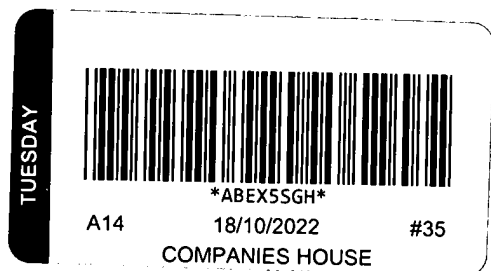


Registration number: 04145993

Barrow Offshore Wind Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



Barrow Offshore Wind Limited

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Barrow Offshore Wind Limited

Company Information

Directors	Hugh Alistair Yendole Philip Henry De Villiers David Murray
Registered office	5 Howick Place London England SW1P 1WG United Kingdom
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London, England WC2N 6RH United Kingdom

Barrow Offshore Wind 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

The principal activity of the company is the generation of electricity in the UK through the use of offshore wind technology from its site located in the East Irish Sea approximately 7km southwest of Walney Island near Barrow-in-Furness. The site comprises 30 wind turbines, giving total installed capacity of 90MW.

During the year the 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 power offtake agreement which provides secure revenues from power sales.

Objective

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:

	2021	2020
	£	£
Revenue	39,599,280	21,961,257
Profit before tax	16,131,548	2,540,166
Company's net asset position	17,573,659	34,522,405

Revenue increased in 2021 mainly due to higher energy price for power generation. Profit before tax in 2021 was higher than in 2020 primarily due to higher revenue. Company's net asset position as at 31 December 2021 was lower than as at 31 December 2020 mainly due to dividend payment in excess of accounting profit in the current year.

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

Barrow Offshore Wind Limited

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

Section 172(1) statement

The company's long-term plan is to generate fixed price revenue for the life of wind farm and to decommission the wind farm after the economic life. The directors review this long-term plan on an ongoing basis and to date no decision have been made to change the long-term plan.

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

The company fosters relationships through the selection of reliable operations service providers which ensure their customers are supplied with uninterrupted supply of clean electricity.

The company produces green energy thus having a low carbon impact on the environment. The company has engaged service providers that are committed to operate with the aim to minimise their carbon footprint and employ local community members to perform these operational tasks.

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

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


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

When making decisions the board of directors consider how this will impact all shareholders and ensure no preference is given to any shareholder.

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 and signed on its behalf by:



.....
Hugh Alistair Yendole
Director

Oct 10, 2022
Date:

Barrow Offshore Wind 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 England on 23 January 2001 as a private company limited by shares under the Companies Act 2006.

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

As at 31 December 2021, the company was owned by Orsted Power (UK) Limited (100%).

As at 31 December 2020, the company was owned by Orsted Power (UK) 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:

Hugh Alistair Yendole

Philip Henry De Villiers

David Murray

Principal activity

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

Result for the year

The company's net result for the current financial year was a profit of £12,751,254 (2020: profit £3,095,541), which has been moved to retained earnings.

Dividend

During the year an interim dividend of £29,700,000 (2020: £32,000,000) was paid. The directors do not recommend a payment of a final dividend (2020: £-).

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.

Political donations

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

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.

Barrow Offshore Wind Limited

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

Financial risk management

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

Market risk
Credit risk and
Liquidity risk

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

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

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

1. Market risk

Market risk includes foreign currency risk.

Foreign currency risk

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

2. Credit risk

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

3. Liquidity risk

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

Capital components

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

Barrow Offshore Wind Limited

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

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 ongoing basis.

Company's equity as at 31 December 2021 amounted to £17,573,659 (as at 31 December 2020: £34,522,405).

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.

	Total Purchases	Total Emissions
Summary of Scope 2 - indirect emissions for the current year	kWh	tCO₂e
	2021	2021
Electricity purchases - imports to offshore wind farm	701,558	149
	2020	2020
Electricity purchases - imports to offshore wind farm	632,147	147

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 ₂ e / kW)	0.17%	0.16%

Table above shows the company's emission as a percentage of total installed capacity of 90MW.

Barrow Offshore Wind 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.

Directors' liabilities

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

Barrow Offshore Wind Limited

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

Directors' confirmations

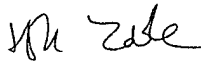
In the case of each director in office at the date the directors' report is approved:

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

Reappointment of auditors

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

Approved by the Board and signed on its behalf by:



.....
Hugh Alistair Yendole
Director

Date: **Oct 10, 2022**
.....

Independent auditors' report to the members of Barrow Offshore Wind Limited

Report on the audit of the financial statements

Opinion

In our opinion, Barrow Offshore Wind 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and directors' report for the year ended 31 December 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.

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. 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.

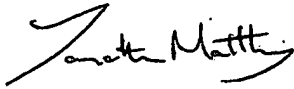
Other required reporting

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
10 October 2022

Barrow Offshore Wind Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Revenue	4	39,599,280	21,961,257
Cost of sales		<u>(12,794,176)</u>	<u>(11,949,274)</u>
Gross profit		26,805,104	10,011,983
Administrative expenses		(10,243,950)	(7,313,323)
Other operating income	5	<u>416,667</u>	<u>500,000</u>
Operating profit	6	<u>16,977,821</u>	<u>3,198,660</u>
Finance income	9	52,824	208,419
Finance costs	10	<u>(899,097)</u>	<u>(866,913)</u>
Net finance costs		<u>(846,273)</u>	<u>(658,494)</u>
Profit before tax		16,131,548	2,540,166
Income tax (charge)/benefit	11	<u>(3,380,294)</u>	<u>555,375</u>
Profit for the financial year		<u>12,751,254</u>	<u>3,095,541</u>
Total comprehensive income for the year		<u>12,751,254</u>	<u>3,095,541</u>

The above results were derived from continuing operations.

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

Barrow Offshore Wind Limited

(Registration number: 04145993)

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
Assets			
Non-current assets			
Property, plant and equipment	12	30,838,883	37,507,322
Current assets			
Trade and other receivables	13	36,642,684	41,937,631
Total assets		<u>67,481,567</u>	<u>79,444,953</u>
Equity and liabilities			
Equity			
Share capital	14	100	100
Retained earnings		17,573,559	34,522,305
Total equity		<u>17,573,659</u>	<u>34,522,405</u>
Non-current liabilities			
Provisions	18	23,161,581	22,152,768
Deferred income	17	1,825,335	2,242,002
Deferred tax liabilities	11	1,153,127	2,230,552
Long term lease liabilities	16	1,075,155	1,324,479
		<u>27,215,198</u>	<u>27,949,801</u>
Current liabilities			
Trade and other payables	19	15,560,247	10,263,338
Income tax liability		6,327,585	6,404,531
Deferred income	17	500,000	-
Current portion of long term lease liabilities	16	304,878	304,878
		<u>22,692,710</u>	<u>16,972,747</u>
Total liabilities		<u>49,907,908</u>	<u>44,922,548</u>
Total equity and liabilities		<u>67,481,567</u>	<u>79,444,953</u>

The financial statements on pages 13 to 37 were approved by the Board and signed on its behalf by:



Hugh Alistair Yendole
Director

Date: Oct 10, 2022

Barrow Offshore Wind Limited

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

	Share capital £	Retained earnings £	Total £
At 1 January 2021	100	34,522,305	34,522,405
Profit for the financial year	-	12,751,254	12,751,254
Total comprehensive income for the year	-	12,751,254	12,751,254
Dividends	-	(29,700,000)	(29,700,000)
At 31 December 2021	<u>100</u>	<u>17,573,559</u>	<u>17,573,659</u>

	Share capital £	Retained earnings £	Total £
At 1 January 2020	100	63,426,764	63,426,864
Profit for the financial year	-	3,095,541	3,095,541
Total comprehensive income for the year	-	3,095,541	3,095,541
Dividends	-	(32,000,000)	(32,000,000)
At 31 December 2020	<u>100</u>	<u>34,522,305</u>	<u>34,522,405</u>

The notes on pages 16 to 37 form an integral part of these financial statements.

Barrow Offshore Wind Limited

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

1 General information

The company is a private company limited by shares, incorporated and domiciled in England and Wales.

The address of its registered office is:

5 Howick Place

London

England

SW1P 1WG

United Kingdom

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 Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") in conformity with the requirements of the Companies Act 2006 and under historical cost accounting rules.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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

Going concern

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

Barrow Offshore Wind Limited

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

2 Accounting policies (continued)

Summary of disclosure exemptions

In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7 - 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
 - paragraph 79(a)(iv) of IAS 1
(reconciliation of number of shares at the beginning and end of the period)
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'
(reconciliations between the carrying amount at the beginning and end of the period)
 - paragraph 118(e) of IAS 38, 'Intangible assets'
(reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures)
- IAS 7 - 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more wholly owned members of a group).

The notes on pages 16 to 37 form an integral part of these financial statements.

Barrow Offshore Wind Limited

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

2 Accounting policies (continued)

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;
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 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.

The company has transitioned from LIBOR to SONIA on 1 October 2021. When transitioning to SONIA, a credit spread adjustment (CSA) has been added to cater for the difference between SONIA and LIBOR. As a result, the transition to SONIA had not have a material impact on the financial statements in the current reporting period and is not expected to have a material impact in future reporting periods.

Revenue recognition

Recognition

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

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

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

Performance obligations

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

Sale of electricity is based on produced megawatt (MW), which is recognised at the production date. These are invoiced on a monthly basis and payment terms are 10 business days after the issue date of the invoice. No warranties are offered on sale of these MW.

Barrow Offshore Wind 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:

Transaction price

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

Contract assets and receivables

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

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

Barrow Offshore Wind 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.

Government grants

Government grants comprise grants under the Renewable Obligation Certificate (ROC) scheme. Government grants are recognised when there is reasonable assurance that the grants will be received. As grants for power generation are intended as a compensation for the price of power, we systematically recognise the grants under revenue in step with the power generation and thus the related revenue. The ROCs are recognised as inventory before being sold to the customer.

Grants for the purchase of assets are recognised under deferred income and are transferred to other operating income in line with the depreciation of the assets to which the grants relate.

Finance income and costs

Finance income comprise interest income which is recognised on the basis of the effective interest method.

Finance costs comprise interest expenses which is recognised on the basis of 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.

Barrow Offshore Wind Limited

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

2 Accounting policies (continued)

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.

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

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

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

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

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.

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.

Right of use asset is recognised in the balance sheet at the commencement date of the lease contract at cost less accumulated depreciation and impairment.

Depreciation

Depreciation commences at the point of commercial deployment. In the case of property, plant and equipment, cost is, as a rule, depreciated on a straight-line basis over the estimated future useful lives, which are:

Asset class	Depreciation method and rate
Right of use asset	Straight line method over 8 years
Furniture, fittings and equipment	Straight line method over 5 years
Wind farm	Straight line method over 20 years
Decommissioning asset	Straight line method over 20 years

Barrow Offshore Wind Limited

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

2 Accounting policies (continued)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

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

Trade receivables

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Receivables/(Payables) group undertakings relating to cash pooling

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

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 year in which the dividends are approved by the company's shareholders.

Interim dividends are recognised when paid.

Barrow Offshore Wind Limited

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

2 Accounting policies (continued)

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)

On recognition of lease obligations in the balance sheet at 1 January 2021, the company has applied incremental borrowing rates in the determination of the present value of the lease obligations. At 31 December 2021, the present value of our lease obligations was determined at an interest rate of 3.41%.

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.

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 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 statement of comprehensive income, 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.

The notes on pages 16 to 37 form an integral part of these financial statements.

Barrow Offshore Wind Limited

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

2 Accounting policies (continued)

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.

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 statement of comprehensive income.

Barrow Offshore Wind 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 decommissioning asset is amortised on a straight-line basis over the useful economic life of the associated asset. The increase in time of the present value of the provision is recognised in profit/(loss) for the year as financial costs.

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.

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.

Barrow Offshore Wind Limited

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

2 Accounting policies (continued)

Impairment

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

- trade receivables; and
- debt investments carried at amortised cost.

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

Trade receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

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

Debt investments

We keep our receivables until maturity, and they are therefore measured at amortised cost. All of the entity's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. These instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost include loans to related parties and other receivables.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Debt investments and other receivables are written off where there is no reasonable expectation of recovery. The write-down is calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable using the effective interest rate. Impairment losses on debt investments and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Barrow Offshore Wind 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 amortised cost.

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the company's financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also 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:

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 (2020: 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.

Useful lives of production assets

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 2026 at which point it will be decommissioned. This aligns to the remaining expected operating life of the wind turbines.

Barrow Offshore Wind Limited

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

4 Revenue

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

	2021 £	2020 £
Sale of electricity	25,390,627	8,397,550
Government grants	14,144,056	13,230,701
Other revenue	64,597	333,006
	<u>39,599,280</u>	<u>21,961,257</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 power purchase agreement with its fellow group company and it sells all its power generation and associated benefits under this agreement.

Government grants relate to income resulting from Renewable Obligation Certificates (ROCs).

Timing of revenue recognition from customers :

	2021 £	2020 £
Over time	<u>39,599,280</u>	<u>21,961,257</u>
	<u>39,599,280</u>	<u>21,961,257</u>

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

- 'Over time' mainly comprises contract with customer to deliver electricity power.

5 Other operating income

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

	2021 £	2020 £
Other operating income	<u>416,667</u>	<u>500,000</u>

Other operating income relates to a government grant received in relation to the construction of the wind farm asset.

6 Operating profit

Operating profit is stated after charging:

	2021 £	2020 £
Depreciation expense	<u>6,888,911</u>	<u>6,894,767</u>

The notes on pages 16 to 37 form an integral part of these financial statements.

Barrow Offshore Wind Limited

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

7 Staff costs

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

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

8 Auditors' remuneration

	2021	2020
	£	£
Audit of the financial statements	<u>12,000</u>	<u>15,000</u>

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

9 Finance income

	2021	2020
	£	£
Interest income on bank deposits	2	7
Interest on loans to group undertakings	13,864	119,678
Foreign exchange gains	<u>38,958</u>	<u>88,734</u>
	<u>52,824</u>	<u>208,419</u>

10 Finance costs

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	187	216
Interest on loans from group undertakings	55,009	53,981
Unwinding of discount on decommissioning provision	788,341	753,895
Interest expense on leases	<u>55,560</u>	<u>58,821</u>
	<u>899,097</u>	<u>866,913</u>

The notes on pages 16 to 37 form an integral part of these financial statements.

Barrow Offshore Wind Limited

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

11 Income tax charge/(benefit)

Tax charged/(credited) in the statement of comprehensive income:

	2021 £	2020 £
Current taxation		
UK corporation tax	4,457,718	1,869,868
UK corporation tax adjustments to prior years	<u>-</u>	<u>(1,441,530)</u>
Total current taxation	<u>4,457,718</u>	<u>428,338</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(1,799,143)	(1,361,862)
Arising from changes in tax rates and laws	<u>721,719</u>	<u>378,149</u>
Total deferred taxation	<u>(1,077,424)</u>	<u>(983,713)</u>
Tax charge/(benefit) in the statement of comprehensive income	<u>3,380,294</u>	<u>(555,375)</u>

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

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>16,131,548</u>	<u>2,540,166</u>
Corporation tax at standard rate	3,064,994	482,632
Adjustment to tax charge in respect of prior years	-	(1,441,530)
Expenses not deductible for tax purposes	25,376	25,374
Remeasurement of deferred tax - change in UK tax rate	<u>289,924</u>	<u>378,149</u>
Total tax charge/(benefit)	<u>3,380,294</u>	<u>(555,375)</u>

Factors that might affect future tax charges:

The main rate of UK corporation tax in the year was 19%. On 23 September 2022, it was announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. This was not substantively enacted at the balance sheet date and therefore the impact of this change is not reflected in the measurement of deferred tax.

Barrow Offshore Wind Limited

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

11 Income tax charge/(benefit) (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2021	Recognised in income	At 31 December 2021
	£	£	£
Accelerated tax depreciation	(5,351,705)	(353,236)	(5,704,941)
Provisions	3,121,154	1,430,660	4,551,814
Net tax assets/(liabilities)	<u>(2,230,551)</u>	<u>1,077,424</u>	<u>(1,153,127)</u>

Deferred tax movement during the prior year:

	At 1 January 2020	Recognised in income	At 31 December 2020
	£	£	£
Accelerated tax depreciation	(5,694,235)	342,530	(5,351,705)
Provisions	2,479,972	641,182	3,121,154
Net tax assets/(liabilities)	<u>(3,214,263)</u>	<u>983,712</u>	<u>(2,230,551)</u>

	31 December 2021	31 December 2020
	£	£
<i>The provision for deferred tax consists of the following :</i>		
Deferred tax assets due within 12 months	54,891	57,433
Deferred tax liabilities due within 12 months	-	-
Carrying amount at end of year	<u>54,891</u>	<u>57,433</u>
Deferred tax assets due in more than 12 months	4,496,923	3,063,721
Deferred tax liabilities due in more than 12 months	(5,704,941)	(5,351,705)
Carrying amount at end of year	<u>(1,208,018)</u>	<u>(2,287,984)</u>
Total carrying amount at end of year	<u><u>(1,153,127)</u></u>	<u><u>(2,230,551)</u></u>

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

Barrow Offshore Wind Limited

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

12 Property, plant and equipment

	Right of use asset £	Furniture, fittings and equipment £	Decommissioning asset £	Wind farm £	Total £
Cost					
At 1 January 2020	2,249,055	24,500	15,699,868	106,317,496	124,290,919
Disposals	-	-	(168,716)	-	(168,716)
Other	(145,443)	-	-	-	(145,443)
At 31 December 2020	<u>2,103,612</u>	<u>24,500</u>	<u>15,531,152</u>	<u>106,317,496</u>	<u>123,976,760</u>
At 1 January 2021	2,103,612	24,500	15,531,152	106,317,496	123,976,760
Increase in decommissioning estimate	-	-	220,472	-	220,472
At 31 December 2021	<u>2,103,612</u>	<u>24,500</u>	<u>15,751,624</u>	<u>106,317,496</u>	<u>124,197,232</u>
Accumulated Depreciation					
At 1 January 2020	281,132	24,500	8,720,352	70,548,686	79,574,670
Charge for the year	276,587	-	1,085,161	5,564,836	6,926,584
Other	(31,816)	-	-	-	(31,816)
At 31 December 2020	<u>525,903</u>	<u>24,500</u>	<u>9,805,513</u>	<u>76,113,522</u>	<u>86,469,438</u>
At 1 January 2021	525,903	24,500	9,805,513	76,113,522	86,469,438
Charge for the year	<u>262,952</u>	<u>-</u>	<u>1,061,123</u>	<u>5,564,836</u>	<u>6,888,911</u>
At 31 December 2021	<u>788,855</u>	<u>24,500</u>	<u>10,866,636</u>	<u>81,678,358</u>	<u>93,358,349</u>
Carrying amount					
At 31 December 2021	<u>1,314,757</u>	<u>-</u>	<u>4,884,988</u>	<u>24,639,138</u>	<u>30,838,883</u>
At 31 December 2020	<u>1,577,709</u>	<u>-</u>	<u>5,725,639</u>	<u>30,203,974</u>	<u>37,507,322</u>

Right of use asset comprise seabed lease.

The depreciation charge for the year of £6,888,911 (2020: £6,926,584) and other charges of £- (2020: £(31,816)) is included in cost of sales.

Barrow Offshore Wind Limited

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

13 Trade and other receivables

	31 December 2021 £	31 December 2020 £
Receivables from related parties	34,419,306	40,226,529
Prepayments	17,355	17,139
Other receivables	<u>2,206,023</u>	<u>1,693,963</u>
	<u><u>36,642,684</u></u>	<u><u>41,937,631</u></u>

Receivables from related parties (except group cash pooling arrangement which has an interest of SONIA O/N plus 0.05% as at 31 December 2021) are unsecured, interest free and have repayment dates.

14 Share capital

Allotted, called up and fully paid shares

	31 December 2021 No.	£	31 December 2020 No.	£
Ordinary share capital of £0.10 each	<u>1,000</u>	<u>100</u>	<u>1,000</u>	<u>100</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.

15 Dividends

	2021 £	2020 £
Interim dividend of £29,700 (2020: £32,000) per ordinary share	<u>29,700,000</u>	<u>32,000,000</u>

The notes on pages 16 to 37 form an integral part of these financial statements.

Barrow Offshore Wind Limited

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

16 Leases

Lease liabilities

	31 December 2021 £	31 December 2020 £
Current portion of long term lease liabilities	304,878	304,878
Long term lease liabilities	1,075,155	1,324,479

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 44 years from inception with a break clause which can be actioned before the lease expires. This break clause requires a notice period of not less than 3 years and not more than 5 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.

Right of use asset

	Seabed lease £	Right of use asset £
Carrying amount at 1 January 2021	1,577,709	1,577,709
Depreciation	(262,952)	(262,952)
Carrying amount at 31 December 2021	1,314,757	1,314,757

	Seabed lease £	Right of use asset £
Carrying amount at 1 January 2020	1,967,923	1,967,923
Change in estimate	(113,627)	(113,627)
Depreciation	(276,587)	(276,587)
Carrying amount at 31 December 2020	1,577,709	1,577,709

The notes on pages 16 to 37 form an integral part of these financial statements.

Barrow Offshore Wind Limited

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

16 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
	£	£
Less than one year	304,878	304,878
In one to five years	1,219,512	1,219,512
In over five years	-	304,878
Total lease liabilities (undiscounted)	<u>1,524,390</u>	<u>1,829,268</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
	£	£
Payment		
Lease payments	<u>430,593</u>	<u>404,571</u>

Finance charge on leases going through the statement of comprehensive income is disclosed in note 10 'Finance costs'.

Depreciation charge on right of use asset is disclosed in note 12 'Property, plant and equipment'.

Variable amount of the lease payments exceeding the minimum lease payments amounts to £125,715 (2020: £79,925).

17 Deferred income

	31 December 2021	31 December 2020
	£	£
Non-current deferred income	1,825,335	2,242,002
Current deferred income	<u>500,000</u>	<u>-</u>
	<u>2,325,335</u>	<u>2,242,002</u>

The deferred income relates to a government grant received in relation to the construction of the wind farm asset. It is being amortised to the statement of comprehensive income on a straight-line basis over the useful life of the wind farm asset (see note 5 Other operating income).

Barrow Offshore Wind Limited

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

18 Provisions

	Decommissioning	Total
	£	£
At 1 January 2021	22,152,768	22,152,768
Charged to the statement of comprehensive income	788,341	788,341
Change in estimate	220,472	220,472
At 31 December 2021	<u>23,161,581</u>	<u>23,161,581</u>

	Decommissioning	Total
	£	£
At 1 January 2020	21,567,589	21,567,589
Charged to the statement of comprehensive income	753,895	753,895
Change in estimate	(168,716)	(168,716)
At 31 December 2020	<u>22,152,768</u>	<u>22,152,768</u>

The Decommissioning provision has been made under IAS 37 for estimated decommissioning costs which are 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 £4,884,988 (2020: £5,725,639) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2021 and future years. The decommissioning asset is being depreciated over 20 years being the expected life of the wind farm using straight line method.

19 Trade and other payables

	31 December 2021	31 December 2020
	£	£
Trade creditors	12,414	31,772
Accrued expenses	430,195	54,098
Amounts due to related parties	14,927,050	9,481,200
Other creditors	<u>190,588</u>	<u>696,268</u>
	<u>15,560,247</u>	<u>10,263,338</u>

Amounts due to related parties are unsecured, interest free and have repayment dates.

Barrow Offshore Wind Limited

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

20 Parent and ultimate parent undertaking

The immediate parent of the company is Orsted Power (UK) Limited, incorporated in England, which owns 100% of the ordinary share capital.

The ultimate parent company is Orsted A/S, incorporated in Denmark. The Danish State currently holds 50.1% (2020: 50.1%) of the share capital of Orsted A/S and therefore the company considers the Danish Ministry of Finance the ultimate controlling party.

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

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

Orsted A/S
Kraftværksvej 53
Skærbæk
7000 Fredericia
Denmark