A wide-angle photograph of a coastal landscape. In the foreground, a paved road with a white dashed line runs along a grassy cliff edge. Below the road, the dark, rocky shoreline meets the sea. The middle ground is dominated by a vast, calm body of water in shades of blue and grey. In the background, steep, brown hills with patches of snow or light-colored vegetation rise from the water's edge. The sky is filled with soft, white clouds.

SEV continues to set  
new and ambitious  
goals on behalf of the  
Faroese society

# Annual Report 2019

P/F Vindfelagið í Neshaga

Tórshavn

Reg. no. 6367





# Management Report

The Board of Directors and Management today have hereby submitted the Annual Report and Accounts of P/F Vindfelagið í Neshaga for fiscal year 1 January – 31 December 2019.

The Annual Report and Accounts is drawn up pursuant to the Faroese Financial Statements Act.

It is our opinion that the accounting methods used are suitable and that the Accounts give a true and fair view of the Company's assets, liabilities, and financial position as at 31 December 2019 and the

result of operations for fiscal year 1 January – 31 December 2019.

It is also our opinion that the Management Review constitutes a true and fair report of the matters included in the Review.

The Annual Report is submitted to the Annual General Meeting with a recommendation for approval.

Tórshavn, 3 April 2020

## Management

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*Hákun Djurhuus*  
Managing Director, CEO

## Board

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*John Zachariassen*  
Chairman

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*Hans Jákup Johannesen*  
Vice Chairman

---

*Marin Katrina Frýdal*

---

*Jónsvein Hovgaard*

---

*Sune Jacobsen*

---

*Vinjard Tungá*

---

*Kristian Eli Zachariasen*

# The independent auditor's report

## TO THE SHAREHOLDERS OF VINDFELAGIÐ Í NESHAGA

### OPINION

We have audited the annual accounts of P/F Vindfelaðið í Neshaga for the financial year 1 January to 31 December 2019, which comprise accounting policies used, profit and loss account, balance sheet, and notes. The annual accounts are prepared in accordance with the Faroese Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the assets, liabilities and financial position for the company at 31 December 2019 and of the results of the company's operations and of the company's cash flows for the financial year 1 January to 31 December 2019 in accordance with the Faroese Financial Statements Act.

### BASIS FOR OPINION

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in the Faroe Islands, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

### THE MANAGEMENT'S RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Faroese Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability

to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Faroe Islands will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Faroe Islands, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the company to express an opinion on the annual accounts. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in the internal control that we identify during our audit.

#### STATEMENT ON THE MANAGEMENT'S REVIEW

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Faroese Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Faroese Financial Statement Acts. We did not find any material misstatement in the management's review.

Tórshavn, 3 April 2020

P/F Januar  
State Authorised Public Accountants

Hans Laksá  
State Authorised Public Accountant

## Key Figures

Amounts in 1,000 DKK	2019	2018	2017	2016
<b>Income Statement</b>				
Net sales	5,732	6,770	6,681	6,552
Result before depreciation, amortization and impairment	4,432	5,920	5,783	5,834
Result before interest	1,302	2,770	2,718	2,809
Interest	-516	-540	-597	-1,019
<b>Annual result</b>	<b>645</b>	<b>1,829</b>	<b>1,662</b>	<b>1,545</b>
<b>Balance sheet</b>				
Total assets	34,423	36,166	36,539	36,965
<b>Equity</b>	<b>12,681</b>	<b>12,036</b>	<b>10,207</b>	<b>8,545</b>

# Management Review

## MAIN ACTIVITIES

The activity of the Company is the production of electricity from wind power.

## BUSINESS ACTIVITIES AND FINANCIAL STATUS OF THE COMPANY

Net sales were DKK 5.7 million in 2019 compared to DKK 6.8 million in 2018. Electricity produced was 13.5 GWh in 2019 compared to 16.9 GWh the previous year. The reasons for the lower production in 2019 were partly that some turbines due to technical reasons were unavailable for some time and needed repair. In addition, the general wind conditions were not as favourable in 2019 as in 2018.

The cost for goods and services in 2019 was DKK 1.3 million, compared to DKK 850,000 in 2018. Wages were DKK 42,000, compared to DKK 63,000 in 2018.

Depreciation was DKK 3.1 million for 2019, the same amount as in 2018.

Interest expense was DKK 516,000 for 2019, compared to DKK 540,000 in 2018.

The result after tax for 2019 was DKK 645,000, which is less than DKK 1.8 million in 2018.

## SPECIAL RISKS

The Company has undertaken initiatives to secure itself against possible risks.

The Company has entered into a pricing agreement that secures a sale of 8.4 GWh per year to its parent company, SEV, for an agreed upon price, which, in 2019, was DKK 0.4484 per kWh produced by the 3 wind turbines at Eystnes. For the 2 turbines at Vørðan, the sales price is DKK 0.40 per kWh. Thus, the Company's income stream is well established and secured. The Company is in discussion with the authorities on how to interpret wordings relating to the secured sales quantity, and the outcome may affect future income statements.

The Company has a service level agreement with SEV, which takes care of all technical and administrative issues.

The Company is in the process of negotiating the same type of maintenance agreement as P/F Vindfelagið í Húsahaga has with ENERCON. Such an agreement will ensure that the Company will know its cost for maintenance, spare parts and inspection.

The Company has entered into a long-term loan from the parent company, SEV, for which, from December 2016 and for the next 9 years, the Company will pay the same fixed interest as SEV itself has secured.

The Company has insured its assets consistent with the insurance strategy of the parent company, SEV.

## INVESTMENTS

The Company has made investments for DKK 1.7 million during the year.

## CASH FLOW

The Company does not maintain its own liquidity. The Company uses the liquidity of the parent company, SEV, to pay debt as it falls due and thus the Company maintains a current account with the parent company, SEV. The parent company has exceptionally good liquidity and has also secured access to operational financing over the next few years if the need arises.

## THE NATURAL ENVIRONMENT

The Company has a high regard for the natural environment and all relevant legislation, directives, rules, and regulations are always followed.

## PROFESSIONAL KNOWLEDGE AND HUMAN RESOURCE DEVELOPMENT

Along with the parent company, SEV, the Company is an active developer of knowledge within the field of wind energy production in the Faroe Islands, and strives continually to enhance the quality and the amount of electricity production from wind.

## PROSPECTS FOR 2020

The Company expects the same level of activity as in 2019.

According to the Company's budget, the result is projected to be DKK 749,000 in 2020.

#### **EVENTS AFTER THE CLOSING OF THE ACCOUNTS**

From the closing date of the financial statements to date, nothing has occurred that would impact the assessment of the annual accounts.

# Accounting Principles

## GENERAL

The Annual Accounts of P/F Vindfelagið í Neshaga are prepared in accordance with the provisions of the Faroese Financial Statements Act for class B corporations.

The Annual Accounts are presented in Danish kroner (DKK).

Amounts in the Income Statement, Balance Sheet, Notes, etc. are rounded to whole thousands. As each number is rounded individually, rounding differences may occur between the numbers presented and the sum of the underlying numbers.

Where a Table in the financial statement shows numbers in DKK rounded to whole thousand or million, and the Table shows differences between periods, either in DKK or percent, the comparisons are calculated on the basis of the underlying numbers and then rounded off. As a result of this, small differences can occur between the rounded numbers shown in the Table and the calculated comparisons.

## BASIS FOR RECOGNITION AND VALUATIONS

In the Income Statement, income is recognised as earned. The same pertains to value adjustments of financial assets and liabilities. Included in the Income Statement are all expenses, including depreciation, amortisation, provisions, and impairment losses derived of changes in the financial estimates of the amounts that otherwise have been recognised in the operational accounts.

Assets are recognised in the Balance Sheet when future economic benefits are likely to flow to the Company and the value of such assets can be measured reliably.

Liabilities are recognised in the Balance Sheet when they are reasonably likely to occur and can be measured reliably.

On recognition and valuation, due regard is given to foreseeable loss and risks arising before the time at which the Annual Report is presented, and relate to circumstances present as at the end of the fiscal year.

## TRANSLATION OF FOREIGN CURRENCY

Foreign currency transactions are translated using the rate of exchange applicable as at the date of transaction. Realised and unrealised translation gains and losses are recognised in the Income Statement under financial items.

Receivables, liabilities and other financial booking in foreign currencies that are not translated as at the end of the fiscal year are translated using the exchange rates applicable as at the end of the fiscal year. The difference between the exchange rate as at the end of the fiscal year and the exchange rate current as at the date of the transaction are recognised in the Income Statement under financial items.

## INCOME STATEMENT

### NET SALES

Net sales are recognised in the Income Statement, provided that delivery has been effected and the risk has passed to the buyer by the end of the fiscal year and income is reliably pending and is expected to be received. Net sales exclude VAT, fees and rebates in connection with sales.

### CONSUMPTION OF GOODS AND SERVICES

Consumption of goods and services includes costs for the purchase of raw materials and consumables less rebates and changes in inventory during the year.

### OTHER EXTERNAL EXPENSES

This item comprises external costs related to the purchase of oil, supplies and other services, as well as other administrative costs.

### EMPLOYEE EXPENSES

Employee expenses encompass wages plus vacation pay and pension benefits including other social benefits. Any compensation received from the government is deducted from employee expenses.

### DEPRECIATION AND WRITE-DOWNS

The depreciation and amortisation of intangible and tangible fixed assets are based on an asset's forecasted useful life.

## FINANCIALS

Financials include interest receivable and interest payable, realised and unrealised capital gains and losses on financial assets and debt. Financial revenue and expense are booked at value for the relevant accounting year.

Interest expense and other loan costs to finance production of intangible and tangible fixed assets and are related to the production period are not included in the forecasted useful life of the asset.

## BALANCE SHEET

### TANGIBLE ASSETS

Tangible assets are valued at acquisition cost less accumulated depreciation and write-offs. Land is not depreciated.

The depreciation basis includes the acquisition value less the expected residual value at the end of the asset's prescribed useful life.

Acquisition value includes the purchase price and costs directly accruing from the time of acquisition to the time when the asset is ready for use.

Depreciation is based on an asset's forecasted useful life and the residual value of the asset:

	Useful life	Residual value
Vind turbines	15 ár	0 %
Equipment and furnishings	3-5 ár	0 %

Equipment with an expected useful life under one year is expensed in the year of acquisition.

Regarding own production assets the acquisition value includes the cost of supplies / consumables, parts, suppliers, direct wage expense and indirect production costs.

### DEPRECIATION OF FIXED ASSETS

Every year the carrying amount of tangible fixed assets is appraised to obtain an indication of whether they have lost value or have been impaired. This is done in addition to general depreciation write-downs.

When a loss in value is indicated, impairment tests are carried out on each individual asset and each asset category. Assets with impaired value are written down to the recoverable amount, if this amount is lower than the carrying amount.

The recoverable amount is either the net realisable or sale value or the capital value. Capital value is calculated as the current value of the expected net revenues accruing from using an asset or asset group.

**RECEIVABLES**

Receivables are valued at amortised acquisition cost, which generally corresponds to nominal value. To guard against possible loss, receivables are written-down to net realised value.

**ACCRUALS**

Accruals shown as assets include realised costs related to future financial years.

**CURRENT AND DEFERRED TAXES**

Current tax, payable and receivable, is recognised in the Balance Sheet as the tax computed on the basis of the taxable income for the year, adjusted for tax paid on account the previous year. Current tax payable and receivable tax are recognised based on the set off permitted by law and the booked amounts generally calculated at net or current.

Deferred tax is calculated on the basis of all temporary differences between the carrying amount and the tax base of assets and liabilities. This is recognised in the Balance Sheet based on intended use of the asset or how the debt is intended to be repaid.

Deferred tax assets, including tax deficits carried forward, are recognised at the anticipated realisable value, either by adjusting the tax on future income or by off-setting deferred tax within the same legal tax entity. Possible deferred net receivable tax is recognised at net realised value.

Deferred tax is valued consistent with the tax regulations and tax rates then applicable as at the end of the fiscal year.

Adjustments to deferred tax resulting from changes to tax rate are incorporated into the operational accounts.

**LIABILITIES**

Relative to loan facilities, financial debt is recognised at realised or acquisition value, corresponding to the received amount less transaction fees. Subsequently, financial debt is recognised at the amortised realised value, which corresponds to capitalised value plus effective interest such that the difference between the received amount and

the nominal value is recognised in the operational accounts over the period of the loan facility.

Debt to financial institutions is valued at amortised realised value, which corresponds to the residual debt for a cash loan. Regarding the value of bonds, the amortised realised value is calculated as the cash value on the date the bond was issued, adjusted by the booked depreciation during the instalment period of the effective rate of interest at the time of contracting such debt.

Other debt is also measured at the amortised realised value, which usually corresponds to the nominal value.



# Income Statement 1 January – 31 December 2019

Amounts in 1,000 DKK

Note	2019	2018
1 Net sales	5,732	6,770
2 Other expenditure (goods and services)	-1,300	-850
<b>Gross proceeds</b>	<b>4,432</b>	<b>5,920</b>
3 Employee expenses	-42	-63
Depreciation, amortization and impairment of fixed assets	-3,088	-3,088
<b>Result before financials</b>	<b>1,302</b>	<b>2,770</b>
4 Financial expenses	-516	-540
<b>Result before tax</b>	<b>786</b>	<b>2,230</b>
5 Tax on annual result	-142	-401
<b>Annual result</b>	<b>645</b>	<b>1,829</b>
<b>Proposed distribution of result</b>		
Result carried forward	645	1,829
<b>Total distribution</b>	<b>645</b>	<b>1,829</b>

## Balance Sheet 31 December

### ASSETS in 1,000 DKK

Note	31.12.19	31.12.18
<b>Tangible fixed assets</b>		
6 Production facilities	25,340	28,428
6 Work in progress	3,980	2,239
<b>Tangible fixed assets</b>	<b>29,320</b>	<b>30,666</b>
<b>Fixed assets total</b>	<b>29,320</b>	<b>30,666</b>
Inter-company account	5,011	5,410
Prepayments	92	90
<b>Total current assets</b>	<b>5,103</b>	<b>5,500</b>
<b>Total assets</b>	<b>34,423</b>	<b>36,166</b>

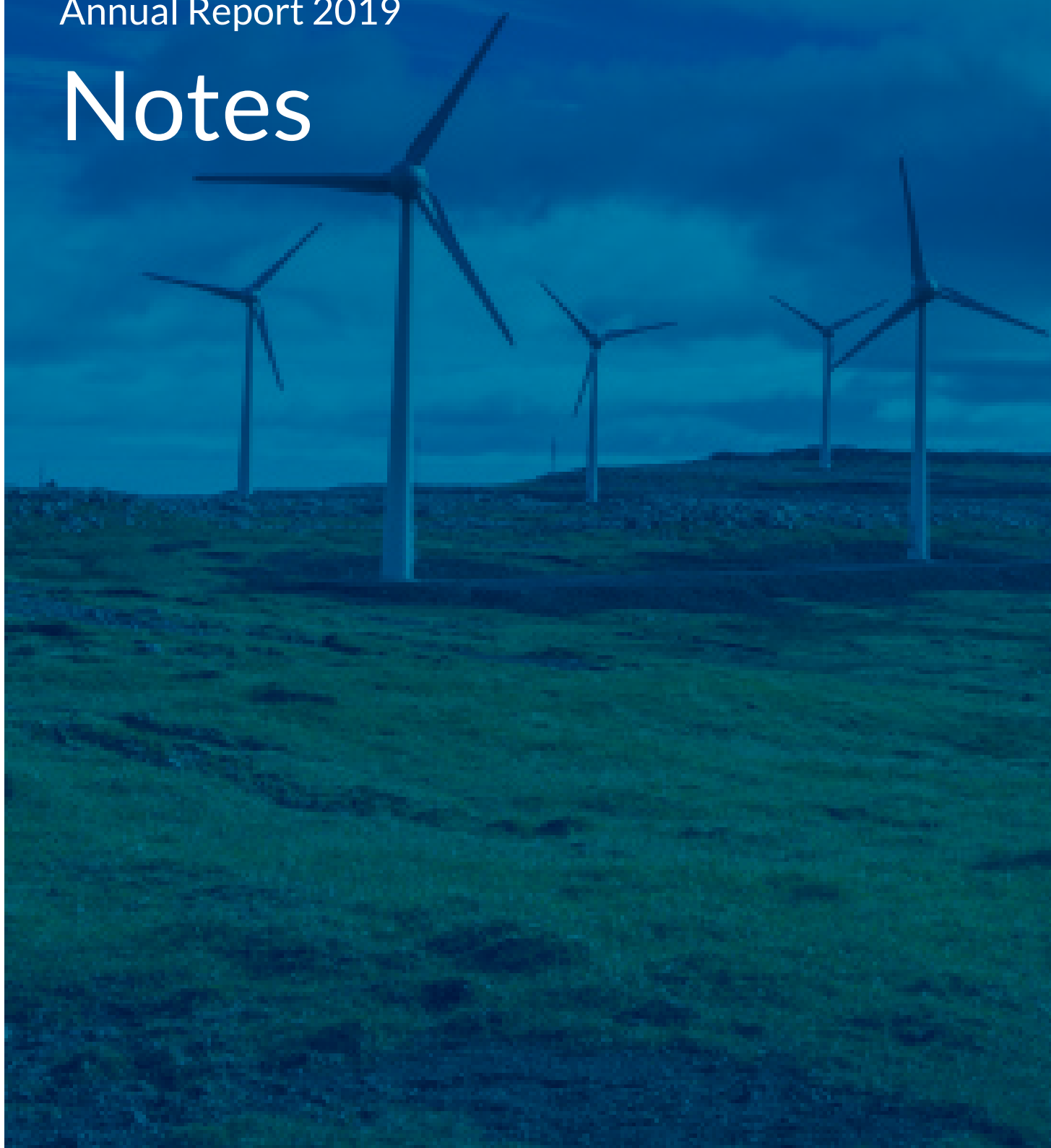
## Balance Sheet 31 December

### LIABILITIES in 1,000 DKK

Note		31.12.19	31.12.18
	<b>Equity</b>		
7	Share capital	7,000	7,000
	Result carried forward	5,681	5,036
	<b>Total equity</b>	<b>12,681</b>	<b>12,036</b>
	Provision for deferred tax	1,247	1,105
	<b>Total provisions</b>	<b>1,247</b>	<b>1,105</b>
	<b>Debt</b>		
8	Long-term debt	17,643	20,364
	<b>Total long-term debt</b>	<b>17,643</b>	<b>20,364</b>
8	Current portion of long-term debt	2,721	2,661
	Other liabilities	131	0
	<b>Total short-term debt</b>	<b>2,852</b>	<b>2,661</b>
	<b>Total debt</b>	<b>20,495</b>	<b>23,025</b>
	<b>Total liabilities</b>	<b>34,423</b>	<b>36,166</b>
9	Overview of turbine equipment		
10	Mortgages and other obligations		

Annual Report 2019

# Notes





## Notes 1–5

### 1. NET SALES

Amounts in 1,000 DKK	2019	2018
Production of electricity	5,732	6,770
<b>Total</b>	<b>5,732</b>	<b>6,770</b>

### 2. OTHER EXPENSES (GOODS AND SERVICES)

Amounts in 1,000 DKK	2019	2018
Turbines	827	435
Electric and technical	0	10
Buildings and land	34	34
Studies and consultancy	225	201
Other administrative expenses	214	170
<b>Total</b>	<b>1,300</b>	<b>850</b>

### 3. EMPLOYEE EXPENSES

Amounts in 1,000 DKK	2019	2018
Wages	42	62
Pensions	0	0
Contributions	0	0
<b>Total</b>	<b>42</b>	<b>62</b>
Employees with the company as main source of personal income	0	0
Average number of employees	0	0

### 4. FINANCIAL EXPENSES

Amounts in 1,000 DKK	2019	2018
Interest, loans and bank debt, etc.	516	540
<b>Total</b>	<b>516</b>	<b>540</b>

### 5. TAXES ON ANNUAL RESULT

Amounts in 1,000 DKK	2019	2018
Adjustment of deferred tax	142	410
<b>Total</b>	<b>142</b>	<b>410</b>

## Notes 6–8

### 6. TANGIBLE FIXED ASSETS

Amounts in 1,000 DKK	2019	2018
Acquisition value, opening balance	37,606	37,138
Additions during the year	0	468
Disposals during the year	0	0
<b>Acquisition value closing balance</b>	<b>37,606</b>	<b>37,606</b>
Depreciation, amortization and impairment opening balance	-9,179	-6,091
Depreciation, amortization and impairment during the year	-3,088	-3,088
<b>Depreciation, amortization and impairment closing balance</b>	<b>-12,267</b>	<b>-9,179</b>
<b>Book value year-end</b>	<b>25,340</b>	<b>28,428</b>
Book value year-end 2018	28,428	
<b>Work-in-progress</b>		
Work-in-progress opening balance	2,239	468
Investment booked to work-in-progress	1,741	2,239
Completed work transferred to depreciation	0	-468
<b>Work-in-progress closing balance</b>	<b>3,980</b>	<b>2,239</b>
Work-in-progress closing balance year-end 2018	2,239	
<b>Fixed assets at year-end</b>	<b>29,320</b>	<b>30,666</b>
Fixed assets at year-end 2018	30,666	

### 7. EQUITY

Amounts in 1,000 DKK	Share capital	Result carried forward	Total
Equity statement 01.01.19 - 31.12.19			
Opening balance 01.01.19	7,000	5,036	12,036
<b>Annual result</b>	<b>0</b>	<b>645</b>	<b>645</b>
<b>Closing balance 31.12.19</b>	<b>7,000</b>	<b>5,681</b>	<b>12,681</b>

### 8. DEBT

Amounts in 1,000 DKK	Repayment next year	Outstanding debt after 5 years	Total debt 31.12.19	Total debt 31.12.18
Debt to parent company	2,721	9,113	20,364	23,025
<b>Total</b>	<b>2,721</b>	<b>9,113</b>	<b>20,364</b>	<b>23,025</b>

The outstanding debt after 5 years is calculated as an annuity loan to be paid over 10 years from 2016.

## Notes 9–10

### 9. OVERVIEW OF TURBINE EQUIPMENT 2019

Location	Turbine	MW	Type	Supplier	Powered by	Year	Age	Total hours	Hours 2019
Neshagi, Eystnes	V1	0,9	Vindmylla (pitch reg.)	Enercon	Vindur	2012	8	54.849	7.719
Neshagi, Eystnes	V2	0,9	Vindmylla (pitch reg.)	Enercon	Vindur	2012	8	54.027	6.549
Neshagi, Eystnes	V3	0,9	Vindmylla (pitch reg.)	Enercon	Vindur	2012	8	52.729	5.394
Neshagi, Vörðan	V4	0,9	Vindmylla (pitch reg.)	Enercon	Vindur	2012	8	55.227	7.850
Neshagi, Vörðan	V5	0,9	Vindmylla (pitch reg.)	Enercon	Vindur	2012	8	55.422	7.705

### 10. MORTGAGES AND OTHER LIABILITIES AS OF 31.12.19

The Company holds no mortgages nor is it subject to any court case. The Company is bound by rental, operating and maintenance, and administration agreements in 2020 totalling DKK 466,000.





**P/F Vindfelagið í Neshaga**

Landavegur 92

Postbox 319

FO-110 Tórshavn

+298 34 68 00

[www.sev.fo](http://www.sev.fo)

[sev@sev.fo](mailto:sev@sev.fo)

Financial calendar: 01.01-31.12

Business Tax Registration No.: 622656

Business Registration No.: 6387