



Fairfield Windfarm Limited
Annual report and financial statements
Registered number 06708608
31 December 2019

THURSDAY



A9AESV1U

A16

30/07/2020

#47

COMPANIES HOUSE

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Contents

Company information	1
Strategic report	2 to 4
Directors' report	5 to 6
Statement of Directors' responsibilities in respect of the annual report and financial statements	7
Independent auditor's report to the members of Fairfield Windfarm Limited	8 to 10
Profit and loss account and other comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14 to 33

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Company information

Directors	Hassaan Majid Matthieu Hue
Registered office	Alexander House 1 Mandarin Road Rainton Bridge Business Park Houghton le Spring Sunderland DH4 5RA
Auditor	KPMG LLP Chartered Accountants 66 Queen Square Bristol BS1 4BE

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Strategic report

The Directors present their annual report and financial statements for the year ended 31 December 2019 for Fairfield Windfarm Limited (the "Company").

Business review

The Company operates a wind farm in Cumbria, England. The wind farm produces and supplies electricity under a long term Power Purchase Agreement ("PPA") with EDF Energy Limited.

The wind farm assets are considered to be in good repair and the Directors see no need for revision of the carrying amount.

Although, revenues for the year were lower than the previous year due to reduced generation as wind resource was lower and also power prices were lower on average than the previous year. The Company's profitability increased on the previous year, this was because charges were incurred following the termination of previous borrowing arrangements in early 2018. Going forward management are confident that wind speeds in the UK will maintain their medium term averages. The Company finances its operations through a mixture of retained profits and borrowings and has used its cash flows from operations to repay a proportion of its shareholder loan. This has resulted in the Company's net current assets increasing when compared to prior year.

Principal risks and uncertainties

The principal risks to the profitability of the Company are as follows:

Brexit

All of the Company's sales are with entities in the UK and are under long-term contracts where all historic output generated by the renewable energy projects has been purchased. As a result Brexit-related risks would be related to operational costs of the Company. Any additional costs that may be incurred would be the result of Brexit-related delays to plant, property and equipment or skilled human resource. These are expected to be short-term in nature and would be managed by the Company through its existing processes.

Wind Volumes

Lower wind speeds than anticipated result in less electricity being generated. Wind conditions will vary across seasons and years. Although the Company does not have any control over wind resource it ensures that there are adequate reserves in place to ensure it can withstand significant short term variability in production relating to wind.

Operational issues

Technical issues may arise on plant and equipment which can cause significant unavailability of turbines, business interruption and lost revenues. To mitigate this risk, regular reviews are undertaken in order to ensure that maintenance is performed on all wind turbines to ensure that they are in good working order and fit for purpose over their expected life spans. In addition, the Company has taken out appropriate plant and equipment and business interruption insurance to reduce the potential financial impact of operating risks.

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Strategic report (continued)

Offtake arrangements and power prices

The Company has a long term PPA in place which guarantees sales of electricity. The Company has not entered into any hedging arrangements to minimise the risk to volatility in the power price. This risk is managed by the continual review of the forecast profitability of the Company.

Interest rate risk

The Company has exposure to interest rate fluctuations on its borrowings from its immediate parent undertaking, EDF Energy Renewables Holdings Limited ("EDF ERH"). The Company's exposure to interest rate fluctuations on these borrowings is managed by continual reviews of the interest rate exposure and its impact on the forecast profitability of the Company.

Financial risks

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company adopts a prudent approach to liquidity management and mitigates against cash flow and liquidity risk by continuously monitoring forecasted and actual cash flows and maintaining sufficient cash reserves to meet its obligations. The Company's main exposure to credit risk is its cash balances with banks. The risk is mitigated through using banks with good credit ratings.

Health and safety

The health and safety of all contractors and the public is a key risk given the nature of the Company's business. To minimise this risk, the Company is committed to creating a culture that views safe working as the only way of working and to reviewing all processes and procedures to ensure it delivers this. Training is provided to ensure the safety of the contractors that are set to work. In addition, a confidential helpline has been set up for the use of anyone within the organisation to help eradicate unsafe practices and safeguard all contractors who work at the wind farm site. The Directors also review health and safety performance at each of its scheduled Board meetings.

Covid-19

All of the Company's sales are with entities in the UK and are under long-term contracts where all historic output generated by the renewable energy projects has been purchased. As a result Covid-19 related risks would be related to operational costs of the Company. Any additional costs that may be incurred would be the result of Covid-19 related delays to the supply of plant, property or equipment or services. These are expected to be short-term in nature and would be managed by the Company through its existing processes.

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Strategic report (continued)

Business Environment, Performance and Key Performance Indicators

The Company operated a 6.5 MW wind farm for the full year.

	Year ended 31 December 2019	Year ended 31 December 2018
Generation Volume (MWh)	12,411	12,929
Revenue (£000)	1,415	1,359
Operating profit (£000)	451	312

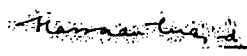
For the year ended 31 December 2019, revenues for the year were lower than the previous year due to reduced generation as wind resource was lower and power prices were lower on average than the previous year.

There were no major health and safety incidents to report in the year.

Future outlook

As the wind farm owned and operated by the Company is currently in operation, the Company will continue to receive renewable products for its generation output. In addition, as these products and the electricity generated are sold under a long term PPA, management expect the general level of activity to remain consistent in the forthcoming year and that this will support the Company's financial projections leading to strong profitability and cash flows.

Approved by the Board on 6 July 2020 and signed on its behalf by:

DocuSigned by:

CEAC4259A28A443...

Hassaan Majid
Director

Alexander House
1 Mandarin Road
Rainton Bridge Business Park
Houghton le Spring
Sunderland
DH4 5RA

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Directors' report

Principal activities of the Company

The principal activity of the Company is the ownership, construction and operation of a 6.5 MW wind farm. The Company supplies electricity under a long term PPA with EDF Energy Limited.

Results and dividends

The profit for the year, before taxation, amounted to £407,000 (2018: loss of £23,000) and after taxation, amounted to a profit of £315,000 (2018: loss of £27,000). The Directors do not recommend the payment of a dividend (2018: £Nil).

Directors of the Company

The Directors, who held office during the year, and to the date of approval of these financial statements, were as follows:

Hassaan Majid

Matthieu Hue

None of the Directors have had a service contract with the Company in the current or prior year.

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.

Political contributions

The Company made no political contributions in the year (2018: £Nil).

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides including the impact of Covid-19, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Company is an operating wind park which generates cash which is then passed to intermediate parent companies, EDF Energy Renewables Limited (which acts as the UK group treasurer) and EDF EN UK Limited, so that each fellow subsidiary is able to settle their liabilities as they fall due including repayment of long term liabilities with EDF Energy Renewables Limited. At 31 December 2019, EDF Energy Renewables Limited has a cash balance of £85,379,000 (30 June 2020: £48,673,000 (unaudited)), with a further cash balance of approximately £84,444,000 held in other UK subsidiaries (30 June 2020: £102,943,000 (unaudited)). The UK Group is financed by way of a £294,400,000 loan from EDF Renouvelables SA to EDF EN UK Limited and the annual interest and principal repayment obligation is approximately £14,000,000. Forecasts are dependent on the Company's fellow subsidiaries, operational wind parks, generating sufficient cash to enable the group to continue its development activities in the UK and to meet interest and principal repayments.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Other information

An indication of likely future development in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Directors' report (continued)

Disclosure of information to the auditor

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

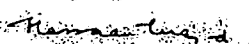
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's 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

It is noted that KPMG LLP as appointed by the members are deemed to be re-appointed as the auditor to the Company for the financial year ending 31 December 2020 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to set the remuneration of the auditor.

Approved by the Board on 6 July 2020 and signed on its behalf by:

DocuSigned by:

CEAC4259A2BA443...

Hassaan Majid
Director
Alexander House
1 Mandarin Road
Rainton Bridge Industrial Estate
Houghton le Spring
Sunderland
DH4 5RA

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 apply them consistently;
- make judgments and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Fairfield Windfarm Limited

Opinion

We have audited the financial statements of Fairfield Windfarm Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Fairfield Windfarm Limited (continued)

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Independent auditor's report to the members of Fairfield Windfarm Limited
(continued)**

The purpose of our audit work and to whom we owe our responsibilities

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.



James Ledward (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

10 July 2020

Fairfield Windfarm Limited
 Annual report and financial statements
 31 December 2019
 Registered number 06708608

Profit and loss account and other comprehensive income
for the year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	2	1,415	1,359
Cost of sales		<u>(303)</u>	<u>(437)</u>
Gross profit		1,112	922
Administrative expenses		<u>(661)</u>	<u>(610)</u>
Operating profit	3, 4, 5	451	312
Interest payable and similar expenses	6	<u>(44)</u>	<u>(335)</u>
Profit/(loss) before tax		407	(23)
Tax on profit/(loss)	7	<u>(92)</u>	<u>(4)</u>
Profit/(loss) for the year		<u>315</u>	<u>(27)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges		-	296
Tax relating to other comprehensive income	13	<u>-</u>	<u>(49)</u>
Other comprehensive income for the year, net of income tax		<u>-</u>	<u>247</u>
Total comprehensive income for the year		<u>315</u>	<u>220</u>

There was no other comprehensive income for the current financial year other than that included in the profit and loss account.

All results are derived from continuing operations.

The notes on pages 14 to 33 form part of these financial statements.

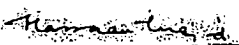
Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Balance sheet
at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	8	5,441	5,638
Current assets			
Debtors	9	466	500
Cash at bank and in hand		620	462
		<u>1,086</u>	<u>962</u>
Creditors: Amounts falling due within one year	10	<u>(247)</u>	<u>(172)</u>
Net current assets		<u>839</u>	<u>790</u>
Total assets less current liabilities		6,280	6,428
Creditors: Amounts falling due after more than one year	11	(1,302)	(1,794)
Provisions for liabilities			
Deferred tax liabilities	13	(470)	(463)
Provisions	14	<u>(272)</u>	<u>(250)</u>
Net assets		<u>4,236</u>	<u>3,921</u>
Capital and reserves			
Called up share capital	16	3,621	3,621
Profit and loss account	16	<u>615</u>	<u>300</u>
Shareholders' funds		<u>4,236</u>	<u>3,921</u>

The notes on pages 14 to 33 form part of these financial statements.

The financial statements of Fairfield Windfarm Limited (registered number: 06708608) were approved by the Board of Directors on 6 July 2020 and signed on its behalf by:

DocuSigned by:

 CEAC4259A2BA443...

Hassaan Majid
Director

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Statement of changes in equity

	Called up share capital £ 000	Cash flow hedging reserve £ 000	Profit and loss account £ 000	Total equity £ 000
Balance as at 1 January 2019	3,621	-	300	3,921
Profit for the year	-	-	315	315
Balance as at 31 December 2019	<u>3,621</u>	<u>-</u>	<u>615</u>	<u>4,236</u>
	Called up share capital £ 000	Cash flow hedging reserve £ 000	Profit and loss account £ 000	Total equity £ 000
Balance as at 1 January 2018	3,621	(247)	327	3,701
Loss for the year	-	-	(27)	(27)
Other comprehensive income	-	247	-	247
Balance as at 31 December 2018	<u>3,621</u>	<u>-</u>	<u>300</u>	<u>3,921</u>

The notes on pages 14 to 33 form part of these financial statements.

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Notes to the financial statements

1 Accounting policies

Fairfield Windfarm Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK and resident in the UK for the tax purposes. The registered number is 06708608 and registered address is Alexander House, 1 Mandarin Road, Rainton Bridge Business Park, Houghton le Spring, Sunderland, DH4 5RA, UK. These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

The Company has adopted the following IFRS in these financial statements:

- IFRS 16: Leases. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and reported under IAS 17 (note 21).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Electricité de France SA, includes the Company in its consolidated financial statements. The consolidated financial statements of Electricité de France SA are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions and balances with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of key management personnel.

As the consolidated financial statements of Electricité de France SA include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 *Financial Instrument Disclosures* and IFRS 13 *Fair Value Measurement* have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Notes to the financial statements (continued)

1 Accounting policies (continued)

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

Measurement convention

The financial statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments. The financial statements are presented in sterling, the functional currency of the entity. Amounts presented are rounded to the nearest £1,000.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides including the impact of Covid-19, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Company is an operating wind park which generates cash which is then passed to intermediate parent companies, EDF Energy Renewables Limited (which acts as the UK group treasurer) and EDF EN UK Limited, so that each fellow subsidiary is able to settle their liabilities as they fall due including repayment of long term liabilities with EDF Energy Renewables Limited. At 31 December 2019, EDF Energy Renewables Limited has a cash balance of £85,379,000 (30 June 2020: £48,673,000 (unaudited)), with a further cash balance of approximately £84,444,000 held in other UK subsidiaries (30 June 2020: £102,943,000 (unaudited)). The UK Group is financed by way of a £294,400,000 loan from EDF Renouvelables SA to EDF EN UK Limited and the annual interest and principal repayment obligation is approximately £14,000,000. Forecasts are dependent on the Company's fellow subsidiaries, operational wind parks, generating sufficient cash to enable the group to continue its development activities in the UK and to meet interest and principal repayments.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of acquisition of each asset less estimated residual value, evenly over its expected useful life, as follows:

Wind farm: 20 years

No depreciation is charged on assets in the course of construction until the asset becomes capable of operating in the manner intended by management.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable in the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilised.

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Subsequent measurement and gains and losses

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Financial liabilities and equity

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied - see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

Notes to the financial statements (continued)

1 Accounting policies (continued)

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15). The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Based on the Company's historical experience, the ECL is not material on the Company's financial assets.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Decommissioning costs

A provision is recognised in the balance sheet as a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the wind farm. This provision is made when construction of the wind farm has reached a stage when decommissioning of the constructed plant would incur material costs. The provision is calculated using estimated costs of decommissioning, and these estimates have been arrived at by consideration of the expected costs of contracts to remove the installed plant. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money. A corresponding asset is recognised and included within the wind farm assets and depreciated over the life of the wind farm. The estimated future cost of decommissioning obligations are regularly reviewed and adjusted as appropriate for new circumstances or changes in law or technology.

Capitalised costs

All expenditure directly attributable to bringing the wind farm into the location and condition necessary for use is capitalised. Costs include turbine costs, land operating lease rentals, grid connection, civil engineering, cabling, lease related costs, community funds, telecoms, direct labour and the cost of materials.

Cash and cash equivalents

Cash comprises cash in hand and deposits held which are repayable in demand.

Accounting treatment for finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the assets ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. The capitalisation rate used is the interest costs incurred on shareholder loans.

All other finance costs are recognised in the profit and loss account over the term of such instruments, at a constant rate on the carrying amount.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Leases (policy applicable from 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the financial statements (continued)

1 Accounting policies (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in 'creditors' in the statement of financial position.

Leases (policy applicable before 1 January 2019)

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Turnover

Turnover comprises the value of electricity generated, Renewable Obligation Certificates ("ROC") (Buyout and Recycle) and embedded benefits. ROCs are issued to the Company by the Government as evidence that the MWh of electricity has been generated by a qualifying accredited renewable generator for the purposes of Renewable Obligations. The values of sales are fixed by contracts with the purchaser and the government which set out the price which will be paid for each unit of electricity generated.

All electricity and embedded benefits generated by the Company is sold to an associated company within the EDF group at a price per megawatt hour ("MWh") together with a ROC at a separate price as described in the terms of the PPA. Revenue from ROC Recycle for electricity generated from 1 April 2019 is estimated based on ROC Recycle price projections. Any over or under estimation of ROC Recycle revenue is recognised in the subsequent financial period upon publication of the ROC Recycle price.

Revenue from sales of electricity, ROCs (Buyout and Recycle) and embedded benefits are recognised in the period in which the output is delivered at which point the Company's obligation under the PPA is completed and the rights to receive revenue become unconditional. As a result, all electricity generated which has not been invoiced at the year end, is transferred to receivables and is recognised as accrued income.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Impairment of non-financial assets excluding deferred tax assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Turnover

The Company's turnover all arose in the United Kingdom and relates entirely to the Company's principal activity.

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019	2018
	£ 000	£ 000
Depreciation expense (note 8)	486	433
Asset management charge (note 18)	123	120
Operation and maintenance charge (note 18)	183	239

Audit fees of £6,000 (2018: £6,000) were borne by immediate parent company EDF Energy Renewables Holdings Limited.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Electricité de France SA.

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Notes to the financial statements (continued)

4 Directors' remuneration

None of the Directors have had a service contract with the Company in the current or prior year. They are all employed by companies within the EDF group and no portion of their remuneration can be specially attributed to their services to the Company.

5 Staff numbers and costs

The Company had no employees in 2019 (2018: Nil).

6 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Discounted provisions - unwinding of discount (note 14)	4	5
Amortisation of loan costs	-	23
On loans from group companies (note 18)	33	307
On lease liabilities (note 17)	7	-
	<u>44</u>	<u>335</u>

Notes to the financial statements (continued)

7 Income tax

(a) Total tax charge recognised in the profit and loss account

	2019 £ 000	2018 £ 000
UK Current tax		
UK corporation tax	106	33
Adjustments in respect of previous periods	(21)	-
Total current tax charge	<u>85</u>	<u>33</u>
UK deferred taxation		
Origination and reversal of timing differences	(17)	(29)
Effect of tax rate change on opening balance	24	-
Total deferred tax charge/(credit) for the year (note 13)	<u>7</u>	<u>(29)</u>
Total tax charge on loss/profit	<u><u>92</u></u>	<u><u>4</u></u>

(b) Reconciliation of effective tax rate:

	2019 £ 000	2018 £ 000
Profit/(loss) before tax	<u>407</u>	<u>(23)</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	77	(4)
Non deductible expenses	10	11
Adjustments in respect of previous periods - deferred tax	24	-
Adjustments in respect of previous periods - current tax	(21)	-
Current year effect of tax rate change	<u>2</u>	<u>(3)</u>
Total tax charge	<u><u>92</u></u>	<u><u>4</u></u>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction in the corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. Deferred tax balances have been restated to reflect the rates substantively enacted as at the balance sheet date.

On 17 March 2020, a change in tax rates was substantively enacted to maintain the UK Corporation tax rates at 19%, rather than reducing to 17%, as previously enacted. The deferred tax balances do not reflect this change as it was substantively enacted after the balance sheet date.

Notes to the financial statements (continued)

8 Tangible fixed assets

	Land and buildings £ 000	Wind farm assets in operation £ 000	Total £ 000
Cost			
At 1 January 2019	-	9,067	9,067
Change in estimate of accruals	-	(6)	(6)
Additions	-	23	23
Change in decommissioning asset (note 14)	-	18	18
Recognition of right-of-use assets on initial application of IFRS 16	253	-	253
At 31 December 2019	253	9,102	9,355
Depreciation			
At 1 January 2019	-	3,428	3,428
Charge for the year	-	465	465
Recognition of right-of-use assets on initial application of IFRS 16	21	-	21
At 31 December 2019	21	3,893	3,914
Net book value			
At 31 December 2019	232	5,209	5,441
At 31 December 2018	-	5,638	5,638

Included above is £163,000 (2018: £157,000) comprising the net book value of the asset relating to the decommissioning provision.

Right-of-use assets

In the above table, the net book value of right-of-use assets is as follows:

	Land and buildings £ 000	Wind farm assets in operation £ 000	Total £ 000
At 31 December 2019	232	-	232

Notes to the financial statements (continued)

9 Debtors

	2019 £ 000	2018 £ 000
Accrued income (note 18)	363	477
Other debtors	18	23
Trade debtors (note 18)	85	-
	<u>466</u>	<u>500</u>

All balances are expected to be recovered within one year.

10 Creditors: amounts falling due within one year

	2019 £ 000	2018 £ 000
Amounts owed to group undertakings	-	7
Other taxation	50	16
Corporation tax payable	125	100
Accruals	52	49
Lease liabilities	20	-
	<u>247</u>	<u>172</u>

Of amounts owed to group undertakings £Nil (2018: £7,000) relate to balances owed to wholly owned subsidiaries of the EDF Group.

11 Creditors: amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Amounts owed to group undertakings (note 18)	1,089	1,794
Lease liabilities	213	-
	<u>1,302</u>	<u>1,794</u>

Notes to the financial statements (continued)

12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Creditors falling due after more than one year

	2019 £ 000	2018 £ 000
Shareholder loan (note 18)	<u>1,089</u>	<u>1,794</u>
	<u><u>1,089</u></u>	<u><u>1,794</u></u>

Terms and debt repayment schedule

				Carrying amount 2019 £ 000	Carrying amount 2018 £ 000
	Currency	Nominal interest rate	Year of maturity		
Shareholder loan	GBP	3 month LIBOR plus 180 basis points	2028	<u>1,089</u>	<u>1,794</u>
Total				<u><u>1,089</u></u>	<u><u>1,794</u></u>

The shareholder loan attracts interest on a daily basis at a rate of 3 month LIBOR plus 180 basis points. The loan is repayable on the maturity date.

13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	2019 £ 000	2018 £ 000
Accelerated capital allowances	<u>470</u>	<u>463</u>
	<u><u>470</u></u>	<u><u>463</u></u>

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Notes to the financial statements (continued)

13 Deferred tax assets and liabilities (continued)

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in Profit and loss account £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	463	7	470
Revaluation of fair value hedges	-	-	-
	<u>463</u>	<u>7</u>	<u>470</u>

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in Profit and loss account £ 000	Recognised in other comprehensive income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	492	(29)	-	463
Revaluation of fair value hedges	(49)	-	49	-
	<u>443</u>	<u>(29)</u>	<u>49</u>	<u>463</u>

Of the amounts recognised in the profit and loss account and in other comprehensive income, £(17,000) (2018: £28,000) relate to the current year and £24,000 (2018: £Nil) relate to prior periods.

14 Provisions

	2019 £ 000	2018 £ 000
Decommissioning	<u>272</u>	<u>249</u>
	<u>272</u>	<u>249</u>

Decommissioning provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the wind farm. The provision is calculated using estimated costs of decommissioning. An average inflation rate of 2.0% (2018: 2.0%) has been applied and then this has been discounted at a pre-tax rate of 1.0% (2018: 1.5%).

The movement in provisions during the current year are as follows:

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Notes to the financial statements (continued)

14 Provisions (continued)

	£ 000
At 31 December 2018	250
Change in estimate	18
Unwinding of discount (note 6)	4
At 31 December 2019	<u>272</u>

15 Financial commitments

Amounts contracted for but not provided in the financial statements amounted to £3,787,000 (2018: £4,225,000). These relate to £Nil (2018: £287,000) of commitments on operating land leases; £2,154,000 (2018: £2,347,000) of commitments on turbine maintenance contracts held with a related party EDF EN Services UK Limited; £123,000 (2018: £134,000) of commitments on community fund agreements; and £1,510,000 (2018: £1,457,000) of commitments on asset management contracts held with a related party, EDF Energy Renewables Limited.

16 Capital and reserves

Share capital

Allotted, called up and fully paid

	2019 Number	2019 £ 000	2018 Number	2018 £ 000
Ordinary shares of £1 each	<u>3,620,646</u>	<u>3,621</u>	<u>3,620,646</u>	<u>3,621</u>
	<u>3,620,646</u>	<u>3,621</u>	<u>3,620,646</u>	<u>3,621</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Profit and loss account

The profit and loss account represents the cumulative profit and loss of the Company, net of dividends paid.

Notes to the financial statements (continued)

17 Leases

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2019 £ 000
Leases under IFRS 16	
Interest expense on lease liabilities	7
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>67</u>
	2018 £ 000
Operating leases under IAS 17:	
Lease expense	<u>25</u>

18 Related party transactions

The following related party transactions occurred in the year:

Related Party	Relationship	Transaction	Amount £000	Amount outstanding £000
EDF Energy Renewables Holdings Limited	Immediate parent undertaking	Loan repayment	705	1,089 creditor
EDF Energy Renewables Holdings Limited	Immediate parent undertaking	Interest paid	33	-
EDF Energy Limited	Group Company	Sale of electricity and related benefits	1,415	448 Debtor
EDF Energy Renewables Limited	Group Company	Asset management charge	123	-
EDF EN Services UK Limited	Group Company	Operation and maintenance charge	183	-

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Notes to the financial statements (continued)

18 Related party transactions (continued)

The following related party transactions and balances occurred in the prior year:

Related Party	Relationship	Transaction	Amount £000	Amount outstanding £000
EDF IG	Group Company	Interest paid and loan termination costs	265	-
EDF IG	Group Company	Loan repayment	3,968	
EDF Energy Renewables Holdings Limited	Immediate parent undertaking	Net loan drawdown	2,417	1,794 creditor
EDF Energy Renewables Holdings Limited	Immediate parent undertaking	Interest paid	42	-
EDF Energy Limited	Group Company	Sale of electricity and related benefits	1,668	477 Debtor
EDF Energy Renewables Limited	Group Company	Asset management charge	120	-
EDF EN Services UK Limited	Group Company	Operation and maintenance charge	239	-

19 Parent undertaking and controlling party

EDF Energy Renewables Holdings Limited holds a 100% interest in the Company and is considered to be the immediate parent undertaking and controlling party. The registered address of EDF Energy Renewables Holdings Limited is Alexander House, 1 Mandarin Road, Rainton Bridge Business Park, Houghton le Spring, Sunderland, England, DH4 5RA.

At 31 December 2019, Electricité de France SA, a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the smallest and largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

Notes to the financial statements (continued)

20 Accounting estimates and judgement

The preparation of financial statements requires the use of accounting estimates and judgments, and requires management to exercise judgment in applying accounting policies. We continually evaluate our judgments and assumptions.

A provision is made for the net present value of the estimated future decommissioning costs at the end of the operating life of the wind farm. The provision is calculated using estimated costs of decommissioning, and these estimates are arrived at by consideration of the expected costs of contracts to remove the installed plant. The estimates are discounted at pre-tax rates that reflect current market assessments of the time value of money. The assumptions used to calculate this provision are updated by management on a regular basis. See note 14 where these assumptions are presented.

ROC Recycle revenue for electricity generated from 1 April 2019 is estimated based on external sources. Any under or over estimation of the ROC Recycle price is recognised in the subsequent financial period on publication of ROC Recycle price. Management have accrued ROC Recycle income using approximately 10% of the ROC Buyout price for the period in line with the previous years. Management have also assessed the sensitivity of the price: a 10% increase in the ROC Recycle price would result in additional revenue of £4,000.

21 Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Fairfield Windfarm Limited
Annual report and financial statements
31 December 2019
Registered number 06708608

Notes to the financial statements (continued)

21 Change in significant accounting policies (continued)

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application.

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019:

	As reported £000	Adjustments £000	Balances without adoption of IFRS 16 £000
Balance sheet			
Tangible assets	5,441	(232)	5,209
Debtors	466	2	468
Creditors: Amounts falling due within one year	(247)	20	(227)
Creditors: Amounts falling due after more than one year	(1,302)	213	(1,089)
Profit and loss account	<u>615</u>	<u>3</u>	<u>618</u>

Of the adjustments recognised in debtors, £2,000 relate to prepayments.

22 Non adjusting post balance sheet events

Since the balance sheet date there has been a global pandemic from the outbreak of Covid-19. The Directors assess this event to be a non- adjusting post balance sheet event. There has been no significant disruption to the Company's market, customers or supply chain post the year end as a result of Covid-19.