

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

Registered No. 07366753



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for the year ended 31 December 2018

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EAST ANGLIA ONE LIMITED DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2018 in accordance with the special provisions relating to small sized companies under section 415A of the Companies Act 2006. The directors have taken advantage of the small companies' exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

ACTIVITIES AND REVIEW

The principal activity of East Anglia One Limited ("the company"), registered company number 07366753, is the development and construction of the East Anglia One offshore wind farm. This activity will continue for the foreseeable future and during 2019 will include the operation of the East Anglia One wind farm.

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 towards the end of 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.

OPERATIONAL FINANCIAL PERFORMANCE

Capital investment on wind power plant construction in 2018 was £291.6 million (2017 £286.4 million). The company invested a further £319.9 million (2017 £142.3 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.

RESULTS AND DIVIDEND

The net loss for the year was £0.4 million (2017 profit of £0.3 million). No dividend was paid during the year (2017 £nil).

LIQUIDITY AND CASH MANAGEMENT

Cash and net debt

Net cash outflows from operating activities increased by £177.8 million to £313.6 million (refer to Cash Flow Statement on page 9). Net debt increased by £590.3 million to £995.7 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. Further details of the treasury policy for ScottishPower and how it manages this is included in Note 4.

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:

Jonathan Cole

Roy Scott

Keith Anderson (resigned 2 May 2018)

Charles Jordan (appointed 5 September 2018)

Roy Scott resigned on 31 January 2019. Heather Chalmers White was appointed on 19 February 2019.

DIRECTORS INDEMNITY

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2018 (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable; state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT *continued*

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

Disclosure of information to auditor

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

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

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

AUDITOR

KPMG LLP was re-appointed as the auditor of the company for the year ended 31 December 2018.

ON BEHALF OF THE BOARD



Heather Chalmers White
Director

25 March 2019

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 2018 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Impact of uncertainties due to the UK exiting the European Union on our audit

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

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' Report

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

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

Directors' Report *continued*

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.

Directors' responsibilities

As explained more fully in their statement set out on pages 2 and 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



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

1 April

2019

EAST ANGLIA ONE LIMITED
BALANCE SHEET
at 31 December 2018

	Notes	2018 £m	2017 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		698.7	408.5
Property, plant and equipment in use	3	-	1.4
Property, plant and equipment in the course of construction	3	698.7	407.1
Financial assets		1.5	0.7
Derivative financial instruments	4	1.5	0.7
Trade and other receivables	5	10.3	7.4
NON-CURRENT ASSETS		710.5	416.6
CURRENT ASSETS			
Inventories	6	513.5	193.6
Trade and other receivables	5	13.5	35.5
Current tax asset		2.1	-
Financial assets		2.0	3.6
Derivative financial instruments	4	2.0	3.6
CURRENT ASSETS		531.1	232.7
TOTAL ASSETS		1,241.6	649.3
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		38.7	36.6
Share capital	7, 8	-	-
Hedge reserve	8	38.5	36.0
Retained earnings	8	0.2	0.6
TOTAL EQUITY		38.7	36.6
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9	12.1	8.4
NON-CURRENT LIABILITIES		12.1	8.4
CURRENT LIABILITIES			
Bank borrowings and other financial liabilities		996.0	410.5
Loans and other borrowings	10	995.7	405.4
Derivative financial instruments	4	0.3	5.1
Trade and other payables	11	194.8	193.8
CURRENT LIABILITIES		1,190.8	604.3
TOTAL LIABILITIES		1,202.9	612.7
TOTAL EQUITY AND LIABILITIES		1,241.6	649.3

Approved by the Board and signed on its behalf on **26** March 2019.

Heather Chalmers White

Heather Chalmers White
Director

The accompanying Notes 1 to 18 are an integral part of the balance sheet as at 31 December 2018.

EAST ANGLIA ONE LIMITED
INCOME STATEMENT
for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
OPERATING RESULT		-	-
Finance costs	12	-	-
RESULT BEFORE TAX		-	-
Income tax	13	(0.4)	0.3
NET(LOSS)/PROFIT FOR THE YEAR		(0.4)	0.3

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

All results relate to continuing operations.

The accompanying Notes 1 to 18 are an integral part of the income statement for the year ended 31 December 2018.

EAST ANGLIA ONE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 £m	2017 £m
NET(LOSS)/PROFIT FOR THE YEAR		(0.4)	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	8	1.2	(1.4)
Tax relating to cash flow hedges	8	(0.2)	0.3
		1.0	(1.1)
Items that will not be reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges	8	1.9	(3.8)
Tax relating to cash flow hedges	8	(0.4)	0.7
		1.5	(3.1)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		2.5	(4.2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2.1	(3.9)

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

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

	Share capital £m	Hedge reserve £m	Retained earnings £m	Total £m
At 1 January 2017	-	40.2	0.3	40.5
Total comprehensive income for the year	-	(4.2)	0.3	(3.9)
At 1 January 2018	-	36.0	0.6	36.6
Total comprehensive income for the year	-	2.5	(0.4)	2.1
At 31 December 2018	-	38.5	0.2	38.7

The accompanying Notes 1 to 18 are an integral part of the statement of comprehensive income and statement of changes in equity for the year ended 31 December 2018.

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

	2018 £m	2017 £m
Cash flows from operating activities		
Result before tax	-	-
Changes in working capital:		
Change in trade and other receivables	(12.8)	(2.3)
Change in inventories	(314.4)	(142.3)
Change in trade payables	13.0	8.6
Revenue grants refunded	-	(0.1)
Income taxes received	0.6	0.3
Net cash flows from operating activities (i)	(313.6)	(135.8)
Cash flows from investing activities		
Investments in property, plant and equipment	(274.7)	(123.7)
Proceeds from disposal of property, plant and equipment	1.3	-
Net cash flows from investing activities (ii)	(273.4)	(123.7)
Cash flows from financing activities		
Increase in amounts due to Iberdrola group companies - current loans payable	590.3	261.2
Interest paid	(3.3)	(1.7)
Net cash flows from financing activities (iii)	587.0	259.5
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 18 are an integral part of the cash flow statement for the year ended 31 December 2018.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS
31 December 2018

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 Financial Reporting Standards, 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 2018. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2. Monetary amounts are presented in pounds sterling and are rounded to the nearest hundred thousand unless otherwise indicated.

B1. EFFECT OF INITIAL APPLICATION OF IFRS 9

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

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

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

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

(a) Classification and measurement of financial assets and financial liabilities

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

Financial assets

The company has classified its financial assets as being held at amortised cost or FVTPL, refer to Note 2D1.1 for further details. The classification and measurement requirements of IFRS 9 did not have a significant impact on the company. Derivative financial instruments continue to be valued at fair value as was the case under the previously applied IAS 39. At 1 January 2018 the company had no other class of financial assets.

Financial liabilities

The classification of the company's financial liabilities has not undergone any changes with respect to the application of IFRS 9. Consequently the application of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments refer to note (b) below). For an explanation of how the company classifies and measures financial liabilities and accounts for related gains and losses under IFRS 9, refer to Note 2D1.2.

(b) Hedge accounting

The company has elected to apply the new general hedge accounting model in IFRS 9. This requires the company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The company principally uses forward contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to non-financial asset purchases and service contracts. There has been no change to the accounting treatment of forward exchange contracts used to hedge asset purchases or service contracts. At the date of initial application, all of the company's existing hedging relationships were eligible to be treated as continuing hedging relationships. For an explanation of how the company applies hedge accounting under IFRS 9, refer to Note 2D1.3.

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

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS

C1. IMPACT OF NEW IFRS

In preparing these Accounts, the company has applied all relevant International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") (collectively referred to as IFRS) that have been adopted by the EU as of the date of approval of these Accounts and that are mandatory for the financial year ended 31 December 2018.

For the year ended 31 December 2018, the company has applied the following amendments for the first time:

Standard	Notes
• Annual Improvements to IFRS Standards 2014 –2016 Cycle	(a), (b)
• IFRS 15 'Revenue from Contracts with Customers' (including 'Amendments to IFRS 15: Effective date of IFRS 15' and 'Clarifications to IFRS 15 Revenue from Contracts with Customers')	(a)
• IFRS 9 'Financial Instruments'	(c)
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(a)
• Amendments to IFRS 2 'Share-based Payments: Clarification and Measurement of Share-based Payment'	(a)
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(a)
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(a)

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

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

(c) Refer to Note 181 for further information.

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

Standard	Notes	IASB effective date (for periods commencing on or after)	Planned date of application by the company
• IFRS 16 'Leases'	(d)	1 January 2019	1 January 2019
• IFRIC 23 'Uncertainty over Income Tax Treatments'	(e)	1 January 2019	1 January 2019
• Amendments to IFRS 9 'Financial Instruments: Prepayment Features with Negative Compensation'	(e)	1 January 2019	1 January 2019
• Amendments to IAS 28 'Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures'	(e)	1 January 2019	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	(e)	1 January 2019	1 January 2019
• Amendments to IAS 19 'Employee Benefits: Plan Amendment, Curtailment or Settlement'	(e)	1 January 2019	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	(e), (f)	1 January 2019	1 January 2019
• Amendments to IFRS 3 'Business Combinations'	(e), (f)	1 January 2020	1 January 2020
• Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material'	(e), (f)	1 January 2020	1 January 2020
• IFRS 17 'Insurance Contracts'	(e), (f)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(e), (f), (g)	1 January 2016	To be decided
• Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	(e), (f), (h)	Deferred indefinitely	To be decided

(d) Details of the impact of implementing IFRS 16 'Leases' is described at Note 1C2 overleaf.

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

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

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS *continued*

C1. IMPACT OF NEW IFRS *continued*

- (f) This pronouncement has not yet been endorsed by the EU.
- (g) The endorsement process of this interim standard has not been launched as the EU has decided to wait for the final standard to be issued.
- (h) The IASB set the effective date of this pronouncement as for periods commencing on or after 1 January 2016. However, in December 2015, the IASB postponed the effective date indefinitely pending the outcome of its research project on the equity method of accounting. The EU endorsement process for this pronouncement has been postponed, awaiting a revised exposure draft from the IASB. The effective date will be amended in due course.

C2. IMPACT OF FUTURE IMPLEMENTATION OF IFRS 16

IFRS 16 'Leases' is effective for the company as from 1 January 2019. The impact of implementing this standard is detailed below. The impact of this standard will have no effect on the recorded cash flows.

From the lessors' perspective, IFRS 16 does not introduce any significant change. From the lessees' perspective, IFRS 16 removes the current classification of operating and finance leases and requires, for any lease agreements, that the lessee recognises the present value of the lease on the balance sheet as a right-of-use asset and a liability.

The company has carried out analysis in order to assess whether an agreement is, or contains, a lease at its inception considering the requirements of IFRS 16. In this analysis, in line with the Iberdrola group, the company has concluded that the assignment of land use does not constitute a lease when the landowner has the right to operate any kind of economic activity on the land in order to continue obtaining more than insignificant economic benefits as a result of that use.

Within its ordinary business activities, the company enters into agreements whereby it obtains the right to use land owned by third parties to carry out activities such as the construction, operation and maintenance of renewable energy generation facilities. Clauses within these contracts allow the landowner to access the land and continue carrying out economic activities, provided that they do not interfere with the operation of the activities carried out by the company. In line with the Iberdrola group, the company has concluded that such contracts grant shared use of the land to both the owner and the company, thus the company does not have the right to control the use of the underlying asset. Therefore, such agreements do not contain a lease in accordance with IFRS 16.

The company will transition to IFRS 16 applying the modified retrospective method which does not require comparative periods to be restated but recognises the effect of the initial application of IFRS 16 on the date it is implemented i.e. 1 January 2019. Therefore, for lease agreements in which the company is the lessee, the lease liability will be measured at the present value of the remaining lease payments, applying an appropriate discount rate as at the date of initial application. Generally, right-of-use assets will be measured as the same amount as the corresponding liabilities; both these assets and liabilities will be recognised on the balance sheet.

The right-of-use assets will be depreciated and the charge recorded within Depreciation and amortisation charge, allowances and provisions in the income statement; similarly the discount on the liabilities will unwind over the term of the lease and be charged to Finance costs in the income statement. The expense in the year relating to minimum lease payments under operating leases will no longer be recognised in the income statement (or capitalised within property, plant and equipment); the £0.7 million charge recognised in 2018 was capitalised within property, plant and equipment (refer to Note 3(b)).

Based on the scope exemptions available under IFRS 16, in line with the Iberdrola group, the company has opted not to apply it to lease agreements for intangible assets and short-term leases i.e. leases with a term of twelve months or less (which will continue being accounted for as now under IAS 17 'Leases').

A contract may include multiple lease components, not all of which would qualify as a lease under IFRS 16. In line with the Iberdrola group, the company has opted to not separate multiple components for accounting purposes but will recognise them as a single component, except for certain agreements for which the separation may have a significant impact on the financial statements.

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

1 BASIS OF PREPARATION *continued*

C ACCOUNTING STANDARDS *continued*

C2. IMPACT OF FUTURE IMPLEMENTATION OF IFRS 16 *continued*

As at 1 January 2019, IFRS 16 will give rise to an increase in current and non-current liabilities totalling an estimated £9.5 million as noted below for the different types of underlying assets:

Estimated total lease liability as at 1 January 2019	£m
Buildings	1.3
Land	8.2
Total	9.5

The total liability noted above is presented on a discounted net present value basis. As at the date of initial application, the range of discount rates used to calculate the above pertaining to Sterling were in the range of between 2.89% and 4.94%.

In comparing the future minimum lease payments under non-cancellable operating leases under the scope of IAS 17 as at 31 December 2018 (refer to Note 3(b)) to the lease liabilities to be recognised as at 1 January 2019 under IFRS 16 (see analysis above), the main reconciling items relates to scope changes between the two standards; specifically land leases relating to wind farms; and the application of different discount rate assumptions.

Under IAS 17, the majority of lease agreements for land on which wind generation facilities are located, are designated as operating leases. On the initial application of IFRS 16, in line with the Iberdrola group, the company has concluded that the majority of these agreements do not contain a lease in accordance with the criteria of IFRS 16 previously described. This interpretation of the application of IFRS 16 is based on international practice in the scope of the initial application of IFRS 16. However, the accounting treatment of agreements permitting the shared use of the underlying asset under IFRS 16 is subject to revision based on future interpretations. The company will follow future discussions on the matter in order to confirm the reasonableness of the accounting treatment adopted.

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES

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

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

A PROPERTY, PLANT AND EQUIPMENT

B LEASED ASSETS

C IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

D FINANCIAL INSTRUMENTS

E INVENTORIES

F TAXATION

A PROPERTY, PLANT AND EQUIPMENT

The company's property, plant and equipment is stated at cost and is generally depreciated once operational. 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. Land is not depreciated. As the company's wind power plant is not currently generating any economic benefits, no depreciation has been charged in the current or prior year.

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

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

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.

D1 ACCOUNTING POLICIES UNDER IFRS 9

D1.1. FINANCIAL ASSETS

(a) Recognition and initial measurement

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

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

A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15.

(b) Classification and subsequent measurement

(i) Classification

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

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

(ii) Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the income statement. Any gain or loss on derecognition is recognised in the company income statement. Financial assets at FVTPL are subsequently measured at fair value. Further detail is provided in Note 2D1.3.

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.

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

D FINANCIAL INSTRUMENTS *continued*

D1 ACCOUNTING POLICIES UNDER IFRS 9 *continued*

D1.1 FINANCIAL ASSETS *continued*

(b) Classification and subsequent measurement *continued*

(iii) Impairment of financial assets

The company recognises a loss allowance equal to a lifetime Expected Credit Loss ("ECL") on all trade receivables based on the simplified model.

D1.2 FINANCIAL LIABILITIES

(a) Recognition and initial measurement

The company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(b) Classification and subsequent measurement

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

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest method is included as Finance costs in the income statement.

The company derecognises a financial liability when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

D1.3. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

(a) Derivative financial instruments

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

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

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

Under IFRS 9 the hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

D FINANCIAL INSTRUMENTS *continued*

D1 ACCOUNTING POLICIES UNDER IFRS 9 *continued*

D1.3. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING *continued*

(a) Derivative financial instruments *continued*

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

(b) Cash flow hedges

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

The portion of gain or loss of the hedging instrument that was determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve.

If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gains or losses on the derivative that had previously been recognised in equity are recognised in the initial measurement of the asset arising from the hedged transaction.

For hedges that relate to an underlying transaction which results in the recognition of a financial asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

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

(c) Valuation of financial instruments

In those circumstances where IFRS 9 requires financial instruments to be recognised in the balance sheet at fair value, the company's valuation strategies for derivative and other financial instruments utilise as far as possible quoted prices in an active trading market.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, the details of which are described in Note 4.

D2 ACCOUNTING POLICIES UNDER IAS 39

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

- (a) Financial liabilities categorised as trade and other payables are recognised and carried at original invoice amount.
- (b) All interest bearing loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.
- (c) The company enters into treasury-related derivatives to manage its financial risk. 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 (refer to D2.2 overleaf).

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

2 JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES *continued*

D FINANCIAL INSTRUMENTS *continued*

D2 ACCOUNTING POLICIES UNDER IAS 39 *continued*

D2.1 RISK CONTROL ENVIRONMENT

Scottish Power's strategy and therefore that of the company, is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting its 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, and so that of the company, are discussed in detail in Note 4.

D2.2 HEDGE ACCOUNTING

Hedge accounting is applied when certain conditions required by IAS 39 are met. The categories of hedge accounting are consistent with those of IFRS 9.

D2.3 CASH FLOW HEDGES

The accounting for cash flow hedges is consistent with the IFRS 9 treatment.

D2.4 DISCONTINUING HEDGE ACCOUNTING

Both the circumstances that cause hedge accounting to be discontinued and the accounting treatment of such hedges are consistent with IFRS 9.

D2.5 VALUATION OF FINANCIAL INSTRUMENTS

Valuation of financial instruments held at fair value is consistent with IFRS 9.

E INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost includes all directly attributable costs incurred in bringing the inventories to their present location and condition.

F 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 to the income statement, except where it relates to items charged or credited to equity (via the statement of comprehensive income), in which case the deferred tax is also dealt with in equity and is shown in the statement of comprehensive income.

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

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 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

	Wind power plant in progress £m	Other items of property, plant and equipment in use (Note (i)) £m	Total £m
Year ended 31 December 2018			
Cost:			
At 1 January 2018	407.1	1.4	408.5
Additions	291.6	-	291.6
Transfers to other Iberdrola group companies (Note (i))	-	(1.4)	(1.4)
At 31 December 2018	698.7	-	698.7
Net book value:			
At 31 December 2018	698.7	-	698.7
At 1 January 2018	407.1	1.4	408.5

(i) 'Other items of property, plant and equipment in use' comprised land of £1.4 million in 2017, which was not subject to depreciation. This land was transferred to another Iberdrola group company during the year at book value.

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

(b) Operating lease arrangements

	2018 £m	2017 £m
Operating lease commitments		
Within one year	0.8	1.1
Between one and five years	6.1	4.0
More than five years	32.5	32.2
	39.4	37.3

The operating lease commitments are in respect of the lease of properties and land. The leases have varying terms, escalation clauses and renewal rights. The minimum lease payments under operating leases recognised in the year of £0.7 million (2017 £1.1 million) have been capitalised within property, plant and equipment.

(c) Capital commitments

	2018 £m	2017 £m
Contracted but not provided	870.9	1,116.8

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

4 FINANCIAL INSTRUMENTS

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

(a) Carrying value of financial instruments

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

		2018			2017		
	Notes	Carrying amount £m	Fair value £m	Classification under IFRS 9	Carrying amount £m	Fair value £m	Classification under IAS 39
Financial assets							
Derivative financial instruments		3.5	3.5	Fair value hedging instrument	4.3	4.3	Fair value hedging instrument
Receivables	(i), (ii)	0.1	0.1	Amortised cost	-	-	Loans and receivables
Financial liabilities							
Derivative financial instruments		(0.3)	(0.3)	Fair value hedging instrument	(5.1)	(5.1)	Fair value hedging instrument
Loans and other borrowings		(995.7)	(995.7)	Amortised cost	(405.4)	(405.4)	Loans and receivables
Payables		(194.8)	(194.8)	Amortised cost	(193.8)	(193.8)	Loans and receivables

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.

- (i) Whilst this balance is subject to the impairment requirements of IFRS 9, the identified impairment loss was less than £0.1 million.
(ii) Balances outwith the scope of IFRS 7 have been excluded, namely prepayments and other tax receivables.

(b) Measurement of financial instruments

The company holds certain financial instruments which are measured in the balance sheet at fair value detailed in Note 4 (a) above. 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. The company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. There were no transfers in the current or prior year.

(c) Analysis of derivative financial instruments - carrying value

	2018				2017			
	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	2.0	1.5	(0.3)	-	3.6	0.7	(5.1)	-

(d) Financial risk management

The company's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The company also enters into derivative contracts.

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

4 FINANCIAL INSTRUMENTS *continued*

(d) Financial risk management *continued*

The company has exposure to the following risks arising from the above financial instruments:

- i. Credit risk; and
- ii. Treasury risk (comprising both liquidity and market risk).

An extensive description of the risk management framework of ScottishPower, and therefore the company, can be found in the most recent Annual Report and Accounts of SPL.

(i) Credit risk

Credit risk is the risk that a counterparty will not meet its contractual obligations under a financial instrument, leading to a financial loss. The company is exposed to credit risk from foreign exchange transactions. The carrying amount of financial assets represent the maximum credit exposure to the company.

Credit risk management

The company is exposed to both settlement risk, as well as replacement risk. At the counterparty level, ScottishPower and therefore the company employs specific eligibility criteria in determining appropriate limits for each prospective counterparty and supplements this with netting and collateral agreements including margining, guarantees, letters of credit and cash deposits where appropriate.

(ii) Treasury risk

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

Treasury liquidity risk management

ScottishPower's liquidity position and short-term financing activities, and therefore that of the company, are integrated and aligned with Iberdrola's. Liquidity risk, the risk that the company will have insufficient funds to meet its liabilities, is managed by Iberdrola group Treasury, who are responsible for arranging banking facilities on behalf of ScottishPower, and therefore the company. SPL is the counterparty for the loan balance due by the company.

The tables below summarise the maturity profile of the company's financial liabilities as at 31 December 2018 based on contractual undiscounted payments. The cash flows associated with financial liabilities as at 31 December 2017 were all due in less than one year.

	2018						Total £m
	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 and thereafter £m	
Cash outflows							
Derivative financial instruments	25.7	0.1	-	-	-	-	25.8
Loans and other borrowings	1,006.7	-	-	-	-	-	1,006.7
Payables*	183.8	-	-	-	-	-	183.8
	1,216.2	0.1	-	-	-	-	1,216.3

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

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

The future cash flows on derivative instruments may be different from the amounts in the table as interest rates and exchange rates or the relevant conditions underlying the calculation change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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

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

4 FINANCIAL INSTRUMENTS *continued*
(d) Financial risk management *continued*
(ii) Treasury risk *continued*

Interest rate risk

In order to adequately manage and limit this risk, the Iberdrola group annually determines the desired structure of the debt between fixed and floating interest rate, taking into account the indexing of income either interest rate or price index. ScottishPower Treasury then take actions over the course of the year to work towards these desired Iberdrola group ratios. Actions to be carried out over the course of a year may include obtaining new sources of financing (at a fixed, floating or indexed rate) and/or utilising interest rate derivatives. The table below shows the debt structure of the company.

Interest rate analysis of debt

	2018 £m	2017 £m
Variable rate	995.7	405.4

The company's borrowings are held at amortised cost. The reference interest rate for the floating rate borrowing is Bank of England Base Rate ("Base").

Sensitivity analysis on interest rate changes

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

Debt category	Change in rate	Impact on interest rate charge 2018 £m	Impact on interest rate charge 2017 £m
Short-term variable debt	+0.25%	2.5	1.0
	+0.50%	5.0	2.0
	-0.25%	(2.5)	(1.0)
	-0.50%	(5.0)	(2.0)

Foreign currency risk

The company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated. These transactions are primarily denominated in Euro ("EUR"), US dollars ("USD") and Danish Kroner ("DKK"). ScottishPower board policy stipulates that there should be no significant exposure to foreign currency balances and therefore Treasury will hedge all foreign currency payments/contracts which have a (cumulative) value greater than a Sterling equivalent of a quarter of a million pounds.

Hedging of foreign currency risk

The company enters into foreign currency forwards in relation to asset purchases and service contracts. For such items the company designates the entire value of the foreign currency forward in the hedge relationship.

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

Notional amount of hedging instrument (maturity profile)				
As at 31 December 2018	£m			
	1 year	2 years	3 years	Total
USD	63.1	3.1	9.1	75.3
EUR	45.2	0.5	-	45.7
DKK	1.6	1.0	2.0	4.6
	109.9	4.6	11.1	125.6

Average forward price (exchange rate)			
As at 31 December 2018	1 year	2 years	3 years
USD	1.30	1.43	1.44
EUR	1.12	1.10	-
DKK	8.76	8.64	8.72

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

4 FINANCIAL INSTRUMENTS *continued*

(d) Financial risk management *continued*

(ii) Treasury risk management *continued*

Foreign currency risk *continued*

Foreign exchange rate cash flow hedges

The company is subject to cash flow risk resulting from the purchase of various assets and service contracts which are denominated in foreign currencies. The risk being hedged relates to the fluctuation in the functional currency terms of value of these foreign currency denominated purchases. The company enters into forward foreign exchange rate contracts to hedge those risks.

For an analysis of the split of the carrying value of foreign exchange contracts refer to Note 4(c). The amounts relating to foreign exchange rate derivatives designated as cash flow hedges during the year are detailed in the table below.

	Notes	Hedging derivatives	
		2018	2017
		£m	£m
Notional amount		125.6	305.4
Carrying amount - asset	(a)	3.5	4.3
Carrying amount - liability	(a)	(0.3)	(5.1)
Changes in the value of the hedging instrument recognised in Other comprehensive income	(b)	4.1	(8.0)
Amount reclassified from cash flow hedge reserve to balance sheet	(c)	(0.2)	(2.1)

(a) The carrying amount of derivative assets and liabilities are recorded within Derivative financial instruments.

(b) This is consistent with the change in the fair value of the hedging instrument used to calculate ineffectiveness.

(c) The amount reclassified from the cash flow hedge to balance sheet is included within Property, plant and equipment in the course of construction.

The amounts at the reporting date relating to foreign exchange items designated as hedged items were as follows.

Line item in the financial statements in which the hedged item is/will be included	Change in fair value used for calculating hedge ineffectiveness		Cash flow hedge reserve balance	
	2018	2017	2018	2017
	£m	£m	£m	£m
Property, plant and equipment in the course of construction	(2.9)	6.6	(45.8)	(43.7)
External services	(1.2)	1.4	(1.7)	(0.7)

The company determines that the economic relationship between the hedging instrument (the foreign exchange rate forward contract) and the hedged item (the asset purchase or service contract) will virtually always achieve 100% effectiveness. This is because the company compares movements in the fair value of the expected highly probable forecast foreign currency cash flows, with movements in the fair value of the expected changes in cash flows from the hedging instrument. Forecast future foreign currency cash flows are largely based upon contractual obligations.

Ineffectiveness will arise if the trade has been cancelled, in which case there would be no future transaction. Ineffectiveness will also arise if the company receives notification that the business has been unable to obtain a reliable price forecast from market sources or if there is a change to the risk management strategy.

Hedge assessment on foreign currency derivatives

Hedge assessment on foreign currency derivatives is done prospectively to verify that the forecast transactions are still highly probable of occurring (for cash flow hedges) as well as retrospectively, to assess the effectiveness in the period under review. Prospective assessment is performed using sensitivity analysis and critical terms matching.

Sensitivity analysis on foreign currency cash flows

No sensitivity analysis has been performed in relation to changes in foreign exchange rates as almost all foreign currency purchases are hedged. Therefore there is immaterial financial exposure. Any movement in the value of the hedged item would be compensated for by movement in the value of the hedging instrument.

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

5 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Current receivables:		
Receivables due from Iberdrola group companies - capital	0.1	-
Prepayments	4.6	32.8
Other tax receivables	8.8	2.7
	13.5	35.5
Non-current receivables:		
Prepayments	10.3	7.4
	10.3	7.4

6 INVENTORIES

	Note	2018 £m	2017 £m
Other inventories	(a)	513.5	193.6

(a) Other inventories represents a transmission asset which will be sold to an offshore transmission operator once it has been completed.

7 SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid shares:		
One A ordinary share of £0.50 each (2017 One)	0.5	0.5
One B ordinary share of £0.50 each (2017 One)	0.5	0.5
	1.0	1.0

(a) The A ordinary shares and the B ordinary shares both have attached to them the same full voting, dividend and distribution rights.

8 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 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 1 January 2018	-	36.0	0.6	36.6
Loss for the year attributable to equity holder of East Anglia One Limited	-	-	(0.4)	(0.4)
Changes in the value of cash flow hedges	-	3.1	-	3.1
Tax relating to cash flow hedges	-	(0.6)	-	(0.6)
At 31 December 2018	-	38.5	0.2	38.7

(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.

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

8 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF EAST ANGLIA ONE LIMITED *continued*

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

	Foreign exchange rate hedges	Tax effect	Total
	£m	£m	£m
Cash flow hedges			
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 1 January 2018	44.4	(8.4)	36.0
Effective cash flow hedges recognised	2.9	(0.6)	2.3
Removed from equity and recognised in carrying amount of hedged items	0.2	-	0.2
At 31 December 2018	47.5	(9.0)	38.5

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

	2018 £m	2017 £m
Less than 1 year	25.8	6.3
1-2 years	11.8	22.0
2-3 years	0.9	7.5
3-4 years	-	0.2
	38.5	36.0

9 DEFERRED TAX

Deferred tax provided in the Accounts is as follows:

	Property, plant and equipment	Derivative financial instruments	Total
	£m	£m	£m
At 1 January 2017	-	9.4	9.4
Recorded in the statement of comprehensive income	-	(1.0)	(1.0)
At 1 January 2018	-	8.4	8.4
Charge to the income statement	3.1	-	3.1
Recorded in the statement of comprehensive income	-	0.6	0.6
At 31 December 2018	3.1	9.0	12.1

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

10 LOANS AND OTHER BORROWINGS

(a) Analysis by instrument and maturity

Instrument	Interest rate*	Maturity	2018 £m	2017 £m
Loans with Iberdrola group companies	Base + 1%	On demand	995.7	405.4

* Base – Bank of England Base Rate

(b) Borrowing facilities

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

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

10 LOANS AND OTHER BORROWINGS *continued*

(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	
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 movements	-	3.3	3.3
At 31 December 2017	405.4	3.3	408.7

	Liabilities		Total £m
	Loans and other borrowings (Current) £m	Interest payable (Current) £m	
At 1 January 2018	405.4	3.3	408.7
Increase in amounts due to Iberdrola group companies	590.3	-	590.3
Interest paid	-	(3.3)	(3.3)
Total movements from financing cash flows	590.3	(3.3)	587.0
Other movements	-	11.0	11.0
Total liability-related movements	-	11.0	11.0
At 31 December 2018	995.7	11.0	1,006.7

11 TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	24.3	8.8
Payables due to Iberdrola group companies - capital	0.3	-
Payables due to Iberdrola group companies - interest	11.0	3.3
Trade payables	0.2	1.6
Capital payables and accruals	159.0	180.1
	194.8	193.8

12 FINANCE COSTS

	2018 £m	2017 £m
Interest on amounts due to Iberdrola group companies	11.0	3.3
Capitalised interest	(11.0)	(3.3)
	-	-

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

13 INCOME TAX

	2018 £m	2017 £m
Current tax:		
UK Corporation tax	(2.1)	-
Adjustments in respect of prior years	(0.6)	(0.3)
Current tax for the year	(2.7)	(0.3)
Deferred tax:		
Origination and reversal of temporary differences	2.1	-
Adjustments in respect of prior years	1.0	-
Deferred tax for the year	3.1	-
Income tax charge/(credit) for the year	0.4	(0.3)

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

	2018 £m	2017 £m
Corporation tax at 19% (2017 19.25%)	-	-
Adjustments in respect of prior periods	0.4	(0.3)
Income tax charge/(credit) for the year	0.4	(0.3)

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

14 EMPLOYEE INFORMATION

The company has no employees (2017 none). Details of directors' remuneration are set out in Note 16.

15 FINANCIAL COMMITMENTS

	2018			
	2019 £m	2020 £m	2021 £m	Total £m
Other contractual commitments	99.0	4.8	-	103.8

	2017			
	2018 £m	2019 £m	2020 £m	Total £m
Other contractual commitments	201.2	60.8	4.8	266.8

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

16 RELATED PARTY TRANSACTIONS

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

	2018			2017		
	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 of property, plant and equipment	-	(29.0)	(1.9)	-	-	(12.6)
Sales of property, plant and equipment	-	1.4	-	-	-	-
Interest costs (Note (i))	(11.0)	-	-	(3.3)	-	-
Changes in the value of cash flow hedge reserve	3.1	-	-	(5.2)	-	-
Balances outstanding						
Capital receivable	-	0.1	-	-	-	-
Derivative financial assets	3.5	-	-	4.3	-	-
Loans payable	(995.7)	-	-	(405.4)	-	-
Trade and other payables	-	(24.2)	(0.1)	-	(1.9)	(6.9)
Capital payables	-	-	(0.3)	-	-	-
Interest payable	(11.0)	-	-	(3.3)	-	-
Derivative financial liabilities	(0.3)	-	-	(5.1)	-	-

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

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

(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 six (2017 four) key management personnel were remunerated by other companies within Renewables.

	2018 £'000	2017 £'000
Short-term employee benefits	1,193	1,074
Post-employment benefits	245	129
Share-based payments	824	761
	2,262	1,964

(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 four (2017 three) directors were remunerated by other companies within Renewables.

	2018 £'000	2017 £'000
Executive directors		
Aggregate remuneration in respect of qualifying services	1,127	1,082
Aggregate contributions payable to a defined contribution pension scheme	27	26
Number of directors who exercised share options	3	2
Number of directors who received shares under a long-term incentive scheme	4	3
Number of directors accruing retirement benefits under a defined benefit scheme	2	1
Number of directors accruing retirement benefits under a defined contribution scheme	1	1

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

16 RELATED PARTY TRANSACTIONS *continued*

(c) Directors' remuneration *continued*

	2018	2017
	£'000	£'000
Highest paid director		
Aggregate remuneration	507	557
Accrued pension benefits	96	77

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

(ii) The highest paid director exercised share options during both years.

(d) Ultimate and immediate parent company

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

The directors regard Iberdrola, S.A. as the ultimate parent company, which is also the parent company of the largest group in which the results of the company are consolidated. The parent company of the smallest group in which the results of the company are consolidated is Scottish Power UK plc.

Copies of the consolidated Accounts of Iberdrola, S.A. may be obtained from Iberdrola, S.A., at its registered office, Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain. Copies of the consolidated Accounts of Scottish Power UK plc may be obtained from ScottishPower UK plc, at its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

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

17 AUDITOR REMUNERATION

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

18 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 loss after tax in the current year and a profit after tax in previous financial year and the company's balance sheet shows that it has net current liabilities of £659.7 million and net assets of £38.7 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 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.