Company Registration No. 99259

NORTH WEST ELECTRICITY NETWORKS (JERSEY) LIMITED

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2024

North West Electricity Networks (Jersey) Limited is the ultimate holding company of Electricity North West Limited ("ENWL"), the electricity distribution network operator ("DNO") for the North West of England.

ENWL owns, invests in, operates and maintains the network of poles, wires, transformers and cables which carry electricity from both the national grid and locally connected generation to homes and businesses across the North West, together with the telecommunications network that controls the network remotely.

The Group has approximately 2,200 employees and aims to provide a safe and reliable electricity supply 24 hours a day, seven days a week.

As the United Kingdom ("UK") transitions towards a low carbon economy, ENWL is becoming increasingly fundamental to the transition, with a growing and diversifying dependence on our network.

We are pleased to present our Annual Report and Consolidated Financial Statements to shareholders for the year ended 31 March 2024. Further information on our North West Electricity (Jersey) Limited Group can also be found by visiting Electricity North West's website: www.enwl.co.uk.

Cautionary statement regarding forward-looking statements

The Strategic Report and Directors' Report have been prepared solely to provide additional information to the shareholders to assess the Company and the Group's strategies and the potential for those to succeed. They contain certain forward-looking statements that are subject to factors associated with, amongst other matters, the economic and business circumstances occurring within the region and country in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those anticipated at the date of the Annual Report. The Company does not undertake any obligation to update or revise these forward-looking statements, except as may be required by law or regulation.

Website and Investor Relations

Electricity North West Limited's website www.enwl.co.uk gives additional information on the Group. Notwithstanding the references we make in this Annual Report to Electricity North West Limited's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein. Interested institutional debt investors can also gain access to additional financial information by visiting our website www.enwl.co.uk/about-us/investor-relations.

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Strategic Report

The directors present their Strategic Report on North West Electricity Networks (Jersey) Limited ("the Company"), together with its subsidiaries referred to as "the Group", for the year ended 31 March 2024.

Business review and principal activities

The Company is the ultimate parent undertaking of the Group and is a non-trading entity. The Company acts as a holding company for the investment in the Group.

The principal activity of the Group is the operation and maintenance of the electricity distribution network in the North West of England; the key trading subsidiary of the Group is Electricity North West Limited ("ENWL"), an indirectly held subsidiary of the Company.

The strategy of the Group is outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website, www.enwl.co.uk.

The Group also provides specialist services to customers, including the construction, maintenance, operation and control of customer assets, through Electricity North West (Construction and Maintenance) Limited, a wholly owned subsidiary of North West Electricity Networks (UK) Limited ("NWEN (UK)"), which is the direct subsidiary of the Company.

Electricity North West Services Limited, another wholly owned subsidiary of NWEN (UK), provides high volume, low complexity services to ENWL, including smart meter interventions and grounds maintenance.

Electricity North West Property Limited, another wholly owned subsidiary of the Company, was established to develop innovative technologies through research into electricity networks and to hold the associated intellectual property rights for license to third parties.

There have been no significant changes to the activity of the Group or Company in the year ended 31 March 2024.

The Group includes three financing companies, one of which, ENW Finance plc, had debt listed on the London Stock Exchange throughout the year. The other two companies, ENW Capital Finance plc and NWEN Finance plc, had no debt in issue in the current year. Following the issue of debt, the proceeds are on-lent in the group to finance operations in ENWL.

Debt is also issued in North West Electricity Networks (Holdings) Limited ("NWEN (Holdings)") and North West Electricity Networks plc ("NWEN plc"), intermediary holding and financing companies, and in ENWL, the operating company.

ENWL repaid the £135m index-linked loan on maturity in February 2024, at an indexed amount of £223.9m, and made scheduled repayments of £9.0m against the two £50m tranches of index-linked loan.

During the year, NWEN plc issued private placement debt totalling £120m, £65m of which is due to mature in 2033 and £55m in 2038. Also, NWEN (Holdings) drew the final £61.4m on its £120m floating rate bank facility, maturing in August 2027, and entered £61.4m notional interest rate swaps to fix the interest cashflows of the new drawing.

At 31 March 2024, the £75m revolving credit facility (RCF) and the £40m debt service facility in NWEN plc, which were both nil drawn, were due to expire in December 2024. In April 2024, these were replaced with a new £75m RCF, expiring in April 2027, and a £50m debt service facility, expiring in April 2025. Similarly, the £50m RCF in ENWL due to expire in December 2024 was replaced with a new £250m RCF, expiring in April 2027.

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

Strategic Report (continued)

Regulatory framework

An Electricity Distribution Licence was granted to ENWL, under the Electricity Act 1989. ENWL's performance against the terms of this Licence is regulated by Ofgem and monitored by the Gas and Electricity Markets Authority ("GEMA"). Ultimately, it is the customer that funds the business and investment in the network, charged through their electricity suppliers.

Under the Licence, the prices ENWL can charge customers is regulated by Ofgem through its RIIO model; Revenue = Incentives + Innovation + Outputs. This model determines how much ENWL can charge customers to fund network investment and operating costs in a regulatory price control period. Allowed revenue is adjusted up or down depending on Company performance against regulatory outputs and incentive mechanisms.

These mechanisms incentivise excellent customer service, stakeholder engagement, delivery for connections customers and network reliability, driving benefits for the customer. Performance against the incentives is assessed annually and any positive or negative adjustments are fed into a process which modifies revenue for subsequent years.

The RIIO model encourages cost reductions, through innovation and efficiency, promoting the delivery of a well-maintained and efficiently invested network for the long-term. Cost savings are shared between customers, via price reductions, and shareholders.

In addition to the RIIO framework, ENWL charges separately for new connections to, and diversions of, the network. This activity is also regulated by Ofgem.

Investment and innovation aim to ensure the development and availability of technology to meet the changing electricity use demands and the challenge of a low carbon future, at a price customers can afford.

The price control in operation for the year ended 31 March 2024 was RIIO-ED2, running for a 5-year period from 1 April 2023 to 31 March 2028.

External factors

Transition to RIIO-ED2 and Net Zero

RIIO-ED2 regulatory period represents a significant increase of expenditure compared to the previous regulatory period, with further potential increases through regulatory "uncertainty mechanisms". Delivering this investment in the network and supporting the transition to Net Zero are key challenges for the Group.

The Net Zero transition will undoubtedly result in very significant increases in network demand by 2050 driven by both renewable generation connections and new demand such as electric vehicles and heat pumps. Our key challenge in RIIO-ED2 is to provide the capacity to allow customers to adopt these technologies whenever they wish to, at a price that is affordable.

Our RIIO-ED2 business plan sets out our clear vision around Net Zero. Our plan sets out how we will make sure that the network is not a barrier to connecting electric vehicles or other low carbon technologies. We also set out our plans to improve network reliability and resilience and to look after those in our area who find themselves in vulnerable circumstances, all at the lowest cost to the customer.

Energy prices and supplier administrations

The unprecedented rise in energy prices since the end of 2021 has put energy markets under severe strain. Consequently, there were significant numbers of energy suppliers who entered administration during the year ended 31 March 2022. Although the position has been more stable since then, we are still collecting Supplier of Last Resort (SoLR) charges through our revenue. As a result of SoLR claims approved by Ofgem, our allowed revenue for the year ended 31 March 2024 was £22.0m (2023: £79.9m) higher than it would otherwise have been, with the collection of this levy, which is immediately paid to suppliers.

Strategic Report (continued)

External factors (continued)

Energy prices and supplier administrations (continued)

When an energy supplier fails, the SoLR process is triggered or, where this is not possible, the Special Administration Regime is used. The two regimes are overseen by Ofgem to protect customers from significant harm.

When a SoLR takes on the customers of a failed supplier, it has to finance the additional costs of doing so (for example procuring the energy it supplies to those customers, honouring any credit balances the customers had with the failed supplier or managing the costs of onboarding those customers). The SoLR process allows for the new supplier to recover these costs through a SoLR levy agreed between Ofgem and the new supplier. This levy is collected through the distribution network companies on a pass-through basis. This cost will effectively be recovered through future energy bills.

Political and economic backdrop

The Group also monitors the continuing environment of political and economic volatility. Supply chain management continues to be an area of focus as we see the implications of the events in Ukraine in particular. All of these have had a limited direct impact, aside from a planned increase in stock levels to manage supply chain risk.

Having considered the factors noted above, there are no material impacts on the going concern statement on page 10 to 11.

Purpose, Vision and Principles

The Group has a Purpose statement, Vision statement, set of Principles and focus areas embedded within the business ethos to steer business performance.

Our Purpose ***"Together we have the energy to transform our communities"*** reflects the essential role we play in the North West and in the lives of our customers, acknowledging how our role is changing alongside our customers' needs.

The Vision statement, to ***'Lead the North West to Net Zero'*** is in acknowledgment of the climate challenge and our role in supporting the transition to a low carbon economy.

The principles, ***'We are switched on; We are adaptable; We take pride'***, capture the cultural framework required for the Group to deliver the Purpose and Vision.

The Group has four key focus areas: ***'Health, Safety & Environment; Network Reliability; Customer; and People'***.

More details of the Group's initiatives in these focus areas can be found on pages 9 to 16 of the Strategic Report of ENWL.

Corporate social responsibility

In addition to the Purpose, Vision, Principles and focus areas, the Group has a Responsibility Framework in place covering corporate social responsibility, helping deliver responsible business practices and demonstrating that the social, environmental and economic impacts of the Group's decisions and activities are considered.

There are four main strands to the framework, ***'Our customers; Our environment; Our Communities; and Our people'***. More details of the Group's initiative under these strands can be found on pages 14 to 16 of the Strategic Reports of ENWL as referenced above.

Strategic Report (continued)

Environment and climate change

As the Company is solely a holding company, the activities of the Company cause no direct impact on, nor are directly impacted by, the environment or climate change.

The Group is dedicated to achieving the highest standards of environmental performance, by minimising negative impacts of activities and investing in outputs that deliver positive environmental impacts. We do, however, face certain challenges in balancing a reduction in the adverse environmental impacts of our operations with the need to meet customer and regulator demands to grow the network and maintain supply.

Environmental protection continues to be one of our core values, and we remain committed to achieving the highest possible standards of environmental performance. The year ended 31 March 2024 saw our lowest ever level of carbon emissions, in part due to the operational changes the business has adopted through the COVID-19 period. Some of these business changes will continue due to the long-term carbon footprint benefit that was highlighted during the pandemic. Other opportunities to reduce our carbon footprint will be implemented to continue a carbon reduction trajectory.

We minimise emissions and spills, and are investing to remove potentially damaging equipment, and to enhance the environment by undergrounding overhead cables.

More details of the Group's environmental performance can be found on pages 11 and 21 to 22 of the Strategic Report of ENWL, as referenced above.

People

The Group is one of the major employers in the North West of England, employing approximately 2,200 people, and works with local delivery partners and the supply chain to deliver our investment plans, supporting further employment in the region.

The Group is committed to providing secure, long-term careers through attracting, developing and retaining talent in an inclusive environment.

Annual colleague climate surveys are undertaken to measure colleague engagement and agreement; leadership teams are responsible for identifying areas for improvement between each survey and implementing change to continue to drive employee engagement and performance. Colleague engagement scores in our January 2024 survey were the highest ever recorded by the organisation. Our colleagues rated health and safety, pride and customer focus highest.

Following our Investors in People certification which we achieved in April 2022, we have continued to make significant investment in training and development for all our colleagues, providing a learning and development portfolio to boost their competencies.

Importantly, employees receive structured health and safety training and are encouraged to operate safely, through policy driven procedures, compliance assurance, and a behavioural approach that promotes a safety-focussed culture.

We are committed to creating a diverse and inclusive environment where everyone feels they belong and can reach their full potential. We have been moving in the right direction since we published our first gender pay gap data. We benchmark well against other energy companies and the UK average and we are committed to closing the gap further.

Strategic Report (continued)

People (continued)

The Group has been a 'Real Living Wage Employer' since 2019, has signed up to the Race at Work charter and the Ageing Better Pledge, and is a member of the Greater Manchester Combined Authority Good Employer Charter.

The Group is committed to rewarding colleagues equally and encouraging equal progression, regardless of gender. More information on our gender pay gap reporting is available at www.enwl.co.uk.

Information on the composition of the workforce at the year end is summarised below:

Workforce (Male/ Female)	2024 Number	2023 Number
Total employees	**1,730/ 572** ***(75%/25%)***	1,671/ 546 *(75%/25%)*
Senior managers	**32/ 14** ***(70%/30%)***	36/ 12 *(75%/25%)*
Executive leadership team[1]	**6/ 2** ***(75%/25%)***	5/ 2 *(71%/29%)*
Non-Executive Directors	**5/ 0** ***(100%/0%)***	5/ 0 *(100%/0%)*

[1] The Executive leadership team figure includes two Executive Directors.

Respect for Human Rights

The Group operates exclusively in the UK and, as such, is subject to the European Convention on Human Rights, the UK Human Rights Act 1998 and the Modern Slavery Act 2015. The Group seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through policies and procedures, in particular, regarding employment, equality and diversity, treating customers fairly and information security.

The Group is a founding partner of the Utilities National Work Group on Modern Slavery and we achieved our Forces Friendly silver award this year; the Modern Slavery Act Compliance Statement is available on the website: www.enwl.co.uk/misc/modern-slavery-act-compliance-statement.

Anti-corruption and anti-bribery

The Group has a strong commitment to high ethical standards, takes a zero-tolerance approach to bribery and corruption, and is committed to acting professionally, fairly and with integrity in all business dealings and relationships, implementing and enforcing effective systems to counter bribery so that our regulators and stakeholders can have absolute confidence in the arrangements and integrity of the organisation.

The Group has the following policies in place: Anti-Corruption and Bribery Policy, Corporate Hospitality & Gifts Policy, Speak Up (Whistleblowing) Policy and Conflict of Interest Policy. During 2023, the Group launched a revised 'Ethics in our Business' document and Ethical Framework, and Competition Law e-learning package.

To support the Speak Up policy, employees have access to a confidential independent reporting line, Safecall. These policies apply to all employees and officers of the Group and form part of our Code of Conduct. Other individuals performing functions for the Group, such as agency workers and contractors, are also required to adhere to the anti-bribery and anti-corruption policies.

Strategic Report (continued)

Financial review and key performance indicators

The performance of the Group is monitored by the Board of Directors by reference to key performance indicators. Performance against those measures for the year ended 31 March 2024 and 2023 is set out in the following table:

Financial KPIs	2024 £m	2023 £m
Revenue	**622.7**	605.4
Profit before tax and fair value movements	**6.6**	5.0
Net debt	**(2,183.3)**	(1,973.4)

[1] Loss before tax and fair value movements comprises profit before tax of £103.1m (2023: £138.3m) less fair value gain on £96.5m (2023: fair values gain of £133.3m) presented in Note 9.

Revenue

Revenue has increased to £622.7m (2023: £605.4m) over the year. The increase in Distribution Use of System (DUoS) revenue reflects the increase in demand, inflation and allowed revenue adjustments relating to the under recovery of revenue in previous years.

Allowed revenue is recovered against an estimated level of electricity demand across the network. Given the difficulty of predicting this demand, there is either an over or an under recovery against planned revenue each year. For the year ended 31 March 2024, there was an under recovery of £43.8m (2023: £9.4m under recovery), reflecting variability against forecast consumption volumes. This under recovery will be corrected through adjustments to revenue to be received in two years' time, in accordance with Ofgem's price setting mechanism.

As a result of SoLR claims approved by Ofgem, the allowed revenue for the year ended 31 March 2024 was £22.0m higher (2023: £79.9m) than it would otherwise have been, due to the collection of this levy. However, immediately at the point the levy becomes billable, the entire value of the levy is paid over to suppliers, with networks making no profit from their role in the process.

Profit before tax and fair value movements

During the year, there was a profit before tax and fair value movements of £6.6m (2023: £5.0m profit). Whilst operating profit and finance income were £33.7m and £18.4m higher respectively, finance costs (excluding fair value) were also higher, primarily due to the £66.9m higher accretion payment on index-linked swaps to £87.0m (Note 9).

Profit or loss before tax and fair value movements provides a closer indication of underlying performance due to the exclusion of fair value movements on derivatives, which do not directly relate to the underlying operations of the business.

Net debt

At 31 March 2024, the net debt was £2,183.3m (2023: £1,973.4m), see Note 36 for more information. The £209.9m increase was primarily due to the £166.6m net cash outflow and the £45.1m indexation of inflation-linked debt.

Of the external debt, £9.1m (2023: £221.7m) is due to be repaid within the next year, under European Investment Bank ("EIB") loans, and £1.9m (2023: £1.7m) lease repayments.

All other borrowings are repayable after more than one year and include bonds with long-term maturities of £1,996.7m (2023: £1,852.0m), bank loans of £394.9m (2023: £399.8m) and leases of £3.2m (2023: £2.5m).

Note 21 provides more details on the borrowings.

Strategic Report (continued)

Financial review and key performance indicators (continued)

Treasury policy and operations

The Group's treasury function operates under Board-approved policies without acting as a profit centre or engaging in speculative trading activities. Its primary objectives are to secure adequate funding in accordance with the treasury policy and maintain targeted headroom on key financial ratios.

Long-term borrowings are mainly at fixed rates that provide certainty of future cash flows, or are indexed to inflation (RPI) to match the inflation-linked accretion to the Regulatory Asset Value (RAV) (Ofgem have now changed this to a Consumer Price Index including owner occupiers' housing costs (CPIH) basis). The Group also holds some floating rate debt.

Derivative instruments are used to convert a portion of the fixed rates to RPI-linked cash flows, in order to better match the Ofgem debt allowance structure (noting that Ofgem have now changed this to a CPIH basis).

The proportion of post-hedging borrowings at fixed, floating and index-linked rates of interest is maintained in line with target levels set in the Treasury Policy and monitored by the Board.

Cash flows are in sterling, other than sundry purchases of plant denominated in foreign currencies and some assets of the defined benefit pension scheme managed by the pension scheme investment managers. The Group has no material exposure to foreign currency exchange movements.

Liquidity

The Group's funding position continues to be strong, through focussed management of liquidity and working capital. Budgets for the year ending 31 March 2025, forecasts to the end of the next regulatory period in 2028 and longer-term forecasts to 2048 are used to assess the liquidity needs of the Group. These forecasts demonstrate the availability of sufficient liquidity, and headroom against all financial compliance ratios.

Short-term liquidity requirements are met from operating cash flows, cash balances, short-term deposits and unutilised committed borrowing facilities. Utilisation of undrawn facilities is with reference to RAV gearing restrictions; actual and forecast RAV gearing is monitored by the Board.

At 31 March 2024, cash balances were £205.8m (2023: £187.4m), money market deposits greater than three months were £16.7m (2023: £316.9m) and unutilised committed facilities were £165.0m (2023: £164.6m).

Where a liquidity need cannot be met by existing resources, for example refinancing existing debt or demand for additional borrowing, the Group's treasury function starts the process of raising new debt at least 12 months ahead of the requirement. The Group's long-term debt has a range of maturities to avoid a concentration of refinancing risk.

During the year, NWEN (Holdings) drew the final £61.4m on its £120m floating rate bank facility, maturing in August 2027, and entered £61.4m notional interest rate swaps to fix the interest cashflows of the new drawing.

During the year, NWEN plc issued private placement debt totalling £120m, £65m of which is due to mature in 2033 and £55m in 2038 (see Note 21).

In February 2024, the £135m index-linked EIB loan held by ENWL was repaid at maturity; the indexed amount repaid was £223.9m. Additionally, scheduled repayments of £9.0m were made against the other two EIB loans held by ENWL.

At 31 March 2024, the £75m revolving credit facility (RCF) and the £40m debt service facility in NWEN plc, which were both nil drawn, were due to expire in December 2024. In April 2024, these were replaced with a new £75m RCF, expiring in April 2027, and a £50m debt service facility, expiring in April 2025. Similarly, the £50m RCF in ENWL due to expire in December 2024 was replaced with a new £250m RCF, expiring in April 2027.

There are no further re-financing obligations due in the next 12 months.

Strategic Report (continued)

Financial review and key performance indicators (continued)

Credit rating agencies

The Group issues debt in the public bond markets and maintains credit ratings with leading credit rating agencies. During the year, the credit ratings were formally reviewed and affirmed.

At 31 March 2024, ENWL was rated BBB+ with negative outlook by Standard and Poor's ("S&P"), Baa1 with stable outlook by Moody's Investors Service ("Moody's") and BBB+ with negative outlook by Fitch Ratings ("Fitch").

The short-term debt ratings were A-2 and F2 with S&P and Fitch respectively.

NWEN plc was rated BBB+ with negative outlook by S&P and BBB- with negative outlook by Fitch.

NWEN (Holdings) was rated BB+ by S&P, with negative outlook.

Further details are available to credit investors in the Financial Investor Relations section of the website www.enwl.co.uk.

Derivatives

The Group uses two main groups of derivatives to economically hedge exposure to fluctuations in market rates over the medium to long-term; interest rate swaps to manage interest rate risk and inflation swaps to convert fixed rate debt to index-linked borrowing in order to better match the Ofgem debt allowance methodology. All derivatives relate directly to underlying debt. At 31 March 2023 and 2024 there were no formal hedge accounting relationships in the Group.

Fair values

The derivatives are accounted for at fair value through profit or loss. The fair value movements are non-cash and will reverse over the life of the derivative but can be significant and result in material volatility in profit or loss. In the current year, net fair value gains of £96.5m have been recognised (2023: gains of £133.3m), primarily driven by the £87.0m scheduled accretion payment in July 2023 (see Note 9) and significant changes in market expectations of future interest and inflation rates.

Defined benefit pension

At 31 March 2024, the Group's defined benefit pension scheme had a net surplus, calculated under IAS 19 *Employee Benefits*, of £39.0m (2023: £42.6m), resulting in a re-measurement loss of £6.8m (2023: gain of £9.4m) booked directly to other comprehensive income.

The main reasons for the decrease in the accounting surplus were market movements reducing the value of the scheme assets in excess of the reduction in the value of the defined benefit obligations which was mostly impacted by changes in the demographic assumptions.

The most recent triennial funding valuation of the scheme was carried out as at 31 March 2022 and identified a shortfall of £19.4m against the Pension Trustee Board's statutory funding objective. In addition to the timing of the two valuations, the contributions made in the period and the return on assets, the main difference is due to the different assumptions used by IAS 19 and the funding valuation.

In the event of underfunding, the Group must agree a deficit recovery plan with the Trustee Board within statutory deadlines.

Strategic Report (continued)

Financial review and key performance indicators (continued)

Dividends and dividend policy

The Group's dividend policy is to distribute the maximum amount of available cash, whilst maintaining its targeted gearing level, in each financial year at semi-annual intervals, with reference to the forecast business needs, the Group's treasury policy on liquidity, financing restrictions, applicable law and ENWL's licence obligations.

During the year, the Company paid dividends totalling £105.7m (2023: £79.6m) (Note 32).

At the Board meeting in May 2024, the directors proposed a final dividend of £27.7m for the year ended 31 March 2024.

Non-financial key performance indicators

A review of the Group's non-financial KPIs is disclosed in the Annual Report and Consolidated Financial Statements of the key trading subsidiary of the Group, Electricity North West Limited ("ENWL"), as referenced in the Non-financial and Sustainability Information Statement on page 27 to 28 of that report. These KPIs span the focus areas (see page 3).

An overview of the following non-financial information is contained elsewhere in this Strategic Report, as indicated below;

- Environmental matters – see pages 4,
- Employees – see page 4 to 5,
- Community issues and social matters – see page 3 to 5,
- Respect for human rights – see page 5, and
- Anti-corruption and bribery matters – see page 5.

Principal risks and uncertainties

As the principal trade and activities of the Group are carried out in ENWL, the Board considers the principal risks and uncertainties facing the Group to be those that affect ENWL, subject to any financing risks that affect the Company and the other financing companies in the Group, as noted below. A comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing ENWL, and ultimately the Group, are outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website, www.enwl.co.uk.

An assessment of the change in risk affecting the Company has been carried out and the principal risks are deemed comparable year on year. The principal risks facing the Company are financing risks; there has been no change in the financing risks facing the Company, nor are there any debt facilities of the Company due to expire in the next 12 months.

Strategic Report (continued)

Going concern

When considering whether to continue to adopt the going concern basis in preparing these financial statements, the directors have taken into account a number of factors, including the following:

- ENWL's electricity distribution licence includes the obligation in standard licence condition 40 to maintain an investment grade issuer credit rating, which has been met.
- Under section 3A of the Electricity Act 1989, GEMA has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance their activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000.
- Management has prepared, and the directors have reviewed and approved Group budgets for the year ending 31 March 2025. These budgets include profit projections and cash flow forecasts, including covenant compliance considerations. Inherent in forecasting is an element of uncertainty and key sensitivities are considered when budgets are approved, including possible changes in inflation and under recoveries of allowed revenue as plausible downside scenarios.
- Management has prepared forecasts covering the next regulatory period out to 2028, based Ofgem's Final Determination for RIIO-ED2. Forecasts demonstrate that there is sufficient headroom on key covenants and that there are sufficient financial resources available to the Group within the forecast period.
- Management has prepared liquidity forecasts on a monthly basis, and performed inflation sensitivities on forecasts to July 2025, being at least 12 months from the date of approval of the financial statements.
- Short-term liquidity requirements are forecast to be met from the Group's operating cash flows and short-term deposit balances. At 31 March 2024, there was £165.0m of committed undrawn borrowing facilities; these were replaced with a new larger facility in April 2024 (Note 21). Of these, £325.0m of committed undrawn facilities are available for at least 12 months from the date of approval of these financial statements.
- Though the Group is largely financed by long-term external funding, any uncommitted financing has been removed from the assessment.
- Management prepared and considered key sensitivities to the business plan model when assessing going concern. These sensitivities include removal of incentive income, macro-economic factors including inflation at +/-1% and DUoS revenue under collection.
- External factors are also considered as cost of living and high energy prices, interest rates, Ukraine conflict and impact on supply chain, and energy prices and supplier administration.

The shareholders of North West Electricity Networks (Jersey) Limited, the Group's ultimate parent undertaking, are currently undertaking a Strategic Review of their investment in the Group which includes ENWL, following the conclusion of the ED1 price control period in which ENWL delivered the best operational performance of any UK DNO group. It is possible that this Strategic review will result in the sale by the Group's shareholders of some or all of the share capital in the Company.

Strategic Report (continued)

Going concern (continued)

Whether or not there is a sale, the Strategic Review is expected to strengthen the operational and financial position of the Group over future years from its already strong level, to support and optimise the delivery of Net Zero for our customers in the North West. The Directors have however considered the impact of the ongoing Strategic Review on the appropriateness of the Going Concern assumption for the Group. The Directors have considered the two potential outcomes of the Strategic Review:

- In the event there is no sale, the Directors are satisfied that the going concern basis of preparation remains appropriate, as the Group has adequate resources to continue in operational existence and meet its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements.

- In the event there is a sale, any potential new shareholders are expected to continue to run the Group, including the licenced entity, ENWL, as a going concern. The Directors clearly expect that any sale made will only take place to reputable new shareholders. The Group's value is based on the underlying assets of ENWL which has strong regulatory protections. In addition, the Group has liquidity protections arising from the funding covenants in place. Any potential sale including ENWL may be scrutinised by Ofgem, CMA and other government bodies to ensure that any new shareholders are fit and proper to own key infrastructure assets. The delivery of electricity to customers in the North West is a critical service of national importance and such scrutiny can cover many aspects, including national security and financial sustainability. The regulated assets in ENWL are protected by the regulatory licence; the regulatory licence can only be transferred with Ofgem's approval. In addition, any potential new shareholders will be expected to run the business prudently within the financial covenants agreed with the lenders of the Group and as such these afford protection against potential increases in gearing of the business above the lock-up ratio covenants. No additional financial support from the Company's shareholders is required for the Group to continue as a going concern, and the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future in this scenario. However, at the date of approval of these financial statements, the Directors do not have certainty over the future actions and strategy of the acquirer, their funding arrangements and Group structure plans, including the Company remaining as the ultimate holding company of the Group. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Notwithstanding this uncertainty, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its obligations as they fall due 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 the financial statements, per the FRC guidelines. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Approved by the Board on 11 July 2024 and signed on its behalf by:

Peter O'Flaherty
Director

Directors' Report

The directors present their report and audited consolidated financial statements of North West Electricity Networks (Jersey) Limited ("the Company" or "NWEN (Jersey)") and its subsidiaries (together referred to as "the Group") for the year ended 31 March 2024.

General information

The Company is a private company limited by shares and incorporated and registered in Jersey under Companies (Jersey) Law. The Company is domiciled in the UK.

The Company has been UK tax resident since incorporation in 2007. The Group does not gain any tax advantage from this structure and is subject to UK corporation tax and VAT.

The trading address for the Group is Borron Street, Stockport, England, SK1 2JD.

Information contained in Strategic Report

As permitted by Companies (Jersey) Law 1991, certain information required to be included in the Directors' Report has been included in the Strategic Report. Specifically, this relates to:

- risk management, page 9;
- employee matters, page 4; and
- greenhouse gas emissions, page 4.

Parent, ultimate parent and controlling party

The Company is the ultimate parent undertaking of the Group.

At 31 March 2023 and 2024, the ownership of the shares in NWEN (Jersey) was as follows:

- 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%).

As no individual shareholder owned over 50%, there was no ultimate controlling party.

Dividends

During the year, the Company declared a final dividend for the year ended 31 March 2023 of £70.0m, paid in June 2023, and declared an interim dividend for the year ended 31 March 2024 of £35.7m, paid in December 2023. In the prior year, the Company declared a final dividend for the year ended 31 March 2022 of £45.0m, paid in June 2022, and declared interim dividends for the year ended 31 March 2023 of £34.6m, paid in December 2022 (Note 32).

At the Board meeting in May 2024, the directors proposed a final dividend of £27.7m for the year ended 31 March 2024.

Details of the Group's dividend policy can be found in the Strategic Report, page 9.

Capital structure

The Company's capital structure is set out in Note 31.

Financial instruments

The use of financial instruments and their related risks are disclosed in the Financial Review and Principal Risks and Uncertainties sections of the Strategic Report on page 6 and 9, and in Note 24.

Financial risk management

Disclosure around the Group's principal risks can be found in the Principal Risks and Uncertainties section of the Strategic Report on page 9, and in Note 24.

Employees

The Group's policies on employee consultation and involvement, the treatment of disabled employees and on equality and diversity across all areas of the business are contained within the Employees section of the Strategic Report on page 4 to 5.

Directors' Report (continued)

Greenhouse gas emissions and energy use

There are no greenhouse gas emissions directly attributable to the Company. Disclosures relating to the Group as a whole are reported on page 21 and 22 of the Strategic Report of the Annual Report and Consolidated Financial Statements of ENWL, which are available on the website www.enwl.co.uk.

Research and development

The Group is committed to developing innovative and cost-effective solutions for providing high quality services and reliability to customers, and for the benefit of the wider sector and the development of the network. During the year ended 31 March 2024 the Group incurred £1.9m of expenditure on research and development (2023: £3.0m), see Note 5.

Future developments

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

Details of the future developments of the Group can be found in the Chief Executive Officer's Statement and Strategic Report of the ENWL Annual Report and Consolidated Financial Statements, as referenced above.

Events after the Balance Sheet date

At 31 March 2024, the £75m revolving credit facility (RCF) and the £40m debt service facility in NWEN plc, which were both nil drawn, were due to expire in December 2024. In April 2024, these were replaced with a new £75m RCF, expiring in April 2027, and a £50m debt service facility, expiring in April 2025. Similarly, the £50m RCF in ENWL due to expire in December 2024 was replaced with a new £250m RCF, expiring in April 2027.

Corporate governance

The 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 of the ENWL Annual Report and Consolidated Financial Statements, pages 45-58, which are available on the website www.enwl.co.uk.

Directors

The Directors of the Company who were, unless otherwise stated, in office during the year and up to the date of signing the financial statements were:

Non-executive Directors

- Sion Jones
- Peter O' Flaherty
- Genping Pan
- Takeshi Tanaka (resigned 31 July 2023)
- Masahide Yamada
- Mitsuo Wada (appointed 31 July 2023)

Directors served for the whole year and to the date of this report except where otherwise indicated.

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 Group's business.

Directors' and officers' insurance

The Group maintains an appropriate level of directors' and officers' insurance whereby directors are indemnified against liabilities to the extent permitted by the Companies (Jersey) Law 1991.

The insurance is a group policy, held in the name of NWEN (Jersey) and is for the benefit of the Company and all its subsidiaries and was in place throughout the year and to the date of this report.

Independent auditor

PricewaterhouseCoopers LLP ("PwC"), Statutory Auditor, Manchester, United Kingdom has expressed its willingness to continue in office as independent auditor of the Group. In accordance with Article 113 (5) of the Companies (Jersey) Law 1991, PwC are deemed to be reappointed as independent auditor of the Company.

Directors' Report (continued)

Registered address

The Company is registered in Jersey at the following address:

North West Electricity Networks (Jersey) Limited
44 Esplanade
St Helier
Jersey
JE4 9WG

Registered number: 99259

Approved by the Board on 11 July 2024 and signed on its behalf by:

Peter O'Flaherty
Director

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual report and Consolidated Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for compliance with the Financial Services (Jersey) Law 1998 and Codes of Practice.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

Directors' confirmations

The directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the directors confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

In the case of each director in office at the date this report is approved:

(1) as 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 Article 75 of the Companies (Jersey) Law 1991.

Approved by the Board of Directors on 11 July 2024 and is signed on its behalf by:

Peter O'Flaherty
Director

Independent auditors' report to the members of North West Electricity Networks (Jersey) Limited

Report on the audit of the financial statements

Opinion

In our opinion, North West Electricity Networks (Jersey) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2024 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 March 2024; the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated and Company Statements of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern. The shareholders of North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)"), are undertaking a Strategic Review of their investment in the company. It is possible that this Strategic Review will result in the sale by NWEN (Jersey)'s shareholders of some or all of the share capital of the company. The Directors do not have certainty over the future actions and strategy of any potential acquirer, including their funding arrangements and group structure plans. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety regulation and regulations applicable to the operation of electricity distribution networks in the UK, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies (Jersey) Law 1991 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to improve financial performance, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- challenging assumptions and judgements made by management in their significant accounting estimates;
- discussions with management, audit committee, legal counsel and internal audit including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- reviewing minutes of meetings of those charged with governance;
- auditing the calculations supporting tax balances and disclosures;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- reviewing financial statements disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Simon White
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
Manchester
11 July 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2024

	Note	**Group 2024 £m**	Group 2023 £m
Revenue	4	**622.7**	605.4
Employee costs	5,6	**(86.0)**	(74.9)
Depreciation and amortisation expense	5	**(147.3)**	(141.3)
Other operating costs		**(165.4)**	(198.9)
Total operating costs		**(398.7)**	(415.1)
Operating profit	5	**224.0**	190.3
Finance income	8	**22.9**	4.5
Finance costs	9	**(143.8)**	(56.5)
Profit before income tax		**103.1**	138.3
Income tax expense	10	**(24.2)**	(39.1)
Profit for the financial year		**78.9**	99.2
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit scheme	25	**(6.8)**	9.4
Deferred tax on re-measurement of retirement benefit scheme	27	**1.7**	(2.3)
Other comprehensive (expense)/income for the financial year		**(5.1)**	7.1
Total comprehensive income for the financial year		**73.8**	106.3

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

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes.

As permitted by the Companies (Jersey) Law 1991, the Company has not presented its own statement of profit or loss and other comprehensive income. The profit after tax for the Company for the year ended 31 March 2024 was £15.1m (2023: £55.4m profit). Of this, £nil (2023: £35.1m) relates to dividends received from subsidiary undertakings.

Consolidated and Company Statements of Financial Position

As at 31 March 2024

	Note	**Group 2024 £m**	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
ASSETS					
Non-current assets					
Property, plant and equipment	11	**3,796.5**	**-**	3,648.5	-
Intangible assets and goodwill	13	**239.1**	**-**	242.3	-
Investment in subsidiaries	14	**-**	**87.6**	-	87.6
Loans to group undertakings	15	**-**	**213.3**	-	297.2
Derivative assets	22	**38.2**	**-**	30.2	-
Retirement benefit surplus	25	**39.0**	**-**	42.6	-
Total non-current assets		**4,112.8**	**300.9**	3,963.6	384.8
Current assets					
Inventories	16	**49.4**	**-**	22.5	-
Trade and other receivables	17	**105.5**	**4.4**	100.1	8.1
Current income tax asset		**-**	**-**	12.1	-
Cash and cash equivalents	18	**205.8**	**0.5**	187.4	0.9
Money market deposits over three months	19	**16.7**	**-**	316.9	-
Total current assets		**377.4**	**4.9**	639.0	9.0
Total assets		**4,490.2**	**305.8**	4,602.6	393.8

Consolidated and Company Statements of Financial Position (continued)

As at 31 March 2024

	Note	Group 2024 £m	Company 2024 £m	Group 2023 £m	Company 2023 £m
LIABILITIES					
Current liabilities					
Trade and other payables	20	(191.2)	(0.2)	(171.9)	(0.2)
Current income tax liability		(5.5)	(6.5)	-	(3.9)
Borrowings	21	(11.0)	-	(223.4)	-
Customer contributions	26	(81.0)	-	(76.6)	-
Provisions	28	(0.5)	-	(0.6)	-
Total current liabilities		(289.2)	(6.7)	(472.5)	(4.1)
Non-current liabilities					
Borrowings	21	(2,394.8)	-	(2,254.3)	-
Derivative liabilities	22	(361.5)	-	(450.0)	-
Customer contributions	26	(489.0)	-	(449.1)	-
Deferred tax	27	(363.9)	-	(352.8)	-
Provisions	28	(0.2)	-	(0.4)	-
Total non-current liabilities		(3,609.4)	-	(3,506.6)	-
Total liabilities		(3,898.6)	(6.7)	(3,979.1)	(4.1)
Net assets		591.6	299.1	623.5	389.7
EQUITY					
Stated capital	29	245.0	245.0	245.0	245.0
Preference share capital	30	327.0	327.0	327.0	327.0
Retained earnings/(accumulated losses)		19.6	(272.9)	51.5	(182.3)
Total equity		591.6	299.1	623.5	389.7

The above consolidated and company statements of financial position should be read in conjunction with the notes.

The financial statements on pages 19 to 24 were authorised for issue and approved by the Board of Directors on 11 July 2024 and signed on its behalf by:

Peter O'Flaherty,
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Stated capital £m	Preference share capital £m	Retained earnings £m	Total Equity £m
At 1 April 2022	245.0	327.0	24.8	596.8
Profit for the financial year	-	-	99.2	99.2
Other comprehensive income for the financial year	-	-	7.1	7.1
Total comprehensive income for the financial year	-	-	106.3	106.3
Dividends (Note 32)	-	-	(79.6)	(79.6)
At 31 March 2023 and 1 April 2023	**245.0**	**327.0**	**51.5**	**623.5**
Profit for the financial year	**-**	**-**	**78.9**	**78.9**
Other comprehensive expense for the year	**-**	**-**	**(5.1)**	**(5.1)**
Total comprehensive income for the financial year	**-**	**-**	**73.8**	**73.8**
Dividends (Note 32)	**-**	**-**	**(105.7)**	**(105.7)**
At 31 March 2024	**245.0**	**327.0**	**19.6**	**591.6**

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

Company Statement of Changes in Equity

For the year ended 31 March 2024

	Stated capital £m	Preference share capital £m	Accumulated losses £m	Total Equity £m
At 1 April 2022	245.0	327.0	(158.1)	413.9
Profit for the financial year	-	-	55.4	55.4
Total comprehensive income for the financial year	-	-	55.4	55.4
Dividends (Note 32)	-	-	(79.6)	(79.6)
At 31 March 2023 and 1 April 2023	**245.0**	**327.0**	**(182.3)**	**389.7**
Profit for the financial year	**-**	**-**	**15.1**	**15.1**
Total comprehensive income for the financial year	**-**	**-**	**15.1**	**15.1**
Dividends (Note 32)	**-**	**-**	**(105.7)**	**(105.7)**
At 31 March 2024	**245.0**	**327.0**	**(272.9)**	**299.1**

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

Consolidated and Company Statements of Cash Flows

For the year ended 31 March 2024

	Note	Group 2024 £m	Company 2024 £m	Group 2023 £m	Company 2023 £m
Operating activities					
Cash generated from/(used in) operations	36	**318.1**	**-**	304.3	(0.1)
Customer contributions received	26	**57.1**	**-**	60.6	-
Interest paid		**(106.1)**	**-**	(81.5)	-
Interest portion of lease liabilities	9	**(0.3)**	**-**	(0.2)	-
Accretion of index-linked swaps	9	**(87.0)**	**-**	(20.1)	-
Income taxes received/(paid)		**6.2**	**-**	(0.4)	-
Net cash generated from/(used in) operating activities		**188.0**	**-**	262.7	(0.1)
Investing activities					
Interest received and similar income		**24.5**	**14.1**	2.2	17.2
Transfer from/(to) money market deposits over three months		**300.2**	**-**	(316.9)	-
Dividends received		**-**	**-**	-	35.1
Purchase of property, plant and equipment		**(274.6)**	**-**	(244.7)	-
Purchase of intangible assets		**(11.0)**	**-**	(10.6)	-
Proceeds from sale of property, plant and equipment		**0.2**	**-**	0.5	-
Net cash generated from/(used in) investing activities		**39.3**	**14.1**	(569.5)	52.3
Net cash flow before financing activities		**227.3**	**14.1**	(306.8)	52.2
Financing activities					
Investment in joint venture	14	**-**	**-**	0.1	-
Proceeds from external borrowings	21	**194.6**	**-**	572.0	-
Repayment of external borrowings	21	**(307.9)**	**-**	(75.3)	-
Repayment of lease liabilities	21	**(1.9)**	**-**	(1.5)	-
Repayment of loan to subsidiary		**-**	**91.2**	-	26.1
Movement in cash collateral held	22	**12.0**	**-**	-	-
Dividends paid	32	**(105.7)**	**(105.7)**	(79.6)	(79.6)
Net cash (used in)/ generated from financing activities		**(208.9)**	**(14.5)**	415.7	(53.5)
Net increase/(decrease) in cash and cash equivalents		**18.4**	**(0.4)**	108.9	(1.3)
Cash and cash equivalents at the beginning of the year	18	**187.4**	**0.9**	78.5	2.2
Cash and cash equivalents at the end of the year	18	**205.8**	**0.5**	187.4	0.9

The above consolidated and company statements of cash flows should be read in conjunction with the notes.

Notes to the Financial Statements

North West Electricity Networks (Jersey) Limited is a company incorporated and registered in Jersey under Companies (Jersey) Law. The Company is domiciled in the UK.

The financial statements are presented in sterling, which is the functional currency of the Company and Group. All values are stated in million pounds (£'m) 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, page 10 to 11, and Note 2.

1. Adoption of new and revised Standards

New and amended accounting standards that are effective for the current year

In the current year, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) for an accounting period that begins on or after 1 January 2023; their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements:

- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies;*
- Amendments to IAS 8: *Definition of Accounting Estimates;* and
- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*, effective and will be applied by the Group from year ending 31 March 2025*;*
- Amendments to IAS 1: *Non-current Liabilities with Covenants*, effective and will be applied by the Group from year ending 31 March 2025;
- Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*, effective from year ending 31 March 2025 but is not applicable to the Group; and
- Amendments to IAS 7 and IFRS 7: *Supplier finance arrangements*, effective from year ending 31 March 2025 but is not applicable to the Group.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Notes to the Financial Statements (continued)

2. Material accounting policy information

The material 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 Group and Company financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with the requirements of the Companies (Jersey) Law 1991 as applicable to companies reporting under those standards.

The Group financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value, retirement benefit scheme and certain property, plant and equipment that were revalued in 1997. The Company financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. More details on the fair value measurements of financial instruments are given in Note 22.

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 following:

- ENWL's electricity distribution licence includes the obligation in standard licence condition 40 to maintain an investment grade issuer credit rating, which has been met.
- Under section 3A of the Electricity Act 1989, GEMA has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance their activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000.
- Management has prepared, and the Directors have reviewed and approved Group budgets for the year ending 31 March 2025. These budgets include profit projections and cash flow forecasts, including covenant compliance considerations. Inherent in forecasting is an element of uncertainty and key sensitivities are considered when budgets are approved, including possible changes in inflation and under recoveries of allowed revenue as plausible downside scenarios.
- Management has prepared forecasts covering the full regulatory period out to 2028, based on Ofgem's Final Determination for RIIO-ED2. Forecasts demonstrate that there is sufficient headroom on key covenants and that there are sufficient resources available to the Group within the forecast period.
- Management has prepared liquidity forecasts on a monthly basis, and performed inflation sensitivities on forecasts to July 2025, being at least 12 months from the date of approval of the financial statements.
- Short-term liquidity requirements are forecast to be met from the Group's operating cash flows and short-term deposit balances. At 31 March 2024, there was £165.0m of committed undrawn borrowing facilities; these were replaced in April 2024 (Note 21). Of these, £325.0m was available for at least 12 months from the date of approval of these financial statements.
- Though ENWL is largely financed by long-term external funding, any uncommitted financing has been removed from the assessment.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Going concern (continued)

- Management prepared and considered key sensitivities to the business plan model when assessing going concern. These sensitivities include removal of incentive income, macro-economic factors including inflation at +/-1% and DUoS revenue under collection.
- External factors are also considered such as, cost of living and high energy prices, interest rates, Ukraine conflict and impact on supply chain, and energy prices and supplier administration.

The shareholders of North West Electricity Networks (Jersey) Limited, the Group's ultimate parent undertaking, are currently undertaking a Strategic Review of their investment in the Group which includes ENWL, following the conclusion of the ED1 price control period in which ENWL delivered the best operational performance of any UK DNO group. It is possible that this Strategic review will result in the sale by the Group's shareholders of some or all of the share capital in the Company.

Whether or not there is a sale, the Strategic Review is expected to strengthen the operational and financial position of the Group over future years from its already strong level, to support and optimise the delivery of Net Zero for our customers in the North West. The Directors have however considered the impact of the ongoing Strategic Review on the appropriateness of the Going Concern assumption for the Group. The Directors have considered the two potential outcomes of the Strategic Review:

- In the event there is no sale, the Directors are satisfied that the going concern basis of preparation remains appropriate, as the Group has adequate resources to continue in operational existence and meet its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements.
- In the event there is a sale, any potential new shareholders are expected to continue to run the Group, including the licenced entity, ENWL, as a going concern. The Directors clearly expect that any sale made will only take place to reputable new shareholders. The Group's value is based on the underlying assets of ENWL which has strong regulatory protections. In addition, the Group has liquidity protections arising from the funding covenants in place. Any potential sale including ENWL may be scrutinised by Ofgem, CMA and other government bodies to ensure that any new shareholders are fit and proper to own key infrastructure assets. The delivery of electricity to customers in the North West is a critical service of national importance and such scrutiny can cover many aspects, including national security and financial sustainability. The regulated assets in ENWL are protected by the regulatory licence; the regulatory licence can only be transferred with Ofgem's approval. In addition, any potential new shareholders will be expected to run the business prudently within the financial covenants agreed with the lenders of the Group and as such these afford protection against potential increases in gearing of the business above the lock-up ratio covenants. No additional financial support from the Company's shareholders is required for the Group to continue as a going concern, and the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future in this scenario. However, at the date of approval of these financial statements, the Directors do not have certainty over the future actions and strategy of the acquirer, their funding arrangements and Group structure plans, including the Company remaining as the ultimate holding company of the Group. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Going concern (continued)

Notwithstanding this uncertainty, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its obligations as they fall due 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 the financial statements, per the FRC guidelines. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), made up to 31 March each year.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. There have been no acquisitions or disposals of subsidiaries in the current or prior year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies are consistent in all Group companies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group members are eliminated on consolidation.

The directors have taken advantage of the exemption available under Article 105 (11) of the Companies (Jersey) Law 1991 and not presented an income statement for the Company alone.

Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the consideration transferred and acquisition-date fair value of any previous equity interest in the acquired entity over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, and is recognised as an asset. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the consideration transferred, the excess is recognised immediately in profit or loss as bargain purchase.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Business combinations and goodwill (continued)

Goodwill is allocated to cash-generating units and is not amortised but reviewed for impairment annually, or more frequently when there is an indication that it may be impaired.

Investments in subsidiaries (Company only)

Investments in subsidiary undertakings are stated at cost less any provisions for permanent diminution in value. Dividends received and receivable are credited to the Company's Income Statement to the extent that they represent a realised profit for the Company.

Capitalisation of overheads

The costs are initially expensed to the income statement with a portion being capitalised based on management's assessment of the costs incurred that are directly linked to the capital work performed. This includes internal expenditure, such as staff costs incurred in implementing and supporting the capital projects, which are capitalised along with an appropriate proportion of overheads. The internal expenditure is capitalised only if it can be demonstrated that it is directly attributable to the asset, provides probable economic benefit to the Group and can be reliably measured. The nature of costs capitalised is a key judgement and this is based on an analysis of total costs that are considered as directly attributable to capital work. An analysis of total cost split between capital and expense is performed and reviewed on an annual basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable primarily for the distribution of electricity in the normal course of business, net of VAT.

Revenue from the distribution of electricity

The Company provides services under the Distribution Connection and Use of System Agreement ("DCUSA") with its customers and derives the majority of its revenue from Distribution Use of System ("DUoS") services. The recognition of revenue from the distribution of electricity is based on actual volumes distributed through the network and includes an assessment of the volume of unbilled energy distributed as at the year end. There is a single performance obligation whereby the Company is required to deliver electricity using its distribution network. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits and the Company has the right to payment for the services provided. Revenue includes unbilled income recognised relating to volumes distributed through the network but not yet invoiced at year end.

Electricity distribution revenue is determined in accordance with the regulatory licence. Where revenue received or receivable in the year differs from the allowed revenue permitted by regulatory agreement, adjustments will be made to future prices to reflect this over/under recovery. This will be taken into account in future financial year's allowed revenue. No accounting adjustments are therefore made for the over/under recoveries in the year that they arise or in the year in which they are recovered.

Incentive income earned or adjustments for under/over-spend against totex allowances, are not adjusted within revenue reported in the year within which they arise. These adjustments are factored into allowed revenue for future periods and consequently recognised as revenue when the associated volumes are distributed and the performance obligation is met.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Revenue recognition (continued)

Government levies

Where the Company is directed to collect or pay levies by the Regulator, Ofgem, those levies are accounted for under IFRIC 21: *Levies*. In accordance with IFRIC 21, levies such as Supplier of Last Resort (SoLR) payment levies, are recognised progressively when an obligating event takes place. SoLR levies are directed from time to time by Ofgem, with specified payment and collection periods. In accordance with IFRIC 21 the liability associated with the levy is triggered progressively as the associated income becomes billable, being the defined obligating event.

Revenue from SoLR levies and the associated costs are therefore recognised proportionately over time in the income statement, with the levy collection being reflected in revenue and the corresponding payment of the levy in operating costs.

Connections revenue

Connections revenue includes contract revenue for diversions and disconnections from the network and is recognised by reference to the proportion of total costs of providing the service. The performance obligation relates to completion of work per the terms of the contract. Consideration received in advance of recognising the associated revenue from customers is recorded within contract liabilities (deferred income). Customer contributions are treated as non-refundable once certain milestones have been met. Any assets constructed in order to deliver the service are capitalised and depreciated over their useful life.

Customer contributions

Customer contributions received towards distribution system assets are contract liabilities until the performance obligations are completed. The amounts are deferred and credited to the income statement over the estimated weighted average useful life of the underlying assets. The performance obligation is considered to be the provision of an ongoing network connection to the customers.

The performance obligation is regarded as satisfied over time as ENWL creates a bespoke asset for which they have no alternative use other than to provide electricity to the customer's premises. ENWL has an enforceable right to payment for the performance completed to date.

Refundable customer contributions received in respect of property, plant and equipment are initially held as a liability within customer. The amounts can be refundable and repaid to the customer or otherwise credited to customer contributions.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Revenue recognition (continued)

Construction contracts

When the outcome of a construction contract can be reliably estimated, contract revenue and costs are recognised by the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred for work performed to date as a proportion of estimated total contract costs; this is considered to be the most appropriate method to reflect the stage of completion. In instances where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred to the extent that it is probable those costs will be recoverable.

The principal estimation technique used by the Company in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn of each contract. Consistent contract review procedures are in place in respect of contract forecasting. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as due from customers on construction contracts within inventory. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as due to customers on construction contracts within trade and other payables.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Leases

The Group assesses whether a contract is, or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using either the rate implicit in the lease, or our incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36*: Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Retirement benefit costs

Payments to the defined contribution retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

The defined benefit pensions scheme is provided through a division of the Electricity Supply Pension Scheme (ESPS). The most recent actuarial valuation for the scheme for funding purposes was carried out at 31 March 2022; agreed actuarial valuations are carried out thereafter at intervals of not more than three years.

Results are affected by the actuarial assumptions used, which are disclosed in Note 25. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements, recognised in employee costs (see Note 6) in the income statement;
- net interest expense or income, recognised within finance costs (see Note 9) in the income statement; and
- re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to the other comprehensive income in the period in which they occur.

Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the Statement of Financial Position.

IFRIC14 IAS 19: *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* was published by the interpretations committee of the International Accounting Standards Board in July 2007 and was adopted during the year ended 31 March 2008. IFRIC14 provides guidance on the extent to which a pension scheme surplus should be recognised as an asset and may also require additional liabilities to be recognised where minimum funding requirements exist. Legal opinion was obtained that a pension surplus could be recovered on wind up of the scheme and could, therefore, be recognised, along with associated liabilities.

The Group has concluded that, when a defined benefit asset exists, it can recognise the full amount of this surplus on the grounds that it could gain sufficient economic benefit from the refund of the surplus assets that would be available to it following the final payment to the last beneficiary of the Scheme.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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 income statement 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.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Intangible assets

Intangible assets with finite useful economic lives are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

Amortisation periods for categories of intangible assets are:

Computer software	1-12 years

Intangible assets under construction are not amortised. Amortisation commences from the date the intangible asset is available for use.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Property, plant and equipment

Property, plant and equipment comprise: operational structures; non-operational land and buildings; fixtures, equipment, vehicles and other assets, and right of use assets.

Operational structures

Infrastructure assets are depreciated by writing off their cost, less the estimated residual value, evenly over their useful lives, which range from 5 to 85 years. Employee costs incurred in implementing the capital schemes of the Group are capitalised within operational structure assets.

Assets other than operational structures

All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items and includes costs directly attributable to making the asset capable of operating as intended. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Assets under construction are carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. When the asset is capitalised during the year, any spend in the year is directly classified to the appropriate categories of property, plant and equipment. Depreciation on these assets, on the same basis as other assets, commences when the assets are commissioned.

Freehold land and assets in the course of construction are not depreciated until the asset is available for use.

Depreciation is provided on other assets on a straight-line basis over its expected useful life as follows:

Non-operational land and buildings	30-84 years
Fixtures, equipment, vehicles and other	2-40 years
Right of use assets	3-60 years

Depreciation methods and useful lives are re-assessed annually and, if necessary, changes are accounted for prospectively.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Impairment of tangible and intangible assets

Tangible and intangible assets are assessed for impairment at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite life is tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. The fair value represents the net present value of expected future cash flows discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the reversal is recognised immediately in profit or loss and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Goodwill and other indefinite assets are never reversed.

Research and development

Research costs are recognised in the income statement as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to reliably measure the expenditure incurred during development.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on weighted average cost or actual cost and includes expenditure incurred in acquiring the inventories, conversion costs and other costs in bringing them to their present location and condition. Net realisable value represents the estimated selling price, net of estimated costs of selling.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group 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.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss); and
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the contract can be valued using active market quotes or verifiable objective market information. The Group policy for the amortisation of day 1 gain or loss is to release it in a reasonable fashion based on the facts and circumstances (e.g. using a straight-line amortisation).

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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Classification of financial assets (continued)

The Company and Group have no financial assets at FVTOCI.

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

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 ‘Finance income’ line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically, the financial assets held by the Group classified as at FVTPL are derivatives and are stated at fair value, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedge accounting relationship. Fair value is determined in the manner described in Note 22.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Impairment of financial assets

The Group 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 Group 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 Group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group'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 Group 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 Group 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.

a) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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 Group 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 Group 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 Group has reasonable and supportable information that demonstrates otherwise.

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

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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 Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group 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 Group 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.

The Group 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 Group 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.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, deposits, other short-term highly liquid investments which are readily convertible into known amounts of cash and have an original maturity of three months or less and which are subject to an insignificant risk of change in value.

Money market deposits

Money market deposits with initial terms to maturity in excess of three months are not included as cash or cash equivalents and are separately disclosed on the face of the Statement of Financial Position.

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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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 Group 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 measured subsequently 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 Group has no financial liabilities designated at FVTPL. Fair value is determined in the manner described in Note 22.

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.

Trade payables

Trade payables are initially recorded at fair value and subsequently at amortised cost.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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 Group 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 Group 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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and inflation risk. Further details of derivatives are disclosed in Note 22.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss, in finance expenses, immediately unless the derivative is designated in a hedging relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9: *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Hedge accounting

The Group considers hedge accounting when entering any new derivative, however, there are currently no formal hedge accounting relationships in the Group.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Contract liability

Contract liabilities are recognised when a customer has paid an amount of consideration prior to the Group performing the transfer of the related good or service to the customer. An example would be for deferred revenue in relation to receipts in advance from our construction, diversions and service connections.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Capitalisation of overheads – nature of costs capitalised

The Group recognises infrastructure assets where the expenditures incurred enhance or increase the capacity of the network. Capital projects often contain a combination of enhancement and maintenance activity which are not distinct and, therefore the allocation of costs between capital and operating expenditure requires a level of judgement. The costs are initially expensed to the income statement with a portion being capitalised based on management's assessment of the costs incurred that are directly linked to the capital work performed. Any expenditure classed as maintenance is expensed in the period incurred. The nature of costs to be included for capitalisation is a key judgement and is based on an analysis of activities directly attributable to capital work.

Notes to the Financial Statements (continued)

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are outlined below.

Capitalisation of overheads – capitalisation rate

The Group recognises infrastructure assets where the expenditures incurred enhance or increase the capacity of the network. The capitalisation rate is a key estimate as it is based on an analysis of total costs and total labour costs, split between capital and expense. This includes an estimation of time spent by support function staff. The capitalisation rate is reviewed on an annual basis. See Note 6 for details on value of employee costs capitalised in the year.

Information on sensitivity is as below:

	2024 Income statement (before tax) +/- £m	2023 Income statement (before tax) +/- £m
Change in rate +/- 1%	**1.4**	1.2
Change in rate +/- 5%	**6.8**	5.8

Impairment of tangible and intangible assets (including goodwill)

Management assesses the recoverability of tangible and intangible assets on an annual basis. Determining whether any of those assets are impaired requires an estimation of the recoverable amount of the asset to the Group. This calculation requires the Group to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value for the asset and compare that to its carrying value. This concluded that no impairment loss is required against those assets. Details of the impairment loss testing is set out in Note 11.

Fair values of derivative financial instruments

In estimating the fair value of derivative financial instruments, the Group uses market-observable data (Level 1 and 2 inputs) to the extent it is available. Where such data is not available, certain estimates (Level 3 inputs) regarding inputs to the valuation are required to be made. The inputs regarding the Group's credit risk are deemed to be Level 3 inputs, as there are no observable credit related inputs for the Group 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. Level 3 inputs form a significant part of the fair value of the financial instruments held by the Group. Information about the valuation techniques, inputs used and sensitivities are disclosed in Note 22 and Note 24.

Notes to the Financial Statements (continued)

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

Key sources of estimation uncertainty (continued)

Retirement benefit schemes

The Group's defined benefit obligation is derived using various assumptions, as disclosed in Note 25. Results can be affected significantly by the assumptions used, which management decide based on advice by a firm of actuaries.

Where available, market data is used to value assets, however for some less liquid assets, up-to-date data is not available, certain estimates regarding inputs to the valuation are required to be made, as disclosed in Note 25, along with sensitivities of certain key inputs.

Notes to the Financial Statements (continued)

4. Revenue

Group	**2024**	2023
	£m	£m
Revenue	**622.7**	605.4

Predominantly all Group revenues arise from one operating segment, electricity distribution in the North West of England and associated activities. This is regularly reviewed by the Chief Executive Officer and Executive Leadership Team.

Included within the above are revenues from three customers (2023: three), each of which represented more than 10% of the total revenue. Revenue from these customers totalled £207.8m (2023: £173.3m), which includes £82.5m from Customer A (2023: £51.1m), £63.9m from Customer B (2023: £67.0m) and £61.4m from Customer C (2023: £55.2m). No other customer represented more than 10% of revenues either this year or in the prior year.

Where the Group is directed to collect or pay levies by the Regulator, Ofgem, those levies are accounted for under IFRIC21 levies. For the year ended 31 March 2024, revenue includes £22.0m of SoLR levies (2023: £79.9m). However, immediately at the point the levy becomes billable, the entire value of the levy is paid over to suppliers, with the Company making no profit from its role in the process. The costs of the levy are shown as an operating expense (Note 5).

In the current year, £12.8m (2023: £11.9m) of customer contributions amortisation has been amortised through revenue in line with IFRS 15 (Note 26 and 36).

Of the revenue recognised in the year, £2.3m (2023: £2.9m) was included in the contract liability at the beginning of the year and £5.4m (2023: £2.3m) in relation to Electricity North West (Construction and Maintenance) Limited.

Included within the total revenue above, £32.9m (2023: £19.4m) relates to Electricity North West (Construction and Maintenance) Limited. This includes £28.6m (2023: £15.5m) from construction contracts.

Notes to the Financial Statements (continued)

5. Operating profit

The following items have been included in arriving at the Group's operating profit:

Group **Expense/(income)**	**2024** **£m**	2023 £m
Employee costs (Note 6)	**86.0**	74.9
Depreciation and amortisation expense		
Depreciation of property, plant and equipment (Note 11 and 36)	**131.2**	125.6
Depreciation of right of use assets (Note 11)	**1.9**	1.5
Amortisation of intangible assets (Note 13 and 36)	**14.2**	14.2
	147.3	141.3
Supplier of Last Resort Levy (Note 4)	**22.0**	79.9
Loss allowance on trade receivables recognised (Note 17)	**(0.1)**	0.1
Profit on disposal of property, plant and equipment	**(0.2)**	(0.5)
Provision released to profit or loss (Note 28)	**-**	(0.4)
Research and development	**1.9**	3.0

Analysis of the auditor's remuneration is as follows:

Group	**2024** **£m**	2023 £m
Fees payable to the Company's auditor for the audit of the Company and Group's annual financial statements [1]	**0.1**	-
Fees payable to the Company's auditor for the audit of the Company's subsidiaries annual financial statements [2]	**0.9**	0.4
Audit-related assurance services	**0.1**	0.1
Total fees	**1.1**	0.5

[1] Fees payable for the audit of the Company's financial statements are £72,337 (2023: £11,000). In relation to year ended 31 March 2023, PwC charged an additional audit fee of £45,208. Given the timing of the agreement of this fee, the amount was not included within the audit fee disclosed for 2023. It has been added to the 2024 fee of £27,128.

[2] This includes an additional fee of £351,791 relating to 2023.

Non-audit related services to the Group were £16,200 (2023: £15,000). There were no non-audit related services to the Company (2023: none).

Notes to the Financial Statements (continued)

6. Employee costs

Group	2024 £m	2023 £m
Wages and salaries	**144.9**	126.3
Social security costs	**16.6**	14.5
Pension costs – defined benefit schemes (Note 25)	**7.9**	13.5
Pension costs – defined contribution schemes (Note 25)	**10.6**	9.3
Total employee costs (including directors' remuneration)	**180.0**	163.6
Costs transferred directly to fixed assets	**(94.0)**	(88.7)
Charged to operating expenses	**86.0**	74.9

The average monthly number of employees during the year (including Executive Directors):

Group	2024 Number	2023 Number
Craft, Technical and Engineering	**1,208**	1,157
Administration	**1,038**	1,021
Average number of employees	**2,246**	2,178

During year ended 31 March 2023 and 2024, there were no employees in the Company.

Notes to the Financial Statements (continued)

7. Directors' remuneration

The number of directors during the year is set out and analysed by category in the table below:

Group and Company	2024 Number	2023 Number
Non-remunerated directors*	**6**	6

*At 31 March 2023 and 2024, there were no alternate directors as set out in page 13.

The aggregate emoluments of the directors in 2024 amounted to £nil (2023: £nil). The emoluments of the highest paid director in 2024 in respect of services to the Group amounted to £nil (2023: £nil).

As at 31 March 2023 and 2024, there were no amounts payable for post-employment benefits, other long-term benefits and termination benefits.

The pension contributions for the highest paid director for 31 March 2024 were £nil (2023: £nil). The accrued pension at 31 March 2024 for the highest paid director was £nil (2023: £nil).

As at 31 March 2023 and 2024, the directors had no interests in the ordinary shares of the Company

8. Finance income

Group	2024 £m	2023 £m
Interest receivable on short-term bank deposits	**22.9**	4.5

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Notes to the Financial Statements (continued)

9. Finance costs

Group	2024 £m	2023 £m
Finance costs (excluding unrealised fair value movements)		
Interest on borrowings held at amortised cost	**113.4**	78.4
Net interest settlements on derivatives at fair value	**(2.0)**	4.1
Indexation of index-linked debt (Note 21)	**45.1**	89.0
Accretion paid on index-linked swaps	**87.0**	20.1
Interest on leases (Note 21)	**0.3**	0.2
Net Interest cost on pension plan (Note 25)	**(2.2)**	(0.8)
Amount capitalised[1] (Note 11)	**(1.3)**	(1.2)
	240.3	189.8
Unrealised fair value movements on financial instruments[2]		
Derivative assets	**(8.0)**	(21.8)
Derivative liabilities	**(88.5)**	(111.5)
	(96.5)	(133.3)
Total finance costs	**143.8**	56.5

[1]The amount of borrowing costs capitalised was determined using a capitalisation rate of 4.13% (2023: 4.13%), derived from the total general borrowing costs for the year divided by average total general borrowings outstanding during the year.

[2]Details on the valuation techniques used to derive the fair values can be found in Note 22.

Interest rate swaps with £61.4m notional were entered by the Group in the year. These were entered to hedge the interest rate exposure on the final £61.4m drawing of the £120m floating rate bank facility in the Group. No other swaps were entered by the Group . No swaps were closed out by the Group during the year.

There has been £87.0m (2023: £20.1m) accretion payments on the index-linked swaps in the year; these are scheduled five-yearly, seven-yearly and ten-yearly with the next payment due in July 2027. The amount of accretion accrued over the year was £24.9m (2023: £57.1m), split as follows:

	PAYG 5 £m	PAYG 7 £m	PAYG 10 £m	Total £m
Accumulated Accretion				
1 April 2022	14.8	51.9	22.7	89.4
Accrued in Year	13.4	27.2	16.5	57.1
Paid in Year	(20.1)	-	-	(20.1)
31 March 2023	**8.1**	**79.1**	**39.2**	**126.4**
Accrued in Year	**5.9**	**11.8**	**7.2**	**24.9**
Paid in Year	-	**(87.0)**	-	**(87.0)**
31 March 2024	**14.0**	**3.9**	**46.4**	**64.3**

Notes to the Financial Statements (continued)

10. Income tax expense

Group	2024 £m	2023 £m
Current tax		
Current year on profits for the year	**7.0**	(7.3)
Adjustment in respect of prior year	**4.4**	(1.8)
	11.4	(9.1)
Deferred tax (Note 27)		
Current year	**18.2**	43.9
Adjustment in respect of prior year	**(5.4)**	4.3
	12.8	48.2
Income tax expense	**24.2**	39.1

Corporation tax is calculated at 25% (2023: 19%) of the estimated assessable profit/(loss) for the year.

Deferred tax is calculated at 25% (2023: 25%) being the rate at which it is expected to reverse. There is no unrecognised deferred tax in the Group.

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

Group	2024 £m	2023 £m
Profit before tax	**103.1**	138.3
Tax at the UK corporation tax rate of 25% (2023: 19%)	**25.8**	26.3
Non-taxable income	**1.7**	0.9
Prior year tax adjustments	**(1.0)**	2.5
Accelerated capital allowances and other timing differences	**(2.2)**	9.4
Release of provision	**(0.1)**	-
Income tax expense	**24.2**	39.1

Notes to the Financial Statements (continued)

10. Taxation (continued)

The following tables represent enhanced disclosures adopted in order to assist stakeholder understanding of the Group's tax position and policies.

	2024 £m	2024 %	2023 £m	2023 %
Profit before tax	**103.1**		138.3	
Tax on profit on ordinary activities at standard UK corporation tax rate of 25% (2023: 19%)	**25.8**	**25.0**	26.3	19.0
Tax effect of:				
Capital allowances less depreciation	**(3.8)**	**(3.7)**	(1.4)	(1.0)
General provisions movement	**(0.7)**	**(0.7)**	0.2	0.1
Fair value movements on derivatives	**(8.1)**	**(7.9)**	(31.9)	(23.0)
Pension movements	**(1.2)**	**(1.1)**	(2.7)	(2.0)
Utilisation of brought forward losses	**(8.3)**	**(8.0)**	-	-
Relief for capitalised interest	**-**	**-**	-	-
Expenses not deductible for tax purposes	**3.1**	**3.1**	2.5	1.8
Capital contributions	**(1.4)**	**(1.4)**	(1.5)	(1.1)
IFRS9 transitional adjustment	**1.8**	**1.7**	1.3	1.0
Other items	**(0.2)**	**(0.1)**	(0.1)	(0.1)
Adjustments to tax charge in respect of prior years	**4.4**	**4.2**	(1.8)	(1.3)
Reported current tax charge and effective rate	**11.4**	**11.1**	(9.1)	(6.6)
Depreciation in excess of capital allowances	**3.8**	**3.7**	1.9	1.4
Increase in provisions	**0.7**	**0.7**	(0.2)	(0.2)
Fair value movements on derivatives	**8.1**	**7.9**	41.9	30.3
Pension movements	**1.2**	**1.1**	3.6	2.6
Utilisation of brought forward losses	**8.3**	**8.0**	-	-
Adjustment to tax charge in respect of prior years	**(5.4)**	**(5.3)**	4.3	3.1
Impact from change in future rates	**-**	**-**	-	-
IFRS9 transitional adjustment	**(1.8)**	**(1.7)**	(1.8)	(1.3)
IFRS9 consolidation adjustment	**-**	**-**	-	-
IFRS3 consolidation adjustment	**(2.1)**	**(2.0)**	(1.5)	(1.1)
Other items	**-**	**-**	-	-
Reported deferred tax credit and effective rate	**12.8**	**12.4**	48.2	34.8
Group tax charge and effective rate	**24.2**	**23.5**	39.1	28.2

All Group companies are UK tax resident.

The Group’s profits are earned in the UK, with the standard rate of UK corporation tax being 25% for the year ended 31 March 2024 (2023: 19%).

Capital allowances are tax reliefs provided in law for the expenditure the Group makes on property, plant and equipment. The rates are determined by Parliament annually and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such spending, where the expenditure on property, plant and equipment is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially.

Notes to the Financial Statements (continued)

10. Taxation (continued)

The different accounting treatment of property, plant and equipment for tax and accounting purposes means that the taxable income of the Group is not the same as the profit reported in the financial statements.

Short-term temporary differences are on items such as general provisions and retirement benefit obligations, because the treatment of such items is different for tax and accounting purposes. These differences usually reverse in the year following that in which they arise, as is reflected in the deferred tax charge in these financial statements. Where interest charges or other costs are capitalised in the account, tax relief is either given as the charges are incurred or when the costs are taken to the income statement.

The Group measures its derivatives at fair value under IFRS 13. As a result of the Group's subsidiaries applying the HMRC's 'Disregard Regulations', the re-measurement movements have no current effect, impacting only the deferred tax position.

Profit and loss account summary (£m)	**Revenue**	**Operating costs**	**Dividends received**	**Finance income**	**Finance costs**	**Profit before income tax**	**Income tax (expense)/credit**	**Profit/(loss) for the financial year**
ENW Ltd	598.1	(369.0)	-	21.0	(88.3)	161.8	(41.7)	120.1
ENW Finance plc	-	-	-	115.3	(114.8)	0.5	(0.3)	0.2
ENW Capital Finance plc	-	-	-	-	-	-	-	-
NWEN plc	-	(0.1)	30.4	4.9	(74.2)	(39.0)	16.6	(22.4)
NWEN Group Ltd	-	-	-	-	-	-	-	-
NWEN Finance plc	-	-	-	-	-	-	-	-
NWEN (Holdings) Ltd	-	(0.3)	-	40.5	(47.9)	(7.7)	2.5	(5.2)
NWEN (Finance) Ltd	-	(0.1)	-	22.5	(22.5)	(0.1)	-	(0.1)
ENW (C&M) Ltd	32.9	(29.4)	-	0.2	-	3.7	(0.9)	2.8
ENW Services Ltd	8.1	(6.6)	-	0.1	-	1.6	(0.3)	1.3
ENW Property Ltd	0.4	(0.3)	-	-	-	0.1	-	0.1
NWEN (UK) Ltd	-	(1.3)	4.1	22.6	(17.7)	7.7	0.4	8.1
NWEN (Jersey) Ltd	-	(0.1)	-	17.8	-	17.7	(2.6)	15.1
Consolidation adjustment	(16.8)	8.5	(34.5)	(222.0)	221.6	(43.2)	2.1	(41.1)
NWEN (Jersey) Group	**622.7**	**(398.7)**	**-**	**22.9**	**(143.8)**	**103.1**	**(24.2)**	**78.9**

Employee costs	**Average number of employees**	**Aggregate gross remuneration £m**
ENW Ltd	2,103	76.7
ENW (C&M) Ltd	63	5.4
ENW Services Ltd	81	3.9

Gross remuneration comprises basic pay, overtime and bonuses. The average number of employees for the year has been calculated by reference to the monthly number of employees.

Notes to the Financial Statements (continued)

10. Taxation (continued)

Taxation	**Current tax charge/ (credit) £m**	**Deferred tax charge/ (credit) £m**	**Total tax charge/(credit) £m**
ENW Ltd	15.1	26.6	41.7
ENW Finance plc	0.5	(0.2)	0.3
ENW Capital Finance plc	-	-	-
NWEN plc	(7.5)	(9.1)	(16.6)
NWEN Group Ltd	-	-	-
NWEN Finance plc	-	-	-
NWEN (Holdings) Ltd	(0.1)	(2.4)	(2.5)
NWEN (Finance) Ltd	-	-	-
ENW (C&M) Ltd	0.9	-	0.9
ENW Services Ltd	0.3	-	0.3
ENW Property Ltd	-	-	-
NWEN (UK) Ltd	(0.4)	-	(0.4)
NWEN (Jersey) Ltd	2.6	-	2.6
Consolidation adjustment	-	(2.1)	(2.1)
Total tax charge/ (credit)	**11.4**	**12.8**	**24.2**

Notes to the Financial Statements (continued)

11. Property, plant and equipment

Group	Operational structures £m	Non-operational land & buildings £m	Fixtures, equipment, vehicles & other £m	Assets under construction £m	Right of use assets (Note 12) £m	Total £m
Cost or valuation						
At 1 April 2022	5,254.8	36.6	197.1	142.5	6.9	5,637.9
Additions	163.7	1.1	7.7	78.8	1.9	253.2
Transfers	66.9	1.0	3.6	(71.5)	-	-
Disposals	(1.0)	-	(0.3)	-	(1.3)	(2.6)
At 31 March 2023	**5,484.4**	**38.7**	**208.1**	**149.8**	**7.5**	**5,888.5**
Additions	**186.0**	**1.2**	**20.2**	**70.9**	**2.8**	**281.1**
Transfers	**56.6**	**0.4**	**18.4**	**(75.4)**	**-**	**-**
Disposals	**(3.3)**	**-**	**(1.1)**	**-**	**(1.3)**	**(5.7)**
At 31 March 2024	**5,723.7**	**40.3**	**245.6**	**145.3**	**9.0**	**6,163.9**
Accumulated depreciation						
At 1 April 2022	1,951.4	13.4	147.4	-	3.3	2,115.5
Charge for the year	112.0	1.0	12.6	-	1.5	127.1
Disposals	(1.0)	-	(0.3)	-	(1.3)	(2.6)
At 31 March 2023	**2,062.4**	**14.4**	**159.7**	**-**	**3.5**	**2,240.0**
Charge for the year	**114.3**	**1.2**	**15.7**	**-**	**1.9**	**133.1**
Disposals	**(3.3)**	**-**	**(1.1)**	**-**	**(1.3)**	**(5.7)**
At 31 March 2024	**2,173.4**	**15.6**	**174.3**	**-**	**4.1**	**2,367.4**
Net book value						
At 31 March 2024	**3,550.3**	**24.7**	**71.3**	**145.3**	**4.9**	**3,796.5**
At 31 March 2023	3,422.0	24.3	48.4	149.8	4.0	3,648.5

At 31 March 2024, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £39.3m (2023: £22.3m), Note 35.

At 31 March 2023 and 2024, the Company did not have any property, plant and equipment, nor had it entered into any contractual commitments for the acquisition of property, plant and equipment.

Notes to the Financial Statements (continued)

11. Property, plant and equipment (continued)

During the year ended 31 March 2024, the Group had cash outflow amounting to £274.6m (2023: £244.7m) on additions to property, plant and equipment as part of its capital programme. Included in this figure are capitalised borrowing costs of £1.3m (2023: £1.2m) (see Note 9), determined using a capitalisation rate of 4.13% (2023: 4.13%).

Impairment testing of intangible assets and property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or not. An intangible asset with an indefinite useful life and goodwill acquired in a business combination are required to be tested for impairment at least annually and whenever there is an indication that the asset may be impaired. All other assets are tested if an indication exists.

For the purposes of impairment testing the Group have determined that there is only one cash generating unit (CGU), therefore we test annually for impairment on all non-current assets.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing the fair value, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The discount rate is calculated at the year end solely from external sources of information.

The carrying value of the CGU at 31 March 2024 was £3,465.6m (2023: £3,365.1m) including goodwill of £10.1m (2023: £10.1m) and other indefinite life intangible assets of £186.9m (2023: £186.9m). The key assumptions for the fair value calculations are those regarding discount rates and the outcomes of future Ofgem price control settlements. The post-tax discount rate for the year ended 31 March 2024 was 6.00% (5.85%).

It is considered appropriate to assess the cash flows over a 24 year period as this reflects the long-term nature of the operation of the electricity distribution network and the importance of the operations of the business in supporting the UK transition to net zero. The Group has prepared cash flow forecasts for a 24 year period, including a terminal value, which represents the planning horizon used for management purposes, being aligned to the end of a RIIO regulatory period. The terminal value in assumes a disposal of the assets for 1.4x RAV at that point, and the assumption of 1.4x is reflective of net proceeds on disposal.

No real growth in expenditure is assumed in projecting cash flows beyond the period covered by the most recent budgets/forecast, however, the impact of inflation is included at 2% per annum, being the governments long-term CPI inflation target and in line Ofgem methodology for costs and revenues.

In assessing the carrying value of the groups tangible and intangible assets, we have sensitised our forecasts to factor in changes to key assumptions, such as an increase in the discount rate of 0.5% and removal of incentive income. No reasonably possible changes to inputs to the impairment test performed were identified as resulting in an impairment.

Based on the impairment testing performed, management believe that sufficient headroom exists between the fair value and the carrying value of the assets such that no impairment loss is required to be booked.

Notes to the Financial Statements (continued)

12. Leases

	Group 2024 £m	Company 2024 £m	Group 2023 £m	Company 2023 £m
Right of use assets at net book value:				
Land and buildings	**2.0**	**-**	1.9	-
Telecoms	**0.1**	**-**	0.1	-
Vehicles	**2.8**	**-**	2.0	-
Total assets (Note 11)	**4.9**	**-**	4.0	-
Lease liabilities:				
Land and buildings	**(1.9)**	**-**	(1.8)	-
Telecoms	**(0.1)**	**-**	(0.1)	-
Vehicles	**(3.1)**	**-**	(2.3)	-
Total liabilities (Note 21)	**(5.1)**	**-**	(4.2)	-

The amount of short-term leases and low value assets as an expense in the year was £0.4m (2023: £0.2m).

The Group's leasing activities include land and buildings used for office space and substations, telecoms fibre-optic cables for technical equipment communications, and vehicles for the use of employees.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing cost is used. The lease liabilities have been discounted at 5% (2023: 5%) for land and buildings, and telecoms; and at 6% (2023: 6%) for vehicles.

The following is an analysis of the maturity profile of the lease liabilities.

Group	**<1 year £m**	**1 – 2 years £m**	**2 – 3 years £m**	**3 – 4 years £m**	**>4 years £m**	**Total £m**
At 31 March 2024	**(1.9)**	**(1.3)**	**(0.6)**	**(0.6)**	**(0.7)**	**(5.1)**
At 31 March 2023	(1.7)	(1.3)	(0.2)	(0.2)	(0.8)	(4.2)

Notes to the Financial Statements (continued)

13. Intangible assets and goodwill

Group	Goodwill	Licence	Customer list	Customer database	Computer software	Assets under construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 April 2022	10.1	186.9	0.7	0.1	137.4	5.0	340.2
Additions	-	-	-	-	1.7	9.1	10.8
Transfers	-	-	-	-	0.2	(0.2)	-
At 31 March 2023	10.1	186.9	0.7	0.1	139.3	13.9	351.0
Additions	**-**	**-**	**-**	**-**	**5.5**	**5.5**	**11.0**
Transfers	**-**	**-**	**-**	**-**	**10.3**	**(10.3)**	**-**
At 31 March 2024	**10.1**	**186.9**	**0.7**	**0.1**	**155.1**	**9.1**	**362.0**
Accumulated amortisation							
At 1 April 2022	-	-	0.7	-	93.8	-	94.5
Charge for the year	-	-	-	-	14.2	-	14.2
At 31 March 2023	-	-	0.7	-	108.0	-	108.7
Charge for the year	**-**	-	**-**	**-**	**14.2**	**-**	**14.2**
At 31 March 2024	**-**	-	**0.7**	**-**	**122.2**	**-**	**122.9**
Net book value							
At 31 March 2024	**10.1**	**186.9**	**-**	**0.1**	**32.9**	**9.1**	**239.1**
At 31 March 2023	10.1	186.9	-	0.1	31.3	13.9	242.3

Goodwill arose on the acquisition of assets and liabilities of Electricity North West Number 1 Company Limited in the year ended 31 March 2011. This value reflects the excess of the investment over the fair value of the trade and assets at the date of acquisition.

The licence held by the Group, identified as an intangible asset on the acquisition of Electricity North West Number 1 Company Limited and measured at fair value at that date, to distribute electricity is viewed as having an indefinite life as the directors believe the licence would only be revoked if there were a serious breach of the terms and conditions of the licence. The licence is held subject to 25 years notice in writing from the Authority to the licensee.

At 31 March 2024, the Group had entered into contractual commitments for the acquisition of software amounting to £2.1m (2023: £2.5m). The Company had not entered into any contractual commitments for the acquisition of intangible assets (2023: £nil).

At each balance sheet date, the Group reviews the carrying amounts of its goodwill and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss (Note 11).

Included in the net book value of computer software is £12.9m (2023: £18.1m) for an asset relating to the network management system which has 3 years (2023: 4 years) of amortisation remaining.

Notes to the Financial Statements (continued)

14. Investment in subsidiaries

Company	2024 £m	2023 £m
Cost and net book value	**87.6**	87.6

Investment in subsidiaries is stated at cost, including any capital contributions to subsidiaries, less any provisions for permanent diminution in value. Cost of investment relates wholly to the shareholding in the Company's direct subsidiaries.

Details of the investments at 31 March 2023 and 2024, all of which are incorporated in the UK, and have a principal place of business in the UK, are as follows:

Investment	Description of holding	Holding	Nature of business
Direct subsidiary			
North West Electricity Networks (UK) Limited	Ordinary shares of £1 each	100%	Holding company
Indirect subsidiaries			
Electricity North West (Construction and Maintenance) Limited	Ordinary shares of £1 each	100%	Construction, operation and maintenance of electricity network
Electricity North West Services Limited	Ordinary shares of £1 each	100%	Metering and ground maintenance activities
Electricity North West Property Limited	Ordinary shares of £1 each	100%	Intellectual property rights
Electricity North East (Construction and Maintenance) Limited	Ordinary shares of £1 each	100%	Dormant
CLASS Electricity North West Property Limited	Ordinary shares of £1 each	100%	Dormant
North West Electricity Networks (Finance) Limited	Ordinary shares of £1 each	100%	Holding company
North West Electricity Networks (Holdings) Limited	Ordinary shares of £1 each	100%	Holding company
NWEN Finance plc	Ordinary shares of £1 each	100%	Financing company
NWEN Group Limited	Ordinary shares of £1 each	100%	Holding company
North West Electricity Networks plc	Ordinary shares of £1 each	100%	Financing company
Electricity North West Limited	Ordinary shares of 50p each	100%	Energy distribution
ENW Capital Finance plc	Ordinary shares of £1 each	100%	Financing company
ENW Finance plc	Ordinary shares of £1 each	100%	Financing company
Electricity North West Number 1 Company Limited	Ordinary shares of £1 each	100%	Dormant
ENW (ESPS) Pensions Trustees Limited	Ordinary shares of £1 each	100%	Dormant

There have been no changes to these shareholdings during the year. The address of the registered office of the investments above is Borron Street, Stockport, Cheshire, SK1 2JD.

Notes to the Financial Statements (continued)

15. Loans to group undertakings

Company	2024 £m	2023 £m
Loans to subsidiary (Note 34)	**213.3**	297.3
Impairment of loans (Note 34)	**-**	(0.1)
Loans to group undertakings	**213.3**	297.2

The loans to subsidiary comprise amounts loaned to North West Electricity Networks (UK) Limited of £90.0m (2023: £181.2m) at 8.14% maturing in 2046, and £123.3m (2023: £116.1m) at a contracted rate of 0% but, as a loan at an off-market rate, is carried at amortised cost using an effective interest rate of 6.3%, maturing in 2027; the movement in the year is due to imputed interest.

Impairment

Financial assets measured at amortised cost are subject to impairment. The credit risk of the inter-company loan has been assessed as low. Accordingly, any loss allowance is measured at an amount equal to 12-month expected credit losses (ECL). In determining the ECL for these assets, 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 in the inter-company loan agreements, the Company has requested the reimbursement of the impairment charges (Note 34).

16. Inventories

Group	2024 £m	2023 £m
Raw materials and consumables	**49.4**	22.5

The cost of inventories recognised as an expense in the year was £3.4m (2023: £4.1m). Write-downs of inventories to net realisable value amounted to £68,860 (2023: £33,958).

At 31 March 2023 and 2024, there was no inventory held in the Company.

Notes to the Financial Statements (continued)

17. Trade and other receivables

	Group 2024 £m	Company 2024 £m	Group 2023 £m	Company 2023 £m
Financial assets:				
Trade receivables (Note 23)	**18.0**	**-**	18.8	-
Amounts owed by group undertakings (Note 23 & 34)	**-**	**4.4**	-	8.0
Accrued income (Note 23)	**64.6**	**-**	59.7	0.1
	82.6	**4.4**	78.5	8.1
Non-financial assets:				
Prepayments	**22.9**	**-**	21.6	-
Total trade and other receivables	**105.5**	**4.4**	100.1	8.1

Group

The average credit period taken on trade receivables is 14 days (2023: 14 days). At 31 March 2024, £8.8m (2023: £11.2m) of the Group trade receivables were past due, with £6.0m over 30 days past due (2023: £8.0m).

Trade receivables and inter-company receivables do not accrue interest and are stated net of expected credit losses (ECL). The recoverability of these assets is assessed using the simplified approach under IFRS 9, based on lifetime ECL, with reference to known specific circumstances, past default experience and an assessment of the current economic environment.

The table below shows the movement on the ECL:

	Group 2024 £m	Company 2024 £m	Group 2023 £m	Company 2023 £m
At 1 April	**4.2**	**-**	4.5	-
Amounts written off in the year	**(3.2)**	**-**	(0.4)	-
Amounts recognised in the income statement	**(0.1)**	**-**	0.1	-
At 31 March	**0.9**	**-**	4.2	-

Credit risk in relation to trade receivables is considered to be relatively low, with each customer being contractually required to provide collateral in the form of a cash deposit, subject to the amounts due and their credit rating. As at 31 March 2024, £2.9m (2023: £11.9m) of cash had been received as security (Note 20).

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

Under the terms of the contract, the maximum unsecured credit that the Group may be required to give per customer is 2% of the Regulatory Asset Value (RAV) of the Company. The RAV is calculated in accordance with Ofgem methodology. At 31 March 2024, the RAV was £2,684.6m (2023: £2,481.8m) and has been indexed using the CPIH for March 2024). At 31 March 2024, £366.2m (2023: £186.6m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £9.6m (2023: £8.3m). All customers granted the maximum amount of unsecured cover must have a credit rating of at least BBB+ from Standard and Poor's and Baa1 from Moody's Investor Services, or a guarantee from a parent company of an equivalent rating. Alternatively, the customer must be able to prove their creditworthiness on an ongoing basis.

Whilst the loss of a principal customer could have a significant impact on the Group, the exposure to such credit losses is mitigated by the protection Ofgem provides to cover such losses. Nonetheless, credit management processes are in place and the credit worthiness of each customer is closely monitored.

Company

For further details of the amounts owed by group undertakings see Note 34. There are no provisions against these receivables. No element of the balance is overdue.

18. Cash and cash equivalents

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Cash in bank accounts	**35.0**	**-**	24.1	0.5
Cash in liquidity funds	**121.4**	**0.5**	44.7	0.4
Cash in short-term deposit accounts	**-**	**-**	0.1	-
Cash in money market deposits under 3 months	**49.4**	**-**	118.5	-
Total cash and cash equivalents (Note 23 & 24)	**205.8**	**0.5**	187.4	0.9
Weighted average interest rate	**5.33%**	**5.22%**	4.08%	4.11%
Weighted average term	**23.8 days**	**1.0 days**	55.2 days	1.0 days

Cash and cash equivalents comprise cash at bank, deposits and other short-term highly liquid investments which are readily convertible into known amounts of cash and have an original maturity of three months or less, net of any bank overdrafts which are payable on demand. There was no formal bank overdraft facility in place during the year (2023: none).

Notes to the Financial Statements (continued)

19. Money market deposits over three months

	Group 2024 £m	Company 2024 £m	Group 2023 £m	Company 2023 £m
Money market deposits over three months (Note 23 & 24)	**16.7**	**-**	316.9	-
Weighted average interest rate	**5.70%**	**-**	4.46%	-
Weighted average term	**183.0 days**	**-**	178.7 days	-

Money market deposits with an original maturity over three months are not included as cash or cash equivalents and are separately disclosed on the face of the Statement of Financial Position. The term of these deposits is set with consideration of forecast liabilities ensuring this liquidity is available to meet obligations as they fall due.

20. Trade and other payables

	Group 2024 £m	Company 2024 £m	Group 2023 £m	Company 2023 £m
Financial liabilities:				
Trade payables (Note 23)	**22.6**	**-**	19.3	-
Amounts owed to subsidiary undertaking (Note 23 & 34)	**-**	**0.2**	-	0.1
Accruals (Note 23)	**103.5**	**-**	94.5	0.1
Refundable customer deposits (Note 17 & 24)	**2.9**	**-**	11.9	-
Cash collateral (Note 23)	**12.0**	**-**	-	-
	141.0	**0.2**	125.7	0.2
Non-financial liabilities:				
Contract liabilities*	**16.6**	**-**	19.2	-
Other taxation and social security	**16.6**	**-**	16.6	-
Deferred income*	**17.0**	**-**	10.4	-
	50.2	**-**	46.2	-
Total trade and other payables	**191.2**	**0.2**	171.9	0.2

*The note has been revised to illustrate the split between financial and non-financial liabilities. As part of this, we have reclassified an additional £6.9m of contract liabilities from deferred income to contract liabilities in the above comparative balances, compared with those previously presented at 31 March 2023.

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 21.4 days from receipt of invoice (2023: 19.5 days). The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Refundable customer deposits are cash deposits held as a security in relation to distribution of electricity customers.

Of the revenue recognised in the year, £7.7m (2023: £2.9m) was included in the contract liability at the beginning of the year (Note 4).

Notes to the Financial Statements (continued)

21. Borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's financial risk management and exposure to credit risk, liquidity risk and market risk see Note 24.

The carrying values by category of borrowing were as follows:

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Current liabilities:				
Bank and other term borrowings (Note 23)	**9.1**	**-**	221.7	-
Lease Liabilities (Note 12)	**1.9**	**-**	1.7	-
	11.0	**-**	223.4	-
Non-current liabilities:				
Bonds (Note 23)	**1,996.7**	**-**	1,852.0	-
Bank and other term borrowings (Note 23)	**394.9**	**-**	399.8	-
Lease Liabilities (Note 12)	**3.2**	**-**	2.5	-
	2,394.8	**-**	2,254.3	-
Borrowings (Note 23)	**2,405.8**	**-**	2,477.7	-

Notes to the Financial Statements (continued)

21. Borrowings (continued)

The carrying values by category of financial instruments were as follows:

	Nominal value £m	Interest rate	Maturity year	**Group 2024 £m**	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Bond	200.0	8.875%	2026	**199.0**	**-**	198.6	-
Bond	250.0	8.875%	2026	**263.6**	**-**	269.6	-
Bond[1]	300.0	1.415%	2030	**299.0**	**-**	298.8	-
Bond[1]	425.0	4.893%	2032	**423.0**	**-**	422.8	-
Index-linked bond	100.0	1.4746%+RPI	2046	**194.3**	**-**	178.2	-
Index-linked loan	135.0	1.5911%+RPI	2024	**-**	**-**	213.0	-
Index-linked loan	50.0	0.38% +RPI	2032	**36.2**	**-**	38.9	-
Index-linked loan	50.0	0%+RPI	2033	**40.3**	**-**	42.7	-
USPP bond[2]	100.0	4.07%	2029	**99.6**	**-**	99.6	-
USPP bond[2]	100.0	4.17%	2029	**99.6**	**-**	99.5	-
Index-linked USPP bond[2]	20.0	1.40%+RPI	2034	**29.2**	**-**	27.9	-
Index-linked USPP bond[2]	85.0	1.50%+RPI	2034	**124.3**	**-**	118.4	-
Index-linked PP bond[2]	100.0	1.265%+RPI	2040	**145.5**	**-**	138.6	-
USPP bond[2]	65.0	6.58%	2033	**64.8**	**-**	-	-
USPP bond[2]	27.5	6.84%	2038	**27.4**	**-**	-	-
USPP bond[2]	27.5	7.04%	2038	**27.4**	**-**	-	-
Bank facility	210.0	Sonia+2.75%	2026	**208.7**	**-**	208.2	-
Bank facility	120.0	Sonia+3.25%	2027	**118.9**	**-**	57.1	-
Revolving credit facility	50.0	Sonia+0.35%	2024	**-**	**-**	(0.1)	-
Revolving credit facility	75.0	Sonia+1.00%	2024	**(0.1)**	**-**	61.7	-
Lease liabilities (Note 12)				**5.1**	**-**	4.2	-
Borrowings				**2,405.8**	**-**	2,477.7	-

[1]These bonds, issued by ENW Finance plc, are guaranteed by Electricity North West Limited.

[2]These private placements, issued by North West Electricity Networks plc, are secured and guaranteed by ENW Capital Finance plc and NWEN Group Limited.

At 31 March 2023 and 2024, all other borrowings were unsecured, and in sterling, and there were no formal bank overdraft facilities in place. All borrowings were measured at amortised cost; see Note 23 for more information on the fair value of the Group's borrowings.

The Group has complied with all financial covenants under its financing agreements during the current and prior year.

Notes to the Financial Statements (continued)

21. Borrowings (continued)

The following table provides a reconciliation of the opening and closing debt amounts. Where applicable, interest on these debt amounts is included in accruals within current liabilities on the balance sheet and is, therefore, excluded from this table.

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
At 1 April	**2,477.7**	**-**	1,899.6	-
Proceeds from external borrowings	**194.6**	**-**	572.0	-
Repayments of external borrowings	**(307.9)**	**-**	(75.3)	-
Lease liabilities capital repayments	**(1.9)**	**-**	(1.5)	-
Lease liabilities interest repayments	**(0.3)**	**-**	(0.2)	-
Lease liabilities interest charged (Note 9)	**0.3**	**-**	0.2	-
New lease liabilities (Note 12)	**2.8**	**-**	1.9	-
Indexation (Note 9)	**45.1**	**-**	89.0	-
Transaction costs on new external borrowings	**(0.5)**	**-**	(4.0)	-
Amortisation of transaction costs, etc	**(4.1)**	**-**	(4.0)	-
At 31 March	**2,405.8**	**-**	2,477.7	-

The Group's committed undrawn borrowing facilities were as follows:

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
£120m bank facility – expiry December 2023[1]	**-**	**-**	61.4	-
£50m revolving credit facility – expiry December 2024[2]	**50.0**	**-**	50.0	-
£75m revolving credit facility – expiry December 2024[2]	**75.0**	**-**	13.2	-
£40m debt service reserve – expiry December 2024[2]	**40.0**	**-**	40.0	-
	165.0	**-**	164.6	-

[1] This bank facility matures in August 2027, but the availability period for the drawn down of funds expired in December 2023. The final £61.4m was drawn in June 2023.

[2] In April 2024, the £50m revolving credit facility (RCF) was replaced in April 2024 with a £250m RCF expiring April 2027, the £75m RCF was replaced with a £75m RCF expiring April 2027, and the £40m debt service reserve (DSR) was replaced with a £50m DSR expiring April 2025.

22. Derivatives

This note provides information about the derivative financial instruments held by the Group, including information on the methods and assumptions used in determining the fair value of these instruments. No derivative financial instruments are held by the Company.

The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. Derivatives are used to hedge interest rate risk and to change the basis of interest cash flows from fixed to either an alternative fixed profile, or to an RPI inflation-linked basis to match the inflation-linked revenue profile (noting that Ofgem have now changed this to a CPIH basis). The Board approves all new derivatives.

Notes to the Financial Statements (continued)

22. Derivatives (continued)

The Group does not use derivatives for speculative purposes. The accounting policy for derivatives is provided in Note 2 and more information on market risk is included in Note 24. At 31 March 2023 and 2024, the Group and Company's derivatives are not designated in formal hedge accounting relationships, and are measured at fair value through profit or loss.

The Group has the following derivatives in the following line items in the statement of financial position:

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Non-current assets:				
Inflation-linked swaps	**28.4**	**-**	15.0	-
Interest rate swaps – floating to fixed	**9.8**	**-**	15.2	-
Derivative assets (Note 23)	**38.2**	**-**	30.2	-
Non-current liabilities:				
Inflation-linked swaps	**(310.9)**	-	(395.6)	-
Interest rate swaps – fixed to floating	**(41.6)**	-	(45.7)	-
Interest rate swaps – fixed to fixed	**(7.0)**	-	(8.2)	-
Interest rate swaps – floating to fixed	**(2.0)**	-	(0.5)	-
Derivative liabilities (Note 23)	**(361.5)**	-	(450.0)	-

The table below summarises the key terms of the various external derivatives held by the Group at 31 March 2024; each category includes multiple instruments and the rates stated are the aggregate rate for that category.

Notional	**Number**	**Type**	**Maturity**	**Pay Leg**	**Receive Leg**	**Accretion**
£200m	14	Index-linked	2038	3.56% + RPI, semi-annual	6m Sonia, semi-annual	5-yearly, next due July 2027 7-yearly, next due July 2030
£100m[1]	4	Index-linked	2050	1.51%+RPI, semi-annual	8.875%, annual	10-yearly, next due Sept 2030
£200m	1	Fix/ float	2030	6m Sonia, semi-annual	0.283%, Semi-annual	None
£150m	5	Fix/ fix	2029	3.52%, semi-annual	2.60%, Semi-annual	n/a
£210m	2	Float/ fix	2024	0.4935%, semi-annual	6m Sonia, Semi-annual	n/a
f£120m[2]	4	Float/ fix	2027	4.086%, semi-annual	6m Sonia, Semi-annual	n/a

[1]8.875% up to and including the 26 March 2026 settlement date, then changes to 6m Sonia for the remaining term of the instruments.
[2]£61.4m of these were entered in the current year, effective date 21 June 2023, maturity date 10 August 2027, entered to hedge the Sonia exposure on the final drawdown of the £120m bank facility made during the year (Note 21).

Notes to the Financial Statements (continued)

22. Derivatives (continued)

Other than referred to in the table above, the Group entered no new derivatives during the year, neither were any swaps closed out during the year. There are no derivatives in the Company.

Whilst all derivatives are net-settled, no balances meet the offsetting criteria in IAS 32 paragraph 42 and all are, therefore, shown gross.

The Group has two one-way credit support annexes (CSAs) in place that define the terms for the provision of cash collateral by the counterparty, under the CSAs, no cash collateral is required to be provided by the Group. At 31 March 2024, £12.0m (2023: nil) cash collateral was held under these CSAs (Note 20). The cash collateral does not meet the offsetting criteria in IAS 32 paragraph 42, but it would be set off against the net amount of the derivatives in the case of default and insolvency or bankruptcy, in accordance with the CSAs. The Company has no CSAs or equivalent arrangements.

The following table presents the recognised financial instruments that are subject to the CSAs but not offset in the financial statements. The 'net amount' shows the amount in the Group's statement of financial position if all set-off rights were exercised.

Group	Gross amount £m	Amounts subject to master netting arrangements £m	Financial instrument collateral £m	Net amount £m
At 31 March 2024:				
Derivative assets	**38.2**	**(19.5)**	**(8.9)**	**9.8**
Derivative liabilities	**(361.5)**	**19.5**	**-**	**(342.0)**
	(323.3)	**-**	**(8.9)**	**(332.2)**
Other collateral not included above	**-**	**-**	**(3.1)**	**(3.1)**
Total	**(323.3)**	**-**	**(12.0)**	**(335.3)**
At 31 March 2023:				
Derivative assets	30.2	(15.0)	-	15.2
Derivative liabilities	(450.0)	15.0	-	(435.0)
	(419.8)	-	-	(419.8)
Other collateral not included above	-	-	-	-
Total	(419.8)	-	-	(419.8)

Notes to the Financial Statements (continued)

22. Derivatives (continued)

Recognised fair value measurements

The derivatives are measured at fair value through profit or loss; those fair value measurements occur on a recurring basis.

Financial instruments that are recognised in the statement of financial position at fair value are classified into three levels, as prescribed under accounting standards, based on the degree to which the inputs used in determining the fair value are observable:

- Level 1: includes financial instruments traded in active markets and the fair value is derived from quoted market prices (unadjusted);
- Level 2: includes financial instruments not traded in an active market and the fair value is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs are observable, the financial instrument is included in level 2; and
- Level 3: if one or more significant inputs is not based on observable market data, the financial instrument is included in level 3. This is the case for the majority of derivatives held by the Group.

Notes to the Financial Statements (continued)

22. Derivatives (continued)

The following table presents the Group's financial instruments that are measured and recognised at fair value, grouped into the three levels outlined above to provide an indication as to the reliability of the inputs used in determining the fair values. Each category includes multiple instruments.

Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2024				
Derivative assets:				
Inflation-linked swaps	**-**	**20.8**	**7.6**	**28.4**
Interest rate swaps – floating to fixed	**-**	**9.6**	**0.2**	**9.8**
	-	**30.4**	**7.8**	**38.2**
Derivative liabilities				
Inflation-linked swaps	**-**	**-**	**(310.9)**	**(310.9)**
Interest rate swaps – fixed to floating	**-**	**(41.6)**	**-**	**(41.6)**
Interest rate swaps – fixed to fixed	**-**	**(7.0)**	**-**	**(7.0)**
Interest rate swaps – floating to fixed	**-**	**(2.0)**	**-**	**(2.0)**
	-	**(50.6)**	**(310.9)**	**(361.5)**
Total	**-**	**(20.2)**	**(303.1)**	**(323.3)**
At 31 March 2023				
Derivative assets:				
Inflation-linked swaps	-	3.4	11.6	15.0
Interest rate swaps – floating to fixed	-	15.2	-	15.2
	-	18.6	11.6	30.2
Derivative liabilities				
Inflation-linked swaps	-	(15.9)	(379.7)	(395.6)
Interest rate swaps – fixed to floating	-	(45.7)	-	(45.7)
Interest rate swaps – fixed to fixed	-	(8.2)	-	(8.2)
Interest rate swaps – floating to fixed	-	-	(0.5)	(0.5)
	-	(69.8)	(380.2)	(450.0)
Total	-	(51.2)	(368.6)	(419.8)

There were no transfers between levels 1 and 2 during the current or prior year. For transfers into and out of level 3, see overleaf.

Notes to the Financial Statements (continued)

22. Derivatives (continued)

The following table provides a reconciliation of the fair value amounts disclosed as Level 3.

Group	**2024 £m**	2023 £m
At 1 April	**(368.6)**	(517.1)
New instruments	**-**	(0.5)
Transfers into Level 3 from Level 2	**(15.9)**	(7.7)
Transfers from Level 3 into Level 2	**(11.6)**	46.5
Total gains in profit or loss;		
- On transfers into Level 3 from Level 2	**9.5**	14.5
- On instruments carried forward in Level 3	**83.5**	95.7
At 31 March	**(303.1)**	(368.6)

The transfers were principally due to a change in the significance of the unobservable inputs used to derive the Group’s credit curve for the bilateral credit valuation adjustment (BCVA), as described in the section below. Any transfers between levels are deemed to have occurred at the beginning of the reporting period.

The following table shows the sensitivity of the fair values of derivatives to the Level 3 inputs, determined by applying a 10bps shift to the credit curve used to calculate the BCVA. These sensitivities have been performed on a portfolio basis to incorporate the effect of the CSAs (see above).

Group	**2024 -10bps £m**	**2024 +10bps £m**	2023 -10bps £m	2023 +10bps £m
Impact on derivative portfolio	**(3.8)**	**3.5**	(3.8)	3.7

Notes to the Financial Statements (continued)

22. Derivatives (continued)

Valuation techniques used to determine fair values

Where available, quoted market prices have been used to determine fair values (Level 1 inputs). Where not available, fair values have been determined 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 (XVA) has then been made to give the fair value.

For the year ended 31 March 2024, the XVA has been quantified by calculating a BCVA based on both the credit risk profile of the counterparty and the credit risk profile of the relevant group entity, using market-available data where possible, and stochastic modelling.

Whilst the inputs to the BCVA in relation to the counterparty credit risk meet the criteria for Level 2 inputs, the inputs regarding the Group's credit risk are deemed to be Level 3 inputs, as there are no observable credit related inputs for the Group 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.

For certain derivatives, the Level 3 inputs form an insignificant part of the fair value and, therefore, these derivatives are disclosed as Level 2. Otherwise, the derivatives are disclosed as Level 3.

At 31 March 2024, the net adjustment for non-performance risk was £75.4m (2023: £87.6m), of which £73.6m (2023: £87.1m) was classed as Level 3.

On entering certain derivatives, the valuation technique used resulted in a fair value loss. As this 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. At 31 March 2024, the aggregate difference yet to be recognised was £45.3m (2023: £47.7m). Of the movement in the year, £0.1m (2023: £0.2m) relates to a difference recognised on the new swaps entered by the Company during the year, and the remainder all relates to the straight-line release to profit or loss.

The following table provides an analysis of the component parts of the fair values of the derivative assets and derivative liabilities.

Group	**2024 £m**	**2023 £m**
FV of derivatives pre IFRS 13 adjustment	**36.0**	30.6
XVA adjustment	**(0.2)**	(1.4)
Day 1 adjustment	**2.4**	1.0
Derivative assets (Note 23)	**38.2**	30.2
FV of derivatives pre IFRS 13 adjustment	**(480.0)**	(585.6)
XVA adjustment	**75.6**	89.0
Day 1 adjustment	**42.9**	46.6
Derivative liabilities (Note 23)	**(361.5)**	(450.0)

Notes to the Financial Statements (continued)

23. Financial instruments

Categories of financial instruments

This note provides an overview of the financial instruments held by the Group, with references to other notes that include more specific information about each type of financial instrument.

The Group holds the following categories of financial instruments:

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Financial assets:				
Loans to group undertakings (Note 15)	**-**	**213.3**	-	297.2
Derivative assets (Note 22)	**38.2**	**-**	30.2	-
Trade and other receivables (Note 17)	**82.6**	**4.4**	78.5	8.1
Cash and cash equivalents (Note 18)	**205.8**	**0.5**	187.4	0.9
Money market deposits over three months (Note 19)	**16.7**	**-**	316.9	-
	343.3	**218.2**	613.0	306.2
Financial liabilities:				
Trade and other payables (Note 20)	**(141.0)**	**(0.2)**	(125.7)	(0.2)
Borrowings (Note 21)	**(2,405.8)**	**-**	(2,477.7)	-
Derivative liabilities (Note 22)	**(361.5)**	**-**	(450.0)	-
	(2,908.3)	**(0.2)**	(3,053.4)	(0.2)

The Group's exposure to various risks associated with the financial instruments is outlined in Note 23.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets in the table above.

Notes to the Financial Statements (continued)

23. Financial instruments (continued)

Fair values of financial instruments

All financial instruments are held at amortised cost, except derivatives that are at fair value through profit or loss. Information about the methods and assumptions used in determining the fair value of derivatives is included in Note 22.

For the majority of the instruments at amortised cost, the fair values are not materially different to their carrying values, since the interest receivable/ payable is either close to current market rates or the instruments are short-term in nature, such as cash and cash equivalents, money market deposits, trade and other receivables, and trade and other payables.

The instruments for which significant differences were identified, in either the current or prior year, are presented in the following tables:

Group	**2024 Carrying value £m**	**2024 Fair value £m**	2023 Carrying value £m	2023 Fair value £m
Financial liabilities:				
Bonds[1] (Note 21)	**(1,996.7)**	**(1,937.3)**	(1,852.0)	(1,753.5)
Bank and other term borrowings[2] (Note 21)	**(404.0)**	**(402.3)**	(621.5)	(622.0)

Company	**2024 Carrying value £m**	**2024 Fair value £m**	2023 Carrying value £m	2023 Fair value £m
Financial assets:				
Loans to subsidiary > 1 year[2] (Note 15)	**213.3**	**245.2**	297.2	354.3

[1] These fair values are derived from quoted market prices and, therefore, meet the Level 1 criteria.

[2] These fair values are based on discounted cash flows using a current borrowing rate. They are classified as Level 3 due to the use of unobservable inputs, including own credit risk.

Notes to the Financial Statements (continued)

24. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The principal financial risks to which the Group is exposed and which arise in the normal course of business include market risk, in particular interest rate risk and inflation risk, credit risk and liquidity risk.

The Group has a formal risk management structure, designed to identify and analyse risks. There are financial risk management policies and controls in place, including the use of risk limits, mandates, and monitoring and reporting requirements, supported by reliable and up-to-date systems. The risk management policies and systems are reviewed annually and amended to reflect changes in market conditions and the associated levels of risk, as appropriate. The processes for managing risk and the methods used to measure risk have not changed since the prior year.

It is the responsibility of the Board to set, approve and review the risk management policies, procedures and controls. The Audit and Risk Committee is responsible for independently overseeing the financial risk management activities of the Group. The Group treasury function, which is authorised to conduct the day-to-day treasury activities of the Group, reports on a regular basis to the Audit and Risk Committee.

Market risk

Market risk is the risk that future cash flows of a financial instrument, or the fair value of a financial instrument, will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, inflation, equity and commodity prices. The main types of market risk to which the Group is exposed are interest rate risk and inflation risk; the Group has no significant foreign exchange, equity or commodity exposure.

The Board has authorised the use of derivative financial instruments to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. Derivatives are used to hedge interest rate risk and to change the basis of interest cash flows from fixed to either an alternative fixed profile, or to an RPI inflation-linked basis to match the inflation-linked revenue profile (noting that Ofgem have now changed this to a CPIH basis). The Board approves all new derivatives. The Group and Company do not use derivatives for speculative purposes. More information on the derivatives held by the Group is provided in Note 22.

Interest rate risk

The Group's floating rate borrowings (see Note 21) and derivatives (see Note 22) are exposed to a risk of change in cash flows due to changes in interest rates. The Group's derivatives are exposed to a risk of change in their fair value due to changes in interest rates. Investments in short-term receivables and payables are not exposed to interest rate risk due to their short-term nature.

Notes to the Financial Statements (continued)

24. Financial risk management (continued)

Sensitivity analysis on interest

Although the following analysis provides an indication of the Group's exposure to interest rate risk, such analysis is limited due to the long-term nature of many of the financial instruments and the uncertainty over future market rates.

The sensitivity figures are calculated based on a downward parallel shift across the interest rate curve of 0.5% and upward parallel shifts of 0.5% and 1%, a range in outcomes that management deem reasonably possible within the next financial year.

The following table shows the amount by which the finance costs in the income statement would have differed if interest rates over the course of the year had differed from actual rates; figures in brackets represent a reduction to profit. The impact on the cash flows of the derivatives is excluded from this analysis, as there would be an equal and opposite effect on the fair value movement, resulting a net nil impact in the income statement.

Group	**2024 -0.5% £m**	**2024 +0.5% £m**	**2024 +1% £m**	2023 -0.5% £m	2023 +0.5% £m	2023 +1% £m
Interest:						
Floating rate borrowings	**1.8**	**(1.8)**	**(3.7)**	1.5	(1.5)	(3.0)
Total finance costs impact	**1.8**	**(1.8)**	**(3.7)**	1.5	(1.5)	(3.0)

The following table shows the amount by which the fair value of items recorded on the statement of financial position at fair value would be adjusted for a given interest rate movement. As fair value movements are taken to the income statement, there would be a corresponding adjustment to finance costs; figures in brackets represent a reduction to profit.

Group	**2024 -0.5% £m**	**2024 +0.5% £m**	**2024 +1% £m**	2023 -0.5% £m	2023 +0.5% £m	2023 +1% £m
Fair values:						
Inflation-linked swaps	**(44.7)**	**34.3**	**68.5**	(39.1)	36.2	69.7
Interest rate swaps	**3.7**	**(0.5)**	**(1.1)**	2.3	(2.3)	(4.4)
Total finance costs impact	**(41.0)**	**33.8**	**67.4**	(36.8)	33.9	65.3

Inflation risk

The Group's inflation-linked borrowings (see Note 21) and inflation-linked derivatives (see Note 22) are exposed to a risk of change in cash flows due to changes in inflation rates. The Group's index-linked derivatives are exposed to a risk of change in their fair value due to changes in inflation rates.

Notes to the Financial Statements (continued)

24. Financial risk management (continued)

Sensitivity analysis on inflation

Although the following analysis provides an indication of the Group's exposure to inflation risk, such analysis is limited due to the long-term nature of many of the financial instruments and the uncertainty over future market rates.

The sensitivity figures are calculated based on a downward parallel shift across the inflation curve of 0.5% and upward parallel shifts of 0.5% and 1%, a range in outcomes that management deem reasonably possible within the next financial year.

The following table shows the amount by which the finance costs in the income statement, including indexation of the inflation-linked debt and accretion on the inflation-linked derivatives, would have differed if inflation rates over the course of the year had differed from the actual rates; figures in brackets represent a reduction to profit. The change in indexation would have a corresponding impact on the carrying value of the inflation-linked debt in the statement of financial position. The impact on the cash flows of the derivatives is excluded from this analysis, as there would be an equal and opposite effect on the fair value movement, resulting a net nil impact in the income statement.

Group	**2024 -0.5% £m**	**2024 +0.5% £m**	**2024 +1% £m**	2023 -0.5% £m	2023 +0.5% £m	2023 +1% £m
Interest:						
Inflation-linked borrowings	**0.1**	**(0.1)**	**(0.1)**	-	-	(0.1)
Indexation:						
Inflation-linked borrowings	**2.9**	**(2.9)**	**(5.7)**	3.8	(3.8)	(7.6)
Total finance costs impact	**3.0**	**(3.0)**	**(5.8)**	3.8	(3.8)	(7.7)

The following table shows the amount by which the fair value of items recorded in the statement of financial position at fair value would be adjusted for a given inflation rate movement. As fair value movements are taken to the income statement, there would be a corresponding adjustment to finance costs; figures in brackets represent a reduction to profit.

Group	**2024 -0.5% £m**	**2024 +0.5% £m**	**2024 +1% £m**	2023 -0.5% £m	2023 +0.5% £m	2023 +1% £m
Fair values:						
Inflation-linked swaps	**54.4**	**(65.1)**	**(130.1)**	51.3	(51.6)	(115.2)
Total finance costs impact	**54.4**	**(65.1)**	**(130.1)**	51.3	(51.6)	(115.2)

Notes to the Financial Statements (continued)

24. Financial risk management (continued)

Credit risk

The Group is exposed to credit risk, which is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract as they fall due. Credit risk arises principally from cash and cash equivalents, money market deposits, derivative assets, and trade and other receivables.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets, as shown in the table in Note 23.

The Group is potentially exposed to significant credit risk in relation to cash and cash equivalents, money market deposits and derivative assets. For these counterparties, minimum credit ratings are specified, and individual exposure limits are in place to reduce the concentration of risk and exposure to any one counterparty. Management does not anticipate any of these counterparties will fail to meet its obligations. At 31 March 2024, none (2023: none) of the Group’s treasury balances were either past due or impaired, and no terms had been re-negotiated with any counterparty.

The table below shows an analysis of the ratings of the counterparties with which the Group holds cash and cash equivalents, money market deposits and derivative assets.

Group	**2024 £m**	**2024 %**	2023 £m	2023 %
AAA	**91.1**	**34.7**	44.8	8.4
AA-	**4.9**	**1.9**	7.8	1.4
A+	**64.6**	**24.7**	132.6	24.8
A	**101.2**	**38.7**	350.3	65.4
	261.8	**100.0**	535.5	100.0

Credit risk in relation to trade and other receivables is considered by management to be relatively low. For more information on the credit risk and expected credit losses in relation to trade and other receivables, see Note 17.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient funds to meet its financial obligations as they fall due. The Group manages the maturity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are able to be met when due. This is achieved through maintaining a prudent level of liquid assets and arranging funding facilities well in advance of need. The Group uses derivatives to economically hedge certain cash flows (see Note 22).

The Board is responsible for monitoring the maturity of liquidity and deposit funding balances and taking any action as appropriate. A long-term view of liquidity is provided by Group financial models which project cash flows out 24 years ahead, to the end of the Regulatory Period ending 31 March 2048. A medium-term view is provided by the Group business plan covering the period ending 31 March 2028, which is updated and approved annually by the Board. The Board has approved a liquidity framework within which the business operates, including the maintenance of a minimum of 12 months liquidity.

Notes to the Financial Statements (continued)

24. Financial risk management (continued)

The Group had access to the following liquid assets and undrawn borrowing facilities at 31 March:

	2024 Group £m	**2024 Company £m**	2023 Group £m	2023 Company £m
Cash and cash equivalents (Note 18)	**205.8**	**0.5**	187.4	0.9
Money market deposits over three months (Note 19)	**16.7**	**-**	316.9	-
Committed undrawn bank facilities (Note 21)	**165.0**	**-**	164.6	-
Balance at 31 March	**387.5**	**0.5**	668.9	0.9

The Group considers the timing of scheduled payments to avoid risks associated with the concentration of large cash flows within particular time periods.

The table below shows the maturity profile of the contractual cash flows due under the Group's financial liabilities, on an undiscounted basis, estimated using prevailing interest and inflation rates at the reporting date. Derivative cash flows include those on both derivative assets and derivative liabilities and have been shown net; all other cash flows are shown gross.

Group	**<1 year £m**	**1 – 2 years £m**	**2 – 3 years £m**	**3 – 4 years £m**	**>4 years £m**	**Total £m**
At 31 March 2024						
Trade payables	**(22.6)**	**-**	**-**	**-**	**-**	**(22.6)**
Refundable customer deposits	**(2.9)**	**-**	**-**	**-**	**-**	**(2.9)**
Leases	**(1.9)**	**(1.4)**	**(0.5)**	**(0.6)**	**(0.7)**	**(5.1)**
Bonds	**(89.1)**	**(538.4)**	**(48.4)**	**(48.4)**	**(1,839.2)**	**(2,563.5)**
Borrowings and overdrafts	**(36.9)**	**(36.9)**	**(238.2)**	**(139.4)**	**(41.0)**	**(492.4)**
Derivatives	**3.8**	**(6.2)**	**(9.5)**	**(32.3)**	**(353.3)**	**(397.5)**
Total contractual cash flows	**(149.6)**	**(582.9)**	**(296.6)**	**(220.7)**	**(2,234.2)**	**(3,484.0)**
At 31 March 2023						
Trade payables	(19.3)	-	-	-	-	(19.3)
Refundable customer deposits	(11.9)	-	-	-	-	(11.9)
Leases	(1.7)	(1.3)	(0.2)	(0.2)	(0.8)	(4.2)
Bonds	(76.5)	(79.9)	(529.9)	(40.0)	(1,666.7)	(2,393.0)
Borrowings and overdrafts	(309.9)	(27.6)	(27.6)	(230.3)	(110.8)	(706.2)
Derivatives	(117.7)	6.3	(0.9)	(5.4)	(363.6)	(481.3)
Total contractual cash flows	(537.0)	(102.5)	(558.6)	(275.9)	(2,141.9)	(3,615.9)

The Company had no contractual cash flows at 31 March 2024 (2023: none).

Notes to the Financial Statements (continued)

25. Retirement benefit schemes

Group

Nature of Scheme

The Group's retirement benefit arrangement is the Electricity North West Group of the Electricity Supply Pension Scheme (ESPS) ("the Scheme") and forms part of the ESPS. The Scheme contains both a defined benefit section and a defined contribution section. The defined benefit section of the Scheme closed to new entrants on 1 September 2006, with new employees of the Group subsequently provided with access to the defined contribution section. The Company does not have any post retirement benefit arrangement. During the year the defined contribution section of the Scheme was moved to a Master Trust arrangement and the respective assets were paid across to the Master Trust.

The defined benefit section is a UK funded final salary arrangement providing pensions and lump sums to members and dependants. The defined benefit section is a separate fund that is legally separated from the entity. The Trustee board of the Scheme is composed of representatives from both the employer and members of the Scheme. Under the Pensions Act 2004 at least one third of the Trustee Board must be member nominated and the Trustee Board has made the necessary arrangements to fulfil this obligation. The Trustee Board of the Scheme is required by law to act in the interest of the Scheme and all relevant stakeholders of the Scheme, i.e., active employees, retirees and employers. The Trustee Board is responsible for the operation, funding and investment strategy of the Scheme.

During the year the Group made contributions of £10.0m (2023: £28.2m) to the defined benefit section of the Scheme. This includes £nil (2023: £20.0m) of deficit contributions. The Group estimates that contributions for the year ending 31 March 2025 will amount to around £9.8m. The total defined benefit pension expense for the year was £6.8m (2023: £13.4m). No Executive Directors were part of the defined benefit scheme.

As at 31 March 2024 contributions of £1.0m (2023: £2.4m) relating to the current year had not been paid over to the defined benefit Scheme.

Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the Statement of Financial Position.

UK legislation requires the Trustee Board to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent triennial funding valuation of the scheme was carried out as at 31 March 2022 and identified a shortfall of £19.4m against the Trustee Board's statutory funding objective. In addition to the timing of the two valuations, the contributions made in the period and the return on assets, the main difference is due to the different assumptions used by the IAS 19 *Employee Benefits (revised 2011)* and the funding valuation. In the event of underfunding, the Group must agree a deficit recovery plan with the Trustee Board within statutory deadlines. As part of the 2023 actuarial valuation, the Group agreed to eliminate the shortfall by paying additional annual contributions in the period to 31 March 2023; no further additional contributions are required after 31 March 2023 until at least the next triennial valuation.

Notes to the Financial Statements (continued)

25. Retirement benefit schemes (continued)

Funding the liabilities

The current and prior year defined benefit obligation has been calculated based on the results of the 31 March 2022 triennial funding valuation. The results of the 2022 funding valuation have been projected forward by an independent actuary to take account of the requirements of revised IAS 19 in order to assess the position as at 31 March 2024 for the purpose of these financial statements. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. A pension surplus under IAS 19 of £39.0m is included in the statement of financial position at 31 March 2024 (2023: surplus of £42.6m).

The duration of the Scheme based on the results of the 31 March 2022 triennial funding valuation is approximately 16 years (2023: 16 years). As at the current reporting date the Scheme actuary estimates that the duration based on the 31 March 2022 triennial has since fallen to approximately 13 years (2023: 13 years) this has been used in the calculations as at 31 March 2024.

Investment risks

The Scheme has an investment strategy to aim to match pensioner and other liabilities with lower risk cash flow investments and to invest liabilities in respect of active members into return seeking assets. As active members retire, then a switch of investments would be carried out.

The Company recognises that the interests of customers, who ultimately fund pension costs, should be given full recognition in determining the investment strategy. The Company works in collaboration with the Scheme Trustee to ensure these interests are considered alongside those of the members of the Scheme.

Other risks

In addition to investment risk, the Scheme exposes the Group to other risks, such as longevity risk, inflation risk and interest rate risk. As the Scheme's obligation is to provide lifetime pension benefits to members upon retirement, increases in life expectancy will result in an increase in the Scheme's liabilities. Other assumptions used to value the defined benefit obligation are also uncertain.

These risks are managed through de-risking and hedging strategies and are measured and reported to the Scheme Trustee. In particular, in October 2019 the Scheme completed a pensioner buy-in with Scottish Widows for around 80% of the Scheme's then pensioner liabilities. This buy-in asset now represents 47.1% of the total Scheme assets as at 31 March 2024 (2023: 49.1%). This had the effect of removing longevity and investment risks in respect of the liabilities for this part of the membership.

Winding up

Although currently there are no plans to do so, the Scheme could be wound up in which case the benefits would have to be bought out with an insurance company. The cost of buying-out benefits would be significantly more than the defined benefit obligation calculated in accordance with IAS 19.

Notes to the Financial Statements (continued)

25. Retirement benefit schemes (continued)

Defined Contribution arrangements

All assets within the defined contribution section of the Scheme are held independently from the Group. During the year the defined contribution section of the Scheme was moved to a Master Trust arrangement and the respective assets were paid across to the Master Trust.

The total cost charged to the income statement in relation to the defined contribution section for the year ended 31 March 2024 was £10.6m (2023: £9.6m) and represents contributions payable to the Scheme at rates specified in the rules of the Scheme. As at 31 March 2024 contributions of £nil (2023: £nil) due in respect of the current year had not been paid over to the defined contribution Scheme.

Defined Benefits employee benefits

The reconciliation of the opening and closing statement of financial position is as follows:

Group	2024 £m	2023 £m
At 1 April	**42.6**	18.4
Expense recognised in the income statement	**(6.8)**	(13.4)
Contributions paid	**10.0**	28.2
Total re-measurement included in other comprehensive income	**(6.8)**	9.4
At 31 March	**39.0**	42.6

The balance recognised in the statement of financial position is as follows:

Group	2024 £m	2023 £m
Present value of defined benefit obligations	**(855.0)**	(873.7)
Fair value of plan assets	**894.0**	916.3
Net surplus arising from defined benefit obligation	**39.0**	42.6

Notes to the Financial Statements (continued)

25. Retirement benefit schemes (continued)

Movements in the fair value of the defined benefit obligations are as follows:

Group	2024 £m	2023 £m
At 1 April	**873.7**	1,259.3
Current service cost	**7.9**	13.5
Interest expense	**40.2**	32.2
Member contributions	**1.3**	1.2
Past service credit	**-**	-
Re-measurement:		
Effect of changes in demographic assumptions	**(14.3)**	(12.3)
Effect of changes in financial assumptions	**(7.0)**	(357.1)
Effect of experience adjustments	**9.1**	24.9
Benefits paid	**(55.9)**	(88.0)
At 31 March	**855.0**	873.7

Movements in the fair value of the Pension Scheme assets were as follows:

Group	2024 £m	2023 £m
At 1 April	**916.3**	1,277.7
Interest income	**42.4**	33.1
Return on plan assets (net of interest income)	**(19.0)**	(335.1)
Employer contributions	**10.0**	28.2
Member contributions	**1.3**	1.2
Benefits paid	**(55.9)**	(88.0)
Administration expenses	**(1.1)**	(0.8)
At 31 March	**894.0**	916.3

The amount recognised in other comprehensive income is as follows:

Group	2024 £m	2023 £m
Return on scheme assets excluding interest income	**(19.0)**	(335.1)
Actuarial gain arising from changes in demographic assumptions	**14.3**	12.3
Actuarial gain arising from changes in financial assumptions	**7.0**	357.1
Experience loss on liabilities	**(9.1)**	(24.9)
Total (loss)/gain recognised in other comprehensive income	**(6.8)**	9.4

Notes to the Financial Statements (continued)

25. Retirement benefit schemes (continued)

The net pension expense before taxation recognised in the income statement, before capitalisation, in respect of the Scheme is summarised as follows:

Group	**2024**	2023
	£m	£m
Current service cost	**(7.9)**	(13.5)
Interest income on plan assets	**42.4**	33.1
Interest expense on Scheme obligations	**(40.2)**	(32.2)
Administration expenses	**(1.1)**	(0.8)
Net pension expense before taxation	**(6.8)**	(13.4)

The above amounts are recognised in arriving at operating profit except for the interest on Scheme assets and interest on Scheme obligations which have been recognised within finance expense (Note 9).

The main financial assumptions used by the actuary (in determining the surplus) were as follows:

Group	**2024**	2023
	%	%
Discount rate	**4.80**	4.75
Pensionable salary increases	**3.05**	3.45
Pension increases (RPI)	**3.15**	3.05
Price inflation (RPI)	**3.40**	3.80
Price inflation (CPI)	**2.95**	2.95

The mortality rates utilised in the valuation are based on the standard actuarial tables S3PA_M (SAPS3 combined amounts MIDDLE) (2023: S3PA_M) tables with a scaling of 109% for male pensioners (2023: 109%), 107% for female pensioners (2023: 107%), 109% for male non-pensioners/future pensioners (2023: 109%) and 107% for female non-pensioners/future pensioners (2023: 107%). These scaling factors allow for differences in expected mortality between the Scheme population and the population used in the standard tables. A long-term improvement rate of 1.25% p.a. is assumed within the underlying CMI 2022 model (2023: 1.25% CMI 2021 model).

The current life expectancies underlying the value of the accrued liabilities for the Scheme are:

Group	**2024**	2023
Life expectancy	**Years**	Years
Male member current age 45	**25.8**	26.4
Male member current age 60	**24.7**	25.2
Female member current age 45	**28.9**	29.4
Female member current age 60	**27.8**	28.2

Notes to the Financial Statements (continued)

25. Retirement benefit schemes (continued)

The following table presents a sensitivity analysis for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the Statement of Financial Position date The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. The sensitivity analysis is for illustrative purposes and it is of note that while the sensitivities below are based on isolated movements, in reality some assumptions are interlinked and a movement in one may result in movements in others (e.g., inflation-based assumptions).

Group	2024 £m	2023 £m
Increase in Defined Benefit Obligation:		
Discount rate: decrease by 25 basis points	**27.1**	27.9
Price inflation: increase by 25 basis points	**16.4**	14.1
Life expectancy: increase longevity by 1 year	**34.2**	35.4

As at 31 March 2024 and 2023, the fair value of the Scheme's assets and liabilities recognised in the statement of financial position were as follows:

Group At 31 March	**Scheme assets** **2024** **%**	**Quoted** **2024** **£m**	**Unquoted** **2024** **£m**	**Total Value** **2024** **£m**	Scheme assets 2023 %	Quoted 2023 £m	Unquoted 2023 £m	Total Value 2023 £m
Cash	**2.1**	**18.6**	**-**	**18.6**	0.8	6.9	-	6.9
Debt instruments	**30.3**	**195.6**	**75.1**	**270.7**	29.0	155.3	110.8	266.1
Real estate	**11.0**	**-**	**97.9**	**97.9**	12.2	-	111.9	111.9
Distressed debt	**0.5**	**-**	**4.4**	**4.4**	0.7	-	6.2	6.2
Infrastructure equity	**9.0**	**-**	**80.8**	**80.8**	8.2	-	75.0	75.0
Pensioner buy-in	**47.1**	**-**	**421.6**	**421.6**	49.1	-	450.2	450.2
Fair value of assets	**100.0**	**214.2**	**679.8**	**894.0**	100.0	162.2	754.1	916.3
Present value of liabilities				**(855.0)**				(873.7)
Net retirement benefit surplus				**39.0**				42.6

The fair values of the assets set out above are as per the quoted market prices in active markets.

Notes to the Financial Statements (continued)

26. Customer Contributions

Customer contributions are amounts received from a customer in respect of the provision of a new connection to the network. Customer contributions are amortised through the income statement over the expected lifetime of the relevant asset.

Group	**2024 £m**	2023 £m
At 1 April	**525.7**	477.0
Additions during the year	**57.1**	60.6
Amortised through revenue (Note 4 & 36)	**(12.8)**	(11.9)
At 31 March	**570.0**	525.7
Split:		
Amounts due in less than one year	**81.0**	76.6
Amounts due after more than one year	**489.0**	449.1
At 31 March	**570.0**	525.7

Refundable customer contributions are those customer contributions which may be partly refundable, dependent on contractual obligations.

Group	**2024 £m**	2023 £m
Refundable customer contribution	**95.5**	82.0
Non-refundable customer contribution	**474.5**	443.7
At 31 March	**570.0**	525.7

Notes to the Financial Statements (continued)

27. Deferred tax

The following tables show the major deferred tax liabilities and (assets) recognised by the Group, and the movements thereon, during the current and prior years.

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other timing differences £m	Total £m
At 1 April 2022	399.6	4.3	(101.6)	302.3
Charged/(credited) to income statement (Note 10)	4.5	3.7	40.0	48.2
Deferred tax on re-measurement of defined benefit pension schemes	-	2.3	-	2.3
At 31 March 2023	404.1	10.3	(61.6)	352.8
Charged/(credited) to the income statement (Note 10)	**14.4**	**0.8**	**(2.4)**	**12.8**
Deferred tax on re-measurement of defined benefit pension schemes	**-**	**(1.7)**	**-**	**(1.7)**
At 31 March 2024	**418.5**	**9.4**	**(64.0)**	**363.9**

There are no significant unrecognised deferred tax assets or liabilities for either the Group or Company in either the current or prior year.

Other timing differences relates primarily to derivative instruments, but also includes general provision, pension contributions not paid, rollover relief, IFRS9 and IFRS16 transitional adjustments.

Deferred tax is calculated at 25% (2023: 25%), being the rate at which it is expected to reverse.

Notes to the Financial Statements (continued)

28. Provisions

Group	2024 £m	2023 £m
At 1 April	**1.0**	1.6
Amounts released to the income statement (Note 5)	**-**	(0.4)
Utilisation of provision	**(0.3)**	(0.2)
At 31 March	**0.7**	1.0

At 31 March 2024, £0.5m (2023: £0.6m) of the balance is due in less than one year, £0.2m (2023: £0.4m) is due after one year.

ENWL is part of a Covenanter Group which is party to a Deed of Covenant under which certain guarantees over the benefits of members of the EATL Group of the Electricity Supply Pension Scheme have been given. The closing provision at 31 March 2024 of £0.4m (2023: £0.6m) on a discounted basis relates to the Company's 6.7% share of the liabilities. £0.2m of this balance is due in less than one year and £0.2m of it is due in after one year.

The remainder of the provision relates to onerous lease provisions and is all due in less than one year.

29. Stated capital

Group and Company	2024 £m	2023 £m
Authorised:		
50,000,000 ordinary shares of no par value	**-**	-
At 31 March	**-**	-

Group and Company	2024 £m	2023 £m
Issued and fully paid:		
3,000,000 ordinary shares of no par value	**3.0**	3.0
2,235,176 ordinary shares of no par value	**242.0**	242.0
At 31 March	**245.0**	245.0

No person has any special rights of control over the Company's share capital and all allotted shares are fully paid.

See Note 30 for voting rights of each share.

Notes to the Financial Statements (continued)

30. Shareholders' Equity

The profit after tax for the Company for the year ended 31 March 2024 was £15.1m (2023: £55.4m restated profit). Of this, £nil (2023: £35.1m) relates to dividends from subsidiary undertakings received. As permitted by the Companies (Jersey) Law 1991, the Company has not presented its own income statement.

The Preference Share Capital comprises 327 million no par redeemable Preference Shares. There is no coupon or redemption date attached to the shares and they are redeemable only at the request of the Company.

The Company made a distribution of £105.7m during the year, in line with Article 115 (2) (b) of the Companies (Jersey) Law 1991 (2023: £79.6m).

31. Capital structure

Details of the authorised and allotted share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 29. The Company has Ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

The redeemable preference shares shall, at the sole discretion of the directors receive, in priority to any payment of dividend to the holders of any other class of shares in the Company a cumulative preferential rate to be determined at the sole discretion of the directors. Each share carries the right to one vote at general meetings of the Company. The redeemable preference share capital consists of 327 million shares of no par value issued at £1 each.

The Company has the right to redeem at any time any or all of the redeemable preference shares.

There is a requirement in the Investment Deed that requires preference shares to be held by the same holders in the same proportion as ordinary shares. This is the only specific restriction on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association ("the Articles"), Investment Deed and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all allotted shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by the Articles, its own Investment Deed and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Articles, copies of which are available on request.

Notes to the Financial Statements (continued)

32. Dividends

Amounts recognised as distributions to equity holders in the year comprise:

Group and Company	2024 £m	2023 £m
Final dividend for the year ended 31 March 2022 of 1,500.00 pence per share, paid June 2022	-	45.0
Interim dividend for the year ended 31 March 2023 of 660.91 pence per share, paid December 2022	-	34.6
Final dividend for the year ended 31 March 2023 of 2,333.33 pence per share, paid June 2023	70.0	-
Interim dividend for the year ended 31 March 2024 of 681.93 pence per share, paid December 2023	35.7	-
	105.7	79.6

At the Board meeting in May 2024, the directors proposed a final dividend of £27.7m for the year ended 31 March 2024, subject to approval by equity holders of the Company, that is not a liability in the financial statements at 31 March 2024.

33. Ultimate parent undertaking and controlling party

The Company is the ultimate parent undertaking of its Group. The registered address of the Company is: 44 Esplanade, St Helier, Jersey, Channel Islands, JE4 9WG. This is the largest, and smallest, group in which the results of the Company are consolidated and these consolidated statements can be obtained from the above address.

At 31 March 2023 and 2024, the ownership of the shares in NWEN (Jersey) was as follows:

- 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%).

As no individual shareholder owned over 50%, there was no ultimate controlling party.

Notes to the Financial Statements (continued)

34. Related party transactions

Loans are made between companies in the Group on which varying rates of interest are chargeable. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the Group figures of this note.

During the year the following transactions with related parties were entered into:

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Interest receivable from North West Electricity Networks (UK) Limited	**-**	**17.7**	-	23.5
Dividends paid to ultimate controlling parties	**(105.7)**	**(105.7)**	(79.6)	(79.6)
Dividends received from Group companies	**-**	**-**	-	35.1
Directors' remuneration (Note 7)	**-**	**-**	-	-

For disclosure relating to executive directors' remuneration see Note 7. The Company's key management personnel comprise solely of its Executive Leadership Team.

Amounts outstanding with related parties are as follows:

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Loans to group undertakings:				
North West Electricity Networks (UK) Limited	**-**	**213.3**	-	297.3
Impairment of inter-company loan to North West Electricity Networks (UK) Limited	**-**	**-**	-	(0.1)
Total loans to group undertakings (Note 15)	**-**	**213.3**	-	297.2
Interest receivable from North West Electricity Networks (UK) Limited	**-**	**4.4**	-	8.0
Amounts owed to:				
Electricity North West Limited	**-**	**0.2**	-	0.1
Group tax relief owed to:				
North West Electricity Networks Plc	**-**	**(4.9)**	-	(3.6)

Notes to the Financial Statements (continued)

35. Contractual commitments

At 31 March 2024, the Group had entered into contractual commitments for the acquisition of software amounting to £2.1m (2023: £2.5m). These have not been recognised as liabilities in the financial statements.

At 31 March 2024, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £39.3m (2023: £22.3m). These have not been recognised as liabilities in the financial statements.

Group	**2024 £m**	2023 £m
Software (Note 13)	**2.1**	2.5
Property, plant and equipment (Note 11)	**39.3**	22.3
Contractual commitments	**41.4**	24.8

36. Cash flow information

Cash generated from/(used in) operations

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Operating profit/(loss)	**224.0**	**(0.1)**	190.3	(0.1)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5 & 11)	**133.1**	**-**	127.1	-
Amortisation of intangible assets (Note 5 & 13)	**14.2**	**-**	14.2	-
Amortisation of customer contributions (Note 4 & 26)	**(12.8)**	**-**	(11.9)	-
Profit on disposal of property, plant and equipment	**(0.2)**	**-**	(0.5)	-
Cash contributions in excess of pension charge to operating profit/(loss)	**(4.6)**	**-**	(20.4)	-
Operating cash flows before movements in working capital	**353.7**	**(0.1)**	298.8	(0.1)
Changes in working capital:				
Increase in inventories	**(26.8)**	**-**	(4.4)	-
Increase in trade and other receivables	**(4.7)**	**-**	(14.8)	-
(Decrease)increase in payables and provisions	**(4.1)**	**0.1**	24.7	-
Cash generated from/(used in) operations	**318.1**	**-**	304.3	(0.1)

Notes to the Financial Statements (continued)

36. Cash flow information (continued)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt.

	Group 2024 £m	**Company 2024 £m**	Group 2023 £m	Company 2023 £m
Cash and cash equivalents (Note 18)	**205.8**	**0.5**	187.4	0.9
Money market deposits over 3 months (Note 19)	**16.7**	**-**	316.9	-
Borrowings (Note 21)	**(2,405.8)**	**-**	(2,477.7)	-
Net Debt	**(2,183.3)**	**0.5**	(1,973.4)	0.9

Change in liabilities arising from financing activities

This section sets out an analysis of the movements in the Group's liabilities for which cash flows have been, or will be, classified as financing activities in the statement of cash flows.

Group	**Borrowings £m**	**Cash and cash equivalents £m**	**Money market deposits over three months £m**	**Total £m**
Net debt at 1 April 2022	(1,899.6)	78.5	-	(1,821.1)
Financing cash flows	(495.2)	108.9	316.9	(69.4)
Indexation (Note 9)	(89.0)	-	-	(89.0)
New leases (Note 12)	(1.9)	-	-	(1.9)
Transaction costs on new borrowings (Note 21)	4.0	-	-	4.0
Amortisation of transaction costs, discounts and premiums (Note 21)	4.0	-	-	4.0
Net debt at 31 March 2023	**(2,477.7)**	**187.4**	**316.9**	**(1,973.4)**
Financing cash flows	**115.2**	**18.4**	**(300.2)**	**(166.6)**
Indexation (Note 9)	**(45.1)**	**-**	**-**	**(45.1)**
New leases (Note 12)	**(2.8)**	**-**	**-**	**(2.8)**
Transaction costs on new borrowings (Note 21)	**0.5**	**-**	**-**	**0.5**
Amortisation of transaction costs, discounts and premiums (Note 21)	**4.1**	**-**	**-**	**4.1**
Net debt at 31 March 2024	**(2,405.8)**	**205.8**	**16.7**	**(2,183.3)**

Where applicable, interest on borrowings is included in operating activities in the Statement of Cash Flows and accruals within current liabilities on the Statement of Financial Position and is, therefore, excluded from this analysis.

Notes to the Financial Statements (continued)

37. Post balance sheet events

At 31 March 2024, the £75m revolving credit facility (RCF) and the £40m debt service facility in NWEN plc, which were both nil drawn, were due to expire in December 2024. In April 2024, these were replaced with a new £75m RCF, expiring in April 2027, and a £50m debt service facility, expiring in April 2025. Similarly, the £50m RCF in ENWL due to expire in December 2024 was replaced with a new £250m RCF, expiring in April 2027.