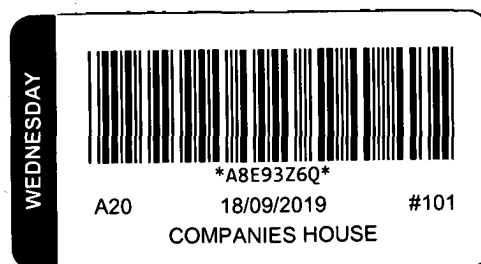


**EAST ANGLIA THREE LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**for the year ended 31 December 2018**

Registered No. 08141208



**EAST ANGLIA THREE LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**for the year ended 31 December 2018**

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## **EAST ANGLIA THREE LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and audited Accounts for the year ended 31 December 2018 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 Three Limited ("the company"), registered company number 08141208, is the development of the East Anglia Three offshore wind farm. This activity will continue for the foreseeable future.

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

The company has consent for the 1.4 gigawatts ("GW") East Anglia Three offshore wind project. The company is currently participating in the Contracts for Difference ("CfD") auction.

#### **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:

- to deliver offshore investment programmes efficiently; and
- to 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, under which the company operates, are provided in Note 10.

#### **OPERATIONAL FINANCIAL PERFORMANCE**

Capital investment on wind power plant development in 2018 was £11,667,000 (2017 £4,840,000).

#### **RESULTS AND DIVIDEND**

The net loss for the year was £50,000 (2017 net profit of £35,000). No dividend was paid during the year (2017 £nil).

#### **LIQUIDITY AND CASH MANAGEMENT**

##### *Cash and net debt*

Net cash flows from operating activities decreased by £218,000 to an operating cash outflow of £200,000 (refer to cash flow statement on page 7). Net debt increased by £7,245,000 to £27,136,000 comprising an increase in group loans payable.

##### *Capital and debt structure*

The company is principally funded by debt. All equity is held by the company's immediate parent company, SPRUKL. Treasury services are provided by SPL. Further details of the treasury policy for ScottishPower, and therefore the company, and how it manages this is included in Note 10.

#### **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 ScottishPower, and therefore the company, addresses environmental requirements can be found in the most recent Annual Report and Accounts of SPL.

#### **MODERN SLAVERY STATEMENT**

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015. ScottishPower published its most recent Modern Slavery Statement in June 2019 which was approved by the Board of Directors of Scottish Power Limited and signed by Keith Anderson, Chief Executive Officer.

ScottishPower's Modern Slavery Statement is published on the ScottishPower website at:  
[www.scottishpower.com/pages/scottishpowers\\_modern\\_slavery\\_statement.aspx](http://www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx).

## **EAST ANGLIA THREE LIMITED**

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

#### **DIRECTORS**

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

Keith Anderson (resigned 2 May 2018)  
Jonathan Cole  
Roy Scott

Roy Scott resigned on 31 January 2019. Heather Chalmers White was appointed on 15 February 2019.

#### **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 International Financial Reporting Standards as adopted by the European Union ("EU") ("IFRSs as adopted by the EU") and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable; state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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.

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

#### ***Disclosure of information to auditor***

Each of the directors in office as at the date of this Directors' Report and 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 were re-appointed as the auditor of the company for the year ended 31 December 2018.

#### **ON BEHALF OF THE BOARD**



Heather Chalmers White  
Director

10 September 2019

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

## Opinion

We have audited the financial statements of East Anglia Three Limited ("the company") for the year ended 31 December 2018 which comprise the Balance Sheet, Income Statement and 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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.

## The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of property, plant and equipment and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## 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 their 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, including the impact of Brexit, 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:

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

### **Directors' report *continued***

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

### **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.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

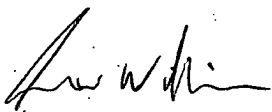
### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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 member, 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 member 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 member, 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

13 September 2019

**EAST ANGLIA THREE LIMITED**  
**BALANCE SHEET**  
**at 31 December 2018**

	Notes	2018 £000	2017 £000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	33,046	21,379
<b>NON-CURRENT ASSETS</b>		<b>33,046</b>	<b>21,379</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	4	230	66
Current tax asset		69	43
<b>CURRENT ASSETS</b>		<b>299</b>	<b>109</b>
<b>TOTAL ASSETS</b>		<b>33,345</b>	<b>21,488</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Of shareholders of the parent		(22)	28
Share capital	5, 6	-	-
Retained (losses)/earnings	6	(22)	28
<b>TOTAL EQUITY</b>		<b>(22)</b>	<b>28</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	7	151	39
<b>NON-CURRENT LIABILITIES</b>		<b>151</b>	<b>39</b>
<b>CURRENT LIABILITIES</b>			
Loans and other borrowings	8	27,136	19,891
Trade and other payables	9	6,080	1,530
<b>CURRENT LIABILITIES</b>		<b>33,216</b>	<b>21,421</b>
<b>TOTAL LIABILITIES</b>		<b>33,367</b>	<b>21,460</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,345</b>	<b>21,488</b>

Approved by the Board and signed on its behalf on 10 September 2019.



Heather Chalmers White  
Director

The accompanying Notes 1 to 16 are an integral part of the balance sheet as at 31 December 2018.

**EAST ANGLIA THREE LIMITED**  
**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2018**

	Notes	2018 £000	2017 £000
External services		(7)	(7)
<b>OPERATING LOSS</b>		<b>(7)</b>	<b>(7)</b>
Finance costs	12	-	-
<b>LOSS BEFORE TAX</b>		<b>(7)</b>	<b>(7)</b>
Income tax	13	(43)	42
<b>NET (LOSS)/PROFIT FOR THE YEAR</b>		<b>(50)</b>	<b>35</b>

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

Net loss for the current year and net profit for the prior year comprises total comprehensive income.

All results relate to continuing operations.

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2018**

	Share capital £000	Retained (losses)/ earnings £000	Total equity £000
At 1 January 2017	-	(7)	(7)
Total comprehensive income for the year	-	35	35
At 1 January 2018	-	28	28
Total comprehensive income for the year	-	(50)	(50)
<b>At 31 December 2018</b>	<b>-</b>	<b>(22)</b>	<b>(22)</b>

The accompanying Notes 1 to 16 are an integral part of the income statement and statement of comprehensive income and the statement of changes in equity for the year ended 31 December 2018.



**EAST ANGLIA THREE LIMITED**  
**CASH FLOW STATEMENT**  
**for the year ended 31 December 2018**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(7)	(7)
Changes in working capital:		
Change in trade and other receivables	(164)	(9)
Change in trade payables	(72)	(4)
Income taxes received	43	38
<b>Net cash flows from operating activities (i)</b>	<b>(200)</b>	<b>18</b>
<b>Cash flows from investing activities</b>		
Investments in property, plant and equipment	(6,820)	(3,715)
<b>Net cash flows from investing activities (ii)</b>	<b>(6,820)</b>	<b>(3,715)</b>
<b>Cash flows from financing activities</b>		
Increase in amounts due to Iberdrola group companies	7,245	3,887
Interest paid	(225)	(190)
<b>Net cash flows from financing activities (iii)</b>	<b>7,020</b>	<b>3,697</b>
<b>Net increase in cash and cash equivalents (i)+(ii)+(iii)</b>	<b>-</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>-</b>	<b>-</b>

The accompanying Notes 1 to 16 are an integral part of the cash flow statement for the year ended 31 December 2018.

**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**31 December 2018**

**1 BASIS OF PREPARATION**

**A COMPANY INFORMATION**

East Anglia Three Limited ("the company"), registered company number 08141208, 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 have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU as at the date of approval of these Accounts which are mandatory for the financial year ended 31 December 2018 (IFRSs as adopted by the EU). The Accounts are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds Sterling and are rounded to the nearest thousand unless otherwise indicated.

**B1. EFFECT OF INITIAL APPLICATION OF IFRS 9**

This is the first set of the company's annual financial statements in which IFRS 9 'Financial Instruments' has been applied. The nature and effect of the changes as a result of the implementation of this standard is described below.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together aspects of the accounting for financial instruments.

The company has applied IFRS 9 retrospectively, with initial application on 1 January 2018. In line with consequential amendments to IFRS 7 'Financial Instruments: Disclosures', the company has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy under IAS 39.

The initial application of IFRS 9 has not had a significant impact on net assets of the company and therefore there is nothing to disclose in relation to the impact on the opening balances at 1 January 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

At 1 January 2018 the company had no financial assets. The classification of the company's financial liabilities has not undergone any changes with respect to the application of IFRS 9. Consequently the application of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities. For an explanation of how the company classifies and measures financial liabilities and accounts for related gains and losses under IFRS 9, refer to Note 2C1.1.

**C ACCOUNTING STANDARDS**

In preparing these Accounts, the company has applied all relevant International Accounting Standards ("IAS"), International Financial Reporting Standards ("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 2018. For the year ended 31 December 2018, the company has applied the following amendments for the first time:

Standard	Notes
• Annual Improvements to IFRS Standards 2014 –2016 Cycle	(a), (b)
• 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')	(a)
• IFRS 9 'Financial Instruments'	(c)
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(a)
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions'	(a)
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(a)
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(a)

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

**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

**1 BASIS OF PREPARATION *continued***

**C ACCOUNTING STANDARDS *continued***

- (b) This pronouncement includes amendments to three standards. The amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 28 'Investments in Associates and Joint Ventures' have been applied by the company effective 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' were applied by the company effective 1 January 2017.
- (c) Refer to Note 181 for further information.

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 statements or have not been endorsed by the EU 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
• IFRS 16 'Leases'	(d)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(e)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(e)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(e)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(e)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(e)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	(e), (f)	1 January 2020	1 January 2020
• Amendments to IFRS 3 'Business Combinations'	(e), (f)	1 January 2020	1 January 2020
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': 'Definition of Material'	(e), (f)	1 January 2020	1 January 2020
• IFRS 17 'Insurance Contracts'	(e), (f)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(e), (f), (g)	1 January 2016	To be decided
• 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'	(e), (f), (h)	Deferred indefinitely	To be decided

- (d) IFRS 16 'Leases' is effective for the company as from 1 January 2019. The company has carried out analysis in order to assess whether its agreements are, or contain, a lease at their inception considering the requirements of IFRS 16. The future application of this standard is not expected to have a material impact on the company's accounting policies, financial position or performance.
- (e) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.
- (f) This pronouncement has not yet been endorsed by the EU.
- (g) 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.
- (h) The IASB set the effective date of this pronouncement 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 pronouncement has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.

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

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the company, should it later be determined that a different choice would be more appropriate. The company has no such policies. At 31 December 2018, there are no items which have significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

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

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

**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

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

**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 once commissioned. Property, plant and equipment includes capitalised interest and other directly attributable costs. Borrowing costs directly attributable to the acquisition, construction or production of major qualifying assets, 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. As the company's wind power plant is not currently generating any economic benefits, no depreciation has been charged in the current year.

**B 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.

**C 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.

**C1 ACCOUNTING POLICIES UNDER IFRS 9**

**C1.1 FINANCIAL LIABILITIES**

**(a) Recognition and initial measurement**

The company's financial liabilities include trade and other payables and loans and borrowings. All financial liabilities are recognised net of directly attributable transaction costs.

**(b) Classification and subsequent measurement**

The company's financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense is 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.

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.

**C2 ACCOUNTING POLICIES UNDER IAS 39**

As detailed in Note 1B1 on application of IFRS 9, the company has elected not to restate comparative information. The accounting policies for the company under IAS 39 have therefore been presented below.

(a) Financial liabilities categorised as trade and other payables are recognised and carried at original invoice amount.

(b) 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.

**D 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 THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

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

**D 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 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.

**3 PROPERTY, PLANT AND EQUIPMENT**

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

	Wind power plant in progress £000
Year ended 31 December 2017	
Cost:	
At 1 January 2017	16,539
Additions	4,840
At 31 December 2017	21,379
Net book value:	
At 31 December 2017	21,379
At 1 January 2017	16,539

	Wind power plant in progress £000
Year ended 31 December 2018	
Cost:	
At 1 January 2018	21,379
Additions	11,667
At 31 December 2018	33,046
Net book value:	
At 31 December 2018	33,046
At 1 January 2018	21,379

(i) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 1.8% (2017 1.5%).

**(b) Capital commitments**

	2018 £000	2017 £000
Contracted but not provided	3,449	2,229

**4 TRADE AND OTHER RECEIVABLES**

	Note	2018 £000	2017 £000
Current receivables:			
Other tax receivables	(a)	230	66

(a) These balances are outwith the scope of IFRS 9 and IFRS 7.

**5 SHARE CAPITAL**

	2018 £	2017 £
Allotted and called up:		
One ordinary share of £1 (2017 One)	1	1

(a) Holders of these ordinary shares are entitled to dividends as declared from time to time; amounts on the capitalisation of profits and reserves; and notice and attendance at general meetings of the company, with every member entitled to one vote on a show of hands and on a poll one vote for every share held

**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

**6 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF EAST ANGLIA THREE LIMITED**

	Share capital £000	Retained (losses)/ earnings (Note(a)) £000	Total £000
At 1 January 2017	-	(7)	(7)
Profit for the year attributable to equity holder of East Anglia Three Limited	-	35	35
At 1 January 2018	-	28	28
Loss for the year attributable to equity holder of East Anglia Three Limited	-	(50)	(50)
<b>At 31 December 2018</b>	<b>-</b>	<b>(22)</b>	<b>(22)</b>

(a) Retained (losses)/earnings comprises the cumulative balance of profits and losses recognised in the accounts as adjusted for transactions with shareholders.

**7 DEFERRED TAX**

Deferred tax recognised in the Accounts is as follows:

	Property, plant and equipment £000
At 1 January 2017	-
Charge to the income statement	39
At 1 January 2018	39
Charge to the income statement	112
<b>At 31 December 2018</b>	<b>151</b>

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

**8 LOANS AND OTHER BORROWINGS**

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

Instrument	Interest rate*	Maturity	2018 £000	2017 £000
Loans with Iberdrola group companies	Base + 1%	On demand	27,136	19,891

\* Base – Bank of England Base Rate

**(b) Borrowing facilities**

The company has no undrawn borrowing facilities at 31 December 2018 (2017 £nil).

**(c) Reconciliation of movements of liabilities to cash flows arising from financing activities**

	Current liabilities		
	Loans and other borrowings £000	Interest payable £000	Total £000
At 1 January 2017	16,004	190	16,194
Increase in amounts due to Iberdrola group companies	3,887	-	3,887
Interest paid	-	(190)	(190)
Total movements from financing cash flows	3,887	(190)	3,697
Other movements	-	225	225
Total liability-related other movements	-	225	225
<b>At 31 December 2017</b>	<b>19,891</b>	<b>225</b>	<b>20,116</b>

**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

**8 LOANS AND OTHER BORROWINGS *continued***

**(c) Reconciliation of movements of liabilities to cash flows arising from financing activities *continued***

	Current liabilities		Total £000
	Loans and other borrowings £000	Interest payable £000	
<b>At 1 January 2018</b>	<b>19,891</b>	<b>225</b>	<b>20,116</b>
Increase in amounts due to Iberdrola group companies	7,245	-	7,245
Interest paid	-	(225)	(225)
<b>Total movements from financing cash flows</b>	<b>7,245</b>	<b>(225)</b>	<b>7,020</b>
Other movements	-	361	361
<b>Total liability-related other movements</b>	<b>-</b>	<b>361</b>	<b>361</b>
<b>At 31 December 2018</b>	<b>27,136</b>	<b>361</b>	<b>27,497</b>

**9 TRADE AND OTHER PAYABLES**

	2018 £000	2017 £000
<b>Current trade and other payables:</b>		
Payables due to Iberdrola group companies - trade	-	79
Payables due to Iberdrola group companies - capital	1,742	17
Payables due to Iberdrola group companies - interest	361	225
Trade payables	7	-
Capital payables and accruals	3,970	1,209
	<b>6,080</b>	<b>1,530</b>

(a) At 31 December 2018, letters of credit posted amounted to £1,841,000 (2017 £1,841,000).

**10 FINANCIAL INSTRUMENTS**

The effect of initially applying IFRS 9 on the company's Accounts is detailed in Note 1B1. Due to the transition method chosen, comparative information has not been presented to reflect the new requirements.

**(a) Carrying value of financial instruments**

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

	2018			2017		
	Carrying amount £000	Fair value £000	Classification under IFRS 9	Carrying amount £000	Fair value £000	Classification under IAS 39
<b>Financial liabilities</b>						
Loans and other borrowings	(27,136)	(27,136)	Amortised cost	(19,891)	(19,891)	Loans and receivables
Payables	(6,080)	(6,080)	Amortised cost	(1,530)	(1,530)	Loans and receivables

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

**(b) Financial risk management**

The company's financial liabilities comprise loans and borrowings and trade and other payables. The company has exposure to Treasury risk (comprising both liquidity and market risk) arising from its financial instruments.

ScottishPower's senior management oversee the management of these risks. An extensive description of this risk management framework of ScottishPower, and therefore the company, can be found in the most recent Annual Report and Accounts of SPL.

**(i) Treasury risk**

Treasury risk is comprised of liquidity risk and market risk. ScottishPower's cash management and short-term financing activity, and therefore that of the company, is integrated with Iberdrola's. The company produces short-term rolling cash-flow requirements and if necessary any required funding is obtained via the group's credit facilities already in place.

**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

**10 FINANCIAL INSTRUMENTS *continued***

**(b) Financial risk management**

**(i) Treasury risk *continued***

**Treasury liquidity risk management**

Liquidity risk, the risk that the company will have insufficient funds to meet its liabilities, is ultimately managed by Iberdrola group Treasury, who are responsible for arranging banking facilities on behalf of ScottishPower, and therefore the company. SPL is the counterparty for the loan balance due by the company.

The cash flows associated with financial liabilities are all due in less than one year. The interest payments on variable interest rate loans reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**Treasury market risk management**

Market risk is the risk of loss that results from changes in market rates (interest rates and foreign currency). Within the Treasury function ScottishPower utilises a number of financial instruments to manage interest rate exposures.

***Sensitivity analysis on interest rate changes***

The table below illustrates the impact on the annual interest rate charge considering various rate changes. The analysis assumes all other factors remain constant.

Debt category	Interest Rate	Change in rate	Impact on interest rate charge in 2018	Impact on interest rate charge in 2017
			£000	£000
Short-term variable rate debt	Base			
		+0.25%	68	50
		+0.50%	136	99
		-0.25%	(68)	(50)
		-0.50%	(136)	(99)

**11 EMPLOYEE INFORMATION**

The company has no employees (2017 none). Details of directors' remuneration are set out in Note 14(c).

**12 FINANCE COSTS**

	2018 £000	2017 £000
Interest on amounts due to Iberdrola group companies	361	225
Capitalised interest	(361)	(225)

**13 INCOME TAX**

	2018 £000	2017 £000
Current tax:		
UK Corporation tax	(69)	(43)
Adjustments in respect of prior years	-	(38)
<b>Current tax credit for the year</b>	<b>(69)</b>	<b>(81)</b>
Deferred tax:		
Origination and reversal of temporary differences	69	43
Adjustments in respect of prior years	43	-
Impact of tax rate change	-	(4)
<b>Deferred tax charge for the year</b>	<b>112</b>	<b>39</b>
<b>Income tax charge/(credit) for the year</b>	<b>43</b>	<b>(42)</b>



**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

**13 INCOME TAX *continued***

Tax on the loss for the year varied from the standard rate of UK Corporation Tax applicable to the company as follows:

	2018 £000	2017 £000
Corporation tax at 19% (2017 19.25%)	(1)	(1)
Adjustments in respect of prior years	43	(38)
Impact of tax rate change	-	(4)
Non-deductible expenses and other permanent differences	1	1
<b>Income tax charge/(credit) for the year</b>	<b>43</b>	<b>(42)</b>

Legislation has been enacted to reduce the rate of UK Corporation Tax to 17% on 1 April 2020. This reduces the tax rates expected to apply when temporary differences reverse and impacts the deferred tax charge.

**14 RELATED PARTY TRANSACTIONS**

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

	2018			2017		
	UK parent (SPL) £000	Immediate parent (SPRUKL) £000	Other Iberdrola group companies £000	UK parent (SPL) £000	Immediate parent (SPRUKL) £000	Other Iberdrola group companies £000
<b>Types of transaction</b>						
Purchases of property, plant and equipment	-	(1,747)	(13)	-	(5)	(15)
Interest costs (Note (ii))	(361)	-	-	(225)	-	-
<b>Balances outstanding</b>						
Loans payable	(27,136)	-	-	(19,891)	-	-
Trade and other payables	-	-	(1,742)	-	-	(96)
Interest payable	(361)	-	-	(225)	-	-

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

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

**(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 the ScottishPower Renewables business ("Renewables"), it has not been possible to apportion the remuneration specifically in respect of services to this company. All five of the (2017 four) key management personnel were remunerated by other companies within Renewables.

	2018 £000	2017 £000
Short-term employee benefits	1,101	1,074
Post-employment benefits	238	129
Share-based payments	768	761
	<b>2,107</b>	<b>1,964</b>

**(c) Directors' remuneration**

The total remuneration of the directors that provided qualifying services to the company is shown below. As these directors are remunerated for their work for Renewables, it has not been possible to apportion the remuneration specifically in respect of services to this company. All three of the (2017 three) directors were remunerated by other companies within Renewables.

	2018 £000	2017 £000
<b>Executive directors</b>		
Aggregate remuneration in respect of qualifying services	1,066	1,082
Aggregate contributions payable to a defined contribution pension scheme	27	26
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	3	3
Number of directors accruing retirement benefits under a defined benefit scheme	1	1
Number of directors accruing retirement benefits under a defined contribution scheme	1	1

**EAST ANGLIA THREE LIMITED**  
**NOTES TO THE ACCOUNTS *continued***  
**31 December 2018**

**14 RELATED PARTY TRANSACTIONS *continued***

**(c) Directors' remuneration *continued***

	2018	2017
	£000	£000
<b>Highest paid director</b>		
Aggregate remuneration	507	557
Accrued pension benefit	96	77

(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 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.

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 undertakings in addition to the parent undertakings disclosed above.

**15 AUDITORS' REMUNERATION**

	2018	2017
	£000	£000
Audit of the company's annual Accounts	7	7

**16 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 and 2.

The company has recorded a loss after tax in the current year and a profit after tax in the previous financial year and the company's balance sheet shows that it has net current liabilities of £32,917,000 and net liabilities of £22,000 at its most recent balance sheet date.

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 does not have the ability to and 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 adopt the going concern basis of accounting in preparing the Accounts.