Company Registration No. 06845434

ENW FINANCE PLC

Interim Report and Condensed Financial Statements

for the half year ended 30 September 2023

Contents

This interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 March 2023.

ENW Finance plc is a company limited by shares, incorporated and domiciled in England, UK. Its registered office and principal place of business is Electricity North West, Borron Street, Stockport, England, SK1 2JD.

These condensed interim financial statements were approved for issue on 30 November 2023.

These condensed interim financial statements have been reviewed, not audited.

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 principal activity of the Company is as a financing company within the North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") group of companies ("the Group").

The Company issues debt, listed on the London Stock Exchange, and on-lends the net proceeds of the debt to the main trading company in the Group, Electricity North West Limited ("ENWL"), which is the guarantor of the publicly issued debt of the Company.

At 30 September 2023, the Company had a £300m 1.415% 2030 bond and a £425m 4.893% 2032 bond in issue and listed on the London Stock Exchange. The latter is a 'green bond' and the proceeds have been lent to ENWL to finance green projects in accordance with the Green Financing Framework and International Capital Market Association's ("ICMA's") Green Bond Principles.

The Company also holds an inter-company derivative with ENWL that matures in 2038; the terms of an inter-company loan match the terms of this inter-company derivative and associated external debt thereby creating a hybrid loan asset with ENWL that 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 half year are set out in the Condensed Statement of Profit or Loss on page 4.

There have been no significant events in the half year ended 30 September 2023 in respect of the Company.

Principal risks and uncertainties

An assessment of the change in risk affecting the Company has been carried out and the principal risks are deemed comparable to those at the last Annual Report.

The principal risks affecting the Company relate to the ability to meet the obligations under the external debt. As these amounts 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 on pages 34 to 40 of the Strategic Report in the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2023, which are available on the website, www.enwl.co.uk.

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.

In consideration of this, the Directors of the Company are cognisant of the going concern disclosure in the Interim Report and Condensed Consolidated Financial Statements of ENWL, available on the website, www.enwl.co.uk.

After making appropriate enquiries, and with consideration of the guidance published by the Financial Reporting Council, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the Directors have considered the foreseeable future to be a period of at least twelve months from the date of approval of these interim financial statements. Accordingly, they continue to adopt the going concern basis in preparing these interim financial statements.

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. Details of the internal control and risk management systems which govern the Company are outlined in the Corporate Governance Report on pages 41 to 55 of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website www.enwl.co.uk.

Parent, ultimate parent 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 North West Electricity Networks (Jersey) Limited (“NWEN (Jersey)”), a company incorporated and registered in Jersey.

At 30 September 2023, the ownership of the shares in NWEN (Jersey) and, therefore, the ultimate controlling parties of the Company were:

- 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 half year are given below. Directors served for the entire half year, and to the date of this report, except where otherwise indicated.

Executive Directors

- Ian Smyth
- Chris Johns (appointed 25 May 2023)
- David Brocksom (resigned 25 May 2023)

Non-executive Directors

- Rob Holden
- Sion Jones (resigned 31 July 2023)
- Peter O'Flaherty (resigned 31 July 2023)
- Genping Pan (resigned 31 July 2023)
- Masahide Yamada (resigned 31 July 2023)
- Takeshi Tanaka (resigned 31 July 2023)

Alternate Directors

- Aisha Hamid (resigned 31 July 2023)
- Makoto Murata (resigned 31 July 2023)
- Tatsuhiro Tamura (resigned 31 July 2023)
- Hailin Yu (resigned 31 July 2023)

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

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'*.

Approved by the Board and signed on its behalf by:

Chris Johns
Chief Financial Officer
30 November 2023

Condensed Statement of Profit or Loss

For the half year ended 30 September 2023

	Note	**Unaudited Half year ended 30 Sept 2023 £000**	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Operating profit		**-**	-	-
Finance income[1]	2	**101,687**	25,040	36,700
Finance costs[1]	3	**(101,427)**	(24,847)	(36,311)
Profit before income tax		**260**	193	389
Income tax expense	4	**(160)**	(120)	(198)
Profit for the period		**100**	73	191

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

The above condensed statement of profit or loss should be read in conjunction with the notes.

For the current and prior periods presented, there were no items of other comprehensive income, therefore, no separate Statement of Other Comprehensive Income has been presented.

[1] In this interim report, the accretion receipts and accretion payments are shown gross, but were previously shown net; accordingly, both the comparative periods have been represented, with an equal and opposite increase of £20,133,000 in both finance income and finance costs (in both comparative periods) that net to nil with, therefore, no impact on the reported profit.

Condensed Statement of Financial Position

As at 30 September 2023

	Note	Unaudited As at 30 Sept 2023 £000	Unaudited As at 30 Sept 2022 £000	Audited As at 31 Mar 2023 £000
ASSETS				
Non-current assets				
Loans to group undertakings	5	**944,692**	603,793	1,055,191
Current assets				
Amounts owed by group undertakings	6	**14,785**	6,784	13,565
Cash and cash equivalents		**12**	12	12
Total current assets		**14,797**	6,796	13,577
Total assets		**959,489**	610,589	1,068,768
LIABILITIES				
Current liabilities				
Trade and other payables		**(8,051)**	(715)	(6,709)
Amounts owed to group undertakings	7	**(6,432)**	(5,995)	(6,183)
Total current liabilities		**(14,483)**	(6,710)	(12,892)
Net current assets		**314**	86	685
Total assets less current liabilities		**945,006**	603,879	1,055,876
Non-current liabilities				
Borrowings	8	**(723,349)**	(299,354)	(723,248)
Derivative financial instruments	9	**(201,320)**	(284,206)	(312,301)
Deferred tax liabilities		**(2,755)**	(2,955)	(2,845)
Total non-current liabilities		**(927,424)**	(586,515)	(1,038,394)
Total liabilities		**(941,907)**	(593,225)	(1,051,286)
Net assets		**17,582**	17,364	17,482
CAPITAL AND RESERVES				
Share capital		**13**	13	13
Retained earnings		**17,569**	17,351	17,469
Total shareholders' funds		**17,582**	17,364	17,482

The above statement of financial position should be read in conjunction with the notes.

The financial statements on pages 4 to 6 were authorised for issue by the Board of Directors on 30 November 2023 and were signed on its behalf by:

Chris Johns
Director

Condensed Statement of Changes in Equity

For the Half year ended 30 September 2023

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2022 (audited)	13	17,278	17,291
Profit for the half year	-	73	73
At 30 September 2022 (unaudited)	13	17,351	17,364
At 1 April 2022 (audited)	13	17,278	17,291
Profit for the year	-	191	191
At 31 March and 1 April 2023 (audited)	13	17,469	17,482
Profit for the half year	**-**	**100**	**100**
At 30 September 2023 (unaudited)	**13**	**17,569**	**17,582**

The above statement of changes in equity should be read in conjunction with the notes.

Notes to the Condensed Financial Statements

1. 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 financial report has, therefore, been prepared in accordance with FRS 101. This condensed interim financial report has 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 financial information for the half year ended 30 September 2023, and similarly the half year ended 30 September 2022, has not been audited or reviewed by the auditor. The financial information for the year ended 31 March 2023 has been based on information in the audited financial statements for that year; it 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 2023 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.

The interim report does not include all the notes included in the audited financial statements. Accordingly, this report is to be read in conjunction with the audited financial statements for the year ended 31 March 2023.

The interim report is prepared on a going concern basis.

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.

The accounting policies adopted, and methods of computation used, in this interim report are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

Adoption of new and amended standards

A number of amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new and amended standards.

Critical accounting judgments and key sources of estimation uncertainty

The areas of critical accounting judgements and key sources of estimation uncertainty are consistent with those of the previous financial year and corresponding interim reporting period.

Notes to the Condensed Financial Statements (continued)

2. Finance income

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Interest from parent company on loan at amortised cost	**249**	188	376
Interest from group company on loans at amortised cost	**12,629**	2,169	8,238
Net interest settlements on inter-company hybrid loan asset at fair value	**1,847**	2,546	7,949
Accretion received on inter-company hybrid loan asset at fair value[2]	**86,962**	20,137	20,137
Finance income	**101,687**	25,040	36,700

3. Finance costs

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Finance costs (excluding fair value movements):			
Interest on borrowings at amortised cost	**12,618**	2,164	8,225
Net interest settlements on inter-company derivative at fair value	**1,847**	2,546	7,949
Accretion paid on inter-company derivative at fair value[2]	**86,962**	20,137	20,137
Impairment of inter-company loans	**(381)**	(144)	447
Reimbursement of inter-company loan impairment	**381**	144	(447)
	101,427	24,847	36,311
Fair value movements on financial instruments:			
Inter-company hybrid loan asset	**110,981**	124,560	96,465
Inter-company derivative	**(110,981)**	(124,560)	(96,465)
	-	-	-
Total finance costs	**101,427**	24,847	36,311

Details on the valuation techniques used to derive the fair values can be found in Note 9.

No derivatives were entered or closed during the half year (30 Sept 2022: none, 31 Mar 2023: none).

[2] In this interim report, the accretion receipts and accretion payments are shown gross, but were previously shown net; accordingly, the comparative periods have been represented, with an equal and opposite increase of £20,133,000 in both finance income and finance costs (in both comparative periods) that nets to nil with, therefore, no impact on the reported profit. Accretion settlements are scheduled five-yearly and seven-yearly and are next due in July 2027.

Notes to the Condensed Financial Statements (continued)

4. Income tax

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Current tax:			
Current period	**249**	188	376
Deferred tax:			
Current period	**(89)**	(68)	(178)
Income tax expense	**160**	120	198

Current tax is calculated at 25% (30 Sept 2022: 19%, 31 Mar 2023: 19%) of the estimated assessable profit for the half year.

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 25% (30 Sept 2022: 25%, 31 Mar 2023: 25%).

Notes to the Condensed Financial Statements (continued)

5. Loans to group undertakings

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Non-current:			
Loan to parent company at amortised cost	**20,500**	20,500	20,500
Impairment of loan	**(18)**	(25)	(24)
Loan to group company at amortised cost	**299,437**	299,354	299,395
Impairment of loan	**(194)**	(243)	(352)
Loan to group company at amortised cost	**423,912**	-	423,853
Impairment of loan	**(265)**	-	(482)
Hybrid loan asset to group company at fair value (Note 9)	**201,320**	284,206	312,301
Loans to group undertakings	**944,692**	603,793	1,055,191

In July 2009, the Company lent £20.5m to the immediate parent company, NWEN plc; this loan has an effective interest rate of 1.8% and is due for repayment in July 2030.

In July 2020, the Company lent ENWL £299.2m net proceeds of the £300m 1.415% 2030 bond (see Note 8), on terms equal to the terms of the external bond.

In July 2023, the Company lent ENWL £423.8m net proceeds of the £425m 4.893% 2032 bond (see Note 8), on terms equal to the terms of the external bond.

In July 2009, the Company lent ENWL £198.2m net proceeds of a £200m 6.125% 2021 bond, on terms equal to both the terms of that bond and an associated inter-company derivative, which formed a hybrid loan asset. The inter-company derivative and, therefore, the hybrid loan asset mature in 2038. The entire hybrid loan asset is required to be measured at fair value through profit or loss. Following the repayment of the bond in 2021, the remaining cash flows of the hybrid loan asset are equal and opposite to the inter-company derivative and, therefore, the fair value of the hybrid loan asset is equal and opposite to the fair value of the inter-company derivative liability (see Note 9).

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 (Note 3). Similarly, ENWL has requested the reimbursement of the impairment charges it has incurred on the loan with the Company.

No impairment assessment is required for financial assets held at fair value.

Notes to the Condensed Financial Statements (continued)

6. Amounts owed by group undertakings

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Accrued interest due from parent company	**6,094**	5,655	5,844
Accrued interest due from group company	**8,214**	861	6,863
Reimbursement of impairment on loan due from parent company	**18**	25	24
Reimbursement of impairment on loan due from group company	**459**	243	834
Amounts owed by group undertakings	**14,785**	6,784	13,565

For more information on the inter-company loans see Note 5.

7. Amounts owed to group undertakings

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Amounts owed to parent company	**6,432**	5,995	6,183

The amounts owed to parent company relate to group tax relief. These are interest free and repayable on demand.

8. Borrowings

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Bonds	**723,349**	299,354	723,248

At 30 Sept 2023, the Company had in issue a £300m 1.415% bond maturing in July 2030 and a £425m 4.893% bond maturing in November 2032, both guaranteed by Electricity North West Limited, the latter issued in January 2023.

All borrowings were unsecured and in sterling. There were no unutilised committed borrowing facilities in place, nor were there formal bank overdraft facilities in place.

Notes to the Condensed Financial Statements (continued)

9. Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report.

All of the fair value measurements recognised in the statement of financial position occur on a recurring basis.

Categories of financial instruments measured and recognised at fair value

	Unaudited Half year ended 30 Sept 2023 £000	Unaudited Half year ended 30 Sept 2022 £000	Audited Year ended 31 Mar 2023 £000
Hybrid loan asset to group company (Note 5)	**201,320**	284,206	312,301
Inter-company derivative liability	**(201,320)**	(284,206)	(312,301)

Valuation techniques used to determine fair values

As quoted market prices (Level 1 inputs) are not available, fair values have been calculated by discounting estimated future cash flows based on observable interest and RPI curves sourced from market available 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 Company, using market-available data where possible, however, certain inputs and extrapolations regarding the credit risk are deemed to be Level 3 inputs, due to the lack of market-available data.

The Level 3 inputs form a significant part of the fair value of the financial instruments and, therefore, these financial instruments are disclosed as Level 3 for all periods presented in this interim financial report.

At 30 September 2023, the adjustment for non-performance risk was £37.2m, on each of the hybrid loan asset and the derivative liability (30 Sept 2022: £50.7m, 31 Mar 2023: £45.0m), all of which (30 Sept 2022: all, 31 Mar 2023: all) is classed as Level 3.

On entering certain derivatives, the valuation technique used resulted in a fair value gain on the hybrid loan 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 gain and loss on initial recognition were not recognised. This was supported by the transaction price of nil. The difference is being recognised in profit or loss on a straight-line basis over the life of the instruments. At 30 September 2023, the aggregate difference yet to be recognised was £19.8m (30 Sept 2022: £21.2m, 31 Mar 2023: £20.5m) on both the hybrid loan asset and on the derivative liability. The movement in the half year all relates to the straight-line release to profit or loss.

These valuation techniques remain consistent for all periods covered in this report.