

**Company Registration No. 06845434**

# **ENW FINANCE PLC**

**Half Year Condensed Financial Statements  
for the period ended 30 September 2021**

## **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”).

During the period, the Company had a £200m 6.125% 2021 bond and a £300m 1.415% 2030 bond in issue, both listed on the London Stock Exchange. Following the issue of this debt, the Company lent the net proceeds to a fellow group subsidiary, Electricity North West Limited (“ENWL”).

The £200m 6.125% 2021 bond, and the associated inter-company loan asset, matured and were repaid during the period.

There have been no other 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.

Other than the repayment of the bond and associated inter-company loan, there have been no significant events in the 6 months ended 30 September 2021 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 2021, which are available on the website, [www.enwl.co.uk](http://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, except for the refinancing risk in the Company. The £200m listed bonds, and associated inter-company loan asset, matured and were repaid in July 2021, thus eliminating the refinancing risk of this debt.

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. The 2021 bonds, and the associated inter-company loan asset, matured and were repaid during the period.

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).

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 published by the Financial Reporting Council.

### 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

- P Emery
- D Brocksom

### Non-executive Directors

- R Holden
- S Jones
- P O'Flaherty
- G Pan
- S Sumitomo
- T Tanaka

### Alternate Directors

- A Bhuwania
- K Fukushima
- F Kumura
- H Yu

### 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  
29 November 2021

**Condensed Profit and Loss Account**

For the period ended 30 September 2021

		<b>Unaudited</b> <b>Period ended</b> <b>30 Sept 2021</b>	Unaudited Period ended 30 Sept 2020	Audited Year ended 31 Mar 2021
	Note	<b>£000</b>	£000	£000
<b>Operating result</b>		-	-	-
Interest receivable from group companies	4	<b>5,897</b>	4,498	10,412
Net interest payable and similar charges	5	<b>(5,813)</b>	(6,860)	(17,281)
<b>Profit/(loss) before taxation</b>		<b>84</b>	(2,362)	(6,869)
Taxation	6	<b>(114)</b>	365	1,138
<b>Profit/(loss) for the period attributable to equity shareholders of the Company</b>		<b>(30)</b>	(1,997)	(5,731)

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 2021

	Note	Unaudited Period ended 30 Sept 2021 £000	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Loans to group undertakings	7	723,612	913,032	665,861
<b>Current assets</b>				
Loans to group undertakings	7	-	-	223,838
Amounts due from group undertakings	8	6,322	5,931	8,168
Cash and cash equivalents		12	12	12
		6,334	5,943	232,018
<b>Total assets</b>		<b>729,946</b>	<b>918,975</b>	<b>897,879</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	9	-	(199,851)	(199,934)
Accrued interest		(715)	(3,109)	(5,228)
Amounts due to group undertaking		(5,166)	(4,816)	(4,989)
		(5,881)	(207,776)	(210,151)
<b>Net current liabilities</b>		<b>453</b>	<b>(201,833)</b>	<b>(21,867)</b>
<b>Total assets less current liabilities</b>		<b>724,065</b>	<b>711,199</b>	<b>687,728</b>
<b>Non-current liabilities</b>				
Borrowings	9	(299,272)	(299,189)	(299,230)
Derivative financial instruments	10	(404,031)	(386,475)	(367,643)
Deferred tax		(2,830)	(3,839)	(2,893)
		(706,133)	(689,503)	(669,766)
<b>Total liabilities</b>		<b>(712,014)</b>	<b>(897,279)</b>	<b>(879,917)</b>
<b>Total net assets</b>		<b>17,932</b>	<b>21,696</b>	<b>17,692</b>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		13	13	13
Profit and loss account		17,919	21,683	17,949
<b>Total shareholders' funds</b>		<b>17,932</b>	<b>21,696</b>	<b>17,962</b>

Approved by the Board of Directors on 29 November 2021 and signed on its behalf by:

D Brocksom  
Director

**Condensed Statement of Changes in Equity**

For the period ended 30 September 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
<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
<b>At 31 March 2020 (audited)</b>	13	23,680	23,693
Loss for the year	-	(5,731)	(5,731)
<b>At 31 March 2021 (audited)</b>	13	17,949	17,962
Profit for the period	-	(30)	(30)
<b>At 30 September 2021 (unaudited)</b>	<b>13</b>	<b>17,919</b>	<b>17,932</b>



## 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 2021 and similarly the six-month period ended 30 September 2020, has not been audited or reviewed by the auditor. The financial information for the year ended 31 March 2021 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2021 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 2021 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 2021 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 2021.

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.

#### Changes in accounting policy

There are no accounting policies and standards adopted for the six-month period ended 30 September 2021, or for the remainder of the year to 31 March 2022, that have a significant impact on the Company.

## Notes to the Condensed Financial Statements (continued)

### 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.

Such 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 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 10.

### 4. Interest receivable from group companies

	<b>Unaudited Period ended 30 Sept 2021 £000</b>	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
From parent company on loan at amortised cost	<b>180</b>	195	376
From group undertaking on hybrid loan asset at FVTPL	<b>3,557</b>	3,557	2,912
From group undertaking on loan at amortised cost	<b>2,160</b>	746	7,124
<b>Interest receivable from group companies</b>	<b>5,897</b>	4,498	10,412

## Notes to the Condensed Financial Statements (continued)

### 5. Net interest payable and similar charges

	Unaudited Period ended 30 Sept 2021 £000	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
<b>Interest payable:</b>			
On borrowings held at amortised cost	5,965	6,984	15,351
Net receipts on inter-company derivatives	(2,568)	(2,568)	(5,136)
Impairment of inter-company loan (Note 7)	100	156	77
Reimbursement of inter-company loan impairment (Note 7)	(100)	(156)	(77)
<b>Total interest expense</b>	<b>3,397</b>	<b>4,416</b>	<b>10,215</b>
<b>Fair value movements on financial instruments:</b>			
On inter-company hybrid asset at FVTPL	(33,972)	(42,728)	(19,274)
On inter-company derivatives	36,388	45,172	26,340
<b>Total fair value movements (Note 10)</b>	<b>2,416</b>	<b>2,444</b>	<b>7,066</b>
<b>Net interest payable and similar charges</b>	<b>5,813</b>	<b>6,860</b>	<b>17,281</b>

### 6. Taxation

	Unaudited Period ended 30 Sept 2021 £000	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
<b>Corporation tax:</b>			
Current period	177	167	340
<b>Deferred tax:</b>			
Current period	(651)	(532)	(1,478)
Impact of change in future tax rates	588	(532)	(1,478)
<b>Tax credit for the period</b>	<b>114</b>	<b>(365)</b>	<b>(1,138)</b>

Corporation tax is calculated at 19% (30 Sept 2020: 19%, 31 Mar 2020: 19%) of the estimated assessable profit for the period.

The tax charge in future periods will be affected by the announcement on 3 March 2021 that the corporation tax rate will be increased to 25% from 1 April 2023. This was substantively enacted on 24 May 2021.

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% (2020: 19%) rate, except where it is known that it will reverse before 1 April 2023 when the 19% rate has been used.

## Notes to the Condensed Financial Statements (continued)

### 7. Loans to group undertakings

	Unaudited Period ended 30 Sept 2021 £000	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
<b>Non-current:</b>			
Loan to parent company at amortised cost	20,500	20,500	-
Impairment of loan	(12)	(11)	-
Hybrid loan to group undertaking at FVTPL (Note 10)	404,031	593,513	366,716
Loan to group undertaking at amortised cost	299,272	299,189	299,230
Impairment of loan	(179)	(811)	(85)
<b>Total</b>	<b>723,612</b>	<b>913,032</b>	<b>665,861</b>
<b>Current:</b>			
Loan to parent company at amortised cost	-	-	20,500
Impairment of loan	-	-	(6)
Hybrid loan to group undertaking at FVTPL (Note 10)	-	-	203,344
<b>Total</b>	<b>-</b>	<b>-</b>	<b>223,838</b>
<b>Interest due on loans to Group undertakings</b>	<b>6,322</b>	<b>5,931</b>	<b>8,168</b>

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 was due for repayment in July 2021, but at that time was extended to July 2030.

On 21 July 2009, 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 09) and associated intercompany 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 10). This inter-company loan matures in July 2038, with a £200.0m principal payment linked to the loan element paid in July 2021.

On 30 July 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). This inter-company loan is measured at amortised cost and is due for repayment in July 2030.

## Notes to the Condensed Financial Statements (continued)

### 7. Loans to group undertakings (continued)

#### 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.

### 8. Amounts due from group undertakings

	<b>Unaudited Period ended 30 Sept 2021 £000</b>	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
Accrued interest due from parent company	<b>5,280</b>	4,915	5,103
Accrued interest due from group undertaking	<b>851</b>	845	2,973
Reimbursement of impairment due from parent company	<b>12</b>	11	7
Reimbursement of impairment due from group undertaking	<b>179</b>	160	85
<b>Amounts due from group undertakings</b>	<b>6,322</b>	5,931	8,168

### 9. Borrowings

	<b>Unaudited Period ended 30 Sept 2021 £000</b>	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
<b>Borrowings due in less than one year:</b>			
Bonds held at amortised cost	-	199,851	199,934
<b>Borrowings due in more than one year:</b>			
Bonds held at amortised cost	<b>299,272</b>	299,189	299,230

At 30 Sept 2021, the Company had a £300m 1.415% fixed rate bond in issue, maturing in July 2030 and guaranteed by ENWL (30 Sept 2020: same, 31 Mar 2021: 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 (30 Sept 2019: same, 31 Mar 2020: same).

## Notes to the Condensed Financial Statements (continued)

### 10. 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.

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 2021 is £33.2m, on each of the hybrid asset and derivative liability (30 September 2020: £45.3m, 31 March 2021: £36.7m), all of which (30 September 2020: same, 31 March 2021: 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 £22.5m (30 September 2020: £25.7m, 31 March 2021: £24.1m) on the hybrid asset and £22.5m (30 September 2020: £23.9m, 31 March 2021: £23.2m) 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 2020: same, 31 March 2020: same).

## Notes to the Condensed Financial Statements (continued)

### 10. Financial instruments (continued)

	Unaudited Period ended 30 Sept 2021 £000	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
FV of hybrid asset pre IFRS 13 adjustment	459,716	664,514	630,851
CVA/ DVA	(33,159)	(45,282)	(36,667)
Day 1 adjustments	(22,526)	(25,719)	(24,125)
IFRS 13 FV of hybrid asset (Note 7)	<b>404,031</b>	593,513	570,059
FV of derivative liability pre IFRS 13 adjustment	(459,716)	(455,622)	(427,507)
CVA/ DVA	33,159	45,282	36,667
Day 1 adjustments	22,526	23,865	23,197
IFRS 13 FV of derivative liability	<b>(404,031)</b>	(386,475)	(367,643)

### Categories of financial instruments at FVTPL

	Unaudited Period ended 30 Sept 2021 £000	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
Hybrid loan to affiliated company at FVTPL (Note 7)	404,031	593,513	570,060
Inter-company derivative financial liabilities	(404,031)	(386,475)	(367,643)

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

	Unaudited Period ended 30 Sept 2021 £000	Unaudited Period ended 30 Sept 2020 £000	Audited Year ended 31 Mar 2021 £000
Hybrid loan to affiliated company at FVTPL	(33,972)	(42,728)	(19,274)
Inter-company derivative financial liabilities	36,388	45,172	26,340
<b>Net charge to Profit and Loss Account (Note 5)</b>	<b>2,416</b>	2,444	7,066

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.