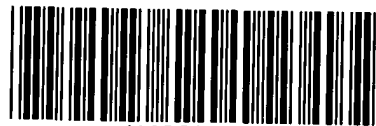


EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 31 December 2016

Registered No. 07366753

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EAST ANGLIA ONE LIMITED
DIRECTORS' REPORT AND ACCOUNTS
For the year ended 31 December 2016

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EAST ANGLIA ONE LIMITED DIRECTORS' REPORT

The directors present their report and audited Accounts for the year ended 31 December 2016 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"), 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 East Anglia One project is now in its early construction phase as works begin onshore. On 3 March 2016 the company entered into its most significant contract, the Turbine Supply and Service and Maintenance Agreements with Siemens PLC. The project has continued to enter into the other key contracts for the delivery of the programme through the remainder of 2016 and early 2017.

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:

- deliver offshore investment programmes efficiently; and
- 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, and therefore the company, under which the company operates, are provided in Note 4 of the most recent Annual Report and Accounts of SPL.

OPERATIONAL FINANCIAL PERFORMANCE

During the year ended 31 December 2016, the company spent £67.0 million (2015 £23.1 million) on wind power plant development and construction. In addition the company spent £38.9 million (2015 £12.4 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 DIVIDENDS

The net profit for the year was £0.3 million (2015 £4,000). No dividends were paid during the year (2015 £nil).

FINANCING REVIEW

Capital and debt structure

The company is principally funded by debt. SPL provides the company with treasury services and a loan facility to finance its expenditure. Net debt at 31 December 2016 was £144.2 million (2015 £59.3 million). All equity (£1) is held by the company's immediate parent company, SPRUKL.

Liquidity

The directors confirm that the company remains a going concern on the basis of its future cash flow forecasts and has sufficient working capital for present requirements. The directors consider that sufficient funding will be made available to the company to continue operations and to meet liabilities as they fall due. Further details of the going concern considerations made by the directors of the company are set out in Note 22.

EAST ANGLIA ONE LIMITED

DIRECTORS' REPORT *continued*

HEALTH AND SAFETY

The company has a clear strategy to continue to improve health and safety performance using ScottishPower health and safety standards. A more extensive description of how ScottishPower, and therefore the company, addresses health and safety requirements can be found in the most recent Annual Report and Accounts of SPL.

ENVIRONMENTAL MANAGEMENT AND REGULATION

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

DIRECTORS

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

Keith Anderson
Jonathan Cole
Roy Scott

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

The directors are responsible for preparing Accounts for each financial period which give a true and fair view, in accordance with IFRSs, of the state of affairs of the company and of the profit or loss for that period. In preparing those Accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Accounts comply with IFRSs, subject to any material departures disclosed and explained in the Accounts; and
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the Accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors in office as at the date of this Annual 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.

AUDITOR

Ernst & Young LLP were re-appointed as auditor of the company for the year ended 31 December 2016.

ON BEHALF OF THE BOARD



Keith Anderson
Director

10 JULY

2017

INDEPENDENT AUDITOR'S REPORT

To the members of East Anglia One Limited

We have audited the Accounts of East Anglia One Limited for the year ended 31 December 2016 which comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Accounts. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Accounts, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON ACCOUNTS

In our opinion the Accounts:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Accounts 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.

Emr b Young

Annie Graham (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

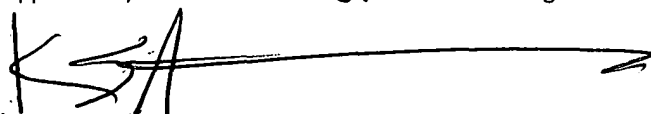
10 July 2017

EAST ANGLIA ONE LIMITED
BALANCE SHEETS

as at 31 December 2016 and 31 December 2015

	Notes	2016 £m	2015 £m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		122.1	66.1
Property, plant and equipment in use	3	1.4	-
Property, plant and equipment in the course of construction	3	120.7	66.1
Financial assets		3.3	-
Derivative financial instruments	6, 13	3.3	-
Trade and other receivables	4	28.5	-
NON-CURRENT ASSETS		153.9	66.1
CURRENT ASSETS			
Inventories	5	51.3	-
Trade and other receivables	4	32.6	0.3
Current tax asset		-	0.1
Financial assets		5.0	10.1
Derivative financial instruments	6, 13	5.0	10.1
Cash	6	-	0.4
CURRENT ASSETS		88.9	10.9
TOTAL ASSETS		242.8	77.0
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent		40.5	8.1
Share capital	8, 9	-	-
Hedge reserve	9	40.2	8.1
Retained earnings	9	0.3	-
TOTAL EQUITY		40.5	8.1
NON-CURRENT LIABILITIES			
Deferred income	10	0.1	0.3
Bank borrowings and other financial liabilities		0.4	-
Derivative financial instruments	6, 13	0.4	-
Deferred tax liabilities	11	9.4	2.1
NON-CURRENT LIABILITIES		9.9	2.4
CURRENT LIABILITIES			
Bank borrowings and other financial liabilities		144.9	59.7
Loans and other borrowings	12	144.2	59.7
Derivative financial instruments	6, 13	0.7	-
Trade and other payables	15	47.5	6.8
CURRENT LIABILITIES		192.4	66.5
TOTAL LIABILITIES		202.3	68.9
TOTAL EQUITY AND LIABILITIES		242.8	77.0

Approved by the Board on 10 July 2017 and signed on its behalf by:


 Keith Anderson
 Director

The accompanying Notes 1 to 22 are an integral part of the balance sheets as at 31 December 2016 and 31 December 2015.

EAST ANGLIA ONE LIMITED
INCOME STATEMENTS
for the years ended 31 December 2016 and 31 December 2015

	Notes	2016 £m	2015 £m
NET OPERATING EXPENSES		-	-
External services		(0.2)	(0.1)
Other operating income		0.2	0.1
OPERATING PROFIT		-	-
Finance income	17	0.2	-
Finance costs	18	-	-
PROFIT BEFORE TAX		0.2	-
Income tax	19	0.1	-
NET PROFIT FOR THE YEAR		0.3	-

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

All results relate to continuing operations.

STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 December 2016 and 31 December 2015

	Note	2016 £m	2015 £m
NET PROFIT FOR THE YEAR		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 recognised	9	1.9	-
Tax relating to cash flow hedges	9	(0.4)	-
		1.5	-
Items that will not be reclassified to the income statement:			
Cash flow hedges:			
Change in the value of cash flow hedges recognised	9	37.6	10.1
Tax relating to cash flow hedges	9	(7.0)	(2.0)
		30.6	8.1
OTHER COMPREHENSIVE INCOME FOR THE YEAR		32.1	8.1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		32.4	8.1

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

STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2016 and 31 December 2015

	Ordinary share capital £m	Hedge reserve £m	Retained earnings £m	Total £m
At 1 January 2015	-	-	-	-
Total comprehensive income for the year	-	8.1	-	8.1
At 1 January 2016	-	8.1	-	8.1
Total comprehensive income for the year	-	32.1	0.3	32.4
At 31 December 2016	-	40.2	0.3	40.5

The accompanying Notes 1 to 22 are an integral part of the income statements, statements of comprehensive income and statements of comprehensive equity for the years ended 31 December 2016 and 31 December 2015.

EAST ANGLIA ONE LIMITED**CASH FLOW STATEMENTS****for the years ended 31 December 2016 and 31 December 2015**

	2016 £m	2015 £m
Cash flows from operating activities		
Profit before tax	0.2	-
Adjustments for:		
Revenue grants	(0.2)	(0.1)
Finance income and costs	(0.2)	-
Changes in working capital:		
Change in trade and other receivables	(0.1)	(0.3)
Change in inventories	(38.9)	-
Change in trade and other payables	3.2	1.4
Revenue grants received	-	0.4
Income taxes received	0.1	-
Net cash flows from operating activities (i)	(35.9)	1.4
Cash flows from investing activities		
Investments in property, plant and equipment	(48.5)	(60.7)
Net cash flows from investing activities (ii)	(48.5)	(60.7)
Cash flows from financing activities		
Interest paid	(0.5)	-
Net cash flows from financing activities (iii)	(0.5)	-
Net decrease in cash and cash equivalents (i)+(ii)+(iii)	(84.9)	(59.3)
Cash and cash equivalents at beginning of year	(59.3)	-
Cash and cash equivalents at end of year	(144.2)	(59.3)
Cash and cash equivalents at end of year comprises:		
Balance sheet cash	-	0.4
Payables due to Iberdrola group companies - loans	(144.2)	(59.7)
Cash flow statement cash and cash equivalents	(144.2)	(59.3)

The accompanying Notes 1 to 22 are an integral part of the cash flow statements for the years ended 31 December 2016 and 31 December 2015.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS
31 December 2016

1 BASIS OF PREPARATION

A COMPANY INFORMATION

East Anglia One Limited ("the company"), 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 European Union ("EU") as at the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2016. The Accounts are prepared in accordance with the Accounting Policies set out in Note 2.

C ACCOUNTING STANDARDS

In preparing these Accounts, the company has applied all relevant IAS, IFRS and IFRIC Interpretations which have been adopted by the EU as of the date of approval of these Accounts and which are mandatory for the financial year ended 31 December 2016.

For the year ended 31 December 2016, the company has applied the following standards and amendments for the first time:

Standard	Note
• Amendments to IAS 1 'Presentation of Financial Statements: Disclosure Initiative'	(a)
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'	(a)
• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' – 'Bearer Plants'	(a)
• Amendments to IAS 27 'Separate Financial Statements: Equity Method in Separate Financial Statements'	(a)
• Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'	(a)
• Annual Improvements to IFRSs (2012-2014) Cycle	(a)
• Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' 'Investment Entities: Applying the Consolidated Exception'	(a)

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

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 group
• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'	(b), (c), (d)	1 January 2017	1 January 2018
• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'	(b), (c), (d)	1 January 2017	1 January 2018
• Annual Improvements to IFRS Standards 2014 – 2016 Cycle	(b), (c), (e)	1 January 2017 & 1 January 2018	1 January 2018
• IFRS 9 'Financial Instruments'	(f)	1 January 2018	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15 'Effective date of IFRS 15')	(b)	1 January 2018	1 January 2018
• Clarifications to IFRS 15 'Revenue from Contracts with Customers'	(b), (c)	1 January 2018	1 January 2018
• Amendments to IAS 40 'Investment Property: Transfers of Investment Property'	(b), (c)	1 January 2018	1 January 2018

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

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	(b), (c)	1 January 2018	1 January 2018
• Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	(b), (c)	1 January 2018	1 January 2018
• IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	(b), (c)	1 January 2018	1 January 2018
• IFRS 16 'Leases'	(c), (g)	1 January 2019	1 January 2019
• IFRS 17 'Insurance Contracts'	(b), (c)	1 January 2021	1 January 2021
• IFRS 14 'Regulatory Deferral Accounts'	(b), (c), (h)	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'	(b), (c), (i)	Deferred indefinitely	To be decided

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

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

(d) Despite the IASB effective date of 1 January 2017, this pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the company will apply this pronouncement from the accounting period following endorsement i.e. 1 January 2018.

(e) 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. Despite this, the pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the company will apply this pronouncement from the accounting period following endorsement i.e. 1 January 2018.

(f) The company is currently analysing the impact of implementing IFRS 9 'Financial Instruments' which is effective for the company as from 1 January 2018. Following a preliminary analysis, the company provisionally expects that financial assets will be measured at amortised cost, except for equity instruments and derivative financial instruments that will be measured at fair value. The company intends to apply the general approach to the recognition of expected credit losses to all financial assets; except for trade receivables and leases to which the simplified approach will be taken regardless of whether they contain a significant financing component. The probability of default is not expected to be significant given the high credit quality of the financial assets. It is anticipated that more hedging instruments and hedged items will qualify for hedge accounting under IFRS 9. This analysis will continue in 2017.

(g) The company is currently analysing the impact of implementing IFRS 16 'Leases' ('IFRS 16') which is effective for the company from 1 January 2019. The company's principal leases relate to land and property. Most of these leases are currently classified as operating leases under IAS 17 'Leases'. The company expects to recognise 'right-of-use' assets and corresponding lease liabilities. The value of these is expected to be greater than the future minimum lease payments disclosed in Note 3(b). The company expects to take the exemptions in relation to short-term leases and leases of low-value assets. The company does not intend to bring leases of intangible assets within scope of IFRS 16. On transition, the modified retrospective method is expected to be applied and the new lease definition applied to all existing contracts at this point. The company is currently modifying its IT systems in order to adapt to the new requirements. This analysis will continue in 2017.

(h) 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.

(i) 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.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

2 ACCOUNTING POLICIES

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. For arrangements entered into prior to 1 April 2004, the date of inception is deemed to be 1 April 2004 in accordance with the transitional requirements of IFRIC 4 'Determining Whether an Arrangement Contains a Lease'.

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 assets categorised as trade receivables are recognised and carried at original invoice amount less an allowance for impairment of doubtful debts. Allowance for doubtful debts has been estimated by management, taking into account future cash flows, based on past experience and assessment of the current economic environment within which the company operates.
- (b) In the cash flow statement, cash and cash equivalents includes bank overdrafts repayable on demand the next business day and, where appropriate, the net of current loans receivable and payable from group companies.
- (c) Financial liabilities categorised as trade payables are recognised and carried at original invoice amount.
- (d) 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 Hedge Accounting).

The company enters into treasury-related derivatives to manage its financial risk. IAS 39 'Financial Instruments: Recognition and Measurement' 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 Hedge Accounting).

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

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 categories:

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. The 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 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 credited to 'Deferred Income'. Revenue grants are 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 2016

2 ACCOUNTING POLICIES *continued*

G TAXATION

The company's liability for 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 (Note (i)) £m		Total £m
Year ended 31 December 2015			
Cost:			
At 1 January 2015	43.0		43.0
Additions	23.1		23.1
At 31 December 2015	66.1		66.1
Net book value:			
At 31 December 2015	66.1		66.1
At 1 January 2015	43.0		43.0
	Wind power plant in progress (Note (i)) £m	Other items of property, plant and equipment in use (Note (ii)) £m	Total £m
Year ended 31 December 2016			
Cost:			
At 1 January 2016	66.1	-	66.1
Additions	67.0	1.4	68.4
Transfer to inventory (Note (iii))	(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
The net book value of property plant and equipment at 31 December 2016 is analysed as follows:			
Property, plant and equipment in use	-	1.4	1.4
Property, plant and equipment in the course of construction	120.7	-	120.7
	120.7	1.4	122.1

(i) As all wind power plant in progress was in the course of construction at 31 December 2016 and 31 December 2015 no depreciation has been charged.

(ii) "Other items of property, plant and equipment in use" comprises land of £1.4 million (2015 £nil) which is not subject to depreciation.

(iii) 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 5).

(iv) Interest on the funding attributable to major capital projects was capitalised during the year at a rate of 1.4% (2015 1.0%).

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

3 PROPERTY, PLANT AND EQUIPMENT *continued*

(b) Operating lease commitments

	2016 £m	2015 £m
Within one year	0.5	-
Between one and five years	3.2	0.1
More than five years	14.9	-
	18.6	0.1

The operating lease commitments are in respect of the lease of a property.

(c) Capital commitments

	2016 £m	2015 £m
Contracted but not provided	1,243.7	3.1

4 TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Current receivables:		
Capital prepayments	32.2	-
Other tax receivables	0.4	0.3
	32.6	0.3
Non-current receivables:		
Capital prepayments	28.5	-

5 INVENTORIES

	Note	2016 £m	2015 £m
Other inventories	(a)	51.3	-

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

6 FINANCIAL INSTRUMENTS

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

		2016		2015	
	Notes	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Derivative financial instruments	(a)	8.3	8.3	10.1	10.1
Cash	(b)	-	-	0.4	0.4
Financial liabilities					
Derivative financial instruments	(a)	(1.1)	(1.1)	-	-
Loans and other borrowings		(144.2)	(144.2)	(59.7)	(59.7)
Payables	(c)	(47.5)	(47.5)	(6.8)	(6.8)

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) Cash represents outstanding cash held in a non-interest bearing current account.

(c) Balances outwith the scope of IFRS 7 'Financial Instruments: Disclosure' ('IFRS 7') 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.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

7 LIQUIDITY ANALYSIS

Maturity profile of financial liabilities

The tables below summarise the maturity profile of the company's financial liabilities as at 31 December 2016 and 31 December 2015 based on contractual undiscounted payments.

2016							
	2017	2018	2019	2020	2021	2022 and thereafter	Total
	£m	£m	£m	£m	£m	£m	£m
Cash outflows							
Derivative financial instruments	49.5	30.1	1.1	-	-	-	80.7
Loans and other borrowings	145.9	-	-	-	-	-	145.9
Payables*	45.8	-	-	-	-	-	45.8
	241.2	30.1	1.1	-	-	-	272.4
2015							
	2016	2017	2018	2019	2020	2021 and thereafter	Total
	£m	£m	£m	£m	£m	£m	£m
Cash outflows							
Loans and other borrowings	60.2	-	-	-	-	-	60.2
Payables*	6.3	-	-	-	-	-	6.3
	66.5	-	-	-	-	-	66.5

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

8 SHARE CAPITAL

	2016	2015
	£	£
Allotted, called up and fully paid shares:		
One "A" ordinary share of £0.50 each (2015 One)	0.50	0.50
One "B" ordinary share of £0.50 each (2015 One)	0.50	0.50
	1.00	1.00

(a) Both shares carry the same rights in all respects.

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

	Ordinary share capital	Hedge reserve	Retained earnings	Total
	£m	(Note (a)) £m	(Note (b)) £m	£m
At 1 January 2015	-	-	-	-
Profit for the year attributable to equity holders of East Anglia One Limited	-	-	-	-
Changes in the value of cash flow hedges	-	10.1	-	10.1
Tax relating to cash flow hedges	-	(2.0)	-	(2.0)
At 1 January 2016	-	8.1	-	8.1
Profit for the year attributable to equity holders 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 31 December 2016	-	40.2	0.3	40.5

(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 2016

9 ANALYSIS OF MOVEMENTS IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS 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 £m	Tax effect £m	Total £m
Cash flow hedges			
At 1 January 2015	-	-	-
Effective cash flow hedges recognised	10.1	(2.0)	8.1
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 31 December 2016	49.6	(9.4)	40.2

(d) The amounts included in the hedge reserve mature within one year.

	2016 £m	2015 £m
Less than 1 year	8.8	8.1
1-2 years	2.1	-
2-3 years	21.2	-
3-4 years	7.2	-
4-5 years	0.9	-
	40.2	8.1

10 DEFERRED INCOME

	At 1 January 2015 £m	Receivable during year £m	Released to income statement £m	At 31 December 2015 £m
Year ended 31 December 2015				
Revenue grants	-	0.4	(0.1)	0.3
	At 1 January 2016 £m	Receivable during year £m	Released to income statement £m	At 31 December 2016 £m
Year ended 31 December 2016				
Revenue grants	0.3	-	(0.2)	0.1

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 2015	-	-	-
Charge to income statement	0.1	-	0.1
Recorded in the statement of comprehensive income	-	2.0	2.0
At 1 January 2016	0.1	2.0	2.1
Credit to income statement	(0.1)	-	(0.1)
Recorded in the statement of comprehensive income	-	7.4	7.4
At 31 December 2016	-	9.4	9.4

Legislation has been enacted to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 17% on 1 April 2020. These changes reduce the tax rates expected to apply when temporary differences reverse and impact the deferred tax charge.

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

12 LOANS AND OTHER BORROWINGS

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

Instrument	Interest rate*	Maturity	2016 £m	2015 £m
Loans with Iberdrola group companies	Base + 1%	On demand	144.2	59.7

* Base – Bank of England Base Rate

(b) Borrowing facilities

The company has no undrawn borrowing facilities at 31 December 2016 (2015 £nil).

13 DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivative financial instruments - carrying value

	2016				2015			
	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	5.0	3.3	(0.7)	(0.4)	10.1	-	-	-

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:

	2016 £m	2015 £m
Financing derivatives:		
Effect of foreign exchange derivatives	0.2	-

15 TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Current trade and other payables:		
Payables due to Iberdrola group companies - trade	4.5	1.4
Payables due to Iberdrola group companies - capital	2.8	2.7
Payables due to Iberdrola group companies - interest	1.7	0.5
Trade payables	0.1	-
Capital payables and accruals	38.4	2.2
	47.5	6.8

16 EMPLOYEE INFORMATION

The company has no employees (2015 none). Details of directors' remuneration are set out in Note 20.

17 FINANCE INCOME

	2016 £m	2015 £m
Fair value and other gains on financing derivatives	0.2	-

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

18 FINANCE COSTS

	2016 £m	2015 £m
Interest on amounts due to Iberdrola group companies	1.7	0.5
Capitalised interest	(1.7)	(0.5)
	-	-

19 INCOME TAX

	2016 £m	2015 £m
Current tax:		
UK Corporation tax	-	(0.1)
Current tax credit for the year	-	(0.1)
Deferred tax:		
Origination and reversal of temporary differences	-	0.1
Adjustments in respect of prior years	(0.1)	-
Deferred tax (credit)/charge for the year	(0.1)	0.1
Income tax credit for the year	(0.1)	-

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

	2016 £m	2015 £m
Corporation tax at 20% (2015 20.25%)	-	-
Adjustments in respect of prior periods	(0.1)	-
Income tax credit for the year	(0.1)	-

The rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015. Legislation has been enacted to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 17% on 1 April 2020. These changes reduce the tax rate expected to apply when temporary differences reverse and impact deferred tax charge.

20 RELATED PARTY TRANSACTIONS

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

	2016			2015		
	UK parent (Scottish Power Limited) £m	Immediate parent (SPRUKL) £m	Other Iberdrola group companies (Note (i)) £m	UK parent (Scottish Power Limited) £m	Immediate parent (SPRUKL) £m	Other Iberdrola group companies (Note (i)) £m
Types of transaction						
Purchases and receipt of services	-	-	(0.2)	-	-	-
Purchases of property, plant and equipment	-	(0.5)	(27.4)	-	(6.9)	(10.6)
Interest costs	(1.7)	-	-	(0.5)	-	-
Net gains on financing derivatives	0.2	-	-	-	-	-
Changes in the value of cash flow hedge reserve	(39.5)	-	-	(10.1)	-	-
Balances outstanding						
Derivative financial assets	8.3	-	-	10.1	-	-
Loans payable	(144.2)	-	-	(59.7)	-	-
Trade and other payables	-	-	(4.5)	-	-	(1.4)
Capital payables	-	-	(2.8)	-	-	(2.7)
Interest payable	(1.7)	-	-	(0.5)	-	-
Derivative financial liabilities	(1.1)	-	-	-	-	-

(i) Includes transactions relating to East Anglia Offshore Wind Limited, a company jointly owned and managed by SPRUKL and Vattenfall Wind Power Limited ("VWPL").

(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 2016

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 were remunerated for their work for their respective parent groups, and it has not been possible to apportion the remuneration specifically in respect of services to this company. All of the key management personnel are paid by other companies within their respective parent groups.

	2016	2015
	£000	£000
Short-term employee benefits	959	745
Post-employment benefits	171	157
Share-based payments	498	113
	1,628	1,015

(c) Directors' remuneration

The total emoluments of the directors that provided qualifying services to the company are shown below. As these directors are remunerated for their work for their respective parent groups, it has not been possible to apportion the emoluments specifically in respect of services to this company. All of the directors were paid by other companies within their respective parent groups.

	2016	2015
	£000	£000
Executive directors		
Aggregate remuneration in respect of qualifying services	1,038	790
Aggregate contributions payable to a defined contribution pension scheme	23	36
Number of directors who exercised share options	2	2
Number of directors who received shares under a long-term incentive scheme	3	2
Number of directors accruing retirement benefits under a defined benefit scheme	1	2
Number of directors accruing retirement benefits under a defined contribution scheme	1	3

	2016	2015
	£000	£000
Highest paid director		
Aggregate remuneration	537	280
Aggregate contributions payable to a defined contribution pension scheme	-	21
Accrued pension benefit	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

During the period from 1 January 2015 to 24 March 2015, the company was jointly owned and controlled by its immediate parent undertakings SPRUKL and VWPL. On 24 March 2015, SPRUKL acquired the remaining 50% interest in the share capital of the company, at which point SPRUKL became the sole immediate parent company and Iberdrola, S.A. became the sole ultimate controlling party.

Iberdrola, S.A. is 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 ("SPUK"). 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 SPUK may be obtained from its registered office, 320 St. Vincent Street, Glasgow, G2 5AD.

21 AUDITORS' REMUNERATION

	2016	2015
	£000	£000
Audit of the company's annual Accounts	7	7

EAST ANGLIA ONE LIMITED
NOTES TO THE ACCOUNTS *continued*
31 December 2016

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 2.

The company has recorded a profit after tax in the current year and neither a profit nor a loss in the previous financial year. The company's balance sheet shows that it has net current liabilities of £103.5 million and net assets of £40.5 million at its most recent balance sheet date.

At the date of signing of these accounts 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 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 continue to adopt the going concern basis of accounting in preparing the Accounts.