

CHONAIIS HYDRO LIMITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 30 SEPTEMBER 2019

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CHONAI5 HYDRO LIMITED
REGISTERED NUMBER: SC440326

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	7	17,103,059	12,913,906
		<u>17,103,059</u>	<u>12,913,906</u>
Current assets			
Debtors: amounts falling due after more than one year	8	62,155	62,031
Debtors: amounts falling due within one year	8	524,247	427,654
Cash at bank and in hand	9	312,703	285,922
		<u>899,105</u>	<u>775,607</u>
Creditors: amounts falling due within one year	10	(713,160)	(727,894)
Net current assets		<u>185,945</u>	<u>47,713</u>
Total assets less current liabilities		<u>17,289,004</u>	<u>12,961,619</u>
Creditors: amounts falling due after more than one year	11	(7,818,340)	(7,809,040)
Provisions for liabilities			
Deferred tax	12	(1,497,466)	(785,091)
Other provisions	13	(74,538)	(73,297)
		<u>(1,572,004)</u>	<u>(858,388)</u>
Net assets		<u><u>7,898,660</u></u>	<u><u>4,294,191</u></u>
Capital and reserves			
Called up share capital	14	1	1
Revaluation reserve	15	8,572,529	4,941,628
Profit and loss account	15	(673,870)	(647,438)
		<u>7,898,660</u>	<u>4,294,191</u>

CHONAI'S HYDRO LIMITED
REGISTERED NUMBER: SC440326

BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2019

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 comprehensive income 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 by:



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C Ruedig
Director

Date: 23/4/20

The notes on pages 5 to 14 form part of these financial statements.

CHONAI5 HYDRO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2018	1	4,941,628	(647,438)	4,294,191
Comprehensive income for the year				
Loss for the year	-	-	(178,951)	(178,951)
Revaluation of fixed assets	-	4,527,034	-	4,527,034
Deferred tax movement on revaluation gain	-	(743,614)	-	(743,614)
Total comprehensive income for the year	-	3,783,420	(178,951)	3,604,469
Transfer of depreciation charge on revaluation	-	(152,519)	152,519	-
At 30 September 2019	1	8,572,529	(673,870)	7,898,660

The notes on pages 5 to 14 form part of these financial statements.

CHONAIIS HYDRO LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2017	1	4,955,622	(534,472)	4,421,151
Comprehensive income for the year				
Loss for the year	-	-	(245,879)	(245,879)
Deferred tax movement on revaluation gain	-	23,828	-	23,828
Revaluation movement	-	95,091	-	95,091
Total comprehensive income for the year	-	118,919	(245,879)	(126,960)
Transfer of depreciation charge on revaluation	-	(132,913)	132,913	-
Total transactions with owners	-	(132,913)	132,913	-
At 30 September 2018	1	4,941,628	(647,438)	4,294,191

The notes on pages 5 to 14 form part of these financial statements.

CHONAI5 HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. General information

Chonais Hydro Limited (SC440326) is a private company limited by shares, incorporated in Scotland. The address of its registered office and principal place of business is PO Box CO SW, 1 Exchange Crescent, Conference Square, Edinburgh, Scotland, EH3 8UL. The company's principal activity is hydroelectric utility sold to customers.

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 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 company's functional and presentational currency is GBP.

The following principal accounting policies have been applied:

2.2 Going concern

The company has made a loss in the year of £178,951 (2018 - £245,879).

The company is dependent upon its immediate parent, Chonais Holdings Limited, for its continuing support. This support has been given and repayment of loans are not due to occur within 12 months from the date of signing of the financial statements.

2.3 Revenue

Turnover is generated from feed in tariff ("FiT"), export tariff ("ET") and Generator Distribution Use of System ("GDUoS") Government schemes associated with electricity exported to the grid. They are recognised net of VAT when the electricity is physically exported.

CHONAIIS HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The hydro-facilities plant is carried at fair value, being the value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the profit and loss account unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

The estimated useful lives range as follows:

Hydro facilities plant	- 48 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 49 years. Depreciation commences once the asset is in use.

2.5 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.6 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.

CHONAI HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.7 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.

2.8 Financial instruments

The company only enters into basic financial instrument 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.

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 profit and loss account.

2.9 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.

2.10 Finance costs

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

Once construction was completed, finance costs were charged to the profit and loss account.

2.11 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2.12 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

2.13 Restoration cost

The total cost of land restoration is recognised as a provision when the obligation arises. The amount provided represents the directors' best 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 to an amount equivalent to the initial provision and depreciated according to the policy above.

CHONAIIS HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, 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 judgments:

Tangible fixed assets

The hydro-facilities plant is held at fair value under the revaluation model. The directors annually assess the carrying value of the asset for any indicators of impairment.

Tangible fixed assets 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 latest projected costs of restoration and amendments to original lease agreement 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

Restoration provision represents the provision in relation to 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.

CHONAI5 HYDRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

4. Auditor's remuneration

Fees payable to the company's auditor for the audit of the company's annual financial statements totalled £3,300 (2018 - 3,200).

5. Employees

The Company has no employees other than the 3 directors (previously 2), who did not receive any remuneration (2018 - £NIL).

6. Taxation

	2019 £	2018 £
Total current tax	-	-
Origination and reversal of timing differences	(31,239)	(22,595)
Total deferred tax	(31,239)	(22,595)
Taxation on loss on ordinary activities	(31,239)	(22,595)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	(210,190)	(268,474)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	(39,936)	(51,010)
Effects of:		
Depreciation on ineligible fixed assets	2,617	2,617
Expenses not deductible for tax purposes	1,067	321
Movement on deferred tax asset not recognised	1,197	20,417
Differences due to deferred tax rate being lower than standard CT rate	3,816	5,060
Total tax charge for the year	(31,239)	(22,595)

CHONAI5 HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

7. Tangible fixed assets

	Land restoration £	Hydro- facilities plant £	Total £
Cost or valuation			
At 1 October 2018	61,770	13,714,091	13,775,861
Revaluations	-	3,526,909	3,526,909
At 30 September 2019	61,770	17,241,000	17,302,770
Depreciation			
At 1 October 2018	4,705	857,250	861,955
Charge for the year	1,287	336,594	337,881
Impairment charge	-	(1,000,125)	(1,000,125)
At 30 September 2019	5,992	193,719	199,711
Net book value			
At 30 September 2019	55,778	17,047,281	17,103,059
At 30 September 2018	57,065	12,856,841	12,913,906

If the hydro-facilities plant had not been included at valuation they would have been included under the historical cost convention as follows:

	2019 £	2018 £
Cost	7,641,873	7,641,873
Accumulated depreciation	(730,135)	(577,298)
Net book value	6,911,738	7,064,575

Included within the hydro-facilities plant are capitalised finance costs of £451,729 (2018 - £451,729).

CHONAI5 HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

8. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	62,155	62,031
	<u>62,155</u>	<u>62,031</u>
Due within one year		
Trade debtors	319,218	212,869
Amounts owed by group undertakings	141,462	117,462
Other debtors	1	1
Prepayments and accrued income	63,566	97,322
	<u>524,247</u>	<u>427,654</u>

9. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	312,703	285,922
	<u>312,703</u>	<u>285,922</u>

10. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	37,615	31,786
Amounts owed to group undertakings	606,093	606,093
Other taxation and social security	14,580	25,271
Other creditors	54,872	64,744
	<u>713,160</u>	<u>727,894</u>

CHONAIIS HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	7,818,340	7,809,040
	<u>7,818,340</u>	<u>7,809,040</u>

Included in creditors are loans of £7,818,340 (2018 - £7,809,040) which are secured by a standing security over the lease and security trust deed and a floating charge over the assets of the company.

Interest is charged on the loans at a rate of 13.18% per annum. The loans are not due to be repaid before 30 November 2021.

12. Deferred taxation

	2019 £	2018 £
At beginning of year	(785,091)	(831,514)
Credited to profit or loss	31,239	22,595
Credited/(charged) to other comprehensive income	(743,614)	23,828
At end of year	<u>(1,497,466)</u>	<u>(785,091)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Deferred tax on revalued hydroplant	(1,497,466)	(785,091)
Accelerated capital allowances	(405,112)	(379,277)
Losses and other deductions	405,112	379,277
	<u>(1,497,466)</u>	<u>(785,091)</u>

CHONAI5 HYDRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. Provisions

	Restoration £
At 1 October 2018	73,297
Charged to profit or loss	1,241
At 30 September 2019	<u>74,538</u>

Restoration

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

14. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

15. Reserves

Revaluation reserve

Revaluation reserve represents cumulative gains net of deferred tax recognised as a result of reviews performed on the valuation of assets held.

Profit and loss account

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

16. Related party transactions

Chonais Hydro Limited had no related party transactions with any companies that were not members of the wholly owned group.

CHONAIIS HYDRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

17. Controlling party and ultimate controlling party

The company's immediate parent is Chonais Holdings Limited, a company incorporated in England and Wales. The ultimate parent company is Chonais River Hydro Limited, a company incorporated in England and Wales.

In the view of the directors' there is no ultimate controlling party.

18. Auditor's information

The auditor's report on the financial statements for the year ended 30 September 2019 was unqualified.

The audit report was signed on 13 May 2020 by Ian Weekes (Senior statutory auditor) on behalf of Crowe U.K. LLP.