

EAST ANGLIA TWO LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2022

Registered No. 11121842



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for the year ended 31 December 2022

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EAST ANGLIA TWO LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2022. This report has been prepared in accordance with the special provisions relating to small-sized companies under section 415A of the Companies Act 2006. The directors have taken advantage of the small companies' exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

ACTIVITIES AND REVIEW

The principal activity of East Anglia Two Limited ("the Company"), registered company number 11121842, is the development of the East Anglia Two offshore wind farm. This activity will continue for the foreseeable future.

The ultimate parent of the Company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange. The immediate parent of the Company is ScottishPower Renewables (UK) Limited ("SPRUKL"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of the Scottish Power Limited Group ("ScottishPower"), of which the Company is a member.

The Company is part of ScottishPower's Renewables business ("Renewables"). Renewables is responsible for the origination, development, construction and operation of renewable energy generation plants, principally onshore and offshore wind, and in emerging renewable technologies and innovations such as battery storage and solar.

On 31 March 2022, the Secretary of State for (then) Business, Energy and Industrial Strategy made a Development Consent Order granting the Company the permission to construct and maintain an offshore wind farm. The consent was subject to two applications for judicial review from local objector groups. Both judicial reviews have been dismissed by the High Court and are now in the appeals process. Despite this, the Company has continued to develop this project as part of the East Anglia Hub, together with Renewables' East Anglia Three and East Anglia One North wind farm projects.

RESULTS AND DIVIDENDS

The net loss for the year was £111,000 (2021 £70,000). No dividends were paid in either the current or prior year.

Notwithstanding net liabilities of £216,000, the Accounts are prepared on a going concern basis. Refer to Note 1B3 for further details.

FINANCIAL INSTRUMENTS

The Company has Trade and other payables and Loans and other borrowings. The Company has exposure to treasury risk (comprising both liquidity and market risk) arising from these financial instruments.

Liquidity risk is the risk that the Company will have insufficient funds to meet its liabilities and market risk is the risk of loss that results from changes in market rates (e.g. interest rates). Both of these are managed by ScottishPower's Treasury department, who are responsible for arranging banking facilities on behalf of the Company. The Company produces short-term rolling cash flow requirements and if necessary any required funding is obtained via ScottishPower's credit facilities already in place.

MODERN SLAVERY STATEMENT

The term 'modern slavery' covers both slavery and human trafficking. ScottishPower, and so the Company is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. In accordance with the Modern Slavery Act 2015, ScottishPower has produced its own Modern Slavery Statement, which is subject to annual approval by the board of directors of SPL. This statement is published on the ScottishPower website at: www.scottishpower.com / 'Sustainability' / 'Sustainable business' / 'ScottishPower's Modern Slavery Statement'.

DIRECTORS

The directors who held office during the year were as follows:

Heather Chalmers White
Charles Jordan

Ross Ovens was appointed as a director on 25 August 2023. There have been no other changes to the composition of the board of directors of the Company ("the Board") since the year end.

EAST ANGLIA TWO LIMITED
DIRECTORS' REPORT *continued*

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND ACCOUNTS

The directors are responsible for preparing the Directors' Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 their financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

Disclosure of information to auditor

Each of the directors in office as at the date of this Directors' Report and Annual Accounts confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

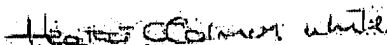
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITOR

KPMG LLP was re-appointed as the auditor of the Company for the year ending 31 December 2023.

This report has been prepared in accordance with the special provisions relating to small-sized companies under section 415A of the Companies Act 2006.

ON BEHALF OF THE BOARD



Heather Chalmers White
Director
28 September 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST ANGLIA TWO LIMITED

Opinion

We have audited the financial statements of East Anglia Two Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of financial position, Income statement and statement of comprehensive income, Statement of changes in equity, and related notes, including the principal accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for a period of at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the internal audit function, the Company's legal function and the compliance function and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST ANGLIA TWO LIMITED *continued*

Fraud and breaches of laws and regulations – ability to detect *continued*

Our forensic specialists assisted us in identifying key fraud risks. This included attending calls with the audit team, holding a discussion with the engagement partner, engagement manager, and assisting with designing and executing relevant audit procedures to respond to the identified fraud risks.

On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including form and content) including related companies legislation, distributable profits legislation, tax legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, fraud, corruption and bribery legislation and environmental protection legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' Report

The directors are responsible for the Directors' Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' Report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST ANGLIA TWO LIMITED *continued*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

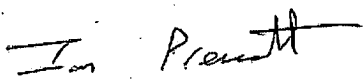
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Prescott (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

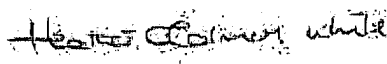
28 September 2023

EAST ANGLIA TWO LIMITED
STATEMENT OF FINANCIAL POSITION
at 31 December 2022

		2022	2021
	Notes	£000	Restated* £000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	50,009	39,923
NON-CURRENT ASSETS		50,009	39,923
CURRENT ASSETS			
Inventories	4	27,870	22,506
Current other receivables	5	84	371
Current tax asset		298	79
CURRENT ASSETS		28,252	22,956
TOTAL ASSETS		78,261	62,879
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		(216)	(105)
Share capital	6,7	-	-
Retained losses	7	(216)	(105)
TOTAL EQUITY		(216)	(105)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	630	238
NON-CURRENT LIABILITIES		630	238
CURRENT LIABILITIES			
Current loans and other borrowings	9	68,916	52,010
Current trade and other payables	10	8,931	10,736
CURRENT LIABILITIES		77,847	62,746
TOTAL LIABILITIES		78,477	62,984
TOTAL EQUITY AND LIABILITIES		78,261	62,879

* Comparative figures have been restated (refer to Note 1B2).

Approved by the Board and signed on its behalf on 28 September 2023 by:


Heather Chalmers White
Director

The accompanying Notes 1 to 16 are an integral part of the Statement of financial position at 31 December 2022.

EAST ANGLIA TWO LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
External services		(17)	(13)
OPERATING LOSS		(17)	(13)
Finance costs	11	-	-
LOSS BEFORE TAX		(17)	(13)
Income tax	12	(94)	(57)
NET LOSS FOR THE YEAR		(111)	(70)

Net loss for both years is wholly attributable to the equity holder of East Anglia Two Limited.

Net loss for both years comprises total comprehensive income.

All results relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share capital £000	Retained losses £000	Total £000
At 1 January 2021	-	(35)	(35)
Total comprehensive income for the year	-	(70)	(70)
At 1 January 2022	-	(105)	(105)
Total comprehensive income for the year	-	(111)	(111)
At 31 December 2022	-	(216)	(216)

The accompanying Notes 1 to 16 are an integral part of the Income statement and statement of comprehensive income, and the Statement of changes in equity for the year ended 31 December 2022.

EAST ANGLIA TWO LIMITED
NOTES TO THE ACCOUNTS
31 December 2022

1 BASIS OF PREPARATION

A COMPANY INFORMATION

East Anglia Two Limited, registered company number 11121842, is a private company limited by shares, incorporated in England and Wales and its registered office is 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England.

B BASIS OF PREPARATION

B1 BASIS OF PREPARATION OF THE ACCOUNTS

The Company is required by law to prepare accounts and to deliver them to the Registrar of Companies. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest thousand unless otherwise indicated. The Accounts are prepared on the historical cost basis.

The Accounts have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of international accounting standards ("IAS") as adopted by the UK ("UK-adopted IAS") in conformity with the requirements of the Companies Act 2006 including newly effective IAS for the year ended 31 December 2022 (refer to Note 1C). In applying FRS 101, the Company has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken:

- comparative period reconciliations for property, plant and equipment;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new but not yet effective IAS pronouncements;
- disclosures in respect of the compensation of key management personnel; and
- the preparation of a Statement of cash flows and the related notes.

As the consolidated financial statements of Iberdrola, S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

B2 CHANGE IN PRESENTATION – OFFSHORE TRANSMISSION ASSETS

The Company is developing an offshore wind farm which will require an offshore transmission asset to connect the wind farm to the onshore grid. As a legislative requirement, the Company is not permitted to own and operate the offshore transmission assets which it constructs alongside its offshore wind farm, and consequently they must be sold to a third party operator following their completion and an initial allowed operational period. In prior years, the initial spend on these assets was recorded within Property, plant and equipment in the course of construction as part of the wider wind farm project asset, with the intention of reclassifying to Inventories when the project was deemed highly probable to be constructed. During the year, the directors have reviewed this treatment and concluded that any spend on the offshore transmission asset should have been recorded within Inventories from the start of the project. The comparatives have been restated for this reclassification. The impact is a decrease of £22,506,000 in Property, plant and equipment in the course of construction capitalised on or before 31 December 2021 and a corresponding increase in Inventories. £10,601,000 of the reclassified value had been capitalised before 1 January 2021. This restatement has no impact on the net asset position in the Statement of financial position nor any impact on net profit shown in the Income statement and statement of comprehensive income. An additional impact of this change in presentation is the restatement of the associated commitments being a decrease of £978,000 in Capital commitments at 31 December 2021 and a corresponding increase in Financial commitments.

B3 GOING CONCERN

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The principal activity of the Company is the development of the East Anglia Two offshore wind farm within the group headed by Scottish Power UK plc ("the SPUK Group"). Scottish Power UK plc ("SPUK"), the Company's intermediate parent company is itself a subsidiary of Iberdrola, S.A., the ultimate parent undertaking. The Company's cash flows are therefore dependent on the continuation of those operations and have been considered as part of the SPUK Group's cash flow forecasts, on which the directors of the SPUK Group have performed an assessment of reasonably possible downsides.

EAST ANGLIA TWO LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2022

1 BASIS OF PREPARATION *continued*

To meet its working capital requirements, the Company participates in a UK centralised treasury function operated by the Company's intermediate parent company SPL, the parent company of SPUK. At 31 December 2022, the Company had a loan payable of £67,347,000 with SPL. ScottishPower's treasury function works closely with Iberdrola to manage the Company's funding requirements. There has been no indication that these arrangements may change.

The directors have performed a going concern assessment which indicates that, in the case of reasonably possible downsides, the Company will require additional funds, through funding from SPUK, to meet its liabilities as they fall due for at least one year from the date of approval of these financial statements.

SPUK has indicated its intention to make available such funds as are needed by the Company, in the event this is required. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least one year from the date of approval of these financial statements and, therefore, have prepared the financial statements on a going concern basis.

C IMPACT OF NEW IAS

As noted on the previous page, these Accounts have been prepared in accordance with UK-adopted IAS. In preparing these Accounts, the Company has applied all relevant standards and interpretations that have been adopted by the UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2022.

For the year ended 31 December 2022, the Company has applied the following amendments for the first time:

Standard	Note
• Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract'	(a)
• Amendments to IFRS 3 'Business Combinations: Reference to the Conceptual Framework'	(a)
• Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'	(a)
• Annual Improvements to IFRS Standards 2018-2020 Cycle	(a)

(a) The application of these amendments has not had a material impact on the Company's accounting policies, financial position or performance.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES

In determining and applying accounting policies, judgement and estimation is often required in respect of items which have a significant effect on the reported amounts of assets, liabilities, income and expenses recognised in the financial statements. Management considers significant judgements and estimates to be those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year due to inherent uncertainty regarding estimates and assumptions. There are no significant judgements or estimates at 31 December 2022.

Non-significant judgement and estimate in applying the Company's accounting policies - Consideration of climate change

The impact of climate change on the financial statements has been considered. No material impact on the judgements and estimates made in the preparation of the financial statements has been identified. This consideration focused on the Company's going concern position, including the cash flow prepared for the directors' assessment referred to in Note 1B3.

Additionally, consideration has been given to any estimates over the longer-term which should be disclosed to allow for an understanding of the financial statements. The Company has no estimates of this nature to disclose.

The principal accounting policies applied in preparing the Company's accounts are set out below:

- A PROPERTY, PLANT AND EQUIPMENT
- B IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
- C INVENTORIES
- D FINANCIAL INSTRUMENTS
- E TAXATION

EAST ANGLIA TWO LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2022

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

A PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisting of assets under construction is stated at cost and depreciated on a straight-line basis over the estimated operational lives of the assets once commissioned. Property, plant and equipment includes capitalised interest and other directly attributable costs. Borrowing costs directly attributable to the acquisition, construction or production of major qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

B IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Company reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment is recognised in the Income statement and statement of comprehensive income in the period in which it is identified. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, net of depreciation or amortisation, if no impairment loss had been recognised.

C INVENTORIES

Inventories held comprise offshore transmission assets. As a legislative requirement, the Company is not permitted to own and operate the offshore transmission assets which it constructs alongside its offshore wind farm, and consequently they must be sold to a third-party operator following their completion and an initial allowed operational period. Therefore, such transmission assets are built with a view to sell and not operating them as capital assets over future periods. Offshore transmission assets have a construction cycle spanning multiple financial periods. The costs incurred are recorded as inventory and released through Procurements when sold.

Inventories are valued at the lower of cost and net realisable value. Cost includes all directly attributable costs incurred in bringing the inventories to their present location and condition. When sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

D FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

D1 FINANCIAL LIABILITIES

D1.1 CLASSIFICATION

Financial liabilities are classified as measured at amortised cost.

D1.2 RECOGNITION AND MEASUREMENT

(a) Initial recognition and measurement

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.

(b) Subsequent measurement and gains and losses

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the Income statement and statement of comprehensive income. Any gain or loss on derecognition is also recognised in the Income statement and statement of comprehensive income.

EAST ANGLIA TWO LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2022

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND PRINCIPAL ACCOUNTING POLICIES *continued*

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interest rate. The effective interest charge is included as Finance costs in the Income statement and statement of comprehensive income.

(c) Derecognition

The Company derecognises a financial liability when the obligation under that liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability recognised. The difference in their respective carrying amounts is recognised in the Income statement and statement of comprehensive income.

E TAXATION

Assets and liabilities for current tax are calculated using the tax rates that have been enacted, or substantively enacted, at the reporting date.

Deferred tax is the tax expected to be payable, or recoverable, on the difference between the carrying amounts of assets and liabilities in the Statement of financial position and the corresponding tax bases used in the computation of taxable profits (temporary differences) and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses or credits can be utilised.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is expected to be settled, or the asset realised based on tax rates and laws enacted, or substantively enacted, at the reporting date. Deferred tax is charged to the Income statement and statement of comprehensive income.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income statement and statement of comprehensive income.

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

	Wind power plant in the course of construction
Year ended 31 December 2022	£000
Cost:	
At 1 January 2022 (Restated*)	39,923
Additions	10,086
At 31 December 2022	50,009
Net book value:	
At 31 December 2022	50,009
At 1 January 2022 (Restated*)	39,923

*Comparative figures have been restated (refer to Note 1B2).

- (i) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 2.64% (2021 1.25%).
- (ii) Included within the cost of property, plant and equipment is capitalised interest of £1,576,000 (2021 £952,000).

(b) Capital commitments

The Company had £2,356,000 of capital commitments at 31 December 2022 (2021 £3,300,000) expected to be settled within one year in both years. The comparative figure has been restated (refer to Note 1B2).

EAST ANGLIA TWO LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2022

4 INVENTORIES

	2022	2021
	£000	Restated*
Offshore transmission assets	27,870	22,506

* The comparative figure has been restated (refer to Note 1B2).

5 OTHER RECEIVABLES

	2022	2021
	£000	£000
Current receivables:		
Other tax receivables	84	371

6 SHARE CAPITAL

	2022	2021
	£	£
Allotted, called up and fully paid shares:		
One ordinary share of £1 (2021 one)	1	1

The holder of the ordinary share is entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the Company, with the member entitled to one vote on a show of hands and on a poll one vote for the share held.

7 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY

	Share capital	Retained losses	Total
	£000	(Note (a))	£000
At 1 January 2021	-	(35)	(35)
Loss for the year attributable to equity holder of the Company	-	(70)	(70)
At 1 January 2022	-	(105)	(105)
Loss for the year attributable to equity holder of the Company	-	(111)	(111)
At 31 December 2022	-	(216)	(216)

(a) Retained losses comprises the cumulative balance of profits and losses recognised in the Accounts.

8 DEFERRED TAX

	Notes	Property, plant and equipment
		£000
At 1 January 2021		102
Charge to the Income statement and statement of comprehensive income	(a)	136
At 1 January 2022		238
Charge to the Income statement and statement of comprehensive income	(b)	392
At 31 December 2022		630

(a) Legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 1 January 2021 were increased by £33,000 to reflect the rate that the temporary differences are expected to reverse at.

(b) The Company has not recognised a deferred tax asset in relation to £65,000 (2021 £48,000) of losses due to the uncertainty over the availability of future taxable profits.

EAST ANGLIA TWO LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2022

9 LOANS AND OTHER BORROWINGS

Instrument	Interest rate	Maturity	2022 £000	2021 £000
Loans with Iberdrola Group companies	Base* + 1%	On demand	67,347	51,597
Accrued interest due to Iberdrola Group companies			1,569	413
			68,916	52,010

* Base – Bank of England base rate

10 TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Current trade and other payables:		
Payables due to Iberdrola Group companies	6,297	7,215
Trade payables	1,241	12
Capital payables and accruals	1,393	3,509
	8,931	10,736

11 FINANCE COSTS

	2022 £000	2021 £000
Interest on amounts due to Iberdrola Group companies	1,569	413
Capitalised interest	(1,569)	(413)

12 INCOME TAX

	2022 £000	2021 £000
Current tax:		
UK Corporation Tax credit on losses for the year	(298)	(79)
Current tax for the year	(298)	(79)
Deferred tax:		
Origination and reversal of temporary differences	298	79
Impact of tax rate change on opening deferred tax balance	-	33
Impact of tax rate change on current year charge	94	24
Deferred tax for the year	392	136
Income tax expense for the year	94	57

The tax charge on the loss on ordinary activities for the year varied from the standard rate of UK Corporation Tax applicable to the Company as follows:

	2022 £000	2021 £000
Corporation Tax at 19% (2021 19%)	(3)	(3)
Impact of tax rate change on opening deferred tax balance	-	33
Impact of tax rate change on current year charge	94	24
Deferred tax not recognised	3	3
Income tax expense for the year	94	57

Legislation was enacted on 10 June 2021 under the Finance Act 2021 that will increase the UK Corporation Tax rate to 25% from 1 April 2023. Accordingly, the deferred tax balances at 1 January 2021 were increased by £33,000 to reflect the rate that the temporary differences are expected to reverse at.

13 EMPLOYEE INFORMATION

The Company has no employees (2021 none).

EAST ANGLIA TWO LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2022

14 FINANCIAL COMMITMENTS

At 31 December 2022 the Company had contractual commitments of £927,000 (2021 £978,000) expected to be settled within one year in both years. The comparative figure has been restated (refer to Note 1B2).

15 RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

The total remuneration of the directors that provided qualifying services to the Company is shown below. As these directors are remunerated for their work for Renewables, it has not been possible to apportion the remuneration specifically in respect of services to this Company. Both directors (2021 all) who performed qualifying services for the Company during the year were remunerated by other companies within Renewables.

	2022 £000	2021 £000
Aggregate remuneration in respect of qualifying services	656	785
Aggregate contributions payable to a defined contribution pension scheme	-	24
Number of directors who exercised share options	2	3
Number of directors who received shares under a long-term incentive scheme	2	3
Number of directors accruing retirement benefits under a defined benefit scheme	2	2
Number of directors accruing retirement benefits under a defined contribution scheme	-	1

	2022 £000	2021 £000
Highest paid director		
Aggregate remuneration	413	441
Aggregate contributions payable to a defined contribution pension scheme	-	24
Accrued pension benefit	52	-

- (i) The highest paid director received shares under a long-term incentive scheme during both years.
(ii) The highest paid director exercised share options during both years.

(b) Immediate and ultimate parent company

The immediate parent company is SPRUKL. The registered office of SPRUKL is The Soloist, 1 Lanyon Place, Belfast, Northern Ireland, BT1 3LP.

The directors regard Iberdrola, S.A. (incorporated in Spain) as the ultimate parent company, which is also the parent company of the largest group in which the results of the Company are consolidated. The parent company of the smallest group in which the results of the Company are consolidated is SPUK.

Copies of the consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated Accounts of SPUK may be obtained from its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

The Company has no other related undertakings in addition to the parent undertakings disclosed above.

16 AUDITOR'S REMUNERATION

	2022 £000	2021 £000
Audit of the Annual accounts	17	12