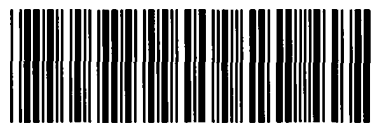


**EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2017**

Registered No. 07366753

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EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
For the year ended 31 December 2017

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EAST ANGLIA ONE LIMITED

DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2017 in accordance with the special provisions relating to small sized companies under section 415A of the Companies Act 2006. The directors have taken advantage of the small companies' exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

ACTIVITIES AND REVIEW

The principal activity of East Anglia One Limited ("the company"), registered company number 07366753, is the development of the East Anglia One offshore wind farm. 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 signed a Contract for Difference ("CfD") for 714 megawatts ("MW") after succeeding in the first auction of this kind held in the UK, with a highly competitive price, clearly showing a commitment toward reducing the cost of renewable energy for consumers. The CfD agreements with the Low Carbon Contracts Company Limited were entered into on 27 March 2015.

The company has placed all principal supply and installation contracts and the East Anglia One project is currently under construction, with first export scheduled for 2019.

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 4 of the most recent Annual Report and Accounts of SPL.

OPERATIONAL FINANCIAL PERFORMANCE

Capital investment on wind power plant construction in 2017 was £286.4 million (2016 £67.0 million). The company invested a further £142.3 million (2016 £38.9 million) on the offshore transmission asset associated with the wind power plant. The transmission asset, which is classified within inventories, will be sold to an offshore transmission operator once it has been completed. Overall, the directors are satisfied with the level of business and the year end financial position.

RESULTS AND DIVIDEND

The net profit for the year was £0.3 million (2016 £0.3 million). No dividend was paid during the year (2016 £nil).

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash outflows from operating activities increased by £99.9 million to £135.8 million (refer to Cash Flow Statement on page 9). Net debt increased by £261.2 million to £405.4 million, 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. ScottishPower has a risk policy within treasury and financing which is designed to ensure that the company's exposure to variability of cash flows and asset values due to fluctuations in market interest rates and exchange rates are minimised and managed at acceptable risk levels. Further details of the treasury and interest policy for ScottishPower and how it manages them is included in Note 4 to the most recent Annual Report and Accounts of SPL.

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.

EAST ANGLIA ONE LIMITED

DIRECTORS' REPORT *continued*

ENVIRONMENTAL MANAGEMENT AND REGULATION

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

MODERN SLAVERY STATEMENT

ScottishPower is committed to human and labour rights and to eliminating modern slavery that could in anyway be connected to its business. ScottishPower welcomed the introduction of the Modern Slavery Act 2015 and published its own Modern Slavery Statement which was approved by the Board of Directors of Scottish Power Limited.

ScottishPower's Modern Slavery Statement is published on the ScottishPower website at:
www.scottishpower.com/pages/scottishpowers_modern_slavery_statement.aspx.

DIRECTORS

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

Keith Anderson
Jonathan Cole
Roy Scott

Keith Anderson resigned as a director on 2 May 2018.

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 (IFRSs as adopted by the European Union ("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.

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

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

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

EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT *continued*

AUDITOR

KPMG LLP was appointed as the auditor of the company for the year ended 31 December 2017 in place of the retiring auditor, Ernst & Young LLP.

ON BEHALF OF THE BOARD



Roy Scott
Director

Roy Scott 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF EAST ANGLIA ONE LIMITED

Opinion

We have audited the financial statements of East Anglia One Limited ("the company") for the year ended 31 December 2017 which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

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 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.



Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St. Vincent Street

Glasgow

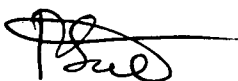
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3 July 2018

EAST ANGLIA ONE LIMITED
BALANCE SHEETS
as at 31 December 2017 and 31 December 2016

| | Notes | 2017 £m | 2016 £m |
|---|-------|--------------|------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 408.5 | 122.1 |
| Property, plant and equipment in use | 3 | 1.4 | 1.4 |
| Property, plant and equipment in the course of construction | 3 | 407.1 | 120.7 |
| Financial assets | | 0.7 | 3.3 |
| Derivative financial instruments | 4, 13 | 0.7 | 3.3 |
| Trade and other receivables | 6 | 7.4 | 28.5 |
| NON-CURRENT ASSETS | | 416.6 | 153.9 |
| CURRENT ASSETS | | | |
| Inventories | 7 | 193.6 | 51.3 |
| Trade and other receivables | 6 | 35.5 | 32.6 |
| Financial assets | | 3.6 | 5.0 |
| Derivative financial instruments | 4, 13 | 3.6 | 5.0 |
| CURRENT ASSETS | | 232.7 | 88.9 |
| TOTAL ASSETS | | 649.3 | 242.8 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Of shareholders of the parent | | 36.6 | 40.5 |
| Share capital | 8, 9 | - | - |
| Hedge reserve | 9 | 36.0 | 40.2 |
| Retained earnings | 9 | 0.6 | 0.3 |
| TOTAL EQUITY | | 36.6 | 40.5 |
| NON-CURRENT LIABILITIES | | | |
| Deferred income | 10 | - | 0.1 |
| Bank borrowings and other financial liabilities | | - | 0.4 |
| Derivative financial instruments | 4, 13 | - | 0.4 |
| Deferred tax liabilities | 11 | 8.4 | 9.4 |
| NON-CURRENT LIABILITIES | | 8.4 | 9.9 |
| CURRENT LIABILITIES | | | |
| Bank borrowings and other financial liabilities | | 410.5 | 144.9 |
| Loans and other borrowings | 12 | 405.4 | 144.2 |
| Derivative financial instruments | 4, 13 | 5.1 | 0.7 |
| Trade and other payables | 15 | 193.8 | 47.5 |
| CURRENT LIABILITIES | | 604.3 | 192.4 |
| TOTAL LIABILITIES | | 612.7 | 202.3 |
| TOTAL EQUITY AND LIABILITIES | | 649.3 | 242.8 |

Approved by the Board on 28th June 2018 and signed on its behalf by:



Roy Scott
Director

The accompanying Notes 1 to 22 are an integral part of the balance sheets as at 31 December 2017 and 31 December 2016.

EAST ANGLIA ONE LIMITED
INCOME STATEMENTS
for the years ended 31 December 2017 and 31 December 2016

| | Notes | 2017 £m | 2016 £m |
|--------------------------------|-------|------------|------------|
| NET OPERATING EXPENSES | | - | - |
| External services | | - | (0.2) |
| Other operating income | | - | 0.2 |
| GROSS OPERATING PROFIT | | - | - |
| Finance income | 17 | - | 0.2 |
| PROFIT BEFORE TAX | | - | 0.2 |
| Income tax | 19 | 0.3 | 0.1 |
| NET PROFIT FOR THE YEAR | | 0.3 | 0.3 |

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

All results relate to continuing operations.

The accompanying Notes 1 to 22 are an integral part of the income statements for the years ended 31 December 2017 and 31 December 2016.

EAST ANGLIA ONE LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 December 2017 and 31 December 2016

| | Note | 2017 £m | 2016 £m |
|---|------|--------------|-------------|
| NET PROFIT FOR THE YEAR | | 0.3 | 0.3 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that may be subsequently reclassified to the income statement: | | | |
| Cash flow hedges: | | | |
| Change in the value of cash flow hedges | 9 | (1.4) | 1.9 |
| Tax relating to cash flow hedges | 9 | 0.3 | (0.4) |
| | | (1.1) | 1.5 |
| Items that will not be reclassified to the income statement: | | | |
| Cash flow hedges: | | | |
| Change in the value of cash flow hedges | 9 | (3.8) | 37.6 |
| Tax relating to cash flow hedges | 9 | 0.7 | (7.0) |
| | | (3.1) | 30.6 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | (4.2) | 32.1 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | (3.9) | 32.4 |

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

STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2017 and 31 December 2016

| | Share capital £m | Hedge reserve £m | Retained earnings £m | Total £m |
|---|------------------------|------------------------|----------------------------|-------------|
| At 1 January 2016 | - | 8.1 | - | 8.1 |
| Total comprehensive income for the year | - | 32.1 | 0.3 | 32.4 |
| At 1 January 2017 | - | 40.2 | 0.3 | 40.5 |
| Total comprehensive income for the year | - | (4.2) | 0.3 | (3.9) |
| At 31 December 2017 | - | 36.0 | 0.6 | 36.6 |

The accompanying Notes 1 to 22 are an integral part of the statements of comprehensive income and statements of changes in equity for the years ended 31 December 2017 and 31 December 2016.

EAST ANGLIA ONE LIMITED
CASH FLOW STATEMENTS
for the years ended 31 December 2017 and 31 December 2016

| | 2017 | 2016 |
|--|----------------|-----------------|
| | £m | Restated* £m |
| Cash flows from operating activities | | |
| Profit before tax | - | 0.2 |
| Adjustments for: | | |
| Revenue grants | - | (0.2) |
| Finance income and costs | - | (0.2) |
| Changes in working capital: | | |
| Change in trade and other receivables | (2.3) | (0.1) |
| Change in inventories | (142.3) | (38.9) |
| Change in trade and other payables | 8.6 | 3.2 |
| Revenue grants refunded | (0.1) | - |
| Income taxes received | 0.3 | 0.1 |
| Net cash flows from operating activities (i) | (135.8) | (35.9) |
| Cash flows from investing activities | | |
| Investments in property, plant and equipment | (123.7) | (48.5) |
| Net cash flows from investing activities (ii) | (123.7) | (48.5) |
| Cash flows from financing activities | | |
| Increase in amounts due to Iberdrola group companies - current loans payable | 261.2 | 84.5 |
| Interest paid | (1.7) | (0.5) |
| Net cash flows from financing activities (iii) | 259.5 | 84.0 |
| Net decrease in cash and cash equivalents (i)+(ii)+(iii) | - | (0.4) |
| Cash and cash equivalents at beginning of year | - | 0.4 |
| Cash and cash equivalents at end of year | - | - |

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

The accompanying Notes 1 to 22 are an integral part of the cash flow statements for the years ended 31 December 2017 and 31 December 2016.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS
31 December 2017

1 BASIS OF PREPARATION

A COMPANY INFORMATION

East Anglia One Limited, registered company number 07366753, is a private company limited by shares, incorporated in England and Wales and its registered office is 3rd Floor, 1 Tudor Street, London, EC4Y 0AH, England.

B BASIS OF PREPARATION OF THE ACCOUNTS

The company is required by law to prepare Accounts and to deliver them to the Registrar of Companies. The Accounts have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), as adopted by the EU as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2017. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

B1. CHANGE IN PRESENTATION

B1.1 CASH FLOW PRESENTATION

The company's primary source of short-term funding for cash management purposes is from intercompany loans drawn down from the ultimate parent company or other group undertakings. Under the terms of the arrangement, these short-term loans are repayable on demand. On the balance sheet, these funds are recorded within current loans and borrowings. In prior years, the company reported these funds within cash and cash equivalents for the purposes of the cash flow statement. During the year, the directors have reviewed the treatment of these funds and concluded they should be recorded within financing cash flows for the purposes of the cash flow statement. The 2017 cash flow statement has, therefore, been adjusted. The effect is to increase the net cash flows from financing activities by £84.5 million and increase the cash and cash equivalents reported for the purpose of the cash flow statement by £144.2 million.

This restatement had no impact on net assets, equity, the Statements of Comprehensive Income or the Balance Sheets.

C ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations 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 2017.

For the year ended 31 December 2017, the company has applied the following amendments for the first time:

| Standard | Notes |
|---|----------|
| • Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses' | (a) |
| • Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative' | (a) |
| • Annual improvements to IFRS Standards 2014-2016 Cycle | (a), (b) |

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

(b) This pronouncement includes amendments to three standards. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have been applied by the company effective 1 January 2017. Refer to footnote (d) below for details of other amendments in the pronouncement.

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 |
|--|----------|--|--|
| • Annual Improvements to IFRS Standards 2014 –2016 Cycle | (c), (d) | 1 January 2018 | 1 January 2018 |
| • IFRS 9 'Financial Instruments' | (e) | 1 January 2018 | 1 January 2018 |
| • IFRS 15 'Revenue from Contracts with Customers' (including 'Amendments to IFRS 15: Effective date of IFRS 15' and 'Clarifications to IFRS 15 Revenue from Contracts with Customers') | (f) | 1 January 2018 | 1 January 2018 |
| • Amendments to IAS 40 'Investment Property: Transfers of Investment Property' | (c) | 1 January 2018 | 1 January 2018 |

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS *continued*

| Standard <i>continued</i> | Notes | IASB effective date (for periods commencing on or after) | Planned date of application by the company |
|--|---------------|---|---|
| • Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment Transactions' | (c) | 1 January 2018 | 1 January 2018 |
| • Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' | (c) | 1 January 2018 | 1 January 2018 |
| • IFRIC 22 'Foreign Currency Transactions and Advance Consideration' | (c) | 1 January 2018 | 1 January 2018 |
| • IFRS 16 'Leases' | (g) | 1 January 2019 | 1 January 2019 |
| • IFRIC 23 'Uncertainty over Income Tax Treatments' | (c), (h) | 1 January 2019 | 1 January 2019 |
| • Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation' | (c) | 1 January 2019 | 1 January 2019 |
| • Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures' | (c), (h) | 1 January 2019 | 1 January 2019 |
| • Annual Improvements to IFRS Standards 2015-2017 Cycle | (c), (h) | 1 January 2019 | 1 January 2019 |
| • Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement' | (c), (h) | 1 January 2019 | 1 January 2019 |
| • Amendments to References to the Conceptual Framework in IFRS Standards | (c), (h) | 1 January 2020 | 1 January 2020 |
| • IFRS 17 'Insurance Contracts' | (c), (h) | 1 January 2021 | 1 January 2021 |
| • IFRS 14 'Regulatory Deferral Accounts' | (c), (h), (i) | 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' | (c), (h), (j) | Deferred indefinitely | To be decided |

(c) The future application of this pronouncement is not expected to have a material impact on the company's accounting policies, financial position or performance.

(d) 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 an effective date of 1 January 2018. The amendments to IFRS 12 'Disclosure of Interests in Other Entities' have an effective date of 1 January 2017 (refer to footnote (b) above).

(e) IFRS 9 'Financial Instruments' is effective for the company as from 1 January 2018. The company considers that the new classification and measurement criteria will not have a material impact on the company's equity as at 1 January 2018. Most financial assets will continue to be valued at amortised cost, except for equity instruments and derivative financial instruments which will continue to be recorded at fair value.

The company will apply the general model for the recognition of expected credit losses to all financial assets, except for trade receivables and leases, to which the simplified model will be applied. Given the high credit quality of the financial assets, the expected credit loss adjustment is £nil.

IFRS 9 enables more economic hedging instruments and hedged items to qualify for hedge accounting than currently under IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39"); principally the hedging of risk components in non-financial contracts and the consideration as a hedged item of a combination of a derivative and an item which could meet the characteristics of a hedged item. On implementation at 1 January 2018, this will not have a material impact on the group's equity.

In the current and previous years' accounts, the group has applied the criteria set out in Note 2D for those cases where there are no material changes to financial liabilities.

(f) IFRS 15 'Revenue from Contracts with Customers' and the associated amendments and clarifications are effective for the company as from 1 January 2018. The company considers that the application of IFRS 15 will not have a material impact on the company's financial position or performance but will continue to refine its accounting policies and monitor emerging industry practice in relation to this standard. The company has transitioned to IFRS 15 using the modified retrospective approach which will require any cumulative impact of applying this standard to be recognised on implementation at 1 January 2018. No modifications are required to the company's IT systems or processes as a result of this standard.

(g) The company is currently analysing the impact of implementing IFRS 16 'Leases' which is effective for the company as from 1 January 2019. The company's principal leases relate to property and land for wind farms. Most of these leases are classified as operating leases under IAS 17 'Leases'. The company expects to recognise 'right-of-use' assets and corresponding lease liabilities where the company is a lessee; the value of which is expected to be greater than the future minimum lease payments disclosed in Note 3(b). The company has tentatively decided to take the exemptions offered by IFRS 16 to exclude short-term leases and leases of low value assets from the recognition requirements in the standard. The company will quantify the expected impact of the implementation of IFRS 16 based on the different transition options available at the date of its first application. The company is currently modifying its IT systems in order to adapt to the new requirements. This analysis will continue during 2018.

(h) This pronouncement has not yet been endorsed by the EU.

(i) 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.

(j) The IASB set the effective date of this pronouncement as 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.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

2 ACCOUNTING POLICIES

In preparing the Accounts in conformity with IFRS the company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets and liabilities of the company. Actual results may differ from these estimates. However, no critical accounting judgements or key sources of estimation uncertainty have been identified in relation to these Accounts.

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

- A PROPERTY, PLANT AND EQUIPMENT**
- B LEASED ASSETS**
- C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**
- D FINANCIAL INSTRUMENTS**
- E INVENTORIES**
- F GRANTS**
- G TAXATION**

A PROPERTY, PLANT AND EQUIPMENT

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

B LEASED ASSETS

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in the arrangement.

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

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

C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date, the company reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

D FINANCIAL INSTRUMENTS

D1 ACCOUNTING POLICIES UNDER IAS 39

- (a) Financial 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 except where the loan or borrowing is a hedged item in an effective fair value hedging relationship (see D3 on next page).

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

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

2 ACCOUNTING POLICIES *continued*

D FINANCIAL INSTRUMENTS *continued*

D2 RISK CONTROL ENVIRONMENT

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

D3 HEDGE ACCOUNTING

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

D3.1 CASH FLOW HEDGES

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

D3.2 HEDGE EFFECTIVENESS

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

D3.3 DISCONTINUING HEDGE ACCOUNTING

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

D4 VALUATION OF FINANCIAL INSTRUMENTS

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

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

D5 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

E INVENTORIES

Inventories are valued at the lower of average cost and net realisable value.

F GRANTS

Revenue grants are initially credited to Deferred income and released to the income statement over the period in which they are intended to contribute to the expenditure incurred.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

2 ACCOUNTING POLICIES *continued*

G 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.

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 £m | Other items of property, plant and equipment in use (Note (i)) £m | Total £m |
|------------------------------------|--|---|--------------|
| Year ended 31 December 2016 | | | |
| Cost: | | | |
| At 1 January 2016 | 66.1 | - | 66.1 |
| Additions | 67.0 | 1.4 | 68.4 |
| Transfers to inventory (Note (ii)) | (12.4) | - | (12.4) |
| At 31 December 2016 | 120.7 | 1.4 | 122.1 |
| Net book value: | | | |
| At 31 December 2016 | 120.7 | 1.4 | 122.1 |
| At 1 January 2016 | 66.1 | - | 66.1 |

| | Wind power plant in progress £m | Other items of property, plant and equipment in use (Note (i)) £m | Total £m |
|------------------------------------|--|---|--------------|
| Year ended 31 December 2017 | | | |
| Cost: | | | |
| At 1 January 2017 | 120.7 | 1.4 | 122.1 |
| Additions | 286.4 | - | 286.4 |
| At 31 December 2017 | 407.1 | 1.4 | 408.5 |
| Net book value: | | | |
| At 31 December 2017 | 407.1 | 1.4 | 408.5 |
| At 1 January 2017 | 120.7 | 1.4 | 122.1 |

(i) 'Other items of property, plant and equipment in use' comprises land of £1.4 million (2016 £1.4 million) which is not subject to depreciation.

(ii) The transfer to inventory is in respect of the offshore transmission asset which will be sold to an offshore transmission operator once it has been completed (see Note 7).

(iii) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 1.5% (2016 1.4%).

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

3 PROPERTY, PLANT AND EQUIPMENT *continued*

| | 2017 | 2016 |
|---|-------------|-------------|
| | £m | £m |
| (b) Operating lease commitments | | |
| The future minimum discounted lease payments under non-cancellable operating leases are as follows: | | |
| Within one year | 1.1 | 0.5 |
| Between one and five years | 2.6 | 3.2 |
| More than five years | 14.6 | 14.9 |
| | 18.3 | 18.6 |

The operating lease commitments are in respect of the lease of properties and land. The minimum lease payments under operating leases recognised in the year of £1.1 million (2016 £6.9 million) have been capitalised within property, plant and equipment.

(c) Capital commitments

| | 2017 | 2016 |
|-----------------------------|----------------|----------------|
| | £m | £m |
| Contracted but not provided | 1,116.8 | 1,243.7 |

4 FINANCIAL INSTRUMENTS

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

| | | 2017 | | 2016 | |
|----------------------------------|------|--------------------------|---------------------|--------------------------|---------------------|
| | | Carrying amount £m | Fair value £m | Carrying amount £m | Fair value £m |
| | Note | | | | |
| Financial assets | | | | | |
| Derivative financial instruments | (a) | 4.3 | 4.3 | 8.3 | 8.3 |
| Financial liabilities | | | | | |
| Derivative financial instruments | (a) | (5.1) | (5.1) | (1.1) | (1.1) |
| Loans and other borrowings | | (405.4) | (405.4) | (144.2) | (144.2) |
| Payables | | (193.8) | (193.8) | (47.5) | (47.5) |

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

(a) Further details on derivative financial instruments are disclosed in Note 13.

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

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

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

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

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

All derivatives held by the company are Level 2. Level 2 foreign exchange derivatives comprise forward foreign exchange contracts which are fair valued using forward exchange rates that are quoted in an active market.

EAST ANGIA ONE LIMITED
NOTES TO THE ACCOUNTS continued
31 December 2017

5 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

The tables below summarise the maturity profile of the company's financial liabilities as at 31 December 2017 and 31 December 2016 based on contractual undiscounted payments.

| 2017 | | | | | | |
|---|--------------|-------------|-------------|-------------|-------------|----------------------------|
| 2023 and thereafter | | | | | | |
| Total | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 and thereafter |
| £m | £m | £m | £m | £m | £m | £m |
| Cash outflows | | | | | | |
| Derivative financial instruments | 4.4 | - | - | - | - | - |
| Loans and other borrowings | 408.7 | - | - | - | - | - |
| Payables* | 190.5 | - | - | - | - | - |
| 603.6 | 603.6 | - | - | - | - | - |
| 2016 | | | | | | |
| 2022 and thereafter | | | | | | |
| Total | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and thereafter |
| £m | £m | £m | £m | £m | £m | £m |
| Cash outflows | | | | | | |
| Derivative financial instruments | 49.5 | 30.1 | 1.1 | - | - | - |
| Loans and other borrowings | 145.9 | - | - | - | - | - |
| Payables* | 45.8 | - | - | - | - | - |
| 241.2 | 241.2 | 30.1 | 1.1 | - | - | - |
| * Contractual cash flows exclude accrued interest as these cash flows are included within loans and other borrowings. | | | | | | |
| 272.4 | 272.4 | - | - | - | - | - |

6 TRADE AND OTHER RECEIVABLES

| 2016 | 2017 | |
|---------------------------------|-------------|--|
| £m | £m | |
| Current receivables: | | |
| Prepayments | 32.8 | |
| Other tax receivables | 2.7 | |
| 32.6 | 35.5 | |
| Non-current receivables: | | |
| Prepayments | 7.4 | |
| 28.5 | 7.4 | |

7 INVENTORIES

| 2016 | 2017 | |
|---|--------------|-----|
| £m | £m | |
| Other inventories | 193.6 | (a) |
| 51.3 | | |
| (a) Other inventories represents a transmission asset which will be sold to an offshore transmission operator once it has been completed. | | |

8 SHARE CAPITAL

| 2016 | 2017 | |
|--|-------------|------|
| £ | £ | Note |
| Alotted, called up and fully paid shares: | | |
| One A ordinary share of £0.50 each (2016 One) | 0.50 | (a) |
| One B ordinary share of £0.50 each (2016 One) | 0.50 | (a) |
| 1.00 | 1.00 | |
| (a) Both shares carry the same rights in all respects. | | |

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

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

| | Share capital £m | Hedge reserve (Note (a)) £m | Retained earnings (Note (b)) £m | Total £m |
|--|------------------------|--------------------------------------|--|-------------|
| At 1 January 2016 | - | 8.1 | - | 8.1 |
| Profit for the year attributable to equity holder of East Anglia One Limited | - | - | 0.3 | 0.3 |
| Changes in the value of cash flow hedges | - | 39.5 | - | 39.5 |
| Tax relating to cash flow hedges | - | (7.4) | - | (7.4) |
| At 1 January 2017 | - | 40.2 | 0.3 | 40.5 |
| Profit for the year attributable to equity holder of East Anglia One Limited | - | - | 0.3 | 0.3 |
| Changes in the value of cash flow hedges | - | (5.2) | - | (5.2) |
| Tax relating to cash flow hedges | - | 1.0 | - | 1.0 |
| At 31 December 2017 | - | 36.0 | 0.6 | 36.6 |

(a) The hedge reserve represents the balance of gains and losses on cash flow hedges (net of taxation) not yet transferred to income or the carrying amount of a non-financial asset.

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

(c) The changes in the hedge reserve arising from valuation adjustments to hedging derivatives are set out below:

| | Foreign exchange rate hedges £m | Tax effect £m | Total £m |
|---|--|------------------|-------------|
| Cash flow hedges | | | |
| At 1 January 2016 | 10.1 | (2.0) | 8.1 |
| Effective cash flow hedges recognised | 44.4 | (8.9) | 35.5 |
| De-designated cash flow hedges | (0.2) | - | (0.2) |
| Removed from equity and recognised in carrying amount of hedged items | (4.7) | 0.9 | (3.8) |
| Changes in future tax rates | - | 0.6 | 0.6 |
| At 1 January 2017 | 49.6 | (9.4) | 40.2 |
| Effective cash flow hedges recognised | (3.1) | 0.6 | (2.5) |
| Removed from equity and recognised in carrying amount of hedged items | (2.1) | 0.4 | (1.7) |
| At 31 December 2017 | 44.4 | (8.4) | 36.0 |

(d) The maturity analysis of amounts included in the hedge reserve is as follows:

| | 2017 £m | 2016 £m |
|------------------|-------------|-------------|
| Less than 1 year | 6.3 | 8.8 |
| 1-2 years | 22.0 | 2.1 |
| 2-3 years | 7.5 | 21.2 |
| 3-4 years | 0.2 | 7.2 |
| 4-5 years | - | 0.9 |
| | 36.0 | 40.2 |

10 DEFERRED INCOME

| | At 1 January 2016 £m | Released to income statement £m | At 31 December 2016 £m |
|-----------------------------|-------------------------------|--|---------------------------------|
| Year ended 31 December 2016 | | | |
| Revenue grants | 0.3 | (0.2) | 0.1 |
| | At 1 January 2017 £m | Repaid in year £m | At 31 December 2017 £m |
| Year ended 31 December 2017 | | | |
| Revenue grants | 0.1 | (0.1) | - |

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

11 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

| | Property, plant and equipment £m | Derivative financial instruments £m | Total £m |
|---|---|--|-------------|
| At 1 January 2016 | 0.1 | 2.0 | 2.1 |
| Charge to the income statement | (0.1) | - | (0.1) |
| Recorded in the statement of comprehensive income | - | 7.4 | 7.4 |
| At 1 January 2017 | - | 9.4 | 9.4 |
| Recorded in the statement of comprehensive income | - | (1.0) | (1.0) |
| At 31 December 2017 | - | 8.4 | 8.4 |

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.

12 LOANS AND OTHER BORROWINGS

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

| Instrument | Interest rate* | Maturity | 2017 £m | 2016 £m |
|--------------------------------------|----------------|-----------|------------|------------|
| Loans with Iberdrola group companies | Base + 1% | On demand | 405.4 | 144.2 |

* Base – Bank of England Base Rate

(b) Borrowing facilities

The company has no undrawn borrowing facilities at 31 December 2017 (2016 £nil).

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

| | Liabilities | | Total £m |
|--|--|--|--------------|
| | Loans and other borrowings (Current) £m | Interest payable (Current) £m | |
| | £m | £m | £m |
| At 1 January 2017 | 144.2 | 1.7 | 145.9 |
| Increase in amounts due to Iberdrola group companies | 261.2 | - | 261.2 |
| Interest paid | - | (1.7) | (1.7) |
| Total movements from financing cashflows | 261.2 | (1.7) | 259.5 |
| Other movements | - | 3.3 | 3.3 |
| Total liability-related other movements | - | 3.3 | 3.3 |
| At 31 December 2017 | 405.4 | 3.3 | 408.7 |

13 DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivative financial instruments - carrying value

| | 2017 | | | | 2016 | | | |
|----------------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|
| | Assets | | Liabilities | | Assets | | Liabilities | |
| | Current £m | Non- current £m | Current £m | Non- current £m | Current £m | Non- current £m | Current £m | Non- current £m |
| Hedging derivatives | | | | | | | | |
| Cash flow hedge | | | | | | | | |
| - Foreign exchange rate | 3.6 | 0.7 | (5.1) | - | 5.0 | 3.3 | (0.7) | (0.4) |

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

14 EFFECT OF HEDGING AND DERIVATIVE INSTRUMENTS ON THE RESULTS

An analysis of the effect of hedging and derivative financial instruments on the income statement is given below:

| | 2017 | 2016 |
|---|-------------|-------------|
| | £m | £m |
| Cash flow hedges - amounts released from equity: | | |
| Foreign exchange derivatives | - | 0.2 |

15 TRADE AND OTHER PAYABLES

| | 2017 | 2016 |
|--|--------------|-------------|
| | £m | £m |
| Current trade and other payables: | | |
| Payables due to Iberdrola group companies - trade | 8.8 | 4.5 |
| Payables due to Iberdrola group companies - capital | - | 2.8 |
| Payables due to Iberdrola group companies - interest | 3.3 | 1.7 |
| Trade payables | 1.6 | 0.1 |
| Capital payables and accruals | 180.1 | 38.4 |
| | 193.8 | 47.5 |

16 EMPLOYEE INFORMATION

The company has no employees (2016 none). Details of directors' remuneration are set out in Note 20.

17 FINANCE INCOME

| | 2017 | 2016 |
|---|-------------|-------------|
| | £m | £m |
| Fair value and other gains on financing derivatives | - | 0.2 |

18 FINANCE COSTS

| | 2017 | 2016 |
|--|-------------|-------------|
| | £m | £m |
| Interest on amounts due to Iberdrola group companies | 3.3 | 1.7 |
| Capitalised interest | (3.3) | (1.7) |
| | - | - |

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

19 INCOME TAX

| | 2017 £m | 2016 £m |
|---------------------------------------|--------------|--------------|
| Current tax: | | |
| Adjustments in respect of prior years | (0.3) | - |
| Current tax for the year | (0.3) | - |
| Deferred tax: | | |
| Adjustments in respect of prior years | - | (0.1) |
| Deferred tax for the year | - | (0.1) |
| Income tax credit for the year | (0.3) | (0.1) |

The tax credit on profit for the year varied from the standard rate of UK Corporation Tax applicable to the company as follows:

| | 2017 £m | 2016 £m |
|---|--------------|--------------|
| Corporation Tax at 19.25% (2016 20%) | - | - |
| Adjustments in respect of prior periods | (0.3) | (0.1) |
| Income tax credit for the year | (0.3) | (0.1) |

The rate of UK Corporation Tax reduced from 20% to 19% on 1 April 2017. 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.

20 RELATED PARTY TRANSACTIONS

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

| | 2017 | | | 2016 | | |
|---|--------------------------|---------------------------------------|--|--------------------------|---------------------------------------|--|
| | UK parent (SPL) £m | Immediate parent (SPRUKL) £m | Other Iberdrola group companies £m | UK parent (SPL) £m | Immediate parent (SPRUKL) £m | Other Iberdrola group companies £m |
| Types of transaction | | | | | | |
| Purchases and receipt of services | - | - | - | - | - | (0.2) |
| Purchases of property, plant and equipment (Note (i)) | - | - | (12.6) | - | (0.5) | (27.4) |
| Interest costs (Note (iii)) | (3.3) | - | - | (1.7) | - | - |
| Net gains on financing derivatives | - | - | - | 0.2 | - | - |
| Changes in the value of cash flow hedge reserve | 5.2 | - | - | (39.5) | - | - |
| Balances outstanding | | | | | | |
| Derivative financial assets | 4.3 | - | - | 8.3 | - | - |
| Loans payable | (405.4) | - | - | (144.2) | - | - |
| Trade and other payables | - | (1.9) | (6.9) | - | - | (4.5) |
| Capital payables | - | - | - | - | - | (2.8) |
| Interest payable | (3.3) | - | - | (1.7) | - | - |
| Derivative financial liabilities | (5.1) | - | - | (1.1) | - | - |

(i) Purchases of property plant and equipment includes £nil (2016 £4.0 million) relating to East Anglia Offshore Wind Limited, a company jointly owned and managed by SPRUKL and Vattenfall Wind Power Limited.

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

(iii) All amounts relating to 'Purchases of property, plant and equipment' and 'Interest costs' have been capitalised in both years.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

20 RELATED PARTY TRANSACTIONS *continued*

(b) Remuneration of key management personnel

The remuneration of the key management personnel of the company is set out below. As all of the key management personnel are remunerated for their work for the ScottishPower Renewables business ("Renewables"), it has not been possible to apportion the remuneration specifically in respect of services to this company. All four (2016 three) key management personnel were remunerated by other companies within Renewables.

| | 2017 £000 | 2016 £000 |
|------------------------------|--------------|--------------|
| Short-term employee benefits | 1,074 | 959 |
| Post-employment benefits | 129 | 171 |
| Share-based payments | 761 | 498 |
| | 1,964 | 1,628 |

(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 (2016 three) directors were remunerated by other companies within Renewables

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Executive directors | | |
| Aggregate remuneration in respect of qualifying services | 1,082 | 1,038 |
| Aggregate contributions payable to a defined contribution pension scheme | 26 | 23 |
| 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 |

| | 2017 £000 | 2016 £000 |
|------------------------------|--------------|--------------|
| Highest paid director | | |
| Aggregate remuneration | 557 | 537 |
| Accrued pension benefit | 77 | 72 |

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

(d) Ultimate parent company and immediate parent company

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.

21 AUDITOR REMUNERATION

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Audit of the company's annual Accounts | 7 | 7 |

KPMG LLP was appointed auditor of the company during 2017, replacing Ernst & Young LLP. Auditor remuneration for 2017 is payable to KPMG LLP and payable to Ernst & Young LLP for 2016.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2017

22 GOING CONCERN

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

The company has recorded a profit after tax in both the current and previous financial years and the company's balance sheet shows that it has net current liabilities of £371.6 million and net assets of £36.6 million 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.