

EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2015

Registered No. 07366753

SATURDAY



A58F87TN

A04

04/06/2016

#124

COMPANIES HOUSE

EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT AND ACCOUNTS

CONTENTS

DIRECTORS' REPORT	1
INDEPENDENT AUDITOR'S REPORT	4
BALANCE SHEETS	5
INCOME STATEMENTS	6
STATEMENTS OF COMPREHENSIVE INCOME	6
STATEMENTS OF CHANGES IN EQUITY	6
CASH FLOW STATEMENTS	7
NOTES TO THE ACCOUNTS	8

EAST ANGLIA ONE LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2015 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 One Limited ("the company"), registered company number 07366753, is the development of the East Anglia One offshore wind farm. The company commenced operational activity in 2014.

From 16 June 2014 until 24 March 2015, the company was jointly owned and managed by ScottishPower Renewables (UK) Limited ("SPRUKL") and Vattenfall Wind Power Ltd ("VWPL") under the terms of a Zone Shareholders Agreement ("ZSA"). SPRUKL is a member of the Scottish Power Limited group of companies ("ScottishPower"), which is headed by Scottish Power Limited ("SPL"). The ultimate parent company of SPL is Iberdrola, S.A. ("Iberdrola"). The ultimate parent company of VWPL is Vattenfall AB ("Vattenfall").

On 24 March 2015, VWPL sold its 50% interest in the share capital of the company to SPRUKL, at which point the company became a wholly owned subsidiary of SPRUKL and therefore of ScottishPower.

The company continues to actively engage in the Government's Electricity Market Reform ("EMR") process and, in particular, the development of the terms of the new Contract for Difference ("CfD") mechanism and the supporting legislation. The CfD scheme will replace the Renewable Obligation ("RO") as the main support mechanism for large scale renewable electricity generation from 1 April 2017, although there will be a period of parallel running.

The company signed a CfD for 714 megawatts ("MW") after succeeding in the first auction of this kind held in the UK, with a highly competitive price, clearly showing a commitment toward reducing the cost of renewable energy for consumers. The CfD agreements with the Low Carbon Contracts Company Limited were entered into on 27 March 2015.

The East Anglia One project was approved for construction in February 2016. Subsequent to this decision, on 3 March 2016, the company entered into Turbine Supply and Service and Maintenance Agreements with Siemens PLC.

KEY FACTORS AFFECTING THE BUSINESS

The company's objectives to manage the key drivers impacting the financial performance of the company during the year were as follows:

- deliver offshore investment programmes efficiently; and
- develop efficient operations and reduce costs

MANAGEMENT OF RISKS

The business identifies and assesses the key business risks associated with the achievement of its strategic objectives. Any key actions needed to enhance the control environment are identified, along with the person responsible for the management of the specific risk. Details of the risk management practices of ScottishPower, and therefore the company, under which the company operates, are provided in Note 4 of the most recent Annual Report and Accounts of SPL.

OPERATIONAL FINANCIAL PERFORMANCE

During the year ended 31 December 2015, the company had capital expenditure of £23,072,000 (2014 £42,986,000) on wind power plant development. Overall, the directors are satisfied with the level of business and the year-end financial position.

RESULTS AND DIVIDENDS

The net profit for the year was £4,000 (2014 result £nil). No dividends were proposed or paid during the year (2014 £nil).

EAST ANGLIA ONE LIMITED

DIRECTORS' REPORT *continued*

FINANCING REVIEW

Capital and debt structure

From the commencement of operational activity until 24 March 2015, all purchases made by the company were funded through a working capital facility provided by EAOW. Subsequent to the company becoming a wholly-owned member of ScottishPower on 24 March 2015, SPL has provided the company with treasury services and a loan facility allowing it to settle its indebtedness to EAOW. Net debt at 31 December 2015 was £59,345,000.

Liquidity

The directors confirm that the company remains a going concern on the basis of its future cash flow forecasts and has sufficient working capital for present requirements. The directors consider that sufficient funding will be made available to the company to continue operations and to meet liabilities as they fall due. Further details of the going concern considerations made by the directors of the company are set out in Note 19.

HEALTH AND SAFETY

The company has a clear strategy to continue to improve health and safety performance using ScottishPower health and safety standards. A more extensive description of how ScottishPower, and therefore the company, addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

ENVIRONMENTAL MANAGEMENT AND REGULATION

Throughout its operations, the company strives to meet, or exceed, relevant legislative and regulatory environmental requirements and codes of practice. A more extensive description of how the company addresses environmental requirements using ScottishPower's policies and practices can be found in the most recent Annual Report and Accounts of SPL.

DIRECTORS

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

Keith Anderson	(appointed 28 July 2015)
Jonathan Cole	
Gunnar Groebler	(resigned 24 March 2015)
Piers Basil Guy	(resigned 24 March 2015)
Roy Scott	

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

The directors are responsible for preparing Accounts for each financial period which give a true and fair view, in accordance with IFRSs, of the state of affairs of the company and of the profit or loss for that period. In preparing those Accounts, 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 the Accounts comply with IFRSs, subject to any material departures disclosed and explained in the Accounts; and
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT *continued*

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS *continued*

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the Accounts comply with the Companies Act 2006. They 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.

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

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself 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

Ernst & Young LLP were re-appointed as auditor of the company for the year ended 31 December 2015.

ON BEHALF OF THE BOARD



Jonathan Cole
Director
16 May 2016

INDEPENDENT AUDITOR'S REPORT

To the members of East Anglia One Limited

We have audited the Accounts of East Anglia One Limited for the year ended 31 December 2015 which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3, the directors are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Accounts. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Accounts, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON ACCOUNTS

In our opinion the Accounts:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

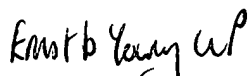
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Accounts are prepared is consistent with the Accounts.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the Accounts 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
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime to take advantage of the small companies exception in not preparing the strategic report and to take advantage of the small companies exemption in preparing the directors' report.



Annie Graham (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
16 May 2016

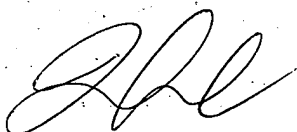
EAST ANGLIA ONE LIMITED

BALANCE SHEETS

as at 31 December 2015 and 31 December 2014

	Notes	2015 £000	2014 £000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		66,058	42,986
Property, plant and equipment in the course of construction	3	66,058	42,986
NON-CURRENT ASSETS		66,058	42,986
CURRENT ASSETS			
Trade and other receivables	4	333	-
Current tax asset		108	-
Financial assets		10,119	-
Derivative financial instruments	5, 12	10,119	-
Cash	5	368	-
CURRENT ASSETS		10,928	-
TOTAL ASSETS		76,986	42,986
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		8,099	-
Share capital	7, 8	-	-
Hedge reserve	8	8,095	-
Retained earnings	8	4	-
TOTAL EQUITY		8,099	-
NON-CURRENT LIABILITIES			
Deferred income	9	251	-
Deferred tax liabilities	10	2,121	-
NON-CURRENT LIABILITIES		2,372	-
CURRENT LIABILITIES			
Bank borrowings and other financial liabilities		59,713	-
Loans and other borrowings	11	59,713	-
Trade and other payables	13	6,802	42,986
CURRENT LIABILITIES		66,515	42,986
TOTAL LIABILITIES		68,887	42,986
TOTAL EQUITY AND LIABILITIES		76,986	42,986

Approved by the Board on 16 May 2016 and signed on its behalf by:



Jonathan Cole
Director

The accompanying Notes 1 to 19 are an integral part of the balance sheets as at 31 December 2015 and 31 December 2014.

EAST ANGLIA ONE LIMITED

INCOME STATEMENTS

for the years ended 31 December 2015 and 31 December 2014

	Notes	2015 £000	2014 £000
Outside services		(125)	-
Other operating income		118	-
LOSS FROM OPERATIONS		(7)	-
Finance costs	15	-	-
LOSS BEFORE TAX		(7)	-
Income tax	16	11	-
NET PROFIT FOR THE YEAR		4	-

Net profit for the current year and result for the prior year is wholly attributable to the equity holders of East Anglia One Limited.

All results relate to continuing operations.

STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2015 and 31 December 2014

	Note	2015 £000	2014 £000
NET PROFIT FOR THE YEAR		4	-
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges recognised	8	10,119	-
Tax relating to cash flow hedges	8	(2,024)	-
		8,095	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		8,095	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,099	-

Total comprehensive income for both years is wholly attributable to the equity holders of East Anglia One Limited.

STATEMENTS OF CHANGES IN EQUITY

for the years ended 31 December 2015 and 31 December 2014

	Ordinary share capital £000	Hedge reserve £000	Retained earnings £000	Total £000
At 1 January 2014 and 1 January 2015	-	-	-	-
Total comprehensive income for the year	-	8,095	4	8,099
At 31 December 2015	-	8,095	4	8,099

The accompanying Notes 1 to 19 are an integral part of the income statements, statements of comprehensive income and statements of comprehensive equity for the years ended 31 December 2015 and 31 December 2014.

EAST ANGLIA ONE LIMITED

CASH FLOW STATEMENTS

for the years ended 31 December 2015 and 31 December 2014

	2015	2014
	£000	£000
Cash flows from operating activities		
Loss before tax	(7)	-
Adjustments for:		
Revenue grants	(118)	-
Changes in working capital:		
Change in trade and other receivables	(333)	-
Change in trade and other payables	1,435	-
Revenue grants received	369	-
Net cash flows from operating activities (i)	1,346	
Cash flows from investing activities		
Investments in property, plant and equipment	(60,691)	-
Net cash flows from investing activities (ii)	(60,691)	
Net decrease in cash and cash equivalents (i)+(ii)	(59,345)	
Cash and cash equivalents at end of year	(59,345)	
Cash and cash equivalents at end of year comprises:		
Cash	368	-
Payables due to Iberdrola group companies - loans	(59,713)	-
Cash flow statement cash and cash equivalents	(59,345)	

The accompanying Notes 1 to 19 are an integral part of the cash flow statements for the years ended 31 December 2015 and 31 December 2014.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS
31 December 2015

1 BASIS OF PREPARATION

A 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 have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2015. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

B ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2015.

For the year ended 31 December 2015, the company has applied the following standards and amendments for the first time:

Standard	Note
• Amendments to IAS 19 'Employee Benefits: Defined Benefit Plans: Employee Contributions'	(a)
• Annual Improvements to IFRSs (2010-2012)	(a)
• Annual Improvements to IFRSs (2011-2013)	(a)
• IFRIC 21 'Levies'	(a)

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

The following new standards and amendments to standards have been issued by the International Accounting Standards Board ("IASB") but have an effective date after the date of these financial statement thus have not been implemented by the company:

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• Amendments to IAS 1 'Presentation of Financial Statements: Disclosure Initiative'	(b)	1 January 2016	1 January 2016
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(b)	1 January 2016	1 January 2016
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – 'Bearer Plants'	(b)	1 January 2016	1 January 2016
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(b)	1 January 2016	1 January 2016
• Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'	(b)	1 January 2016	1 January 2016
• Annual Improvements to IFRSs (2012-2014)	(b)	1 January 2016	1 January 2016
• Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - 'Investment Entities: Applying the Consolidated Exception'	(b), (c), (d)	1 January 2016	1 January 2017
• IFRS 14 'Regulatory Deferral Accounts'	(b), (e)	1 January 2016	To be decided
• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'	(b), (c)	1 January 2017	1 January 2017
• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'	(b), (c)	1 January 2017	1 January 2017
• IFRS 9 'Financial Instruments'	(c), (f)	1 January 2018	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15 'Effective date of IFRS 15' and Clarifications to IFRS 15 'Revenue from Contracts with Customers')	(c), (f)	1 January 2018	1 January 2018

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

1 BASIS OF PREPARATION *continued*

B ACCOUNTING STANDARDS *continued*

Standard <i>continued</i>	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRS 16 'Leases'	(c), (f)	1 January 2019	1 January 2019
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	(b), (c), (g)	Deferred indefinitely	To be decided

- (b) The future application of these pronouncements is not expected to have a material impact on the company's accounting policies, financial position or performance.
- (c) These pronouncements have not yet been adopted by the EU.
- (d) The company applies all relevant pronouncements which have been adopted by the EU as at the date of approval of these accounts. Despite the IASB effective date of 1 January 2016, the amendment has yet to be endorsed by the EU. The endorsement notice will be reviewed but it is anticipated that the company will apply this amendment for the accounting period following adoption, i.e. 1 January 2017.
- (e) The endorsement process of this interim standard has not been launched as the EU has decided to wait for the final standard to be issued.
- (f) The directors are currently in the process of assessing the impact of this standard/amendment in relation to the company's accounting policies, financial position and performance.
- (g) The IASB set the effective date of this amendment as for periods commencing on or after 1 January 2016. However, in December 2015, the IASB postponed the effective date indefinitely pending the outcome of its research project on the equity method of accounting. The EU endorsement process for this amendment has been postponed, awaiting a revised exposure draft from the IASB. The IASB effective date will be amended in due course.
- (h) The company has chosen not to early adopt any of these standards/amendments for year ended 31 December 2015.

2 ACCOUNTING POLICIES

The principal accounting policies applied in preparing the company's Accounts are set out below:

A PROPERTY, PLANT AND EQUIPMENT

B LEASED ASSETS

C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

D FINANCIAL INSTRUMENTS

E GRANTS

F TAXATION

A PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and is generally depreciated on a straight-line basis over the estimated operational lives of the assets. 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, which are 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 LEASED ASSETS

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in the arrangement. For arrangements entered into prior to 1 April 2004, the date of inception is deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4 'Determining Whether an Arrangement Contains a Lease'.

The company classifies leases as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

2 ACCOUNTING POLICIES *continued*

C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet 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 is estimated in order to determine the extent of the impairment loss (if any). 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.

D FINANCIAL INSTRUMENTS

D1 ACCOUNTING POLICIES UNDER IAS 39

- (a) Financial assets categorised as trade receivables are recognised and carried at original invoice amount less an allowance for impairment of doubtful debts. Allowance for doubtful debts has been estimated by management, taking into account future cash flows, based on past experience and assessment of the current economic environment within which the company operates.
- (b) In the cash flow statement, cash and cash equivalents includes bank overdrafts repayable on demand the next business day and, where appropriate, the net of current loans receivable and payable from group companies.
- (c) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
- (d) All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method except where the loan or borrowing is a hedged item in an effective fair value hedging relationship (see D3 Hedge Accounting).

The company enters into treasury-related derivatives to manage its financial risk. IAS 39 'Financial Instruments: Recognition and Measurement' requires all derivatives to be recognised on the balance sheet at fair value. Unrealised gains or losses on remeasurement of derivatives are reported in the income statement except when hedge accounting is applied (see D3 Hedge Accounting).

D2 RISK CONTROL ENVIRONMENT

ScottishPower's strategy is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction ScottishPower develops and implements risk management policies and procedures, and promotes a rigid control environment at all levels of the organisation. Further details of ScottishPower's strategy and management of risks are discussed in detail in the most recent Annual Report and Accounts of SPL.

D3 HEDGE ACCOUNTING

Hedge accounting is applied when certain conditions required by IAS 39 are met. Hedge accounting falls into the following categories:

D3.1 CASH FLOW HEDGES

The portion of gain or loss of the hedging instrument that was determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve. The ineffective portion of the change in fair value of the hedging instruments is recognised in the income statement within 'Procurements' for hedges of underlying operations. For hedges of financing activities, any ineffectiveness is recognised within 'Finance income' or 'Finance costs', as appropriate, in the income statement. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative that had previously been recognised in equity are recognised in the initial measurement of the asset arising from the hedged transaction. For hedges that relate to an underlying transaction which results in recognition of a financial asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

2 ACCOUNTING POLICIES *continued*

D FINANCIAL INSTRUMENTS *continued*

D3 HEDGE ACCOUNTING *continued*

D3.2 HEDGE EFFECTIVENESS

Hedge effectiveness is measured and respective entries recorded in the balance sheet, reserves and income statement on a half-yearly basis in respect of treasury hedging relationships. Hedge effectiveness is achieved where the correlation between the changes in value of the hedging instrument and the hedged item is between 80% and 125%.

D3.3 DISCONTINUING HEDGE ACCOUNTING

The company discontinues prospectively hedge accounting when the hedge instrument expires or is sold, terminated or exercised, when the hedge relationship no longer qualifies for hedge accounting or when the designation is revoked. In the case of cash flow hedging, any gain or loss that has been recognised in equity until that time remains separately recognised in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, related cumulative gains and losses which have been previously deferred in equity are recognised in the income statement.

D4 VALUATION OF FINANCIAL INSTRUMENTS

In those circumstances where IAS 39 requires financial instruments to be recognised in the balance sheet at fair value, the company's valuation strategies for derivative and other financial instruments utilise as far as possible quoted prices in an active trading market.

In the absence of quoted prices for identical or similar assets or liabilities, it is sometimes necessary to apply valuation techniques where contracts are marked using approved models. Models are used for developing both the forward curves and the valuation metrics of the instruments themselves where the instruments are complex combinations of standard or non-standard products. All models are subject to rigorous testing prior to being approved for valuation and subsequent continuous testing and approval procedures designed to ensure the validity and accuracy of the model assumptions and inputs.

D5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The company offsets a financial asset and a financial liability and reports the net amount only when the company has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

E GRANTS

Revenue grants are credited to 'Deferred Income' within non-current liabilities. Revenue grants are released to the income statement over the period in which they are intended to contribute to the expenditure incurred.

F TAXATION

The company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted at the balance sheet 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 balance sheet 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 settled or the asset realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged in the income statement, except where it relates to items charged or credited to equity (via the statement of comprehensive income), in which case the deferred tax is also dealt with in equity and is shown in the statement of comprehensive income.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

	Wind power plant in progress (Note (i)) £000
Year ended 31 December 2014	

Cost:

At 1 January 2014

Additions 42,986

At 31 December 2014 42,986

Net book value:

At 31 December 2014 42,986

At 1 January 2014

	Wind power plant in progress (Note (i)) £000
Year ended 31 December 2015	

Cost:

At 1 January 2015

Additions 23,072

At 31 December 2015 66,058

Net book value:

At 31 December 2015 66,058

At 1 January 2015 42,986

(i) As all property, plant and equipment was in the course of construction at 31 December 2015 and 31 December 2014 no depreciation has been charged.

(ii) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 1.0% (2014 Nil).

(b) Operating lease arrangements

	2015 £000	2014 £000
(i) Operating lease commitments		
Within one year	19	-
Between one and five years	36	-
	55	-

The operating lease commitments are in respect of the lease of a property.

(c) Capital commitments

	2015 £000	2014 £000
Contracted but not provided	3,094	-

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

4 TRADE AND OTHER RECEIVABLES

	Note	2015 £000	2014 £000
Current receivables:			
Receivables due from Iberdrola group companies - unpaid share capital	(a)	-	-
Other tax receivables		333	-
		333	

(a) The balance of unpaid share capital at 31 December 2015 was £1 (2014 £1)

5 FINANCIAL INSTRUMENTS

The table below sets out the carrying amount and fair value of the company's financial instruments.

	Notes	2015		2014	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets					
Derivative financial instruments	(a)	10,119	10,119	-	-
Receivables	(b)	-	-	-	-
Cash	(c)	368	368	-	-
Financial liabilities					
Loans and other borrowings		(59,713)	(59,713)	-	-
Payables	(b)	(6,802)	(6,802)	(42,986)	(42,986)

The carrying amount of these financial instruments is calculated as set out in Note 2D. The carrying value of financial instruments is a reasonable approximation of fair value.

(a) Further details on derivative financial instruments are disclosed in Note 12.

(b) Balances outwith the scope of IFRS 7 'Financial Instruments: Disclosure' ('IFRS 7') have been excluded, namely other tax receivables and payments received on account.

(c) Cash represents outstanding cash held in a non interest bearing current account.

The company holds certain financial instruments which are measured in the balance sheet at fair value. The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All derivatives held by the company are Level 2.

6 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

The tables below summarise the maturity profile of the company's financial liabilities as at 31 December 2015 and 31 December 2014 based on contractual undiscounted payments.

	2015						Total
	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 and thereafter £000	
Cash outflows							
Loans and other borrowings	60,247	-	-	-	-	-	60,247
Payables*	6,268	-	-	-	-	-	6,268
	66,515						66,515

	2014						Total
	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 and thereafter £000	
Cash outflows							
Payables	42,986	-	-	-	-	-	42,986

* Contractual cash flows exclude accrued interest as these cash flows are included within loans and other borrowings.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

7 SHARE CAPITAL

	2015	2014
	£	£
Allotted and called up shares:		
One ordinary share of £1 each (2014 One)	1	1

8 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF EAST ANGLIA ONE LIMITED

	Ordinary share capital £000	Hedge reserve (Note (a)) £000	Retained earnings (Note (b)) £000	Total £000
At 1 January 2014 and 1 January 2015	-	-	-	-
Profit for the year attributable to equity holders of East Anglia One Limited	-	-	4	4
Changes in the value of cash flow hedges	-	10,119	-	10,119
Tax relating to cash flow hedges	-	(2,024)	-	(2,024)
At 31 December 2015	-	8,095	4	8,099

- (a) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.
- (b) Retained earnings comprises the cumulative balance of profits and losses recognised in the accounts as adjusted for transactions with shareholders.
- (c) The changes in the hedge reserve arising from valuation adjustments to hedging derivatives are set out below:

	Foreign exchange rate hedges £000	Tax effect £000	Total £000
Cash flow hedges			
At 1 January 2014 and 1 January 2015	-	-	-
Effective cash flow hedges recognised	10,119	(2,024)	8,095
At 31 December 2015	10,119	(2,024)	8,095

- (d) The amounts included in the hedge reserve mature within one year.

9 DEFERRED INCOME

	At 1 January 2015 £000	Receivable during year £000	Released to income statement £000	At 31 December 2015 £000
Year ended 31 December 2015				
Revenue grants	-	369	(118)	251

10 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £000	Derivative financial instruments £000	Total £000
At 1 January 2014 and 1 January 2015	-	-	-
Charge to income statement	97	-	97
Recorded in the statement of comprehensive income	-	2,024	2,024
At 31 December 2015	97	2,024	2,121

Finance Act (No.2) 2015 included legislation to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 18% on 1 April 2020. These changes reduce the tax rates expected to apply when temporary differences reverse and impact the deferred tax charge. The rate of UK Corporation Tax is now expected to reduce by a further 1% to 17% on 1 April 2020 and this will reduce the property plant and equipment element of the deferred tax provision. The estimated impact of this change is a reduction of £5,000 in the year to 31 December 2016. It is not possible to quantify the impact of the expected rate reduction on other elements of the deferred tax balance.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

11 LOANS AND OTHER BORROWINGS

(a) Analysis of loans and borrowings by instrument and maturity

Instrument	Interest rate*	Maturity	2015	2014
			£000	£000
Loans with Iberdrola group companies	Base + 1%	On demand	59,713	-

* Base – Bank of England Base Rate

(b) Borrowing facilities

The company has no undrawn borrowing facilities at 31 December 2015 (2014 £nil).

12 DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivative financial instruments - carrying value

	2015				2014			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	£000	£000	£000	£000	£000	£000	£000	£000
Hedging derivatives with Iberdrola group companies - cash flow hedge								
Foreign exchange rate	10,119	-	-	-	-	-	-	-

13 TRADE AND OTHER PAYABLES

	2015	2014
	£000	£000
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	1,414	-
Payables due to Iberdrola group companies - capital	2,699	42,986
Payables due to Iberdrola group companies - interest	534	-
Trade payables	21	-
Capital payables and accruals	2,134	-
	6,802	42,986

14 EMPLOYEE INFORMATION

The company has no employees (2014 none). Details of directors' remuneration are set out in Note 17.

15 FINANCE COSTS

	2015	2014
	£000	£000
Interest on amounts due to Iberdrola group companies	534	-
	534	-
Capitalised interest	(534)	-
	-	-

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

16 INCOME TAX

	2015 £000	2014 £000
Current tax:		
UK Corporation tax	(108)	-
Current tax credit for the year	(108)	-
Deferred tax:		
Origination and reversal of temporary differences	108	-
Impact of tax rate change	(11)	-
Deferred tax charge for the year	97	-
Income tax credit for the year	(11)	-

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

	2015 £000	2014 £000
Corporation tax at 20.25% (2014 21.5%)	(1)	-
Impact of tax rate change	(11)	-
Other permanent differences	1	-
Income tax credit for the year	(11)	-

The rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015 and from 23% to 21% on 1 April 2014. Finance Act (No.2) 2015 included legislation to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 18% on 1 April 2020. These changes reduce the tax rates expected to apply when temporary differences reverse and impact the deferred tax charge.

17 RELATED PARTY TRANSACTIONS

(a) Transactions and balances arising in the normal course of business

	2015				2014
	Ultimate parent (Iberdrola S.A.) £000	UK parent (Scottish Power Limited) £000	Immediate parent (SPRUKE) £000	Other Iberdrola Group Companies* £000	Other Iberdrola Group Companies* £000
Types of transaction					
Purchases and receipt of services	(4)	-	-	-	-
Purchases of property, plant and equipment	-	-	(6,850)	(10,648)	(42,986)
Interest costs	-	(534)	-	-	-
Changes in the value of cash flow hedge reserve	-	(10,119)	-	-	-
Balances outstanding					
Trade and other receivables	-	-	-	-	-
Derivative financial assets	-	10,119	-	-	-
Loans payable	-	(59,713)	-	-	-
Trade and other payables	-	-	-	(1,414)	-
Capital payables	-	-	-	(2,699)	(42,986)
Interest payable	-	(534)	-	-	-

*Includes transactions relating to East Anglia Offshore Wind Limited, a company jointly owned and managed by ScottishPower Renewables (UK) Limited and Vattenfall Wind Power Limited.

- (i) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.
(ii) All amounts relating to 'Purchases of property, plant and equipment' and 'Interest costs' have been capitalised in both years.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

17 RELATED PARTY TRANSACTIONS *continued*

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is set out below. As all of the key management personnel are remunerated for their work for their respective parent groups, it has not been possible to apportion the remuneration specifically in respect of services to this company. All of the key management personnel are paid by other companies within their respective parent groups.

	2015 £000	2014 £000
Short-term employee benefits	745	1,484
Post-employment benefits	157	382
Share-based payments	113	496
	1,015	2,362

(c) Directors' remuneration

The total emoluments of the directors that provided qualifying services to the company are shown below. As these directors are remunerated for their work for their respective parent groups, it has not been possible to apportion the emoluments specifically in respect of services to this company. All of the directors were paid by other companies within their respective parent groups.

	2015 £000	2014 £000
Executive directors		
Aggregate remuneration in respect of qualifying services	790	832
Aggregate contributions payable to a defined contribution pension scheme	36	75
Number of directors who exercised share options	2	1
Number of directors who received shares under a long-term incentive scheme	2	2
Number of directors accruing retirement benefits under a defined benefit scheme	2	1
Number of directors accruing retirement benefits under a defined contribution scheme	3	3

	2015 £000	2014 £000
Highest paid director		
Aggregate remuneration	280	262
Aggregate contributions payable to a defined contribution pension scheme	21	19

- (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.

(d) Ultimate parent company and immediate parent company

During the period from 1 January 2014 to 15 June 2014 the company was 100% owned by EAOW, a company jointly owned and managed by SPRUKL and VWPL under the terms of a ZSA.

On 16 June 2014, as part of a project restructure, EAOW sold its entire investment in the company to its joint immediate parent undertakings, SPRUKL and VWPL, for £1 at which point the company became jointly owned by SPRUKL and VWPL.

At 31 December 2014, the company was jointly owned and controlled by its immediate parent undertakings SPRUKL, a company registered in Northern Ireland, and VWPL, a company registered in England and Wales.

At 31 December 2014, the directors regarded Iberdrola, S.A., a company incorporated in Spain, and Vattenfall AB, a company incorporated in Sweden, as the ultimate controlling parties.

On 24 March 2015, SPRUKL acquired the remaining 50% interest in the share capital of the company, at which point SPRUKL became the sole immediate parent company and Iberdrola, S.A. became the sole ultimate parent company. From 24 March 2015, the directors regard Iberdrola, S.A. 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 Scottish Power UK plc. Copies of the Consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the Consolidated Accounts of SPUK may be obtained from The Secretary, Scottish Power UK plc, 1 Atlantic Quay, Glasgow, G2 8SP.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2015

18 AUDITORS' REMUNERATION

	2015	2014
	£000	£000
Audit of the company's annual Accounts	7	1

19 GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report on pages 1 to 3.

The company has recorded a profit after tax in the current year and neither a profit nor a loss in the previous financial years. The company's balance sheet shows that it has net current liabilities of £55,587,000 and net assets of £8,099,000 at its most recent balance sheet date.

At the date of signing of these accounts the company is ultimately owned by Iberdrola, S.A. and it participates in the Iberdrola group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the company depends, in part, on the ability of the Iberdrola group to continue as a going concern. The directors have considered the company's funding relationship with Iberdrola to date and have considered available relevant information relating to Iberdrola's ability to continue as a going concern. In addition, the directors have no reason to believe that the Iberdrola group will not continue to fund the company, should it become necessary, to enable it to continue in operational existence.

On the basis of these considerations, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the Accounts.