

**Company Registration No. 06845434**

# **ENW FINANCE PLC**

**Half Year Condensed Financial Statements  
for the period ended 30 September 2020**

## **Contents**

Interim Management Report .....	1
Condensed Profit and Loss Account .....	4
Condensed Balanced Sheet .....	5
Condensed Statement of Changes in Equity .....	6
Notes to the Condensed Financial Statements .....	7

## **Interim Management Report**

### **Cautionary statement**

This interim management report contains certain forward-looking statements with respect to the financial condition and business of ENW Finance plc ("the Company"). Statements or forecasts relating to events in the future necessarily involve risk and uncertainty and are made by the Directors in good faith based on the information available at the date of signature of this report, with no obligation to update these forward-looking statements. Nothing in this unaudited interim management report should be construed as a profit forecast nor should past performance be relied upon as a guide to future performance.

### **Financial statements**

The Annual Report and Consolidated Financial Statements of the Company can be found at [www.enwl.co.uk](http://www.enwl.co.uk).

### **Operations**

The Company acts as a financing company within the North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") group of companies ("the Group"); it has debt in issue and listed on the London Stock Exchange.

There have been no significant changes to the activity of the Company in the current period.

## **Results**

The results for the period are included in the Condensed Profit and Loss Account on page 4.

In the 6 months ended 30 September 2020, the Company issued £300m 1.415% 2030 listed debt (see Note 8).

### **Principal risks and uncertainties**

As the Company's obligations in respect of the listed debt are met via income receivable from Electricity North West Limited ("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 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 outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2020, which are available on the website, [www.enwl.co.uk](http://www.enwl.co.uk).

The Board considers that the principal risks and uncertainties have not changed from the last annual report. These risks include the impact from the ongoing COVID-19 pandemic. Recognising the Group's role as an essential service provider, business operations have continued throughout the pandemic and varying lockdown restrictions both locally and nationally. However, ensuring the safety of our colleagues and customers during this period and managing business disruption continues to be managed as a significant risk, monitored by the Executive leadership and the Board.

## Interim Management Report (continued)

### Going concern

When considering whether to continue to adopt the going concern basis in preparing these condensed financial statements, the Directors have taken into account a number of factors, including the financial position of the Company and the Group in which it operates.

The Company is ultimately a subsidiary of NWEN (Jersey); the key trading subsidiary in the Group is ENWL. As the Company's obligations in respect of the listed debt are met via income receivable from ENWL, the Board considers the principal risks and uncertainties facing the Company to be those that affect the larger Group.

In consideration of this, the Directors of this Company are cognisant of the going concern disclosure in the Half Year Condensed Consolidated Financial Statements of ENWL. Disclosure of the considerations made by the Directors in terms of the ENWL cash flows, liquidity position, borrowing facilities and covenant compliance can be found in the ENWL Half Year Condensed Consolidated Financial Statements available on the website, [www.enwl.co.uk](http://www.enwl.co.uk).

Also, an assessment of the significance and ongoing rapid developments of the COVID-19 impact has been undertaken and performance against this assessment is regularly reviewed and updated. The Directors have reviewed the assumptions behind demand projections, financial performance and liquidity, and assessed Group resilience to a reduction in income brought about by reduced electricity demand.

The Board has given detailed consideration to the principal risks and uncertainties affecting the Group and Company, as referred to above, and all other factors which could impact on the Group and the Company's ability to remain a going concern.

Consequently, after making appropriate enquiries, the Directors have a reasonable

expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Condensed Financial Statements.

The going concern basis has been adopted by the Directors, with consideration of the guidance given in '*Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009*' published by the Financial Reporting Council in October 2009, together with the updated guidance issued in 2016.

### Ultimate parent undertaking and controlling party

The immediate parent undertaking is North West Electricity Networks plc, a company incorporated and registered in the United Kingdom. The ultimate parent undertaking is NWEN (Jersey), a company incorporated and registered in Jersey. Following a staged acquisition, there was a change in ownership of the shares in NWEN (Jersey) during the prior year and, therefore a change in the ultimate controlling parties of the Company.

Following completion of the sale on 3 December 2019, the ultimate shareholdings are:

- KDM Power Limited (40.0%);
- Equitix ENW 6 Limited (25.0%);
- Equitix MA North HoldCo Limited (15.0%); and
- Swingford Holdings Corporation Limited (20.0%).

## **Interim Management Report (continued)**

### **Directors**

The names of the Directors who held office during the period and to date are given below. Directors served for the whole six-months, and to the date of this report, except where otherwise indicated.

### **Executive Directors**

- Peter Emery
- David Brocksom

### **Non-executive Directors**

- Sion Jones
- G Pan
- S Sumitomo
- Y Hamada (appointed 1 April 2020, resigned 25 June 2020)
- P O'Flaherty (appointed 1 April 2020)
- T Tanaka (appointed 25 June 2020)
- R Holden (appointed 7 July)
- Y Yamabayashi (resigned 1 April 2020)
- Chris Dowling (resigned 4 June 2020)

### **Registered address**

ENW Finance plc  
Borron Street  
Stockport  
Cheshire  
SK1 2JD

Approved by the Board of Directors and signed on its behalf:



**D Brocksom**

Chief Financial Officer  
27 November 2020

### **Responsibility statement**

We confirm that to the best of our knowledge:

- the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer as required by DTR 4.2.4R;
- the interim management report includes a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements has been prepared in accordance with FRS104 '*Interim Financial Reporting*'.

**Condensed Profit and Loss Account**

For the period ended 30 September 2020

		<b>Unaudited Period ended 30 Sept 2020</b>	Unaudited Period ended 30 Sept 2019	Audited Year ended 31 Mar 2020
	Note	£000	£000	£000
<b>Operating result</b>		-	-	-
Interest receivable from group companies	4	<b>4,498</b>	5,065	10,168
Net interest payable and similar charges	5	<b>(6,860)</b>	(7,461)	(17,100)
<b>Loss before taxation</b>		<b>(2,362)</b>	(2,396)	(6,932)
Taxation	6	<b>365</b>	342	533
<b>Loss for the period attributable to equity shareholders of the Company</b>		<b>(1,997)</b>	(2,054)	(6,399)

All the results for the current and prior periods are derived from continuing operations.

There were no other items of comprehensive income, other than the results shown above, therefore no separate Statement of Comprehensive Income has been presented.

**Condensed Balance Sheet**

As at 30 September 2020

	Note	Unaudited Period ended 30 Sept 2020 £000	Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Loans to group undertakings	7	913,032	625,719	571,271
<b>Current assets</b>				
Interest due on loans to group undertakings	7	5,931	4,640	4,848
Cash and cash equivalents		12	12	12
		5,943	4,652	4,860
<b>Total assets</b>		<b>918,975</b>	<b>630,371</b>	<b>576,131</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accrued interest		(3,109)	(2,378)	(2,378)
Amounts due to group undertaking		(4,816)	(4,501)	(4,648)
Borrowings < 1 year	8	(199,851)	-	-
		(207,776)	(6,879)	(7,026)
<b>Net current liabilities</b>		<b>(201,833)</b>	<b>(2,227)</b>	<b>(2,166)</b>
<b>Total assets less current liabilities</b>		<b>711,199</b>	<b>623,492</b>	<b>584,757</b>
<b>Non-current liabilities</b>				
Borrowings > 1 year	8	(299,189)	(199,628)	(199,738)
Derivative financial instruments	9	(386,475)	(391,116)	(341,303)
Deferred tax liabilities		(3,839)	(4,710)	(4,371)
		(689,503)	(595,454)	(545,412)
<b>Total liabilities</b>		<b>(897,279)</b>	<b>(602,333)</b>	<b>(552,438)</b>
<b>Net assets</b>		<b>21,696</b>	<b>28,038</b>	<b>23,693</b>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		13	13	13
Profit and loss account		21,683	28,025	23,680
<b>Total shareholders' funds</b>		<b>21,696</b>	<b>28,038</b>	<b>23,693</b>

Approved by the Board of Directors on 27 November 2020 and signed on its behalf by:



**D Brocksom**  
Director

## Condensed Statement of Changes in Equity

For the period ended 30 September 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
<b>At 31 March 2019 (audited)</b>	13	30,079	30,092
Loss for the period	-	(2,054)	(2,054)
<b>At 30 September 2019 (unaudited)</b>	13	28,025	28,038
<b>At 31 March 2019 (audited)</b>	13	30,079	30,092
Loss for the period	-	(6,399)	(6,399)
<b>At 31 March 2020 (audited)</b>	13	23,680	23,693
Loss for the period	-	(1,997)	(1,997)
<b>At 30 September 2020 (unaudited)</b>	13	21,683	21,696



## Notes to the Condensed Financial Statements

### 1. General Information

ENW Finance plc is a company incorporated in the United Kingdom under the Companies Act 2006.

The financial information for the six-month period ended 30 September 2020 and similarly the six-month period ended 30 September 2019, has neither been audited nor reviewed by the auditor. The financial information for the year ended 31 March 2020 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2020 does not constitute the statutory financial statements for that year (as defined in s434 of the Companies Act 2006), but is derived from those financial statements. Statutory financial statements for 31 March 2020 have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

### 2. Significant accounting policies

#### Basis of accounting

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 FRS 100 '*Application of Financial Reporting Requirements*'. The Annual Report and Financial Statements have, therefore, been prepared in accordance with FRS 101, as issued by the Financial Reporting Council. The Half Year Condensed Financial Statements of the Company, have been prepared in accordance with FRS 104 '*Interim Financial Reporting*'.

As permitted by FRS 101 and FRS 104, for all periods presented, the Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to financial instruments, capital management, presentation of cash flow statement, standards not yet effective and related party transactions with other wholly-owned members of the Group.

The results for the period ended 30 September 2020 have been prepared using the same method of computation and the same accounting policies set out in the Annual Report and Financial Statements of ENW Finance plc for the year ended 31 March 2020.

The Directors do not believe that the Company is affected by seasonal factors which would have a material effect on the performance of the Company when comparing the interim results to those expected to be achieved in the second half of the year.

#### Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Condensed Financial Statements. Further detail is contained in the Interim Management Report.

## Notes to the Condensed Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### Changes in accounting policy

There are no accounting policies and standards adopted for the six-month period ended 30 September 2020, or for the remainder of the year to 31 March 2021, that have a significant impact on the Company.

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors do not deem there to be any critical accounting judgements that affect the Company.

#### Key sources of estimation uncertainty

##### Financial instruments at fair value through profit or loss (FVTPL)

In estimating the fair value of derivative financial instruments, the Group uses market-observable data (Level 1 and 2 inputs) to the extent it is available. Where such data is not available, certain estimates (Level 3 inputs) regarding inputs to the valuation are required to be made. Level 3 inputs form a significant part of the fair value of the financial instruments held by the Group. Information about the valuation techniques and inputs used are disclosed in Note 9.

### 4. Interest receivable from group companies

	Unaudited Period ended 30 Sept 2020 £000	Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
From parent company on loan at amortised cost	195	193	387
From affiliated company on hybrid loan asset at FVTPL	3,557	4,872	9,781
From affiliated company on loan at amortised cost	746	-	-
<b>Interest receivable from group companies</b>	<b>4,498</b>	<b>5,065</b>	<b>10,168</b>

## Notes to the Condensed Financial Statements (continued)

### 5. Net interest payable and similar charges

	Unaudited Period ended 30 Sept 2020 £000	Restated Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
<b>Interest payable:</b>			
On borrowings held at amortised cost	6,984	6,233	12,467
Net receipts on inter-company derivatives	(2,568)	(1,253)	(2,469)
Impairment of inter-company loan	156	-	14
Reimbursement of inter-company loan	(156)	-	(14)
<b>Total interest expense</b>	<b>4,416</b>	<b>4,980</b>	<b>9,998</b>
<b>Fair value movements on financial instruments:</b>			
On inter-company hybrid asset at FVTPL	(42,728)	(53,344)	1,091
On inter-company derivatives	45,172	55,825	6,011
<b>Total fair value movements (Note 9)</b>	<b>2,444</b>	<b>2,481</b>	<b>7,102</b>
<b>Net interest payable and similar charges</b>	<b>6,860</b>	<b>7,461</b>	<b>17,100</b>

### 6. Taxation

	Unaudited Period ended 30 Sept 2020 £000	Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
<b>Corporation tax:</b>			
Current period	167	188	336
<b>Deferred tax:</b>			
Current period	(532)	(530)	(1,485)
Prior Period	-	-	616
<b>Tax charge for the period</b>	<b>(365)</b>	<b>(342)</b>	<b>(533)</b>

Corporation tax is calculated at 19% (30 Sept 2019: 19%, 31 Mar 2020: 19%) of the estimated assessable profit for the period. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This was substantively enacted on 17 March 2020. Deferred tax is calculated using the rate at which it is expected to reverse. Accordingly, the deferred tax has been calculated on the basis that it will reverse in future at the 19% (2019: 17%) rate.

## Notes to the Condensed Financial Statements (continued)

### 7. Loans to group undertakings

	Unaudited Period ended 30 Sept 2020 £000	Restated Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
Loan to parent company	20,500	20,500	20,500
Impairment of loan	(11)	(2)	(14)
Hybrid loan to affiliated company at FVTPL (Note 9)	593,513	527,371	550,785
Loan to affiliated company at amortised cost	299,189	-	-
Impairment of loan	(811)	-	-
<b>Loans to Group undertakings</b>	<b>913,032</b>	<b>625,719</b>	<b>571,271</b>
<b>Interest due on loans to Group undertakings</b>	<b>5,931</b>	<b>4,640</b>	<b>4,848</b>

On 21 July 2009, the Company lent £20.5m to the immediate parent company, NWEN plc.

On the same date, the Company lent ENWL £198.2m net proceeds of the £200.0m 6.125% fixed rate bond maturing in 2021, on terms aligned to the terms of the external bond (see Note 8) and associated intercompany hedging arrangements, which formed an embedded derivative that was originally separated from the host contract and accounted for as a derivative at fair value through profit or loss. On 1 April 2018, the Company adopted IFRS 9 and the embedded derivative can no longer be separated from the host, with the entire hybrid asset required to be measured at fair value through profit or loss. The carrying value of the receivable, therefore, is the fair value of the entire host contract.

During the six-month period ended 30 September 2020, the Company lent ENWL £299.2m net proceeds of the £300m 1.415% fixed rate bond maturing in 2030, on terms aligned to the terms of the external bond (see Note 8).

#### Impairment

Financial assets measured at amortised cost are subject to impairment. The credit risk of the inter-company loan at amortised cost has been assessed as low. Accordingly, any loss allowance is measured at an amount equal to 12-month Expected credit loss (ECL). In determining the ECL for this asset, the directors of the Company have taken into account the historical default experience, the financial position of the counterparty, as well as the future prospects of the industry, as appropriate, in estimating the probability of default and loss upon default.

In accordance with provisions within the inter-company loan agreement, the Company has requested the reimbursement of the impairment charges incurred to date (Note 5).

No impairment assessment is required for financial assets held at FVTPL.

## Notes to the Condensed Financial Statements (continued)

### 8. Borrowings

	Unaudited Period ended 30 Sept 2020 £000	Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
<b>Borrowings due in less than one year:</b>			
Bonds held at amortised cost	199,851	-	-
<b>Borrowings due in more than one year:</b>			
Bonds held at amortised cost	299,189	199,628	199,738

As at 30 Sept 2020 the Company had a £200m 6.125% fixed rate bond in issue, maturing in July 2021 and guaranteed by ENWL (30 Sept 2019: same, 31 Mar 2020: same).

During the six-month period to 30 September 2020, the Company issued a £300m 1.415% fixed rate bond, maturing in July 2030 and guaranteed by ENWL.

## Notes to the Condensed Financial Statements (continued)

### 9. Financial instruments

#### Fair values

All of the fair value measurements recognised in the balance sheet for the Company occur on a recurring basis.

Where available, market values have been used to determine fair values (see Level 1 in the fair value hierarchy overleaf).

Where market values are not available, fair values have been calculated by discounting future cash flows at prevailing interest and RPI rates sourced from market data (see Level 2 in the fair value hierarchy overleaf). In accordance with IFRS 13, an adjustment for non-performance risk has then been made to give the fair value.

The non-performance risk has been quantified by calculating either a credit valuation adjustment (CVA) based on the credit risk profile of the counterparty, or a debit valuation adjustment (DVA) based on the credit risk profile of the relevant group entity, using market-available data.

Whilst the majority of the inputs to the CVA and DVA calculations meet the criteria for Level 2 inputs, certain inputs regarding the Group's credit risk are deemed to be Level 3 inputs, due to the lack of market-available data. The credit risk profile of the Group has been built using the few market-available data points, e.g. credit spreads on the listed bonds, and then extrapolated over the term of the derivatives. It is this extrapolation that is deemed to be Level 3. All other inputs to both the underlying valuation and the CVA and DVA calculations are Level 2 inputs.

The Level 3 inputs form a significant part of the fair value and, as such, these financial instruments are disclosed as Level 3.

The adjustment for non-performance risk as at 30 September 2020 is £45.3m, on each of the hybrid asset and derivative liability (30 September 2019: £54.7m, 31 March 2020: £62.9m), all of which (30 September 2019: same, 31 March 2020: same) is classed as Level 3.

On entering certain derivatives, the valuation technique used resulted in a fair value gain on the hybrid asset and a fair loss on the derivative liability. As this, however, was neither evidenced by a quoted price nor based on a valuation technique using only data from observable markets, this loss on initial recognition was not recognised. This was supported by the transaction price of nil. This difference is being recognised in profit or loss on a straight-line basis over the life of the derivatives. The aggregate difference yet to be recognised in profit or loss is £25.7m (30 September 2019: £28.9m, 31 March 2020: £27.3) on the hybrid asset and £23.9m (30 September 2019: £25.2m, 31 March 2020: £24.5m) on the derivative liability. The movement in the period all relates to the straight-line release to profit or loss.

There were no transfers between levels during the current period (30 September 2019: same, 31 March 2020: same).

## Notes to the Condensed Financial Statements (continued)

### 9. Financial instruments (continued)

	Unaudited Period ended 30 Sept 2020 £000	Restated Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
FV of hybrid asset pre IFRS 13 adjustment	664,514	688,848	640,982
CVA/ DVA	(45,282)	(54,737)	(62,893)
Day 1 adjustments	(25,719)	(28,890)	(27,304)
IFRS 13 FV of hybrid asset (Note 7)	593,513	605,221	550,785
FV of derivative liability pre IFRS 13 adjustment	(455,622)	(471,062)	(428,732)
CVA/ DVA	45,282	54,737	62,893
Day 1 adjustments	23,865	25,209	24,536
IFRS 13 FV of derivative liability	(386,475)	(391,116)	(341,303)

### Categories of financial instruments at FVTPL

	Unaudited Period ended 30 Sept 2020 £000	Restated Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
Hybrid loan to affiliated company at FVTPL (Note 7)	593,513	605,221	550,785
Inter-company derivative financial liabilities	(386,475)	(391,116)	(341,303)

Profit for the period has been derived after charging/ (crediting) the following fair value movements:

	Unaudited Period ended 30 Sept 2020 £000	Restated Unaudited Period ended 30 Sept 2019 £000	Audited Year ended 31 Mar 2020 £000
Hybrid loan to affiliated company at FVTPL	(42,728)	(53,344)	1,091
Inter-company derivative financial liabilities	45,172	55,825	6,011
<b>Net charge to Profit and Loss Account (Note 5)</b>	<b>2,444</b>	<b>2,481</b>	<b>7,102</b>

For cash and cash equivalents, trade and other receivables and trade and other payables the book values approximate to the fair values because of their short-term nature.