

Company Registration No. 08374655

NWEN FINANCE PLC

**Annual Report and Financial Statements
for the year ended 31 March 2021**

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Strategic Report

NWEN Finance plc (“the Company”) is a private company limited by shares and incorporated in England, the United Kingdom under the Companies Act 2006.

Business review and principal activities

The Company acts as a financing company within the North West Electricity Networks (Jersey) Limited (“NWEN (Jersey)”) group of companies (“the Group”); it has secured debt in issue and listed on the London Stock Exchange. Following the issue of the debt, the net proceeds were lent to its immediate parent company North West Electricity Networks (Holdings) Limited (“NWEN (Holdings)”).

The Company operates solely as a financing company and, therefore, there are no non-financial key performance indicators. A review of the Group’s non-financial key performance indicators is disclosed in the Annual Report and Consolidated Financial Statements of the key trading subsidiary of the Group, Electricity North West Limited (“ENWL”).

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

Financial performance and key performance indicators

The results for the year are set out in the Profit and Loss Account on page 14.

The primary key performance indicator (“KPI”) for the year was a profit after tax of £8,000 (2020: profit of £21,000).

The Company had borrowings of £180m at 31 March 2021 (2020: £180m) relating to the listed debt. The debt has a nominal value of £180m at 5.875%, maturing in June 2021. The Company recognises a receivable from NWEN (Holdings) on equivalent terms, equal and opposite, to the external borrowings.

There are no planned changes to the business activities of the Company.

Principal risks and uncertainties

As the Company’s obligations in respect of the listed debt are met via income receivable from NWEN (Holdings), the Board considers the principal risks and uncertainties facing the Company to be those that affect NWEN (Holdings) 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, 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 year on year, with the exception of the refinancing risk in the Company; the facility to be used for the refinance has been entered, thus mitigating the refinancing risk. The listed bonds mature in June 2021, the repayment of which will be met by the repayment of the Company’s inter-company loan with NWEN (Holdings) Limited. NWEN (Holdings) has a £210m facility in place, that was £30m drawn at 31 March 2021. The remaining £180m undrawn will be utilised to repay the inter-company loan with the Company, and those proceeds used to repay the listed debt on maturity.

Strategic Report (continued)

Going concern

When considering whether to continue to adopt the going concern basis in preparing these 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 NWEN (Holdings), the Board considers the principal risks and uncertainties facing the Company to be those that affect NWEN (Holdings) and the larger Group.

The external £180m bond is due for repayment in July 2021; proceeds from the repayment of the £180m inter-company loan asset will be used to repay the listed debt on maturity. A letter of support from NWEN (Holdings) has been provided.

In consideration of this, the Directors of the Company are cognisant of the going concern disclosure in the financial statements of both NWEN (Jersey) and ENWL for the year ended 31 March 2021, the latter of which is available on the website www.enwl.co.uk.

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 Annual Report and 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 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 NWEN (Holdings), 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%).

Fair, balanced and understandable

The Directors have reviewed the Annual Report and Financial Statements, to ensure they are fair, balanced and understandable. As part of the review of the Annual Report and Financial Statements the Directors have acknowledged the detailed guidance given to contributors to the financial statements.

Approved by the Board on 4 June 2021 and signed on its behalf by:



David Brocksom
Director

Directors' Report

The Directors present their Strategic Report, Annual Report and the audited financial statements of NWEN Finance plc for the year ended 31 March 2021.

Dividends

Dividends recognised in the year were £nil (2020: £nil). The Directors do not propose a final dividend for the year ended 31 March 2021 (2020: £nil).

Financial instruments

The use of financial instruments and their related risks are disclosed in the principal risks and uncertainties section of the Strategic Report on page 1.

Greenhouse gas emissions

Greenhouse gas emissions are reported in the Strategic Report of ENWL. There are no further disclosures for the rest of the Group.

Environmental impacts

The Company is dedicated to achieving the highest standards of environmental performance, not only by minimising the risk of adverse impacts such as pollution, but through investment in outputs that deliver a positive impact.

Climate change

As this company acts solely as a financing company, it will not be directly affected by any impacts of climate change.

Brexit

Brexit has had no direct impact, aside from a modest increase in stock levels in ENWL to manage supply chain risk, which has proved helpful in managing the COVID-19 crisis.

COVID-19

An assessment of the significance and ongoing development of the COVID-19 impact has been undertaken. 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. More detail on the group can be found in the ENWL accounts however there is no direct impact on this company.

Future developments

There are no planned changes to the business activities of the Company.

Directors

The Directors of the Company during the year ended 31 March 2021 and to date are set out below. Directors served for the whole year, and to the date of this report, except where otherwise indicated.

Executive Directors

D Brocksom
P Emery

Non-executive Directors

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

Alternate Directors during the year were:

A Bhuwania
K Fukushima
F Kumura
H Yu

Directors' Report (continued)

Directors (continued)

Sion Jones, Takeshi Tanaka, Shinichiro Sumitomo and Genping Pan are shareholder appointed directors and have appointed alternate Directors during their time as Board members. Sion Jones's alternate is Achal Bhuwania. Takeshi Tanaka's alternate is Kaoru Fukushima. Shinichiro Sumitomo's alternate is Fukashi Kumura and Hailin Yu is the alternate to Genping Pan.

At no time during the year did any Director have a material interest in any contract or arrangement which was significant in relation to the Company's business (2020: same).

Directors' and officers' insurance

The Group maintains an appropriate level of directors' and officers' insurance, whereby Directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006.

The insurance is a group policy, held in the name of NWEN (Jersey) and is for the benefit of that company and all its subsidiaries.

Information given to the auditor

Each of the persons who are a Director at the date of approval of this report confirms that:

- (1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of NWEN Finance plc consider, both individually and together, that they have acted in a way they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in decisions taken during the year ended 31 March 2021. More details can be found in the ENWL accounts.

Independent auditor

Deloitte LLP, Statutory Auditor, Manchester, United Kingdom has expressed its willingness to continue in office as auditor of the Group. In accordance with section 487 of the Companies Act 2006, Deloitte LLP is deemed to be re-appointed as auditor of the Company.

Registered address

The Company is registered in England, the United Kingdom, at the following address:

NWEN Finance plc
Borron Street
Stockport
Cheshire
SK1 2JD

Registered number: 08374655

Approved by the Board on 4 June 2021 and signed on its behalf by:



David Brocksom
Director

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework", give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 4 June 2021 and is signed on its behalf by:



David Brocksom
Director

Independent Auditor's Report to the Members of NWEN Finance plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of NWEN Finance plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related Notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in Note 4 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report to the Members of NWEN Finance plc (continued)

3. Summary of our audit approach

Key audit matters

The key audit matter that we identified in the current year is:

- Recoverability of the intercompany receivable

Within this report, key audit matters are identified as follows:

-  Newly identified
-  Increased level of risk
-  Similar level of risk
-  Decreased level of risk

Materiality

The materiality that we used in the current year was £2.1m which was determined on the basis of total assets.

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach

There have been no significant changes in our audit approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- reviewed management's forecasts for the year ending 31 March 2022, and forecasts covering the period to the end of the current RIIO ED-1 price review in 2023;
- assessed the significance and ongoing development of the COVID-19 pandemic;
- considered short-term liquidity and the financing facilities available;
- considered linkage to business model and medium-term risks, including the forthcoming RIIO ED-2 regulatory period;
- performed sensitivity analysis; and
- considered the sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of NWEN Finance plc (continued)

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recoverability of the intercompany receivable

Key audit matter description

There is a significant level of judgement involved in determining the recoverability of the £183m (2020: £183m) receivable from group undertakings based on the financial position and future prospects of the group undertakings. Our assessment takes into consideration a range of factors such as the trading performance of the group undertakings and support available from the wider group where required.

See also the accounting policy in Note 2 to the financial statements and the further detail in Note 9 to the financial statements.

How the scope of our audit responded to the key audit matter

We challenged the directors' judgements regarding the appropriateness of the carrying value through obtaining a copy of the latest financial information and our understanding of the future trading performance of the group undertakings and by assessing the ability of the group undertakings to repay these amounts.

We also reviewed the historical accuracy of management's forecasts by comparing the actual results to forecasts.

Key observations

Based on the work performed we concluded that the intercompany receivable balance is appropriate.

Independent Auditor's Report to the Members of NWEN Finance plc (continued)

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.1m (2020: £2.6m)
Basis for determining materiality	Materiality represents 1% of total assets (2020: same).
Rationale for the benchmark applied	We determined materiality based on total assets as this is the key metric used by management, investors, analysts and lenders. When determining materiality, as the company is part of the wider Electricity North West Limited Group, we also considered that this materiality is appropriate for the consolidation of this set of financial statements to the group's results.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Company's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1m (2020: £0.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report to the Members of NWEN Finance plc (continued)

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of NWEN Finance plc (continued)

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

Independent Auditor's Report to the Members of NWEN Finance plc (continued)

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the Members of NWEN Finance plc (continued)

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Shareholders in 2002 to audit the financial statements for the year ending 31 March 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ending 31 March 2003 to 31 March 2021.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Chris Robertson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP,
Statutory Auditor,
Manchester, United Kingdom
4 June 2021

Financial Statements
Profit and Loss Account

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Operating result	4	-	-
Interest receivable from Group companies	6	10,587	10,587
Interest payable and similar charges	7	(10,577)	(10,564)
Profit before taxation		10	23
Tax	8	(2)	(2)
Profit for the year attributable to shareholders of the Company		8	21

The results for the current and prior year are derived from continuing operations.

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

Balance Sheet

as at 31 March 2021

	Note	2021 £000	2020 £000
ASSETS			
Non-current assets			
Loan to parent company	9	-	179,872
Current assets			
Loan to parent company	9	179,930	-
Amounts due from parent company	9	3,091	3,138
Cash and cash equivalents		50	50
Amounts due from group undertaking	10	-	-
		183,071	3,188
Total assets		183,071	183,060
LIABILITIES			
Current liabilities			
Borrowings	12	(180,000)	-
Accrued interest		(2,938)	(2,937)
Amounts due to group undertaking	11	(17)	(15)
		(182,955)	(2,952)
Net current assets		116	236
Total assets less current liabilities		116	180,108
Non-current liabilities			
Borrowings	12	-	(180,000)
Total liabilities		(182,955)	(182,952)
Net assets		116	108
CAPITAL AND RESERVES			
Called up share capital	13	50	50
Profit and loss account		66	58
Total shareholders' funds		116	108

The financial statements of NWEN Finance plc (registered number 08374655) were approved and authorised for issue by the Board of Directors on 4 June 2021 and signed on its behalf by:



David Brocksom
Director

Statement of Changes in Equity

for the year ended 31 March 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2019	50	37	87
Profit and total comprehensive income for the year	-	21	21
At 31 March 2020	50	58	108
Profit and total comprehensive income for the year	-	8	8
At 31 March 2021	50	66	116

Notes to the Financial Statements

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

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

The financial statements are prepared on the going concern basis. Further detail on the going concern assessment is contained in the Strategic Report.

1. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

There are no new or amended Standards effective from the current year that impact the Company.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently in the current year and the prior year.

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*' and the financial statements have, therefore, been prepared in accordance with FRS 101, as issued by the Financial Reporting Council.

As permitted by FRS 101, for both periods presented, the Company has taken advantage of the disclosure exemptions available under the standard 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.

Where relevant, equivalent disclosures are given in the consolidated financial statements of NWEN (Holdings), the Company's immediate parent; the consolidated financial statements of NWEN (Holdings) are available to the public and can be obtained as set out in Note 15.

The financial statements have been prepared on the historical cost basis.

All Company operations arise from its activities as a financing company in the North West of England. Accordingly, only one operating and geographic segment is reviewed by the Chief Executive Officer and Executive Team.

Taxation

The tax expense represents the sum of current and deferred tax charges for the financial year, adjusted for prior year items.

Current taxation

Current tax is based on taxable profit for the year and is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs, directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss, are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Notes to the Financial Statements (continued)**2. Significant accounting policies (continued)****Amortised cost and effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. The Group has no financial assets purchased or originated credit-impaired, or that have subsequently become credit-impaired.

Interest income is recognised in profit or loss and is included in the 'Investment income' line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets; the Company holds no lease receivables or financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

a) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

b) *Definition of default*

The Company considers that default has occurred when a financial asset is more than 90 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

c) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

d) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The exposure at default is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The Company has no financial liabilities designated at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not at FVTPL are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability, or part of it, as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

In the application of the Company's accounting policies, which are described in Note 2, 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.

Notes to the Financial Statements (continued)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each Balance Sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognised in profit or loss.

4. Operating result

Audit fees payable to Deloitte LLP of £7,431 for the year (2020: £7,431) were borne by another Group company and have not been recharged (2020: same). These fees relate to the auditing of the financial statements. There were no non-audit fees payable to the auditor in the year (2020: same).

The ECL charge for the year is £57,000 (2020: £13,000).

5. Directors and employees

The Company had no employees during the year (2020: same). Directors' costs are borne by another Group company and cannot be fairly apportioned to the Company (2020: same).

6. Interest receivable from group companies

	2021 £'000	2020 £'000
From parent company on loan at amortised cost	10,587	10,587
Interest receivable from group companies	10,587	10,587

7. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest payable on borrowings held at amortised cost	10,577	10,577
Impairment of inter-company loan asset (see Note 9)	(57)	115
Reimbursement of inter-company loan impairment (see Note 9)	57	(128)
Net interest payable and similar charges	10,577	10,564

Notes to the Financial Statements (continued)**8. Taxation**

	2021	2020
	£000	£000
Current year	2	2

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

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.

Deferred tax is calculated using the rate at which it is expected to reverse. There is no deferred tax in the company in the current or prior year.

The table below reconciles the notional tax charge at the UK corporation tax rate to the effective tax rate for the year:

	2021	2020
	£000	£000
Profit/ (loss) before tax	10	23
Tax at the UK corporation tax rate of 19% (2020: 19%)	2	4
Expenses not deductible for tax purposes	-	(2)
Tax charge for the year	2	2

Notes to the Financial Statements (continued)**9. Loan to parent company**

	2021	2020
	£000	£000
Loan to parent company at amortised cost due > 1 year	-	180,000
Impairment of loan	-	(128)
Loan to parent company due > 1 year	-	179,872
Loan to parent company at amortised cost due < 1 year	180,000	-
Impairment of loan	(70)	-
Loan to parent company due < 1 year	179,930	-
Interest due on loans to parent company	3,021	3,010
Reimbursement due from parent company	70	128
Amounts due from parent company	3,091	3,138

On 21 March 2013 the Company lent NWEN (Holdings) proceeds of £180.0m in relation to the debt issue of £180.0m at 5.875% fixed rate due in 2021, on terms aligned to the terms of the external debt (see Note 12). This inter-company loan is due for repayment in June 2021.

Impairment

Financial assets measured at amortised cost are subject to impairment. The credit risk of the inter-company loan has been assessed as low. Accordingly, any loss allowance is measured at an amount equal to 12-month ECL. In determining the expected credit losses 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.

Notes to the Financial Statements (continued)

10. Amounts due from group undertaking

	2021	2020
	£000	£000
Amounts falling due within one year	-	-

Amounts owed from group undertaking relate to receipts for group tax relief.

11. Amounts due to group undertaking

	2021	2020
	£000	£000
Amounts falling due within one year	17	15

Amounts owed to group undertaking relate to payments for group tax relief.

12. Borrowings

This note provides information about the contractual terms of the Company's loans and borrowings. For more information about the Group's financial risk management and exposure to credit risk, liquidity risk and market risk refer to NWEN (Holdings) consolidated financial instruments.

	2021	2020
	£000	£000
Bonds held at amortised cost due < 1 year	180,000	-
Bonds held at amortised cost due > 1 year	-	180,000

As at 31 March 2021, the Company had a £180.0m 5.875% fixed rate bond in issue maturing in 2021 and guaranteed by NWEN (Holdings) (2020: same).

Borrowing facilities

The Company had no unutilised committed bank facilities at 31 March 2021 (2020: same). There was no formal bank overdraft facility in place at 31 March 2021 (2020: same).

13. Called up share capital

	2021	2020
	£000	£000
Authorised:		
50,000 ordinary shares of £1 each	50	50
Allotted, called up and fully paid:		
50,000 ordinary shares of £1 each	50	50

Notes to the Financial Statements (continued)

14. Financial commitments

There are no contracted for, but not provided for, financial commitments at the year-end (2020: same).

15. Ultimate parent undertaking and controlling party

The immediate parent undertaking is NWEN (Holdings), a company incorporated and registered in the United Kingdom. The address of the immediate parent undertaking is Borron Street, Stockport, Cheshire SK1 2JD.

The ultimate parent undertaking is NWEN (Jersey), a company incorporated and registered in Jersey. The address of the ultimate parent company is: 44 Esplanade, St Helier, Jersey, Channel Islands, JE4 9WG.

The largest group in which the results of the Company are consolidated is that headed by NWEN (Jersey).

The smallest group in which they are consolidated is that headed by NWEN (Holdings). The consolidated financial statements of this Group are available to the public and may be obtained from this address.

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%).