Registration number: 07670693

Orsted Lincs (UK) Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Orsted Lincs (UK) Ltd

Contents

Orsted Lincs (UK) Ltd

Company Information

Directors	Philip De Villiers Samuel Claxton Benjamin Westwood
Registered office	5 Howick Place London England United Kingdom SW1P 1WG
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London England United Kingdom WC2N 6RH

Orsted Lincs (UK) Ltd

Strategic Report for the Year Ended 31 December 2020

The directors present their report for the year ended 31 December 2020.

Review of the business
The Company is a party to power purchase agreement with Lincs Windfarm Limited for power and associated benefits generated by this company. The duration of the power purchase agreement is 15 years from 2017 and can be extended by agreement between partners. The company sells the purchased power to another group company in Denmark.

The company's and its subsidiary's strategy is to maximise the lifetime value of the wind farm through active condition monitoring and maintenance to maintain high levels of availability and production.

The Company's strategic objectives are:
• Achieving zero accidents and breaches of environmental standards;
• Maximising energy production through high levels of availability;
• Maintaining long term asset condition and reliability; and
• Optimising costs.

Statement of Business Relationships
Details of our engagement with our key stakeholders including suppliers and customers, is set out in the Section 172 statement in the Strategic report.

Key Performance Indicators and review of the year
The Company measures its performance in line with its strategic objectives. Key performance indicators (KPIs) are used to measure progress against agreed targets for safe, responsible and sustainable operations.

The company's key financial and other performance indicators during the year were as follows:

	2020 £	2019 £
Revenue	36,033,246	34,427,524
Profit before taxation	23,332,728	19,529,781
Company's net asset position	180,761,231	158,648,126

The company's key non-financial performance indicator is wind farm availability. The level of availability is achieved by the company monitoring the effectiveness and efficiency of the wind farm on a regular basis. For the current and prior year, the availability was broadly in-line with management's expectation.

Section 172(1) statement
The company long-term plan is to generate Contract for Difference revenue for the life of the wind farm. The directors review this long-term plan, to date no decision have been made to change the long-term plan.

The company does not have any employees. The directors use service providers for all operational activities. The directors ensure that any service provider act in due care towards its employees while working for the company including complying with the company's safety requirements.

The company fosters relationships through the selection of a reliable operations service provider which ensures its customers are supplied with uninterrupted supply of clean electricity during windy days. The company produces green energy thus having a low carbon impact on the environment.

The company has employed a service provider that is committed to operate with a low carbon foot and employs local community members to perform these tasks.

When making decisions the board considers how this will impact all shareholders and ensures no preference is given to any shareholder.

The company has partnered up with a reputable service providers.

The directors ensure they are complying with the above by reviewing service providers operations reports, wind farm production numbers and safety site reports.

Principal risks and uncertainties
The principal risk of the business relates to production risks of Lincs wind farm. The main risk is the availability of the Lincs Wind Farm Limited wind farm.

Power and associated benefits are purchased at fixed price and within the service and warranty agreement there are availability guarantees which mitigate the risk of low wind farm availability.

Non-compliance with statutory Health, Safety, and Environment (HSE) obligations is also a principal risk. The company operates a comprehensive HSE management system, and actively monitors its performance in order to identify and implement improvements.

Approved by the Board on 17 September 2021 and signed on its behalf by:

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Philip De Villiers
Director

Orsted Lincs (UK) Ltd

Directors Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Incorporation
The company was incorporated in England and Wales on 1 April 2020 as a private company limited by share capital under the Companies Act 2006.

The address of it's registered office in5 Howick Place, London, England, United Kingdom, SW1P 1WG.

As at 31 December 2020, the company was owned by Ørsted Wind Power A/S (100%).

As at 31 December 2019, the company was owned by Ørsted Wind Power A/S (100%).

Directors of the company
The directors, who held office during the year and up to the date of signing the financial statements were as follows:

Philip De Villiers

Mairi Dudley (resigned 30 October 2020)

Kasper Skyttegaard-Nielsen (resigned 8 June 2020)

Samuel Claxton (appointed 16 November 2020)

Benjamin Westwood (appointed 15 June 2020)

Principal activities
The principal activity of the company is Company is a party to power purchase agreement with Lincs Wind Farm Limited for the power and associated benefits. Company's activity involves purchase of share of the power and associated benefits of the wind park and the subsequent sale of the power to another company within the Orsted group.

Result for the year
The Company's net result for the current financial year was a profit of £22,113,105 (2019: profit £18,618,250) moved to retained earnings.

Dividend
During the year a dividend of £- was paid (2019: £-). The directors recommend a payment of a final dividend £- (2019: £-).

Brexit
Brexit is not in itself part of the company's risks, as the withdrawal from EU, effective from 1 January 2021, will not, in the management's opinion, result in fundamental changes in the UK's energy policy. Announcements by the UK Government show that the UK is committed to a clean, green energy future, and offshore wind can be the backbone of this green vision. UK current target is to bring all greenhouse gas emissions to net zero by 2050.

The directors have considered this at the date of signing these financial statements and do not deem this impacts the fair value of assets and liabilities reported at the balance sheet date of 31 December 2020.

Streamlined Energy and Carbon Reporting
The Company has no physical operations or staff in its employ. Electricity and gas consumption are below 40,000 kWh annually.

Going concern
The financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management has considered all available information about the future, which is at least 12 months from the date the financial statements were signed.

Future developments
Commercial generation is expected to continue until the end of the expected economic life of the wind farm, when the assets will be decommissioned. The company will continue to act as an off-taker company for the Lincs Wind Farm's power production, this agreement is covered under a power purchase agreement.

Financial risk management

The company is exposed through its operations to the following financial risks:

Market risk
Credit risk and
Liquidity risk

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. The company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the company's continuing profitability.

Management reviews and agrees policies for managing each of these risks, which are summarised below.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this
note.

During the year the company did not use derivative financial instruments to hedge risk exposures.

1. Market risk
Market risk includes foreign exchange risk.

Foreign currency risk
The company has only limited assets or liabilities in foreign currency. Also, the company has limited sales or purchase transactions in foreign currencies. As a result of this, the company's exposure to foreign exchange rate risks is very limited.

2. Credit risk
Credit risk arises primarily from credit exposures to customers, from cash and cash equivalents with banks and financial institutions and receivables from parent and other group companies. Most of the business is based on prepayments which makes the risk of losses on receivables low. Customers' credit ratings are used to determine credit limits and management monitors the utilization of credit risks on an ongoing basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

3. Liquidity risk
The company generates sufficient positive cash flows to service its liabilities and planned development. Surplus cash is declared as dividend. Capital management is carried out to ensure low risk. Management monitors funding and liquidity and ensures the availability of required liquidity through cash management and committed facilities. The company's liquidity risk is primarily related to inter-company debt. It is the company's policy to ensure adequate liquidity to satisfy their obligations to the group companies.

Capital components
The Company defines its capital as equity, as presented in the statement of changes in equity. In order to maintain or adjust the capital structure, the Company may return capital to the shareholder or issue new shares.

Capital management
The company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2020, the Company's strategy was to maintain a gearing ratio in line with prior years.

The management monitor and review the broad structure of the company's capital on an on-going basis.

Value of the equity managed as at 31 December 2020 was equal to £180,761,231 (2019: £158,648,126).

Political donations
There were no political donations made or political expenditures incurred by the company during the year (2019 £-).

Important non adjusting events after the financial period
After the end of the financial year 2020, the company has received dividends of £7,295,750 from investments.

COVID-19
On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak of COVID-19 a "Public Health Emergency of International Concern". The consequence of COVID-19, where many governments have decided to "close down countries" will have an impact on certain sectors of the world economy. Company operates in the essential sector.

In general, COVID-19 impacted the UK power market due to a lower demand for electricity which led to hours with negative prices from April to July, lower ROC recycle prices and higher balancing tariffs (BSUoS) from National Grid in 2020. This situation had a limited impact on company's financial performance during the year.

Since the outbreak of COVID-19 management continues to meet regularly, focusing on the health and safety of service providers' employees and on ensuring business continuity. Company's asset base has been fully operational and maintained normal availability rates. Management expects this to continue going forward.

Directors liabilities
The Company has in effect directors' indemnity insurance. This is a qualifying third party indemnity provision and was in force during the financial year and at the date of the approval of the financial statements.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Directors' confirmations
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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 auditors are aware of that information.

Reappointment of independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board on 17 September 2021 and signed on its behalf by:

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Philip De Villiers
Director

Independent auditors' report to the members of Orsted Lincs (UK) Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Orsted Lincs (UK) Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulation of the renewable energy industry in the UK, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals entries, and management bias in accounting estimates.. Audit procedures performed by the engagement team included:

- gaining an understanding of the legal and regulatory framework applicable to the company and the renewable energy industry in the UK, and considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud;
- enquiry of management and those charged with governance around actual and potential litigation and claims and any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Matthews (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 September 2021

Orsted Lincs (UK) Ltd

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Revenue	4	36,033,246	34,427,524
Cost of sales		(28,224,734)	(27,726,050)
Gross profit		7,808,512	6,701,474
Administrative expenses		(78,943)	(55,412)
Other operating income	6	16,913,660	14,732,250
Operating profit	8	24,643,229	21,378,312
Finance income	9	55,958	132,065
Finance expenses	10	(1,366,459)	(1,980,596)
Net finance cost		(1,310,501)	(1,848,531)
Profit before tax		23,332,728	19,529,781
Income tax expense	11	(1,219,623)	(911,531)
Profit for the financial year		22,113,105	18,618,250
Total comprehensive income for the financial year		22,113,105	18,618,250

The above results were derived from continuing operations.

Orsted Lincs (UK) Ltd

(Registration number: 07670693)
Statement of Financial Position as at 31 December 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Investments	12	221,035,423	221,035,423
Current assets			
Trade and other receivables	13	45,928,053	35,374,923
Total assets		266,963,476	256,410,346
Equity and liabilities			
Equity			
Called up share capital	14	100	100
Retained earnings		180,761,131	158,648,026
Total equity		180,761,231	158,648,126
Non-current liabilities			
Loans and borrowings	15	80,000,000	90,000,000
Current liabilities			
Trade and other payables	16	4,071,091	5,241,216
Income tax liability		2,131,154	2,521,004
		6,202,245	7,762,220
Total liabilities		86,202,245	97,762,220
Total equity and liabilities		266,963,476	256,410,346

The financial statements on pages 13 to 32 were approved by the Board on 17 September 2021 and signed on its behalf by:

....
Philip De Villiers
Director

Orsted Lincs (UK) Ltd

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Retained earnings £	Total £
At 1 January 2020	100	158,648,026	158,648,126
Profit and total comprehensive income	-	22,113,105	22,113,105
At 31 December 2020	100	180,761,131	180,761,231

	Share capital £	Retained earnings £	Total £
At 1 January 2019	100	140,029,776	140,029,876
Profit and total comprehensive income	-	18,618,250	18,618,250
At 31 December 2019	100	158,648,026	158,648,126

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom and domiciled in England.

The address of its registered office is:
5 Howick Place
London
England
United Kingdom
SW1P 1WG

These financial statements were authorised for issue by the Board on 17 September 2021.

2 Accounting policies

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

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The company's financial statements are presented in pound sterling, which is both the functional and presentational currency.

The preparation of the financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in process of applying the company's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2 Accounting policies (continued)

Summary of disclosure exemptions

The company has applied FRS 101 Reduced Disclosure Framework, as it meets the requirements of FRS 101.

The company has taken advantage of the following disclosure exemptions under FRS 101:
- No disclosure requirements for Financial Instruments (IFRS 7).

- No disclosure requirements for Fair value measurement (IFRS 13 paragraph 91 to 99).

- Reduced disclosure requirements for Revenue (IFRS 15).

- Reduced disclosure requirements for Leases (IFRS 16).

- No disclosures have to be made in respect of standards in issue not yet effective (IIAS 8 paragraph 30 and 31); general exemption applied by the company.

- There is no requirement to present capital management disclosures (IAS 1); company is not a financial institution thus has applied the exemption.

- No requirement to prepare a cash flow statement (IAS 7); exemption applied; the company has no minority shareholders.

- No need to present comparative reconciliations for share capital or property, plant and equipment or intangible assets (IAS 1; IAS 16 paragraph 73(e); IAS 38 paragraph 118(e)); exemption applied by the company.

- No disclosure is required of related party transactions with and between wholly owned subsidiaries (IAS 24); company has no minority shareholders.

Going concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management has taken into account all available information about the future, which is at least 12 months from the date the financial statements were signed.

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The management regularly assess the impact of new and amended IFRS standards and interpretations. New and amended IFRS standards and interpretations are implemented from their mandatory effective dates at the latest. Effective from 1 January 2020, we have implemented the following new or amended standards (IAS and IFRS) and interpretations:

- Definition of Material - amendments to IAS 1 and IAS 8;
- Definition of a Business - amendments to IFRS 3;
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7;
- Revised Conceptual Framework for Financial Reporting.

The adoption of the new and amended standards have not had a material impact on the entity in the current and prior reporting periods and are not expected to have a material impact in future reporting periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Revenue recognition

Recognition

The company earns revenue from the sale of electricity. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Performance obligations

The main performance obligations to customers consist of supply of electricity to the power offtaker through the OFTO (Offshore Transmission Owners) asset and national grid asset network. Due to the nature of power supply the business judgements made in evaluating when control has passed are limited.

Sale of electricity is based on produced modules at market rates and regulated prices (fixed tariffs and guaranteed minimum prices for green certificates), which is recognised at the production date. No warranties are offered on sale of these modules.

2 Accounting policies (continued)

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the sale of products:

Transaction price

The transaction price of fixed electricity tariffs is determined by the fee specified in the contract for electricity at production date. The transaction price for green certificates is recognised at guaranteed minimum price at production date.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, Contract assets are recognised. Contract assets are included in the statement of financial position and represent the right to consideration for products delivered.

Contract receivables (loans and advances) are recognised in the statement of financial position when the company's right to consideration becomes unconditional. Offtaker (customer) of power takes all of the power produced by the company on a monthly basis and pays a fixed tariff for power received.

Contract assets & receivables (loans and advances) are classified as current or non- current based on the company's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

2 Accounting policies (continued)

Impairment of contract related balances

At each reporting date, the company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Government grants

Government grants comprise grants under the Renewable Obligation Certificate scheme. (ROCs).

Government grants are recognised when there is reasonable assurance that the grants will be received under IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

As grants for power generation are intended as a compensation for the price of power, we systematically recognise the grants under revenue in step with the power generation and thus the related revenue. The ROC's are recognised as inventory before being sold to the customer.

Finance income and costs policy

Finance income comprises interest income on receivables' group undertakings relating to cash pooling. Interest income is recognised using the effective interest rate method.

Finance costs comprise interest expenses on payables' group undertakings relating to cash pooling and the group charges on guarantees granted. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

Income tax asset/(liability) includes receivables/(payables) from group companies where group relief/consortium relief has been applied.

2 Accounting policies (continued)

Investments
Investments are stated at historical cost less provision for any diminution in value.

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Trade receivables
Trade receivables are amounts due from customers for electricity sales. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Other receivables
Other receivables are amounts due from various business partners for non trade transactions during the ordinary course of business. If the receivables collection is expected in one year or less, they are classified as current assets, otherwise they are presented as non-current assets.

Receivables' group undertakings relating to cash pooling
The company is a participant in the group cash pooling arrangement of which Orsted A/S is pool master and legal bank account holder. The company has its own sub-accounts from which all transactions are executed. Balances held by the company under this revised arrangement are disclosed within amounts owed by/to group undertakings, representing amounts owed by/to the parent cash pool holder, Orsted A/S.

2 Accounting policies (continued)

Financial assets and liabilities
Financial instruments are used for various purposes. The purpose determines the category, and whether the value adjustment of the instrument should be recognised in the profit/(loss) for the year or as part of the hedging reserve in equity.

Financial assets
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the compnay measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through statement of comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of comprehensive income are expensed in profit or loss.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of loans.

Impairment
The company has three types of financial assets that are subject to the expected credit loss model:
Trade receivables;
contract assets and;
debt investments carried at amortised cost;

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9; the identified impairment loss was immaterial.

Trade receivables and contract assets
The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.
To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rate is based on an assessment of the historical rates for default. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial liabilities
The company classifies its financial liabilities in the following categories:

2 Accounting policies (continued)

Financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), and
other financial liabilities at amortized cost.

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 at amortized cost include trade and other payables, loans and borrowings including bank overdrafts.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of long-term loans. Short term interest bearing borrowings of a short term nature that carry interest at floating rates are not amortised at the effective interest rate as their carrying value approximates their fair value on initial recognition.

After initial recognition, long term interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Interim dividends are recognised when paid.

Borrowings
Borrowings are held solely for the purpose of collection of principle and interest.

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2 *Accounting policies (continued)*

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of investment in joint ventures and associates

At the end of each reporting period, the company assesses whether there are any indicators its investments in subsidiaries are impaired. Where indicators of impairment are indentified; the company tests for impairment in line with the requirements of IAS 36 Impairment of Assets for recognition and measurements. The directors of the company believe that the carrying value of the investments are supported by their underlying net assets.

4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £	2019 £
Sale of electricity	7,901,360	7,976,793
Government grants	28,094,435	26,407,367
Other revenue	37,451	43,364
	36,033,246	34,427,524

The total revenue of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

The company has a fixed price power purchase agreement with it's shareholders and it sells all its power generation and associated benefits under this agreement.

Timing of revenue recognition from customers :

4 Revenue (continued)

	2020 £	2019 £
Over time	7,901,360	7,976,793
	7,901,360	7,976,793

The timing of transfer of goods or services to customers is categorised as follows:

- 'Over time' mainly comprises of long-term contracts with customers to deliver of electricity power.

Government grant regards income resulting from Renewable Obligation Certificates (ROCs).

5 Employees and directors

There were no (2019: nil) employees during the year. The directors received no (2019: £-) emoluments during the year, in respect of their services to the company.

The directors appointed by Orsted group were remunerated by other companies within the Orsted group for their services to the group as a whole. It is not possible to allocate their remuneration between their services as directors of different group companies.

6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Dividend received from investments	16,913,660	14,732,250

7 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	2,000	1,662

There has been no non-audit remuneration in the year and prior year.

8 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Auditors remuneration	2,000	1,662
Group overhead allocation	76,944	53,751

9 Finance income

	2020 £	2019 £
Interest income on bank deposits	30	110
Interest on group undertakings	55,928	129,489
Foreign exchange gains	-	2,466
	55,958	132,065

10 Finance expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	126	110
Interest expense on loans from group undertakings	1,366,925	1,980,486
Foreign exchange losses	(592)	-
	1,366,459	1,980,596

11 Income tax expense

Tax charged in the statement of comprehensive income

	2020 £	2019 £
Current taxation		
UK corporation tax	1,219,623	911,531

The tax on profit before taxation for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before taxation	23,332,728	19,529,781
Corporation tax at standard rate	4,433,219	3,710,658
Decrease from effect of expenses not deductible in determining taxable profit	(3,213,596)	(2,799,127)
Total tax charge	1,219,623	911,531

Factors that might affect future tax charges:

The main rate of UK corporation tax in the year was 19%. During the year, legislation was enacted to maintain the corporation tax rate at 19% instead of reducing to 17%. On 10 March 2021, the UK government announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023.

12 Investments

Cost or valuation

	Joint ventures	Associate	Total
	£	£	£
At 1 January 2019	1	221,035,422	221,035,423
At 31 December 2019	1	221,035,422	221,035,423
At 1 January 2020	1	221,035,422	221,035,423
At 31 December 2020	1	221,035,422	221,035,423
Carrying amount			
At 31 December 2019	1	221,035,422	221,035,423
At 31 December 2020	1	221,035,422	221,035,423

The Directors believe that carrying value of the investments is supported by their underlying net assets.

Joint ventures

Details of the joint ventures as at 31 December 2020 and 31 December 2019 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Lincs Renewable Energy Holdings Limited	Holding company	England & Wales	0%	50%

In 2020, the directors of Lincs Renewable Energy Holdings Limited took the decision to strike off the company. Strike off took place on 15 December 2020.

12 Investments (continued)

Associates

Details of the associates as at 31 December 2020 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Lincs Wind Farm (Holding) Limited	Holding company	England & Wales	25%	25%
Lincs Wind Farm Limited	Electricity generation	England & Wales	25%	25%

Investments comprise ordinary equity shares in the associated companies, neither of which are publicly traded.

13 Trade and other receivables

	2020 £	2019 £
Amounts owed by group undertakings	45,914,936	35,361,806
Other receivables	13,117	13,117
	45,928,053	35,374,923

Amounts owed by group undertakings are unsecured,interest free and have no fixed date of repayment and are repayable on demand.

Trade and other receivables are unsecured, interest free (except for the group cash pooling) and have no fixed date of repayment and are repayable on demand.

14 Called up share capital

Allotted, called up and fully paid shares

	2020 No.	£	2019 No.	£
Ordinary share capital of £1 each	100	100	100	100

15 Loans and borrowings

	2020 £	2019 £
Non-current loans and borrowings		
Amounts owed to group undertakings	80,000,000	90,000,000

Included in amounts owed to group undertakings is an unsecured loan facility of £80,000,000 (2019: £90,000,000) which carries interest at 3M GBP LIBOR plus 1.2% (2019: 3M GBP LIBOR plus 1.2%), which is repayable on 17 February 2022.

16 Trade and other payables

	2020 £	2019 £
Amounts owed to group undertakings	4,069,091	5,239,554
Other payables	2,000	1,662
	4,071,091	5,241,216

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

17 Dividends

No dividends have been proposed for 31 December 2020.

Orsted Lincs (UK) Ltd

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

18 Related party transactions

	Lincs Wind Farm Limited	Lincs Wind Farm (Holding) Limited	Lincs Renewable Energy Holdings Limited	Lincs Wind Farm Limited	Lincs Wind Farm (Holding) Limited
	2020	2020	2020	2019	2019
	£	£	£	£	£
Transactions					
Purchase of goods and services	28,206,450	-	-	27,738,862	-
Dividends received	-	16,158,119	755,541	-	14,732,250
Balance outstanding at balance sheet date					
Trade and other payables	2,410,519	-	-	4,824,093	-

19 Parent and ultimate parent undertaking

The immediate parent of the company is Orsted Wind Power A/S, a company incorporated in Denmark, which owns 100 % of the ordinary share capital.

The ultimate parent company is Orsted A/S, incorporated in Denmark. The Danish State currently holds 50% of the share capital of Orsted A/S (2019: 50%) and therefore the company considers the Danish Ministry of Finance the ultimate controlling party.

The smallest and largest group in which the results of the company are consolidated are those headed by Orsted A/S.

The consolidated financial statements of this company are available to the public from:

Orsted A/S
Kraftværksvej 53
Skærbæk
DK - 7000 Fredericia
Denmark