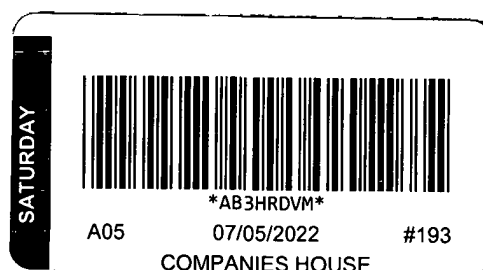


**First Hydro Finance plc**  
Registered number: 3085928

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2021



## Strategic report

The Directors present the Strategic report of First Hydro Finance plc (the Company) for the year ended 31 December 2021.

### Corporate governance

Since the ordinary shares of the Company are not listed on any stock exchange, the Company is not required to comply with any UK corporate governance regime. However, certain aspects of the Company's governance are set out below:

### Principal activities

The principal activity of the Company is that of a financing company. Until 2 August 2021, the Company provided finance for First Hydro Holdings Company and its subsidiaries (the Group). The principal activities of the Company are not expected to change in the foreseeable future.

### Business review

The accompanying financial statements have been prepared in accordance with Financial Reporting Standard 101-Reduced Disclosure Framework (FRS 101) for both periods presented. The Company has taken advantage of the disclosure exemptions allowed under this standard.

The Company has now repaid the £400m 9% Guaranteed secured bonds which were publicly listed on the London Stock Exchange, and First Hydro Holdings Company have repaid their corresponding loan. This repayment was funded by Shareholder loans from ENGIE CC (£300m) and Brookfield Renewable UK Hydro Limited (£100m) to the Company's indirect parent company, FHH No 1 Limited. The new shareholder loans were used by the FHH No1 Limited to fund the purchase of an additional ordinary share in First Hydro Holdings Company, increasing its investment by £400m, which in turn funded repayment of the inter-company loan between First Hydro Holdings Company and First Hydro Finance plc. The repayment of the £400m 9% Guaranteed Secured Bonds was completed on 2 August 2021, and all related guarantees and charges have been released.

The results of the Company are as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit for the financial year	10	1

As shown in the profit and loss account on page 9, the profit for the financial year ended 31 December 2021 is consistent with the prior year.

The balance sheet on page 10 of the financial statements shows the Company's financial position at the end of the current and preceding financial year. The Shareholder's funds have increased from £148k to £158k due to the profit for the year.

### Finance instruments risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include inter-company loans, trade and other receivables, and cash that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by ENGIE S.A.'s financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

**FIRST HYDRO FINANCE PLC**

Company No: 3085928

**Strategic report (continued)****Principal risks and uncertainties***Market risk*

The key business risks faced by the Company are the volatility in its fellow subsidiaries' markets (balancing services and wholesale markets), and plant reliability, affecting the generation of the cash resources required to pay the Company's financing costs. These risks are mitigated by trading the fellow subsidiary's plant's generating capacity across a mixture of long term and short-term markets, and by pursuing a vigorous asset management and maintenance programme to protect plant integrity.

*Credit risk*

The principal credit risk related to the £400m loan to First Hydro Holdings Company, the immediate parent company. The financial strength of First Hydro Holdings Company ultimately depends on the trading performance of First Hydro Company. This loan has now been repaid.

*Liquidity risk*

The Company had £400m 9% Guaranteed secured bonds in issue which matured on 2 August 2021. The 9% Guaranteed Secured Bonds were refinanced by new shareholder loans which are disclosed in the Financial Statements of the Company's indirect parent company, FHH No 1 Limited.

*Currency risk*

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

*Interest rate risk*

Until August 2021 the Company had both interest bearing liabilities and assets. The Company had £400m of bonds issued, on which it paid interest at a fixed rate of 9%. It had also extended a loan to First Hydro Holdings Company of £400m, which had a fixed interest rate of 9%. The Company invests surplus cash over varying periods of time.

**Employees**

The Company had no employees (2020: none) and incurred no employee related costs in the financial year (2020: £nil).

**Events after the end of the reporting period**

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

**Future developments**

The Company has no significant future developments to report.

**Covid 19 pandemic**

Across the world the Coronavirus has impacted on health and economies and continues to dominate the news. The Company's sister company has implemented a wide variety of Covid-19 prevention measures, and its business has continued to be fully operational. Thus the Board remains confident that there will be no disruption to the business, and at this time no additional specific risk factors have been identified.

**By order of the Board**

DocuSigned by:  
  
EC897A242ED543F...  
A. Archer  
Director  
3 May 2022

**FIRST HYDRO FINANCE PLC**

Company No: 3085928

**Directors' report**

The Directors present their report and audited financial statements of First Hydro Finance plc (the Company) for the year ended 31 December 2021.

**Information disclosed in the Strategic report**

The following information has been disclosed in the Strategic report:

- Principal activities
- Business review
- Principal risks and uncertainties
- Employees
- Events after the end of the reporting period
- Future developments

**Going concern**

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 24 month cash flow forecast, covering a period up to 31 December 2023, which considers all reasonably possible changes in trading performance. These cash forecasts include First Hydro Company, First Hydro Holdings Company and FHH No.1 Limited ("the First Hydro group of companies"). The base case used by the Directors is based on historical averages and trends. The business also considers recent contract clearing prices, competition and alternate value of units when forecasting future revenue. The base case has been adjusted for a downside scenario and carried out a reverse stress test on the base case.

The base case has been adjusted for a downside scenario which considers the impact of increase unplanned unavailability at both Dinorwig and Ffestiniog. The downside assumes 26% capacity is lost and shows sufficient liquidity and headroom exists. The Directors have also carried out a reverse stress test on the base case which considered what changes are required to key revenues and costs assumption to trigger additional liquidity requirements. These scenarios were considered implausible and therefore further support the going concern basis within the accounts.

The Directors have carefully considered the base case, downside scenario, current trading and trends since the year end and the assessment of the reverse stress test and consider that, there is sufficient liquidity within the business to enable it to continue to trade and have adequate headroom over the going concern period to 31 December 2023. The Company's financial statements do not include the adjustments that would result if the Company was unable to operate as a going concern.

**Directors**

The Directors who held office during the financial year and up to the date of this report were as follows:

D. Alcock	(Resigned	31 January 2022)
A. Archer	(Appointed	1 February 2022)
K. Dibble	(Appointed	1 February 2022)
A. Garner	(Resigned	31 December 2021)
C. Hertoghe	(Appointed	7 May 2021)
T. O'Brien		
A. Pollins	(Resigned	6 May 2021)

S. Gregory was Company Secretary until 23 July 2021 when N. Anderson was appointed, and who has continued to act for the remainder of the financial year and up to the date of this report.

**Directors' indemnity provision**

During the years ended 31 December 2021 and 2020 the Company has made qualifying third-party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

**FIRST HYDRO FINANCE PLC**

**Company No: 3085928**

## **Directors' report (continued)**

### **Share capital**

During the years ended 31 December 2021 and 2020, the Company's share capital comprises ordinary shares of £1.00 each which rank pari passu with each other in respect of all rights, including dividend, voting and return of capital.

### **Dividends**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: £nil).

### **Disclosure of information to the auditor**

Ernst & Young LLP was the Company's statutory auditor for the year ended 31 December 2021. The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director 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 provisions of Section 418 of the Companies Act 2006.

### **Auditor**

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

### **By order of the Board**

DocuSigned by:  
  
EC897A242ED543F...  
**A. Archer**  
**Director**  
**3 May 2022**

**Directors' responsibilities statement**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 in accordance with FRS101 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- in respect of the financial statements, state whether applicable UK Accounting Standards, including FRS101, 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 appropriate to presume that the Company will not 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 company's 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, and Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

### **Opinion**

We have audited the financial statements of First Hydro Finance Plc for the year ended 31 December 2021 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 20 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. 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.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

### **Opinions on other matters 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

### **Auditor's 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 auditor's 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.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to reporting framework (United Kingdom Accounting Standards including FRS 101 "Reduced Disclosures Framework") and the relevant tax compliance regulations in the United Kingdom
- We understood how First Hydro Finance Plc is complying with those frameworks by making enquires of management and those responsible for legal and compliance procedures



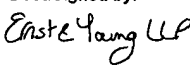
## Independent auditor's report to the members of First Hydro Finance plc (continued)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls and then identifying controls which are in place at the entity level and whether the design of these controls is sufficient for the prevention and detection of fraud, utilising internal and external information to perform our fraud risk assessment. We considered the risk of fraud through management override and considered the design and implementation of controls at the financial statement level to prevent this, as well as incorporating data analytics to test manual journal entries into our audit approach.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entries testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business, enquiries of the legal counsel and management, reviewing the inspection documents and evidence of compliance with relevant ISO standards.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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.

DocuSigned by:  
  
C9F558DE68994AC...

Kate Jarman (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds

May 5, 2022

**FIRST HYDRO FINANCE PLC**

Company No: 3085928

**Profit and loss account  
for the year ended 31 December 2021**

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Turnover		20	13
Administrative expenses		(18)	(12)
<b>Operating profit</b>	3	<b>2</b>	<b>1</b>
<b>Profit before interest and taxation</b>			
Interest receivable and similar income	4	21,041	36,000
Interest payable and similar expenses	5	(21,033)	(36,000)
<b>Profit before taxation</b>		<b>10</b>	<b>1</b>
Tax on profit	6	-	-
<b>Profit for the financial year</b>		<b>10</b>	<b>1</b>

All results in the current and preceding year were derived from continuing activities.

The notes on pages 12 to 19 form part of these financial statements.

There was no other comprehensive income attributable to the shareholders of the Company other than the profit for the financial year ended 31 December 2021 of £10,000 (2020: £1,000). Accordingly, no separate Statement of comprehensive income has been prepared.

**FIRST HYDRO FINANCE PLC**


Company No: 3085928

**Balance sheet**  
as at 31 December 2021

	Note	As at 31 December 2021 £'000	As at 31 December 2020 £'000
<b>Non-current assets</b>			
Debtors – due after one year	7	-	400,000
		-	400,000
<b>Current assets</b>			
Debtors- due within one year	7	-	15,102
Cash at bank and in hand		158	18
		158	15,120
<b>Total assets</b>		<b>158</b>	<b>415,120</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	8	-	414,972
		-	414,972
			-
<b>Total liabilities</b>		<b>-</b>	<b>414,972</b>
<b>Capital and reserves</b>			
Called up share capital	9,10	13	13
Retained earnings	10	145	135
<b>Shareholder's funds</b>		<b>158</b>	<b>148</b>
<b>Total equity and liabilities</b>		<b>158</b>	<b>415,120</b>

The notes on pages 12 to 19 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 3 May 2022 and signed on its behalf by:

DocuSigned by:  
  
 559E147B2813473...  
**T. O'Brien**  
 Director

**FIRST HYDRO FINANCE PLC****Company No: 3085928****Statement of changes in equity  
for the year ended 31 December 2021**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Equity shareholder's funds 1 January 2020	13	134	147
Profit for the financial year	-	1	1
Total comprehensive income for the financial year	-	1	1
Equity shareholder's funds at 31 December 2020	13	135	148
Profit for the financial year	-	10	10
Total comprehensive income for the financial year	-	10	10
Equity shareholder's funds at 31 December 2021	13	145	158

The notes on pages 12 to 19 form part of these financial statements.

**FIRST HYDRO FINANCE PLC****Company No: 3085928****Notes to the financial statements  
for the year ended 31 December 2021****General information**

First Hydro Finance plc (the Company) is a public limited company incorporated and domiciled in England and Wales. The address of its registered office is Dinorwig Power Station, Llanberis, Gwynedd, United Kingdom. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 1.

These financial statements are separate financial statements. The Company's results are included in the group accounts of ENGIE S.A.. The group accounts of ENGIE S.A. are available to the public and can be obtained as set out in note 13.

**1. Accounting policies**

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

**a. Basis of preparation**

The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and in accordance with applicable accounting standards. These financial statements have also been prepared on the going concern basis, and under the historical cost convention, except for certain financial instruments that are measured at fair value as explained in the accounting policy below.

*Going concern*

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 24 month cash flow forecast, covering a period up to 31 December 2023, which considers all reasonably possible changes in trading performance. These cash forecasts include First Hydro Company, First Hydro Holdings Company and FHH No.1 Limited ("the First Hydro group of companies"). The base case used by the Directors is based on historical averages and trends. The business also considers recent contract clearing prices, competition and alternate value of units when forecasting future revenue. The base case has been adjusted for a downside scenario and carried out a reverse stress test on the base case.

The base case has been adjusted for a downside scenario which considers the impact of increase unplanned unavailability at both Dinorwig and Ffestiniog. The downside assumes 26% capacity is lost and shows sufficient liquidity and headroom exists. The Directors have also carried out a reverse stress test on the base case which considered what changes are required to key revenues and costs assumption to trigger additional liquidity requirements. These scenarios were considered implausible and therefore further support the going concern basis within the accounts.

The Directors have carefully considered the base case, downside scenario, current trading and trends since the year end and the assessment of the reverse stress test and consider that, there is sufficient liquidity within the business to enable it to continue to trade and have adequate headroom over the going concern period to 31 December 2023. The Company's financial statements do not include the adjustments that would result if the Company was unable to operate as a going concern.

*New and revised UK-adopted International Accounting Standards applied*

During the year, no new standards were applied for the first time. The Company has not adopted any standards, interpretations or amendments that have been issued but are not yet effective.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- financial instruments as required by IFRS 7 Financial Instruments: Disclosures;
- financial instrument valuation techniques and inputs used for fair value measurement as required by IFRS 13 Fair Value Measurement;
- the requirements of IAS 7 Statement of Cash Flows to present a statement of cash-flows for the period and the disclosure of cash flow information;
- the IAS 1 paragraph 16 requirement to state compliance with all the requirements of IFRSs;

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2021**

**1. Accounting policies (continued)**

- the IAS 1 paragraphs 134 to 136 requirement to disclose the entity's objectives, policies and processes for managing capital;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors, to disclose when an entity has not applied a new IFRS that has been issued but is not yet effective; and
- the requirements in IAS 24 Related Party Disclosures for related party transactions entered into between two or more members of a group, and the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures (key management compensation).

**b. Critical accounting estimates and judgements**

The preparation of the financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, and contingent assets and liabilities at the balance sheet date, as well as income and expenses reported during the period.

The Company regularly revises its estimates in light of currently available information because of uncertainties inherent in the estimation process. Final outcomes could differ from those estimates. There were no key estimates used in preparing the Company's financial statements during the current period.

**c. Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**d. Interest expense**

Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount.

**e. Taxation**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or as asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associate and interest in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2021**

**1. Accounting policies (continued)**

**e) Taxation (continued)**

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

**f. Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

**g. Derivative financial instruments**

**(ii) Financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit and loss. In order for a financial asset to be classified as measured at amortised cost or of fair value through OCI it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is performed at the instrument level.

***Subsequent measurement***

For the purpose of subsequent measurement, financial assets are classified into four different categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated as fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit and loss.

***Financial assets at amortised cost (debt instruments)***

These items primarily include amounts owed by group undertakings and trade and other debtors. On initial recognition these loans and receivables are recorded at fair value plus transaction cost.

Financial assets measured at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or repaired. The Company's financial assets at amortised cost include trade receivables and loans.

Financial Assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit and loss.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2021**

**1. Accounting policies (continued)**

**g. Derivative financial instruments (continued)**

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

***Financial liabilities at fair value through profit or loss***

**(ii) Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**h. Presentation and functional currency**

The Company financial statements are presented in sterling, which is also the Company's functional currency.

**i. Turnover**

Turnover represents the amounts derived within the UK from the management fees charged to the Company's parent, which are recognised on an accruals basis as incurred. This is considered by the Directors to represent a single class of business.

**2. Directors' and employees' remuneration**

The Directors did not receive any fees or emoluments from the Company during the year (2020: £nil) directly attributable to their position within the Company. In both 2021 and 2020 all Directors' fees or emoluments were paid but not recharged, by other ENGIE or Brookfield group companies and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated (2020: same).

No Directors exercised share options in ENGIE S.A. or International Power Ltd. (2020: none).

The Company had no employees during the financial year (2020: none).



**FIRST HYDRO FINANCE PLC**

Company No: 3085928

**Notes to the financial statements (continued)  
for the year ended 31 December 2021****3. Profit before taxation**

The auditor's remuneration was as follows:

	2021 £'000	2020 £'000
Auditor's remuneration for the financial year	5	15

The auditor's remuneration in respect of the statutory audit for the years ended 31 December 2021 and 31 December 2020 was borne by First Hydro Company. Non-audit fees of £nil were payable in the year ended 31 December 2021 (2020: £15.0k) and were borne by First Hydro Company (2020 – same)

**4. Interest receivable and similar income**

	2021 £'000	2020 £'000
Bank interest	8	-
Interest receivable from group undertakings	21,033	36,000
<b>Total interest income</b>	<b>21,041</b>	<b>36,000</b>

**5. Interest payable and similar expenses**

	2021 £'000	2020 £'000
Other interest payable	9,458	16,189
Interest payable to group undertakings	11,575	19,811
<b>Total interest expense</b>	<b>21,033</b>	<b>36,000</b>

**6. Tax on profit**

	2021 £'000	2020 £'000
<b>Reconciliation of the total tax expense</b>		
Profit on ordinary activities before taxation	10	1
Current tax charge at 19% (2020: 19%)	(2)	-
Group relief at nil charge	2	-
<b>Tax on profit on ordinary activities</b>	<b>-</b>	<b>-</b>

The applicable statutory tax rate for the period and prior period was 19%.

**FIRST HYDRO FINANCE PLC**

Company No: 3085928

**Notes to the financial statements (continued)  
for the year ended 31 December 2021****7. Debtors**

	2021 £'000	2020 £'000
<b>Due within one year:</b>		
Amounts owed by group undertaking - current account	-	135
Amounts owed by group undertaking - interest	-	14,967
	-	15,102
<b>Due after one year:</b>		
Amounts owed by group undertaking - loan	-	400,000
	-	415,102

The £400 million owed by the Company's immediate parent undertaking earned interest at a rate of 9% per annum and was repaid in full on 2 August 2021. Interest owed on this balance of £nil (2020: £14,967,391) is included within amounts falling due within one year.

**8. Creditors: amounts falling due within one year**

	2021 £'000	2020 £'000
Interest accrual	-	6,730
Amounts owed to other group undertaking - interest	-	8,237
Accruals and deferred income	-	5
Guaranteed secured bonds	-	400,000
	-	414,972

The Guaranteed Secured Bonds were repaid in full on 2 August 2021 and carried interest at a rate of 9% per annum, payable semi-annually. They were secured by charges over the assets of the Company, First Hydro Company and First Hydro Holdings Company. ENGIE CC, a wholly owned subsidiary of ENGIE S.A., had purchased from third parties Guaranteed secured bonds with a par value of £220.1 million (2020: £220.1 million) which were repaid on 2 August 2021.

**9. Called up share capital**

	2021 £'000	2020 £'000
<b>Authorised, issued and called up share capital</b>		
50,000 ordinary shares of £1.00 each	13	13
<b>Of which</b>	<b>Number</b>	<b>Number</b>
£1.00 fully paid	2	2
25p paid up	49,998	49,998

Ordinary shares rank equally between each other with regard to voting rights, the right to receive dividends and also in a distribution of assets or the winding up of a company.

**FIRST HYDRO FINANCE PLC**

Company No: 3085928

**Notes to the financial statements (continued)  
for the year ended 31 December 2021****10. Capital and reserves**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance as at 1 January 2021	13	135	148
Profit for the financial year	-	10	10
<b>Balance as at 31 December 2021</b>	<b>13</b>	<b>145</b>	<b>158</b>

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance as at 1 January 2020	13	134	147
Profit for the financial year	-	1	1
<b>Balance as at 31 December 2020</b>	<b>13</b>	<b>135</b>	<b>148</b>

**11. Dividends**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: £nil).

**12. Related party disclosures**

As at 31 December 2021 and 31 December 2020, the Company was a wholly owned subsidiary of First Hydro Holdings Company. First Hydro Holdings Company has an intermediate parent, FHH No. 1 Limited, that is a 75% owned subsidiary of IP Karugamo Holdings (UK) Limited, which is wholly owned by ENGIE S.A., and a 25% owned subsidiary of Brookfield Renewables UK Hydro Limited.

The Company undertakes various transactions with other companies within the IP Karugamo Holdings (UK) Limited group of companies. All of the companies are registered in England and Wales and are subsidiary of the ENGIE group and its ultimate parent undertaking, ENGIE SA.

<b>2021</b>	<b>Sales</b>	<b>Interest receivable</b>	<b>Interest payable</b>	<b>Amount owed from</b>	<b>Amount owed to</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
First Hydro Holdings Company	20	21,033	-	-	-
ENGIE CC	-	-	(11,575)	-	-

<b>2020</b>	<b>Sales</b>	<b>Interest receivable</b>	<b>Interest payable</b>	<b>Amount owed from</b>	<b>Amount owed to</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
First Hydro Holdings Company	13	36,000	-	415,102	-
ENGIE CC	-	-	(19,811)	-	(228,368)

Sales to First Hydro Holdings Company represent recharges of professional costs. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

Interest payable to ENGIE CC relates to their holding of the First Hydro Finance plc Guaranteed Secured Bonds. These were repaid on 2 August 2021.

**FIRST HYDRO FINANCE PLC**

**Company No: 3085928**

**Notes to the financial statements (continued)  
for the year ended 31 December 2021**

**13. Controlling party and ultimate parent undertaking**

The Company's immediate parent undertaking is First Hydro Holdings Company, the registered address of which is Dinorwig Power Station, Llanberis, Gwynedd LL55 4TY, United Kingdom.

The Directors consider the Company's ultimate parent undertaking and controlling party to be ENGIE S.A. which was incorporated in France and is headquartered in Paris, France and which is the parent undertaking of the largest and smallest group in which the results of the Company are consolidated for the year ended 31 December 2021 and the year ended 31 December 2020. The consolidated financial statements of ENGIE S.A. may be obtained from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France.

**14. Subsequent events**

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements. The Company has no significant future developments to report.