

Company Registration No. 06845434

ENW FINANCE PLC

**Half Year Condensed Financial Statements
for the period ended 30 September 2022**

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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.

Operations

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

The Company has a £300m 1.415% 2030 bond in issue and listed on the London Stock Exchange.

Following the issue of this bond, the Company lent the net proceeds to a fellow group subsidiary, Electricity North West Limited ("ENWL").

The company also holds an inter-company hybrid loan asset with ENWL. The portion of the inter-company loan associated with a previous £200m bond issue was repaid in July 2021; the embedded derivative portion of this loan matures in 2038.

There have been no significant changes to the activity of the Company in the current period, nor are there any planned changes.

Results

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

There have been no significant events in the 6 months ended 30 September 2022 in respect of the Company.

Principal risks and uncertainties

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 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 outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2022, which are available on the website, www.enwl.co.uk.

An assessment of the change in risk has been carried out and the principal risks are deemed comparable to those at the last annual report.

The Company has exposure to interest rate risk and inflation risk; the company inter-company index-linked swap and hybrid asset are exposed to a risk of change in fair value arising from a change of future cash flows due to changes in market interest rates and inflation rates. This exposure is limited as the impact on the inter-company index-linked swap (liability) is largely offset by an opposite impact on the embedded derivative (asset) element of the hybrid asset.

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 ENWL and 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.

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.

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, 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 published by the Financial Reporting Council.

Corporate governance

The NWEN (Jersey) group has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the entire business.

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 Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website www.enwl.co.uk.

Ultimate parent undertaking and controlling party

The immediate parent undertaking is North West Electricity Networks plc ("NWEN plc"), a company incorporated and registered in the United Kingdom. The ultimate parent undertaking is NWEN (Jersey), a company incorporated and registered in Jersey.

The ownership of the shares in NWEN (Jersey) and, therefore, the ultimate controlling parties of the Company 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 Directors who held office during the period are given below. Directors served for the whole six-months, and to the date of this report, except where otherwise indicated.

Executive Directors

- I Smyth (appointed 5 September 2022)
- D Brocksom
- P Emery (resigned 4 September 2022)

Non-executive Directors

- R Holden
- S Jones
- P O'Flaherty
- G Pan
- T Tanaka
- M Yamada (appointed 7 July 2022)
- S Sumitomo (resigned 7 July 2022)

S Jones, P O'Flaherty, G Pan, T Tanaka, M Yamada and S Sumitomo are shareholder appointed directors and have appointed alternate directors during their time as Board members.

Alternate Directors

- S Jones – A Bhuwania
- P O'Flaherty – A Bhuwania
- G Pan – H Yu
- T Tanaka – K Fukushima (resigned 7 July 2022)/ T Tamura (appointed 7 July 2022)
- M Yamada – M Murata (appointed 28 July 2022)
- S Sumitomo – F Kumura (resigned 7 July 2022)

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*'.

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
30 November 2022

Condensed Profit and Loss Account

For the period ended 30 September 2022

		Unaudited Period ended 30 Sept 2022	Unaudited Period ended 30 Sept 2021	Audited Year ended 31 Mar 2022
	Note	£000	£000	£000
Operating result		-	-	-
Interest receivable from group companies	4	4,903	5,897	14,966
Net interest payable and similar charges	5	(4,710)	(5,813)	(14,689)
Profit before taxation		193	84	277
Taxation	6	(120)	(114)	(948)
Profit/(loss) for the period attributable to equity shareholders of the Company		73	(30)	(671)

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 2022

	Note	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
ASSETS				
Non-current assets				
Loans to group undertakings	7	603,793	723,612	728,168
Current assets				
Amounts due from group undertakings	8	6,784	6,322	8,857
Cash and cash equivalents		12	12	12
		6,796	6,334	8,869
Total assets		610,589	729,946	737,037
LIABILITIES				
Current liabilities				
Accrued interest		(715)	(715)	(2,838)
Amounts due to group undertaking	9	(5,995)	(5,166)	(5,806)
		(6,710)	(5,881)	(8,644)
Net current liabilities		86	453	(21,867)
Total assets less current liabilities		603,879	724,065	712,039
Non-current liabilities				
Borrowings	10	(299,354)	(299,272)	(299,313)
Derivative financial instruments	11	(284,206)	(404,031)	(408,766)
Deferred tax		(2,955)	(2,830)	(3,023)
		(586,515)	(706,133)	(711,102)
Total liabilities		(593,225)	(712,014)	(719,846)
Total net assets		17,364	17,932	17,291
CAPITAL AND RESERVES				
Called up share capital		13	13	13
Profit and loss account		17,351	17,919	17,278
Total shareholders' funds		17,364	17,932	17,291

Approved by the Board of Directors on 30 November 2022 and signed on its behalf by:



D Brocksom
Director

Condensed Statement of Changes in Equity

For the period ended 30 September 2022

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 31 March 2021 (audited)	13	17,949	17,962
Loss for the period	-	(30)	(30)
At 30 September 2021 (unaudited)	13	17,919	17,932
At 31 March 2021 (audited)	13	17,949	17,962
Loss for the year	-	(671)	(671)
At 31 March 2022 (audited)	13	17,278	17,291
Profit for the period	-	73	73
At 30 September 2022 (unaudited)	13	17,351	17,364

Notes to the Condensed Financial Statements

1. General Information

ENW Finance plc is a company incorporated in the United Kingdom, and registered in England and Wales, under the Companies Act 2006.

The financial information for the six-month period ended 30 September 2022 and similarly the six-month period ended 30 September 2021, has not been audited or reviewed by the auditor. The financial information for the year ended 31 March 2022 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2022 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 2022 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 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 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 2022 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 2022.

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.

These condensed financial statements are prepared on the going concern basis. Further detail on the going concern assessment is contained in the Interim Management Report.

These condensed financial statements are presented in sterling, the functional currency of the Company. All values are stated in thousand pounds (£'000) unless otherwise indicated.

Notes to the Condensed Financial Statements (continued)

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Changes in accounting policy

There are no accounting policies or standards adopted for the six-month period ended 30 September 2022, or for the remainder of the year to 31 March 2023, 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

The key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are outlined below.

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

In estimating the fair value of derivative financial instruments, the Company 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 11.

Notes to the Condensed Financial Statements (continued)

4. Interest receivable from group companies

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
From parent company on loan at amortised cost	188	180	364
From group undertaking on loan at amortised cost	2,169	2,160	10,269
From group undertaking on hybrid loan asset at FVTPL	2,546	3,557	4,333
Interest receivable from group companies	4,903	5,897	14,966

5. Net interest payable and similar charges

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Interest payable:			
On borrowings held at amortised cost	2,164	5,965	8,128
Net payments/ (receipts) on inter-company derivatives	2,546	(2,568)	4,145
Impairment of inter-company loan (Note 7)	(144)	100	320
Reimbursement of inter-company loan impairment (Note 7)	144	(100)	(320)
Total interest expense	4,710	3,397	12,273
Fair value movements on financial instruments:			
On inter-company hybrid asset at FVTPL (Note 11)	124,560	(33,972)	(38,707)
On inter-company derivatives at FVTPL (Note 11)	(124,560)	36,388	41,123
Total fair value movements	-	2,416	2,416
Net interest payable and similar charges	4,710	5,813	14,689

Notes to the Condensed Financial Statements (continued)

6. Taxation

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Current tax:			
Current period	188	177	818
Deferred tax:			
Current period	(68)	(651)	130
Impact of change in future tax rates	-	588	-
Tax charge for the period	120	114	948

Corporation tax is calculated at 19% (30 Sept 2021: 19%, 31 Mar 2022: 19%) of the estimated assessable profit for the period.

The tax charge in future periods will be affected by the corporation tax increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2022 and confirmed by the announcement on 14 October 2022.

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 25% (30 Sept 2021: 19%, 31 Mar 2022: 25%) rate, except where it is known that it will reverse before 1 April 2023 when the 19% rate has been used, in all periods reported above.

Notes to the Condensed Financial Statements (continued)

7. Loans to group undertakings

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Non-current:			
Loan to parent company at amortised cost	20,500	20,500	20,500
Impairment of loan	(25)	(12)	(27)
Loan to group undertaking at amortised cost	299,354	299,272	299,313
Impairment of loan	(243)	(179)	(384)
Hybrid loan to group undertaking at FVTPL (Note 11)	284,206	404,031	408,766
Total loans to group undertakings	603,793	723,612	728,168

On 21 July 2009, the Company lent £20.5m to the immediate parent company, NWEN plc; this inter-company loan is measured at amortised cost and is due for repayment in July 2030.

On the same date, the Company lent ENWL £198.2m net proceeds of the £200.0m 6.125% 2021 bond, on terms aligned to the terms of the external bond and associated inter-company hedging arrangements, which formed an embedded derivative. The entire hybrid asset is required to be measured at fair value through profit or loss (see Note 11). This inter-company loan matures in July 2038, with a £200.0m payment in July 2021.

On 30 July 2020, the Company lent ENWL £299.2m net proceeds of the £300m 1.415% 2030 bond, on terms aligned to the terms of the external bond (see Note 10). This inter-company loan is measured at amortised cost and is due for repayment in July 2030.

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. Amounts due from group undertakings**

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Accrued interest due from parent company	5,655	5,280	5,468
Accrued interest due from group undertaking	861	851	2,978
Reimbursement of impairment on loan due from parent company	25	12	27
Reimbursement of impairment on loan due from group undertaking	243	179	384
Amounts due from group undertakings	6,784	6,322	8,857

9. Amounts due to group undertakings

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Amounts due to group undertakings	5,995	5,166	5,806

Amounts due to group undertaking relate to amounts for group tax relief.

10. Borrowings

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Borrowings due in more than one year:			
Bonds held at amortised cost	299,354	299,272	299,313

At 30 Sept 2022, the Company had a £300m 1.415% fixed rate bond in issue, maturing in July 2030 and guaranteed by ENWL (30 Sept 2021: same, 31 Mar 2022: same).

During the period ended 30 Sept 2021 the Company repaid a £200m 6.125% fixed rate bond on maturity, in July 2021. This bond was guaranteed by ENWL.

Notes to the Condensed Financial Statements (continued)

11. 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 (Level 1 inputs).

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 (Level 2 inputs). 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. A funding valuation adjustment (FVA) has also been made.

Whilst the majority of the inputs to the CVA, DVA and FVA 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. The estimation of the funding cost in the FVA calculation is also a Level 3 input. All other inputs to both the underlying valuation and the CVA, DVA and FVA calculations are Level 2 inputs.

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

The adjustment for non-performance risk as at 30 September 2022 is £50.7m, on each of the hybrid asset and derivative liability (30 September 2021: £33.2m, 31 March 2022: £56.7m), all of which (30 September 2021: same, 31 March 2022: 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 £21.2m (30 September 2021: £22.5m, 31 March 2022: £21.9m) on the hybrid asset and £21.2m (30 September 2021: £22.5m, 31 March 2022: £21.9m) 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 2021: same, 31 March 2022: same).

Notes to the Condensed Financial Statements (continued)

11. Financial instruments (continued)

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
FV of hybrid asset pre IFRS 13 adjustment	356,080	459,716	487,311
CVA/ DVA/ FVA	(50,688)	(33,159)	(56,687)
Day 1 adjustments	(21,186)	(22,526)	(21,858)
IFRS 13 FV of hybrid asset (Note 7)	284,206	404,031	408,766
FV of derivative liability pre IFRS 13 adjustment	(356,080)	(459,716)	(487,311)
CVA/ DVA/ FVA	50,688	33,159	56,687
Day 1 adjustments	21,186	22,526	21,858
IFRS 13 FV of derivative liability	(284,206)	(404,031)	(408,766)

Categories of financial instruments at FVTPL

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Hybrid loan to affiliated company at FVTPL (Note 7)	284,206	404,031	408,766
Inter-company derivative financial liabilities	(284,206)	(404,031)	(408,766)

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

	Unaudited Period ended 30 Sept 2022 £000	Unaudited Period ended 30 Sept 2021 £000	Audited Year ended 31 Mar 2022 £000
Hybrid loan to affiliated company at FVTPL	124,560	(33,972)	(38,707)
Inter-company derivative financial liabilities	(124,560)	36,388	41,123
Net charge to Profit and Loss Account (Note 5)	-	2,416	2,416

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.