

NWEN Finance plc

**Annual Report and Financial Statements
for the 15 month period ended 31 March 2014**

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Strategic Report

Business review and principal activities

The principal activity of NWEN Finance ("the Company") during the period ended 31 March 2014 was that of a financing company which has secured debt listed on the London Stock Exchange. The Company is a financing entity within the North West Electricity Networks (Jersey) Limited group (the 'Group') and following the issue of debt, it lent the net proceeds to its immediate parent company North West Electricity Networks (Holdings) Limited ('NWEN Holdings'). The results for the period are set out in the profit and loss account on page 8.

Principal risks and uncertainties

As the Company's obligations in respect of the secured debt are met via income receivable from NWEN Holdings the Board considers the principal risks and uncertainties facing the Company to be those that affect NWEN Holdings and the larger Group. The principal trade and activities of the Group are carried out in Electricity North West Limited ('ENWL') and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing that company, and ultimately the Group, are discussed in the Strategic Report of the ENWL annual report and consolidated financial statements.

Financial position

The Company has borrowings net of cash of £180.0m at 31 March 2014 relating to the listed debt, which has a medium-term maturity. The debt has a nominal value of £180.0m at 5.875 per cent, maturing in 2021. The Company recognises a receivable from NWEN Holdings equal to the external borrowings.

Key Performance Indicators

This is the first period of accounting for the Company, profit for the 15 month period was £10k, this relates to the management charge to the parent company for the management of the listed debt.

Corporate governance

The details of the internal control and risk management systems which govern the Company in relation to the financial process are outlined in the Corporate Governance statement contained in the ENWL annual report and consolidated financial statements which are available on the website www.enwl.co.uk.

NWEN Finance plc's internal control framework consists of the following:

- A Risk, Control and Assurance team which has the responsibility for independently assessing the adequacy and effectiveness of the management of significant risk areas and internal control; and
- Comprehensive compliance regimes are in place within the Company.

NWEN Finance plc's risk management framework consists of the following:

- All enterprise risks are managed on a single corporate risk register which is maintained by the Risk, Control and Assurance team; and
- All open risks, associated controls and mitigating actions are reviewed on a monthly basis as part of a well embedded risk monitoring process.

NWEN Finance plc has given consideration to the UK Corporate Governance Code and seeks to adopt its principles where appropriate for the size and nature of the company.

The NWEN Finance plc audit committee is responsible for performing the functions set out in section 7.1.3 of the Disclosure and Transparency Rules of the Financial Services Authority. Membership consists of John Gittins, Niall Mills and Mark Walters all of whom have competence in accounting. John Gittins is considered an Independent Non-Executive Director and was Chairman of the Committee for the year under review.

Going concern

After making enquires, and based on the assumptions, sensitivities and uncertainties outlined in note 1 to the financial statements, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Strategic Report *(continued)*

Fair, balanced & understandable

The revised Audit Committee terms of reference reflect the requirement to review the accounts, at the Board's request, to ensure they are fair, balanced and understandable. As part of its review of the Annual Report and Accounts the Committee has acknowledged the detailed guidance given to contributors of the accounts by our external auditors, their verification process and the comprehensive reviews undertaken from the first drafts of the accounts in March 2014 to the final version approved by the Board.

Approved by the Board on 3 June 2014 and signed on its behalf by:

S Johnson

Director

Directors' Report

The Directors present the first annual report and the audited financial statements of NWEN Finance plc for the 15 month period ended 31 March 2014.

Dividends

Dividends recognised in the period were £nil. The Directors do not propose a final dividend for the period ended 31 March 2014.

Directors

The names of the Directors who held office during the period and thereafter are set out below. All were Directors for the full period except as noted.

J Gittins

S Johnson

N Mills (appointed 29 January 2013)

M McCallion (resigned 24 May 2013)

R O'Malley (appointed 7 March 2013)

S Toor (resigned 7 March 2014)

M Walters (appointed 7 March 2014)

At no time during the period did any Director have a material interest in any contract or arrangement which was significant in relation to the Company's business.

Events after the Balance Sheet Date

There have been no significant events after the balance sheet date.

Directors' and officers' insurance

The Company maintains an appropriate level of directors' and officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- (1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) 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 s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 3 June 2014 and signed on its behalf by:

S Johnson
Director

Registered address

NWEN Finance plc
304 Bridgewater Place
Birchwood Park
Warrington
WA3 6XG
Registered number: 6873051

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 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.

Independent auditor's report to the members of NWEN Finance plc

We have audited the financial statements of NWEN Finance plc for the period ended 31 March 2014 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with 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 financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with FRS 101; 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 the information given in the Strategic report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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, 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.

Jane Boardman BSc ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

3 June 2014

PROFIT AND LOSS ACCOUNT**For the 15 month period ended 31 March 2014**

	<i>Note</i>	15 month period ended 31 March 2014 £'000
Operating profit	2	-
Interest receivable and similar income	4	10,883
Interest payable and similar charges	5	(10,870)
Profit on ordinary activities before tax		13
Tax	6	(3)
Profit for the period	13	10

All the results shown in the profit and loss account derive from continuing operations.

There are no other recognised gains and losses for the current financial period other than the result shown above and therefore no separate Statement of Comprehensive Income has been presented.

BALANCE SHEET
As at 31 March 2014

	<i>Note</i>	2014 £'000
Non current assets		
Debtors: due after one year	8	180,000
		<hr/>
Current assets		
Debtors: due within one year	7	2,950
Cash at bank and in hand	9	50
		<hr/>
		3,000
Creditors: Amounts falling due within one year	11	(2,940)
		<hr/>
Net current assets		60
		<hr/>
Total assets less current liabilities		180,060
Creditors: Amounts falling due after more than one year:		
Borrowings	10	(180,000)
		<hr/>
Net assets		60
		<hr/> <hr/>
Capital and reserves		
Called up share capital	12, 13	50
Profit and loss account	13	10
		<hr/>
Total shareholder's funds	13	60
		<hr/> <hr/>

The financial statements of NWEN Finance plc (registered number 6873051) were approved by the Board of Directors on 3 June 2014 and signed on its behalf by:

S Johnson
Director

STATEMENT OF CHANGES IN EQUITY
For the 15 month period ended 31 March 2014

	Share Capital	Profit and Loss Account	Total
	£'000	£'000	£'000
Balance on incorporation	-	-	-
Issue of share capital	50	-	50
Profit for the period	-	10	10
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2014	50	10	60
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

NWEN Finance plc is a company incorporated in the United Kingdom under the Companies Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

Basis of preparation

These financial statements are the first financial statements for the Company and represent a 15 month period from incorporation. The Company has adopted Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council.

As permitted by FRS 101, for the period presented, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and related party transactions with other wholly-owned members of the Group. Where relevant, equivalent disclosures are given in the group accounts of North West Electricity Networks (Holdings) Limited. The group accounts of North West Electricity Networks (Holdings) Limited are available to the public and can be obtained as set out in note 15.

The financial statements have been prepared on the historical cost basis.

All Company operations arise from its activities as a financing company in the North West of England. Accordingly only one operating and geographic segment is therefore regularly reviewed by the Chief Executive Officer and Executive Team.

Basis of preparation – going concern basis

The performance, financial position and key risks impacting the Company are detailed in the Strategic Report on page 3. The Company is ultimately a subsidiary of the North West Electricity Networks (Jersey) Limited group, which manages its working capital on a pooled basis across the Group. The ability of the Company to meet its debts as they fall due is dependent on the fellow Group subsidiaries' ability to service its debts to the Company. In consideration of this the Directors of this Company are cognisant of the following going concern disclosure which appears in the financial statements of North West Electricity Networks (Jersey) Limited for the year ended 31 March 2014:

When considering continuing to adopt the going concern basis in preparing the Annual Report and financial statements, the Directors have taken into account a number of factors, including the financial position of the Group, its cash flow forecasts, liquidity position, borrowing facilities and covenant compliance as described in the going concern section of the Strategic Report. Consequently, after making the appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and comply with its banking covenants for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the annual report and accounts.

The above text from North West Electricity Networks (Jersey) Limited's financial statements cross refers to disclosures within its Strategic Report. This information is also available within the statutory financial statements of Electricity North West Limited, the main trading company of the Group, and can be read in that company's financial statements.

Consequently, after making the appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

Notes *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation – adoption of new and revised standards

In the current year the Directors are not aware of any new or revised Standards or Interpretations which have impacted these financial statements.

Statutory format of the primary statements

As a result of the adoption of FRS 101 the terminology used in respect of the primary statements has been updated to comply with the prescribed Companies Act 2006 format.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Debtors

Debtors are stated at historical cost, which given their short term nature approximately equates to fair value, with any allowances made for any estimated irrecoverable amounts.

Creditors

Creditors are stated at historical cost, which given their short term nature approximately equates to their fair value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes *(continued)***1. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Borrowings**

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Borrowing costs and interest income

All borrowing costs and interest income that are not directly attributable to the acquisition, issue or disposal of a financial asset or financial liability are recognised in the profit and loss account in the period in which they are accrued. Transaction costs that are directly attributable to the issue of the financial liabilities have been capitalised, and are being amortised, within North West Electricity Network (Holdings) Limited, since that company is deemed to have the financial benefit of the financing transactions.

Operating profit

Operating profit is stated after charging operating expenses but before investment income, finance expense and other gains and losses.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

Current tax, representing UK corporation tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at the balance sheet date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Critical accounting policies

On an ongoing basis, the Company evaluates its estimates, judgements and assumptions using historical experience, available information and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the year in which the facts that give rise to the revision become known.

The following policies are those critical judgements which the Company believes have the most significant impact on the annual results under FRS 101:

Notes *(continued)***1. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

2. OPERATING PROFIT

Audit fees payable to Deloitte LLP of £7,021 for the period were borne by another Group company and have not been recharged. There are no non-audit fees in the period. Any fees payable to professional services firms are borne by ENWL.

3. DIRECTORS AND EMPLOYEES

The Company had no employees during the period. Directors' costs are borne by another Group company and cannot be fairly apportioned to the Company.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	15 month period ended 31 March 2014 £'000
Interest receivable from parent undertaking	<u><u>10,883</u></u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	15 month period ended 31 March 2014 £'000
Interest payable on borrowings held at amortised cost	<u><u>(10,870)</u></u>

Notes (continued)**6. TAX**

	2014 £'000
Current tax:	
UK corporation tax	3

Corporation tax is calculated at 23% of the estimated assessable profit for the period.

The table below reconciles the notional tax charge at the UK corporation tax rate to the effective tax rate for the period:

	2014 £'000	2014 %
Profit before tax	13	
Tax charge at the UK corporation tax rate of 23%	3	23.0

There is no deferred tax in the Company in the current period.

7. DEBTORS: DUE WITHIN ONE YEAR

	2014 £'000
Amounts falling due within one year:	
Amounts due from parent undertaking (interest)	2,950

8. DEBTORS: DUE AFTER ONE YEAR

	2014 £'000
Amounts falling due after one year:	
Amounts due from parent undertaking	180,000

On 21 March 2013 the Company loaned North West Electricity Networks (Holdings) Limited (the 'Parent Company') proceeds of £180.0m in relation to the bond issue of £180.0m at 5.875 per cent fixed rate due 2021 on equivalent terms.

Notes (continued)**9. CASH AT BANK AND IN HAND**

	2014 £'000
Cash at bank and in hand	50

10. BORROWINGS

This note provides information about the contractual terms of the Company's loans and borrowings. For more information about the Group's financial risk management and exposure to credit risk, liquidity risk and market risk refer to the NWEN Holdings consolidated financial statements.

	2014 £'000
Borrowings measured at amortised cost	
5.875% £180m bond maturing 2021	180,000

Borrowings are repayable as follows:

	2014 £'000
Between one and two years	-
Between two and five years	-
After five years	180,000
	180,000

The Company has issued £180.0m 5.875 per cent fixed rate bonds due 2021, guaranteed by the North West Electricity Networks (Holdings) Limited.

Borrowing facilities

The Company had no unutilised committed bank facilities at 31 March 2014. There is no formal bank overdraft facility in place at 31 March.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000
Accrued interest	2,937
Amounts due to Group undertaking	3
	2,940

Notes (continued)**12. CALLED UP SHARE CAPITAL**

	2014
	£'000
Authorised and allotted:	
50,000 ordinary shares of £1 each	50
	2014
	£'000
Allotted and fully paid:	
50,000 ordinary shares of £1 each	50

13. TOTAL SHAREHOLDER'S FUNDS

	Share capital £'000	Profit and Loss Account £'000	Total £'000
Balance at incorporation	-	-	-
Shares issued	50	-	50
Profit for the period	-	10	10
Balance at 31 March 2014	50	10	60

On 24 January 2013 the company issued 50,000 ordinary shares of £1 each.

14. FINANCIAL COMMITMENTS

There are no contracted for but not provided for financial commitments at the period end.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is North West Electricity Networks (Holdings) Limited and the ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company incorporated and registered in Jersey. The external address of the ultimate parent company is: Ogier House, The Esplanade, St Helier, JE4 9WG.

The largest group in which the results of the Company are consolidated is that headed by North West Electricity Networks (Jersey) Limited, incorporated in Jersey. The smallest group in which they are consolidated is that headed by North West Electricity Networks (Holdings) Limited, a company incorporated and registered in the UK. The consolidated financial statements of this group are available to the public and may be obtained from 304 Bridgewater Place, Birchwood Park, Warrington, WA3 6XG.

First State Investment Fund Managements S.a.r.l. on behalf of First State European Diversified Infrastructure Fund FCP-SIF ('EDIF') and IIF Int'l Holding GP Ltd ('IIF') have been identified as ultimate controlling parties and are advised by Colonial First State Global Asset Management (a member of the Commonwealth Bank of Australia Group) and JP Morgan Investment Management Inc respectively.