

NWEN Finance plc

**Annual Report and Financial Statements
for the year ended 31 March 2016**

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Strategic Report

Business review and principal activities

NWEN Finance plc ("the Company") acts as 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, lent the net proceeds to its immediate parent company North West Electricity Networks (Holdings) Limited ("NWEN (Holdings)").

The Company operates solely as a financing company and therefore there are no non-financial key performance indicators. An understanding of the Group's non-financial key performance indicators is disclosed in the Annual Report and Consolidated Financial Statements of the key trading subsidiary, Electricity North West Limited ("ENWL").

Financial performance and key performance indicators

The results for the year are set out in the Profit and Loss Account on page 7.

Profit for the year was £8,000 (2015: £8,000). This relates to the management charge to the parent company for the management of the listed debt.

The Company had borrowings net of cash of £180m at 31 March 2016 (2015: £180m) relating to the listed debt. The debt has a nominal value of £180m at 5.875 per cent, maturing in 2021. The Company recognises a receivable from NWEN (Holdings) on equivalent terms and equal to the external borrowings.

There are no planned changes in the business activities of the Company.

Principal risks and uncertainties

As the Company's obligations in respect of the listed 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 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.

Going concern

After making enquiries, and based on the assumptions, sensitivities and uncertainties outlined above and in Note 1, 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.

Corporate governance

The details of the internal control and risk management systems which govern the Company in relation to the financial processes 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.

Fair, balanced & understandable

The Directors have reviewed the Annual Report and Financial Statements at the Board's request, to ensure they are fair, balanced and understandable. As part of the review of the Annual Report and Financial Statements the Directors have acknowledged the detailed guidance given to contributors to the financial statements. As part of this process the Directors have taken guidance and advice from the Company's external auditors.

Approved by the Board on 27 May 2016 and signed on its behalf by:



D Brocksom
Director

Directors' Report

The Directors present the annual report and the audited financial statements of NWEN Finance plc for the year ended 31 March 2016.

Dividends

Dividends recognised in the year were £nil (2015: £nil). The Directors do not propose a final dividend for the year ended 31 March 2016 (2015: £nil).

Directors

The Directors of the Company during the year ended 31 March 2016 and thereafter are set out below. Directors were appointed for the full year, except as noted.

S Johnson (resigned 27 May 2016)
P Emery (appointed 27 May 2016)
N Mills
M Walters
A Dench (resigned 5 May 2015)
J Gittins (resigned 20 July 2015)
C Dowling (appointed 20 July 2015)
D Brocksom (appointed 5 October 2015)

At no time during the year did any Director have a material interest in any contract or arrangement which was significant in relation to the Company's business (2015: same).

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 2006.

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 has indicated its 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 27 May 2016 and signed on its behalf by:



D Brocksom
Director

Registered address

NWEN Finance plc
304 Bridgewater Place
Birchwood Park
Warrington
United Kingdom
WA3 6XG

Registered number: 08374655

Directors' Responsibilities 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law), including FRS 101 '*Reduced Disclosure Framework*'. 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 applicable UK Accounting Standards have 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of NWEN Finance plc

We have audited the financial statements of NWEN Finance plc for the year ended 31 March 2016 which comprise the Profit and Loss Account, the statement of Changes in 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

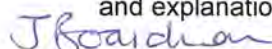
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year 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 FCA (Senior statutory auditor)

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

27 May 2016

PROFIT AND LOSS ACCOUNT*for the year ended 31 March 2016*

	<i>Note</i>	2016 £'000	2015 £'000
Operating result	2	-	-
Interest receivable and similar income	4	10,587	10,587
Interest payable and similar charges	5	(10,577)	(10,577)
Profit on ordinary activities before tax		10	10
Tax	6	(2)	(2)
Profit for the financial year	13	8	8

All the results shown in the Profit and Loss Account for the current year and preceding year derive from continuing operations.

There are other items of comprehensive income for the current year or preceding year, other than the results shown above, and therefore no separate Statement of Comprehensive Income has been presented.

BALANCE SHEET

as at 31 March 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Debtors: due after one year	7	<u>180,000</u>	<u>180,000</u>
Current assets			
Debtors: due within one year	8	2,970	2,960
Cash at bank and in hand	9	50	50
		<u>3,020</u>	<u>3,010</u>
Creditors: Amounts falling due within one year	11	<u>(2,944)</u>	<u>(2,942)</u>
Net current assets		<u>76</u>	<u>68</u>
Total assets less current liabilities		<u>180,076</u>	<u>180,068</u>
Creditors: Amounts falling due after more than one year:			
Borrowings	10	<u>(180,000)</u>	<u>(180,000)</u>
Net assets		<u>76</u>	<u>68</u>
Capital and reserves			
Called up share capital	12, 13	50	50
Profit and loss account	13	26	18
Total shareholder's funds	13	<u>76</u>	<u>68</u>

The financial statements of NWEN Finance plc (registered number 08374655) were approved by the Board of Directors on 27 May 2016 and signed on its behalf by:



D. Brocksom
Director

STATEMENT OF CHANGES IN EQUITY*for the year ended 31 March 2016*

	Called-up Share capital	Profit and loss account	Total
	£'000	£'000	£'000
Balance at 1 April 2014	50	10	60
Profit and total comprehensive income for the year	-	8	8
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2015	50	18	68
Profit and total comprehensive income for the year	-	8	8
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	50	26	76
	<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 2006.

1. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The Company has adopted Financial Reporting Standard 101 *'Reduced Disclosure Framework'* ("FRS 101"), on the basis that it meets the definition of a qualifying entity under Financial Reporting Standard 100 *'Application of Financial Reporting Requirements'* ("FRS 100"). The financial statements have, therefore, been prepared in accordance with FRS 101.

As permitted by FRS 101, for both periods 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 consolidated financial statements of North West Electricity Networks (Holdings) Limited. The consolidated 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 and are presented in Sterling, which is also the functional currency. All values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

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 reviewed by the Chief Executive Officer and Executive Team.

Basis of preparation – going concern basis

The performance, financial position and principal risks and uncertainties impacting the Company are detailed in the Strategic Report on page 3. The Company is ultimately a subsidiary of North West Electricity Networks (Jersey) Limited, which manages its working capital on a pooled basis across the Group. As the Company's obligations in respect of the listed debt were 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.

In consideration of this, the Directors of this Company are cognisant of the going concern disclosure which appears in the financial statements of both North West Electricity Networks (Jersey) Limited and Electricity North West Ltd for the year ended 31 March 2016, the latter of which is available on the website www.enwl.co.uk.

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.

Basis of preparation – adoption of new and revised standards

The Directors are not aware of any new or revised Standards or Interpretations which have impacted these financial statements.

Operating result

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

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 year 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.

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.

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.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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 to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are classified into the following specified categories: financial liabilities 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, other than those financial liabilities classified as at FVTPL, which are subsequently measured at fair value.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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.

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 accrue. 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.

Critical accounting policies

In the process of applying the Company's accounting policies, the Company is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years presented.

On an ongoing basis, the Company evaluates its estimates, judgements and assumptions using historical experience, consultation with experts, 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:

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.

Notes to the Financial Statements (continued)**2. OPERATING RESULT**

Audit fees payable to Deloitte LLP of £6,908 for the year (2015:£6,908) were borne by another Group company and have not been recharged (2015: same). There were no non-audit fees payable to the auditor in the year (2015: £nil).

3. DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2015: same). Directors' costs are borne by another Group company and cannot be fairly apportioned to the Company (2015: same).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest receivable from parent undertaking	<u>10,587</u>	<u>10,587</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable on borrowings held at amortised cost	<u>(10,577)</u>	<u>(10,577)</u>

6. TAX

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax	<u>2</u>	<u>2</u>

Corporation tax is calculated at 20% (2015: 21%) of the estimated assessable profit for the year.

The corporation tax rate is 20% from 1 April 2016.

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

	2016 £'000	2015 £'000
Profit before tax	<u>10</u>	<u>10</u>
Tax at the UK corporation tax rate of 20% (2015: 21%)	<u>2</u>	<u>2</u>

There is no deferred tax in the Company in the current or prior year.

Notes to the Financial Statements (continued)

7. DEBTORS: DUE AFTER ONE YEAR

	2016	2015
	£'000	£'000
Amounts falling due after one year:		
Amounts due from parent undertaking	180,000	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 terms aligned to the terms of the external bond.

8. DEBTORS: DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Amounts due from parent undertaking	2,970	2,960

9. CASH AT BANK AND IN HAND

	2016	2015
	£'000	£'000
Cash at bank and in hand	50	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.

	2016	2015
	£'000	£'000
Borrowings measured at amortised cost		
5.875% £180m bond maturing 2021	180,000	180,000

The Company has issued £180.0m 5.875 per cent fixed rate bonds due 2021, guaranteed by North West Electricity Networks (Holdings) Limited (2015: same).

Borrowing facilities

The Company had no unutilised committed bank facilities at 31 March 2016 (2015: same). There was no formal bank overdraft facility in place at 31 March 2016 (2015: same).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Accrued interest	2,937	2,937
Amounts due to Group undertaking	7	5
	2,944	2,942

Notes to the Financial Statements (continued)

12. CALLED UP SHARE CAPITAL

	2016	2015
	£'000	£'000
Authorised:		
50,000 ordinary shares of £1 each	50	50
	2016	2015
	£'000	£'000
Allotted, called up and fully paid:		
50,000 ordinary shares of £1 each	50	50

13. TOTAL SHAREHOLDER'S FUNDS

	Called-up Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2014	50	10	60
Profit for the year	-	8	8
Balance at 31 March 2015	50	18	68
Profit for the year	-	8	8
Balance at 31 March 2016	50	26	76

14. FINANCIAL COMMITMENTS

There are no contracted for but not provided for financial commitments at the year end (2015: none).

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: Elian Corporate Service (Jersey) Limited, 44 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. 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 Management S.à.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.