

**Company Registration No. 06845434**

# **ENW FINANCE PLC**

**Half Year Condensed Financial Statements  
for the period ended 30 September 2018**

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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](http://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.

### **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 2018 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 2018, 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 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.

## Interim Management Report (continued)

### Going concern (continued)

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.

### 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
- John Lynch

### 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  
304 Bridgewater Place  
Birchwood Park  
Warrington  
WA3 6XG

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



**D Brocksom**

Chief Financial Officer  
26 November 2018

**Condensed Profit and Loss Account**

For the period ended 30 September 2018

		<b>Unaudited Period ended 30 Sept 2018</b>	<b>Unaudited Period ended 30 Sept 2017</b>	<b>Audited Year ended 31 Mar 2018</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Operating profit</b>		-	-	-
Interest receivable from group companies		6,421	6,414	12,862
Interest payable on borrowings at amortised cost		(6,228)	(6,221)	(12,412)
Fair value movement on derivatives	7	895	925	1,852
		<b>(5,333)</b>	<b>(5,296)</b>	<b>(10,560)</b>
<b>Profit before taxation</b>		<b>1,088</b>	<b>1,118</b>	<b>2,302</b>
Taxation	4	(280)	(285)	(570)
<b>Profit for the period attributable to shareholders</b>		<b>808</b>	<b>833</b>	<b>1,732</b>

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

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

**Condensed Balance Sheet**

As at 30 September 2018

		Unaudited Period ended 30 Sept 2018	Unaudited Period ended 30 Sept 2017	Audited Year ended 31 Mar 2018
	Note	£000	£000	£000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Derivative financial instruments	7	302,691	292,513	300,126
Loans to group undertakings	5	219,951	219,782	219,848
		<b>522,642</b>	<b>512,295</b>	<b>519,974</b>
<b>Current assets</b>				
Interest due on loans to group undertakings	5	6,695	6,245	6,502
Cash and cash equivalents		12	12	12
		<b>6,707</b>	<b>6,257</b>	<b>6,514</b>
<b>Total assets</b>		<b>529,349</b>	<b>518,552</b>	<b>526,488</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accrued interest		(2,378)	(2,378)	(2,378)
Current tax liabilities		(4,158)	(3,782)	(3,969)
		<b>(6,536)</b>	<b>(6,160)</b>	<b>(6,347)</b>
<b>Net current assets/ (liabilities)</b>		<b>171</b>	<b>97</b>	<b>167</b>
<b>Total assets less current liabilities</b>		<b>522,813</b>	<b>512,392</b>	<b>520,141</b>
<b>Non-current liabilities</b>				
Borrowings	6	(199,451)	(199,281)	(199,348)
Derivative financial instruments	7	(308,159)	(299,803)	(306,489)
Deferred tax liabilities		(1,441)	(1,253)	(1,350)
		<b>(509,051)</b>	<b>(500,337)</b>	<b>(507,187)</b>
<b>Total liabilities</b>		<b>(515,587)</b>	<b>(506,497)</b>	<b>(513,534)</b>
<b>Net assets</b>		<b>13,762</b>	<b>12,055</b>	<b>12,954</b>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		13	13	13
Profit and loss account		13,749	12,042	12,941
<b>Total shareholders' funds</b>		<b>13,762</b>	<b>12,055</b>	<b>12,954</b>

Approved by the Board of Directors on 26 November 2018 and signed on its behalf by:



**D Brocksom**  
Director

**Condensed Statement of Changes in Equity**

For the period ended 30 September 2018

	Called up share capital £000	Profit and loss account £000	Total equity £000
<b>At 31 March 2017 (audited)</b>	13	11,209	11,222
Profit for the period	-	833	833
<b>At 30 September 2017 (unaudited)</b>	13	12,042	12,055
<b>At 31 March 2017 (audited)</b>	13	11,209	11,222
Profit for the period	-	1,732	1,732
<b>At 31 March 2018 (audited)</b>	13	12,941	12,954
Profit for the period	-	808	808
<b>At 30 September 2018 (unaudited)</b>	13	13,749	13,762

## **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 2018 and similarly the period ended 30 September 2017 has neither been audited nor reviewed by the auditor. The financial information for the year ended 31 March 2018 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2018 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 2018 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 2018 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 2018.

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.

#### **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.

## Notes to the Condensed Financial Statements (continued)

### 3. Critical accounting judgements and key sources of estimation uncertainty

#### Changes in accounting policy

The Group has adopted the following IFRSs during the period;

#### IFRS 9: *Financial Instruments*

The Group has elected not to restate comparatives on initial application of IFRS 9. Based on the financial instruments and hedging relationships held during the period, the application of IFRS 9 has not had a material impact on amounts reported in the financial statements.

#### 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 7.

### 4. Taxation

	Unaudited Period ended 30 Sept 2018 £000	Unaudited Period ended 30 Sept 2017 £000	Audited Year ended 31 Mar 2018 £000
<b>Corporation tax:</b>			
Current period	189	189	376
<b>Deferred tax:</b>			
Current period	91	96	194
<b>Tax charge for the period</b>	<b>280</b>	<b>285</b>	<b>570</b>

Corporation tax is calculated at 19% (Sept 2017: 19%, Mar 2018: 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 Bill 2016 which was substantively enacted on 6 September 2016. Accordingly, the deferred tax has been calculated on the basis that it will reverse in future at the 17% rate. Deferred tax is calculated using the rate at which it is expected to reverse.

**Notes to the Condensed Financial Statements (continued)****5. Loans to group undertakings**

	<b>Unaudited Period ended 30 Sept 2018 £000</b>	<b>Unaudited Period ended 30 Sept 2017 £000</b>	<b>Audited Year ended 31 Mar 2018 £000</b>
Loan to affiliated company	<b>199,451</b>	199,282	199,348
Loan to parent company	<b>20,500</b>	20,500	20,500
<b>Loans to group undertakings</b>	<b>219,951</b>	<b>219,782</b>	<b>219,848</b>

On 21 July 2009, the Company lent ENWL £198.2m net proceeds of the £200m 6.125% fixed rate bond maturing in 2021, on terms aligned to the terms of the external bond (see Note 6) and associated intercompany hedging arrangements. The carrying amount of the receivable reflects the amortisation of the discount. On the same date, the Company also lent £20.5m to the immediate parent company, North West Electricity Networks plc ("NWEN plc.")

**6. Borrowings**

	<b>Unaudited Period ended 30 Sept 2018 £000</b>	<b>Unaudited Period ended 30 Sept 2017 £000</b>	<b>Audited Year ended 31 Mar 2018 £000</b>
<b>Bonds held at amortised cost</b>	<b>199,451</b>	<b>199,281</b>	<b>199,348</b>

As at 30 Sept 2018 the Company had a £200m 6.125% fixed rate bond in issue, maturing in 2021 and guaranteed by ENWL (Sept 2017: same, Mar 2018: same).

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

### **7. Financial instruments**

#### **Fair values**

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

The fair values of the derivative financial instruments have been calculated by discounting future cash flows at prevailing interest and RPI rates sourced from market data. 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 derivatives are disclosed as Level 3.

The adjustment for non-performance risk as at 30 Sept 2018 is £74.2m, on each of the asset and liability (Sept 2017: £30.6m, Mar 2018: £76.9m), all of which (Sept 2017: same, Mar 2018: same) is classed as Level 3.

There were no transfers between levels during the current period (Sept 2017: same, Mar 2018: same).

**Notes to the Condensed Financial Statements (continued)****7. Financial instruments (continued)****Categories of financial instruments at FVTPL**

	<b>Unaudited Period ended 30 Sept 2018 £000</b>	<b>Unaudited Period ended 30 Sept 2017 £000</b>	<b>Audited Year ended 31 Mar 2018 £000</b>
Derivative financial assets	<b>302,691</b>	292,513	300,126
Derivative financial liabilities	<b>(308,159)</b>	(299,803)	(306,489)

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

	<b>Unaudited Period ended 30 Sept 2018 £000</b>	<b>Unaudited Period ended 30 Sept 2017 £000</b>	<b>Audited Year ended 31 Mar 2018 £000</b>
Derivative financial assets	<b>(2,565)</b>	18,215	10,602
Derivative financial liabilities	<b>1,670</b>	(19,140)	(12,454)
<b>Net (credit)/ charge to Profit and Loss Account</b>	<b>(895)</b>	(925)	(1,852)

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.