-	-
Tax on profit on ordinary activities	-	-

The tax charge for the year is lower (2013: lower) than the standard rate of corporation tax in the UK (21.5%, 2013 – 23.25%). The reasons are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	3	2
Profit on ordinary activities before taxation multiplied by the standard rate in the UK 21.5% (2013 – 23.25%)	1	1
Effects of:		
Group relief at nil charge	(1)	(1)
Current tax charge for the period	-	-

On 2nd July 2013, the Finance Act 2013 received Royal Assent which enacted the change in the corporate tax rate in the UK from 23% to 21% from 1 April 2014, and to 20% from 1 April 2015.

First Hydro Finance plc
Registered No. 3085928
Notes to financial statements (continued)
For the year ended 31 December 2014

7 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Amounts owed by immediate parent undertaking	15,025	14,994
Other debtors	3	1
	<u>15,028</u>	<u>14,995</u>
Amounts falling due after more than one year:		
Amounts owed by immediate parent undertaking	400,000	400,000
	<u>415,028</u>	<u>414,995</u>

The £400 million owed by the Company's immediate parent undertaking earns interest at a rate of 9% per annum and is repayable in 2021. Interest owed on this balance of £14,967,391 (2013 – £14,967,391) is included within amounts falling due within one year.

8 Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Interest payable	14,967	14,967
Accruals and deferred income	6	3
	<u>14,973</u>	<u>14,970</u>

9 Creditors: Amounts falling due after more than one year

	2014 £'000	2013 £'000
Guaranteed Secured Bonds (see below)	400,000	400,000
	<u>400,000</u>	<u>400,000</u>

The Guaranteed Secured Bonds are due for repayment on 31 July 2021 and carry interest at a rate of 9% per annum, payable semi-annually. They are secured by charges over the assets of the Company, First Hydro Company and First Hydro Holdings Company. GDF SUEZ CC, a wholly owned subsidiary of GDF SUEZ S.A., has purchased from third parties Guaranteed Secured Bonds with a par value of £220.1 m (2013: £211.7 m).

10 Called-up equity share capital

	2014 £'000	2013 £'000
<i>Allotted, Called-up and fully paid</i>		
49,998 ordinary shares called-up and not fully paid-up of 25p each and 2 ordinary shares called-up and fully paid-up of 100p each (2013 – 49,998 and 2 respectively)	<u>13</u>	<u>13</u>

First Hydro Finance plc
Registered No. 3085928
Notes to financial statements (continued)
For the year ended 31 December 2014

11 Reserves

	Profit and loss account	
	2014	2013
	£'000	£'000
Balance at beginning of the year	117	115
Profit for the year	3	2
Balance at the end of the year	120	117

12 Reconciliation of movement in equity shareholder's funds

	2014	2013
	£'000	£'000
Profit for the year	3	2
Increase in shareholder's funds	3	2
Opening shareholder's funds	130	128
Closing shareholder's funds	133	130

13 Financial instruments

The Company's financial instruments comprise borrowings, cash and liquid resources and various other assets and liabilities that arise directly from its operations. The main purpose of these financial instruments is to finance the normal operating activities of the Company.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Company is not generally exposed to foreign currency risks as the main business is based in the UK and all transactions are denominated in sterling. The Company is also not exposed to market or commodity risks as its main activity is to provide financing to fellow subsidiary undertakings. Active steps have been taken to manage risk by management of the portfolio of the instruments themselves. The portfolio does not include the use of derivative instruments. The Company monitors risk on a regular basis and the directors regularly review the position and take appropriate measures to ensure risks are managed in a controlled manner. The directors agree policies to manage each of these risks and they are summarised below.

Interest rate risk

In line with its policy, the Company finances its operations mainly through a mixture of retained profits and borrowings. At the balance sheet date approximately 100% of the Company's borrowings are fixed rate (2013 – 100%), and 0% of the borrowings are interest free or discretionary (2013 – 0%). Company policy is to ensure that more than 95% of borrowings are at a fixed rate.

13 Financial instruments (continued)

Liquidity risk

The Directors use a combination of short term and long term borrowings to ensure continuing liquidity. As of 31 December 2014, approximately 100% of the Company's borrowings were due to mature in more than 5 years (2013 – 100%). Company policy is to ensure that more than 95% of borrowings are long term.

Interest rate risk profile of financial assets and liabilities

Financial assets

At year-end the Company had £78,000 (2013 - £105,000) of cash at the bank. The cash receives interest at the prevailing floating rate of bank interest. The fair value of these financial assets is considered by the directors to be equivalent to their carrying value. The Company also had a long term loan of £400 million (2013 - £400 million), repayable in 2021, owed by its immediate parent undertaking. This loan earns interest at a rate of 9% per annum. The fair value, being the market value, of this loan at 31st December 2014 was £541.0 million (2013 – £525.4 million). The fair value has been estimated as equivalent to the quoted market value of the £400 million Bond disclosed within financial liabilities that has identical terms. The carrying amount of these financial assets represents the maximum credit exposure to the company at the reporting date and no amounts were past falling due at the reporting date.

Financial Liabilities

The interest rate profile of the financial liabilities of the Company as at 31 December 2014 (all of which were denominated in sterling) was:

	Total £m	Floating rate £m	Fixed rate £m	Non interest bearing £m
2014	400	-	400	-
2013	400	-	400	-

Quoted fixed rate financial liabilities relate to £400,000,000 9% Guaranteed Secured Bonds due 2021. The fair value (being the quoted market value) of these Bonds at 31st December 2014 was £541.0 million (2013 – £525.4 million).

Maturity of financial liabilities

The maturity profile of the Company's financial liabilities as at 31 December 2014 was in line with the Directors' policy and was as follows:

	2014 £m	2013 £m
In one year or less, or on demand	-	-
In more than five years	400	400
	400	400

14 Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 "Related Party Transactions" not to disclose transactions within the IPM Holdings (UK) Ltd group of companies.

15 Ultimate parent company

The Directors consider the Company's ultimate parent undertaking and controlling party to be GDF SUEZ S.A. which was incorporated in France and is headquartered in Paris, France, which is the parent undertaking of the largest group in which the results of the Company are consolidated for the year ended 31 December 2014 and the year ended 31 December 2013. The consolidated financial statements of GDF SUEZ S.A. may be obtained from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France. GDF SUEZ S.A. has an indirect 75% interest in the First Hydro Holdings Group.

The smallest group within which the Company is consolidated is that headed by First Hydro Holdings Company, an unlimited company registered in England and Wales whose principal place of business is at Senator House, 85 Queen Victoria Street, London, EC4V 4DP.