

ENW Finance plc (the “Company”) is pleased to announce its Half Year Financial Report for the period ended 30 September 2019.

The Half Year Report is available to view on the Company’s website: www.enwl.co.uk

For further information please contact Electricity North West’s press office on 0844 209 1957 or email pressoffice@enwl.co.uk

Company Registration No. 06845434

ENW FINANCE PLC

**Half Year Condensed Financial Statements
for the period ended 30 September 2019**

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Interim Management Report

Cautionary statement

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

Financial statements

The Annual Report and Consolidated Financial Statements of the Company can be found at www.enwl.co.uk.

Operations

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

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

Adoption of IFRS 9 ‘Financial Instruments’

The results for the period ended 30 September 2018 have been restated to reflect the adoption of IFRS 9 on 1 April 2018. The opening reserves for the period have been adjusted (see Page 5), as have the interest receivable, finance expense and loans to group undertakings. IFRS 9 was fully reflected in the audited accounts for the year ended 31 March 2019, and more details on the impact of IFRS 9 can be found in the Annual Report and Financial Statements of the Company at www.enwl.co.uk

Results

The results for the period are included in the Condensed Profit and Loss Account on page 3.

There have been no significant events in the 6 months ended 30 September 2019 in respect of the Company.

Principal risks and uncertainties

The principal risks and uncertainties have not changed from the last annual report. As the Company’s obligations in respect of the listed debt are met via income receivable from Electricity North West Limited (“ENWL”), the Board considers the principal risks and uncertainties facing the Company to be those that affect ENWL and the larger Group.

The principal trade and activities of the Group are carried out in Electricity North West Limited (“ENWL”) and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing that company, and ultimately the Group, are outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2019, 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 (J), and the key trading subsidiary in the Group is ENWL. As the Company's obligations in respect of the listed debt are met via income receivable from ENWL, the Board considers the principal risks and uncertainties facing the Company to be those that affect the larger Group.

In consideration of this, the Directors of this Company are cognisant of the going concern disclosure in the Half Year Condensed Consolidated Financial Statements of ENWL. Disclosure of the considerations made by the Directors in terms of the ENWL, cash flows, liquidity position, borrowing facilities and covenant compliance can be found in the ENWL Half Year Condensed Consolidated Financial Statements.

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

Consequently, after making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Condensed Financial Statements.

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

Ultimate parent undertaking and controlling party

The immediate parent undertaking is North West Electricity Networks plc, a company incorporated and registered in the United Kingdom. The ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company incorporated and registered in Jersey. On 20 August 2019, there was a change in ownership of the shares in North West Electricity Networks (Jersey) Limited and, therefore, a change in the ultimate controlling parties of the Company. Prior to the sale, the ultimate controlling parties were First State Investments Fund Management S.a.r.l. on behalf of First State European Diversified Infrastructure Fund FCP-SIF ('EDIF') and IIF Int'l Holding GP Ltd ('IIF'), each with a 50% holding.

Following the sale, the shareholdings are:

- KDM Power Limited (32.07%);
- IIF Int'l NWEN UK Cayman Limited (25%);
- First State Investments Fund Management S.a.r.l. on behalf of First State European Diversified Infrastructure Fund FCP-SIF (25%); and
- Equitix ENW 6 Limited (17.93%).

Interim Management Report (continued)

Directors

The names of the Directors who held office during the period and subsequently are given below:

Executive Directors

- Peter Emery
- David Brocksom

Non-executive Directors

- Chris Dowling
- Niall Mills
- Mark Scarsella – appointed 10 September 2019
- Sion Jones – appointed 3 October 2019
- Yamabayashi Yoshihiro – appointed 3 October 2019
- John Lynch – resigned 10 September 2019

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 IAS34 '*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 2019

Condensed Profit and Loss Account

For the period ended 30 September 2019

		Unaudited	Restated	
		Period ended	Unaudited	Audited
		30 Sept 2019	Period ended	Year ended
	Note	£000	30 Sept 2018	31 Mar 2019
			£000	£000
Operating profit		-	-	-
Interest receivable from group companies	4	5,065	4,921	9,864
Net interest payable and similar charges	5	(7,461)	(8,126)	(15,632)
Loss before taxation		(2,396)	(3,205)	(5,768)
Taxation	6	342	(280)	785
Loss for the period attributable to shareholders		(2,054)	(3,485)	(4,983)

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.

The results for the period ended 30 September 2018 have been restated to reflect the adoption of IFRS 9, effective from 1 April 2018, impacting interest receivable and finance expense for the period.

Condensed Balance Sheet

As at 30 September 2019

	Note	Unaudited Period ended 30 Sept 2019 £000	Restated Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
ASSETS				
Non-current assets				
Loans to group undertakings	7	625,719	547,871	572,376
Current assets				
Interest due on loans to group undertakings	7	4,640	4,313	4,447
Cash and cash equivalents		12	12	12
		4,652	4,325	4,459
Total assets		630,371	552,196	576,835
LIABILITIES				
Current liabilities				
Accrued interest		(2,378)	(2,378)	(2,378)
Current tax liabilities		(4,501)	(4,158)	(4,313)
		(6,879)	(6,536)	(6,691)
Net current assets/ (liabilities)		(2,227)	(2,211)	(2,232)
Total assets less current liabilities		623,492	545,660	570,144
Non-current liabilities				
Borrowings	8	(199,628)	(199,451)	(199,521)
Derivative financial instruments	9	(391,116)	(308,159)	(335,291)
Deferred tax liabilities		(4,710)	(6,460)	(5,240)
		(595,454)	(514,070)	(540,052)
Total liabilities		(602,333)	(520,606)	(546,743)
Net assets		28,038	31,590	30,092
CAPITAL AND RESERVES				
Called up share capital		13	13	13
Profit and loss account		28,025	31,577	30,079
Total shareholders' funds		28,038	31,590	30,092

The balance sheet as at 30 September 2018 has been restated to reflect the adoption of IFRS 9, effective from 1 April 2018. The opening reserves for the period have been adjusted (see page 5) as have the finance loans to group undertakings and interest receivable.

Approved by the Board of Directors on 29 November 2019 and signed on its behalf by:

D Brocksom

Director

Condensed Statement of Changes in Equity

For the period ended 30 September 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 31 March 2018 (audited)	13	12,941	12,954
Opening reserves adjustment on transition to IFRS 9	-	27,139	27,139
Deferred tax on opening reserves adjustment on transition to IFRS 9	-	(5,018)	(5,018)
Opening reserves	13	35,062	35,075
Loss for the period	-	(3,485)	(3,485)
At 30 September 2018 (unaudited)	13	31,577	31,590
At 31 March 2018 (audited)	13	12,941	12,954
Opening reserves adjustment on transition to IFRS 9	-	27,139	27,139
Deferred tax on opening reserves adjustment on transition to IFRS 9	-	(5,018)	(5,018)
Opening reserves	13	35,062	35,075
Loss for the period	-	(4,983)	(4,983)
At 31 March 2019 (audited)	13	30,079	30,092
Loss for the period	-	(2,054)	(2,054)
At 30 September 2019 (unaudited)	13	28,025	28,038

The opening reserves and loss for the period ended 30 September 2018 have been restated to reflect the adoption of IFRS 9, effective from 1 April 2018.

Notes to the Condensed Financial Statements

1. General Information

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

The financial information for the 6 month period ended 30 September 2019 and similarly the period ended 30 September 2018 has neither been audited nor reviewed by the auditor. The financial information for the year ended 31 March 2019 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2019 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 2019 have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

2. Significant accounting policies

Basis of accounting

The Company has adopted Financial Reporting Standard 101 '*Reduced Disclosure Framework*' (FRS 101) on the basis that it meets the definition of a qualifying entity under FRS 100 '*Application of Financial Reporting Requirements*'. The Annual Report and Financial Statements have, therefore, been prepared in accordance with FRS 101, as issued by the Financial Reporting Council. The Half Year Condensed Financial Statements of the Company, have been prepared in accordance with FRS 104 '*Interim Financial Reporting*'.

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

The results for the period ended 30 September 2019 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 2019.

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.

Adoption of IFRS 9 '*Financial Instruments*'

The results and financial performance for 30 September 2018 have been restated to reflect the adoption of IFRS 9, on 1 April 2018. IFRS 9 was fully reflected in the audited accounts for the year ended 31 March 2019, and more details on the impact of IFRS 9 can be found in the Annual Report and Financial Statements of the Company at www.enwl.co.uk.

The transition to IFRS 9 resulted in a fair value gain of £27m being recognised in the opening retained earnings of the Company, along with associated deferred tax of £5m, having a net impact on opening retained earnings of £22m.

Notes to the Condensed Financial Statements (continued)

Going concern

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

3. Critical accounting judgements and key sources of estimation uncertainty

There are no accounting policies and standards adopted for the six month period ended 30 September 2019, or for the remainder of the year to 31 March 2020, that have a significant impact on the Company.

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

Financial instruments at FVTPL are stated at fair value, with any gains or losses on re-measurement recognised in the profit and loss account. The net gain or loss is separately identifiable from the net interest paid or received on these financial instruments. Fair value is determined in the manner described in Note 9.

4. Interest receivable from group companies

	Unaudited Period ended 30 Sept 2019 £000	Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
From parent company on loan at amortised cost	193	188	327
From affiliated company on hybrid loan asset at fair value through profit or loss	4,872	4,733	9,537
Interest receivable from group companies	5,065	4,921	9,864

Notes to the Condensed Financial Statements (continued)

5. Net interest payable and similar charges

	Unaudited Period ended 30 Sept 2019 £000	Restated Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
Interest payable:			
On borrowings held at amortised cost	6,233	6,227	12,422
Net receipts on inter-company derivatives	(1,253)	(1,396)	(2,712)
Total interest expense	4,980	4,831	9,710
Fair value movements on financial instruments:			
On inter-company hybrid asset at fair value through profit or loss	(53,344)	1,625	(22,880)
On inter-company derivatives	55,825	1,670	28,802
Total fair value losses (Note 9)	2,481	3,295	5,922
Net interest payable and similar charges	7,461	8,126	15,632

6. Taxation

	Unaudited Period ended 30 Sept 2019 £000	Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
Corporation tax:			
Current period	188	189	343
Deferred tax:			
Current period	(530)	91	(1,128)
Tax charge for the period	(342)	280	(785)

Corporation tax is calculated at 19% (30 Sept 2018: 19%, 31 Mar 2019: 19%) of the estimated assessable profit for the period. The Government announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. The legislation has been given effect by the Finance Act 2019 which was substantively enacted on 12 February 2019. 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 17% rate.

Notes to the Condensed Financial Statements (continued)

7. Loans to group undertakings

	Unaudited Period ended 30 Sept 2019 £000	Restated Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
Loan to parent company	20,500	20,500	20,500
Impairment of loan	(2)	-	-
Loan to parent company	20,498	20,500	20,500
Hybrid loan to affiliated company at FVTPL (Note 9)	605,221	527,371	551,876
Loans to Group undertakings	625,719	547,871	572,376
Interest due on loans to Group undertakings	4,640	4,313	4,447

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

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

8. Borrowings

	Unaudited Period ended 30 Sept 2019 £000	Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
Bonds held at amortised cost	199,628	199,451	199,521

As at 30 Sept 2019 the Company had a £200m 6.125% fixed rate bond in issue, maturing in 2021 and guaranteed by ENWL (30 Sept 2018: same, 31 Mar 2019: same).

Notes to the Condensed Financial Statements (continued)

9. Financial instruments

Fair values

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

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

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

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

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

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

The adjustment for non-performance risk as at 30 Sept 2019 is £54.7m, on each of the hybrid asset and derivative liability (30 Sept 2018: £47.7m, 31 Mar 2019: £53.4m), all of which (30 Sept 2018: same, Mar 2019: 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 £28.9m (30 Sept 2018: £32.0m, 31 Mar 2019: £25.9) on the hybrid asset and £25.2m (30 Sept 2018: £26.5m, 31 Mar 2019: £30.5m) on the derivative liability. The movement in the period all relates to the straight-line release to profit or loss.

There were no transfers between levels during the current period (30 Sept 2018: same, 31 Mar 2019: same).

Notes to the Condensed Financial Statements (continued)

9. Financial instruments (continued)

	Unaudited Period ended 30 Sept 2019 £000	Restated Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
FV of hybrid asset pre IFRS 13 adjustment	688,848	607,055	631,138
CVA/ DVA	(54,737)	(47,668)	(53,382)
Day 1 adjustments	(28,890)	(32,016)	(25,880)
IFRS 13 FV of hybrid asset (Note 7)	605,221	527,371	551,876
FV of derivative liability pre IFRS 13 adjustment	(471,062)	(382,375)	(419,134)
CVA/ DVA	54,737	47,668	53,382
Day 1 adjustments	25,209	26,548	30,461
IFRS 13 FV of derivative liability	(391,116)	(308,159)	(335,291)

Categories of financial instruments at FVTPL

	Unaudited Period ended 30 Sept 2019 £000	Restated Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
Hybrid loan to affiliated company at FVTPL (Note 7)	605,221	527,371	551,876
Inter-company derivative financial liabilities	(391,116)	(308,159)	(335,291)

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

	Unaudited Period ended 30 Sept 2019 £000	Restated Unaudited Period ended 30 Sept 2018 £000	Audited Year ended 31 Mar 2019 £000
Hybrid loan to affiliated company at FVTPL	(53,344)	1,625	(22,880)
Inter-company derivative financial liabilities	55,825	1,670	28,802
Net (credit)/ charge to Profit and Loss Account (Note 5)	2,481	3,295	5,922

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.