

ENW 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

ENW Finance plc ("the Company") acts as a financing company which has notes in issue and listed on the London Stock Exchange (the "Notes"). The Company is a financing entity within the North West Electricity Networks (Jersey) Limited group (the "Group") and following the issue of Notes, lent the net proceeds to a fellow group subsidiary and affiliated company, Electricity North West Limited ("ENWL").

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 £1.6m (2015: £1.2m).

The Company had borrowings, net of cash of £199.0m at 31 March 2016 (2015: £198.9m) relating to the Notes. The Notes have a nominal value of £200m at 6.125 per cent, maturing in 2021. The Company recognises a receivable from ENWL 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 Notes and associated intercompany index-linked swap and embedded derivative are met via income receivable from ENWL, the Board considers the principal risks and uncertainties facing the Company to be those that affect ENWL 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.

The Company has exposure to interest rate risk and inflation risk; the intercompany index-linked swap and embedded derivative are exposed to a

risk of change in their fair value arising from a risk of change of future cash flows due to changes in market interest rates and inflation rates. This exposure is limited as the impact on the intercompany index-linked swap (liability) is largely offset by an opposite impact on the embedded derivative (asset).

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 is 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 their annual report and the audited financial statements of ENW 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 2015)
P Emery (appointed 27 May 2015)
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 within 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

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

Registered number: 06845434

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 ENW Finance plc

We have audited the financial statements of ENW 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 17. 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.

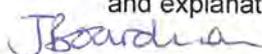
Opinion on other matters prescribed by the Companies Act 2006

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*

| | Note | 2016 £'000 | 2015 £'000 |
|---|------|---------------|---------------|
| Operating result | 2 | - | - |
| Interest receivable and similar income | 4 | 12,831 | 12,809 |
| Interest payable and similar charges | 5 | (10,799) | (11,029) |
| Profit on ordinary activities before tax | | 2,032 | 1,780 |
| Tax | 6 | (463) | (544) |
| Profit for the financial year | 15 | 1,569 | 1,236 |

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

There are no 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 | | | |
| Derivative financial instruments | 7, 11 | 257,201 | 212,174 |
| Debtors: due after one year | 7 | 219,533 | 198,859 |
| | | 476,734 | 411,033 |
| Current assets | | | |
| Debtors: due within one year | 8 | 5,646 | 25,739 |
| Cash at bank and in hand | 9 | 12 | 12 |
| | | 5,658 | 25,751 |
| Creditors: Amounts falling due within one year | 12 | (5,575) | (5,178) |
| Net current assets | | 83 | 20,573 |
| Total assets less current liabilities | | 476,817 | 431,606 |
| Creditors: Amounts falling due after more than one year: | | | |
| Borrowings | 10 | (199,033) | (198,859) |
| Derivative financial instruments | 11 | (267,148) | (223,746) |
| | | (466,181) | (422,605) |
| Provisions for liabilities | | | |
| Deferred Tax | 13 | (1,041) | (975) |
| Net assets | | 9,595 | 8,026 |
| Capital and reserves | | | |
| Called up share capital | 14, 15 | 13 | 13 |
| Profit and loss account | 15 | 9,582 | 8,013 |
| Total shareholder's funds | 15 | 9,595 | 8,026 |

The financial statements of ENW Finance plc (registered number 06845434) were approved and authorised for issue 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 £'000 | Profit and loss account £'000 | Total £'000 |
|---|--------------------------------------|--|----------------|
| Balance at 1 April 2014 | 13 | 6,777 | 6,790 |
| Profit and total comprehensive income for the year | - | 1,236 | 1,236 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2015 | 13 | 8,013 | 8,026 |
| Profit and total comprehensive income for the year | - | 1,569 | 1,569 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2016 | 13 | 9,582 | 9,595 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

ENW 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") and the financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

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 plc. The consolidated financial statements of North West Electricity Networks plc are available to the public and can be obtained as set out in Note 17.

The financial statements have been prepared on the historical cost basis, except for the valuation of derivative financial instruments, 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 ENWL, the Board considers the principal risks and uncertainties facing the Company to be those that affect ENWL 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 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 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.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer more likely than not that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the Profit and Loss Account, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

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 their nominal value less any allowances made for any estimated irrecoverable amounts.

Creditors

Creditors are stated at their nominal 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.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Electricity North West Limited, since that company is deemed to have the financial benefit of the financing transactions.

Derivatives

Derivatives are recognised separately on the Balance Sheet at fair value. Movements in fair values are reflected through the Profit and Loss Account. This has the potential to introduce considerable volatility to both the Profit and Loss Account and Balance Sheet where hedge accounting cannot be applied. This area is considered to be of significance due to the notional amount of the Company's derivatives.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fair values of derivative financial instruments

The Company uses derivative financial instruments to manage the exposure to interest rate risk and inflation risk. The Board has authorised the use of derivatives by the Company to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. All derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each Balance Sheet date. Changes in the fair value of all derivative financial instruments that are not in a hedging relationship are recognised in the Profit and Loss Account within finance expense as they arise.

The Company is therefore subject to volatility in the Profit and Loss Account due to changes in the fair values of the derivative financial instruments. Further information is provided in Note 11.

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

Audit fees payable to Deloitte LLP of £6,908 (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 Group companies | <u>12,831</u> | <u>12,809</u> |

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2016 £'000 | 2015 £'000 |
|---|-----------------------------|----------------|
| Interest payable | | |
| Interest payable on borrowings held at amortised cost | 12,424 | 12,382 |
| Fair value gains on financial instruments at fair value through profit or loss | | |
| Derivatives | <u>(1,625)</u> | <u>(1,353)</u> |
| Net interest payable and similar charges | <u>10,799</u> | <u>11,029</u> |

Notes to the Financial Statements (continued)**6. TAX**

| | 2016 £'000 | 2015 £'000 |
|--------------------------------|-----------------------------|---------------|
| Current tax: | | |
| UK corporation tax | 397 | 416 |
| Deferred tax (Note 13): | | |
| Current year | 66 | 128 |
| Prior year | - | - |
| | 463 | 544 |

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 tax disclosures reflect deferred tax calculated at the 18%.

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 | 2,032 | 1,780 |
| Tax at the UK corporation tax rate 20% (2015: 21%) | 406 | 374 |
| Non-taxable expense | 172 | 176 |
| Impact from change in future tax rates | (115) | (6) |
| | 463 | 544 |

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 Group companies | 219,533 | 198,859 |
| Derivative financial instruments (Note 11) | 257,201 | 212,174 |
| | <u>476,734</u> | <u>411,033</u> |

On 21 July 2009 the Company lent Electricity North West Limited proceeds of £198.2m in relation to the Notes issue of £200.0m at 6.125 per cent fixed rate due 2021, net of discount on issue, on terms aligned to the terms of the external Notes (see Note 10) and associated intercompany hedging arrangements. The carrying value of the receivable reflects the amortisation of the discount.

8. DEBTORS: DUE WITHIN ONE YEAR

| | 2016 | 2015 |
|---|---------------------|---------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Amounts due from Group companies | 5,646 | 25,739 |
| | <u>5,646</u> | <u>25,739</u> |

9. CASH AT BANK AND IN HAND

| | 2016 | 2015 |
|--------------------------|------------------|-----------|
| | £'000 | £'000 |
| Cash at bank and in hand | 12 | 12 |
| | <u>12</u> | <u>12</u> |

10. BORROWINGS

This note provides information about the contractual terms of the Company's loans and borrowings. For more information about the Company's exposure to interest rate risk and liquidity risk see Note 11. For more information about the Group's financial risk management and exposure to credit risk, liquidity risk and market risk refer to the NWEN plc consolidated financial statements.

| | 2016 | 2015 |
|--|-----------------------|----------------|
| | £'000 | £'000 |
| Borrowings measured at amortised cost | | |
| 6.125% £200m bond maturing 2021 | 199,033 | 198,859 |
| | <u>199,033</u> | <u>198,859</u> |

The Company has issued £200.0m 6.125 per cent fixed rate Notes due 2021, guaranteed by ENWL (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).

Notes to the Financial Statements (continued)**11. FINANCIAL INSTRUMENTS****Categories of financial instruments**

| | 2016 £'000 | 2015 £'000 |
|---|-----------------------------|------------------|
| Financial assets at FVTPL: | | |
| Derivative financial instruments | <u>257,201</u> | <u>212,174</u> |
| Financial liabilities at FVTPL: | | |
| Derivative financial instruments | <u>(267,148)</u> | <u>(223,746)</u> |
| Profit for the year has been arrived at after (crediting)/charging: | | |
| | 2016 £'000 | 2015 £'000 |
| Financial assets at FVTPL | | |
| Derivative financial instruments | <u>(11,572)</u> | <u>(116,681)</u> |
| Financial liabilities at FVTPL | | |
| Derivative financial instruments | <u>9,947</u> | <u>115,328</u> |
| Net credit to Profit and Loss Account (Note 5) | <u>(1,625)</u> | <u>(1,353)</u> |

Valuation techniques and assumptions applied for the purposes of measuring fair values

The fair values of derivative financial instruments are determined by a discounted cash flow technique, using the applicable yield curve for the duration of the instruments. An adjustment for the relevant credit risk is then made.

Significant assumptions used in determining fair value of financial assets and liabilities

The Company enters derivative financial instruments to manage its exposure to interest rate risk and inflation risk.

Under these swap contracts, the Company agrees to exchange the difference between fixed and inflation-linked interest amounts calculated on the notional principal amounts enabling the Company to change the basis of interest cash flows from fixed to inflation-linked, for economic hedging reasons.

Financial risk management

Disclosures around the Company's risk management policies, which are the same as the Group's, can be found in NWEN plc's consolidated financial statements.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 £'000 | 2015 £'000 |
|---|-----------------------------|---------------|
| Accrued interest | <u>2,378</u> | <u>2,382</u> |
| Amounts due to immediate parent undertaking | <u>3,197</u> | <u>2,796</u> |
| | <u>5,575</u> | <u>5,178</u> |

Notes to the Financial Statements (continued)

13. PROVISIONS FOR LIABILITIES

Deferred Tax

The following are the deferred tax liabilities recognised by the Company, and the movements thereon, during the current and prior year.

| | Total £'000 |
|---|------------------------|
| At 1 April 2014 | 847 |
| Charged to the profit and loss account (Note 6) | 128 |
| At 1 April 2015 | 975 |
| Charged to the profit and loss account (Note 6) | 66 |
| At 31 March 2016 | 1,041 |

The deferred tax arises on certain financing items, primarily on the derivatives.

There are no unrecognised deferred tax assets or liabilities in either the current or prior year.

14. CALLED UP SHARE CAPITAL

| | 2016 £'000 | 2015 £'000 |
|---|-----------------------|---------------|
| Authorised: | | |
| 50,000 ordinary shares of £1 each | 50 | 50 |
| Allotted, called up and part paid: | | |
| 50,000 ordinary shares of £1 each, of which £0.25 has been called up and paid | 13 | 13 |

15. TOTAL SHAREHOLDER'S FUNDS

| | Called-up Share capital £'000 | Profit and loss account £'000 | Total £'000 |
|---------------------------------|--|--|------------------------|
| Balance at 1 April 2014 | 13 | 6,777 | 6,790 |
| Profit for the year | - | 1,236 | 1,236 |
| Balance at 31 March 2015 | 13 | 8,013 | 8,026 |
| Profit for the year | - | 1,569 | 1,569 |
| Balance at 31 March 2016 | 13 | 9,582 | 9,595 |

Notes to the Financial Statements *(continued)*

16. FINANCIAL COMMITMENTS

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

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is North West Electricity Networks plc 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 Services (Jersey) Limited, 44 Esplanade, St Helier, Jersey 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 plc, 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.