

Nathrach Hydro Ltd

Financial Statements

Year Ended

31 December 2022

Company Number SC519092



Nathrach Hydro Ltd

Company Information

Directors	B Burgess J Sherman
Registered number	SC519092
Registered office	CEF Building Inveralmond Industrial Estate Inveralmond Road Perth PH1 3TW
Independent auditor	BDO LLP City Point 65 Haymarket Terrace Edinburgh EH12 5HD
Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8BP
Solicitors	Shepherd and Wedderburn LLP 1 Exchange Crescent Edinburgh EH3 8UL

Nathrach Hydro Ltd

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Nathrach Hydro Ltd
Registered number: SC519092

Balance Sheet
As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	5		5,176,409		5,367,008
Current assets					
Debtors: amounts falling due within one year	6	153,220		177,557	
Cash at bank and in hand		300,319		126,010	
		<u>453,539</u>		<u>303,567</u>	
Current liabilities					
Creditors: amounts falling due within one year	7	(75,340)		(217,596)	
Net current assets			<u>378,199</u>		<u>85,971</u>
Total assets less current liabilities			<u>5,554,608</u>		<u>5,452,979</u>
Creditors: amounts falling due after more than one year	8		(5,316,498)		(5,516,498)
Provisions for liabilities					
Deferred tax	10	(151,475)		(73,599)	
Other provisions	11	(87,961)		(82,054)	
			<u>(239,436)</u>		<u>(155,653)</u>
Net liabilities			<u>(1,326)</u>		<u>(219,172)</u>
Capital and reserves					
Called up share capital	12		100		100
Profit and loss account	13		(1,426)		(219,272)
Total equity			<u>(1,326)</u>		<u>(219,172)</u>

Nathrach Hydro Ltd
Registered number: SC519092


Balance Sheet (continued)
As at 31 December 2022

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

DocuSigned by:

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J Sherman 13-Sep-2023
Director

The notes on pages 3 to 11 form part of these financial statements.

Nathrach Hydro Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General information

Nathrach Hydro Ltd is a private company limited by shares and incorporated in Scotland, United Kingdom. The address of the registered office is given on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with Section 1A of FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The company made a profit during the year of £217,846 (2021 - loss of £138,142) and at the balance sheet date had net current assets of £378,199 (2021 - £85,971) and net liabilities of £1,326 (2021 - net liabilities of £219,172).

The company has long term funding agreements in place with its parent company. The directors have prepared a funding model which covers the period until 31 March 2022 and models income and expenditure as well as cash flows for this period. As the cost base of the company is stable, sensitivities have been applied to the income levels to assess the level of headroom available should income fall by up to 30%. The directors consider the probability of a fall of 30% in income to be remote. Even in this unlikely event, there would be sufficient funds for the company to meet all liabilities as they fall due.

As a result of these factors, the directors do not consider there to be a material uncertainty arising over the going concern basis of preparation.

Nathrach Hydro Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.3 Revenue recognition

Revenue comprises revenue recognised by the company in respect of electricity generation during the year. Revenue is recorded exclusive of VAT.

Generation of electricity

Revenue from the generation of electricity is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives range as follows:

Hydro facilities plant	- 32 years
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The land restoration asset is written off over the term of the lease on which the hydro facilities plant has been constructed, being 32 years.

No depreciation is charged on assets under construction.

2.5 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Nathrach Hydro Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.7 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of income and retained earnings.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2.8 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Finance costs

Finance costs incurred on loans directly attributable to the construction of the hydro facilities plant are capitalised during the period of construction.

When construction is complete, finance costs are charged to the statement of income and retained earnings over the term of the debt using the effective interest rate method.

2.10 Operating leases

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight-line basis over the lease term.

2.11 Interest income

Interest income is recognised in the statement of income and retained earnings using the effective interest method.

2.12 Restoration cost

The total cost of land restoration is recognised as a provision when the obligation arises. The amount provided represents the directors' estimate of the present value of the future expected costs. Costs are charged to the provision as incurred and the unwinding of the discount is included in the interest charge for the year. An asset is created for an amount equivalent to the initial provision and depreciated according to the policy above.

Nathrach Hydro Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.13 Current and deferred taxation

The current tax for the year comprises current and deferred tax. Tax is recognised in the statement of income and retained earnings except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements the directors have made the following judgements:

- Tangible fixed assets (see note 5)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Restoration provision (see note 11)

The restoration provision represents the obligation to restore the land on which the hydro facilities plant has been constructed. The obligation is assessed annually and is dependent upon the latest projected costs of restoration and changes to the discount factor.

4. Employees

The company has no employees other than the directors, who did not receive any remuneration (2021 - £Nil)

Nathrach Hydro Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

5. Tangible fixed assets

	Hydro facilities plant £	Land restoration £	Total £
Cost			
At 1 January 2022	5,755,344	81,254	5,836,598
At 31 December 2022	5,755,344	81,254	5,836,598
Depreciation			
At 1 January 2022	459,255	10,335	469,590
Charge for the year	188,083	2,516	190,599
At 31 December 2022	647,338	12,851	660,189
Net book value			
At 31 December 2022	5,108,006	68,403	5,176,409
At 31 December 2021	5,296,089	70,919	5,367,008

Included in hydro facilities plant are capitalised finance costs of £286,812 (2021 - £286,812).

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Notes to the Financial Statements For the Year Ended 31 December 2022

6. Debtors

	2022 £	2021 £
Trade debtors	-	3,609
Other debtors	77,389	77,128
Prepayments and accrued income	75,831	96,820
	<u>153,220</u>	<u>177,557</u>

7. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	17,518	8,847
Corporation tax	-	93
Other taxation and social security	22,833	22,661
Accruals and deferred income	34,989	185,995
	<u>75,340</u>	<u>217,596</u>

8. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Amounts owed to group undertakings	<u>5,316,498</u>	<u>5,516,498</u>

Included in creditors are loans of £5,316,498 (2021 - £5,751,498) which are unsecured.

Interest is payable on the parent company loan at 5.03% per annum. The loan is repayable in full on 8 July 2044.

9. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due after more than 5 years		
Amounts owed to group undertakings	<u>5,316,498</u>	<u>5,516,498</u>

Nathrach Hydro Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

10. Deferred taxation

	2022 £
At beginning of year	73,599
Charged to profit or loss	77,876
At end of year	151,475

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	179,358	144,861
Short term timing differences	(21,990)	(20,513)
Pension surplus	(5,893)	(50,749)
	151,475	73,599

11. Other Provisions

	Restoration provision £
At 1 January 2022	82,054
Unwinding of discount	5,907
At 31 December 2022	87,961

Restoration

This provision related to the obligation to restore the land on which the hydro facilities plant has been constructed in accordance with the terms of the lease.

12. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

All ordinary shares are prescribed equal voting and dividends rights.

Nathrach Hydro Ltd

Notes to the Financial Statements For the Year Ended 31 December 2022

13. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

14. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	28,350	26,225
Later than 1 year and not later than 5 years	113,400	104,900
Later than 5 years	591,389	572,579
	<u>733,139</u>	<u>703,704</u>

There is an operating lease in connection with the rental of the land. This is represented by an annual base rent of £26,225 which is linked to the retail price index and based on the annual gross revenue of Nathrach Hydro Ltd. This lease is due to expire in 2048 however termination may occur within twelve months provided written notice is provided to the landlord.

	2022 £	2021 £
Community benefit		
Not later than 1 year	5,000	5,000
Later than 1 year and not later than 5 years	20,000	20,000
Later than 5 years	104,301	109,167
	<u>129,301</u>	<u>134,167</u>

15. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

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Notes to the Financial Statements For the Year Ended 31 December 2022

16. Ultimate parent undertaking and controlling party

The company's immediate parent is GHH Group Holdings Ltd. The ultimate parent and ultimate controlling party is Equitix Fund V LP, a limited partnership registered in the UK.

17. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2022 was unqualified.

The audit report was signed on 15 September 2023 by Alastair Rae (senior statutory auditor) on behalf of BDO LLP.