

Company Registration No. 02366949

ELECTRICITY NORTH WEST LIMITED
Interim Report and Condensed Consolidated Financial Statements
for the half year ended 30 September 2024

Electricity North West Limited

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

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

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

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

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

Interim Management Report

Cautionary statement

This Interim Management Report contains certain forward-looking statements with respect to the consolidated financial condition and business of Electricity North West Limited (“ENWL” or “the Company”) and its subsidiaries (together referred to as “the Group”). Statements or forecasts relating to events in the future necessarily involve risk and uncertainty and are made by the directors in good faith based on the information available at the date of signature of this report, with no obligation to update these forward-looking statements. Nothing in this unaudited Interim Management Report should be construed as a profit forecast nor should past performance be relied upon as a guide to future performance.

Financial statements

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

Operations

The Company is the main operating company within the North West Electricity Networks (Jersey) Limited (“NWEN (Jersey)”) group of companies.

The Group’s principal activity is the operation and maintenance of electricity distribution assets owned by ENWL. ENWL is one of 14 distribution network operators in the UK regulated by the Gas and Electricity Markets Authority, which operates through the Office of Gas and Electricity Markets (“Ofgem”).

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

Consolidated results

£m	Unaudited Half year ended 30 Sept 24	Unaudited Half year ended 30 Sept 23	Audited Year ended 31 Mar 24
Revenue	302.5	276.5	598.1
Profit/(loss) before tax and fair value movements	81.2	(41.6)	59.5
Net debt	(1,450.2)	(1,383.9)	(1,380.2)

Revenue

Revenue in the half year to 30 September 2024 was £26.0m higher than the revenue in the same period in the prior year due to higher use-of-system charges which have mainly increased as a result of a higher allowed revenue target due to a higher inflation outlook at the time of price setting.

The allowed revenue set by Ofgem 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. These over or under recoveries are reflected in the reported revenue for the period and will be corrected through adjustments to revenue to be received in two years’ time, in accordance with the Ofgem price setting mechanism.

The revenue for the half year to 31 March 2025 is expected to be higher than that in the half year to 30 September 2024, due to the seasonally higher volumes of electricity units distributed over the winter period.

Interim Management Report (continued)

Profit/(loss) before tax and fair value movements

The profit before tax and fair value movements was £122.8m higher than the same period in the prior year. This is mainly as a result of the higher accretion payments on the index-linked swaps in the six months to 30 September 2023. The accretion payments do not occur each year, with the next not due until July 2027; see Note 5 for more details. In addition, the operating profit was £25.1m higher than the same period last year mostly contributed by the higher revenue.

Net Debt

Net debt increased by £70.0m over the half year to 30 September 2024. This was primarily due to the £60.0m cash outflow before financing and the £45.4m dividend payment, net of the £30.1m increase in money market deposits over three months, and the £3.9m increase in debt due to indexation (see Note 5).

Dividends

During the half year, the Company paid dividends of £45.4m. See Note 7 for more details. As at the date of signing this Interim Report, the Directors do not propose an interim dividend for the year ended 31 March 2024.

Retirement benefit scheme

The retirement benefit surplus has decreased from £39.0m to £38.3m over the half year to 30 September 2024. The decrease in the surplus was mainly due to loss on assets in excess of interest income, partially offset by a decrease in the scheme obligations as a result of an increase in the discount rate coupled with a reduction in the long-term inflation assumption (see Note 11).

Principal risks and uncertainties

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

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

Events after the Balance Sheet date

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

Interim Management Report (continued)

Going concern

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

- The Company'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 current five-year regulatory period to 31 March 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 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 November 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 30 September 2024, there was £250.0m of committed undrawn borrowing facilities available for at least 12 months from the date of approval of these financial statements (see Note 9);
- Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to both 31 March 2025 and 2028 indicate there is sufficient headroom on these covenants.
- Though the Company 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 such as, cost of living and high energy prices, interest rates, Ukraine conflict and impact on supply chain, and energy prices and supplier administration.

Interim Management Report (continued)

Going concern (continued)

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

Corporate governance

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

Parent, ultimate parent and controlling party

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

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

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

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

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

Interim Management Report (continued)

Directors

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

Executive Directors

- Ian Smyth
- Chris Johns

Non-executive Directors

- Anne Baldock
- Alistair Buchanan
- Susan Cooklin
- Rob Holden
- Masahide Yamada
- Mitsuo Wada
- Beatrice Baker Pessoa De Araujo (appointed 22 Oct 2024)
- Harold Hutchinson (appointed 22 Oct 2024)
- Sion Jones (resigned 22 Oct 2024)
- Peter O’Flaherty (resigned 22 Oct 2024)
- Genping Pan (resigned 22 Oct 2024)

Alternate Directors

- Aisha Hamid (resigned 22 Oct 2024)
- Makoto Murata
- Michiko Hara (appointed 4 July 2024)
- Tatsuhiro Tamura (resigned 4 July 2024)
- Hailin Yu (resigned 22 Oct 2024)

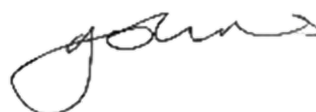
At no time during the half year did any director have a material interest in any contract or arrangement which was significant in relation to the Company’s business.

Directors’ responsibilities statement

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

- have been prepared in accordance with UK-adopted International Accounting Standard 34 ‘*Interim Financial Reporting*’ (IAS 34) and the Disclosure Guidance and Transparency Rules (DTR) sourcebook of the UK’s Financial Conduct Authority;
- give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, and the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; and
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, including information on important events and material related-party transactions that have occurred in the half year ended 30 September 2024.

Approved by the Board and signed on its behalf by:



Chris Johns
Chief Financial Officer
29 November 2024

Electricity North West Limited

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 September 2024

		Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	Note	£m	£m	£m
Revenue¹	4	302.5	276.5	598.1
Employee costs		(40.4)	(35.9)	(76.7)
Depreciation and amortisation expense		(77.6)	(71.4)	(146.7)
Other operating costs		(62.4)	(72.2)	(145.6)
Total operating costs		(180.4)	(179.5)	(369.0)
Operating profit		122.1	97.0	229.1
Finance income		3.7	10.3	21.0
Finance costs	5	(22.3)	(24.6)	(88.3)
Profit before income tax		103.5	82.7	161.8
Income tax expense	6	(25.3)	(20.5)	(41.7)
Profit for the period		78.2	62.2	120.1
Other comprehensive income/ (expense):				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit scheme		(2.1)	26.1	(6.8)
Deferred tax relating to these items		0.5	(6.3)	1.7
Other comprehensive income/ (expense) for the period		(1.6)	19.8	(5.1)
Total comprehensive income for the period		76.6	82.0	115.0

¹ For the half year ended 30 September 2023, other income has previously been presented as a separate line item; above, this has been included in revenue for consistency with the other periods presented.

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

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

Electricity North West Limited

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2024

		Unaudited As at 30 Sept 2024	Unaudited As at 30 Sept 2023	Audited As at 31 Mar 2024
	Note	£m	£m	£m
ASSETS				
Non-current assets				
Property, plant and equipment ¹	8	3,880.9	3,673.8	3,785.8
Intangible assets and goodwill		51.5	54.2	52.1
Derivative financial assets	10	240.0	232.9	245.6
Retirement benefit surplus	11	38.3	70.0	39.0
Total non-current assets		4,210.7	4,060.9	4,122.5
Current assets				
Inventories		53.4	38.1	49.3
Trade and other receivables		103.4	99.3	102.5
Cash and cash equivalents		84.5	155.6	189.8
Money market deposits over three months		30.1	240.6	-
Total current assets		271.4	533.6	341.6
Total assets		4,482.1	4,594.5	4,464.1

¹ For the half year ended 30 September 2023, right-of-use-assets were previously presented as a separate line item; above, these have been included in property, plant and equipment for consistency with the other periods presented.

Electricity North West Limited

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

Condensed Consolidated Statement of Financial Position (continued)

As at 30 September 2024

		Unaudited As at 30 Sept 2024	Unaudited As at 30 Sept 2023	Audited As at 31 Mar 2024
	Note	£m	£m	£m
LIABILITIES				
Current liabilities				
Trade and other payables ²		(177.1)	(173.1)	(163.5)
Current income tax liability		(12.4)	(5.0)	(18.5)
Borrowings ³	9	(10.8)	(233.1)	(10.9)
Customer contributions		(72.9)	(82.2)	(81.0)
Provisions		(0.5)	(0.5)	(0.5)
Total current liabilities		(273.7)	(493.9)	(274.4)
Non-current liabilities				
Borrowings ³	9	(1,554.0)	(1,547.0)	(1,559.1)
Derivative financial liabilities	10	(541.7)	(534.8)	(569.5)
Customer contributions		(738.4)	(704.8)	(720.3)
Deferred tax		(264.5)	(256.4)	(262.2)
Provisions		(0.2)	(0.4)	(0.2)
Total non-current liabilities		(3,098.8)	(3,043.4)	(3,111.3)
Total liabilities		(3,372.5)	(3,537.3)	(3,385.7)
Net assets		1,109.6	1,057.2	1,078.4
EQUITY				
Share capital		238.4	238.4	238.4
Share premium account		4.4	4.4	4.4
Revaluation reserve		69.0	71.0	70.0
Capital redemption reserve		8.6	8.6	8.6
Retained earnings		789.2	734.8	757.0
Total equity		1,109.6	1,057.2	1,078.4

² For the half year ended 30 September 2023, contract liabilities were previously presented as a separate line item; above, these have been included in trade and other payables for consistency with the other periods presented.

³ For the half year ended 30 September 2023, lease liabilities were previously presented as a separate line item; above, these have been included in borrowings for consistency with the other periods presented.

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

The consolidated financial statements on pages 6 to 10 were approved and authorised for issue by the Board of Directors on 29 November 2024 and were signed on its behalf by:



Chris Johns
Director

Electricity North West Limited

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

Condensed Consolidated Statement of Changes in Equity

For the half year ended 30 September 2024

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
At 1 April 2023 (audited)	238.4	4.4	72.0	8.6	670.4	993.8
Profit for the half year	-	-	-	-	62.2	62.2
Other comprehensive income for the half year	-	-	-	-	19.8	19.8
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
Total comprehensive income for the half year	-	-	(1.0)	-	83.0	82.0
Dividends (Note 7)	-	-	-	-	(18.6)	(18.6)
At 30 September 2023 (unaudited)	238.4	4.4	71.0	8.6	734.8	1,057.2
At 1 April 2023(audited)	238.4	4.4	72.0	8.6	670.4	993.8
Profit for the year	-	-	-	-	120.1	120.1
Other comprehensive expense for the year	-	-	-	-	(5.1)	(5.1)
Transfer from revaluation reserve	-	-	(2.0)	-	2.0	-
Total comprehensive income for the year	-	-	(2.0)	-	117.0	115.0
Dividends (Note 7)	-	-	-	-	(30.4)	(30.4)
At 31 March and 1 April 2024 (audited)	238.4	4.4	70.0	8.6	757.0	1,078.4
Profit for the half year	-	-	-	-	78.2	78.2
Other comprehensive expense for the half year	-	-	-	-	(1.6)	(1.6)
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
Total comprehensive income/ (expense) for the half year	-	-	(1.0)	-	77.6	76.6
Dividends (Note 7)	-	-	-	-	(45.4)	(45.4)
At 30 September 2024 (unaudited)	238.4	4.4	69.0	8.6	789.2	1,109.6

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

Electricity North West Limited

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

Condensed Consolidated Statement of Cash Flows

For the half year ended 30 September 2024

	Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	Note	£m	£m
Cash flows from operating activities			
Cash generated from operations	13	171.5	125.5
Customer contributions received		20.8	32.2
Interest paid		(27.5)	(22.3)
Interest portion of lease liabilities		(0.1)	(0.1)
Accretion on index-linked swaps		-	(87.0)
Income taxes (paid)/ received		(28.6)	-
Net cash flow from operating activities		136.1	48.3
Cash flows from investing activities			
Interest received and similar income		3.7	9.8
Transfer (to)/ from money market deposits > 3 months		(30.1)	65.1
Purchase of property, plant and equipment		(163.0)	(126.4)
Purchase of intangible assets		(6.9)	(5.9)
Proceeds from sale of property, plant and equipment		0.2	0.2
Net cash flow from investing activities		(196.1)	(57.2)
Net cash flow before financing activities		(60.0)	(8.9)
Cash flows from financing activities			
Repayment of external borrowings		(4.6)	(4.5)
Principal portion of lease liabilities		(0.9)	(0.9)
Increase in loan from parent		-	2.3
Movement on cash collateral held		5.6	12.4
Dividends paid	7	(45.4)	(18.6)
Net cash flow from financing activities		(45.3)	(9.3)
Net (decrease)/increase in cash and cash equivalents		(105.3)	2.5
Cash and cash equivalents at beginning of period		189.8	173.8
Cash and cash equivalents at end of period		84.5	155.6

The above condensed consolidated statement of cash flows should be read in conjunction with the notes.

Notes to the Condensed Consolidated Financial Statements

1. General information and basis of preparation

General information

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

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2024 were approved by the board of directors on 11 July 2024 and have been delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s498 of the Companies Act 2006.

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

Basis of preparation

This condensed consolidated interim financial report has been prepared in accordance with the UK-adopted International Accounting Standard 34 '*Interim Financial Reporting*' (IAS 34) and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

The interim report is prepared on a going concern basis. For more information on the going concern assessment that has been undertaken, see pages 3 to 4.

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

The directors do not believe that the Group is affected by seasonal factors which would have a material effect on the performance of the Group when comparing the interim results to those expected to be achieved in the second half of the year, with the exception of the impact on revenue referred to in Note 4.

Adoption of new and amended standards

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

2. Critical accounting judgments and key sources of estimation uncertainty

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

Notes to the Condensed Consolidated Financial Statements (continued)

3. Significant changes in the current reporting period

As the Company holds significant financial instruments measured at fair value through profit or loss, the fluctuations in market expectations of future interest rates, inflation and credit risk (own and counterparty) have had a significant impact on the carrying value of those financial instruments over the current reporting period (see Notes 5 and 10).

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

On 22 October 2024, Iberdrola acquired 88% of the shares of NWEN (Jersey), the Company's ultimate parent undertaking, subject to certain regulatory approvals, with the remaining 12% to be retained by KDM Power Limited. The Competition and Markets Authority and Ofgem are still conducting the standard reviews of such transactions. While these regulatory reviews are taking place, the NWEN (Jersey) group of companies, including ENWL, are to be held separate from Iberdrola and its subsidiaries and will continue to operate as independent businesses. At the date of approval of these financial statements, this transaction has had no impact on the financial position or performance of the Company or Group.

4. Segment and revenue information

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

The revenue for the second half of the year is expected to be higher than that in the first half of the year due to the seasonally higher volumes of electricity units distributed over the winter period, as outlined on page 1.

Notes to the Condensed Consolidated Financial Statements (continued)

5. Finance costs

	Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	£m	£m	£m
Finance costs (excluding fair value movements):			
Interest on group borrowings at amortised cost (Note 12)	15.0	14.7	29.6
Interest on borrowings at amortised cost	19.7	20.2	41.2
Net interest settlements on derivatives at fair value	7.4	7.1	5.4
Indexation of index-linked debt	3.9	21.5	31.0
Accretion paid on index linked swaps	-	87.0	87.0
Inter-company loan impairment reimbursement (Note 12)	(0.1)	(0.3)	(0.4)
Interest on leases	0.1	0.1	0.3
Net interest cost on pension plan	(1.0)	(1.0)	(2.2)
Amount capitalised under IAS 23 (Note 8)	(0.4)	(0.4)	(1.3)
	44.6	148.9	190.6
Fair value movements on financial instruments:			
Inter-company derivative asset (Note 10 & 12)	9.2	111.0	95.2
Inter-company derivative liability (Note 10 & 12)	(9.2)	(111.0)	(95.2)
Derivative assets (Note 10)	(3.6)	(16.5)	(13.4)
Derivative liabilities (Note 10)	(18.7)	(107.8)	(88.9)
	(22.3)	(124.3)	(102.3)
Finance costs	22.3	24.6	88.3

Details of the valuation techniques used to derive the fair values can be found in Note 10. No derivatives were entered or closed during the half year (30 Sept 2023: none, 31 Mar 2024: none).

The table below shows the accumulated accretion on the index-linked swaps, with payments scheduled five-yearly, seven-yearly and ten-yearly, with the next payment due in July 2027:

Accumulated Accretion	Five-yearly £m	Seven-yearly £m	Ten-yearly £m	Total £m
1 April 2023	8.1	79.1	39.2	126.4
Accrued in half year	5.0	10.2	6.2	21.4
Paid in half year	-	(87.0)	-	(87.0)
30 September 2023	13.1	2.3	45.4	60.8
1 April 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 and 1 April 2024	14.0	3.9	46.4	64.3
Accrued in half year	2.6	5.3	3.2	11.1
Paid in half year	-	-	-	-
30 September 2024	16.6	9.2	49.6	75.4

Electricity North West Limited

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

Notes to the Condensed Consolidated Financial Statements (continued)

6. Income tax expense

	Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	£m	£m	£m
Current tax:			
Current period	22.5	7.7	21.0
Adjustments in respect of prior period	-	-	(5.9)
	22.5	7.7	15.1
Deferred tax:			
Current period	2.8	12.8	18.7
Adjustments in respect of prior period	-	-	7.9
	2.8	12.8	26.6
Income tax expense	25.3	20.5	41.7

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

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

7. Dividends

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

	Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	£m	£m	£m
Final dividends for the year ended 31 March 2023 of 3.90 pence per share (paid June 2023)	-	18.6	18.6
Interim dividends for the year ended 31 March 2024 of 2.47 pence per share (paid February 2024)	-	-	11.8
Final dividends for the year ended 31 March 2024 of 9.52 pence per share (paid June 2024)	45.4	-	-
Dividends (Note 12)	45.4	18.6	30.4

As at the date of signing of this interim report, the directors have not proposed an interim dividend for the year ending 31 March 2025.

Notes to the Condensed Consolidated Financial Statements (continued)

8. Property, plant and equipment

During the half year, the Group had property, plant and equipment additions of £165.2m (30 Sept 2023: £128.2m, 31 Mar 2024: £279.8m) as part of its capital programme. Included in this figure is capitalised interest of £0.4m (30 Sept 2023: £0.4m, 31 Mar 2024: £1.3m) (see Note 5), derived in accordance with IAS 23, using an average annual capitalisation rate of 4.47% (30 Sept 2023: 4.74%, 31 Mar 2024: 4.13%).

The Group has entered into new capital commitments for the acquisition of property, plant and equipment of £16.9m (30 Sept 2023: £17.5m, 31 Mar 2024: £39.3m).

9. Borrowings

	Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	£m	£m	£m
Current liabilities:			
Bank and other term borrowings	9.0	231.4	9.1
Lease liabilities	1.8	1.7	1.8
	10.8	233.1	10.9
Non-current liabilities:			
Bonds (Note 10)	655.5	652.3	656.9
Bank and other term borrowings	63.7	71.2	67.4
Lease liabilities	2.9	3.0	3.1
Amounts owed to parent undertaking (Note 10 & 12)	109.8	98.8	109.8
Amounts owed to group undertaking (Note 10 & 12)	722.1	721.7	721.9
	1,554.0	1,547.0	1,559.1
Borrowings	1,564.8	1,780.1	1,570.0

The Group's debt facilities expire between March 2026 and April 2046. All borrowings were unsecured and in sterling, and there were no formal bank overdraft facilities in place. The fair values of the Group's financial instruments are shown in Note 10.

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

	Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	£m	£m	£m
£50m revolving credit facility – expiry December 2024 ¹	-	50.0	50.0
£250m revolving credit facility – expiry April 2027 ¹	250.0	-	-

¹The £50m revolving credit facility was replaced in April 2024 with a £250m revolving credit facility, expiring April 2027.

Notes to the Condensed Consolidated Financial Statements (continued)

10. Fair value measurement of financial instruments

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

Recognised fair value measurements

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

Fair value hierarchy

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 an active market 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.

There were no transfers between levels 1 and 2 during the current period. For transfers between levels 2 and 3, see the table on page 19. Any transfers between levels are deemed to have occurred at the beginning of the reporting period.

Notes to the Condensed Consolidated Financial Statements (continued)

10. Fair value measurement of financial instruments (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:

At 30 September 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Inter-company derivative asset	-	-	207.9	207.9
Inflation-linked swaps	-	23.4	8.7	32.1
	-	23.4	216.6	240.0
Financial liabilities:				
Inter-company derivative liability	-	-	(207.9)	(207.9)
Inflation-linked swaps	-	-	(296.2)	(296.2)
Interest rate swaps – fixed to floating	-	(37.6)	-	(37.6)
	-	(37.6)	(504.1)	(541.7)
Total	-	(14.2)	(287.5)	(301.7)

At 30 September 2023

Financial assets:				
Inter-company derivative asset	-	-	201.3	201.3
Inflation-linked swaps	-	24.8	6.8	31.6
	-	24.8	208.1	232.9
Financial liabilities:				
Inter-company derivative liability	-	-	(201.3)	(201.3)
Inflation-linked swaps	-	(4.9)	(276.1)	(281.0)
Interest rate swaps – fixed to floating	-	(52.5)	-	(52.5)
	-	(57.4)	(477.4)	(534.8)
Total	-	(32.6)	(269.3)	(301.9)

At 31 March 2024

Financial assets:				
Inter-company derivative asset	-	-	217.1	217.1
Inflation-linked swaps	-	20.9	7.6	28.5
	-	20.9	224.7	245.6
Financial liabilities:				
Inter-company derivative liability	-	-	(217.1)	(217.1)
Inflation-linked swaps	-	-	(310.9)	(310.9)
Interest rate swaps – fixed to floating	-	(41.5)	-	(41.5)
	-	(41.5)	(528.0)	(569.5)
Total	-	(20.6)	(303.3)	(323.9)

Notes to the Condensed Consolidated Financial Statements (continued)

10. Fair value measurement of financial instruments (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 calculated by discounting estimated future cash flows based on observable interest and RPI curves sourced from market available data (Level 2 inputs). In accordance with IFRS 13, an adjustment for non-performance risk (XVA) has then been made to give the fair value.

The XVA has been quantified by calculating a bilateral credit valuation adjustment (BCVA) based on 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 calculations 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 30 September 2024, the net adjustment for non-performance risk as was £77.6m (30 Sept 2023: £69.1m, 31 Mar 2024: £74.9m), of which £76.5m (30 Sept 2023: £70.6m, 31 Mar 2024: £73.5m) 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 30 September 2024, the aggregate difference yet to be recognised was £45.0m (30 Sept 2023: £46.2m, 31 Mar 2024: £45.0m). The movement in the half year all relates to the straight-line release to profit or loss.

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

Notes to the Condensed Consolidated Financial Statements (continued)

10. Fair value measurement of financial instruments (continued)

Fair value measurements using significant unobservable inputs (Level 3 inputs)

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

	Unaudited Half year ended 30 Sept 2024 £m	Unaudited Half year ended 30 Sept 2023 £m	Audited Year ended 31 Mar 2024 £m
Opening balance	(303.3)	(368.1)	(368.1)
Transfers into Level 3 from Level 2	-	-	(15.9)
Transfers from Level 3 into Level 2	-	(8.1)	(11.6)
Total gains in profit or loss:			
- On transfers into Level 3 from Level 2	-	-	9.5
- On instruments carried forward in Level 3	15.8	106.9	82.8
Closing balance	(287.5)	(269.3)	(303.3)

These fair value movements are recognised in the finance costs line in the statement of profit or loss and other comprehensive income (see Note 5).

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 BCVA, as described in the section above.

The following table shows the sensitivity of the fair value 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 credit support annexes (CSAs) in place over certain derivatives.

	Unaudited Half year ended 30 Sept 2024		Unaudited Half year ended 30 Sept 2023		Audited Year ended 31 Mar 2024	
	-10bps £m	+10bps £m	-10bps £m	+10bps £m	-10bps £m	+10bps £m
Impact on derivative portfolio	(3.3)	3.2	(3.4)	3.3	(3.7)	3.5

Notes to the Condensed Consolidated Financial Statements (continued)

10. Fair value measurement of financial instruments (continued)

Fair values of other financial instruments (unrecognised)

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, 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 periods, are presented in the following table.

	Unaudited Half year ended 30 Sept 2024	Unaudited Half year ended 30 Sept 2023	Audited Year ended 31 Mar 2024
	£m	£m	£m
Carrying value:			
Bonds (Note 9)	(655.5)	(652.3)	(656.9)
Amounts owed to group undertaking (Note 9)	(722.1)	(721.7)	(721.9)
Fair value:			
Bonds ¹	(642.1)	(618.4)	(650.9)
Amounts owed to group undertaking ¹	(675.2)	(1,025.0)	(685.8)

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

11. Retirement benefit scheme

The defined benefit surplus has been calculated based on the results of the 31 March 2022 triennial funding valuation, which has been projected forward by an independent actuary to take account of the requirements of revised IAS 19 'Employee Benefits' in order to assess the position at 30 September 2024 for the purpose of these interim 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. The defined benefit plan assets have been updated to reflect their market value at 30 September 2024. The difference between the two amounts is recognised as a surplus or obligation in the statement of financial position.

A pension surplus under IAS 19 of £38.3m is included in the statement of financial position at 30 September 2024 (30 Sept 2023: £70.0m surplus, 31 Mar 2024: £39.0m surplus).

The decrease in the defined benefit surplus over the half year to 30 September 2024 to £38.3m, was mainly due to the loss in assets value in excess of interest income, partially offset by a decrease in the scheme obligations as a result of an increase in the discount rate coupled with a reduction in the long-term inflation assumption.

Electricity North West Limited

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

Notes to the Condensed Consolidated Financial Statements (continued)

12. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the half year, the Group entered the following transactions with related parties:

	Unaudited Half year ended 30 Sept 2024 £m	Unaudited Half year ended 30 Sept 2023 £m	Audited Year ended 31 Mar 2024 £m
Recharges to:			
Electricity North West (Construction and Maintenance) Ltd	1.2	1.3	2.3
Electricity North West Services Ltd	0.7	0.7	1.3
Electricity North West Property Ltd	-	0.1	0.1
Recharges from:			
Electricity North West (Construction and Maintenance) Ltd	(0.4)	(0.2)	(1.2)
Electricity North West Services Ltd	(4.3)	(4.0)	(8.1)
Interest on group borrowings at amortised cost:			
North West Electricity Networks plc	(2.3)	(2.0)	(4.2)
ENW Finance plc	(12.7)	(12.7)	(25.4)
Interest on group borrowings at amortised cost (Note 5)	(15.0)	(14.7)	(29.6)
Reimbursement of inter-company loan impairment on loan from ENW Finance plc (Note 5)	(0.1)	0.3	(0.4)
Fair value movement on inter-company derivative asset with ENW Finance plc (Note 5)	9.2	111.0	95.2
Fair value movement on inter-company derivative liability with ENW Finance plc (Note 5)	(9.2)	(111.0)	(95.2)
Dividends paid to North West Electricity Networks plc (Note 7)	(45.4)	(18.6)	(30.4)
Directors' remuneration	(1.6)	(1.3)	(3.0)

The Group's key management personnel comprise solely of its Executive Leadership Team.

Electricity North West Limited

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

Notes to the Condensed Consolidated Financial Statements (continued)

12. Related party transactions (continued)

Amounts outstanding with related parties were as follows:

	Unaudited Half year ended 30 Sept 2024 £m	Unaudited Half year ended 30 Sept 2023 £m	Audited Year ended 31 Mar 2024 £m
Amounts owed by:			
North West Electricity Networks plc	3.7	3.6	3.6
North West Electricity Networks (Holdings) Ltd	0.4	0.3	0.3
North West Electricity Networks (Finance) Ltd	0.1	-	0.1
North West Electricity Networks (UK) Ltd	0.3	-	0.1
Electricity North West (Construction and Maintenance) Ltd	0.5	0.3	1.0
Electricity North West Services Ltd	0.5	0.3	0.4
Electricity North West Property Ltd	-	0.1	0.1
North West Electricity Networks (Jersey) Ltd	0.2	0.1	0.2
Total in debtors	5.7	4.7	5.8
Amounts owed to:			
North West Electricity Networks plc	(0.1)	-	(0.1)
North West Electricity Networks (Holdings) Ltd	(0.3)	(0.2)	(0.2)
Electricity North West (Construction and Maintenance) Ltd	(0.2)	-	(0.2)
Electricity North West Services Ltd	(0.9)	(0.6)	(0.9)
North West Electricity Networks (Jersey) Ltd	(0.1)	(0.1)	(0.1)
Interest payable to:			
North West Electricity Networks plc	(1.3)	(1.2)	(1.3)
ENW Finance plc	(8.3)	(8.7)	(10.7)
Total in creditors	(11.2)	(10.8)	(13.5)
Borrowings payable to (Note 9):			
North West Electricity Networks plc	(109.8)	(98.8)	(109.8)
ENW Finance plc	(722.1)	(721.7)	(721.9)
Derivative asset with ENW Finance plc (Note 10)	207.9	201.3	217.1
Derivative liability with ENW Finance plc (Note 10)	(207.9)	(201.3)	(217.1)
Group tax relief to:			
North West Electricity Networks plc	-	-	(13.8)
North West Electricity Networks (Holdings) Ltd	-	-	(0.6)
North West Electricity Networks (Finance) Ltd	-	-	(0.4)

The loan from North West Electricity Networks plc accrues weighted average interest at 4.10% (30 Sept 2023: 4.10%, 31 Mar 2024: 4.10%) and is repayable in March 2028.

Of the loans from ENW Finance plc, £299.0m (30 Sept 2023: £298.9m, 31 Mar 2024: £299.0m) accrues interest at 1.415% and is repayable in July 2030, and £423.1m (30 Sept 2023: £422.8m, 31 Mar 2024: £422.9m) accrues interest at 4.893% and is repayable in November 2032.

Notes to the Condensed Consolidated Financial Statements (continued)

13. Cash generated from operations

	Unaudited Half year ended 30 Sept 2024 £m	Unaudited Half year ended 30 Sept 2023 £m	Audited Year ended 31 Mar 2024 £m
Operating profit	122.1	97.0	229.1
Adjustments for:			
Depreciation of property, plant and equipment	70.1	64.4	132.5
Amortisation of intangible assets	7.5	7.0	14.2
Amortisation of customer contributions	(10.8)	(10.4)	(20.9)
Profit on disposal of property, plant and equipment	(0.2)	(0.2)	(0.2)
Cash contributions in excess of pension charge to operating profit	(2.6)	(2.8)	(4.6)
Operating cash flows before movement in working capital	186.1	155.0	350.1
Changes in working capital:			
(Increase)/decrease in inventories	(4.1)	(15.7)	(26.9)
(Increase)/decrease in trade and other receivables	(1.0)	(1.0)	(4.2)
Increase/(decrease) in trade and other payables	(9.5)	(12.8)	(7.7)
Cash generated from operations	171.5	125.5	311.3

14. Events occurring after the reporting period

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