

**Company Registration No. 06873051**

**ENW CAPITAL FINANCE PLC**  
**Annual Report and Financial Statements**  
**for the year ended 31 March 2020**

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## **Strategic Report**

ENW Capital 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 acted as a financing company within the North West Electricity Networks (Jersey) Limited (“NWEN (Jersey)”) group of companies (“the Group”) and had notes in issue and listed on the London Stock Exchange. This debt, and the associated inter-company loan, were repaid at par on maturity in June 2015.

The Company operated 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 9.

As the Company is a financing company and has not held any debt over the year, there are no KPI’s relevant to the Company.

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

### **Principal risks and uncertainties**

The Board considers the principal risks and uncertainties facing the Company to be those that affect 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](http://www.enwl.co.uk).

### **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.

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 2020, the latter of which is available on the website [www.enwl.co.uk](http://www.enwl.co.uk).

Also, an assessment of the significance and rapid 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.

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 Annual Report and 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, together with the updated guidance issued in 2016.

## **Strategic Report (continued)**

### **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](http://www.enwl.co.uk).

### **Ultimate parent undertaking and controlling party**

The immediate parent undertaking is 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. Following a staged acquisition, there was a change in ownership of the shares in NWEN (Jersey) during the year and, therefore, a change in the ultimate controlling parties of the Company.

Following completion of the sale on 3 December 2019, the ultimate shareholdings are:

- KDM Power Limited (40.0%);
- Equitix ENW 6 Limited (25.0%)
- Equitix MA North HoldCo Limited (15.0%)
- Swingford Holding 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 3 June 2020 and signed on its behalf by:



**D Brocksom**  
Director

## **Directors' Report**

The Directors present their Strategic Report, Annual Report and the audited financial statements of ENW Capital Finance plc for the year ended 31 March 2020.

### **Dividends**

Dividends recognised in the year were £nil (2019: £nil). The Directors do not propose a final dividend for the year ended 31 March 2020 (2019: £nil).

### **Directors**

The Directors of the Company during the year ended 31 March 2020 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**

C Dowling  
S Jones (appointed 3 October 2019)  
G Pan (appointed 23 January 2020)  
S Sumitomo (appointed 27 January 2020)  
P O'Flaherty (appointed 1 April 2020)  
Y Hamada (appointed 1 April 2020)  
J Lynch (resigned 10 September 2019)  
N Mills (resigned 12 December 2019)

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 (2019: same).

### **Events after the Balance Sheet date**

Since the balance sheet date, the COVID-19 situation has continued to unfold. We have outlined our responses to the pandemic within the Strategic Report of ENWL. The financial impact will be a short-term reduction to revenue and cashflows, but allowed revenues will be adjusted in future years to collect any shortfall. Cash flows during the year ending 31 March 2020 will be impacted through participation in a supplier payment deferral

scheme agreed across Industry on 2 June 2020, the expected impact of which is up to a £20m impact on the timing of cash flows. The impact in cash flows has been considered in the scenarios reviewed to determine the going concern and viability of the Group.

### **Future developments**

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

### **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.

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.

### **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.

### **Independent auditor**

The Audit Committee have decided to commence a procurement exercise to review the provision of audit services for the Group. Deloitte LLP, Statutory Auditor, Manchester, United Kingdom has expressed its willingness to continue in office as auditor of the Group until such appointment is made. In accordance with section 489 of the Companies Act 2006, Deloitte LLP were appointed as auditor of the Company for the present financial year.

## **Directors' Report (continued)**

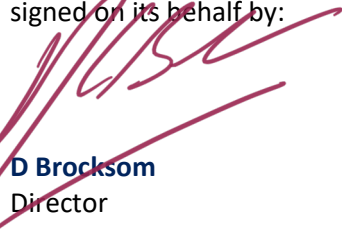
### **Registered address**

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

ENW Capital Finance plc  
Borron Street  
Stockport  
Cheshire  
SK1 2JD

Registered number: 06873051

Approved by the Board on 3 June 2020 and signed on its behalf by:



**D Brocksom**  
Director

## **Directors' Responsibilities Statement**

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

This responsibility statement was approved by the Board of Directors on 3 June 2020 and is signed on its behalf by:



**D Brocksom**  
Director

## **Independent Auditor's Report to the members of ENW Capital Finance plc**

### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its result 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 11.

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).

### **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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

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



## **Independent Auditor's Report to the members of ENW Capital Finance plc (continued)**

### **Other information (continued)**

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

### **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.

### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Independent Auditor's Report to the members of ENW Capital Finance plc (continued)

### Report on other legal and regulatory requirements

### 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.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

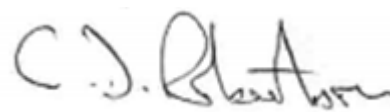
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### 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.



### Christopher Robertson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom  
3 June 2020

**Financial Statements****Profit and Loss Account**

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
<b>Operating result</b>	4	-	-
Interest receivable and similar income		-	-
Interest payable and similar charges		-	-
<b>Result before taxation</b>		-	-
Tax	6	-	-
<b>Result for the year attributable to shareholders of the Company</b>		-	-

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 2020

	Note	2020 £000	2019 £000
<b>ASSETS</b>			
<b>Current assets</b>			
Amounts due from parent undertaking	7	60	60
Cash and cash equivalents		14	14
<b>Total assets</b>		<b>74</b>	<b>74</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts due to parent undertaking	8	(14)	(14)
<b>Total liabilities</b>		<b>(14)</b>	<b>(14)</b>
<b>Net current assets</b>		<b>60</b>	<b>60</b>
<b>Net assets</b>		<b>60</b>	<b>60</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	13	13
Profit and loss account		47	47
<b>Total shareholders' funds</b>		<b>60</b>	<b>60</b>

The financial statements of ENW Capital Finance plc (registered number 06873051) were approved and authorised for issue by the Board of Directors on 3 June 2020 and signed on its behalf by:



**D Brocksom**  
Director

**Statement of Changes in Equity**

for the year ended 31 March 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
<b>At 31 March 2018</b>	13	47	60
Profit and total comprehensive income for the year	-	-	-
<b>At 31 March 2019</b>	13	47	60
Profit and total comprehensive income for the year	-	-	-
<b>At 31 March 2020</b>	13	47	60

## Notes to the Financial Statements

ENW Capital 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 rounded to the nearest 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

##### IFRS 16: Leases

IFRS 16 is effective from the current year and this has no impact on 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 plc, the Company's immediate parent; the consolidated financial statements of NWEN plc are available to the public and can be obtained as set out in Note 11.

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 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

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 or key sources of estimation uncertainty that affect the Company.

### 4. Operating result

Audit fees payable to Deloitte LLP of £7,431 for the year (2019: £7,257) were borne by another Group company and have not been recharged (2019: same). These fees relate to the auditing of the financial statements. There were no non-audit fees payable to the auditor in the year (2019: same).

### 5. Directors and employees

The Company had no employees during the year (2019: same). Directors' costs are borne by another Group company and cannot be fairly apportioned to the Company (2019: same).

## Notes to the Financial Statements (continued)

### 6. Taxation

Corporation tax is calculated at 19% (2019:19%) of the estimated assessable profit for the year. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This was substantively enacted on 17 March 2020.

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:

	2020 £000	2019 £000
<b>Result before tax</b>	-	-
Tax at the UK corporation tax rate of 19% (2019: 19%)	-	-

### 7. Amounts due from parent undertaking

	2020 £000	2019 £000
Amounts falling due within one year	60	60

### 8. Amounts due to parent undertaking

	2020 £000	2019 £000
Amounts falling due within one year	14	14

Amounts due to parent undertaking relate to payments for group tax relief.

### 9. Called up share capital

	2020 £000	2019 £000
<b>Authorised:</b>		
50,000 ordinary shares of £1 each	50	50
<b>Allotted, called up and fully paid:</b>		
50,000 ordinary shares of £1 each, of which £0.25 has been called up and paid	13	13

### 10. Financial commitments

There are no contracted for, but not provided for, financial commitments at the year end (2019: same).

## **Notes to the Financial Statements (continued)**

### **11. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is NWEN plc and 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 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 plc, a company incorporated and registered in the UK. The registered office of NWEN plc is Borrton Street, Stockport, Cheshire, SK1 2JD. The consolidated financial statements of this Group are available to the public and may be obtained from this address.

Following a staged acquisition, there was a change in ownership of the shares in NWEN (Jersey) during the year and, therefore, a change in the ultimate controlling parties of the Company.

Following completion of the sale on 3 December 2019, the ultimate shareholdings are:

- KDM Power Limited (40.0%);
- Equitix ENW 6 Limited (25.0%)
- Equitix MA North HoldCo Limited (15.0%)
- Swingford Holding Corporation Limited (20.0%)