

EAST ANGLIA THREE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2020

Registered No. 08141208



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for the year ended 31 December 2020

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EAST ANGLIA THREE LIMITED

DIRECTORS' REPORT

The directors present their report and audited accounts for East Anglia Three ("the Company") for the year ended 31 December 2020. This report has been prepared in accordance with the special provisions relating to small-sized companies under section 415A of the Companies Act 2006. The directors have taken advantage of the small companies' exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

ACTIVITIES AND REVIEW

The principal activity of 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 ("SPRUKE"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of the SPL Group ("ScottishPower"), of which the Company is a member.

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

The Company has consent for the 1.4 gigawatt ("GW") East Anglia Three offshore wind farm project. The project was unsuccessful in the UK Government's third Contracts for Difference auction in September 2019, which cleared at £39.65 per megawatt hour ("MWh") and £41.61 MWh (2012 prices) for delivery years 2023/24 and 2024/25 respectively. The project has since been redefined and is now being developed as part of the East Anglia Hub, together with Renewables' East Anglia One North and East Anglia Two offshore wind farm projects. Leveraging on this scale in the supply chain is expected to produce significant optimisation opportunities.

RESULTS AND DIVIDEND

The net loss for the year was £41,000 (2019 net profit of £23,000). No dividend was paid during either the current or prior years.

Notwithstanding net liabilities of £40,000, the Accounts are prepared on a going concern basis. Refer to Note 1B2 for further details.

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, due to its rapid spread throughout the world. In common with many governments, the UK and devolved Governments put in place restrictive measures to contain the spread of the virus. These have been in place to various extents since March 2020 and are expected to endure in some form during 2021 and perhaps 2022. COVID-19 has not had a significant impact on the Company's business operations and is not deemed to impact the conclusion that the Company will continue as a going concern.

FINANCIAL INSTRUMENTS

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 within 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.

MODERN SLAVERY STATEMENT

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

DIRECTORS

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

Heather Chalmers White
Jonathan Cole

As at the date of this report, there have been no changes to the composition of the board of directors of the Company ("the Board") since the year end.

EAST ANGLIA THREE LIMITED
DIRECTORS' REPORT *continued*

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

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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 also responsible for preparing a Directors' Report that complies with that law and those regulations.

Disclosure of information to auditor

Each of the directors in office as at the date of this Directors' Report and 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 ending 31 December 2021.

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

ON BEHALF OF THE BOARD

Heather Chalmers White

Heather Chalmers White
Director

2 September 2021

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 2020 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard, and the provisions available for small entities. 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").

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition as the company has no revenue generating activities.

We did not identify any additional fraud risks.

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

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

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

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

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

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

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

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

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

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

Directors' Report

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

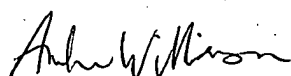
Auditor's responsibilities

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

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

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

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



Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St. Vincent Street
Glasgow
G2 5AS

3 September 2021

EAST ANGLIA THREE LIMITED
BALANCE SHEET
at 31 December 2020

	Notes	2020 £000	2019 £000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	54,638	43,422
NON-CURRENT ASSETS		54,638	43,422
CURRENT ASSETS			
Trade and other receivables	4	1,555	341
Current tax asset		105	116
CURRENT ASSETS		1,660	457
TOTAL ASSETS		56,298	43,879
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		(40)	1
Share capital	5, 6	-	-
Retained (losses)/earnings	6	(40)	1
TOTAL EQUITY		(40)	1
NON-CURRENT LIABILITIES			
Deferred tax liabilities	7	369	236
NON-CURRENT LIABILITIES		369	236
CURRENT LIABILITIES			
Loans and other borrowings	8	47,841	39,191
Trade and other payables	9	8,128	4,451
CURRENT LIABILITIES		55,969	43,642
TOTAL LIABILITIES		56,338	43,878
TOTAL EQUITY AND LIABILITIES		56,298	43,879

Approved by the Board and signed on its behalf on 2 September 2021 by:

Heather Chalmers White

Heather Chalmers White
Director

The accompanying Notes 1 to 14 are an integral part of the balance sheet at 31 December 2020.

EAST ANGLIA THREE LIMITED
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
External services		(13)	(8)
OPERATING LOSS		(13)	(8)
Finance costs	10	-	-
LOSS BEFORE TAX		(13)	(8)
Income tax (charge)/credit	11	(28)	31
NET (LOSS)/PROFIT FOR THE YEAR		(41)	23

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

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.

All results relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital £000	Retained (losses)/ earnings £000	Total £000
At 1 January 2019	-	(22)	(22)
Total comprehensive income for the year	-	23	23
At 1 January 2020	-	1	1
Total comprehensive income for the year	-	(41)	(41)
At 31 December 2020	-	(40)	(40)

The accompanying Notes 1 to 14 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 2020.

EAST ANGLIA THREE LIMITED
CASH FLOW STATEMENT
for the year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Loss before tax	(13)	(8)
Adjustments for:		
Changes in working capital:		
Change in trade and other receivables	(1,214)	(111)
Change in trade and other payables	4	2
Income taxes received	116	69
Net cash flows from operating activities (i)	(1,107)	(48)
Cash flows from investing activities		
Investments in property, plant and equipment	(6,932)	(11,646)
Net cash flows from investing activities (ii)	(6,932)	(11,646)
Cash flows from financing activities		
Increase in amounts due to Iberdrola Group companies - current loans payable	8,650	12,055
Interest paid	(611)	(361)
Net cash flows from financing activities (iii)	8,039	11,694
Net increase in cash and cash equivalents (i)+(ii)+(iii)	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying Notes 1 to 14 are an integral part of the cash flow statement for the year ended 31 December 2020.

EAST ANGLIA THREE LIMITED
NOTES TO THE ACCOUNTS
31 December 2020

1 BASIS OF PREPARATION

A COMPANY INFORMATION

East Anglia Three Limited, 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

B1 BASIS OF PREPARATION OF THE ACCOUNTS

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

The Accounts have been prepared in accordance with FRS 101. In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006 (refer to Note 1C1) including newly effective International Financial Reporting Standards ("IFRS") for the year ended 31 December 2020 (refer to Note 1C2), but has made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where FRS 101 disclosure exemptions have been taken.

In these Accounts, 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;
- comparative period reconciliations for property, plant and equipment;
- disclosures in respect of transactions with wholly owned subsidiaries of Iberdrola, S.A.;
- disclosures in respect of capital management;
- the effects of new but not yet effective 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'.

B2 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 2.

The Company's balance sheet presents net current liabilities of £54,309,000 and net liabilities of £40,000 as at 31 December 2020. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company is part of the ScottishPower Group which is a significant component of Iberdrola, one of the world's largest integrated utilities. The Company participates in a UK treasury function operated by the Company's intermediate parent company, Scottish Power Limited. The UK treasury function works closely with Iberdrola to manage the Company's funding requirements through the global treasury function. Scottish Power UK plc ("SPUK"), an immediate subsidiary of Scottish Power Limited, has indicated its intention to provide the Company with the funding it requires, through the UK treasury function and utilising its committed facilities with SPL, for at least one year from the date of approval of the financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Throughout the year, and up to the date of signing, the economic environment has been affected by the global COVID-19 pandemic, however, due to the nature of the Company's core activities, the direct effects on cash flows are expected to be limited.

EAST ANGLIA THREE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2020

1 BASIS OF PREPARATION *continued*

B BASIS OF PREPARATION *continued*

B2 GOING CONCERN *continued*

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 cash flow forecast for at least one year from the date of approval of the financial statements which indicates that the Company's existing resources and facilities and the support noted above from SPUK are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast 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 one year from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

C ACCOUNTING STANDARDS

C1 IMPACT ON BREXIT

After the end of the Brexit transition period (31 December 2020) the UK ceased to be subject to European Union ("EU") law. Under the European Union (Withdrawal) Act 2018, all existing IFRSs adopted by the EU at that time have been 'frozen' into UK law thus were considered as in force in the UK at the end of the transition period. Adoptions, interpretations and amendments of IFRS adopted by the EU after the end of the transition period will no longer apply in the UK. For subsequent financial years, companies must use UK-adopted IFRS. At the end of the transition period, those standards will be identical to the EU-adopted IFRS in force on that date, but subsequently the UK has established its own endorsement process to adopt UK-adopted IFRS, interpretations and amendments of IFRS. For the year ended 31 December 2020, UK companies therefore have the option to use any standards which have been adopted for use within the UK in addition to the frozen EU-adopted IFRS.

In previous years, the Accounts have been prepared in accordance with FRS 101 applying the recognition, measurement and disclosure requirements of IFRS as adopted by the EU at the date of approval of the Accounts and which were mandatory for each financial year. In line with the above, the Accounts for the year ended 31 December 2020 have been prepared in accordance with FRS 101 applying the 'frozen' IFRS as adopted by the EU in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The Accounts for financial year beginning 1 January 2021, will be prepared in accordance with FRS 101 applying the recognition, measurement and disclosure requirements of IFRS as adopted by the UK.

The changes in the way that IFRS are described as a result of the UK's exit from the EU, including the move to UK-adopted IFRS for accounting periods starting on or after 1 January 2021, do not represent a change in the basis of preparation which would necessitate a prior year restatement.

C2 IMPACT OF NEW IFRS

As noted above, these Accounts have been prepared in accordance with FRS 101. In preparing these Accounts, the Company has applied all relevant IASs, IFRSs and International Financial Reporting Interpretations Committee interpretations ("IFRICs") (collectively referred to as "IFRS") that have been adopted by the EU/UK as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2020.

For the year ended 31 December 2020, the Company has applied the following amendments for the first time:

Standard	Note
• Amendments to References to the Conceptual Framework in IFRS Standards	(a)
• Amendments to IFRS 3 'Business Combinations: Definition of a Business'	(a)
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': 'Definition of Material'	(a)
• Amendments to IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; and IFRS 7 'Financial Instruments: Disclosures': 'Interest Rate Benchmark Reform'	(a)

(a) The application of these amendments 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 2020

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 2020, there were no assumptions made about the future or 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.

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**

A PROPERTY, PLANT AND EQUIPMENT

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

B IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each 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 (the greater of its value-in-use and its fair value less costs to sell) is estimated in order to determine the extent of the impairment loss (if any). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

C 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 FINANCIAL ASSETS

C1.1 RECOGNITION AND INITIAL MEASUREMENT

Financial assets are classified as measured at amortised cost both at initial recognition and subsequently. 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.

Trade receivables that do not contain a significant financing component, and for which the Company has applied the simplified expected credit loss ("ECL") model, are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers'.

C1.2 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 them, 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. Such reclassifications are expected to be infrequent; no other reclassifications are permitted.

EAST ANGLIA THREE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2020

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

C FINANCIAL INSTRUMENTS *continued*

C1 FINANCIAL ASSETS *continued*

C1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT *continued*

(a) Classification *continued*

The Company's business model for managing financial assets refers to how it manages them 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 net credit losses. Interest income, foreign exchange gains and losses and net credit losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

(i) Derecognition

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

C2 FINANCIAL LIABILITIES

C2.1 RECOGNITION AND INITIAL MEASUREMENT

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

C2.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial liabilities are classified as measured at amortised cost and subsequently measured at amortised cost using the effective interest method. Interest expense, and any gain or loss on derecognition of financial liabilities, are 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 charge is included as Finance costs in the income statement.

(a) Derecognition

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

D TAXATION

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

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

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the period in which the liability is expected to be 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 recognised in equity and is shown in the statement of comprehensive income.

EAST ANGLIA THREE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2020

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

D TAXATION *continued*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. For income tax arising on dividends, the related tax is recognised in the income statement, statement of other comprehensive income, or in equity consistently with the transactions that generated the distributable profits.

3 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment

	Wind power plant in progress £000
Year ended 31 December 2020	
Cost:	
At 1 January 2020	43,422
Additions	11,216
At 31 December 2020	54,638
Net book value:	
At 31 December 2020	54,638
At 1 January 2020	43,422

(i) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 1.1% (2019 1.8%).

(ii) Included within the cost of property, plant and equipment is capitalised interest of £1,940,000 (2019 £1,388,000).

(b) Capital commitments

At 31 December 2020 the Company had capital commitments of £4,843,000 (2019 £4,461,000) which are expected to be settled within one year in both the current and prior years.

4 TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
Current receivables:		
Receivables due from Iberdrola Group companies - trade	1,098	-
Other tax receivables	457	341
	1,555	341

5 SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid shares:		
One ordinary share of £1 (2019 one)	1	1

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

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

	Share capital £000	Retained (losses)/earnings (Note (a)) £000	Total £000
At 1 January 2019	-	(22)	(22)
Profit for the year attributable to equity holder of the Company	-	23	23
At 1 January 2020	-	1	1
Loss for the year attributable to equity holder of the Company	-	(41)	(41)
At 31 December 2020	-	(40)	(40)

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

EAST ANGLIA THREE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2020

7 DEFERRED TAX

Deferred tax recognised in the Accounts is as follows:

	Property, plant and equipment £000
At 1 January 2019	151
Charge to the income statement	85
At 1 January 2020	236
Charge to the income statement	133
At 31 December 2020	369

- (a) Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate at 31 December 2019. Further legislation was enacted on 22 July 2020 under the Finance Act 2020 that maintains the 19% UK Corporation Tax rate. The 19% rate applies from 1 April 2020. This rate change increased the deferred tax liability by £28,000.
- (b) Further legislation was substantively enacted on 24 May 2021 under the Finance Act 2021 that will increase the UK tax rate to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have been £116,000 higher.

8 LOANS AND OTHER BORROWINGS

Analysis of loans and borrowings by instrument and maturity

Instrument	Interest rate*	Maturity	2020 £000	2019 £000
Loans with Iberdrola Group companies	Base + 1%	On demand	47,841	39,191

* Base – Bank of England Base Rate

9 TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Current trade and other payables:		
Payables due to Iberdrola Group companies - capital	5,858	3,275
Payables due to Iberdrola Group companies - interest	552	611
Trade payables	13	9
Capital payables and accruals	1,705	556
	8,128	4,451

At 31 December 2020, letters of credit posted amounted to £235,000 (2019 £1,841,000).

10 FINANCE COSTS

	2020 £000	2019 £000
Interest on amounts due to Iberdrola Group companies	552	611
Capitalised interest	(552)	(611)

11 INCOME TAX

	2020 £000	2019 £000
Current tax:		
UK Corporation Tax (credit) on losses for the year	(105)	(116)
Current tax credit for the year	(105)	(116)
Deferred tax:		
Origination and reversal of temporary differences	105	116
Adjustments in respect of prior years		(19)
Impact of tax rate change	28	(12)
Deferred tax charge for the year	133	85
Income tax expense/(credit) for the year	28	(31)

EAST ANGLIA THREE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2020

11 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:

	2020	2019
	£000	£000
Corporation Tax at 19% (2019 19%)	(2)	(2)
Adjustments in respect of prior years	-	(19)
Impact of tax rate change	28	(12)
Non-deductible expenses and other permanent differences	2	2
Income tax expense/(credit) for the year	28	(31)

Legislation was previously enacted to reduce the UK rate of Corporation Tax to 17% on 1 April 2020. Accordingly deferred tax balances were measured at the 17% rate at 31 December 2019. Further legislation was enacted on 22 July 2020 under the Finance Act 2020 that maintains the 19% UK Corporation Tax rate. The 19% rate applies from 1 April 2020. This rate change increased the deferred tax liability by £28,000. Refer to Note 7(b) for details of future tax rate changes.

12 EMPLOYEE INFORMATION

The Company has no employees (2019 none).

13 RELATED PARTY TRANSACTIONS

(a) Directors remuneration

The total remuneration of the directors that provided qualifying services to the Company is shown below. As these directors are remunerated for their work for Renewables, it has not been possible to apportion the remuneration specifically in respect of services to this Company. Both directors (2019 three) who performed qualifying services for the Company were remunerated by other companies within Renewables.

	2020	2019
	£000	£000
Aggregate remuneration in respect of qualifying services	731	663
Aggregate contributions payable to a defined contribution pension scheme	31	29
Aggregate compensation for loss of office	-	179
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	2	2
Number of directors accruing retirement benefits under a defined benefit scheme	1	1
Number of directors accruing retirement benefits under a defined contribution scheme	1	1

	2020	2019
	£000	£000
Highest paid director		
Aggregate remuneration	477	429

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

(b) 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 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.

14 AUDITORS' REMUNERATION

	2020	2019
	£000	£000
Audit of the Company's annual Accounts	13	8