

Registration number: SC213646

# Lincs Wind Farm Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



# **Lincs Wind Farm Limited**

## **Contents**

	<b>Page(s)</b>
Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 7
Independent Auditors' Report	8 to 11
Statement of Comprehensive Income	12
Statement of Financial Position	13 to 14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to the Financial Statements	17 to 46

## **Lincs Wind Farm Limited**

### **Company Information**

<b>Directors</b>	Philip De Villiers Karl Ben Smith Jonathan Brazier Duffy Benjamin Westwood Samuel James Claxton Tony Lyon
<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 2021**

The directors present their strategic report for the year ended 31 December 2021.

#### **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. The site comprises of 75 wind turbines, giving total installed capacity of 270MW.

During the year company continued electricity generation from its offshore site. 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.

#### **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>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Revenue	116,512,965	112,899,330
Profit before tax	9,482,303	13,195,430
Company's net asset position	508,262,596	569,454,757

Revenue in 2021 increased due to indexation of the electricity fee. Profit before tax in 2021 was lower due to increase in maintenance cost. The company's net asset position as at 31.12.2021 was lower than as at 31.12.2020 primarily due to depreciation charge for the year decreasing the current value of Property Plant and equipment.

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.

## **Lincs Wind Farm Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **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. The directors use service provider for all operational activities. The directors ensure that any service provider acts in due care towards its employees while working for the company including complying 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 its behalf.

When making decisions the board considers how this will impact all shareholders and ensures not preference is given to any shareholder.

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

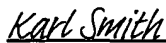
#### **Engagement with employees**

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

Approved by the Board on 7/6/2022 and signed on its behalf by:



.....  
**Philip De Villiers**  
Director



.....  
Karl Smith (Jun 7, 2022 15:54 GMT+1)

**Karl Ben Smith**  
Director

## **Lincs Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The directors present their report and the audited financial statements for the year ended 31 December 2021.

#### **Incorporation**

The company was incorporated in Scotland on 11 December 2000 as a private company limited by shares under the Companies Act 2006. The address of its registered office is 13 Queens Road, Aberdeen, Scotland, United Kingdom, AB15 4YL.

As at 31 December 2021, the company was owned by Lincs Wind Farm (Holding) Limited (100 %).

#### **Directors' of the company**

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

Philip De Villiers

Karl Ben Smith

Jonathan Brazier Duffy

Benjamin Westwood

Samuel James Claxton

Tony Lyon

#### **Principal activities**

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

#### **Financial instruments**

The Company's activities are exposed to a variety of financial risks. Further information on financial risk management is in note 22

#### **Result for the year**

The Company's net result for the current financial year was a loss of £(1,157,161) (2020: profit £9,211,054) moved to retained earnings.

#### **Dividend**

During the year a dividend or interim dividends of £60,035,000 (2020: £64,632,478) was paid. The directors do not recommend a payment of a final dividend (2020: £-).

#### **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.

#### **Climate change**

The physical and transitional risks of climate change have been considered for their impact on the company and the financial statements, including forward looking estimates, and determined not to be material.

## **Lincs Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### **COVID-19**

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

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

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

#### **Statement of business relationships**

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

#### **Political donations**

During the year the company made no political donations and no individual donations to UK or non UK political parties (2020: £-).

#### **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 of approval of the financial statements.

Given the majority of revenues and costs are based on fixed contracts; the high levels of operating cash inflows; and there are no indications of any events that would result in significant one off payments by the Company, the directors have not identified any severe but plausible downside scenarios that would impact the going concern conclusion.

#### **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.

#### **Streamlined Energy and Carbon Reporting**

The table below shows the company's total purchases of energy consumption during the year. The company has reported this energy consumption under Scope 2 per the UK Government Streamlined Energy and Carbon Reporting (SECR) requirements. Note all energy purchases are electricity and are for the company own consumption.

Company took part in a GRESB (Global Real Estate Sustainability Benchmarks) asset level sustainability assessment in the year and plans to continue to do so in foreseeable future in order to manage its emissions.

## Lincs Wind Farm Limited

### Directors' Report for the Year Ended 31 December 2021 (continued)

	Total Purchases	Total Emissions
Summary of Scope 2 - indirect emissions for the current year	kWh	tCO <sub>2</sub> e
	2021	2021
Electricity purchases - imports to offshore wind farm	2,112,181	448
	2020	2020
Electricity purchases - imports to offshore wind farm	2,580,729	602

Note table above consumption is converted based on government recommend rates, due to the difficulty in splitting out electricity purchased from the UK national grid at source level.

Prior year table has been updated with the most up to date data to aid comparison.

	2021	2020
Intensity ratio (tCO <sub>2</sub> e / kW)	0.17%	0.22%

Table above shows the company's emission as a percentage of total installed capacity of 270 MW.

#### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. 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 the UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### Directors' confirmations

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



## **Lincs Wind Farm Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **Reappointment of auditors**

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

Approved by the Board on 7/6/2022 and signed on its behalf by:



.....  
**Philip De Villiers**  
Director



.....  
Karl Smith (Jun 7, 2022 15:54 GMT+1)

**Karl Ben Smith**  
Director

# Independent auditors' 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 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2021; the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

## **Lincs Wind Farm Limited**

### **Reporting on other information**

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

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

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

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

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

*As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Lincs Wind Farm Limited**

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- enquiry of management and those charged with governance around actual and potential litigation and claims or fraud and any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- testing a selection of journal entries identified as exhibiting fraudulent characteristics;
- evaluating the business rationale of significant transactions outside the normal course of business; and
- challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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.

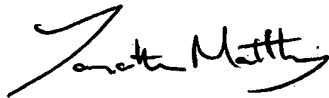
## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Matthews (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
07 June 2022

## Lincs Wind Farm Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Revenue	4	116,512,965	112,899,330
Cost of sales		<u>(77,855,812)</u>	<u>(74,194,744)</u>
Gross profit		38,657,153	38,704,586
Administrative expenses		(25,520,223)	(22,224,377)
Other operating expense	5	<u>(1,831,203)</u>	<u>(1,540,429)</u>
Operating profit	6	<u>11,305,727</u>	<u>14,939,780</u>
Finance income		1,266	-
Finance costs	7	<u>(1,824,690)</u>	<u>(1,744,350)</u>
Net finance cost	7	<u>(1,823,424)</u>	<u>(1,744,350)</u>
Profit before tax		9,482,303	13,195,430
Income tax expense	10	<u>(10,639,464)</u>	<u>(3,984,376)</u>
(Loss)/profit for the year		<u><u>(1,157,161)</u></u>	<u><u>9,211,054</u></u>

The above results were derived from continuing operations.

There were no other comprehensive income or expenses (2020: £-) during the year.

The notes on pages 17 to 46 form an integral part of these financial statements.

**Lincs Wind Farm Limited**

**(Registration number: SC213646)**

**Statement of Financial Position as at 31 December 2021**

	Note	31 December 2021 £	31 December 2020 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	581,043,143	629,755,128
<b>Current assets</b>			
Inventories	12	168,828	168,828
Trade and other receivables		20,202,895	15,077,113
Cash and cash equivalents	14	2,556,739	7,707,634
		<u>22,928,462</u>	<u>22,953,575</u>
Total assets		<u>603,971,605</u>	<u>652,708,703</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	15	(348,817,276)	(348,817,276)
Retained earnings		<u>(159,445,320)</u>	<u>(220,637,481)</u>
Total equity		<u>(508,262,596)</u>	<u>(569,454,757)</u>
<b>Non-current liabilities</b>			
Long term lease liabilities	17	(8,141,833)	(8,818,525)
Provisions	18	(43,888,037)	(41,812,134)
Deferred tax liabilities	10	<u>(33,959,028)</u>	<u>(24,084,942)</u>
		<u>(85,988,898)</u>	<u>(74,715,601)</u>
<b>Current liabilities</b>			
Current portion of long term lease liabilities	17	(1,011,912)	(1,011,912)
Trade and other payables	19	(8,345,866)	(7,399,603)
Income tax liability		<u>(362,333)</u>	<u>(126,830)</u>
		<u>(9,720,111)</u>	<u>(8,538,345)</u>
Total liabilities		<u>(95,709,009)</u>	<u>(83,253,946)</u>
Total equity and liabilities		<u>(603,971,605)</u>	<u>(652,708,703)</u>

The notes on pages 17 to 46 form an integral part of these financial statements.

**Lincs Wind Farm Limited**

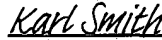
**(Registration number: SC213646)**

**Statement of Financial Position as at 31 December 2021 (continued)**

The financial statements on pages 12 to 46 were approved by the Board of directors on 7/6/2022 and signed on its behalf by:



.....  
**Philip De Villiers**  
Director



.....  
Karl Smith (Jun 7, 2022 15:54 GMT+1)

**Karl Ben Smith**  
Director

The notes on pages 17 to 46 form an integral part of these financial statements.



**Lincs Wind Farm Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital £	Retained earnings £	Total £
At 1 January 2021	348,817,276	220,637,481	569,454,757
Total comprehensive expense	-	(1,157,161)	(1,157,161)
Dividends	-	(60,035,000)	(60,035,000)
At 31 December 2021	<u>348,817,276</u>	<u>159,445,320</u>	<u>508,262,596</u>

	Share capital £	Retained earnings £	Total £
At 1 January 2020	348,817,276	276,058,905	624,876,181
Total comprehensive income	-	9,211,054	9,211,054
Dividends	-	(64,632,478)	(64,632,478)
At 31 December 2020	<u>348,817,276</u>	<u>220,637,481</u>	<u>569,454,757</u>

# Lincs Wind Farm Limited

## Statement of Cash Flows for the Year Ended 31 December 2021

	Note	2021 £	2020 £
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(1,157,161)	9,211,054
<i>Adjustments to cash flows from non-cash items</i>			
Depreciation	6	50,056,920	49,956,995
Finance income	7	(1,266)	-
Finance costs	7	1,824,690	1,744,350
Income tax expense	10	10,639,464	3,984,376
		<u>61,362,647</u>	<u>64,896,775</u>
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(5,125,784)	4,997,071
Increase/(decrease) in trade and other payables	19	946,263	(751,118)
Cash generated from operations		57,183,126	69,142,728
Income taxes (paid)/received	10	(529,875)	5,710
Net cash flow generated from operating activities		<u>56,653,251</u>	<u>69,148,438</u>
<b>Cash flows from investing activities</b>			
Interest received	7	1,266	-
Acquisitions of property plant and equipment		(758,273)	-
Net cash flows used in investing activities		<u>(757,007)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Interest paid	7	(229)	(135)
Principle elements of lease payments		(1,011,910)	(1,011,910)
Dividends paid	16	(60,035,000)	(64,632,478)
Foreign exchange losses	7	-	(19,190)
Net cash flows used in financing activities		<u>(61,047,139)</u>	<u>(65,663,713)</u>
Net (decrease)/increase in cash and cash equivalents		(5,150,895)	3,484,725
Cash and cash equivalents at 1 January		<u>7,707,634</u>	<u>4,222,909</u>
Cash and cash equivalents at 31 December		<u><u>2,556,739</u></u>	<u><u>7,707,634</u></u>

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

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

The address of its registered office is:

13 Queens Road  
Aberdeen  
Scotland  
United Kingdom  
AB15 4YL

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

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

##### **Basis of preparation**

The financial statements have been prepared in accordance with with UK adopted International Accountings Standards in conformity with the requirements of the Companies Act 2006 and under historical cost accounting convention, as modified by the revaluation of derivative financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with international accounting standards 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 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.

Given the majority of revenues and costs are based on fixed contracts; the high levels of operating cash inflows; and there are no indications of any events that would result in significant one off payments by the Company, the directors have not identified any severe but plausible downside scenarios that would impact the going concern conclusion.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (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 2021, we have implemented the following new or amended standards (IAS and IFRS) and interpretations:

- 'Leases' - Covid-19 related rent concessions - amendments to IFRS 16; and
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and 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 2021 reporting periods and have not been early adopted by the company.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

##### **Revenue recognition**

###### *Recognition*

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

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

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

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (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:

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

##### *Performance obligations*

The company has a fixed price power purchase agreement with its offtakers and it sells all its power generation and associated benefits under this agreement. These are invoiced on a monthly basis and payment terms are 30 days. No warranties are offered on sale of these power.

##### *Transaction price*

The fixed transaction price is determined by the fixed price power purchase agreement. The transaction price for green certificates is recognised at guaranteed minimum price at production date.

##### *Contract assets and receivables*

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 2021 (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**

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

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

Deferred tax is only recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised.

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

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

##### **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.

Borrowing costs relating to both specific and general borrowing directly attributable to qualifying assets under construction with a lengthy construction period are recognised in cost during the construction period. Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the company from the expenses incurred. Replaced parts are derecognised from the balance sheet, and their carrying amount is recognised in profit (loss) for the year. All other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

##### **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

##### **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.

##### **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.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (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.

##### **Leases**

###### *Definition*

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

###### *Initial recognition and measurement*

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.



## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

##### *Subsequent measurement*

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

##### *Lease modifications*

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

##### *Short term and low value leases*

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

##### *Sub leases*

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

##### **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.

##### **Share capital**

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

##### **Dividends**

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

Interim dividends are recognised when paid.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

##### **Trade payables**

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

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

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

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

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

##### ***Financial assets***

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

At initial recognition, the 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***

The company has three types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets; and

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

The notes on pages 17 to 46 form an integral part of these financial statements.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

##### ***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 amortized cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities at amortized cost include trade and other payables, loans and borrowings including bank overdrafts.

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

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

#### **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:

##### **Useful lives of production assets**

The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future applications may subsequently prove not to be realisable, which may require useful lives to be reassessed.

The end of life of the wind farm is a key judgement and input into the calculations for leases, depreciation, and decommissioning. It is also a key judgement in our impairment assessments for property, plant and equipment. Changes to the end of life could materially impact these calculations and assessments. The current expectation is that the wind farm will operate until 2033 at which point it will be decommissioned. This aligns to the remaining expected operating life of the wind turbines.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

##### **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 2021 a discount rate of 3.5% is applied (31 December 2021: 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.

#### **4 Revenue**

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Sale of electricity	116,091,319	112,899,330
Other revenue	421,646	-
	<u>116,512,965</u>	<u>112,899,330</u>

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

The company has a fixed price power purchase agreement with Orsted Lincs (UK) Limited and JV Partners and it sells all its power generation and associated benefits under this agreement.

*Timing of revenue recognition from customers :*

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Over time	116,512,965	112,899,330

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.

# Lincs Wind Farm Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 5 Other operating expense

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

	2021	2020
	£	£
Miscellaneous other operating expense	<u>(1,831,203)</u>	<u>(1,540,429)</u>

Other operating expense in both years are related to Operations and Maintenance agreement in relation to the Lincs Wind Farm.

### 6 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation expense	<u>50,056,920</u>	<u>49,956,995</u>

### 7 Net finance cost

	2021	2020
	£	£
<b>Finance income</b>		
Foreign exchange gains	1,266	-
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(229)	(137)
Interest and fees payable on shareholder loans	-	2
Foreign exchange losses	-	(19,184)
Unwinding of discount on decommissioning provision	(1,489,241)	(1,416,324)
Interest expense on leases	<u>(335,220)</u>	<u>(308,707)</u>
Total finance costs	<u>(1,824,690)</u>	<u>(1,744,350)</u>
Net finance costs	<u>(1,823,424)</u>	<u>(1,744,350)</u>

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 8 Employees and directors

There were no (2020: nil) employees during the year. The directors received no (2020: £nil) emoluments during the year, in respect of their qualifying 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 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.

#### 9 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	<u>16,000</u>	<u>12,000</u>

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

#### 10 Income tax expense

Tax charged in the statement of comprehensive income

	2021 £	2020 £
<b>Current taxation</b>		
UK corporation tax	764,333	126,830
UK corporation tax adjustment to prior periods	<u>1,045</u>	<u>(187)</u>
	<u>765,378</u>	<u>126,643</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	2,027,047	2,883,553
Arising from changes in tax rates and laws	7,845,994	2,231,725
Adjustments in respect of prior periods	<u>1,045</u>	<u>(1,257,545)</u>
Total deferred taxation	<u>9,874,086</u>	<u>3,857,733</u>
Tax expense in the statement of comprehensive income	<u>10,639,464</u>	<u>3,984,376</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

# **Lincs Wind Farm Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

### **10 Income tax expense (continued)**

	2021 £	2020 £
Profit before tax	<u>9,482,303</u>	<u>13,195,430</u>
Corporation tax at standard rate	1,801,638	2,507,132
Adjustments relating to prior years	2,090	(1,257,732)
Non deductible expenses	503,251	503,251
Effect of changes in tax rates	<u>8,332,485</u>	<u>2,231,725</u>
Total tax charge	<u>10,639,464</u>	<u>3,984,376</u>

Factors that might affect future tax charges:

The main rate of UK corporation tax in the year was 19%. During the year, legislation was enacted to increase the corporation tax rate from 19% to 25% on 1 April 2023. Deferred tax balances expected to unwind after this date have been recognised at 25%.



**Lincs Wind Farm Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

**10 Income tax expense (continued)**

**Deferred tax**

Deferred tax movement during the year:

	At 1 January 2021	Recognised in income	At 31 December 2021
	£	£	£
Accelerated tax depreciation	(51,664,159)	(17,119,214)	(68,783,373)
Provisions	3,249,052	1,896,572	5,145,624
Other items	(5,389,779)	(1,003,711)	(6,393,490)
Tax losses carry-forwards	29,719,944	6,352,267	36,072,211
Net tax assets/(liabilities)	<u>(24,084,942)</u>	<u>(9,874,086)</u>	<u>(33,959,028)</u>

Deferred tax movement during the prior year:

	At 1 January 2020	Recognised in income	At 31 December 2020
	£	£	£
Accelerated tax depreciation	(44,903,247)	(6,760,912)	(51,664,159)
Provisions	2,327,068	921,984	3,249,052
Other items	(5,206,037)	(183,742)	(5,389,779)
Tax losses carry-forwards	27,555,007	2,164,937	29,719,944
Net tax assets/(liabilities)	<u>(20,227,209)</u>	<u>(3,857,733)</u>	<u>(24,084,942)</u>

The notes on pages 17 to 46 form an integral part of these financial statements.

**Lincs Wind Farm Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

**10 Income tax expense (continued)**

	2021 £	2020 £
<i>The provision for deferred tax consists of the following :</i>		
Deferred tax assets due within 12 months	2,457,023	1,753,172
Deferred tax liabilities due within 12 months	(1,697,362)	(6,802,033)
<b>Carrying amount at end of year</b>	<u>759,661</u>	<u>(5,048,861)</u>
Deferred tax assets due in more than 12 months	38,760,811	27,966,770
Deferred tax liabilities due in more than 12 months	(73,479,501)	(47,002,851)
<b>Carrying amount at end of year</b>	<u>(34,718,690)</u>	<u>(19,036,081)</u>
<b>Total carrying amount at end of year</b>	<u><u>33,959,029</u></u>	<u><u>(24,084,942)</u></u>

Deferred tax assets are supported by temporary differences from provisions, future taxable profits against which tax losses carried forward can be utilised and the application of group relief/consortium relief.

The notes on pages 17 to 46 form an integral part of these financial statements.

# Lincs Wind Farm Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 11 Property, plant and equipment

	Right of use asset £	Decommissioning assets £	Wind farm £	Total £
<b>Cost</b>				
At 1 January 2020	12,549,249	35,977,354	953,552,004	1,002,078,607
Decrease in decommissioning estimate	-	(89,975)	-	(89,975)
Other	(1,431,627)	-	-	(1,431,627)
At 31 December 2020	11,117,622	35,887,379	953,552,004	1,000,557,005
At 1 January 2021	11,117,622	35,887,379	953,552,004	1,000,557,005
Increase in decommissioning estimate	-	586,662	-	586,662
Additions	-	-	758,273	758,273
At 31 December 2021	11,117,622	36,474,041	954,310,277	1,001,901,940
<b>Accumulated depreciation</b>				
At 1 January 2020	896,375	9,180,205	310,768,302	320,844,882
Charge for year	870,810	1,995,316	47,269,822	50,135,948
Other	(178,953)	-	-	(178,953)
At 31 December 2020	1,588,232	11,175,521	358,038,124	370,801,877
At 1 January 2021	1,588,232	11,175,521	358,038,124	370,801,877
Charge for the year	794,116	1,992,982	47,269,822	50,056,920
At 31 December 2021	2,382,348	13,168,503	405,307,946	420,858,797
<b>Carrying amount</b>				
At 31 December 2021	8,735,274	23,305,538	549,002,331	581,043,143
At 31 December 2020	9,529,390	24,711,858	595,513,880	629,755,128

The depreciation charge for the year of £ 50,056,920 (2020 - £50,135,948) and other movement on the depreciation £ 0 (2020 - £ (178,953)) are included in cost of sales.

Right of use assets comprise seabed lease.

# Lincs Wind Farm Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 12 Inventories

	31 December 2021	31 December 2020
	£	£
Raw materials and consumables	<u>168,828</u>	<u>168,828</u>

### 13 Trade and other receivables

	31 December 2021	31 December 2020
	£	£
Receivables from related parties	9,873,857	6,537,014
Other receivables	124,284	20,000
Prepayments and accrued income	8,150,754	7,840,801
VAT debtor	<u>2,054,000</u>	<u>679,298</u>
Total Receivables	<u>20,202,895</u>	<u>15,077,113</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 note 22 "Financial risk management and impairment of financial assets".

### 14 Cash and cash equivalents

	31 December 2021	31 December 2020
	£	£
Cash at bank	<u>2,556,739</u>	<u>7,707,634</u>

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

### 15 Share capital

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

	31 December 2021	31 December 2020
	No.	No.
	£	£
Ordinary shares of £1 each	<u>348,817,276</u>	<u>348,817,276</u>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding-up) rights. They do not confer any rights of redemption.

The notes on pages 17 to 46 form an integral part of these financial statements.

# Lincs Wind Farm Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 16 Dividends

	2021 £	2020 £
Interim dividend of £0.1721 (2020: £0.1853) per each ordinary share	<u>60,035,000</u>	<u>64,632,478</u>

### 17 Leases

	31 December 2021 £	31 December 2020 £
Long term lease liabilities	<u>(8,141,833)</u>	<u>(8,818,525)</u>
	31 December 2021 £	31 December 2020 £
Current portion of long term lease liabilities	<u>(1,011,912)</u>	<u>(1,011,912)</u>

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.

The terms of the seabed lease allow it to continue for 20 years from inception with a break clause which can be actioned before the lease expires. This break clause requires a notice period of 3 years before the expiration of the lease. A lease period aligned to the life of the wind farm is used. See Note 3 for further details.

# **Lincs Wind Farm Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

### **17 Leases (continued)**

#### **Right of use assets**

	<b>Seabed lease</b>	<b>Right of use asset</b>
	<b>£</b>	<b>£</b>
Carrying amount at 1 January 2021	9,529,390	9,529,390
Depreciation	<u>(794,116)</u>	<u>(794,116)</u>
Carrying amount at 31 December 2021	<u>8,735,274</u>	<u>8,735,274</u>
	<b>Seabed lease</b>	<b>Right of use asset</b>
	<b>£</b>	<b>£</b>
Carrying amount at 1 January 2020	11,652,874	11,652,874
Other	<u>(1,431,627)</u>	<u>(1,431,627)</u>
Depreciation	(691,857)	(691,857)
Carrying amount at 31 December 2020	<u>9,529,390</u>	<u>9,529,390</u>

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 17 Leases (continued)

##### Lease liabilities maturity analysis

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

	31 December 2021 £	31 December 2020 £
Within 1 year	1,011,912	1,011,912
In one to five years	4,047,648	4,047,648
Over five years	6,071,472	7,083,384
Total lease liabilities (undiscounted)	<u>11,131,032</u>	<u>12,142,944</u>

##### Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	31 December 2021 £	31 December 2020 £
<b>Payment</b>		
Lease payments	<u>1,743,808</u>	<u>1,864,421</u>

Finance charge on leases going through Statement of Comprehensive Income is disclosed in note 6 'Net finance cost'.

Depreciation charge on right of use asset is disclosed in note 11 'Property, plant and equipment'.

Variable amount of the lease payments exceeding the minimum lease payments amounts to £731,896 (2020: £852,509)

#### 18 Provisions

	Decommissioning £	Total £
At 1 January 2021	41,812,134	41,812,134
Change in estimates	586,662	586,662
Charged to the statement of comprehensive income	<u>1,489,241</u>	<u>1,489,241</u>
At 31 December 2021	<u>43,888,037</u>	<u>43,888,037</u>
Non-current liabilities	<u>43,888,037</u>	<u>43,888,037</u>

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 18 Provisions (continued)

	Decommissioning £	Total £
At 1 January 2020	40,485,785	40,485,785
Change in estimates	(89,975)	(89,975)
Charged to the statement of comprehensive income	<u>1,416,324</u>	<u>1,416,324</u>
At 31 December 2020	<u>41,812,134</u>	<u>41,812,134</u>
Non-current liabilities	<u>41,812,134</u>	<u>41,812,134</u>

The Decommissioning provision is calculated as the present value of estimated decommissioning costs using a discount rate of 3.50% (2020: 3.50%). Included within fixed assets is an amount of £36,474,041 (2020: £35,887,379) 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.

#### 19 Trade and other payables

	31 December 2021 £	31 December 2020 £
Trade payables	-	182,768
Accrued expenses	1,042,819	502,609
Amounts due to related parties	6,420,543	5,767,738
Other payables	<u>882,504</u>	<u>946,488</u>
	<u>8,345,866</u>	<u>7,399,603</u>

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 22.



## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 20 Classification of financial and non-financial assets and financial and non-financial liabilities

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December 2021 and 31 December 2020 was as follows:

	Carrying amount		Fair value	
	2021	2020	2021	2020
	£	£	£	£
<b>Financial assets at amortized cost</b>				
Receivables from related parties	9,873,857	6,537,014	9,873,857	6,537,014
Prepayments and accrued income	8,150,754	7,840,801	8,150,754	7,840,801
Other receivables	124,284	20,000	124,284	20,000
VAT debtor	2,054,000	679,298	2,054,000	679,298
Cash and short-term deposits	2,556,739	7,707,634	2,556,739	7,707,634
<b>Total</b>	<b>22,759,634</b>	<b>22,784,747</b>	<b>22,759,634</b>	<b>22,784,747</b>
<b>Financial liabilities at amortized cost</b>				
Trade payables	-	182,768	-	182,768
Amounts due to related parties	6,420,543	5,767,738	6,420,543	5,767,738
Accrued expenses	1,042,819	502,609	1,042,819	502,609
Other payables	882,505	946,488	882,505	946,488
<b>Total</b>	<b>8,345,867</b>	<b>7,399,603</b>	<b>8,345,867</b>	<b>7,399,603</b>

#### Trade receivables

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as fair value.

Trade receivables are interest free, unsecured with 30-day repayment dates.

#### Receivables from related parties

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as fair value.

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

#### Cash and cash equivalents

Cash and cash equivalents are unsecured with a short credit period and are therefore considered to have a fair value equal to the carrying amount. They are classified at level 2 in the fair value hierarchy.

The notes on pages 17 to 46 form an integral part of these financial statements.

# **Lincs Wind Farm Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

### **20 Classification of financial and non-financial assets and financial and non-financial liabilities (continued)**

#### **Trade payables**

Trade payables are unsecured and are usually paid within 30 days of recognition. Due to the short-term nature of trade payables, their carrying amount is considered to be the same as fair value.

#### **Amounts due to related parties**

The fair value of amounts due to related parties is considered to be the same as the carrying amount since the borrowings are of a short-term nature.

### **21 Reconciliation of liabilities arising from financing activities**

	1 January 2021	Cashflows	Non-cash changes		31 December 2021
			Foreign currency effect	Leasing interest expense	
	£	£	£	£	£
Lease liability	(9,830,437)	1,011,910	-	(335,220)	(9,153,745)

	1 January 2020	Cashflows	Non-cash changes		31 December 2020
			Foreign currency effect	Other	
	£	£	£	£	£
Lease liability	(11,965,269)	1,011,910	-	1,122,922	(9,830,437)

The notes on pages 17 to 46 form an integral part of these financial statements.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

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

Market risk  
Credit risk and  
Liquidity risk

The company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the company's continuing profitability.

The company's senior management over the management of these risks. Management reviews and agrees policies for managing each of these risks, which are summarised below.

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

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

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

Market risk includes foreign exchange risk.

#### **Interest rate risk**

The company's payables and receivables to the parent company and other group companies are not a subject to a variable interest rate. The finance lease arrangements are based on internal rate of the arrangements and are not affected by changes in interest rate levels. Bank deposits are subject to variable interest rates which are currently 0.0% (2020: 0.0%).

#### **Foreign currency risk**

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

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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

##### 2. Credit risk

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

##### 3. Liquidity Risk

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

#### Maturity analysis

2021		Accrued expenses	Amounts due to related parties	Other payables	Total
		£	£	£	£
Between 1 and three months		1,042,819	6,420,543	882,505	8,345,867
		<u>1,042,819</u>	<u>6,420,543</u>	<u>882,505</u>	<u>8,345,867</u>
2020	Trade payables	Accrued expenses	Amounts due to related parties	Other payables	Total
	£	£	£	£	£
Between 1 and three months	182,768	502,609	5,767,738	946,488	7,399,603
	<u>182,768</u>	<u>502,609</u>	<u>5,767,738</u>	<u>946,488</u>	<u>7,399,603</u>

The notes on pages 17 to 46 form an integral part of these financial statements.

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

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

##### **Capital components**

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

##### **Capital management**

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

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

Company's equity at 31 December 2021 amounted to £ 508,262,596 (2020 £ 569,454,757).

#### **23 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.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 23 Related party transactions (continued)

##### 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
	2021	2021	2021
	£	£	£
<b>Transactions</b>			
Sales of generated electricity and associated environmental credits	50,727,232	35,739,641	28,936,068
<b>Balance outstanding at balance sheet date</b>			
Trade and other receivables	4,285,789	3,019,533	2,524,254
	2020	2020	2020
	£	£	£
<b>Transactions</b>			
Sales of generated electricity and associated environmental credits	49,675,531	34,998,670	28,206,450
<b>Balance outstanding at balance sheet date</b>			
Trade and other receivables	4,126,481	-	2,410,519

The notes on pages 17 to 46 form an integral part of these financial statements.

## Lincs Wind Farm Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 23 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
	2021
	£
<b>Transactions</b>	
Purchases of goods and services	26,648,927
	<hr/>
<b>Balance outstanding at balance sheet date</b>	
Trade and other payables	6,408,543
	<hr/>
	2020
	£
<b>Transactions</b>	
Purchases of goods and services	23,112,680
	<hr/>
<b>Balance outstanding at balance sheet date</b>	
Trade and other payables	5,767,738
	<hr/>

## **Lincs Wind Farm Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **24 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.

Copies of Lyle JV Holdings Limited (the smallest group in which the results of the company are consolidated) consolidated financial statements may be obtained from the Company Secretary at Lyle JV Holdings Limited, 13th Floor, Millbank Tower, 21-24 Millbank, London, SW1P 4QP.

Copies of UK Green Investment Lyle Limited (the smallest group in which the results of the company are consolidated) consolidated financial statements may be obtained from the Company Secretary at UK Green Investment Lyle Limited, 18 St Swithin's Lane, London, EC4N 8AD.