

Registration number: SC213646

# Lincs Wind Farm Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



## **Lincs Wind Farm Limited**

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## **Lincs Wind Farm Limited**

### **Company Information**

<b>Directors</b>	Philip De Villiers Karl Ben Smith Mairi Dudley Jonathan Brazier Duffy Matthew Porter Benjamin Westwood
<b>Registered office</b>	13 Queens Road Aberdeen Scotland United Kingdom AB15 4YL
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

## **Lincs Wind Farm Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The directors present their strategic report for the year ended 31 December 2019.

#### **Fair review of the business**

During the year the company continued electricity generation from its offshore site located 8 kilometres off Skegness on the east coast of England. Commercial generation is expected to continue for the foreseeable future.

The company'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 has a long-term offtake agreement which provides secure revenues from power sales.

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.

#### **Principal risks and uncertainties**

The principal risk of the business relates to the ability of the company to run its operations in a financially efficient manner, which is mitigated through meeting its business objectives. 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.

#### **Section 172(1) statement**

The company long-term plan is to operate generate fixed price revenue for the life of the wind farm and to decommission the wind farm after the economic life. 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, therefore has no interests to manage in this respect of employees. What said the directors do ensure that any service providers act in due care towards its employees while on working for the company including compiling with to 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 footprint and employs local community members to perform these tasks.

The company has committed to restore the seabed to its original form once the wind farm has reached its economic life.

The company has partnered up with reputable service provider to operate wind farm on their behalf.

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

#### **Engagement with employees**

The company has no employees, therefore the directors' have appointed service providers that do engage with its employees on an going and ethical way.

## **Lincs Wind Farm Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **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:


	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Revenue	111,047,233	106,784,575
Profit before tax	10,052,146	10,910,266
Company's net asset position	624,876,181	675,941,222

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

Approved by the Board on 7 July 2020 and signed on its behalf by:



Philip De Villiers  
Director

  
Karl Smith (Jul 8, 2020 08:46 GMT+1)

Karl Ben Smith  
Director

## **Lincs Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

#### **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

Karl Ben Smith

Mairi Dudley

Kasper Skyttegaard-Nielsen (resigned 26 June 2020)

Jonathan Brazier Duffy (appointed 13 May 2019)

Matthew Porter

Partha Vasudev (resigned 11 October 2019)

David Tilstone (resigned 13 May 2019)

The following director was appointed after the year end:

Benjamin Westwood (appointed 26 June 2020)

#### **Principal activity**

The principal activity of the company is to operate an offshore wind farm.

#### **Dividend**

During the year a dividend of £58,929,000 (2018: £60,178,323) was paid. The directors do not recommend a payment of a final dividend (2018: £-).

#### **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.

#### **Events after the reporting period**

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 a significant impact on the world economy.

Management has assessed the consequence of COVID-19 as a non-adjusting event but has decided to disclose assessment of impact.

This event, in management's opinion, do not provide evidence of conditions that have direct impact on company's business operations, assets and liabilities.

#### **Financial risk management**

The Company's activities are exposed to a variety of financial risks. Further information on financial risk management is in note 19.

## **Lincs Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Brexit**

Brexit is not in itself part of the company's risks, as the Withdrawal Agreement 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.

#### **Political donations**

During the year the company made no political donations and no individual donations to EU political parties (2018: £-).

#### **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.

#### **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.

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

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant audit information that they know of and of which they know the auditors are unaware.

#### **Reappointment of auditors**

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

#### **Statement of directors' responsibilities in respect of the financial statements**

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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.

## **Lincs Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

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.

Approved by the Board on 7/7/2020 and signed on its behalf by:



Philip De Villiers  
Director



Karl Smith (Jul 8, 2020 08:46 GMT+1)

Karl Ben Smith  
Director



## **Lincs Wind Farm Limited**

### **Independent Auditor's Report to the Members of Lincs Wind Farm Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Lincs Wind Farm Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 2019; the Statement of Comprehensive Income, the Statement of Cash Flows, 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**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

## **Lincs Wind Farm Limited**

### **Independent Auditor's Report to the Members of Lincs Wind Farm Limited (continued)**

#### **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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 set out on page , 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.

## **Lincs Wind Farm Limited**

### **Independent Auditor's Report to the Members of Lincs Wind Farm Limited (continued)**

#### ***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.

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](http://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.

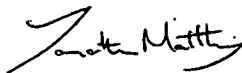
#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

- we have not received 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  
1 Embankment Place  
London  
United Kingdom  
WC2N 6RH

Date: 8/7/2020

# **Lincs Wind Farm Limited**

## **Statement of comprehensive income for the Year Ended 31 December 2019**

	Note	2019 £	2018 £
Revenue	4	111,047,233	106,784,575
Cost of sales		<u>(72,315,391)</u>	<u>(69,987,150)</u>
Gross profit		38,731,842	36,797,425
Administrative expenses		(23,455,866)	(26,536,993)
Other operating (expense) / income	5	<u>(3,277,981)</u>	<u>1,363,930</u>
Operating profit		<u>11,997,995</u>	<u>11,624,362</u>
Finance income		-	508,378
Finance costs		<u>(1,945,849)</u>	<u>(1,222,474)</u>
Net finance cost	6	<u>(1,945,849)</u>	<u>(714,096)</u>
Profit before tax		10,052,146	10,910,266
Income tax expense	9	<u>(2,188,187)</u>	<u>(2,051,036)</u>
Profit for the year		<u>7,863,959</u>	<u>8,859,230</u>
Total comprehensive income for the year		<u>7,863,959</u>	<u>8,859,230</u>

The above results were derived from continuing operations.

There were no other comprehensive income or expenses (2018: £-) during the year.

# Lincs Wind Farm Limited

(Registration number: SC213646)

## Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	681,233,725	723,114,600
<b>Current assets</b>			
Inventories	11	168,828	168,828
Trade and other receivables	12	20,074,180	20,839,673
Income tax asset		5,523	5,523
Cash and cash equivalents	13	4,222,909	1,613,645
		<u>24,471,440</u>	<u>22,627,669</u>
<b>Total assets</b>		<u>705,705,165</u>	<u>745,742,269</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	(348,817,276)	(348,817,276)
Retained earnings		<u>(276,058,905)</u>	<u>(327,123,946)</u>
<b>Total equity</b>		<u>(624,876,181)</u>	<u>(675,941,222)</u>
<b>Non-current liabilities</b>			
Long term lease liabilities		(10,953,357)	-
Provisions	17	(40,485,785)	(39,244,783)
Deferred tax liabilities	9	<u>(20,227,209)</u>	<u>(18,039,021)</u>
		<u>(71,666,351)</u>	<u>(57,283,804)</u>
<b>Current liabilities</b>			
Current portion of long term lease liabilities		(1,011,912)	-
Trade and other payables	16	<u>(8,150,721)</u>	<u>(12,517,243)</u>
		<u>(9,162,633)</u>	<u>(12,517,243)</u>
<b>Total liabilities</b>		<u>(80,828,984)</u>	<u>(69,801,047)</u>
<b>Total equity and liabilities</b>		<u>(705,705,165)</u>	<u>(745,742,269)</u>

The notes on pages 15 to 39 form an integral part of these financial statements.

**Lincs Wind Farm Limited**

**(Registration number: SC213646)**

**Statement of Financial Position as at 31 December 2019 (continued)**

The financial statements on pages 10 to 39 were approved by the Board of directors on 7/7/2020 and signed on its behalf by:



.....  
Philip De Villiers  
Director



.....  
Karl Ben Smith (Jul 8, 2020 08:46 GMT+1)  
.....

Karl Ben Smith  
Director

The notes on pages 15 to 39 form an integral part of these financial statements.

**Lincs Wind Farm Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2019**

	Share capital £	Retained earnings £	Total £
At 1 January 2019	348,817,276	327,123,946	675,941,222
Total comprehensive income	-	7,863,959	7,863,959
Dividends	-	(58,929,000)	(58,929,000)
At 31 December 2019	<u>348,817,276</u>	<u>276,058,905</u>	<u>624,876,181</u>

	Share capital £	Retained earnings £	Total £
At 1 January 2018	348,817,276	378,443,039	727,260,315
Total comprehensive income	-	8,859,230	8,859,230
Dividends	-	(60,178,323)	(60,178,323)
At 31 December 2018	<u>348,817,276</u>	<u>327,123,946</u>	<u>675,941,222</u>

The notes on pages 15 to 39 form an integral part of these financial statements.  
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# Lincs Wind Farm Limited

## Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Profit for the year		7,863,959	8,859,230
<i>Adjustments to cash flows from non-cash items</i>			
Depreciation		50,592,402	49,320,076
Financial instrument net gains (losses) through profit and loss		-	(407,770)
Loss on disposal of property plant and equipment		678,702	-
Finance income	6	-	(508,378)
Finance costs	6	1,945,849	1,222,474
Income tax expense	9	2,188,187	2,051,036
		<u>63,269,099</u>	<u>60,536,668</u>
Working capital adjustments			
Decrease in inventories	11	-	20,000
Decrease/(increase) in trade and other receivables	12	765,492	(4,215,260)
Increase/(decrease) in trade and other payables	16	4,004,618	(370,078)
		<u>68,039,209</u>	<u>55,971,330</u>
<b>Cash flows from investing activities</b>			
Interest received	6	-	508,378
Acquisitions of property plant and equipment		(5,746,220)	(164,626)
Proceeds from sale of property plant and equipment		257,438	-
		<u>(5,488,782)</u>	<u>343,752</u>
<b>Cash flows from financing activities</b>			
Interest paid	6	(253)	-
Principle elements of lease payments		(1,011,910)	-
Dividends paid	18	(58,929,000)	(60,178,323)
		<u>(59,941,163)</u>	<u>(60,178,323)</u>
Net cash flows used in financing activities			
		<u>(59,941,163)</u>	<u>(60,178,323)</u>
Net increase/(decrease) in cash and cash equivalents		2,609,264	(3,863,241)
Cash and cash equivalents at 1 January		1,613,645	5,476,886
Cash and cash equivalents at 31 December		<u>4,222,909</u>	<u>1,613,645</u>

The notes on pages 15 to 39 form an integral part of these financial statements.



## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

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

The address of its registered office is:

13 Queens Road  
Aberdeen  
Scotland  
United Kingdom  
AB15 4YL

#### **2 Accounting policies**

##### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

##### **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**

The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the 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.

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

##### **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.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Implementation of new or changed accounting standards and interpretations**

###### **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 2019, we have implemented the following new or amended standards (IAS and IFRS) and interpretations:

- IFRS 16 'Leases'. See separate section below.
- Prepayment Features with Negative Compensation - Amendments to IFRS 9
- Long-term interests in Associates and Joint Ventures - Amendments to IAS 28
- Annual improvements to IFRS Standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

Besides the impact from IFRS 16, 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.

###### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 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.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Changes resulting from adoption of IFRS 16**

###### **New standards, interpretations and amendments effective**

The following have been applied for the first time from 1 January 2019 and have had an effect on the financial statements:

- IFRS 16, 'Leases'

On 1 January 2019, the Company implemented IFRS16, 'Leases', which replaced IAS17 and IFRIC4. We have implemented IFRS16 with retrospective effect. However, we have used the relief from restating comparative figures (modified retrospective method). Therefore, the comparative figures are prepared and presented in accordance with IAS17 and IFRIC4.

The new standard changes the accounting treatment of leases which there previously reported as operating leases. The standard requires that all leases, regardless of type and with few exceptions, are recognised in the lessee's balance sheet as an asset with a related liability. Also, the lessee's statement of comprehensive income is affected, as the annual lease costs consist of two elements - depreciation and interest expenses - as opposed to prior reported periods, where the annual costs relating to operating leases was recognised as one amount in other external expenses or in property, plant and equipment in connection with the construction.

The change in the policy will have an impact on both the balance sheet and the statement of comprehensive income. The impact at 1 January 2019 was deviate from the present value of the future minimum lease payments stated in note 16 for the following reasons:

On recognition of lease obligations in the balance sheet at 1 January 2019, the company has applied incremental borrowing rates in the determination of the present value of the lease obligations. At 1 January 2019, the present value of our lease obligations was determined at an interest rate of 3.41%.

The company has implemented the standard based on the modified retrospective method, which grants the relief from restating comparative figures. Therefore, the comparative figures are prepared and presented in accordance with IAS 17 and IFRIC 4. The company has calculated and recognised the cumulative effect for all ongoing leases at 1 January 2019. Furthermore, the company has used the other available reliefs to the widest possible extent, including the exclusion of leases with a term to maturity of less than 12 months and low-value assets.

	£
Operating lease commitments at 31 December 2018	<u>14,174,000</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>11,965,269</u>
Lease liabilities recognised at 1 January 2019	<u>11,965,269</u>

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 3.41%.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### Impact on Statement of Financial Position as at 1 January 2019

	Note	Previous accounting policy 1 January 2019 £	Effect of change in accounting policy 1 January 2019 £	New accounting policy 1 January 2019 £
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		723,114,600	12,549,249	735,663,849
<b>Equity and liabilities</b>				
<b>Non-current liabilities</b>				
Lease liabilities (non-current)		-	11,537,337	11,537,337
<b>Current liabilities</b>				
Lease liabilities (current)		-	1,011,912	1,011,912
Total equity and liabilities		-	12,549,249	12,549,249

#### 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

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **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:

##### *Performance obligations*

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.

##### *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.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **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.

##### **Tax**

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.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts and the tax base of assets and liabilities.

Deferred tax is measured on the basis of management's planned use of the asset or settlement of the liability respectively. Deferred tax assets are recognised at the value at which they are expected to be utilised either by elimination against tax on future earnings or by offsetting against deferred tax liabilities.

Deferred tax is measured in accordance with the tax rules and tax rates that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit (loss) for the year.

##### **Property, plant and equipment**

Property, plant and equipment is included on the balance sheet at historical cost, less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition. Capitalisation begins when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the asset for use are complete.

Depreciation commences at the point of commercial deployment.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Decommissioning asset	Straight line method over 20 years
Right of use asset	Straight line method over 20 years
Wind farm	Straight line method over 20 years

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

##### **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. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

##### **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.

##### **Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

##### **Leases**

Lease payments under operating leases are recognised on a straight-line basis in profit (loss) for the year over the term of the lease if the agreement concerns operating expenses. Lease payments in respect of construction of assets will be added to the cost in line with the construction of the asset.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Provisions**

###### **General**

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the company has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

###### **Decommissioning provision**

Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning and restoration as expected at the balance sheet date. An associated decommissioning asset for the value of the provision is recognised in property, plant and equipment and depreciated together with the associated asset. The increase in time of the present value of the provision is recognised in profit (loss) for the year as finance expenses.

###### **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.

###### **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.

###### **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.



## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial assets and liabilities**

IFRS 9 - Financial Instruments.

##### ***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 company 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***

We keep our receivables until maturity, and they are therefore measured at amortised cost. Write-down is carried out from initial recognition of our receivables. The write-down is calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable. The discount rate used is the effective interest rate. We apply the simplified approach to the write-down of trade receivables, which permits calculating the write-down as the full loss during the entire term of the receivable.

##### ***Financial liabilities***

The company classifies its financial liabilities in the following categories:

- 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 amortised cost.

The company only has financial liabilities classified as other financial liabilities at amortised 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 amortised 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 the statement of comprehensive income.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Impairment of non-financial assets**

Non-financial assets 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.

Production assets are tested for impairment if there is any indication of impairment. For production assets with a limited lifetime as wind turbines, cash flows are calculated based on forecasts for the entire lifetime of the asset. The determination of the recoverable amount for production assets is based on a number of assumptions. Such assumptions include future market conditions, market prices, electricity, weighted average cost of capital (WACC) and exchange rates.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the company's financial statements requires management to make judgements, 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 judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### **Deferred tax**

Deferred tax assets, including the tax base of tax loss carry-forwards, are reassessed annually and recognised to the extent that it is probable that they will be utilised in the foreseeable future. Management's reassessment is based on future outlook of the investment plan and expected revenue generation.

##### **Decommissioning provisions**

Estimates of decommissioning obligations are based on management's expectations concerning timing and scope, future cost level, and adopted laws and regulations on decommissioning. The timing of decommissioning obligations depends on the useful lives of the assets. In determining the discounting of decommissioning obligations at 31 December 2019, a discount rate of 3.5% is applied (31 December 2018: 3.5%). The applied discount rate of 3.5% is expected to be applied over a prolonged period. The rate has been estimated on the basis of expectations concerning the future, long-term interest rate level, based on the historical interest rate level. The extent to which decommissioning and restoration will be required is estimated based on current legislation and standards in this area. Expectations concerning the future cost level are based on variables such as expectations concerning the general price trend, demand conditions and the development in existing technologies.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 4 Revenue

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

	2019 £	2018 £
Sale of electricity	111,047,233	106,770,980
Other revenue	-	13,595
	<u>111,047,233</u>	<u>106,784,575</u>

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

Timing of revenue recognition from customers :

	2019 £	2018 £
Over time	111,047,233	106,784,575

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.

#### 5 Other operating income

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

	2019 £	2018 £
Miscellaneous other operating income	<u>(3,277,981)</u>	<u>1,363,930</u>

Other operating expenses relates to compensation paid during the year for non performance of certain contractual requirements, by one of the company's trading vendors.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 6 Net finance cost

	2019 £	2018 £
<b>Finance income</b>		
Interest income on bank deposits	-	10,247
Foreign exchange gains	-	498,131
Total finance income	-	508,378
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(253)	-
Foreign exchange losses	(144,994)	-
Unwinding of discount on decommissioning provision	(1,372,670)	(1,222,474)
Interest expense on leases	(427,932)	-
Total finance costs	(1,945,849)	(1,222,474)
Net finance costs	(1,945,849)	(714,096)

#### 7 Employees and directors

There were no (2018: nil) employees during the year. The directors received no (2018: £nil) emoluments during the year, in respect of their services to the company.

The directors appointed by Macquarie Group Limited are remunerated through their respective group company structure. It is not possible to allocate these directors remuneration for their services to the company.

The directors appointed by the Orsted Energy group are remunerated by other companies within the Orsted A/S group for their services to the group as a whole. It is not possible to allocate these directors remuneration for their services to the company.

#### 8 Auditors' remuneration

	2019 £	2018 £
Audit of the financial statements	11,715	22,000

There has been no non-audit remuneration paid to the auditors' or their associates in the current and prior years.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Income tax expense

Tax charged in the statement of comprehensive income

	2019 £	2018 £
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	2,160,201	2,252,443
Adjustments in respect of prior periods	<u>27,986</u>	<u>(201,407)</u>
Total deferred taxation	<u><u>2,188,187</u></u>	<u><u>2,051,036</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>10,052,146</u>	<u>10,910,266</u>
Corporation tax at standard rate	1,909,908	2,072,951
Adjustments relating to prior years	27,986	(201,408)
Non deductible expenses	504,435	444,486
Effect of changes in tax rates	<u>(254,141)</u>	<u>(264,993)</u>
Total tax charge	<u><u>2,188,188</u></u>	<u><u>2,051,036</u></u>

Factors that might affect future tax charges:

The main rate of UK corporation tax in the year was 19%. The UK government has announced its intention to maintain the rate at 19%, however, at 31 December 2019 the legislation to repeal the enacted rate reduction to 17% from 1 April 2020 had yet to be introduced. Therefore deferred tax balances continue to be recognised at 17%.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Income tax expense (continued)

##### Deferred tax

Deferred tax movement during the year:

	At 1 January 2019 £	Recognised in income £	At 31 December 2019 £
Accelerated tax depreciation	(41,735,353)	(3,167,894)	(44,903,247)
Provisions	(3,858,675)	979,706	(2,878,969)
Tax losses carry-forwards	27,555,007	-	27,555,007
Net tax assets/(liabilities)	<u>(18,039,021)</u>	<u>(2,188,188)</u>	<u>(20,227,209)</u>

Deferred tax movement during the prior year:

	At 1 January 2018 £	Recognised in income £	At 31 December 2018 £
Accelerated tax depreciation	(49,631,956)	7,896,603	(41,735,353)
Provisions	(4,791,547)	932,872	(3,858,675)
Tax losses carry-forwards	38,435,518	(10,880,511)	27,555,007
Net tax assets/(liabilities)	<u>(15,987,985)</u>	<u>(2,051,036)</u>	<u>(18,039,021)</u>

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 10 Property, plant and equipment

	Right of use asset £	Decommissioning assets £	Wind farm £	Total £
<b>Cost</b>				
At 1 January 2018	-	26,230,594	957,093,432	983,324,026
Increase in decommissioning estimate	-	9,878,428	-	9,878,428
Additions	-	-	164,626	164,626
At 31 December 2018	-	36,109,022	957,258,058	993,367,080
At 1 January 2019	12,549,249	36,109,022	957,258,058	1,005,916,329
Decrease in decommissioning estimate	-	(131,668)	-	(131,668)
Additions	-	-	(2,769,914)	(2,769,914)
Disposals	-	-	(936,140)	(936,140)
At 31 December 2019	12,549,249	35,977,354	953,552,004	1,002,078,607
<b>Accumulated depreciation</b>				
At 1 January 2018	-	5,605,877	215,326,527	220,932,404
Charge for year	-	1,435,010	47,885,066	49,320,076
At 31 December 2018	-	7,040,887	263,211,593	270,252,480
At 1 January 2019	-	7,040,887	263,211,593	270,252,480
Charge for the year	896,375	2,139,318	47,814,148	50,849,841
Disposal	-	-	(257,439)	(257,439)
At 31 December 2019	896,375	9,180,205	310,768,302	320,844,882
<b>Carrying amount</b>				
At 31 December 2019	11,652,874	26,797,149	642,783,702	681,233,725
At 31 December 2018	-	29,068,135	694,046,465	723,114,600

The depreciation charge for the year of £50,592,402 (2018 - £49,320,076) is included in cost of sales.

Final CAPEX tail end work was settled in the current year and the CAPEX accrual carried from prior year was reversed. The final payment was substantial large then the CAPEX accrual that was reversed, this resulted in a negative addition in the current year disclosed in Wind Farm asset.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Inventories

	31 December 2019 £	31 December 2018 £
Raw materials and consumables	<u>168,828</u>	<u>168,828</u>

The cost of inventories recognised as an expense in the year amounted to £- (2018 - £20,200). This is included within Administrative expenses. During the year no write off or provision was raised for obsolete inventory.

#### 12 Trade and other receivables

	31 December 2019 £	31 December 2018 £
Trade receivables	9,174	1,527,758
Receivables from related parties	11,629,736	10,945,780
Other receivables	20,000	20,000
Prepayments and accrued income	7,666,637	7,072,019
VAT debtor	<u>748,633</u>	<u>1,274,116</u>
	<u>20,074,180</u>	<u>20,839,673</u>

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk review note 19.

Receivables from related parties are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

The carrying value of trade and other receivables classified as financial assets at amortised costs are disclosed in the table below.

	31 December 2019 £	31 December 2018 £
<b>At amortised cost</b>		
Customers	<u>11,638,910</u>	<u>12,473,538</u>



## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 12 Trade and other receivables (continued)

Receivables from customers are recognised during the normal course of business and include amounts due from group companies.

The Company's financial instruments are measured at amortised cost. The fair value of financial instruments measured at amortised cost is identical to the carrying amount due to their short-term nature.

#### 13 Cash and cash equivalents

	31 December 2019	31 December 2018
	£	£
Cash at bank	<u>4,222,909</u>	<u>1,613,645</u>

The company's cash at bank is classified as financial asset at amortised costs.

#### 14 Share capital

##### Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>348,817,276</u>	<u>348,817,276</u>	<u>348,817,276</u>	<u>348,817,276</u>

All authorised shares are issued.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 15 Leases

	31 December 2019 £
Long term lease liabilities	<u>(10,953,357)</u>
Current portion of long term lease liabilities	<u>(1,011,912)</u>

#### Land and buildings

Seabed leases include variable lease payments which depend on the number of megawatt hours generated. However, we have typically agreed on minimum lease payments for the seabeds and these minimum payments are included in the lease liabilities.

#### Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2019 £
Within 1 year	1,011,912
In one to five years	4,254,119
Over five years	<u>10,898,189</u>
Total lease liabilities (undiscounted)	<u>16,164,220</u>

#### Operating lease 2018

The total future value of minimum lease payments is as follows:

	31 December 2018 £
Within one year	986,000
In one to five years	3,768,000
In over five years	<u>9,420,000</u>
	<u>14,174,000</u>

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 16 Trade and other payables

	31 December 2019 £	31 December 2018 £
Trade payables	29,014	-
Accrued expenses	555,697	8,736,787
Amounts due to related parties	6,758,919	2,886,722
Other payables	<u>807,091</u>	<u>893,734</u>
	<u>8,150,721</u>	<u>12,517,243</u>

Accrued expenses in prior year is mainly made of capital payments that was paid in the current year as tail end work.

Amounts due to related parties are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

The fair value of the trade and other payables classified as financial instruments are disclosed below.

The carrying value of trade and other payables classified as other financial liabilities at amortized cost are disclosed in the table below.

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note 19.

	31 December 2019 £	31 December 2018 £
Trade and other payables at amortised cost - Suppliers	<u>7,343,630</u>	<u>11,623,509</u>

Payables to suppliers are recognised during the normal course of business and include amounts due to group companies.

The company's financial instruments are not measured at fair value. Due to their short-term nature, trade and other payables approximates their fair value.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 17 Provisions

	Decommissioning £	Total £
At 1 January 2019	39,244,783	39,244,783
Change in estimates	(131,668)	(131,668)
Charged to the statement of comprehensive income	<u>1,372,670</u>	<u>1,372,670</u>
At 31 December 2019	<u>40,485,785</u>	<u>40,485,785</u>
Non-current liabilities	<u>40,485,785</u>	<u>40,485,785</u>

	Decommissioning £	Total £
At 1 January 2018	28,143,880	28,143,880
Change in estimates	9,878,428	9,878,428
Charged to the statement of comprehensive income	<u>1,222,475</u>	<u>1,222,475</u>
At 31 December 2018	<u>39,244,783</u>	<u>39,244,783</u>
Non-current liabilities	<u>39,244,783</u>	<u>39,244,783</u>

The Decommissioning provision is calculated as the present value of estimated decommissioning costs using a discount rate of 3.50% (2018: 3.50%). Included within fixed assets is an amount of £35,977,354 (2018: £36,109,022) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2020 and future years. The decommissioning asset is being depreciated over the expected life of the wind farm.

The decommissioning provision represents the future expected costs of decommissioning the wind farm 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 2033. The above provision relates solely to assets held as at the date of these financial statements.

#### 18 Dividends

	31 December 2019 £	31 December 2018 £
Interim dividend of £0.1689 (2018: £0.1725) per each ordinary share	<u>58,929,000</u>	<u>60,178,323</u>

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **19 Financial risk management and impairment of financial assets**

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. Further quantitative information in respect of these risks is presented throughout these financial statements. 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. The company is part of a Group which has a centrally managed risk management policy. Further details of this policy and how it is managed is included in the most recent Annual report and Financial Statements of the Orsted Group.

##### **1. Market Risk**

Market risk includes interest risk and foreign exchange risk.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates are minimal as Company has no debt and are primarily due to related parties.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 19 Financial risk management and impairment of financial assets (continued)

##### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when expenses are denominated in a foreign currency). The net exposure of each currency is monitored and managed by the central treasury function through a mandate from the Board of directors.

The company has no risk if the Pound Sterling increase or decrease by 10%. This is based on the total liabilities in other currencies than Pound Sterling totalling £4,397 : (2018 : £12,347).

##### 2. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and related Group entities.

This risk is mitigated by the strong on-going customer relationships and credit rating. The bulk composition of trading counterparties are fellow Group and other related party entities, the associated risk of default is low and there is no concentration of credit risk.

No receivables were past due and impaired at 31 December 2019 and 31 December 2018.

##### 3. Liquidity Risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows do not cover all the financial obligations, the company can access credit facilities from its shareholders. The company is in a position to meet its commitments and obligations as they become due.

##### Maturity analysis

2019	Accrued expenses	Amounts due to related parties	Total
	£	£	£
Between 1 and three months	555,697	6,758,919	7,314,616
Within 1 year	-	-	-
	<u>555,697</u>	<u>6,758,919</u>	<u>7,314,616</u>

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 19 Financial risk management and impairment of financial assets (continued)

2018	Accrued expenses	Amounts due to related parties	Total
	£	£	£
Between 1 and three months	-	2,886,722	2,886,722
Within 6 months	4,368,394	-	4,368,394
Between 6 months and 1 year	4,368,393	-	4,368,393
	<u>8,736,787</u>	<u>2,886,722</u>	<u>11,623,509</u>

#### Capital risk management

##### 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 adjust the amount of dividends paid to the shareholder, 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 shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

#### 20 Events after the reporting period

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 a significant impact on the world economy.

Management has assessed the consequence of COVID-19 as a non-adjusting event but has decided to disclose assessment of impact.

This event, in management's opinion, do not provide evidence of conditions that have direct impact on company's business operations, assets and liabilities.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 21 Related party transactions

##### General related parties

Lyle JV Holdings Limited, UK Green Investments Lyle Limited, Orsted A/S, Orsted Wind Power A/S and Orsted Lincs (UK) Limited, are considered to be related parties as they are members of groups that are considered to be the ultimate controlling parties of the Company.

##### Income and receivables from related parties

The company has entered into transaction with Lyle JV Holdings Limited, UK Green Investments Lyle Limited and Orsted Lincs (UK) Limited.

Income and receivables	Lyle JV Holdings Limited	UK Green Investment Lyle Limited	Orsted Lincs (UK) Limited
	2019	2019	2019
	£	£	£
<b>Transactions</b>			
Sales of generated electricity and associated environmental credits	48,820,398	34,396,190	27,738,862
<b>Balance outstanding at balance sheet date</b>			
Trade and other receivables	8,490,405	5,981,876	4,824,093
	2018	2018	2018
	£	£	£
<b>Transactions</b>			
Sales of generated electricity and associated environmental credits	46,982,745	33,101,479	26,608,324
<b>Balance outstanding at balance sheet date</b>			
Trade and other receivables	3,968,586	2,557,640	4,419,554



## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 21 Related party transactions (continued)

##### Expenditure with and payables to related parties

The company has arm's length transactions with related parties, which includes the purchase of operating & maintenance, management and support services from Orsted Wind A/S. The purchase of wind turbine generator maintenance services from Orsted Wind A/S.

Expenses and payables	Orsted Wind A/S 2019 £
<b>Transactions</b>	
Purchases of goods and services	25,694,480
<b>Balance outstanding at balance sheet date</b>	
Trade and other payables	6,758,919
<b>Expenses and payables</b>	Orsted Wind A/S 2018 £
<b>Transactions</b>	
Purchases of goods and services	17,547,664
<b>Balance outstanding at balance sheet date</b>	
Trade and other payables	2,886,722

#### 22 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Lincs Wind Farm Holdings Limited (100%), Lincs Wind Farm Holdings Limited is owned by UK Green Investment Lyle Limited (31%), Lyle JV Holdings Limited (44%) and Orsted Lincs (Uk) Limited (25%).

The controlling parties of company are Macquarie GIG Renewables Energy Fund 1, Macquarie GIG Renewable Energy Co-Investment Fund L.P, Macquarie European Infrastructure Fund 5 LP, both incorporated in England and Wales, Macquarie European Infrastructure 5 SCSp, incorporated in Grand Duchy of Luxembourg and Orsted A/S, incorporated in Denmark.

Copies of the Orsted A/S (the smallest and largest group in which the results of the company are consolidated are those headed by Orsted A/S) consolidated financial statements may be obtained from the Company Secretary at Orsted A/S, Kraftværksvej 53, Skærbæk DK - 7000 Fredericia, Denmark.