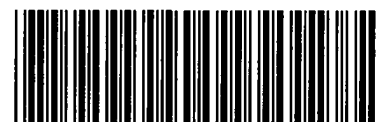


**EAST ANGLIA ONE LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**for the year ended 31 December 2019**

Registered No. 07366753

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**EAST ANGLIA ONE LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**for the year ended 31 December 2019**

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## **EAST ANGLIA ONE LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and audited Accounts for the year ended 31 December 2019 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 construction and operation of the 714 MW East Anglia One ("EA1") offshore wind farm. This activity will continue for the foreseeable future.

On 30 August 2019, the immediate parent of the company, ScottishPower Renewables (UK) Limited ("SPRUKL") entered into an agreement with Bilbao Offshore Holding Limited ("BOHL"), to sell 40% of the share capital and outstanding loan notes of the company for £1.2 billion. SPRUKL continues to be the majority shareholder, retaining control of the company.

The first export of the wind farm was achieved on 2 September 2019, and the first and second of the three phases of the project achieved the milestone to qualify for Contract for Difference ("CfD") revenues through the Low Carbon Contracts Company ("LCCC") on 30 October 2019 and 31 March 2020 respectively. The wind farm is expected to be fully operational during 2020.

As at 31 December 2019, the ultimate parent company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange. The immediate parent is SPRUKL which owns 60% of the company's share capital with the remaining 40% being owned by BOHL. Scottish Power Limited ("SPL") is the United Kingdom ("UK") parent of the Scottish Power Limited group ("ScottishPower") of which the company is a member.

#### **RESULTS AND DIVIDEND**

The net profit for the year was £2.1 million (2018 net loss of £0.4 million). No dividend was paid during either the current or prior year.

#### **FINANCIAL INSTRUMENTS AND FUNDING**

The company is entirely equity-financed. Under an agreement entered into between the company and the shareholders, the future funding required solely to complete the EA1 wind farm will be provided to the company by way of each shareholder subscribing, in cash, for shares to be issued by the company, at par, in proportion to their existing shareholdings. The equity injections are expected to take place on the first working day of each calendar month, and the amounts so injected expected to cover agreed anticipated project net expenditure over the next period. The amount of each month's cash requirements are provided to the shareholders, with supporting information, several working days in advance of the month end of the month before the cash injection is expected to take place; notification takes the form of a funding request duly signed by directors of the company.

Treasury services are provided by SPL. ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for ScottishPower and how it manages them is included in the most recent Annual Report and Accounts of SPL.

#### **INNOVATION**

The company's future and strategic success relies on an innovative and dynamic culture in both internal initiatives and external collaborations. A more extensive description of how ScottishPower, and therefore the company, succeeds in delivering innovative improvements can be found in the most recent Annual Report and Accounts of SPL.

#### **COVID-19 CRISIS**

In March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. In common with many governments, the UK and devolved Governments have put in place restrictive measures to contain the spread of the virus. These are expected to endure for some time.

As the COVID-19 crisis has developed, ScottishPower, and therefore the company, has been committed to taking all necessary measures to help to protect the safety and wellbeing of its employees, its customers and the communities they serve, and has been working closely with government departments, The Office of Gas and Electricity Markets ("Ofgem") and industry bodies to ensure that ScottishPower, and therefore the company, continues to follow the latest advice.

## **EAST ANGLIA ONE LIMITED**

### **DIRECTORS' REPORT *continued***

#### **COVID-19 CRISIS *continued***

The Renewables business, and therefore the company, has taken steps to maintain business and operational continuity, where possible. These include the adoption of contingency arrangements for the staffing of the control centres which manage the operation of ScottishPower's wind farms in the UK, and the implementation of business continuity measures for the construction of current offshore projects, including the construction of EA1, in line with COVID-19 restrictions.

Notwithstanding the above, as at the date of signing these Accounts, it is the Directors' opinion that the principal activities of the company are expected to operate throughout this crisis period without significant disruption and therefore will not have a material impact on the company's business operations, assets and liabilities. Further detail of events subsequent to the balance sheet date is provided in Note 24.

#### **DIRECTORS**

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

Jonathan Cole

Charles Jordan

Heather Chalmers White (appointed 19 February 2019)

Guillermo Martinez-Navas (appointed 30 August 2019)

Edward Patrick Northam (appointed 21 October 2019)

Mark Angus Giulianotti (appointed on 30 August 2019 and resigned on 21 October 2019)

Roy Scott (resigned 31 January 2019)

As at the date of this report, there have been no changes to the composition of the board of directors of the company since the year end.

#### **DIRECTORS INDEMNITY**

In terms of the company's Articles of Association, a qualifying third party indemnity provision is in force for the benefit of all the directors of the company and of associated companies and has been in force during the financial year.

#### **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 the 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.

**EAST ANGLIA ONE LIMITED**  
**DIRECTORS' REPORT *continued***

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

***Disclosure of information to auditor***

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


- so far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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 ended 31 December 2019.

**ON BEHALF OF THE BOARD**



Heather Chalmers White  
Director  
6 May 2020

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST ANGLIA ONE LIMITED**

### **Opinion**

We have audited the financial statements of East Anglia One Limited ("the company") for the year ended 31 December 2019 which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the 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 2019 and of its profit 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 at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **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 this report for the financial year is consistent with the financial statements; and
- in our opinion this report has been prepared in accordance with the Companies Act 2006.

### **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 from the requirement to prepare a strategic report.

We have nothing to report in these respects.

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

### **Directors' responsibilities**

As explained more fully in their statement set out on pages 2 and 3, 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](http://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.



**Andrew Williamson (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

319 St. Vincent Street

Glasgow

G2 5AS

6 May 2020

**EAST ANGLIA ONE LIMITED**  
**BALANCE SHEET**  
**at 31 December 2019**

	Notes	2019 £m	2018 £m
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,449.6</b>	698.7
Property, plant and equipment in use	3	619.5	-
Property, plant and equipment in the course of construction	3	830.1	698.7
Right-of-use assets	4	<b>36.4</b>	-
Financial assets		<b>0.8</b>	1.5
Derivative financial instruments	5	0.8	1.5
Trade and other receivables	6	<b>7.0</b>	10.3
<b>NON-CURRENT ASSETS</b>		<b>1,493.8</b>	710.5
<b>CURRENT ASSETS</b>			
Inventories	7	<b>692.1</b>	513.5
Trade and other receivables	6	<b>26.0</b>	13.5
Current tax asset		<b>9.5</b>	2.1
Financial assets		<b>0.3</b>	2.0
Derivative financial instruments	5	0.3	2.0
Cash		<b>17.0</b>	-
<b>CURRENT ASSETS</b>		<b>744.9</b>	531.1
<b>TOTAL ASSETS</b>		<b>2,238.7</b>	1,241.6
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Of shareholders of the parent		<b>1,822.1</b>	38.7
Share capital	8, 9	432.8	-
Hedge reserve	9	20.9	38.5
Other reserves	9	6.4	-
Retained earnings	9	1,362.0	0.2
<b>TOTAL EQUITY</b>		<b>1,822.1</b>	38.7
<b>NON-CURRENT LIABILITIES</b>			
Provisions		<b>36.2</b>	-
Other provisions	10	36.2	-
Lease liabilities	4	<b>36.9</b>	-
Deferred tax liabilities	11	<b>17.0</b>	12.1
<b>NON-CURRENT LIABILITIES</b>		<b>90.1</b>	12.1
<b>CURRENT LIABILITIES</b>			
Bank borrowings and other financial liabilities		<b>0.5</b>	996.0
Loans and other borrowings	12	-	995.7
Derivative financial instruments	5	0.5	0.3
Lease liabilities	4	<b>1.8</b>	-
Trade and other payables	13	<b>324.2</b>	194.8
<b>CURRENT LIABILITIES</b>		<b>326.5</b>	1,190.8
<b>TOTAL LIABILITIES</b>		<b>416.6</b>	1,202.9
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,238.7</b>	1,241.6

Approved by the Board and signed on its behalf on 6 May 2020.



**Heather Chalmers White**  
**Director**

The accompanying Notes 1 to 24 are an integral part of the balance sheet as at 31 December 2019.



**EAST ANGLIA ONE LIMITED**  
**INCOME STATEMENT**  
**for the year ended 31 December 2019**

	Notes	2019 £m	2018 £m
Revenue		18.3	-
Procurements		(0.3)	-
<b>GROSS MARGIN</b>		<b>18.0</b>	-
<b>NET OPERATING EXPENSES</b>		<b>(11.0)</b>	-
Net external expenses		(11.0)	-
External services		(11.0)	-
<b>Taxes other than income tax</b>	14	<b>(1.1)</b>	-
<b>GROSS OPERATING PROFIT/RESULT</b>		<b>5.9</b>	-
Depreciation and amortisation charge, allowances and provisions	15	(3.9)	-
<b>OPERATING PROFIT/RESULT</b>		<b>2.0</b>	-
Finance income	16	0.1	-
Finance costs	17	-	-
<b>PROFIT/RESULT BEFORE TAX</b>		<b>2.1</b>	-
Income tax	18	-	(0.4)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>2.1</b>	<b>(0.4)</b>

Net profit for the current year and net loss for the prior year are wholly attributable to the equity holders of East Anglia One Limited.

All results relate to continuing operations.

The accompanying Notes 1 to 24 are an integral part of the income statement for the year ended 31 December 2019.

**EAST ANGLIA ONE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2019**

	Note	2019 £m	2018 £m
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>2.1</b>	<b>(0.4)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be subsequently reclassified to the income statement:</b>			
Cash flow hedges:			
Change in the value of cash flow hedges	9	(0.3)	1.2
Tax relating to cash flow hedges	9	0.1	(0.2)
		<b>(0.2)</b>	<b>1.0</b>
<b>Items that will not be reclassified to the income statement:</b>			
Cash flow hedges:			
Change in the value of cash flow hedges	9	(21.9)	1.9
Tax relating to cash flow hedges	9	4.5	(0.4)
		<b>(17.4)</b>	<b>1.5</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(17.6)</b>	<b>2.5</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(15.5)</b>	<b>2.1</b>

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

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2019**

	Ordinary share capital £m	Hedge reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2018	-	36.0	-	0.6	36.6
Total comprehensive income for the year	-	2.5	-	(0.4)	2.1
At 1 January 2019	-	38.5	-	0.2	38.7
Total comprehensive income for the year	-	(17.6)	-	2.1	(15.5)
Capital contribution	-	-	6.4	-	6.4
Share capital issued	1,792.5	-	-	-	1,792.5
Share capital reduction	(1,359.7)	-	-	1,359.7	-
<b>At 31 December 2019</b>	<b>432.8</b>	<b>20.9</b>	<b>6.4</b>	<b>1,362.0</b>	<b>1,822.1</b>

The accompanying Notes 1 to 24 are an integral part of the statement of comprehensive income and statement of changes in equity for the year ended 31 December 2019.

**EAST ANGLIA ONE LIMITED**  
**CASH FLOW STATEMENT**  
**for the year ended 31 December 2019**

	2019 £m	2018 £m
<b>Cash flows from operating activities</b>		
Profit before tax	2.1	-
Adjustments for:		
Depreciation	3.9	-
Finance income and costs	(0.1)	-
Changes in working capital:		
Change in trade and other receivables	(13.4)	(12.8)
Change in inventories	(172.2)	(314.4)
Change in trade payables	(17.3)	13.0
Income taxes received	2.1	0.6
<b>Net cash flows from operating activities (i)</b>	<b>(194.9)</b>	<b>(313.6)</b>
<b>Cash flows from investing activities</b>		
Investments in property, plant and equipment	(565.8)	(274.7)
Proceeds from disposal of property, plant and equipment	-	1.3
<b>Net cash flows from investing activities (ii)</b>	<b>(565.8)</b>	<b>(273.4)</b>
<b>Cash flows from financing activities</b>		
(Decrease)/increase in amounts due to Iberdrola group companies - current loans payable	(995.7)	590.3
Share capital issued	1,792.5	-
Interest paid	(25.0)	(3.3)
Payment of lease liabilities	(0.5)	-
Capital contribution received	6.4	-
<b>Net cash flows from financing activities (iii)</b>	<b>777.7</b>	<b>587.0</b>
<b>Net increase in cash and cash equivalents (i)+(ii)+(iii)</b>	<b>17.0</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b>17.0</b>	<b>-</b>
Cash and cash equivalents at end of year comprises:		
Cash	17.0	-
<b>Cash flow statement cash and cash equivalents</b>	<b>17.0</b>	<b>-</b>

The accompanying Notes 1 to 24 are an integral part of the cash flow statement for the year ended 31 December 2019.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**31 December 2019**

**1 BASIS OF PREPARATION**

**A COMPANY INFORMATION**

East Anglia One Limited, registered company number 07366753, 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 OF THE ACCOUNTS**

The company is required by law to prepare accounts for the company 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 hundred thousand unless otherwise indicated. The Accounts are prepared on the historical cost basis apart from certain financial assets and liabilities which are measured at fair value.

The Accounts have been prepared in accordance with FRS 101. In preparing these financial statements, the company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU") as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2019 ("IFRS as adopted by the EU") but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantages of the FRS 101 disclosure exemptions have been taken.

In the transition to FRS 101 from IFRS as adopted by the EU, the company has made no measurement and recognition adjustments.

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

- Reconciliation of movements of liabilities to cash flows arising from financing activities;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for property, plant and equipment and intangible assets;
- 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 IFRS pronouncements; and
- Disclosures in respect of the compensation of key management personnel.

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'.

**C ACCOUNTING STANDARDS**

**C1. IMPACT OF NEW IFRS**

In preparing these Accounts, the company has applied all relevant International Accounting Standards ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") (collectively referred to as IFRS) that have been adopted by the EU as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2019.

For the year ended 31 December 2019, the company has applied the following standards and amendments for the first time:

<b>Standard</b>	<b>Notes</b>
• IFRS 16 'Leases'	(a)
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(b)
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(b)
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(b)
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(b)
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(b)

(a) Refer to Note 1C1.1 for further information.

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

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**1 BASIS OF PREPARATION *continued***

**C ACCOUNTING STANDARDS *continued***

**C1.1. EFFECT OF INITIAL APPLICATION OF IFRS 16**

The company applied IFRS 16 'Leases' ("IFRS16") with a date of initial application of 1 January 2019. The company applied IFRS 16 using the modified retrospective approach; under which any cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17 'Leases' ("IAS 17") and IFRIC 4 'Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). The details of the resultant changes in the company's accounting policy for lease contracts are disclosed below.

Previously the company determined at contract inception whether an arrangement was, or contained, a lease under IFRIC 4. Under IFRS 16, the company assesses whether a contract is or contains, a lease based on the definition of a lease, as explained in Note 2C1. On transition to IFRS 16, the company reassessed all of its existing contracts to determine whether each contract is, or contains, a lease applying the requirements of IFRS 16.

**Lessee**

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for leases i.e. these leases are on-balance sheet.

The company decided to apply the recognition exemption to certain short-term leases. For leases of all assets which were classified as operating under IAS 17, the company has recognised right-of-use assets and lease liabilities. On initial application of IFRS 16, lease liabilities have been measured at the present value of the remaining lease payments and discounted at the company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

On transition to IFRS 16, the company recognised £37.7 million of right-of-use assets and £37.9 million of lease liabilities. The difference primarily relates to lease incentives. When measuring lease liabilities, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The discount rates used to calculate the below pertaining to Sterling was in the range of 2.89% to 4.94%.

<b>Estimated total lease liability as at 1 January 2019</b>	<b>£m</b>
Operating lease commitment at 31 December 2018 (discounted using interest rate at lease commencement) (as disclosed in Note 4(b))	39.4
Operating lease commitment at 31 December 2018 (discounted using the incremental borrowing rate at 1 January 2019)	37.9
<b>Lease liabilities recognised at 1 January 2019</b>	<b>37.9</b>

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

In determining and applying accounting policies, judgement 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 other than those involving estimates; the company has no such judgements. At 31 December 2019, assumptions made about the future and other major sources of estimation uncertainty which have significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year relate to decommissioning costs (refer to Note 2G and Note 10).

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

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

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

- A REVENUE**
- B PROPERTY, PLANT AND EQUIPMENT**
- C LEASED ASSETS**
- D IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**
- E FINANCIAL INSTRUMENTS**
- F INVENTORIES**
- G DECOMMISSIONING COSTS**
- H TAXATION**
- I FOREIGN CURRENCIES**
- J CASH AND CASH EQUIVALENTS**

**A REVENUE**

The company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. All revenue is earned wholly within the UK and is wholly attributable to the principal activity of the company.

The supply of electricity is a performance obligation satisfied over time because the customer consumes the benefits of the electricity at the same time as it is supplied. Volume is used to measure progress towards complete satisfaction of the performance obligation as this represents the transfer of electricity to the customer. Revenue is therefore recognised based on the number of units supplied at the unit rate specified in the contract. Units are based on energy volumes that can be sold on the wholesale market and are recorded on wind farm meters and industry-wide trading and settlement systems. Invoices are typically raised monthly in arrears and settled within the same month.

CfDs are accounted for as revenue grants and are recognised as income on a systematic basis over the period in which they become receivable, which is at the point of generation.

**B PROPERTY, PLANT AND EQUIPMENT**

The company's property, plant and equipment is stated at cost and is generally depreciated once operational and then on a straight-line basis over the estimated operational lives of the assets. Property, plant and equipment includes capitalised interest, lease depreciation 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.

Land is not depreciated. The main depreciation period used by the group is set out below:

	<b>Years</b>
Wind power plants	23
Distribution facilities	23 - 40

**C LEASED ASSETS**

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately at Note 2C2 if they are different from those under IFRS 16 and the impact of the change in policy disclosed in Note 1C1.1.

**C1. POLICY APPLICABLE FROM 1 JANUARY 2019**

A contract is, or contains a lease if, at its inception, the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

An identified asset will be specified explicitly or implicitly in the contract, and will be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

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

**C LEASED ASSETS *continued***

**C1. POLICY APPLICABLE FROM 1 JANUARY 2019 *continued***

A contract conveys the right to control the use of an identified asset if the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where this is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset or the customer designed the asset in a way that predetermines how and for what purposes it will be used.

The company has elected not to separate non-lease components and account for the lease and non-lease components in a contract as a single lease component.

**C1.1 LESSEE**

As a lessee, the company recognises a right-of-use asset at the lease commencement date measured initially at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date over the shorter of the useful life of the underlying asset or the lease term. The right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability. The company presents right-of-use assets within Non-current assets in the balance sheet and the depreciation charge is recorded within Depreciation, amortisation and provisions in the income statement.

The lease liability recognised at the lease commencement date is measured initially at the present value of the lease payments that are not paid at the commencement date. As the rates implicit in the leases cannot be readily determined, the liabilities are discounted using the company's incremental borrowing rate. Therefore, the lease liability is measured at amortised cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date; lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless that company is reasonably certain not to terminate early.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in the index or rate or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. This change in the lease liability will result in a corresponding adjustment to the carrying amount of the right-of-use asset, or in profit or loss if the carrying amount of the right-of-use asset is zero.

The company presents lease liabilities separately in the balance sheet; the discount on the liabilities unwinds over the term of the lease and is charged to Finance costs in the income statement.

The company has elected not to recognise right-of-use assets and lease liabilities for certain short-term leases that have a lease term of twelve months or less and leases of intangible assets. The company recognises any lease payments associated with such leases as an expense on a straight-line basis over the lease term.

**C2. POLICY APPLICABLE BEFORE 1 JANUARY 2019**

For contracts entered into before 1 January 2019, the company determined whether the arrangement was, or contained a lease, based on an assessment of the substance of the arrangement at inception date and whether:

- fulfilment of the arrangement was dependent on the use of a specific asset(s); and
- the arrangement conveyed a right to use the asset(s) even if that right was not explicitly specified in the arrangement.

For arrangements entered into prior to 1 April 2004, the date of inception was deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4.

Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

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

**D 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.

**E 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.

**E1 FINANCIAL ASSETS**

**E1.1 RECOGNITION AND INITIAL MEASUREMENT**

Financial assets of the company are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit and loss ("FVTPL"). This categorisation determines whether and where any restatement for fair value is recognised.

Trade receivables are initially recognised when they originate. All other financial assets are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").

**E1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT**

**(a) Classification**

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These are expected to be infrequent and no other reclassifications are permitted.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model of the company does not depend on the intentions of management for an individual instrument. Therefore, it is not an instrument-by-instrument classification approach and should be determined from a higher level of aggregation.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the 'SPPI' test.

**(b) Subsequent measurement and gains and losses**

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the income statement. Any gain or loss on derecognition is recognised in the company income statement. Financial assets at FVTPL (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

**(i) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the company's balance sheet) when the rights to receive cash flows from the asset have expired.



**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

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

**E2 FINANCIAL LIABILITIES**

**E2.1 RECOGNITION AND INITIAL 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.

**E2.2 CLASSIFICATION AND MEASUREMENT**

Financial liabilities are classified as measured at FVTPL or amortised cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the income statement.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

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 method is included as Finance costs in the income statement.

**(a) Derecognition**

The company derecognises a financial liability when the obligation under the liability is discharged or 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, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

**E3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING**

**E3.1 DERIVATIVE FINANCIAL INSTRUMENTS**

The company uses derivative financial instruments, such as forward foreign currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge that quantity of hedged item.

Hedge accounting is applied when certain conditions required by IFRS 9 are met. The accounting for cash flow hedges is discussed at Note 2E3.2.

**E3.2 CASH FLOW HEDGES**

For all forward contracts the company designates all of the forward contracts (spot and forward element) as the hedging instrument.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

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

**E FINANCIAL INSTRUMENTS *continued***

**E3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING *continued***

**E3.2 CASH FLOW HEDGES *continued***

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. 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 the 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.

The company discontinues 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.

**E3.3 VALUATION OF FINANCIAL INSTRUMENTS**

In those circumstances where IFRS 9 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 are designed to ensure the validity and accuracy of the model assumptions and inputs.

**F INVENTORIES**

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.

**G DECOMMISSIONING COSTS**

A provision is made on a discounted basis for the estimated decommissioning costs of certain non-current assets. Capitalised decommissioning costs are depreciated over the useful lives of the related assets. The unwinding of the discount is included within Finance costs. The future estimated costs are based on the value of the costs at the balance sheet date, uplifted for inflation to the end of the useful economic life of the underlying asset and discounted.

Decommissioning costs are subject to a degree of estimation uncertainty as the costs of decommissioning are estimated at the balance sheet date and actual decommissioning will take place in the future. There is also uncertainty over the timing of when the actual decommissioning costs will be incurred. The key sources of estimation uncertainty relate to the estimated value of the costs at the balance sheet date and the discount rate. Sensitivity disclosures are set out in Note 10.

**H TAXATION**

The company's 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.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

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

**H TAXATION *continued***

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 to 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.

**I FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the spot rate at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, with exchange gains and losses recognised in the income statement.

**J CASH AND CASH EQUIVALENTS**

Cash and short-term deposits in the balance sheet comprise cash on hand and term deposits which are readily convertible into a known amount of cash without significant risk of changes in value and which have a maturity of less than 90 days at the date of acquisition. In the cash flow statement, cash and cash equivalents include bank overdrafts repayable on demand the next business day.

**3 PROPERTY, PLANT AND EQUIPMENT**

**(a) Movements in property, plant and equipment**

	Wind power plants £m	Distribution facilities £m	Plant in progress £m	Total £m
<b>Year ended 31 December 2019</b>				
<b>Cost:</b>				
At 1 January 2019	-	-	698.7	698.7
Additions	36.0	-	718.8	754.8
Transfers from in progress to plant in use	546.9	40.5	(587.4)	-
<b>At 31 December 2019</b>	<b>582.9</b>	<b>40.5</b>	<b>830.1</b>	<b>1,453.5</b>
<b>Depreciation:</b>				
At 1 January 2019	-	-	-	-
Depreciation for the year	3.6	0.3	-	3.9
<b>At 31 December 2019</b>	<b>3.6</b>	<b>0.3</b>	<b>-</b>	<b>3.9</b>
<b>Net book value:</b>				
<b>At 31 December 2019</b>	<b>579.3</b>	<b>40.2</b>	<b>830.1</b>	<b>1,449.6</b>
At 1 January 2019	-	-	698.7	698.7

The net book value of property plant and equipment at 31 December 2019 is analysed as follows:

Property, plant and equipment in use	579.3	40.2	-	619.5
Property, plant and equipment in the course of construction	-	-	830.1	830.1
	<b>579.3</b>	<b>40.2</b>	<b>830.1</b>	<b>1,449.6</b>

(i) Interest on the funding attributable to major capital projects was capitalised during the year at rates of between 1.8% and 3.95%.

(ii) Included within the cost of property, plant and equipment is capitalised interest of £18.5 million (2018 £9.6 million).

**(b) Capital commitments**

	<b>2019</b>		<b>Total £m</b>
	<b>2020 £m</b>	<b>2021 £m</b>	
Contracted but not provided	295.4	-	<b>295.4</b>
	<b>2018</b>		<b>Total £m</b>
	<b>2019 £m</b>	<b>2020 £m</b>	
Contracted but not provided	700.5	170.4	<b>870.9</b>

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**4 LEASING**

**(a) Lessee**

The company leases land and buildings. Information about leases for which the company is a lessee is presented below.

**(i) Nature of leases**

*Land*

The company holds agreements to lease land (including seabeds), primarily for the operation of a wind farm, with typical lease terms running up to 27 years.

*Buildings*

The company leases buildings primarily for its office space and operational depots. The leases typically have terms of up to ten years. The leases have no extension options at the end of the term and typically can be terminated without notice, with exception of one lease which has a notice period of five years.

*Variable lease payments*

Some land leases, particularly those which relate to the lease of land at a port, contain variable lease payments that are based on the usage of the port by turbine construction vessels. The fixed annual payments for the year were £0.8 million compared to variable payments made of less than £0.1 million. The company expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

*Other information*

The company has not committed to any leases that have not yet commenced. The company has no contracts containing residual value guarantee, no leases subject to significant restrictions or covenants and no sale and leaseback transactions.

**(ii) Right-of-use assets**

	Land £m	Buildings £m	Total £m
On transition to IFRS 16 at 1 January 2019:	36.5	1.2	37.7
Additions	0.2	0.2	0.4
Depreciation charge for the year	(1.2)	(0.5)	(1.7)
<b>At 31 December 2019</b>	<b>35.5</b>	<b>0.9</b>	<b>36.4</b>

(a) There are no right-of-use assets measured at revalued amounts

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**4 LEASING**

**(a) Lessee *continued***

**(iii) Lease liabilities**

The following table sets out a maturity analysis of non-derivative lease liabilities, showing the undiscounted payments to be made after the reporting date.

	2019 £m
Less than one year	2.0
One to five years	8.5
More than five years	46.7
<b>Total undiscounted lease liabilities at 31 December</b>	<b>57.2</b>
Finance cost	(18.5)
<b>Total discounted lease liabilities</b>	<b>38.7</b>
<b>Analysis of total lease liabilities</b>	
Non-current	36.9
Current	1.8
<b>Total</b>	<b>38.7</b>

Details of the company's risk management strategy for liquidity risks inherent in the company's lease liability are described in the most recent Annual Report and Accounts of SPL.

**(iv) Amounts recognised in the income statement**

	2019 £m
Interest on lease liabilities	(1.5)

**(v) Amounts recognised in the cash flow statement**

	2019 £m
Total cash outflow for leases	0.9

Included in this amount is £0.5 million relating to payments of lease liabilities.

**(b) Operating lease disclosures under IAS 17**

	2018 £m
<b>(i) Operating lease commitments</b>	
The future minimum discounted lease payments under non-cancellable operating leases are as follows:	
Within one year	0.8
Between one and five years	6.1
More than five years	32.5
	39.4

The operating lease commitments are in respect of the lease of land and buildings. The leases have varying terms, escalation clauses and renewal rights. The minimum lease payments under operating leases recognised in 2018 of £0.7 million were capitalised within property, plant and equipment.

**5 FINANCIAL INSTRUMENTS**

The company holds certain financial instruments which are measured in the balance sheet at fair value as detailed below.

	Derivative financial instruments £m
At 1 January 2018 and 1 January 2019	3.2
Recorded in cash flow hedge reserve	(2.6)
<b>At 31 December 2019</b>	<b>0.6</b>

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**5 FINANCIAL INSTRUMENTS *continued***

The company's derivatives comprise forward foreign exchange contracts. The company uses foreign currency forwards in relation to asset purchases and service contracts. For such items the company designates the entire value of the foreign currency forward in the hedge relationship.

The table below illustrates the timing of the notional amount of the hedging instrument and the average forward price of the hedging instrument.

As at 31 December 2019	Notional amount of hedging instrument (maturity profile)		
	£m	1 year	2 years
USD	20.4	9.1	29.5
EUR	26.4	-	26.4
DKK	1.7	2.0	3.7
	48.5	11.1	59.6

As at 31 December 2019	Average forward price (exchange rate)	
	1 year	2 years
USD	1.33	1.44
EUR	1.14	-
DKK	8.63	8.72

**6 TRADE AND OTHER RECEIVABLES**

	2019 £m	2018 £m
<b>Current receivables:</b>		
Receivables due from Iberdrola group companies - trade	6.0	-
Receivables due from Iberdrola group companies - capital	-	0.1
Trade receivables and accrued income	6.4	-
Prepayments	3.8	4.6
Other tax receivables	9.8	8.8
	26.0	13.5
<b>Non-current receivables:</b>		
Prepayments	7.0	10.3
	7.0	10.3

(a) The following table provides information about IFRS 15 contract balances included within trade and other receivables.

	2019 £m	2018 £m
Receivables	11.5	-

**7 INVENTORIES**

	Note	2019 £m	2018 £m
Other inventories	(a)	692.1	513.5

(a) Other inventories represents a transmission asset which will be sold to an offshore transmission operator once it has been completed and the Ofgem tender process concludes.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS** *continued*  
**31 December 2019**

**8 SHARE CAPITAL**

	2019 £m	2018 £m
<b>Allotted, called up and fully paid shares:</b>		
4,328,000,010,000 ordinary shares of 0.0001p each	432.8	-
Nil A ordinary share of £0.50 (2018 One)	-	-
Nil B ordinary share of £0.50 (2018 One)	-	-
	<b>432.8</b>	<b>-</b>

- (a) The A ordinary and B ordinary share classes of the company were reclassified and subdivided on 27 June 2019 creating a single new share class of ordinary shares of £0.0001 each (which has full voting, dividend and distribution rights). Prior to this, the total value of the A and B ordinary shares was £1 (2018 £1). Refer to Note 9(a) for details of the share capital issued during the year.
- (b) The A ordinary shares and the B ordinary shares both had attached to them the same full voting, dividend and distribution rights.

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

	Share capital (Note (a)) £m	Hedge reserve (Note (b)) £m	Other reserves (Note (c)) £m	Retained earnings (Note (d)) £m	Total £m
At 1 January 2018	-	36.0	-	0.6	36.6
Loss for the year attributable to equity holder of East Anglia One Limited	-	-	-	(0.4)	(0.4)
Changes in the value of cash flow hedges	-	3.1	-	-	3.1
Tax relating to cash flow hedges	-	(0.6)	-	-	(0.6)
At 1 January 2019	-	38.5	-	0.2	38.7
Profit for the year attributable to equity holders of East Anglia One Limited	-	-	-	2.1	2.1
Capital contribution	-	-	6.4	-	6.4
Share capital issued	1,792.5	-	-	-	1,792.5
Share capital reduction	(1,359.7)	-	-	1,359.7	-
Changes in the value of cash flow hedges	-	(22.2)	-	-	(22.2)
Tax relating to cash flow hedges	-	4.6	-	-	4.6
<b>At 31 December 2019</b>	<b>432.8</b>	<b>20.9</b>	<b>6.4</b>	<b>1,362.0</b>	<b>1,822.1</b>

- (a) On 30 August 2019, the company issued a total of 13,597,222,204,500 ordinary shares of £0.0001 to its immediate parent, SPRUKL and BOHL for a total value of £1,359.7 million and on 2 September 2019 the company completed a share capital reduction and converted this share capital to a distributable reserve of £1,359.7 million. In subsequent months a further 4,328,000,000,000 ordinary shares of £0.0001 were issued to SPRUKL and BOHL for a total of consideration of £432.8 million.
- (b) 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.
- (c) Other reserves comprise a capital contribution reserve of £6.4 million.
- (d) Retained earnings comprise the cumulative balance of profits and losses recognised in the financial statements as adjusted for transactions with shareholders, principally dividends.

**10 PROVISIONS**

	At 1 January 2019 £m	New provisions £m	At 31 December 2019 £m
<b>Year ended 31 December 2019</b>			
Decommissioning	-	36.2	36.2

- (a) The provision for decommissioning is the discounted future estimated costs of the company's wind farm. The provision is classified as long-term and is expected to occur in 2043. Had the estimated value of the costs at the balance sheet date been 10.0% higher or lower, this would have resulted in the decommissioning provision being £3.6 million higher and lower respectively. Had the discount rate been 0.25% higher or lower, this would have resulted in the decommissioning provision being £2.2 million higher and lower respectively.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**11 DEFERRED TAX**

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 January 2018	-	8.4	-	8.4
Charge to the income statement	3.1	-	-	3.1
Recorded in the statement of comprehensive income	-	0.6	-	0.6
At 1 January 2019	3.1	9.0	-	12.1
Charge to the income statement	15.3	-	(5.8)	9.5
Recorded in the statement of comprehensive income	-	(4.6)	-	(4.6)
<b>At 31 December 2019</b>	<b>18.4</b>	<b>4.4</b>	<b>(5.8)</b>	<b>17.0</b>

Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. Accordingly, deferred tax balances have been measured at the 17% rate, this being the tax rate enacted at the balance sheet date and the rate temporary differences are expected to reverse. After 31 December 2019, further legislation has been substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation tax rate. The 19% rate will apply from 1 April 2020. This rate change would increase the 31 December 2019 deferred tax liability by £2.1 million.

**12 LOANS AND OTHER BORROWINGS**

**(a) Analysis by instrument and maturity**

Instrument	Interest rate*	Maturity	2019 £m	2018 £m
Loans with Iberdrola group companies	Base + 1%	On demand	-	995.7

\* Base – Bank of England Base Rate

(a) The loan was repaid during the current year following an agreement entered into by the company and its shareholders to equity-finance the company.

**13 TRADE AND OTHER PAYABLES**

	2019 £m	2018 £m
<b>Current trade and other payables:</b>		
Payables due to Iberdrola group companies - trade	6.5	24.3
Payables due to Iberdrola group companies - capital	222.1	0.3
Payables due to Iberdrola group companies - interest	-	11.0
Trade payables	0.7	0.2
Capital payables and accruals	94.9	159.0
	<b>324.2</b>	<b>194.8</b>

**14 TAXES OTHER THAN INCOME TAX**

	2019 £m	2018 £m
Property taxes	1.1	-

**15 DEPRECIATION AND AMORTISATION CHARGE, ALLOWANCES AND PROVISIONS ON CONTINUING OPERATIONS**

	2019 £m	2018 £m
Property, plant and equipment depreciation charge	3.9	-
Right-of-use asset depreciation charge	1.7	-
	5.6	-
Capitalised right-of-use asset depreciation	(1.7)	-
	<b>3.9</b>	<b>-</b>



**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS** *continued*  
**31 December 2019**

**16 FINANCE INCOME**

	2019 £m	2018 £m
Foreign exchange gains	0.1	-

**17 FINANCE COSTS**

	2019 £m	2018 £m
Interest on amounts due to Iberdrola group companies	13.6	11.0
Interest on lease liabilities	1.5	-
	15.1	11.0
Capitalised interest	(15.1)	(11.0)
	-	-

**18 INCOME TAX**

	2019 £m	2018 £m
Current tax:		
UK Corporation tax	(9.5)	(2.1)
Adjustments in respect of prior years	-	(0.6)
<b>Current tax credit for the year</b>	<b>(9.5)</b>	<b>(2.7)</b>
Deferred tax:		
Origination and reversal of temporary differences	11.2	2.1
Adjustments in respect of prior years	-	1.0
Impact of tax rate change	(1.7)	-
<b>Deferred tax for the year</b>	<b>9.5</b>	<b>3.1</b>
<b>Income tax charge for the year</b>	<b>-</b>	<b>0.4</b>

The tax charge/(credit) on profit on ordinary activities for the year varied from the standard rate of UK Corporation Tax applicable to the company as follows:

	2019 £m	2018 £m
Corporation tax at 19% (2018 19%)	0.4	-
Adjustments in respect of prior years	-	0.4
Impact of tax rate change	(1.7)	-
Other permanent differences	1.3	-
<b>Income tax charge for the year</b>	<b>-</b>	<b>0.4</b>

Legislation was previously enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. After the 31 December 2019, further legislation has been substantively enacted on 17 March 2020 under the Provisional Collection of Taxes Act 1968 that maintains the 19% UK Corporation tax rate. The 19% rate will apply from 1 April 2020.

**19 EMPLOYEE INFORMATION**

The company has no employees (2018 none). Details of directors' remuneration are set out in Note 21.

**20 FINANCIAL COMMITMENTS**

	2019		Total
	2020 £m	2021 £m	
Other contractual commitments	34.4	-	34.4

	2018		Total
	2019 £m	2020 £m	
Other contractual commitments	99.0	4.8	103.8

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**21 RELATED PARTY TRANSACTIONS**

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

	2019			2018		
	UK parent (SPL) £m	Immediate parent (SPRUKL) £m	Other Iberdrola group companies £m	UK parent (SPL) £m	UK parent (SPRUKL) £m	Other Iberdrola group companies £m
<b>Types of transaction</b>						
Sales and rendering of services	-	-	7.1	-	-	-
Purchases and receipt of services	-	-	(3.3)	-	-	-
Purchases of property, plant and equipment	-	(16.3)	(459.9)	-	(29.0)	(1.9)
Sales of property, plant and equipment	-	-	-	-	1.4	-
Interest costs (Note (i))	(13.6)	-	-	(11.0)	-	-
Changes in the value of cash flow hedge reserve	(22.2)	-	-	3.1	-	-
<b>Balances outstanding</b>						
Trade and other receivables	0.8	-	5.2	-	-	-
Capital receivable	-	-	-	-	0.1	-
Derivative financial assets	1.1	-	-	3.5	-	-
Loans payable	-	-	-	(995.7)	-	-
Trade and other payables	(0.7)	(2.8)	(3.0)	-	(24.2)	(0.1)
Capital payables	-	-	(222.1)	-	-	(0.3)
Interest payable	-	-	-	(11.0)	-	-
Derivative financial liabilities	(0.5)	-	-	(0.3)	-	-

(i) All amounts relating to 'Interest costs' have been capitalised in both years.

(ii) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

(iii) Up until 30 August 2019, the company was a wholly owned subsidiary of SPRUKL. On 30 August 2019, 40% of the share capital and outstanding loans of the company were sold to BOHL for £1.2 billion. SPRUKL continues to be the majority shareholder, retaining control of the company.

(iv) Transactions recognised during the year in relation to lease arrangements with SPRUKL were as follows; right-of-use asset additions of £0.2 million with a corresponding £0.2 million lease liability. As at 31 December 2019, the company had an outstanding lease liability of £0.1 million with SPRUKL.

**(b) 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 the ScottishPower Renewables business ("Renewables"), it has not been possible to apportion the remuneration specifically in respect of services to this company. The four directors (2018 four) who performed qualifying services to the company were remunerated by other companies within Renewables. Three other directors did not perform any qualifying services for the company, therefore their emoluments are nil (2018 nil).

	2019 £000	2018 £000
<b>Executive directors</b>		
Aggregate remuneration in respect of qualifying services	919	1,127
Aggregate contributions payable to a defined contribution pension scheme	29	27
Aggregate compensation for loss of office	179	-
Number of directors who exercised share options	3	3
Number of directors who received shares under a long-term incentive scheme	3	4
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	1
<b>Highest paid director</b>		
Aggregate remuneration	429	507
Accrued pension benefits	-	96

(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.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**21 RELATED PARTY TRANSACTIONS *continued***

**(c) Ultimate and immediate parent company**

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

As at 31 December 2019, SPRUKL owns 60% of the company's share capital with the remaining 40% being owned by BOHL. 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., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated Accounts of Scottish Power UK plc may be obtained from ScottishPower UK plc, at its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

The company has no other related parties in addition to the company's parent undertakings disclosed above.

**22 AUDITOR REMUNERATION**

	2019	2018
	£000	£000
Audit of the company's annual Accounts	15	7

**23 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 financial year and the company's balance sheet shows that it has net current assets of £418.4 million and net assets of £1,822.1 million at its most recent balance sheet date.

The company is ultimately owned by Iberdrola, S.A. (refer to Note 21) and it participates in the Iberdrola group's centralised treasury arrangements and shares banking facilities with its parent companies and fellow subsidiaries.

However, for the purposes of the directors' assessment of the company's going concern position and to satisfy them of the company's ability to pay its liabilities as they fall due, the directors have prepared a company cashflow statement for a period of 19 months from the date of approval of these financial statements assuming no incremental financial support from ScottishPower. The cashflow forecasts indicate that, taking account of reasonably possible downsides including the impact of the COVID-19 pandemic (refer to Note 24), the company will have sufficient funds to meet its liabilities as they fall due for the period.

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 19 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**24 EVENTS AFTER THE BALANCE SHEET DATE**

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. Most global governments are taking restrictive measures to contain the spread of the virus, including: isolation, quarantine, restricting the free movement of people, closure of public and private premises (except those of basic necessity and health), closure of borders and a significant reduction in air, sea, rail and land transport.

In the UK, the UK and devolved Governments have put in various measures culminating on 23 March 2020, when the UK Government made a statement requiring all citizens to stay at home, with a few specific exceptions. These 'lockdown' restrictions were initially put in place for three weeks but on the 16 April 2020 the UK Government announced that these restrictions were extended for at least a further three week period. Some level of restriction is expected to be in place for a significant part of 2020. Also, temporary emergency legislation, the Coronavirus Act 2020 ("The Act") received Royal Assent on 25 March 2020. This Act (and other similar acts approved by the devolved governments) provide powers needed to respond to the current coronavirus pandemic, including containing and slowing the virus and enhancing capacity and the flexible deployment of staff.

**EAST ANGLIA ONE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2019**

**24 EVENTS AFTER THE BALANCE SHEET DATE *continued***

This situation is significantly affecting the global economy, due to the interruption or slow-down of supply chains, and the significant increase in economic uncertainty; evidenced by increased volatility of asset prices and exchange rates, and a reduction in long-term interest rates. The Chancellor of the Exchequer has launched a number of unprecedented measures in a bid to support the UK economy and to mitigate the economic and social impacts of this crisis.

As the significant impacts of COVID-19 arose after 31 December 2019, this is considered a non-adjusting post balance sheet event for the company for the year ended 31 December 2019, without prejudice to the fact that the impacts will be recognised as part of the 31 December 2020 year end.

It is difficult to estimate the present and future impacts resulting from this crisis. However, at the date of signing these Accounts, the effects that the current crisis could have on the company's principal activities in 2020 are considered to be as follows:

- The business may see a slowdown in the construction of the EA1 wind farm due to the availability of resources and putting in place necessary adaptations to working protocols in light of COVID-19.
- As a result of delayed construction there may be some reduction in production volumes and revenues compared to forecast, as a result of COVID-19, however the delays incurred are not expected to be material.

Notwithstanding the above as at the date of signing these Accounts it is the Directors' opinion that the principal activities of the company are expected to operate throughout this crisis period without significant disruption and therefore will not have a material impact on the company's business operations, assets and liabilities.