

Registered Number: SC213646

Lincs Wind Farm Limited

Annual report and Financial Statements  
For the year ended 31 December 2011

FRIDAY



LD4

\*L1C3IVDM\*  
29/06/2012  
COMPANIES HOUSE

#284

# **Lincs Wind Farm Limited**

## **Annual report and Financial Statements for the year ended 31 December 2011**

### **Contents**

	<b>Page</b>
Directors' report for the year ended 31 December 2011	1
Independent auditors' report to the members of Lincs Wind Farm Limited	4
Profit and loss account for the year ended 31 December 2011	5
Balance sheet as at 31 December 2011	6
Cash flow statement for the year ended 31 December 2011	7
Notes to the financial statements for the year ended 31 December 2011	8

# **Lincs Wind Farm Limited**

## **Directors' report for the year ended 31 December 2011**

The Directors present their report and the audited financial statements of Lincs Wind Farm Limited ("the Company") for the year ended 31 December 2011.

### **Principal activities**

The principal activity of the Company is the construction and operation of an offshore wind farm with an estimated capacity of 270MW.

### **Review of business and future developments**

During the year construction has continued as planned.

On 31 March 2011, the Company's 1,000,000 ordinary shares of £0.001 each were consolidated into 1,000 ordinary shares of £1 each with the same rights attaching to each share. On 12 April 2011, the Company's shareholders, Lincs Renewable Energy Holdings Limited and Centrica (Lincs) Wind Farm Limited, each subscribed for 9,999,500 ordinary shares of £1 each in the Company. On 11 May 2011, the shareholders each subscribed for a further 12,500,000 ordinary shares of £1 each in the Company. On 16 June 2011, the shareholders each subscribed for a further 7,500,000 ordinary shares of £1 each in the Company. On 6 July 2011, the shareholders each subscribed for a further 29,897,982 ordinary shares of £1 each in the Company.

### **Post balance sheet events**

On 22 February 2012 the Company entered into an arrangement with a consortium of banks to obtain £999.93 million of financing for construction and operation of the wind farm and associated assets. The arrangement consists of a number of facilities comprising term facilities to support the funding of construction costs and ancillary facilities in respect of working capital requirements. The facilities amounts will be drawn as required in accordance with the terms of the Facilities Agreement. Following completion of all required conditions precedent the initial drawdown under the facilities was made on 11 June 2012.

Following completion of construction the term facilities are to be repaid between June 2014 and the final scheduled loan repayment of June 2028. In the event that the offshore transmission assets related to the wind farm are sold, the proceeds will be used to partially repay the term debt at that time.

The interest payable on amounts drawn under the facilities is based on LIBOR for the interest period for that particular loan, plus a margin and other costs.

In accordance with the terms of the Facilities Agreement, the Company has entered into interest rate swaps to fix the rate for a significant proportion of the outstanding term debt. Furthermore, the Company maintains forward foreign exchange trades to cover a significant proportion of the foreign currency exposure arising from construction activities, as specified in the Facilities Agreement.

### **Principal risks and uncertainties**

Risks are formally reviewed and appropriate processes are put in place to monitor and mitigate them.

The principal risks and uncertainties facing the Company are those in respect of the design and construction contract for the wind farm, the compliance with consents and approvals needed to allow the wind farm to operate and other risks in respect of the design and construction of the equipment.

### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary or appropriate for an understanding of the development, performance or position of the business.

## **Lincs Wind Farm Limited**

### **Directors' report for the year ended 31 December 2011 (continued)**

#### **Financial risk management**

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework. These objectives and policies are regularly reviewed. Exposure to counterparty credit risk, foreign currency risk on construction contracts and liquidity risk arises in the normal course of the Company's business:

- Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits.
- Cash forecasts identifying the liquidity requirements of the Company are produced frequently and reviewed regularly.
- Foreign currency exposure is monitored by currency and duration and managed through hedging activities.
- Liquidity risk is managed through funding arrangements with the shareholders.

The Company did not take part in hedging of any kind, other than hedging with respect to foreign currency risk.

#### **Results and dividends**

The results of the Company are set out on page 5. The loss on ordinary activities after taxation for the year ended 31 December 2011 is £974,000 (2010: loss of £2,818,000). No dividends were paid during the year (2010: interim dividend £80,000,000) and the Directors do not recommend the payment of a final dividend (2010: £nil).

#### **Financial position**

The financial position of the Company is presented in the balance sheet on page 6. Shareholders' funds at 31 December 2011 were £117,811,000 (2010: shareholders' deficit £1,010,000).

#### **Creditor payment policy**

It is the Company's policy to pay all of its creditors in accordance with the policies set out below:

- agree the terms of payment in advance with the supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with contractual and other legal obligations.

#### **Going concern**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to commitments (note 22) from its parents and parent affiliate companies Centrica Renewable Energy Limited, DONG Energy A/S, Siemens Financial Services GmbH and Siemens AG to fund the construction phase of the wind farm.

#### **Directors**

The following served as Directors during the year and up to the date of signing this report:

R C Ernst  
T Hinton  
N Q Rasmusen  
A S Thompson  
S P Redfern (alternate to A S Thompson)  
R M McCord (alternate to T Hinton) (appointed 15 February 2011)  
A C Kjaer (alternate to N Q Rasmusen) (appointed 31 March 2011)  
J Schiminski (alternate to R C Ernst) (appointed 13 January 2012)  
M Neubert (alternate to N Q Rasmusen) (resigned 31 March 2011)  
F Pahl (alternate to R C Ernst) (resigned 2 January 2012)

## **Lincs Wind Farm Limited**

### **Directors' report for the year ended 31 December 2011 (continued)**

#### **Directors' and officers' liability**

Directors' and officers' liability insurance has been purchased by the ultimate parent companies, Centrica plc, DONG Energy A/S and Siemens AG, and was in place throughout the year under review. The insurance does not provide cover in the event that a Director is proved to have acted fraudulently. In addition, the Company has directly purchased directors' and officers' liability insurance.

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing 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 the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- 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 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 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.

#### **Disclosure of information to auditors**

Each of the Directors who held office at the date of approval of this Directors' report confirm that so far as they are 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 Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 28 June 2012.



For and on behalf of:  
Centrica Secretaries Limited  
**Company Secretary**

Company registered in Scotland No. SC213646

Registered office:  
No 1 Waterfront Avenue  
Edinburgh  
Scotland  
EH5 1SG

## **Lincs Wind Farm Limited**

### **Independent auditors' report to the members of Lincs Wind Farm Limited**

We have audited the financial statements of Lincs Wind Farm Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Sam Taylor (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
28 June 2012

## **Lincs Wind Farm Limited**

### **Profit and loss account for the year ended 31 December 2011**

	Note	2011 £000	2010 £000
Administrative expenses		(306)	(448)
<b>Operating loss</b>	3	<b>(306)</b>	<b>(448)</b>
Interest receivable and similar income	6	48	147
Interest payable and similar charges	7	(662)	(2,517)
<b>Loss on ordinary activities before taxation</b>		<b>(920)</b>	<b>(2,818)</b>
Tax on loss on ordinary activities	8	(54)	-
<b>Loss for the financial year</b>	15	<b>(974)</b>	<b>(2,818)</b>

The Company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated and their historical cost equivalents.

All activities relate to continuing operations.

The notes on pages 8 to 19 form part of these financial statements.

# Lincs Wind Farm Limited

## Balance sheet as at 31 December 2011

	Note	2011 £000	2010 £000
<b>Fixed assets</b>			
Tangible assets	9	688,508	250,091
<b>Current assets</b>			
Debtors - amounts receivable within one year	11	17,676	7,347
Debtors - amounts receivable after more than one year	11	1,305	8,866
Cash at bank and in hand		12,904	31,075
		<u>31,885</u>	<u>47,288</u>
<b>Creditors - amounts falling due within one year</b>	12	(94,005)	(52,686)
<b>Net current liabilities</b>		<u>(62,120)</u>	<u>(5,398)</u>
<b>Total assets less current liabilities</b>		626,388	244,693
<b>Creditors - amounts falling due after more than one year</b>	12	(503,084)	(245,703)
<b>Provisions for liabilities</b>	13	(5,493)	-
<b>Net assets / (liabilities)</b>		<u>117,811</u>	<u>(1,010)</u>
<b>Capital and reserves</b>			
Called up share capital	14	119,796	1
Profit and loss account	15	(1,985)	(1,011)
<b>Total shareholders' funds / (deficit)</b>	16	<u>117,811</u>	<u>(1,010)</u>

The notes on pages 8 to 19 form part of these financial statements.

The financial statements on pages 5 to 19 were approved and authorised for issue by the Board of Directors on 28 June 2012 and were signed on its behalf by:

*Richard McCord*

**RICHARD MCCORD**

Director

*Arantxa Perez*

**ARANTXA PEREZ**

Director



# Lincs Wind Farm Limited

## Cash flow statement for the year ended 31 December 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Net cash outflow from operating activities	17		(827)		(276)
<b>Returns on investments and servicing of finance</b>					
Interest received		<u>42</u>		<u>145</u>	
Net cash inflow from returns on investments and servicing of finance			42		145
<b>Capital expenditure and financial investment</b>					
Purchase of tangible assets		<u>(358,181)</u>		<u>(155,566)</u>	
Net cash outflow for capital expenditure and financial investment			(358,181)		(155,566)
Equity dividends paid to shareholders	16		-		(80,000)
Net cash outflow before use of liquid resources and financing			<u>(358,966)</u>		<u>(235,697)</u>
<b>Management of liquid resources</b>					
<b>Financing</b>					
Proceeds of issuance of ordinary shares	14	119,795		-	
Loans from shareholders	12	221,000		224,204	
Reduction in amounts owed by Centrica group undertakings		<u>-</u>		<u>42,306</u>	
Net cash inflow from financing			<u>340,795</u>		<u>266,510</u>
(Decrease) \ increase in net cash			<u>(18,171)</u>		<u>30,813</u>
<b>Reconciliation to net debt</b>					
Net (debt) \ cash at 1 January			(193,129)		42,568
(Decrease) \ increase in net cash			(18,171)		30,813
Movement in borrowings			<u>(221,000)</u>		<u>(266,510)</u>
Net debt at 31 December			<u>(432,300)</u>		<u>(193,129)</u>

The notes on pages 8 to 19 form part of these financial statements.

# **Lincs Wind Farm Limited**

## **Notes to the financial statements for the year ended 31 December 2011**

### **1 Principal accounting policies**

#### **Accounting principles**

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with United Kingdom Accounting Standards and the Companies Act 2006. The principal accounting policies are set out below.

Accounting policies have been applied consistently, other than where new policies have been adopted.

#### **Basis of preparation**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to commitments (note 22) from its parents and parent affiliate companies Centrica Renewable Energy Limited, DONG Energy A/S, Siemens Financial Services GmbH and Siemens AG to fund the construction phase of the wind farm.

#### **Tangible fixed assets**

Tangible fixed assets are included in the balance sheet at historic cost, less accumulated depreciation.

Assets in the course of construction represent the cost of purchasing, commissioning, constructing and installing tangible fixed assets ahead of their productive use, together with the associated finance costs. When the asset is brought into use, the associated cost will be transferred to plant and machinery, and the asset will begin to be depreciated on a straight-line basis over its useful economic life.

Payments on account represent payments that the Company has made in respect of tangible assets for which it has not yet taken delivery. The assets have not yet been employed by the Company, and accordingly no depreciation charge is recognised for this class of asset. On delivery, the payments on account are reclassified to the relevant asset class and depreciated in accordance with the policy of that class.

#### **Impairment**

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Recoverable amount is the higher of fair value less costs to sell and value in use. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

#### **Foreign currency**

The financial statements of the Company are presented in pounds sterling, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at either the functional currency rate ruling at the date of the transaction or the rate at which they have been hedged using forward contracts. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date, and movements are included in the profit and loss account.

#### **Financial instruments**

The Company has entered into foreign exchange derivatives contracts to hedge economically its foreign exchange exposure on milestone payments made to foreign suppliers in relation to construction contracts. Changes to derivatives' fair value are not recognised, but they are disclosed in note 19. Upon realisation, any gains or losses are capitalised into the related fixed assets' carrying value or deferred on the balance sheet until the associated fixed asset is recognised (note 11).

# **Lincs Wind Farm Limited**

## **Notes to the financial statements for the year ended 31 December 2011 (continued)**

### **1 Principal accounting policies (continued)**

#### **Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### **Loans**

Loans payable are initially recognised at the fair value of the consideration received, after deduction of transaction costs that are directly attributable to the issue of the loan.

#### **Interest**

Interest payable is charged as incurred except where the borrowing finances tangible fixed assets in the course of construction. The amount of interest payable capitalised is limited to the actual interest payable incurred during the period in respect of expenditure to date on the asset. Once the wind farm is operational the interest capitalised will be depreciated on a straight-line basis over the wind farm's useful economic life.

#### **Abandonment provision and decommissioning asset**

Provision is made for the net present value of the estimated cost of decommissioning the wind farm at the end of its useful life, based on price levels and technology at the balance sheet date.

Changes in these estimates and changes to the discount rates are dealt with prospectively.

When this provision gives access to future economic benefits, a decommissioning asset is recognised and included within tangible fixed assets. The decommissioning asset is amortised on a straight-line basis over the useful life of the wind farm from the date that the asset is brought into use.

The unwinding of the discount on the provision is included in the profit and loss account within interest payable.

#### **Dividend distribution**

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.

# **Lincs Wind Farm Limited**

## **Notes to the financial statements for the year ended 31 December 2011 (continued)**

### **2 Segmental reporting**

The Company's activities consist solely of developing an offshore wind farm and occur wholly within the United Kingdom.

### **3 Operating loss**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Operating loss is stated after charging:</b>		
Net exchange gains on foreign currency deposits	<u>27</u>	<u>111</u>

Auditors' remuneration was £12,700 (2010: £12,400) and relates to fees for the audit of the UK GAAP statutory accounts of Lincs Wind Farm Limited.

### **4 Directors' emoluments**

The Directors received no emoluments in respect of their services to the Company during the year (2010: £nil), as they were employed by other group companies of their respective ultimate parent companies. Accordingly, no amounts are included in the financial statements for these individuals.

### **5 Employee information**

The Company has no employees and no staff costs (2010: £nil).

### **6 Interest receivable and similar income**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Interest receivable on bank deposits	<u>48</u>	<u>147</u>

### **7 Interest payable and similar charges**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Interest and fees payable on shareholder loans (notes 12 and 22)	(36,381)	(21,499)
Capitalised interest and fees (note 9)	35,743	18,982
Unwinding of discount on abandonment provision (note 13)	<u>(24)</u>	<u>-</u>
	<u>(662)</u>	<u>(2,517)</u>

# **Lincs Wind Farm Limited**

## **Notes to the financial statements for the year ended 31 December 2011 (continued)**

### **8 Tax on loss on ordinary activities**

	2011 £000	2010 £000
<b>(a) Analysis of tax charge for the year</b>		
The tax charge comprises:		
<b>Current tax:</b>		
United Kingdom corporation tax at 26.5% (2010: 28%)	13	-
Adjustments in respect of prior years	41	-
Total current tax	<u>54</u>	<u>-</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
Total tax on loss on ordinary activities	<u>54</u>	<u>-</u>

### **(b) Factors affecting the tax charge for the year**

The tax assessed for the financial year differs from that calculated at the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below:

	2011 £000	2010 £000
<b>Loss on ordinary activities before taxation</b>	<u>(920)</u>	<u>(2,818)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 26.5% (2010: 28%)	(244)	(789)
Effects of:		
Timing differences	6	-
Losses not recognised for tax purposes	82	-
UK:UK transfer pricing adjustment	169	789
Adjustment in respect of prior years	41	-
Total current tax charge for the year	<u>54</u>	<u>-</u>

A number of changes to the UK corporation tax system were announced in the March 2011 and the March 2012 Budget Statements. The main rate of corporation tax was reduced from 28% to 26% from 1 April 2011 and was substantively enacted on 29 March 2011. A further reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011 and a further reduction to 24% from 1 April 2012 was substantively enacted on 26 March 2012. Further reductions to the main rate are proposed to further reduce the rate by 1% per annum to 22% by 1 April 2014. The impact of these proposed changes on the financial statements would be nil since the company has no deferred tax balances.

# Lincs Wind Farm Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 9 Tangible assets

	Payments on account and assets under construction £000	Decommissioning asset £000	Total £000
<b>Cost</b>			
As at 1 January 2011	250,091	-	250,091
Additions	432,948	5,469	438,417
<b>As at 31 December 2011</b>	<b>683,039</b>	<b>5,469</b>	<b>688,508</b>
<b>Net book value</b>			
<b>At 31 December 2011</b>	<b>683,039</b>	<b>5,469</b>	<b>688,508</b>
At 31 December 2010	250,091	-	250,091

Interest and fees of £35,743,000 (2010: £18,982,000) have been capitalised and included within tangible asset additions in the year. The interest payable capitalised has arisen on various shareholder loans (note 12) which incur a range of interest rates between 3.13% and 9% per annum.

Included in the closing net book value is £252,376,000 (2010: £131,769,000) arising from the construction of offshore transmission assets. The expectation is that these assets will be sold to a regulated transmission company as required by legislation.

### 10 Dividends

	2011 £000	2010 £000
<b>Equity - Ordinary</b>		
Interim paid: £nil (2010: £80,000) per £1 share	-	80,000
	-	80,000

The Directors do not recommend the payment of a final dividend (2010: £nil).

## **Lincs Wind Farm Limited**

### **Notes to the financial statements for the year ended 31 December 2011 (continued)**

#### **11 Debtors**

##### **Amounts receivable within one year**

	<b>2011 £000</b>	<b>2010 £000</b>
Value Added Tax	7,535	3,964
Other debtors	8,733	3,383
Prepayments	1,408	-
	<u>17,676</u>	<u>7,347</u>

Other debtors include realised losses on foreign exchange derivatives that were entered into by the Company to hedge foreign currency risk on future fixed asset acquisitions that will arise within one year of £7,918,000 (2010: £3,381,000).

##### **Amounts receivable after more than one year**

	<b>2011 £000</b>	<b>2010 £000</b>
Other debtors	1,305	8,866
	<u>1,305</u>	<u>8,866</u>

Other debtors relate to realised losses on foreign exchange derivatives that were entered into by the Company to hedge foreign currency risk on future fixed asset acquisitions that will arise after more than one year.

# **Lincs Wind Farm Limited**

## **Notes to the financial statements for the year ended 31 December 2011 (continued)**

### **12 Creditors**

#### **Amounts falling due within one year**

	2011 £000	2010 £000
Trade creditors	39,363	18,835
Other taxation and social security costs	54	-
Other creditors	-	29
Accruals	54,588	33,822
	<u>94,005</u>	<u>52,686</u>

#### **Amounts falling due after more than one year**

	2011 £000	2010 £000
Shareholder loans	445,204	224,204
Interest payable on shareholder loans (note 22)	36,300	10,886
Commitment fees payable on standby facility (note 22)	21,580	10,613
	<u>503,084</u>	<u>245,703</u>

#### **Maturity of financial liabilities**

	2011 £000	2010 £000
In more than one year, but not more than two years	195,000	-
In more than five years	250,204	224,204
	<u>445,204</u>	<u>224,204</u>

The rates of interest payable on the shareholder loans range between 3.13% and 9% per annum.

The shareholder loans total comprises £250,204,000 (2010: £224,204,000) from the Company's immediate parent undertakings, together with £195,000,000 (2010: £nil) of standby facility loans (note 22). The Company may repay the whole or any part of the loan amount from its immediate parent undertakings at any time, but in any event the loan amount (together with interest accrued) is repayable in full by 31 December 2030. The loans from the standby facility are repayable in full by 31 March 2013. The loans are unsecured.



# Lincs Wind Farm Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 13 Provisions for liabilities

	Abandonment provision £000	Deferred tax provision £000	Total £000
As at 1 January 2011	-	-	-
Additions	5,469	-	5,469
Profit and loss charge	24	-	24
<b>As at 31 December 2011</b>	<b>5,493</b>	<b>-</b>	<b>5,493</b>

#### Abandonment provision

The abandonment provision represents the future expected costs of decommissioning the asset at the end of its useful economic life, discounted to its present value. The payment date of the total expected future decommissioning costs is uncertain but is currently anticipated to be 20 years after construction of the wind farm. The above provision relates solely to works performed on the site as at the balance sheet date. In determining the provision the cash flows have been discounted on a pre-tax basis using an annual real interest rate of 1.22%. The assumed rate of inflation is 2.5%.

#### Deferred taxation

	As at 1 January 2011 £000	Profit and loss charge/(credit) £000	As at 31 December 2011 £000
Deferred corporation tax			
- accelerated capital allowances	-	-	-
- other timing differences	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>

The deferred corporation tax provision / (asset) at 25% (2010: 27%) is analysed as follows:

	Provided		Unprovided	
	At 31 December 2011 £000	At 31 December 2010 £000	At 31 December 2011 £000	At 31 December 2010 £000
Deferred corporation tax				
- accelerated capital allowances	-	-	-	-
- other timing differences	-	-	(919)	(1,891)
	<b>-</b>	<b>-</b>	<b>(919)</b>	<b>(1,891)</b>

The unrecognised deferred tax asset of £919,000 (2010: £1,891,000) relates mainly to pre-trading expenditure.

## **Lincs Wind Farm Limited**

### **Notes to the financial statements for the year ended 31 December 2011 (continued)**

#### **14 Called up share capital**

	2011 £	2010 £
<b>Allotted and fully paid</b>		
1,000,000 ordinary shares of £0.001 each	-	1,000
119,795,964 ordinary shares of £1 each	<u>119,795,964</u>	<u>-</u>
	<u><b>119,795,964</b></u>	<u><b>1,000</b></u>

On 31 March 2011, the Company's 1,000,000 ordinary shares of £0.001 each were consolidated into £1,000 ordinary shares of £1 each with the same rights attaching to each share.

On 12 April 2011, the Company's shareholders, Lincs Renewable Energy Holdings Limited and Centrica (Lincs) Wind Farm Limited, each subscribed for 9,999,500 ordinary shares of £1 each in the Company.

On 11 May 2011, the shareholders each subscribed for a further 12,500,000 ordinary shares of £1 each in the Company.

On 16 June 2011, the shareholders each subscribed for a further 7,500,000 ordinary shares of £1 each in the Company.

On 6 July 2011, the shareholders each subscribed for a further 29,897,982 ordinary shares of £1 each in the Company.

#### **15 Profit and loss account**

	Profit and loss account £000	Total £000
At 1 January 2011	(1,011)	(1,011)
Loss for the financial year (note 16)	<u>(974)</u>	<u>(974)</u>
At 31 December 2011	<u><b>(1,985)</b></u>	<u><b>(1,985)</b></u>

#### **16 Reconciliation of movements in shareholders' funds / (deficit)**

	2011 £000	2010 £000
Loss for the financial year	(974)	(2,818)
Dividends	<u>-</u>	<u>(80,000)</u>
Retained loss for the financial year	(974)	(82,818)
Issue of share capital (note 14)	119,795	-
Opening shareholders' (deficit) / funds at 1 January	<u>(1,010)</u>	<u>81,808</u>
Closing shareholders' funds / (deficit) at 31 December	<u><b>117,811</b></u>	<u><b>(1,010)</b></u>

# **Lincs Wind Farm Limited**

## **Notes to the financial statements for the year ended 31 December 2011 (continued)**

### **17 Net cash outflow from operating activities**

	2011 £000	2010 £000
Operating loss	(306)	(448)
Increase in debtors	(1,428)	-
Increase in creditors	907	172
	<u>(827)</u>	<u>(276)</u>

### **18 Reconciliation of net debt**

	As at 1 January 2011 £000	Cash flow £000	As at 31 December 2011 £000
Cash in hand and at bank	31,075	(18,171)	12,904
Debt due after 1 year	<u>(224,204)</u>	<u>(221,000)</u>	<u>(445,204)</u>
Net debt	<u>(193,129)</u>	<u>(239,171)</u>	<u>(432,300)</u>

### **19 Financial instruments**

In accordance with Statutory Instrument 2008/410 of the Companies Act 2006, as the Company has not implemented Financial Reporting Standard No. 26 "Financial Instruments: Recognition and Measurement", the fair values of the Company's financial instruments are analysed below.

	2011 £000	2010 £000
<b>Derivative financial instruments:</b>		
Foreign exchange derivatives - assets	<u>38</u>	<u>6,508</u>
Foreign exchange derivatives - liabilities	<u>(3,728)</u>	<u>(2,393)</u>

### **20 Operating lease commitments**

At 31 December the Company had non-cancellable operating lease commitments for the following year for assets other than land and buildings as follows:

	Offshore vessel 2011 £000	2010 £000
Leases which expire:		
Within one year	31,752	-
Within two to five years	-	20,502
After five years	-	-
Total	<u>31,752</u>	<u>20,502</u>

## **Lincs Wind Farm Limited**

### **Notes to the financial statements for the year ended 31 December 2011 (continued)**

#### **21 Capital commitments**

The following capital commitments, for which no provision has been made, have been entered into by the Company at the end of the year:

	2011 £000	2010 £000
Assets under construction	<u>324,126</u>	<u>579,168</u>

#### **22 Related party transactions**

During the year, the Company incurred costs in relation to managerial and support services provided by Centrica Renewable Energy Limited of £16,075,000 (2010: £8,235,000). In addition, the Company also made payments to Centrica Renewable Energy Limited of £5,197,000 (2010: £7,603,000) as a payment towards the cost of a crane upgrade on the vessel which the Company has contracted to use during the construction of the wind farm.

During the year, the Company obtained additional shareholder loans of £26,000,000 (2010: £224,204,000) (note 12), £13,000,000 (2010: £112,102,000) from Centrica (Lincs) Wind Farm Limited and £13,000,000 (2010: £112,102,000) from Lincs Renewable Energy Holdings Limited. The Company accrued interest payable of £11,650,000 (2010: £5,443,000) to Centrica (Lincs) Wind Farm Limited and £11,650,000 (2010: £5,443,000) to Lincs Renewable Energy Holdings Limited on the cumulative loan balances.

During the year, the Company also obtained £195,000,000 of standby facility loans (2010: £nil) (note 12), £97,500,000 from Centrica Renewable Energy Limited, £48,750,000 from DONG Energy A/S and £48,750,000 from Siemens Financial Services Limited. The Company accrued interest payable of £1,057,000 (2010: £nil) to Centrica Renewable Energy Limited, £528,500 (2010: £nil) to DONG Energy A/S and £528,500 (2010: £nil) to Siemens Financial Services Limited on the standby facility loan balances.

Commitment fees payable on the undrawn portion of the £640 million standby facility repayable 31 March 2013 (2010: £640 million), of which Centrica Renewable Energy Limited's share of the above facility was £320 million (2010: £320 million), DONG Energy A/S's share was £160 million (2010: £160 million) and Siemens Financial Services Limited's share was £160 million (2010: £160 million), amounted to £5,483,000 (2010: £5,307,000) to Centrica Renewable Energy Limited, £2,742,000 (2010: £2,653,000) to DONG Energy A/S and £2,742,000 (2010: £2,653,000) to Siemens Financial Services Limited (note 12). At 31 December the remaining undrawn balance on the facility was £445 million (2010: £640 million). Furthermore, the Company's shareholders have committed to provide further funding through equity or further shareholder loans.

The Company entered into arm's length transactions with Siemens Transmission and Distribution Limited and Siemens plc Power Distribution for capital expenditure on the substation and cabling for which amounts incurred during the year were £37,178,000 (2010: £61,240,000) and £191,000 (2010: £nil) respectively. The Company has contracted with Siemens plc to supply turbines for its wind farm for which amounts incurred during the year were £118,484,000 (2010: £nil). The total value of the turbines contract is 3,162,464,000 Danish Krone. The Company has also contracted with Siemens plc to provide service and availability warranty for five years from the date the turbines become operational, although no payments had been made at 31 December 2011 (2010: £nil).

The Company has entered into foreign exchange derivatives with Centrica Renewable Energy Limited, DONG Energy A/S and Siemens Financial Services Limited in the proportions 50%/25%/25% to hedge the foreign currency risk associated with the project. The total fair value of the Company's foreign exchange derivatives at 31 December 2011 is disclosed in note 19.

## **Lincs Wind Farm Limited**

### **Notes to the financial statements for the year ended 31 December 2011 (continued)**

#### **22 Related party transactions (continued)**

At 31 December 2011 the amounts payable to Centrica (Lincs) Wind Farm Limited were £142,195,000 (2010: £117,545,000), Lincs Renewable Energy Holdings Limited £142,195,000 (2010: £117,545,000), Centrica Renewable Energy Limited £109,347,000 (2010: £10,549,000), DONG Energy A/S £54,673,500 (2010: £2,653,000), Siemens Financial Services Limited £54,673,500 (2010: £2,653,000), Siemens plc £31,901,000 (2010: £nil), Siemens Transmission and Distribution Limited £nil (2010: £14,002,000).

#### **23 Going concern**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to commitments (note 22) from its parents and parent affiliate companies Centrica Renewable Energy Limited, DONG Energy A/S, Siemens Financial Services GmbH and Siemens AG to fund the construction phase of the wind farm.

#### **24 Post balance sheet events**

On 22 February 2012 the Company entered into an arrangement with a consortium of banks to obtain £999.93 million of financing for construction and operation of the wind farm and associated assets. The arrangement consists of a number of facilities comprising term facilities to support the funding of construction costs and ancillary facilities in respect of working capital requirements. The facilities amounts will be drawn as required in accordance with the terms of the Facilities Agreement. Following completion of all required conditions precedent the initial drawdown under the facilities was made on 11 June 2012.

Following completion of construction the term facilities are to be repaid between June 2014 and the final scheduled loan repayment of June 2028. In the event that the offshore transmission assets related to the wind farm are sold, the proceeds will be used to partially repay the term debt at that time.

The interest payable on amounts drawn under the facilities is based on LIBOR for the interest period for that particular loan, plus a margin and other costs.

In accordance with the terms of the Facilities Agreement, the Company has entered into interest rate swaps to fix the rate for a significant proportion of the outstanding term debt. Furthermore, the Company maintains forward foreign exchange trades to cover a significant proportion of the foreign currency exposure arising from construction activities, as specified in the Facilities Agreement.

#### **25 Ultimate parent undertaking**

The Company's immediate parent undertakings are Centrica (Lincs) Wind Farm Limited (50%), a company registered in England and Wales, and Lincs Renewable Energy Holdings Limited (50%), a company registered in England and Wales. Lincs Renewable Energy Holdings Limited is a joint venture between DONG Energy Lincs (UK) Limited (50%), a company registered in England and Wales, and Siemens Project Ventures GmbH (50%), a company registered in Germany.

The Company's ultimate parent companies and controlling parties were Centrica plc, DONG Energy A/S, a company registered in Denmark, and Siemens AG, a company registered in Germany. Copies of the Centrica plc consolidated financial statements may be obtained from [www.centrica.com](http://www.centrica.com). Copies of the DONG Energy A/S consolidated financial statements may be obtained from the Company Secretary at DONG Energy A/S, Kraftværksvej 53, Skærbæk, 7000 Fredericia, Denmark. Copies of the Siemens AG consolidated financial statements may be obtained from the Company Secretary at Wittelsbacherplatz 2, 80333 München, Germany.