

Company Registration No. 06845434

ENW FINANCE PLC

**Interim Report and Condensed Financial Statements
for the half year ended 30 September 2024**

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This interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 March 2024.

ENW Finance plc is a company limited by shares, incorporated and domiciled in England, UK. Its registered office and principal place of business is at Electricity North West, Borrone Street, Stockport, England, SK1 2JD.

These condensed interim financial statements were approved for issue on 29 November 2024.

These condensed interim financial statements have been neither reviewed by an auditor nor audited.

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 Financial Statements of the Company can be found at www.enwl.co.uk.

Operations

The principal activity of the Company is as a financing company within the North West Electricity Networks (Jersey) Limited (“NWN (Jersey)”) group of companies (“the Group”).

The Company issues listed debt and on-lends the net proceeds of the debt to the main trading company in the Group, Electricity North West Limited (“ENWL”), which is the guarantor of the issued debt of the Company.

The Company holds an inter-company derivative liability with ENWL that matures in 2038. The terms of an inter-company loan incorporate the equal but opposite terms of this inter-company derivative liability and, thereby, create a hybrid loan asset with ENWL that matures in 2038.

There have been no significant changes to the activity of the Company in the current period, nor are there any planned changes.

Results

The results for the half year are set out in the Condensed Statement of Profit or Loss on page 4.

Other than the movement in the fair value of certain financial instruments caused by changes in market expectations of future interest rates, inflation, credit risk (own and counterparty) and scheduled settlements under the contracts (see Notes 4, 5 and 12), there have been no significant events or transactions in the half year ended 30 September 2024 in respect of the Company.

Principal risks and uncertainties

An assessment of the change in risk affecting the Company has been carried out and the principal risks are deemed comparable to those at the last Annual Report.

The principal risks affecting the Company relate to the ability to meet the obligations under the external debt. As these amounts are met via income receivable from ENWL, the Board considers the principal risks and uncertainties facing the Company to be those that affect ENWL and the larger Group.

The principal trade and activities of the Group are carried out in ENWL and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing that company, and ultimately the Group, are outlined on pages 39 to 44 of the Strategic Report in the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2024, which are available on the website, www.enwl.co.uk.

Interim Management Report (continued)

Events after the Balance Sheet date

On 2 August 2024, Iberdrola, S.A. ("Iberdrola") agreed to acquire 88% of the NWEN (Jersey) group. The transaction was completed on the 22 October 2024, resulting in Iberdrola having majority ownership of Electricity North West Limited and all other companies in the NWEN (Jersey) group. The Competition and Markets Authority and Ofgem are still conducting the standard reviews of such transactions. While these regulatory reviews are taking place, the NWEN (Jersey) group of companies, including ENWL, are to be held separate from Iberdrola and its subsidiaries and will continue to operate as independent businesses. At the date of approval of these financial statements, this transaction has had no impact on the financial position or performance of the Company.

Going concern

When considering whether to continue to adopt the going concern basis in preparing these condensed financial statements, the directors have taken into account a number of factors, including the financial position of the Company and the Group in which it operates.

The Company is ultimately a subsidiary of NWEN (Jersey); the key trading subsidiary in the Group is ENWL. In consideration of this, the directors of the Company are cognisant of the going concern assessments and conclusions related to going concern, along with all related disclosures in the Interim Report and Condensed Consolidated Financial Statements of ENWL, pages 3 to 4, available on the website, www.enwl.co.uk.

After making appropriate enquiries, and with consideration of the guidance published by the Financial Reporting Council, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet their obligations for the foreseeable future. In making this assessment, the directors have considered the foreseeable future to be a period of at least 12 months from the date of approval of these interim financial statements. Accordingly, they continue to adopt the going concern basis in preparing these interim financial statements.

Corporate governance

The NWEN (Jersey) group has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the entire business. Details of the internal control and risk management systems which govern the Company are outlined in the Corporate Governance Report on pages 45 to 58 of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website www.enwl.co.uk.

Interim Management Report (continued)

Parent, ultimate parent and controlling party

The immediate parent undertaking is North West Electricity Networks plc ("NWEN plc"), a company incorporated and registered in the United Kingdom.

The ultimate parent undertaking is North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)"), a company incorporated and registered in Jersey.

At 30 September 2024, the ownership of the shares in NWEN (Jersey) and, therefore, the ultimate controlling parties of the Company were:

- 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%).

On 22 October 2024, Iberdrola acquired 88% of the shares of NWEN (Jersey), subject to certain regulatory approvals, with the remaining 12% to be retained by KDM Power Limited.

Directors

The directors who held office during the half year are given below. Directors served for the entire half year, and to the date of this report, except where otherwise indicated.

Executive Directors

- Ian Smyth
- Chris Johns

Non-executive Directors

- Rob Holden

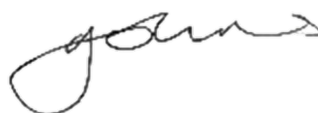
At no time during the half year did any director have a material interest in any contract or arrangement which was significant in relation to the Company's business.

Directors' responsibilities statement

The directors confirm that, to the best of their knowledge, these condensed interim financial statements:

- have been prepared in accordance with Financial Reporting Standard 104 '*Interim Financial Reporting*' (FRS 104) and the Disclosure Guidance and Transparency Rules (DTR) sourcebook of the UK's Financial Conduct Authority;
- give 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; and
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, including information on important events and material related-party transactions that have occurred in the half year ended 30 September 2024.

Approved by the Board and signed on its behalf by:



Chris Johns

Chief Financial Officer
29 November 2024

Condensed Statement of Profit or Loss

For the half year ended 30 September 2024

		Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	Note	£000	£000	£000
Operating loss		-	-	(1)
Finance income	4	13,865	101,687	115,337
Finance costs	5	(13,618)	(101,427)	(114,824)
Profit before income tax		247	260	512
Income tax expense	6	(158)	(160)	(348)
Profit for the period		89	100	164

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

The above condensed statement of profit or loss should be read in conjunction with the notes.

For the current and prior periods presented, there were no items of other comprehensive income, therefore, no separate Statement of Other Comprehensive Income has been presented.

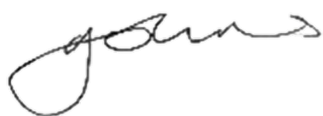
Condensed Statement of Financial Position

As at 30 September 2024

		Unaudited As at 30 Sept 2024 £000	Unaudited As at 30 Sept 2023 £000	Audited As at 31 Mar 2024 £000
	Note			
ASSETS				
Non-current assets				
Loans to group undertakings	7	951,680	944,692	960,698
Current assets				
Amounts owed by group undertakings	8	14,962	14,785	17,087
Cash and cash equivalents		162	12	7
Total current assets		15,124	14,797	17,094
Total assets		966,804	959,489	977,792
LIABILITIES				
Current liabilities				
Trade and other payables	9	(8,062)	(8,051)	(10,173)
Amounts owed to parent undertaking	10	(6,957)	(6,432)	(6,710)
Total current liabilities		(15,019)	(14,483)	(16,883)
Net current assets		105	314	211
Total assets less current liabilities		951,785	945,006	960,909
Non-current liabilities				
Borrowings	11	(723,551)	(723,349)	(723,450)
Derivative financial instruments	12	(207,923)	(201,320)	(217,147)
Deferred tax		(2,576)	(2,755)	(2,666)
Total non-current liabilities		(934,050)	(927,424)	(943,263)
Total liabilities		(949,069)	(941,907)	(960,146)
Net assets		17,735	17,582	17,646
CAPITAL AND RESERVES				
Share capital		13	13	13
Retained earnings		17,222	17,569	17,633
Total shareholders' funds		17,735	17,582	17,646

The above condensed statement of financial position should be read in conjunction with the notes.

The financial statements on pages 4 to 6 were approved and authorised for issue by the Board of Directors on 29 November 2024 and were signed on its behalf by:



Chris Johns
Director

Condensed Statement of Changes in Equity

For the half year ended 30 September 2024

	Share capital £000	Retained earnings £000	Total equity £000
At 1 April 2023 (audited)	13	17,469	17,482
Profit for the half year	-	100	100
At 30 September 2023 (unaudited)	13	17,569	17,582
At 1 April 2023 (audited)	13	17,469	17,482
Profit for the year	-	164	164
At 31 March 2024 (audited)	13	17,633	17,646
Profit for the half year	-	89	89
At 30 September 2024 (unaudited)	13	17,722	17,735

The above condensed statement of changes in equity should be read in conjunction with the notes.

Notes to the Condensed Financial Statements

1. General information and basis of preparation

General information

ENW Finance plc is a company limited by shares, incorporated and domiciled in England, UK. Its registered office and principal place of business is at Electricity North West, Borron Street, Stockport, England, SK1 2JD.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2024 were approved by the board of directors on 24 July 2024 and have been delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s498 of the Companies Act 2006.

The financial information for the half year ended 30 September 2024, and similarly the half year ended 30 September 2023, has not been audited or reviewed by the auditor.

Basis of preparation

The Company has adopted Financial Reporting Standard 101 '*Reduced Disclosure Framework*' (FRS 101) on the basis that it meets the definition of a qualifying entity under FRS 100 '*Application of Financial Reporting Requirements*'. The annual financial report has, therefore, been prepared in accordance with FRS 101. This condensed interim financial report has 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, certain fair value measurement disclosures, capital management, presentation of cash flow statement, standards not yet effective and related party transactions with other wholly-owned members of the Group.

The interim report does not include all the notes included in the audited financial statements. Accordingly, this report is to be read in conjunction with the audited financial statements for the year ended 31 March 2024.

The interim report is prepared on a going concern basis. For more information on the going concern assessment that has been undertaken, see page 2.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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 new and amended standards

A number of amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new and amended standards.

Notes to the Condensed Financial Statements (continued)

2. Critical accounting judgments and key sources of estimation uncertainty

The areas of critical accounting judgements and key sources of estimation uncertainty are consistent with those of the previous financial year and corresponding interim reporting period.

3. Significant changes in the current reporting period

As the Company holds significant financial instruments measured at fair value through profit or loss, the fluctuations in market expectations of future interest rates, inflation and credit risk (own and counterparty) have had a significant impact on the carrying value of those financial instruments over the current reporting period (see Notes 4, 5 and 12).

The Company has not been exposed to significant climate change risks in the current reporting period.

The Company is ultimately a subsidiary of North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)"). On 22 October 2024, Iberdrola, S.A. ("Iberdrola") acquired 88% of the shares of NWEN (Jersey), subject to certain regulatory approvals, with the remaining 12% retained by KDM Power Limited. At the date of approval of these financial statements, this transaction has had no impact on the financial position or performance of the Company.

4. Finance income

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Interest from short-term bank deposits	1	-	-
Interest from parent company on loan at amortised cost	247	249	498
Interest from group company on loans at amortised cost	12,631	12,629	25,222
Interest from group company on hybrid loan asset at FVTPL	986	1,847	2,655
Accretion from group company on hybrid loan asset at FVTPL	-	86,962	86,962
Finance income	13,865	101,687	115,337

Notes to the Condensed Financial Statements (continued)

5. Finance costs

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Finance costs (excluding unrealised fair value movements):			
Interest on borrowings held at amortised cost	12,633	12,618	25,207
Net interest settlements on inter-company derivative liability	985	1,847	2,655
Accretion paid on inter-company derivative liability	-	86,962	86,962
Impairment of inter-company loans held at amortised cost	(105)	(381)	(460)
Reimbursement of inter-company loan impairment	105	381	460
	13,618	101,427	114,824
Unrealised fair value movements on financial instruments:			
Inter-company hybrid loan asset	9,223	110,981	95,154
Inter-company derivative liability	(9,223)	(110,981)	(95,154)
	-	-	-
Finance costs	13,618	101,427	114,824

Details on the valuation techniques used to derive the fair values can be found in Note 12.

No derivatives were entered or closed during the half year (30 Sept 2023: none, 31 Mar 2024: none).

6. Income tax expense

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Current tax:			
Current period	247	249	527
Deferred tax:			
Current period	(89)	(89)	(179)
Income tax expense	158	160	348

Current tax is calculated at 25% (30 Sept 2023: 25%, 31 Mar 2024: 25%) of the estimated assessable profit for the half year.

Deferred tax is calculated using the rate at which it is expected to reverse. Accordingly, the deferred tax has been calculated at 25% (30 Sept 2023: 25%, 31 Mar 2024: 25%).

Notes to the Condensed Financial Statements (continued)

7. Loans to group undertakings

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Loan to parent company at amortised cost ¹	20,500	20,500	20,500
Impairment of loan	(19)	(18)	(20)
Loan to group company at amortised cost ²	299,519	299,437	299,478
Impairment of loan	(116)	(194)	(160)
Loan to group company at amortised cost ³	424,032	423,912	423,972
Impairment of loan	(159)	(265)	(219)
Hybrid loan asset to group company at FVTPL ⁴ (Note 12)	207,923	201,320	217,147
Loans to group undertakings	951,680	944,692	960,698

¹In July 2009, the Company lent £20.5m to the parent company, NWEN plc; this loan has an effective interest rate of 1.2% (30 Sept 2023: £1.8%, 31 Mar 24: 2.4%) and is due for repayment in July 2030.

²In July 2020, the Company lent ENWL £299.2m net proceeds of the £300m 1.415% 2030 bond (see Note 11), on terms aligned to the terms of that bond.

³In January 2023, the Company lent ENWL £423.8m net proceeds of the £425m 4.893% 2032 bond (see Note 11), on terms aligned to the terms of that bond.

⁴In July 2009, the Company lent ENWL £198.2m net proceeds of a £200m 6.125% 2021 bond, on terms aligned to both the terms of that bond and an associated inter-company derivative, which formed a hybrid loan asset. The inter-company derivative and, therefore, the hybrid loan asset mature in 2038. The entire hybrid loan asset is required to be measured at fair value through profit or loss. Following the repayment of the bond in 2021, the remaining cash flows of the hybrid loan asset are equal and opposite to the inter-company derivative and, therefore, the fair value of the hybrid loan asset is equal and opposite to the fair value of the inter-company derivative liability (see Note 12).

Impairment

Financial assets measured at amortised cost are subject to impairment. The credit risk of the inter-company loans at amortised cost have been assessed as low. Accordingly, any loss allowance is measured at an amount equal to 12-month expected credit losses (ECL). In determining the ECL for this asset, the directors have taken into account the historical default experience, the financial position of the counterparty, and 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 agreements, the Company has requested the reimbursement of the impairment charges incurred (Note 5).

No impairment assessment is required for financial assets held at fair value through profit or loss.

Notes to the Condensed Financial Statements (continued)

8. Amounts owed by group undertakings

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Accrued interest due on loan to parent company	6,589	6,094	6,341
Accrued interest due on loans to group company	8,066	8,214	10,346
Reimbursement of impairment on loan to parent company	19	18	21
Reimbursement of impairment on loans to group company	276	459	379
Other amounts owed by group companies	12	-	-
Amounts owed by group undertakings	14,962	14,785	17,087

For more information on the inter-company loans see Note 7.

9. Trade and other payables

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Trade and other payables	8,062	8,051	10,173

Trade and other payables relate to accrued interest on the external debt (see Note 11).

10. Amounts owed to parent undertaking

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Amounts owed to parent undertaking	6,957	6,432	6,710

The amounts owed to parent undertaking relate to amounts owed to North West Electricity Networks plc for group tax relief. These are interest free and repayable on demand.

Notes to the Condensed Financial Statements (continued)

11. Borrowings

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Bonds	723,551	723,349	723,450

At 30 Sept 2023, the Company had in issue a £300m 1.415% bond maturing in July 2030 and a £425m 4.893% bond maturing in November 2032, both guaranteed by Electricity North West Limited.

All borrowings were unsecured and in sterling. There were no unutilised committed borrowing facilities in place, nor were there formal bank overdraft facilities in place.

12. Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report.

Recognised fair value measurements

All of the financial instruments recognised at fair value in the statement of financial position are derivatives; these are measured at fair value through profit or loss and those fair value measurements occur on a recurring basis.

The following table presents the Group's financial instruments that are measured and recognised at fair value:

	Unaudited Half year ended 30 Sept 2024 £000	Unaudited Half year ended 30 Sept 2023 £000	Audited Year ended 31 Mar 2024 £000
Hybrid loan asset to group company (Note 7)	207,923	201,320	217,147
Inter-company derivative liability	(207,923)	(201,320)	(217,147)

Notes to the Condensed Financial Statements (continued)

12. Fair value measurement of financial instruments (continued)

Valuation techniques used to determine fair values

As quoted market prices (Level 1 inputs) are not available, fair values have been calculated by discounting estimated future cash flows based on observable interest and RPI curves sourced from market available data (Level 2 inputs). In accordance with IFRS 13, an adjustment for non-performance risk has then been made to give the fair value.

The XVA has been quantified by calculating a bilateral credit valuation adjustment (BCVA) based on both the credit risk profile of the counterparty and the credit risk profile of the Company, using market-available data where possible, and stochastic modelling.

Significant inputs regarding the credit risk are deemed to be Level 3 inputs, as there are no observable credit related inputs for the Company or counterparty at commonly quoted intervals or otherwise interpolated for substantially the full term of the instruments. The credit risk profile of the Group has been based on a UK utility credit curve provided by a third-party data provider. It is this assumption that is deemed to be Level 3.

The Level 3 inputs form a significant part of the fair value and, therefore, these financial instruments are disclosed as Level 3, in all the periods presented in this report.

At 30 September 2024, the adjustment for non-performance risk was £40.7m, on each of the hybrid loan asset and the derivative liability (30 Sept 2023: £37.2m, 31 Mar 2024: £39.8m), all of which (30 Sept 2023: all, 31 Mar 2024: all) is classed as Level 3.

On entering these financial instruments, the valuation technique used resulted in a fair value gain on the hybrid loan asset and a fair loss on the derivative liability. As this was neither evidenced by a quoted price nor based on a valuation technique using only data from observable markets, this gain and loss on initial recognition were not recognised. This was supported by the transaction price of nil. The differences are being recognised in profit or loss on a straight-line basis over the life of the instruments. At 30 September 2024, the aggregate difference yet to be recognised was £19.2m (30 Sept 2023: £19.8m, 31 Mar 2024: £19.2m) on both the hybrid loan asset and on the derivative liability. The movement in the half year all relates to the straight-line release to profit or loss.

These valuation techniques remain consistent for all periods covered in this report.

13. Events occurring after the reporting period

On 2 August 2024, Iberdrola, S.A. ("Iberdrola") agreed to acquire 88% of the NWEN (Jersey) group. The transaction was completed on the 22 October 2024, resulting in Iberdrola having majority ownership of Electricity North West Limited and all other companies in the NWEN (Jersey) group. The Competition and Markets Authority and Ofgem are still conducting the standard reviews of such transactions. While these regulatory reviews are taking place, the NWEN (Jersey) group of companies, including ENWL, are to be held separate from Iberdrola and its subsidiaries and will continue to operate as independent businesses.