Company Registration No. 02366949

ELECTRICITY NORTH WEST LIMITED

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2025

Introduction

Electricity North West Limited ("ENWL" or ''the Company'') is the electricity distributor for the North West of England. We are responsible for maintaining and upgrading 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. Our job is to keep electricity flowing safely and reliably to our customers' homes and businesses, keeping the power on 24 hours a day, seven days a week. We are proud of who we are, the essential role we play for our customers, the critical role we play to support the move to net zero carbon, and the investment we make in the communities we serve. We recognise the role that electricity, and the electricity distribution network operators such as ourselves, play in leading and facilitating the net zero transition, managing power flows from a range of sources as we move away from fossil fuels towards electricity for heating and transport. We do all this while keeping costs as low as we can for our customers.

We are pleased to present the Annual Report and Consolidated Financial Statements of the Company and its subsidiaries (together referred to as "the Group") to shareholders for the year ended 31 March 2025. Further information on the Company can be found by visiting our website: www.enwl.co.uk. The Company is limited by shares and incorporated and domiciled in England, the United Kingdom under the Companies Act 2006.

Notice regarding limitations on directors' liability under English Law

The information supplied in the Strategic Report and Directors' Report has been drawn up and presented in accordance with English Law. The liabilities of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Strategic Report

In preparing the Strategic Report, the directors have complied with s414 of the Companies Act 2006. The Strategic Report has been prepared for the Electricity North West Group as a whole comprising Electricity North West Limited (''the Company'') and its non-trading subsidiaries (together, ''the Group'').

Cautionary statement regarding forward-looking statements

The Chair's Statement, Chief Executive Officer's Statement and Strategic Report sections of the Annual Report and Consolidated Financial Statements (''the Annual Report'') have been prepared solely to provide additional information to the shareholders to assess the Group strategies and the potential for those to succeed. These sections and other sections of the Annual Report 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 Group does not undertake any obligation to update or revise these forward-looking statements, except as may be required by law or regulation.

Regulatory reporting and regulatory audits for the year ended 31 March 2025

Certain regulatory performance data contained in this Annual Report remain subject to regulatory audit by the Office of Gas and Electricity Markets (''Ofgem''). The final regulatory reporting pack for the year ended 31 March 2025 is not due for submission to Ofgem until July 2025, and will be reviewed by Ofgem after their submission.

Website and investor relations

The Company's website, www.enwl.co.uk, gives additional information on the Company and Group. Notwithstanding the references we make in this Annual Report to the 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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Chair's Statement

I am pleased to introduce the Annual Report and Consolidated Financial Statements for Electricity North West Limited ("ENWL") for the year ended 31 March 2025.

2024/25 has been a year of distinction for ENWL – named "Utility of the Year" at the 2024 Utility Week Awards organised by Utility Week, the leading publication in our industry. This outstanding feat was achieved against a backdrop of managing heavy storm activity on the operations front, massive investment and change in the cyber and IT functions, and handling a highly complex and time intensive corporate sale of the business. Whatever these challenges, our customers' needs and their views always came first, and the Board is pleased to report that both the customer feedback and our customer performance in tracker tables are extremely positive. Indeed, ENWL achieved the largest ever improvement in stakeholder engagement for vulnerable customers ever recorded by the industry regulator, the Office of Gas and Electricity Markets ("Ofgem"). It is fair to report that ENWL is clearly one of the best performing DNO (distribution network operators) of the fourteen DNOs as reviewed and rated by Ofgem, and this is a great legacy to build upon as ENWL moves to the next phase of its corporate history.

Throughout all the challenges of the last year the Board has been keen to ensure that the safety record remains high, staff fatigue is watched during such intense storm activity, and that the staff are treated well in the pay awards. The latter was achieved through an industry leading three year package starting in August 2024, and we are grateful to the trade unions and their representatives for such a positive process.

The operational, financial and cultural achievements of the Executive and Senior Management Team at ENWL would, in a normal year, be commended.

However, these two groups – especially the Executive Committee – have had to steer the company through the hugely complex and time consuming process of the sale of majority of ENWL's ultimate group shareholding to Iberdrola, S.A. ("Iberdrola"), the Spanish multinational electric utility company. I have worked with both the Chief Executive officer (CEO) and the Chief Financial Officer (CFO) on the formally constituted liaison panel (which met during the Competition and Markets Authority (CMA) process, with the agreement of the CMA) with the senior managers of Iberdrola, and I have been impressed by the management of the process.

The change of ultimate ownership for ENWL will inevitably bring changes, but I am delighted to report that our Japanese owners, KDM Power Limited ("KDM"), will be continuing as minority shareholders – and we continue to draw upon their significant expertise and guidance. In particular, Yamada Masahide from Kansai Electric, has been central to managing the successful sale process and also working with the CEO to agree a new collaboration agreement. We will continue to share experiences and advice and indeed personnel, and ENWL will expect to join the Mayor's delegation to Osaka again in summer 2025, after their very successful visit in late 2023.

The workload for my colleagues on the Board has also been much higher than normal given the corporate changes – but also due to the additional focus that regulators and the Government expect from Independent Non-Executive Directors ("INEDs"). I would like to thank Rob Holden, who contributed three terms as an INED and led the Board's audit and accounts involvement. It would also be remiss for me not to thank the other two INEDs: Anne Baldock's years at the top of the legal profession helping us hugely in the recent corporate transaction; and Susan Cocklin's background in IT helping us so much as we come to terms with the increasing demands of AI, cyber fraud and general IT challenges.

Chair's Statement (continued)

All three INEDs left the Group and Company following CMA's clearance of the sale transaction near the end of March 2025, with our thanks for jobs well done.

Looking ahead there are probably two essential challenges for the ENWL Board in 2025. Firstly, achieving the successful integration of the business into the Iberdrola Group - whilst not dropping our standards or performance levels. The second is to ensure that, as part of our licence obligations, we seek and then deliver upon the financially very significant Load-Related Expenditure and Cyber Resilience re-opener programmes from Ofgem.

I hold a privileged position of seeing most aspects of the business and my final comment this year is to highlight the tremendous workload and the highest professional standards that the CEO (Ian Smyth) and the CFO (Chris Johns), who both sit on the Board, have brought to ENWL. They managed to keep the momentum on the operational side whilst managing the corporate transaction, and all the associated issues that require the most careful and sensitive management.

Alistair Buchanan CBE
Chair

Chief Executive Officer's Statement

I am pleased to present the Annual Report and Consolidated Financial Statements ("the Annual Report"), for the year ended 31 March 2025.

We have now completed the second full year of the delivery of RIIO-ED2, our current 5-year price control period (April 2023 to March 2028), and I am pleased to report the business continues to perform strongly against the 5 year business plan. This has been a year of significant change for the business. Our strategy "From Good to Great" has continued to deliver continuous improvement in all areas of the business. In addition, we have embedded and built on the capital delivery model, which was implemented last year, and this has transformed the execution of our capital programme. We have seen a step change in the scale of the investment we are making against our allowances. We have also continued to make significant changes through the delivery of our Cyber Security programme to better protect the network and the business. Last year we achieved basic compliance with the National Information Security cyber assessment framework and this year we are on track to achieving compliance with the enhanced framework requirements which we expect to achieve in December, assuring the resilience of the business against multi-vector threats and attacks.

These changes have been achieved in the context of both a complex and successful sale of the business and a number of significant extreme weather events which have not been experienced before. The business successfully changed hands as the private equity shareholders exchanged ownership with strategic utility owner/operators, Iberdrola. Kansai, the Japanese utility, retained their ownership albeit at a reduced level. The business then successfully navigated a CMA investigation jointly with our new shareholders who took control of the business on 20 March as the CMA investigation completed.

Storm Éowyn, in January 2025, was the largest storm we have experienced, outstripping Storm Arwen of 2021, and was a harsh test of the developments we have made as a business. Our improved storm resilience and response was evident through transformed restoration times for customers compared to Storm Arwen, despite a substantial increase in the number of customers adversely impacted and off supply.

Our success this year was endorsed externally by our industry when we won "Utility of the Year" and "Innovator of the Year" awards in December 2024. These achievements energised the whole organisation as we faced the storms with renewed vigour. Importantly, on 7 April 2025 Ofgem, our regulator, published their assessment of the performance of all of the distribution network operators (DNOs) for the first year of RIIO-ED2. I am very pleased to report, that ENWL is the only DNO to receive a perfect score across all eight assessment criteria used by Ofgem to assess performance. This is the first time in eight years that any DNO has achieved this standard. Ofgem's assessment of cost performance also places ENWL at the frontier of efficiency. At the end of the second year of RIIO-ED2, ENWL is the best performing DNO averaged across the Ofgem performance measures and is setting the frontier for performance as we move into the baseline year for ED3 business planning.

Our strategy "From Good to Great" is delivering. Employee safety and engagement is the highest it has ever been. We are the most reliable and most innovative network. Our customer service is the highest it has ever been, and we are one of the top performers in cost efficiency. However, there remains much to do as we look ahead to the coming year. The first priority is to ensure the successful integration of ENWL within the Iberdrola group which includes a change to accounting year from fiscal to calendar year and aligning the business to new corporate governance and reporting standards, policies and procedures.

Chief Executive Officer's Statement (continued)

Our second priority is to ensure the continued success of the business through maintaining our journey from good to great. This year we will launch "Social DSO", our unique approach to distribution system operation which aims to ensure no one is left behind in the energy transition. We will also mobilise our ED3 programme as we start to look ahead to the next price control period and securing the scale of investment required to ensure the ambitions of the government in Clean Power 2030, the communities of the North West and the employees of ENWL are achieved at pace. With new shareholders and part of a larger group, we look ahead with excitement ready to take the initiative the Energy Transition provides.

Delivering our "licence to operate"

Our legitimacy as an enterprise is derived not just from Ofgem, our regulator, but directly from the employees, customers and communities we serve. This starts with safety and this year we have seen the benefit of further developments we have made in this area; the business delivered 14 months without a Lost Time Injury ("LTI") which is an increase on the best performance we saw in the previous year. Unfortunately, we had one LTI in January 2025, but we have not experienced any further LTIs since then. We are focused on continually innovating to improve our safety performance so we can remain at the frontier of safety performance in our sector.

Our core focus as a business is always the customers and communities that we serve to ensure that we understand and continue to respond to their needs and to enable us to legitimately deliver our licence to operate.

It has continued to be a difficult time for our communities with energy costs remaining at the high level that we have seen over the last few years, which serves to only increase the importance of the service we provide to the most vulnerable and poorest members of our community. We have continued to increase support to customers in vulnerable circumstances, further developing our Take Charge campaign with our strategic partners to support initiatives on fuel poverty and energy efficiency. Our aim to be one of the lowest cost providers has ensured we maintain the support of the largest commercial and public sector organisations in our area.

Our focus on our customers has led to further improvements in our customer satisfaction, resulting in our highest ever score of 92.9% which is a 0.9% improvement on last year's score. The focus on our vulnerable customers is also endorsed through our performance on the new vulnerability incentives (as part of the Customer Satisfaction Fuel Poverty incentive), and our customers have rated our service 94.5%.

Delivering a reliable network for our customers

Our primary obligation is to deliver a safe, reliable supply of electricity. Extreme weather this year presented new challenges which meant we did not meet our Customer Interruptions ("CIs") and Customer Minutes Lost ("CMLs") internal targets. However, the improvements we have made in the last few years in our storm resilience and response have allowed us to perform much better during Storm Éowyn. This was the largest storm we have experienced since Storm Arwen, and we restored power to 110,000 properties quicker than in Arwen despite there being 15,000 more properties off supply. As part of our customer response efforts, we knocked on over 1,500 doors and proactively contacted 25,000 vulnerable customers to offer our support.

Chief Executive Officer's Statement (continued)

Re-openers are a significant feature of the RIIO-ED2 regulatory framework, and we have continued to be very successful in our re-opener applications. The Storm Arwen re-opener provides additional investment which will allow us to continue to enhance the storm resilience of the network. We are also investing in resilience in relation to technological threats which have been funded through the Cyber re-openers.

Delivering stewardship and investment to enable net zero

Our approach to asset management, innovation and capital investment and delivery is pragmatic and targeted. Our activities are targeted to improve the performance of the network, develop and reinforce the network efficiently and deliver shareholder value.

Our biggest challenge last year was capital delivery as, like all other DNOs, mobilisation was slower than we planned. The changes made last year have been embedded in this second year of the price control, to enable a much-improved capital delivery and commercial services function, which has been able to deliver a much larger capital programme. Capital delivery will need to continue to increase throughout RIIO-ED2 and into ED3. We will continue to work on improvements to our processes and enhance our collaboration with strategic partners so we can secure the resources and materials needed to deliver these large programmes of work.

A key output of some or our forward planning has been our recently submitted Load-Related Expenditure re-opener application which will allow us to make a significant investment of over £200m in the network to deliver additional capacity which is now needed due to new connections and the growth we are seeing in demand and generation.

The North West is one of the fastest growing regions in the UK and as part of this application we conducted extensive stakeholder engagement to ensure we understand our stakeholders' plans so that our network can support this growth and enable decarbonisation to help deliver the UK's net zero target. Securing this investment will allow us to mobilise supply chains and start ramping up our delivery to meet the expected increases in demand over this and future price controls.

Innovation is essential to maintain our sector leading network performance and reliability levels, and to meet the increasing demands on electricity from the decarbonisation of energy, at an affordable cost. We continue to develop and deliver our cutting-edge engineering innovations such as CLASS, Smart Street and LineSIGHT that will keep the network reliable, efficient and safe.

Delivering a resilient and diverse workforce

Our employee engagement is quantifiably assessed annually in the Climate Survey, which is undertaken by an independent, respected, expert organisation. The agreement score of 83.9% is our highest ever and achieved despite the background of significant change in the business this year. Gender pay gap overall increased slightly from 11.6% to 11.9%. Importantly, we do not have a gender pay gap for employees aged under 25, and we have a much smaller pay gap (approx. 6%) for those between the ages of 25 to 35, which bodes well for the future shape of our workforce. The recent revisions to parental pay places us at the frontier for benefits for maternity and primary care givers in our sector and ensures we are well placed to retain the diversity reflective of the communities we serve. In August 2024, working closely with our union partners, we secured a three year pay deal, recognising the importance of stability and security for our valued workforce.

Chief Executive Officer's Statement (continued)

Financial performance in the year

The financial performance for the Company continues to be strong, supported by the cost efficiencies and incentive revenue earnings that we have delivered in the year. Overall, our revenue has grown by £77.7m to £654.4m, net of the collection of Supplier of Last Resort levies from which we make no profit, with the full amount paid to suppliers immediately on collection of the levy. Supported by the increase in revenues, we have increased the levels of capital investment, improving network resilience and capacity. Total capital expenditure during the year was £374m, £83m higher than the prior year.

Our income statement continues to show the impacts of the macro-economic environment on non-cash items in our accounts. In particular, we have seen significant accounting fair value gains on our derivative instruments (£41.6m fair value gain in the year, compared to £102.3m fair value gain in the prior year) which results in a non-cash increase (2024: increase) in profit before tax. A portion of this non-cash fair value movement was offset by the cash payment of accretion in prior year of £87.0m with no accretion payments in the current year, with the remainder reflecting volatility in the markets and, in particular, in interest and inflation forecasts.

The sale process, which started last financial year, came to its conclusion in October 2024 with the sale of 88% of the business to Iberdrola, S.A.; the transaction was then referred for CMA review and an Initial Enforcement Order was issued by the CMA preventing the integration of the two businesses during the review process. On 20 March 2025, the CMA completed its review and published its decision to approve the transaction. That brought the CMA and regulatory review process to a conclusion. The Initial Enforcement Order was also lifted. We now embark on a new journey as part of the Iberdrola family with confidence that we will deliver exceptional value for our new shareholders and the group.

In conclusion

The business is in a very strong place going into the third year of the price control. We have performed at a high standard this year and our frontier performance in our sector has been externally recognised at the Utility Week awards. We are now putting more of our focus into looking forward to RIIO-ED3 and starting to develop our plans and strategy for the next price control so we can build on our current performance levels and continually improve the service we provide to all our stakeholders.

Ian Smyth
Chief Executive Officer

Strategic Report

Electricity North West Limited ("ENWL") is a private company limited by shares and incorporated and domiciled in England, the United Kingdom, under the Companies Act 2006. Ultimate ownership of ENWL changed in the year and it is now 88% owned by Iberdrola, S.A., one of the largest utility companies in the world and a leader in renewable energy (see Note 31 for more detail). The immediate parent company remains North West Electricity Networks plc ("NWEN plc"), an intermediary holding and financing company within the North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") group, part of the wider group headed by Iberdrola, S.A.

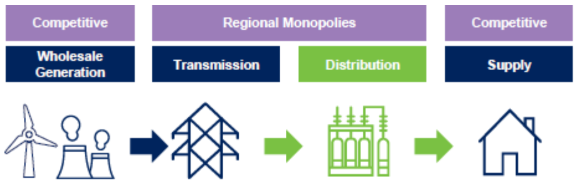
Company Background

ENWL is the electricity distribution network operator ("DNO") for the North West of England, one of 14 DNO's in the UK regulated by the Gas and Electricity Markets Authority, which operates through the Office of Gas and Electricity Markets ("Ofgem").

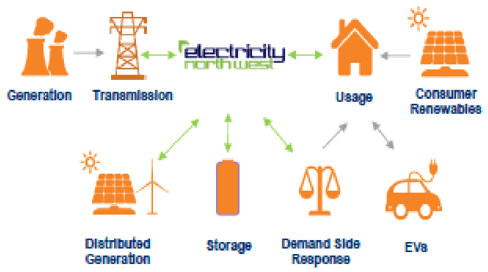
The Company serves approximately 5 million customers at 2.4 million domestic and industrial locations, has around 2,200 employees and provides a safe and reliable electricity supply, 24 hours a day, seven days a week.

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 role we play in serving our communities continues to evolve as we seek to transition to a low carbon economy and electricity generation becomes more distributed across our network. We have moved from a fairly linear network operating model:



To one that is far more complex and multi directional at the distribution level, managing power flows from a range of sources in a wider system:



How we charge customers

We charge customers through their electricity suppliers, in the case of domestic and small customers, or directly in the case of larger customers.

The prices that we charge are regulated by Ofgem, but we recognise that ultimately it is our customers that fund the business and its investments in the network.

ENWL's costs account for around 12% of the typical domestic electricity bill charged by suppliers to North West customers, equivalent to £124 per home for the year ended 31 March 2025; this compares to an average DNO customer bill impact of £142 per home for the same financial year.

Strategic Report (continued)

Regulatory framework

The prices the Company can charge customers are regulated by Ofgem through its RIIO model; Revenue = Incentives + Innovation + Outputs. This model determines how much the Company can charge customers to fund network investment and operating costs in a regulatory price control period, linking that to the performance of the Company.

The price control in operation for the year ended 31 March 2025 was RIIO-ED2, running for a 5-year period from 1 April 2023 to 31 March 2028.

The base income in each year is largely fixed, to cover the operating costs of the Company and provide a return to investors. Allowed revenue is then adjusted up or down depending on performance against regulatory outputs and incentive mechanisms.

These mechanisms incentivise excellent customer service, stakeholder engagement, delivery for connections customers and network reliability, the latter based upon minimising the number of interruptions that customers suffer (CIs) and the average length of those interruptions (CMLs). Performance against the incentives is assessed annually and any positive or negative adjustments are fed into a process which modifies revenues 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, the Company charges separately for new connections to, and diversions of, the network. This activity is also regulated by Ofgem.

Investment and innovation are aimed at ensuring the development and availability of appropriate technology to meet the changing demands of electricity supply and the challenge of achieving a low carbon future, at a price customers can afford.

External Factors

RIIO-ED2 and net zero transition

The RIIO-ED2 regulatory period is marked by a significant increase in expenditure compared to the previous regulatory period, with the potential for further increases through regulatory 'uncertainty mechanisms'. Delivering this increased investment in the network and supporting the transition to net zero are key challenges for the Company.

The net zero transition will result in increased network demands by 2050, driven by both renewable generation connections and electric vehicles and heat pumps demands. A key challenge in RIIO-ED2 is to provide the capacity for customers to adopt these technologies, at a price that is affordable.

The RIIO-ED2 business plan (provided on Company's website www.enwl.co.uk) sets out a clear vision around net zero and how we will ensure that the network is not a barrier to connecting electric vehicles or other low carbon technologies. It also sets out plans to improve network reliability and resilience and to look after customers in vulnerable circumstances, at the lowest cost achievable.

Energy prices and supplier administrations

The unprecedented rise in energy prices since 2021 has put energy markets under severe strain, with significant numbers of energy suppliers entering administration. Although the position has stabilised, we are still collecting Supplier of Last Resort ("SoLR") charges through our revenue, as directed by Ofgem. For the year ended 31 March 2025, revenue includes SoLR levies of £0.8m (2024: £22.0m). For more information see Note 4.

Political and economic backdrop

The ongoing political and economic volatility, particularly the events in Ukraine, continues to be monitored. Although there has been limited direct impact, supply chain management remains an area of focus and the planned increase in stock levels to mitigate supply chain risk has been maintained.

Strategic Report (continued)

External Factors (continued)

Having considered the factors noted above, there are no material impacts on either the going concern statement (pages 40 to 41), or the period covered by the viability statement (page 41).

Purpose, Vision and Principles

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

Our Purpose statement ***'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 the needs of our customers.

Transforming our communities is at the heart of our Purpose, ensuring we take a responsible approach in everything we do, including how we treat and support:

- our customers;
- our environment;
- our communities; and
- our people.

Our Vision is to ***'Lead the North West to Net Zero'***. We do not say that lightly. The climate challenge is the greatest of our age and networks are uniquely positioned to enable the transition from fossil fuels to low carbon electricity to power our homes, businesses, transport and heating.

As the DNO for the North West of England, we are key to leading the region to net zero. We are focusing on three things to make it happen, at the lowest cost to customers:

1. Investing and innovating to make sure the network is fit for the future;
2. Helping domestic customers and businesses play their part, making new connections as quick and easy as possible while ensuring no one is left behind; and
3. Continuing to improve the reliability of the network, which is fundamental as we all become even more reliant on electricity.

Our Purpose and Vision are supported by our Principles, setting the cultural framework within which we operate.

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'***.

Strategic Report (continued)

Health, Safety and Environment

The Company operates in a high hazard industry and the safety of its people and customers, and the protection of the environment, will always remain key priorities. During the year, we have strengthened the team leadership with key appointments enhancing our capabilities in this area.

Operational safety

The Company ensures that all people are well trained and able to operate safely, backed by policy driven procedures and compliance assurance, alongside a behavioural approach that seeks to ensure that all staff and contractors approach any task with a strong behavioural attitude to safety.

In the year ended 31 March 2025, we have continued to review and improve our safety management system which is certified to the international standard ISO 45001.

We finished the year ended 31 March 2025 with a lost time injury frequency rate of 0.011 (2024: 0.023) having had one LTI (2024: two).

This low incident rate reflects the sustained improvement since we embarked on a company-wide initiative to create an enhanced safety culture. The total reportable incident rate was 0.146 (2024: 0.034), an increase on the previous year driven by 13 RIDDOR reportable HAVS cases from historical exposure to hand-arm vibration. Other than those there was just one other RIDDOR reportable injury.

We are never complacent about safety. In the year to 31 March 2026, we will embed an updated plan to further improve our safety record, including working closely with our contract partners and the new owners.

As our safety journey continues, we are increasingly focused on the quality of, and learning from, safety observations and positive challenges, rather than focusing on the volume of these. Safety observations in the year were recorded at 14,524 (2024: 11,647), with 2,785 positive challenges (2024: 2,778).

Asset safety

The safety of the Company's employees, delivery partners and the public from the inherent risks of electrical assets is assured through the Company's ongoing asset investment programme and the associated asset risk management policies which define the programme scope.

During the year ended 31 March 2025, the Company continued to invest to reduce further risks associated with link box failures and with rising and lateral mains in multi occupancy properties, such as blocks of flats.

Our link box inspection programme assesses the risk of the asset which then, where necessary, informs an intervention such as blast mitigation protection, replacement or the removal of the asset.

We continue to use innovation to target the potential risks associated with electricity supplies in multi occupancy properties. We have installed innovative monitoring equipment which helps identify abnormalities and inform replacement decisions.

Strategic Report (continued)

Health, Safety and Environment (continued)

Environmental performance

The Company is dedicated to achieving the highest standards of environmental performance, not only by minimising the risks created by our activities, but also through targeted investment in outputs that deliver a positive environmental impact. To achieve our environmental objectives, we monitor environmental related investments to ensure that we are on track. 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.

In terms of our own direct operational impact on the environment, our principal performance indicator is the level of carbon dioxide emissions equivalent (tCO_2e). This measure covers the environmental impact both from the use of fossil fuels in vehicles and generators and of energy in buildings, as well as the impact of Sulphur Hexafluoride (SF_6), a greenhouse gas historically used as insulation in electrical equipment. The table on page 15 shows an analysis of our Scope 1, 2 and 3 emissions over the current and prior year.

Our "Leading the North West to zero carbon plan" sets out our target as a 3% reduction year on year to decrease our emissions in line with our SBTi trajectory, page 15 outlines analysis of the year to 31 March 2025 performance . This includes some of the actions that we are taking to decarbonise our operations but also provides exemplars, research evidence and business case information to inform the investment decisions that stakeholders need to take to decarbonise.

We have been working closely with key stakeholders across the region and have produced decarbonisation pathways for Greater Manchester, Cumbria and Lancashire.

We continue to facilitate the journey to net zero by preparing the electricity network for the rapid uptake of electric vehicles ("EVs") and the associated charging infrastructure needed to support this. The accelerating uptake in low carbon technologies will ultimately result in a lot more demand being placed on our network, and our main challenge is to manage the change and keep the costs as low as we can while ensuring that our network remains resilient, reliable and meets customers' needs.

Recognising our critical role in leading decarbonisation, we have made two of our depots and two substations carbon neutral using a range of low carbon technologies. These modifications have the dual benefit of reducing our own carbon emissions and can be used as exemplars to other businesses across the region, sharing our learnings. Our goal for RIIO-ED2 is to decarbonise one of our twelve depots each year or to make efficiency savings that target our biggest emission sources from our estate.

We have rolled out EV charging points at all our depots and we are incentivising colleagues to change to EVs. We have also engaged with local authorities and businesses across the region to support them with this transition, promoting the mass adoption of EV technology.

The transition to carbon neutrality is as much about behavioural change as it is about technologies. In that regard, we became the first Bronze accredited carbon literate DNO and achieved silver accreditation in 2022. We have developed a strategy to achieve our goal to achieve Gold accreditation over the course of RIIO-ED2 and, as a first step, are refining the training to be delivered to our operational teams as well as exploring partnership opportunities to deliver Carbon Literacy training to stakeholders.

Strategic Report (continued)

Health, Safety and Environment (continued)

Business carbon footprint

	2025 tCO_2e	2024[1] tCO_2e
Scope 1		
Operational transport	4,453	4,448
Fugitive emissions	1,460	663
Fuel combustion	137	292
	6,050	**5,403**
Scope 2		
Buildings energy usage	**3,593**	**3,630**
Scope 3		
Contractor Transport Fuel	1,452	1,445
Company/Lease, Personal Cars	679	589
Rail	10	7
Air	75	37
Generator Fuel	2,576	2,888
Commuting	955	N/A
Upstream Fuel and Transport (Well-to-Tank)	1,309	N/A
T&D and WTT Purchased Electricity	1,183	N/A
	8,239	**4,966**
Business Carbon Footprint (excl. losses)	**17,882**	**13,999**
Electrical losses[2]	328,413	304,723
Business Carbon Footprint (incl. losses)	**346,295**	**318,722**

[1]Prior year presentation has been amended in line with the new SBTi methodology adopted in financial year 2025.

[2]The reported electrical losses figure is a snapshot of received data as of the date of this report and will change as further settlement reconciliation runs are carried out (up to 28 months after each relevant settlement date).

The Company's business carbon footprint (excluding losses) for the year was 17,882 tCO_2e, which is an increase of 28% from the previous year (2024: 13,999 tCO_2e). This increase was due to the Company's transition to a validated Science-based target ("SBTi") that expanded the emissions reported on.

To support the SBTi commitments the table above has been amended to ensure more robust reporting and accounting for carbon emissions, which required the realignment of emissions covered by scopes 1, 2 and 3. Despite this adjustment the Group has performed well against the 63% target for our carbon emission reduction commitment by 2035. The Business Carbon Footprint uplift SBTi equivalent for prior year would have been 18,428 tCO2e. Compared to the 17,882 tCO2e in year ended 31 March 2025, this would equate to a 3% reduction year on year. The baseline reporting year for our SBTi was FY20 and we committed to the SBTi target in August 2023 with reporting expanded to include scopes 1, 2 and 3 emissions from the beginning of FY25. In terms of the reduction against baseline it was 22.5% reduction compared to the baseline year.

During the year, the Company continued to implement energy efficiency measures, through the refurbishment of its buildings, and the replacement of fleet vehicles and company cars with more efficient vehicles. Fugitive emissions increased to 1,460 tCO_2e (2024: 663 tCO_2e) due to an improved inspection methodology for asset inspections.

Around 17,353,706 kWh of electricity, equal to around 3,593 tCO_2e, was purchased by the Company for its own use, including for the purposes of transportation. This tCO_2e figure was calculated by multiplying the total consumption in kWh by the UK Government Conversion Factors for greenhouse gas emissions.

There was around 26,127,503 kWh of energy consumed from the consumption of fuel for operational transport. This is calculated by multiplying the litres of gas oil and diesel consumed by the conversion factor provided in the UK Government Conversion Factors for greenhouse gas emissions.

Strategic Report (continued)

Health, Safety and Environment (continued)

Business carbon footprint (continued)

To reduce our carbon footprint with respect to operational transport, we are developing a carbon reduction road map to maximise the benefit of EV options for our liveried fleet.

The Company's annual emissions are equivalent to 7.71 tCO_2e per employee (2024: 6.36 tCO_2e), an increase of 1.35 tCO_2e per employee against last year's emissions. It is worth nothing that because there was no SBTi uplift in FY24 if that year's data was adjusted to align with the SBTi the annual total would have been 18,428 tCO2e with 2,201 employees and would be equivalent to 8.37 tCO_2e per employee so would in fact be an 7.9% reduction.

Electricity losses are measured as the difference between energy entering the network (from generation) and energy exiting the network (for demand). Whilst it is impossible to eliminate these losses, we do take steps to minimise them and we will be taking measures to reduce losses as part of our commitment to decarbonise our operations. This is done through installing more efficient assets in our network, particularly low loss transformers and cables and through our revenue protection activities, addressing the issue of electricity theft. However, as electricity demand over the network starts to increase, maintaining losses at current absolute levels will be impossible to achieve, with the level of emissions being determined by the amount of renewable generation in the mix.

Network Reliability

Our customers and stakeholders continue to feedback that our fundamental role is to keep power flowing through the network, reliably. This becomes ever more important as customer dependence upon electricity continues to grow as we move to a low carbon future. Network reliability continued to be high with a network availability of 99.995% (2024: 99.995%). The year ended 31 March 2025 is the second year of RIIO-ED2 with more stretching targets for reliability set by Ofgem.

Reliable electricity supply is achieved by a combination of the following:

- Investment to improve network health and the reliability of the underlying asset base;
- Minimising the impact of interruptions by ensuring all our systems work effectively and restore supply within 3 minutes; and
- Physical attendance on site to operate, restore or repair the network to restore supplies, where required.

In the year ended 31 March 2025, the average number of interruptions per 100 customers (CIs) was 26.07 (2024:26.20). This outperforms the Ofgem target 29.74 and represents the Company's second best ever performance. The average number of minutes for which customers were without supply during the year (CMLs) to 31 March 2025 was 27.09 (2024:26.80) and this is adverse to Ofgem target of 26.87.

Our network is designed and maintained to withstand the external environment and other risks to ensure it continues to operate reliably. Reliability performance this year has been challenged by a higher than normal volume of weather-related faults resulting in increased volumes of interruptions.

In FY25, there were 7 named storms in total (2024: 13). Through learnings from prior years, storm response improvements have been made to significantly bolster preparation protocols and responses. This has delivered some best-ever ENWL responses during these events.

Strategic Report (continued)

Network Reliability (continued)

The exceptional event mechanism in our licence protects DNOs from extreme external events. We have submitted three exceptional event claims; two category one and one category two storm claims to Ofgem in line with the exceptional event claim process in 2025. Storm Éowyn was the largest storm to impact our region in the last ten years.

Despite the challenging weather impacts, there have been further improvements in the number of customers restored by automation on both the high voltage and low voltage networks. This performance has been driven through a combination of investment in automation and network resilience, as well as improvements in pro-active operational response. In the year, an additional 511 automation devices have been installed, which has further bolstered our response. Also, there has been a 43% increase in tree-cutting resulting in 14,901 spans being cleared, thus creating a more reliable network during weather events.

This year further development of our network management system (NMS) has been implemented to improve the software algorithm to restore customers through automation avoiding CIs and CMLs impact.

This year there has been a significant deployment of PRESense and LineSIGHT equipment, connected through to our NMS system, improving visibility of our network, thus improving our ability to respond to interruptions. Smart meters have been fully integrated into NMS this year providing visibility of the status of customers and further enabling a proactive enhanced response.

Most customers enjoy excellent levels of reliability, but we recognise that there is variability in the level of service, with a small minority experiencing a level of service significantly worse than average, usually due to their location or localised network issues. We continue to invest in schemes that aim to reduce, in the long-term, the numbers of worst served customers (“WSC”).

The number of customers meeting this Ofgem definition increased by 24 in the year ended 31 March 2025 to 930 (2024: 906). In RIIO-ED2, Ofgem has defined a WSC as being one who has experienced 12 or more unplanned HV interruptions over a three-year period with no less than two interruptions in any one year.

We continue to focus on our ambition to have no customers meeting the Ofgem definition by 2028. To achieve this, we are delivering a major proactive investment programme, delivering substantive and sustained improvements in performance to 27 circuits which have previously qualified against the RIIO-ED2 threshold, benefiting 2,939 WSCs and 39,343 customers overall. Alongside this, we continue with our tactical intervention programme, which seeks to address any newly emerging WSC performance issues.

Investment in an affordable and sustainable network

In the year ended 31 March 2025, out of the total capital expenditure of £374.0m (2024: £290.9m) £173.2m was invested directly in network assets (2024: £122.4m). In addition to investment to improve the automation of the network and to maintain safety and environmental compliance, we have this year significantly increased investment in additional capacity to enable future demand aligned to the net zero transition.

The current network has been installed over many decades and a significant proportion of the investment programme continues to relate to replacing existing equipment at, or approaching, the end of its life with modern equivalents.

Innovation is essential to maintain our sector leading network performance and reliability levels and to meet the increasing demands on electricity from the decarbonisation of energy, at an affordable cost. We continue to develop and deliver our cutting-edge engineering innovation projects such as CLASS, Smart Street and LineSIGHT that will keep the network reliable, efficient and safe.

Strategic Report (continued)

Customer

Supporting customers in vulnerable circumstances is core to our customer strategy. Our "Electricity Users in Vulnerable Circumstances Strategy" ensures that the support we are giving customers in our region is focused appropriately.

We have continued to increase support to customers in vulnerable circumstances, further developing our Take Charge campaign with Citizens Advice Manchester ("CAM") and Energy Saving Trust ("EST"). CAM and EST act as our strategic partners to support fuel poverty and energy efficiency, leveraging all available financial support and grants to enhance customers lives. We have continued the support provided last year and have delivered to 50,218 customers since the start of RIIO-ED2. As part of the Customer Satisfaction Fuel Poverty incentive, our customers have rated the service 94.5% (2024: 95.3%).

We maintain our Extra Care register, to identify those customers who are most dependent on our services and deliver prioritised support to them in a power cut. This year, we continued to promote awareness of our free Extra Care service and increase accessibility to it, including collaboration with funded partners has also improved our view and reach of those who are vulnerable.

We have over 935,000 households on our register. Our enhanced contact campaign has increased registration in the year from 82% to 95.7% of those eligible in the region. Once again, 386 colleagues from across the business supported the Contact Centre to contact our most vulnerable customers 27,681 by phone and 2,209 through door knocking to ensure we have the most up to date information on them to enable the most appropriate support.

Through the continued use of partnerships, associated referrals have increased to the highest level to date with 150,111 customers benefiting from the extra support provided.

Delivering excellent customer service is incredibly important to us. Our overall customer satisfaction score at the end of January 2025 has seen a 0.9% increase compared to last year at 92.9% (2024: 92.0%) and ranked fourth DNO within the league tables (licence area) and second overall DNO. A roadmap of key actions focused around reducing customer effort, simplification, owning what we do are developed from customer feedback and root causes analysis.

The volume of complaints received have reduced in comparison to last year, with the top three reasons relating to faults, multiple interruptions, and notification of a planned supply interruption. The overall complaints performance metric is delivering 2.04, against Ofgem's target of 2.8.

The complaint metric reflects the percentage of complaints resolved within 24 hours, combined with the percentage of complaints resolved within 31 days.

Strategic Report (continued)

People

The Company is one of the major employers in the North West of England, employing approximately 2,200 people in the region. We also work with carefully selected local delivery partners and the supply chain to deliver our investment plan, providing even wider levels of employment for the region. We are committed to building careers for our people, providing secure, long-term employment in an inclusive environment where everyone feels a sense of belonging.

The Climate Survey is the measure we use to quantify 'how it feels to work here' and, in turn, makes the link between this 'feeling' and how we perform. Annual surveys are undertaken to measure engagement and levels of agreement with our identified climate priorities.

Colleague engagement scores in our November 2024 survey were the highest ever recorded by the organisation, with an engagement rate of 83.9%. This was our second successive highest score and a significant improvement on prior year (82.8%). Our colleagues rated health and safety, pride and customer focus highest.

Following our original Investors in People certification in April 2022, we have continued on our good to great journey to make significant continuous improvements in how we engage, lead and support our people and are extremely proud to have recently been awarded 'Silver' accreditation only 2 years on from our initial review.

We are committed to being an employer of choice, creating a great place to work and influencing diversity and inclusion ("D&I") in the energy sector. Our D&I vision is to "create a sense of belonging for our colleagues and truly reflect the communities we serve". This vision is underpinned by four key areas of strategic focus (belonging, talent, leadership and community), supporting inclusion in everything we do.

Included in our people strategy is a commitment to attract, develop and retain the best talent to support our business strategy. We have a particular focus on increasing gender and ethnicity diversity in the business, so we are reflective of the communities we serve and harness the many benefits of diverse teams.

Despite industry challenges around attracting more females into our business, our gender pay gap of 11.9% is better than the UK average (13.1%).

Our attempts to attract more women into our Company is a challenge experienced by many in our industry. A part of our strategy is to attract diverse talent through our award-winning apprenticeship scheme. We are pleased to report that in 2024, we have the highest number of females in our apprentice cohort of 28% (2024: 22%) than previous years. Our programme has a 90% pass rate and to date 100% of successful apprentices have been offered full time employment with us following completion of the apprenticeship.

We continue to strive to increase applications from women for all our roles, last year we held our first 'Women at ENWL' careers event and plan to host more in 2025.

We continue to enhance our employee value proposition to support our attraction strategy; In September 2024 we enhanced our family friendly policies which provided a significant increase in company benefits for primary and secondary parents, including additional support for neonatal care and those seeking fertility treatment.

We have experienced good progress attracting applicants from ethnic diverse backgrounds, over 15% of our offers are to people from ethnically marginalised backgrounds year to date. Ethnicity representation in our Company has increased from 4.1% (March 2021) to 6.7% (December 2024).

Strategic Report (continued)

People (continued)

Our colleague resource groups are maturing with over 250 members across 9 groups. Our colleague network groups play an instrumental role in shaping our culture, and each group has their own objectives and plans which are aligned to our D&I strategy.

We have continued to build on our community partnerships to build our brand awareness, promote Science, Technology, Engineering and Math (STEM) careers and ensure our job opportunities are widely shared. We have expanded our outreach into areas that are difficult to recruit, for example Cumbria, and are strengthening our presence at career and STEM events in these areas.

We work with schools and colleges to inspire younger generations into STEM careers. This year we have facilitated work experience for an all-girls school and are also running 'Workplace safaris' in partnership with Greater Manchester Combined authority. This programme includes inviting a school to spend half a day at our training academy where students can learn more about who we are and the great career opportunities available. We ask schools who are participating to bring along groups with at least 40% female students.

We work with our supplier network to champion diversity and inclusion. In addition to including diversity and inclusion in our procurement process, last year we facilitated a round table event with our suppliers to encourage inclusive action in our networks.

Our efforts to create a diverse and inclusive workforce have been recognised by various institutions. We have been awarded the Bronze Inclusive Employers standard. We continue to be a Gold Forces Friendly company and are proud to be a Disability Confident employer.

We have been an accredited Real Living Wage Employer since 2019 and contract with our supply chain to honour the real living wage commitments for their people. We are also proud to be a member of the Greater Manchester Combined Authority Good Employer Charter, and a founding partner of the Utilities National Work Group on Modern Slavery.

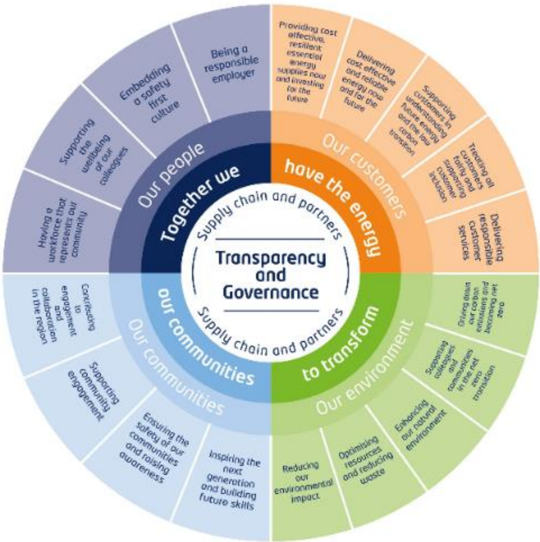
Strategic Report (continued)

Corporate Social Responsibility

Our Responsibility Framework

Sometimes referred to as ESG (environment, social, governance) or social contract, our Responsible Business Framework ("the Framework") sets out our ambition for our people and partners, our environment and our communities.

Under the Framework we have a number of goals which are important to our business, our stakeholders and our colleagues. Each goal is comprised of a series of commitments and measures which are reported in our annual Responsible Business Report.



The responsibility framework does not exist in isolation. While it does not seek to include and measure our core business and services as a network operator, it does bring together a number of the activities and strategies already embedded and reported in our operations and the business plan. In doing so it provides an overarching indication of our activities as a socially responsible business and how we operate within our communities.

During the year, we have reviewed the Framework and enhanced its alignment to the United Nations Sustainable Development Goals ("UNSDG"), continued to promote and embed the Framework, and shared our approach with our stakeholder advisory panel.

As we continue to drive forward areas of The Framework we relaunched our primary and secondary school education programmes. Workshops are now available in schools across the North West for primary and secondary aged pupils linking national curriculum and STEM topics (science, technology, engineering and maths) such as circuits, important safety messages and careers information. Our programme creates a pathway to our skills and recruitment programme and this September we welcomed a further 40 apprentices including operational engineers, design engineers, civil engineer, mechanics, cyber specialists and IT engineers. Since launching in 2017, more than 230 apprentices have been trained and developed by ENWL.

We continue to make good progress with our environmental actions, including reducing carbon emissions and enhancing biodiversity. In April, we completed the planting of 11,000 trees in Carlisle in partnership with Raise:Cumbria Community Forest with work to plant a further 10,000 trees also taking place on additional sites during the spring 2025 tree planting window. Our environmental action plan, which forms part of our regulatory business plan is on target to achieve our business commitments for ED2.

Separately, in compliance with safety requirements and agreed with the Health and Safety Executive, our specialist vegetation management teams are on target to remove dangerous or high-risk vegetation which are in proximity to our assets.

We continue to work with partners to support customers in vulnerable circumstances encourage eligible people to sign up to the Extra Care register for additional support in the event of a power-cut. This year we have continued to support community and local energy schemes across the North West with our Powering our Communities Fund and launched Take Charge a scheme to help those in fuel poverty with debt advice and provide support to those at risk of being left behind in the energy transition.

Strategic Report (continued)

Corporate Social Responsibility (continued)

Stakeholder engagement

We are committed to stakeholder engagement and recognise it is core to understanding our region, supporting our communities and meeting the requirements of our licence.

Our stakeholder engagement programme is embedded in our business activities. We reinforced the stakeholder advisory panel structure for RIIO-ED2, enshrining the Ofgem requirement for enduring customer and stakeholder input in decision making. Our stakeholder advisory panels, focusing on regional business and domestic customers and topics such as environment, along with the Independent Oversight Panel have provided expert insight into our business plan delivery and reopener applications. Guidance from Ofgem has provided greater clarity on the stakeholder input and oversight required as we start to develop the RII0-ED3 business plan and the critical role that stakeholder engagement will play in its development.

We now have six independently chaired panels (Stakeholder Insight, Economic Growth, Customers in Vulnerable Circumstances, Environment and Sustainability, Distribution System Operation (DSO) and Digital Futures), which are all attended by a member of our Executive Leadership Team. The panels meet quarterly, are comprised of regional experts and representatives of significant stakeholder groups and provide a role as critical friend helping to track progress against the business plan commitments. Over 150 stakeholders regularly give their time and experience to our advisory panels.

The panel chairs come together in a quarterly Independent Oversight Group (IOG), following which, the independent chair meets with ENWL's CEO and Chair to raise any concerns and opportunities directly. The IOG chair is also a member of a wider group of independent energy stakeholder group chairs, ensuring national coordination.

Our annual regional stakeholder workshops took place in November 2024 in Penrith, Preston and Manchester. The collaboration events aimed at local authorities and housing associations, provided an opportunity to explore how long-term capacity planning aligned to local strategic economic plans and the benefits of coordinated local area energy planning. Additionally, there was an opportunity to explore the connection process and opportunities to improve the process further.

Additional topic-specific stakeholder engagement took place during FY25, including events relating to the connections process, community and local energy, net zero and decarbonisation support, flexibility services and DSO.

We have again undertaken an independent stakeholder satisfaction survey to continue to review and improve our performance. This year we have continued to show increased levels of overall satisfaction at 82% (2024: 79%). Nearly 180 participants responded with a specific focus this year on expanding participation among public sector groups. The survey continued to indicate a strong correlation between meaningful engagement and frequency, and overall satisfaction, with 57% (2024: 49%) of stakeholders considering themselves to be advocates for ENWL. Those with dedicated contacts have the highest satisfaction, highlighting the importance of these relationships. Being time poor was the biggest barrier to engagement and stakeholders are looking for engagement to be tailored to their needs. Stakeholder Advisory Panel members continue to have the strongest relationship with ENWL, confirming that the new panel structure is working well. This insight and information received on stakeholder priorities and topics for engagement will continue to feed into our approach going forward.

Strategic Report (continued)

Non-Financial and Sustainability Information Statement

A description of the principal risks relating to the following non-financial information is contained elsewhere in the Strategic Report, as indicated below:

- Environmental matters – see pages 14 to 16,
- Employees – see pages 19 and 20,
- Community issues and social matters – see pages 21 and 22,
- Respect for human rights – see page 30,
- Anti-corruption and bribery matters – see page 31.

Climate related disclosures

Introduction and overview

This is the Group's second year of reporting in respect of section 414CB of the Companies Act 2006. In the year to 31 March 2025 the Group continued to make further progress in relation to compliance with this reporting.

This statement includes the climate-related financial disclosures for the Group. The Group has a responsibility to provide a safe, reliable and resilient electricity distribution network in the North West of England; this activity necessarily both impacts and is impacted by the environment and climate change.

The Group has developed three focus areas for its approach to climate change:

- Our Mitigation – reducing the Group's emissions to help reduce the scale of climate change in the future;
- Customers' Mitigation – helping the Group's customers to reduce their emissions by providing infrastructure which enables them to be part of the net zero economy; and
- Adaptation – ensuring the Group's network continues to perform effectively and efficiently as climate changes.

In this second year of reporting, the main focus has been on the adaptation of the network, but where mitigation measures are being taken, those have also been referred to. The Group plans to expand the reporting in relation to mitigation measures in future versions of this statement.

The Group reports under Defra's Climate Change Adaptation Reporting requirements established by the Climate Change Act 2008, submitting reports in 2011, 2015, 2021 and 2024 as required; these reports are available on our website. In preparing these reports, the Group was part of an Energy Networks Association (ENA) working group that developed an industry wide report on the threats to networks from climate change and the associated industry responses, with input from experts from the Met Office and academia. The working group identified 15 risks, all relating to changing weather patterns and temperatures. We have assessed these risks to identify which are relevant to our distribution area and have used these as the basis for the climate-related elements of our risk registers (see the Risk Management section below). Full reports are available on the website: https://www.enwl.co.uk/future-energy/distribution-system-operation

The climate-related risks and opportunities facing the Group are summarised in two published documents, the 'Climate Change Adaptation Report' (as referenced above) and the 'Climate Resilience Strategy'. Both documents were developed through a consultative process, bringing together expert knowledge from within the Group and insights from stakeholders, industry peers, climate experts and academia. We are committed to updating these reports as our understanding of climate-related risks and resilience continues to develop.

Strategic Report (continued)

Non-Financial and Sustainability Information Statement (continued)

In the year of reporting, the Group secured funding for additional adaptation measures in the form of the RIIO-ED2 Storm Arwen re-opener application. Storm events are identified as the highest risks in the Climate Change Adaptation reports and Ofgem awarded the Group an additional £40m of funding for a package of network resilience-related measures in December 2024.

The Group continues to be committed to the development of our network to enable customers to adopt low carbon technologies as set out in our business plan for the RIIO-ED2 period titled 'Our Plan to Lead the North West to Net Zero: 2023-2028'.

Governance

This section describes the governance arrangements of the Group in relation to assessing and managing climate-related risks and opportunities, in accordance with s414CB (a) of the Companies Act 2006.

ENWL's Board has overall responsibility for the alignment of strategy and risk in all areas, including climate-related matters. During the year the Board has delegated oversight of matters relating to risk to the Audit and Compliance Committee (see pages 59 to 62), and matters relating to environmental strategy to the Safety, Health and Environment Committee (see page 66).

The Chief Executive Officer and Executive Leadership Team (ELT) also have responsibilities in relation to strategy and risk. More information on the governance of risk can be found on pages 43 to 50 of the Risk Management section.

Once potential projects to improve the resilience of the network or facilitate growth in the use of low carbon technologies have been identified, they are subject to a well-defined and documented approval process, including a Company Investment Committee (CIC) chaired by the Chief Financial Officer.

All investment decisions, whether directly climate-related or not, go through this process and the potential climate impact of each project is reviewed as part of the assessment.

The Group is also subject to scrutiny from the regulator, Ofgem, with a range of conditions under the Electricity Distribution Licence that are required to be met.

Risk Management

This section describes how the Group identifies, assesses and manages climate-related risks and opportunities, including how those processes are integrated into the overall risk management process, in accordance with s414CB (b) and (c) of the Companies Act 2006.

The Group maintains directorate level risk registers and a corporate level risk register. These registers are reviewed quarterly, with any risks assessed as requiring management by ELT moved from the directorate level registers to the corporate level register. More information on the corporate risk register and the risk management framework can be found on pages 43 to 50 of the Risk Management section. The identification, management and assessment of climate-related risks are fully integrated into this process.

Once identified, climate-related risks are assessed with reference to a range of weather scenarios and the specifications of the assets on our network to identify areas of particular risk.

Strategic Report (continued)

Non-Financial and Sustainability Information Statement (continued)

Climate-related risks and opportunities

This section provides a description of the principal climate-related risks and opportunities arising in connection with the Group's operations, along with the time periods against which they have been assessed, in accordance with s414CB (d) and (e) of the Companies Act 2006.

As referred to above, in this second year of reporting, the main focus has been on the adaptation of the network to ensure it continues to perform effectively and efficiently as climate changes. If we fail to address these risks, the consequence could be increasingly frequent and prolonged interruptions to supply.

<table>
<tr><th colspan="2">**Physical Risk**: Increased frequency of extreme weather events and changing long-term climate trends
Time horizon: short (less than 5 years) to long-term (10+ years)
Likelihood: High</th></tr>
<tr><td>**Potential Impact**</td><td>**Response/ mitigation**</td></tr>
<tr><td>*Storm: impact – high, residual risk - medium*

The Group has already been affected by the increasing frequency and severity of severe weather events resulting from climate change. In the year-ended 31 March 2025, there were seven named storms each of which resulted in damage to the network and interruption of supply for customers.

Flood: impact – high, residual risk - low

Storms have caused flooding in our substations and wind damage to our network, either directly or by blowing trees, branches or other debris into our overhead lines.

Vegetation: impact – medium, residual risk - low

In addition to the increased prevalence of storms, the Group has identified the increased rate of vegetation growth as a risk to the performance of the network.

High Temp: impact – low, residual risk - low

The Group has not identified a credible scenario where high temperatures would stop the network performing.</td><td>Our strategy includes an action plan with the aim of increasing the resilience of the network. The action plan is reviewed each year by our Environment and Sustainability Advisory Panel, a stakeholder led group. We included resilience funding in our RIIO-ED2 submission to support this action plan.

As the flooding risk is viewed as immediate, we have implemented a programme to protect all our major substations against 1-in-100 year flood risk, with the largest sites protected to 1-in-1000 year risk in line with national guidance. In the year ended 31 March 2025 we completed flood mitigation works at 11 major sites against a planned programme of 31 in the RIIO-ED2 period. This will ensure full compliance against the industry flood protection specification. We are confident in completing this programme of work by 2028.

We anticipate that whilst the performance of some of our assets will deteriorate as the climate changes, this will be gradual and managed as part of our network investment programme. In assessing the risks to the network, we have used a range of UKCP09 and UKCP18 climate projections that look to the end of the century to assess the replacement and refurbishment requirements for the assets on our network.</td></tr>
</table>

Strategic Report (continued)

Non-Financial and Sustainability Information Statement (continued)

Transition Risk: net zero transition and the uncertainty in the extent of electricity demand growth **Time horizon:** medium (5-10 years) to long term (10+ years) **Likelihood**: Moderate	
Potential Impact	**Response/ mitigation**
There is a risk of not meeting the accelerated demand on the network resulting from the uptake of low carbon technologies driven by the political agenda and the unpredictability of consumer behaviour. If the Group underestimates demand, there is a risk that the distribution network may not be sufficiently upgraded to deliver the net zero targets set by the government. In the opposite scenario where demand is overestimated there may be a risk of surplus assets being built at a cost to the consumer where those assets may have low utilisation.	Innovation is key to the success of our organisation and is where novel techniques and potential solutions, whether they be technological or commercial, are analysed, developed, trialled and ultimately transformed into practical solutions to deliver a better, zero carbon service for our customers; improve network performance and safety; and deliver ever more efficient ways of working. At the core of our innovation strategy is delivering value to customers through maximising the use of existing assets and offering new services and choice for the future. We are generating value for customers now by deploying proven technology providing innovative solutions to real problems.
Transition Opportunity: Increased demand for electricity in response to decarbonisation will open new markets and will create opportunities to invest in the network. **Time horizon:** short (less than 5 years) to long term (10+ years) **Likelihood**: High	
Potential Impact	**Response/ mitigation**
Growth in electricity demand to support the net zero plans for the local and national economy will create opportunities for the Group to invest further in the existing network, to upgrade its assets and to explore new markets. Investment in the network will increase the Regulated Asset Value (RAV), allowing us to earn higher returns under the regulatory framework.	In January 2025, we made an application to Ofgem for an additional £266.4m of allowances under the provisions of the Load-Related re-Opener, specifically to address network changes required to satisfy anticipated demand requirements associated with the net zero transition.

Strategic Report (continued)

Non-Financial and Sustainability Information Statement (continued)

Business model and strategy

This section outlines the resilience of the Company's business model and strategy, taking into consideration different climate-related scenarios, in accordance with s414CB (f) of the Companies Act 2006.

The Company has published its *'Climate Resilience Strategy'* (see the Introduction and overview section above). This strategy includes an action plan aimed at increasing the resilience of the network and is reviewed annually. The RIIO-ED2 submission included an element for resilience funding to support this action plan.

An assessment of the resilience of the strategy has been undertaken using a range of scenarios. The scenarios used for electricity and gas risk data is based on the Met Office's predicted 4°C degree scenario which is suggested to occur by close of the current century if global emissions continue unabated at their current rate. We have not identified any credible scenario that would force us to change our business model or our strategy. We do not expect climate change to have a significant impact on our business model, as the regulated electricity distribution network operator in the North West of England.

Metrics and targets

This section refers to the targets and key performance indicators (KPIs) used by the Company to manage climate-related risks and to realise climate-related opportunities, in accordance with s414CB (g) and (h) of the Companies Act 2006.

In order to support the net zero transition of the UK economy by 2050 at an affordable cost we expect a number of targets to be achieved in term of innovation and investment in the network to increase capacity.

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 2025 saw an improvement on our carbon emission reduction trajectory aligned to our verified Science-based target commitment based on the equivalent for prior year (see page 15), due to various carbon reduction activities undertaken by the Group.

Actions to reduce our carbon footprint will continue to be implemented to continue the carbon reduction trajectory of recent years (see page 15).

We minimise emissions by monitoring our carbon emission footprint (refer to pages 15 and 16 for more detail) and oil loss, and are investing to remove potentially damaging equipment, and to enhance the environment by undergrounding overhead cables.

Further information on the environmental performance can be found on page 14.

Strategic Report (continued)

Section 172 Statement

Introduction

Throughout this Annual Report, we illustrate how the Board recognises the broader context in which the Company operates, including the consideration of: the long-term consequences of decisions, the interests of our employees, fostering strong relationships with customers and other stakeholders, the impact of our activities on our communities and environment, maintaining a reputation for high standards of business and the need to act fairly as between our shareholders.

This Statement provides specific examples of how the Company approaches these wider considerations in its decision making.

Statement by the directors in performance of their statutory duties in accordance with s172 Companies Act 2006

The Board of Directors consider, both individually and together, that they have acted in a way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in decisions taken during the year ended 31 March 2025.

Long term decision-making

Our business is about the long-term, to create the right electricity infrastructure for the world of tomorrow. We are very aware that what we do now will have an impact in the future. Given that context, we pick out some examples of how that longer term thinking has influenced our decision making.

The RIIO-ED2 price control period

The Board played a key role in the development of our RIIO-ED2 business plan and have supported and monitored its delivery during the first two years of the period, recognising the crucial importance of delivering against targets to allow the business to meet its ambitious plans, up to 2028 and beyond.

At all times, the Board look to balance the needs of all its stakeholders and recognised the Company's role in enabling the significant changes required by long-term goals such as net zero.

Supply chain continuity

Like all businesses, we continue to feel the impact of pressures on our supply chains and resources caused by global events such as the war in Ukraine. In response, we have ensured that we take the necessary actions and maintain sufficient stock to mitigate these challenges. Whilst this can increase related costs and can accelerate the timing of incurring those costs, these decisions have meant that we have been able to continue to undertake our operations and investment programmes without disruption.

Our people

As directors, we are always aware of the importance and efforts of our people. We consider them in everything we do. This is discussed further in the People section of the Strategic Report on pages 19 to 20.

Safety

The safety of our people and the public is our highest priority. We continually monitor safety performance and safety culture, including through a tailored set of performance measures and via regular engagement on safety with our people through colleague surveys.

Diversity and inclusion

As explained in more detail in the People section of the Strategic Report on pages 19 to 20, we are constantly striving to ensure that we create a sense of belonging for our colleagues and truly reflect the communities we serve through our diversity and inclusion strategy. The Board regularly discusses the progress of our strategy and initiatives in this area.

Strategic Report (continued)

Section 172 Statement (continued)

Employee engagement

We are proud to maintain Investors in People certification, recognising our efforts to becoming an employer of choice in the North West. We continue to work with Investors in People ("IIP") to seek opportunities to continually improve our colleagues' experiences of working at ENWL, and we were awarded silver status as an IIP company in September 2024.

Annual colleague climate surveys are undertaken to measure engagement and levels of agreement with the Company's identified climate priorities. The results from the survey and management approach to improving the climate are outlined in the People section of the Strategic Report on pages 19 to 20.

We recognise the value that trade unions bring to our organisation and work closely with them on key issues. This supplements wider engagement activities that we undertake to involve and inform colleagues in what is happening across the organisation.

Future skills

We recognise the importance of investing in our people to ensure that we develop existing and future skills, behaviours and capabilities across the organisation. Information on training courses delivered in the year is included in the Strategic Report on page 30.

Customer service focus

Delivering excellent customer service is part of our 'licence to operate' and an area that the Board monitors closely to ensure our service levels continuously improve. Providing additional support to electricity users in vulnerable circumstances and fuel poverty is core to our customer strategy.

Further information on Customers is contained on page 18 of the Strategic Report.

Stakeholder relationships

Our relationships with stakeholders are discussed extensively throughout this Annual Report with more detailed information in the Corporate and Social Responsibility section of the Strategic Report on pages 21 to 22.

Shareholders

As highlighted in our Corporate Governance Report (see pages 51 to 66), our business benefits from the involvement of our shareholders; not least, due to their representation on the Board and through the workshops and other meetings in which they participate.

Impact of our operations

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.

Throughout the Annual Report, we discuss the impact of our operations on our wider communities, in particular by supporting customers in vulnerable circumstances.

Leading the transition to net zero

The net zero transition will result in very significant increases in network demand. As the region's electricity network operator, we have a vital role to play, providing the capacity to allow customers to adopt low carbon technologies, at a price that is affordable. Further information, including approach to the decarbonisation of our own operations is discussed in the Environment section of the Strategic Report on pages 14 to 16.

The Board is very aware of its stewardship role and the importance of protecting the North West's natural environment. We have put these considerations at the heart of our delivery plans for the RIIO-ED2 period and beyond. Further information is contained in our Corporate and Social Responsibility statement on pages 21 to 22.

Strategic Report (continued)

Section 172 Statement (continued)

Ethical business conduct

We expect the highest standards of conduct in our business. This extends beyond our Company and its people to all organisations who work with us. During the year, the Audit and Risk Committee in particular has overseen the implementation of a number of new policies and monitored ongoing compliance with relevant legal and regulatory requirements.

Supplier Compliance

As a business, we recognise that our customers expect us to check the credentials of the suppliers who work on our behalf. This is not just about confirming that we select the right contractors to do a given job, it is also about making sure that the people employed by them have completed the necessary checks to work with us and our customers. We are now working under a refreshed supplier vetting processes and ongoing compliance procedures.

Further information, including our Speak Up policy and procedures and Code of Conduct are discussed in the Anti-corruption and anti-bribery section of the Strategic Report on page 31.

Workforce composition and gender diversity

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

Turnover

2025 – 167 leavers (2024: 163 leavers)

Training courses delivered

2025 – 1,597 (2024: 1,171)

Training course attendee sessions

2025 – 33,558[1] (2024: 19,132)

[1]These figures include e-learning courses, operational and non-operational training.

Workforce (Male/ Female)	2025 Number	2024 Number
Total employees	**1,670/ 564** ***(75%/25%)***	1,602/ 541 *(75%/25%)*
Senior managers	**36/ 11** ***(77%/23%)***	32/ 14 *(70%/30%)*
Executive leadership team[2]	**6/ 2** ***(75%/25%)***	6/ 2 *(75%/25%)*
Non-Executive Directors	**6/0** ***(100%/0%)***	7/ 2 *(78%/22%)*

[2]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 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 Gold award this year. The Modern Slavery Act Compliance Statement is available on the website: www.enwl.co.uk/misc/modern-slavery-act-compliance-statement.

Strategic Report (continued)

Section 172 Statement (continued)

Anti-corruption and anti-bribery

We are proud of our strong commitment to high ethical standards in the way we work. We take a zero-tolerance approach to bribery and corruption, and are committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever we operate, implementing and enforcing effective systems to counter bribery. It is important our regulators and stakeholders have absolute confidence in the arrangements and integrity of the organisation.

The Company operates a number of policies governing anti-bribery and anti-corruption matters: Anti-Corruption and Bribery Policy, Corporate Hospitality & Gifts Policy and Conflict of Interest Policy. We have a revised 'Ethics in our Business' document in place. This includes our Ethical Framework, setting out our expectations for all those working with us, and a decision-making tool to assist colleagues if faced with an ethical dilemma.

Alongside this, we have recently launched an updated Speak Up (Whistleblowing) policy, providing colleagues with a number of channels to raise and escalate any concerns they may have. An e-learning package was also made available for all colleagues during the year to increase understanding and awareness of these important policies.

To support our Speak Up policy, we have in place a confidential independent reporting line, provided by Safecall.

We conduct regular Competition Law training sessions for our colleagues. The completion of these sessions is meticulously monitored to ensure that our colleagues remain fully aware of the latest legal requirements and adhere to the highest standards of compliance.

All of our corporate ethics policies apply to all employees and officers of ENWL and form part of our Code of Conduct. Other individuals performing functions for the Company, such as temporary workers and contractors, are also required to adhere to our policies.

Environment

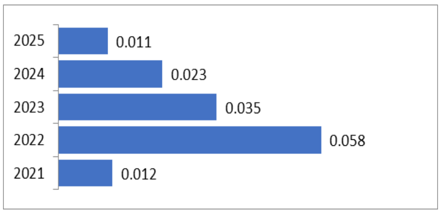
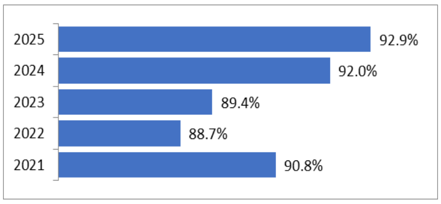
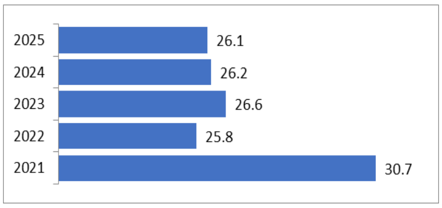
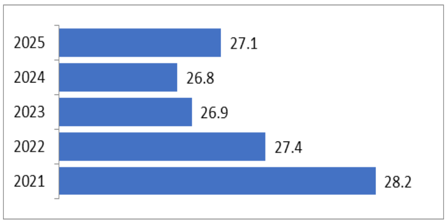
Environmental protection continues to be one of our core values, and we remain committed to achieving the highest possible standards of environmental performance. The year ended 31 March 2025 saw a reduction in our carbon emissions, based on our Science-based target trajectory to 2035 (see page 15). This decrease was achieved through continued improvement in building energy efficiency improvements and through a more maturely developed decarbonisation strategy. Actions to reduce our carbon footprint will continue to be implemented to continue the carbon reduction trajectory of recent years (see page 26).

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

Further information on the environmental performance can be found on page 14.

Strategic Report (continued)

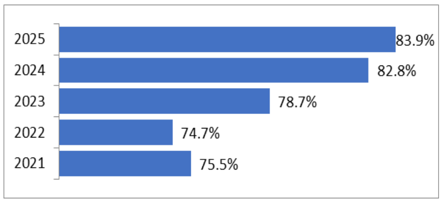
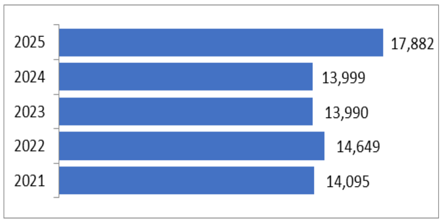
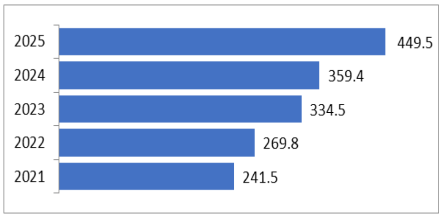
Key Performance Indicators

	KPI	Definition and comment	Performance
Safety	Lost time incident frequency rate	**Definition**: The total number of reportable incidents in the year divided by the number of hours worked in that year (by employees and contractors), multiplied by 100,000 hours. **Performance**: Reflecting the increased focus on safety, the Company saw a reduction in lost time incidents in the year. There was one lost time incidents in the year, with the corresponding lost time incident frequency rate of 0.011 (2024: 0.023).	0.011 
Customer	Overall customer satisfaction	**Definition**: The overall customer satisfaction score is a composite score from Ofgem surveys that assesses levels of customer satisfaction for connections quotations and delivery, interruptions and general enquiries. **Performance**: Overall satisfaction increased to 92.9% for the year, up from 92.0% in the prior year. The score for the year was the highest in six years, and reflecting the ongoing focus on improvements to customer service.	92.9% 
Reliability	Customer interrup-tions (CIs) [1]	**Definition**: CIs represent the number of interruptions our customers experience. It is calculated by taking the total number of customers affected divided by the total number of customers connected to the network, multiplied by 100. It excludes interruptions during exceptional events, although there were none of these in the year. **Performance**: The result of 26.1 for the year outperforms the Ofgem target of 29.74 and represents the Company's second best ever performance.	26.1 CIs 
	Customer minutes lost (CMLs) [1]	**Definition**: CMLs represent the time customers are without power in the event of an interruption. It is calculated by taking the sum of the customer minutes lost for all restoration stages for all incidents, excluding exceptional events, and dividing by the number of connected customers. **Performance**: The result of 27.1 for the year is adverse to the Ofgem target of 26.87 due to higher than normal volume of weather-related faults and the increase of planned supply interruption due to capital investment growing.	27.1CMLs 

[1] The year ended 31 March 2025 figure is yet to be audited by Ofgem.

Strategic Report (continued)

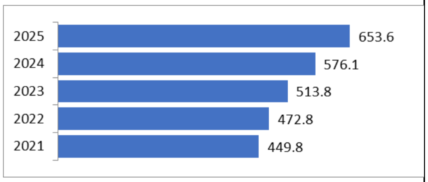
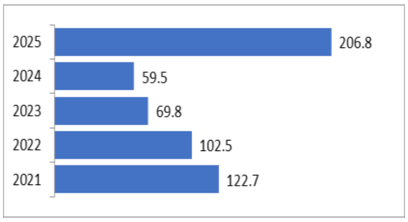
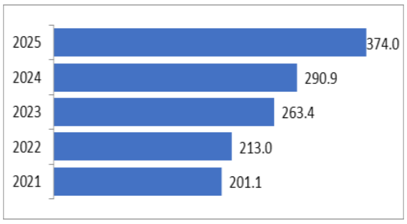
Key Performance Indicators (continued)

	KPI	Definition and comment	Performance
People	Colleague engagement	**Definition**: Colleague engagement is measured via an employee survey which, through a series of questions, provides details of overall colleague engagement and how colleagues feel about the 'working climate'. **Performance**: Overall colleague engagement achieved an agreement score of 83.9% for the year, a 1.1% increase from 82.8% last year, and the highest in the last five years.	83.9% Agreement score 
Sustainability	Carbon footprint (excluding electrical losses)	**Definition**: Carbon footprint measures the impact of our operations on the environment and is calculated in line with Ofgem guidance. The calculation excludes electrical losses arising from the operation of the network which cannot be directly controlled or accurately measured. **Performance**: To support the SBTi commitments carbon footprint calculation methodology has been changed leading to the nominal increase of 3,883 tCO2e on FY24. The Business Carbon Footprint uplift SBTi equivalent for prior year would have been 18,428 tCO2e, resulting in a 3% reduction year on year.	17,882 tCO_2e 
Cost efficiency	Total Expenditure (Totex)[1]	**Definition**: Totex is a key financial measure for the business. It is a regulatory abbreviation which stands for total expenditure. It includes the money we spend on running our business day-to-day, and the amount we invest in new assets through our network investment programme. We aim to deliver efficiencies in Totex which we share with our customers and which reduces customers' bills. **Performance**: Totex for the year ending 31 March 2025 was £449.5m compared to an equivalent Ofgem allowance of £454.4m in outturn prices largely due to phasing of planned network investment programmes. Expenditure was higher than the previous year due to increased operational and support costs and higher investment in operational assets.	£449.5m 

[1] Totex is calculated on a regulatory basis and reported to Ofgem annually on 31 July. For management reporting purposes an approximate calculation of Totex is prepared to track performance. The final regulatory Totex figure may differ from this approximation when detailed cost allocations are performed. The numbers for earlier years have been updated to reflect the annual submission to Ofgem.

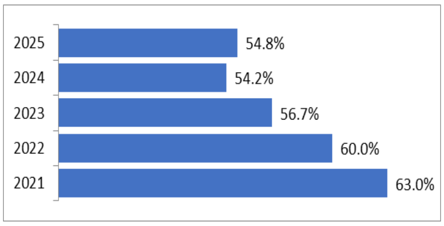
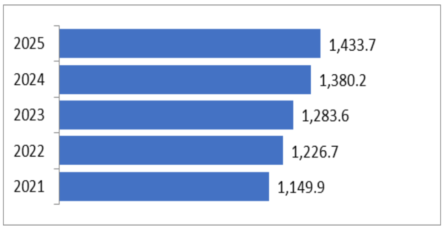
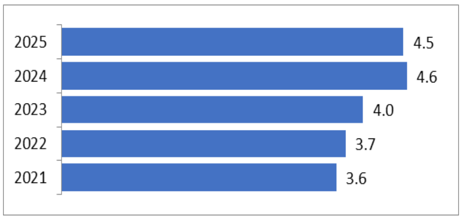
Strategic Report (continued)

Key Performance Indicators (continued)

	KPI	Definition and comment	Performance
Financial KPIs	Revenue (excluding collection of Supplier of Last Resort (SoLR levies)	**Definition**: Revenue is determined by Ofgem to allow recovery of efficient costs to maintain and improve the network, as determined as part of the price control process. Actual revenue can vary as demand over the network varies against forecast. Additional revenue is generated through charges for new connections, along with incentive revenues earned for delivering improved performance. As a result of SoLR claims approved by Ofgem, our allowed revenue for the year ended 31 March 2025 was £0.8m (2024: £22.0m) higher than it would otherwise have been, with the collection of this levy, which is immediately paid to suppliers. Revenue in the KPI table has been presented excluding the value of SoLR levies collected. **Performance**: Revenues have increased from the prior year, primarily due to increases in Distribution Use of System (DUoS) revenue. This reflects inflation and other adjustments to allowed revenue including the impact from incentive revenues previously earned. The revenue over recovery for the year was £26.5m (2024: £43.8m under recovery) compared to allowed revenues, with the over recovery reflecting variability against forecast consumption volumes. This will be corrected through adjustments in pricing in future periods.	£653.6m 
	Profit before tax and fair value movements ("PBTFV")	**Definition**: The PBTFV of £206.8m is the profit before tax of £248.4m (2024: £161.8m) after deducting the £41.6m fair value gain (2024: £102.3m), per Note 9. **Performance**: PBTFV has increased to £206.8m (2024: £59.5m), mainly a result of the savings on the accretion paid on index-linked swaps in prior year (see Note 9) and an increase in revenue. PBTFV excludes the significant capital investment that we make in the network each year. Financial performance is better understood through comparing Totex with adjusted allowances.	£206.8m 
	Capital expenditure	**Definition**: This represents investment in the network to maintain its reliability and resilience for future customers. The figure includes total additions to property, plant and equipment and software. **Performance**: We continue to invest to improve the capacity and reliability of the network. Investment increased this year as a number of major investment programmes were completed.	£374.0m 

Strategic Report (continued)

Key Performance Indicators (continued)

	KPI	Definition and comment	Performance
Financial KPIs	RAV gearing	**Definition**: Regulated Asset Value (RAV) gearing is measured as borrowings at nominal value, plus inflation-linked debt accretion where applicable, net of cash and short-term deposits divided by the estimated RAV of £2,873.9m at March 2025 (2024: £2,684.6m), using the definition in our Financing Agreements. **Performance**: The RAV gearing is in line with target and under the Ofgem guided level of 65%.	54.8% 
	Net debt	**Definition**: Net debt includes the total borrowings, net of cash and cash equivalents and money market deposits, as per Note 34. **Performance**: The £53.5m increase in net debt was primarily due to the combined effect of net cash outflows of £47.8m and the indexation of index-linked debt of £9.6m. (See page 37)	£1,433.7m 
	Interest cover	**Definition**: Interest cover is the number of times the net interest expense, adjusted for indexation and capitalisation of borrowing costs, is covered by operating profit from continuing operations, as defined by the Financing Agreements. **Performance**: Interest cover has remained at the same level as in prior year due to the comparable increase in both operating profit and in the interest expense.	4.5 times 

Strategic Report (continued)

Financial Performance

Overall performance reporting

Revenue is derived through the allowed revenue set for the regulatory period, adjusted for a number of factors including under/over recovery of revenue in earlier years, movements in inflation and performance incentives earned. Under the RIIO framework, revenue is the cash funding mechanism for the business, including current investment requirements as well as the repayment of past investments, rather than the simple recognition of income resulting from activities that financial statements usually reflect.

Consequently, operating profit presented in these financial statements represents the combination of revenue that is only partly related to actual activity during the year, less those operating costs actually incurred, but excluding capital expenditure.

Whilst the statutory measure that is most closely aligned to the return to shareholders is cash flow before financing activities, this has a limited correlation to actual economic returns, as a result of the factors noted above.

Financial reporting measures

Revenue

Revenue has increased by £56.3m, to £654.4m (2024: £598.1m). Predominantly all revenue is Distribution Use of System (DUoS) revenue, which has increased due to the increase in demand, inflation and allowed revenue adjustments relating to the under recovery of revenue in previous years.

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. In the year, there was an over recovery of £26.5m (2024: £43.8m under recovery), reflecting variability against forecast consumption volumes. This over recovery is reflected in the reported revenue for the year and 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, revenue was £0.8m higher (2024: £22.0m) than it would otherwise have been. For more information, see Note 4.

Profit before tax and fair value movements

Profit before tax and fair value movements, comprised of profit before income tax of £248.4m (2024: £161.8m profit) less fair value gains of £41.6m (2024: £102.3m gains) (Note 9), has increased to £206.8m (2024: £59.5m), £147.3m higher than prior year. This is mainly due to the £56.3m higher revenue and the £87.0m accretion payment in prior year, with no accretion paid in the current year. Accretion payments do not occur each year, with the next due in July 2027; see Note 9 for more details.

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

Strategic Report (continued)

Financial Performance (continued)

Taxation

Corporation tax is calculated at 25% (2024: 25%) of the estimated assessable profit for the year.

Deferred tax is calculated using the rate at which timing differences are expected to reverse. Accordingly, the deferred tax has been calculated on the basis that they will reverse in future at the 25% (2024: 25%) rate.

The overall taxation charge for the year has increased by £20.2m to £61.9m (2024: £41.7m).

Property, plant and equipment and software

The Group's business is asset intensive. The Group allocates significant financial resources to the renewal of its network in order to maintain services, improve reliability and customer service, and to meet the changing demands of the UK energy sector.

The total original cost of the Group's property, plant and equipment at 31 March 2025 was £6,499.1m (2024: £6,147.5m), with a net book value of £4,004.8m (2024: £3,785.8m). In the year ended 31 March 2025, the Group invested £361.8m (2024: £279.8m) in property, plant and equipment in a large number of projects to reinforce and improve the network (Note 11).

The Group also invested £15.2m (2024: £11.1m) in IT systems (Note 13).

New investment is financed through a combination of operating cash flows and debt funding.

Cash flow before financing activities

Net cash outflow before financing activities was £22.2m (2024: £255.8m inflow), a difference of £278.0m. A significant element of this difference relates to the movements on money market deposits greater than three months; £305.7m was returned to cash in the prior year, with no movements in the current year. The remaining £27.7m is a result of the higher capital investment spend, net of the higher inflows from operating activities, primarily driven by the increase in revenue.

Net debt

Net debt was £1,433.7m (2024: £1,380.2m) (Note 34). The £53.5m increase was primarily due to the combined effect of net cash outflows affecting net debt of £47.8m and the indexation of index-linked debt of £9.6m.

Included in the total borrowings figure of £1,565.8m (2024: £1,570.0m) are inter-company loans totalling £833.4m (2024: £831.7m), with maturity dates ranging from March 2028 to November 2032.

Of the external debt, the following amounts are due to be repaid in the next 12 months: £456.4m (2024: £nil) in relation to the £250m and £200m 8.875% 2026 bonds, £9.4m (2024: £9.1m) under the European Investment Bank (EIB) loans, and £2.0m (2024: £1.8m) of lease liabilities.

All other borrowings are repayable after more than one year and include bonds with long-term maturities of £201.2m (2024: £656.9m), bank loans of £59.7m (2024: £67.4m) and lease liabilities of £3.7m (2024: £3.1m).

Note 19 provides more details on the borrowings.

Strategic Report (continued)

Financial Performance (continued)

Treasury policy and operations

During the year the Group's treasury function operated 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 a floating rate debt facility.

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 is 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 2026, forecasts to the end of the current regulatory period in 2028 and longer-term forecasts to 2058 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 committed undrawn 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 2025, cash balances were £132.1m (2024: £189.8m) and unutilised committed facilities were £250.0m (2024: £50.0m), comprised of a revolving credit facility (RCF) expiring in April 2027.

Where a liquidity need cannot be met from 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. In the next 12 months, the £250m and £200m 8.875% 2026 bonds are due to mature, in March 2026. At the date these financial statements were approved, the intention was to refinance these using the financial support pledged by Scottish Power UK plc (see below). There are no further re-financing obligations due in the next 12 months.

On 16 June 2025 Scottish Power UK plc provided North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") with a letter of support detailing the financial support it has committed to the group headed by NWEN (Jersey). An amount of £500.0m is available and can be utilised by NWEN (Jersey) and any of its subsidiaries, including the Company. This commitment will remain in place until the earlier of the NWEN (Jersey) group securing alternative financing, or 12 months from the date of approval of these financial statements, and will incur a charge of 20 basis points per annum whilst in place.

Strategic Report (continued)

Financial Performance (continued)

Credit rating agencies

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

At 31 March 2025, ENWL was rated BBB+ with stable outlook by Standard and Poor's ("S&P"), Baa1 with stable outlook by Moody's Investors Service ("Moody's") and BBB+ with stable outlook by Fitch Ratings ("Fitch").

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

Further details are available to credit investors in the Financial Investor Relations section of the Company's 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 rates 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 2024 and 2025 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 unrealised 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 £41.6m have been recognised (2024: gains of £102.3m), with the prior year being notably higher primarily due to the fair value gain associated with the £87.0m accretion payment and no accretion payments in the current year (Note 9). The fair value movements reflect scheduled payments, volatility in the markets, in particular, in expectations of future interest and inflation rates.

Defined benefit pension

At 31 March 2025, the Group's defined benefit pension scheme had a net surplus, calculated under IAS19 *Employee Benefits*, of £56.1m (2024: £39.0m), resulting in a re-measurement gain of £14.1m (2024: loss of £6.8m) booked directly to other comprehensive income. The increase in the surplus is mainly due to a reduction in the defined benefit obligation. This reduction was driven by favourable market movements, including higher discount rates and lower long-term inflation, and changes in demographic assumptions, particularly mortality improvements.

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. A subsequent triennial valuation as at 31 March 2025 is currently underway; however, the process remains at an early stage, and preliminary results are not anticipated until the second half of 2025. 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 IAS19 and the funding valuation. In the event of underfunding, the Group must agree a deficit recovery plan with the Trustee Board within statutory deadlines.

Dividends and dividend policy

During the year the Group's dividend policy was to distribute the maximum amount of available cash to shareholders each financial year on a semi-annual basis, after taking into account forecast business needs, the Group's liquidity, gearing and rating policies, restrictions of external and internal financing arrangements, applicable law and ENWL's licence obligations. This policy will be subject to review in the next financial year. During the year, the Company paid dividends totalling £45.4m (2024: £30.4m) (Note 30). The directors do not propose a final dividend for the year ended 31 March 2025.

Strategic Report (continued)

Financial Performance (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:

- 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, the Gas and Electricity Markets Authority 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 2026. 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 RIIO-ED2 regulatory period which runs to April 2028, reflecting the latest forecast of regulatory revenues, performance and uncertainty mechanisms. 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 June 2026, being at least 12 months from the date of approval of these 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 2025, there was further available liquidity of £250.0m in the form of committed, undrawn borrowing facilities, available for at least 12 months from the date of approval of these financial statements.
- During the 12 months from the date of approval of these financial statements, the £450m 8.875% 2026 bond is due for repayment in March 2026, and £9.4m of scheduled repayments are due against the two EIB loans. In addition to the committed, undrawn facility mentioned above, the Group is also a beneficiary of the £500.0m committed financial support from Scottish Power UK plc (see below). There are no further re-financing obligations due in the next 12 months.
- Though the Group is largely financed by long-term 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 incentive penalties, macro-economic factors including inflation at +/-1%, DUoS revenue under collection and severe weather events.
- External factors are also considered such as, cost of living and high energy prices, interest rates, the Ukraine conflict and impact on supply chain, and energy prices and supplier administration.

Strategic Report (continued)

Financial Performance (continued)

Going concern (continued)

In addition to the above, on 16 June 2025 Scottish Power UK plc provided North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") with a letter of support detailing the financial support it has committed to the group headed by NWEN (Jersey). An amount of £500.0m is available and can be utilised by NWEN (Jersey) and any of its subsidiaries, including the Company. This commitment will remain in place until the earlier of the NWEN (Jersey) group securing alternative financing, or 12 months from the date of approval of these financial statements, and will incur a charge of 20 basis points per annum whilst in place.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and meet their 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 Financial Reporting Council (FRC) guidelines. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the directors have assessed viability over a period longer than that required for going concern and have chosen the period to 31 March 2028.

Whilst the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability, based on the risk and sensitivity analysis undertaken, is the period to 31 March 2028.

The Board has considered whether it is aware of any specific relevant factors and notes in particular the RIIO-ED2 regulatory framework, Ofgem consultations and work on detailed aspects of the regulatory settlement, including the treatment of inflation.

The Board has considered the current economic environment including the volatility in interest rates and supply chain disruption, the political environment including impacts from the ongoing war in Ukraine in making the viability assessment.

In reaching its conclusion, the Board has taken into account Ofgem's statutory duty to secure that companies can finance their functions and has assumed that there will be no changes to the regulatory framework or Government policy that will affect the Company's viability.

The directors have conducted a robust assessment of the principal risks facing the Group and believe that the Group is in a strong position to manage these risks.

In arriving at their conclusion, the directors have considered the Group's forecast financial performance and cash flow, including the Group's ability to refinance maturing debts, over the viability period to 2028. Headroom to compliance ratios over the viability period has been considered, as has the extent to which deviations from forecast financial performance may impact that headroom. The directors have considered this headroom in assessing the Group's long-term viability.

On the basis of this assessment, and assuming that the principal risks are managed or mitigated as expected, the directors have a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Strategic Report (continued)

Financial Performance (continued)

Fair, balanced & understandable

The directors have reviewed the thorough assurance process in place within the Group with regards to the preparation, verification and approval of financial reports. This process includes:

- Detailed review and appropriate challenge from key internal Group functions, such as Risk, Control and Assurance, senior managers and the Chief Financial Officer;
- Formal sign-offs from the business area senior managers, the finance managers and CFO;
- Audit and Compliance Committee oversight, involving a review of key financial reporting judgements, review and appropriate challenge on matters such as any changes to material accounting policies and practices, significant adjustments and the going concern assumption;
- The involvement of qualified, professional employees with an appropriate level of expertise and experience throughout the business; and
- Engagement of a professional and experienced external auditor, a framework for full transparent disclosure of information during the audit process and post-audit evaluation.

As a result of these processes together with the information and assurance provided by the day-to-day internal control processes, the information provided by the Executive Leadership Team of ENWL and the in-depth reporting required by Ofgem, both the Audit and Compliance Committee of ENWL and the Board are satisfied that the Annual Report and Consolidated Financial Statements taken as a whole, provide a fair, balanced and understandable assessment of the Group's position at 31 March 2025.

Strategic Report (continued)

Risk Management

The Board, CEO and ELT are responsible for the alignment of strategy and risk, and for maintaining a sound system of risk management and internal controls. Our processes and systems are always evolving with the needs of our business and have been developed in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Our Corporate Risk Register currently encompasses a broad spectrum of risks. These risks are evaluated in the context of our corporate goals – **Sustainability, Safety, Financeability/Affordability, Systems and Data, Customer/Reliability,** and **People**. They are monitored by a company-wide network of Risk Champions and Coordinators. In addition, there are risks in relation to **Global Events and Regulation**.

The Company's approach to risk appetite goes to the heart of achieving our Company goals.

As with any business, the achievement of our goals necessitates a certain level of risk being taken. The key is ensuring that such a scale of change is managed with a good understanding of the risks involved, in a manner consistent with the Company strategy, and importantly making sure that these risks are managed within agreed risk appetites.

The Company has a framework in place to define the appetite for risk which is reviewed annually by the ELT and agreed upon by the Board. The framework enables the Board to demonstrate its risk appetite for the overall strategic direction of the business and maps risk appetite for each of our company goals at a tactical and operational level.

Risks are only accepted when within the risk appetite criteria, and when further mitigation of the risk is not considered cost effective (or is not possible).

Risk appetite varies in these areas, but in line with the framework, the Company generally operates within a 'cautious' to 'averse' risk range, given that the achievement of the stretching business plan would not be possible without a level of measured risk taking. In **Sustainability**, an 'averse' risk appetite is adopted, given our desire to ensure that the company maintains its reputation for compliance and an ethical way of doing business, as well as the role the Company has in the low carbon transition.

In relation to **Safety**, the Company adopts an 'averse' risk position, placing the highest priority on safety in all operations. Appropriate working practices that protect our employees, contractors and the general public are a key priority for the business and an important part of ensuring that we undertake our activities safely.

Similarly, in regard to **Financeability/ Affordability** an 'averse' risk appetite has been adopted to safeguard financial stability and protect customers from unnecessary cost pressures. By focusing on cost efficiency and prudent investment, ENWL ensures that network improvements and operational expenses are managed responsibly.

In relation to **Systems and Data** the Board adopts an 'averse' risk appetite to ensure the highest levels of security, integrity, and reliability in its digital infrastructure. Protecting sensitive customer information and maintaining uninterrupted network operations are crucial priorities.

In relation to **Customer/Reliability**, a 'very cautious' risk appetite is adopted to ensure consistent performance and minimise disruptions. By prioritising robust network resilience and proactive customer service, ENWL aims to meet regulatory performance standards reflecting our commitment to maintaining high levels of trust and reliability.

Strategic Report (continued)

Risk Management (continued)

For **People**, the Company recognises the value of its people and the organisational climate in order to deliver effectively for our customers, so a cautious approach is adopted.

The key features of the risk management system include:

- Clear risk management strategy approved by the Board.
- Risk appetite framework, approved annually by the Board, in place that forms a key driver of the strategic business plan.
- Board oversight in identifying and understanding significant risks (and opportunities) to the Group in achieving strategic objectives.
- Dedicated Board and Executive Committees to oversee the management of risks for the Group.
- Appropriate operational and non-operational risks being managed within a corporate risk system.
- Target risk scores are in place for corporate risks, with actions in place for risk owners to progress towards achieving the target risk scores.
- The underpinning of the corporate register with directorate risk registers across the business with a network of Risk Champions and Co-ordinators which enhance the business-wide monitoring process.
- Development of comprehensive crisis and reputation management plans to address potential emergencies and maintain public trust.
- Regular training and development programmes for staff to ensure a strong risk-aware culture throughout the organisation.
- Collaboration with external stakeholders, including regulatory bodies and industry partners, to stay ahead of emerging risks and regulatory changes.

Principal risks and uncertainties

In addition to the usual operational risks, such as failing to meet customer expectations, the most significant risks we currently face include wider global events, cybersecurity threats, and potential changes to the regulatory regime.

Climate change has the potential to increase risks and uncertainties for us in relation to our business resilience and our ability to meet the expectations of our customers. We continue to actively consider what this might mean for our own activities, as well as supporting our customers in developing their own plans to mitigate these risks. The increased frequency and severity of extreme weather events, such as storms and floods, pose a threat to our infrastructure and can lead to significant service disruptions. Additionally, rising temperatures may impact the efficiency and lifespan of our equipment, necessitating ongoing adaptation and resilience measures. However, we have robust strategies in place to manage these uncertainties, including comprehensive climate adaptation plans, regular infrastructure assessments, and proactive maintenance schedules. Our commitment to continuous improvement and collaboration with industry partners ensures that we remain well-prepared to address these challenges effectively.

Strategic Report (continued)

Risk Management (continued)

	Risk	Mitigations
Global Events and Regulation	**Global Events and supply chain:** Certain aspects of ENWL's activities could be susceptible to the impact of wider global events, including geo-political tensions, the conflicts in Ukraine and in the Middle East. These events coupled with the UK Government's response measures continue to disrupt global supply chains. Our supply chain continues to face challenges arising from these events, including inflation and economic disruption, which also present uncertainties for the business	• ENWL is recognised as a Critical National Infrastructure provider and is in regular dialogue with both the UK Government and the Regulator to maximise the effect of the mitigation measures on its abilities to provide an essential service to its customers. • Comprehensive scenario planning and business continuity plans to evaluate ENWL's response to potential global disruptions, including geopolitical crises, natural disasters, and economic shocks. • Control measures have been implemented to the extent possible to minimise the potential impact of the situation on ENWL's activities and are monitored by members of the ELT. • Reduction in dependency on single suppliers or regions by sourcing materials and services form a broader network of providers. • Implementing supplier Risk Assessments to evaluate the supplier stability, geopolitical exposure and resilience in order to identify vulnerabilities and develop contingency plans. • Forward work planning and advance ordering of materials, such as transformers, where there are constraints in the availability of materials or component parts and extended delivery lead times.

Strategic Report (continued)

Risk Management (continued)

	Risk	Mitigations
Global Events and Regulation	**Regulation and compliance risk:** The Company is subject to a high degree of political, regulatory and legislative intervention, which can impact both the current RIIO-ED2 period, and future regulatory settlements. The legal and compliance framework can change, leading to additional compliance obligations, market conditions, and reporting requirements. A changing political focus on the sector can have a significant effect on profitability or risk. Compliance failure leading to an adverse effect on the business.	• The Company has dedicated Regulation and Legal departments that provide advice and guidance regarding the interpretation of political, regulatory and legislative change. • There is ongoing engagement by the Company with the Regulator and Government. • There is regular engagement with the Board on political and regulatory developments which may impact the Company. • Transparent reporting to ensure accurate and timely submissions of regulatory reports demonstrating accountability. • Overall governance and control framework in place, including established compliance routines and accountabilities, owned by the Executive Leadership Team and ultimately the Board. • Ongoing training and awareness provided to ensure regulatory requirements and compliance best practices are understood and adhered to. • Specialist teams in place to ensure compliance and assurance is carried out. • An internal audit programme focusing on the Group's key risk areas, including fraud, regulatory compliance and business processes.
Sustainability	**Responding to major events:** Events outside of our control, for example extreme weather or medical emergencies, affecting large areas, may negatively impact the business.	• Established Incident Response Group – we have dedicated teams with clear roles and responsibilities to co-ordinate swift and effective responses during a major event. • Regular simulation exercises completed to train and test the resilience of our response to major incidents. • Collaboration with External Partners – we have strong relationships with emergency services, local authorities and other utilities to ensure a coordinated response to large scale incidents. • The Company has comprehensive contingency plans for network emergencies, including key contract resources such as mobile generators and overhead line teams. • Business continuity plans are in place and are tested and follow a robust testing schedule to identify areas of further improvement. • Maintenance of inventory levels to cover larger events.

Strategic Report (continued)

Risk Management (continued)

	Risk	Mitigations

Sustainability	**Programme delivery including change programmes:**
	Delays in the investment programme or major business change activity leading to an adverse impact on the Company, particularly relating to customer interruptions (CIs) and customer minutes lost performance (CMLs).
		• Established governance controls in place to oversee the delivery of business change.
		• Processes in place to support delivery of change programmes, management of risks and achievement of business benefits.
		• For activity impacting CI and CML performance, the following mitigation measures are in place:
		  ○ Fault response times and team performance are closely monitored including time to despatch and mobilise response teams;
		  ○ Supply interruptions are planned to minimise customer impact;
		  ○ Network automation to minimise the effect of faults;
		• Significant expenditure on routine maintenance to reduce the causes of network interruption.
		• Regular post investment appraisals to confirm effective delivery of programmes and maintain lessons learnt.
		• Stakeholder engagement – maintaining regular communications with contactors, regulators and internal teams to align expectations and address issues promptly.

Safety	**Health, Safety and the Environment:** Risk associated with unsafe working practices, man-made or naturally occurring hazards that could cause harm to employees or the wider public, or the environment.	• Board Health, Safety and Environment Committee oversees this area. • Extensive policy and procedures to ensure a safe system of work and environmental management. • Behavioural safety training programme across all areas of the organisation. • Simple 'Golden Rules' to ensure strong safety approach throughout the Company's operations. • Robust 'lessons learned' exercises conducted to identify root causes when safety or environmental issues occur. • Robust authorisation processes, policies and procedures to control who works on the network and the activities that they perform. • Annual programme of audits and an inspection regime. • Well-established hazard and safety observation (including near miss) reporting in place. • Regular engagement with employees and contractors to foster a culture of safety and environmental responsibility. • Collaboration with external experts and organisations to stay updated on best practices and emerging risks. • Development of comprehensive emergency response plans to address potential environmental and safety incidents.

Strategic Report (continued)

Risk Management (continued)

	Risk	Mitigations
Financeability/ Affordability	**Financial risks:** The business is subject to treasury, tax, inflation and liquidity risk exposures, and under performance of the pension scheme investments, market impacts and/or an increase in the scheme liabilities which would give rise to higher contributions.	• A formal treasury policy is in place to manage exposure to counterparty, liquidity and market risk, overseen by the Audit and Risk Committee. • A well-established monthly banking covenant monitoring process. • Monitoring of inflation calculations on allowances, compared to the actual inflation suffered on treasury instruments and operations. • Tax risk scoring. • Active monitoring of the pension scheme's investments carried out on a quarterly basis. • The pension scheme Trustee engages professional legal, actuarial and investment advice for all decisions taken and regularly consults with the Company, who also engage professional advisors.
	Investability: Inability to maintain sufficient equity and financial attractiveness to secure the necessary funding for critical infrastructure investments.	• Regular engagement with credit rating agencies to maintain a strong credit rating. • Clear and transparent financial reports to stakeholders, highlighting the company's financial health and investment potential. • Comprehensive financial planning and analysis processes to forecast future funding needs and identify potential financial risks. • Active engagement in advocacy efforts to influence favourable regulatory changes that support investment in critical infrastructure.

Strategic Report (continued)

Risk Management (continued)

Systems and Data	**Cyber and physical security threat:** Breach of our security regime and access to key network security systems by an internal/external party leading to disruption or loss of critical systems, assets or data breach.	• Dedicated qualified personnel allocated to Cyber and IT security. • A comprehensive investment programme to address any potential weaknesses and respond to arising threats. • A training programme in place to inform all users of the risks of email and social engineering attacks. • A cyber risk assessment methodology implemented within the Group. • Pre-employment screening and ongoing checks for all colleagues, with enhanced requirements for critical roles such as System Administrators. • A strong governance and inspection regime to protect infrastructure assets and operational capacity. • Physical and technological security measures, including encryption of key laptops, preventing the loss of data. • Data Centre infrastructure providing enhanced security monitoring and management tools, 'next generation' firewalls and network traffic analysis. • Ongoing security patching of critical systems. • Ongoing renewal and replacement programmes to ensure hardware and software is refreshed on appropriate timescales. • Periodic internal and external security reviews. • Key systems IT disaster recovery testing. • Use of e-learning to promote awareness of Cyber issues for all employees. • Enhanced access controls and CCTV networks to strengthen physical security. • Integration of advanced threat detection processes to identify and mitigate potential cyber risks proactively. • Routine phishing simulations to assess the effectiveness of phishing awareness campaigns.

Strategic Report (continued)

Risk Management (continued)

	Risk	Mitigations
Customer/ Reliability	**Network Performance and resilience**: Aging infrastructure rising demand, and extreme weather events threaten network stability, risking outages and service disruptions	• Established customer engagement plans to maintain regular communication during outages, providing real-time updates, and offer support to vulnerable customers to maintain trust and satisfaction. • Investment in infrastructure upgrades to reinforce critical infrastructure to enhance reliability and reduce vulnerability to faults. • Deploying smart grid technologies using automation systems to detect and respond to issues in real-time, minimising outage impacts. • A programme of improvement activities described in more detail on page 18 is being co-ordinated by the Executive Leadership Team to optimise the Company's position against all elements of the customer satisfaction measure. • Robust plans in place to achieve other commitment targets, or outperform where possible. • Controls in place regarding the ongoing reporting of performance against targets.
People	**Developing our people:** Having an inadequately skilled and experienced workforce to deliver current and future business objectives.	• Resource and succession plans are in place, which are subject to periodic Executive and Board level review. • Training delivered throughout the Company to ensure employees are equipped to do their roles safely, competently and effectively. • Robust resourcing model is in place to meet business needs and mitigate potential difficulty in attracting the resources we may need across RIIO-ED2 and ED3. • Extensive policies are in place regarding ethical conduct within the business, including Anti-Bribery and Corruption; Conflict of Interests; Ethics; Equality; Internal Control and Governance; Modern Slavery and Speak Up (Whistleblowing). • Employee engagement – fostering a positive workplace culture to improve retention and motivate staff to achieve business objectives.

The Strategic Report, outlined on pages 10 to 50, has been approved by the Board of Directors and signed on behalf of the Board on 16 June 2025.

Chris Johns
Director

Corporate Governance Report

During the year ended 31 March 2025 under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has chosen to report on how the principles and provisions of the UK Corporate Governance Code ("the Code") have been applied during the year. There are some limited areas of non-compliance, all of which are considered appropriate to the privately owned status of the Company and are explained on pages 57 to 58.

The Board

Board Members as at 31 March 2025 are as below:

Alistair Buchanan, CBE
Independent Non-Executive Director
Appointed on 25 July 2018

Alistair Buchanan has over 25 years' experience in the energy industry, including 10 years as Chief Executive of Ofgem. In 2013 he joined KPMG as Partner and UK Chair of Power & Utilities, returning to the firm where he trained as a Chartered Accountant. During his career, Alistair became an award-winning energy sector analyst and head of research for banks in New York and London. With experience at Board level on various companies, he currently also serves as the Chair of the leading period orchestra "The Mozartists".

Keith Anderson
Non-Executive Director
Appointed on 22 March 2025

Keith Anderson is Chief Executive Officer for Scottish Power and he also sits on the Scottish Power Board, where he was appointed in February 2012. Keith has full responsibility for the Scottish Power's activities in the UK including the £24bn investment plan to 2028 designed to strengthen the position of the company as the Utility of the Future. Under the previous Government, Keith was a member of the Prime Minister's Business Council and the UK Investment Council.

Prior to joining Scottish Power, Keith worked with some major financial institutions including The Royal Bank of Scotland and Standard Life, as well as working as a management consultant with Ernst & Young LLP.

Harold Hutchinson
Independent Non-Executive Director
Appointed on 22 October 2024

Harold Hutchinson was born in Belfast and has degrees from the University of St. Andrews, Scotland (M.A. Hons. Economics/French), and University of Oxford (M.Phil. Economics). He spent his early career in academia as a lecturer in economics at St. Andrews University. He was subsequently a top-rated research analyst in the energy and utilities sectors for over 25 years at various investment banks, most recently at Investec Bank plc, where he was a Managing director in the Listed Client Group and Head of UK Equity Research. Currently, he is a Senior Adviser in Alternative Energy at Investec Bank plc. In addition, he is a Trustee and Director at the Regulatory Policy Institute, Oxford, an educational charity dedicated to the promotion of regulatory and market research for the public benefit.

Charles Langan
Non-Executive Director
Appointed on 22 March 2025

Charles Langan was appointed Scottish Power's Chief Financial Officer in July 2024, responsible for providing strategic financial leadership of Scottish Power and day-to-day management of the Finance function. Charles is also responsible for the IT, Security, Procurement and General Services functions. Since joining Scottish Power in 2005, Charles has held several senior finance positions both in the UK and Spain.

Charles is a member of the Institute of Chartered Accountants of Scotland and has a degree in Accountancy and Finance from the University of Strathclyde. Prior to joining Scottish Power, Charles worked at Ernst & Young LLP.

Corporate Governance Report (continued)

The Board (continued)

David Mesonero
Non-Executive Director
Appointed on 22 March 2025

David Mesonero is currently the Global Head of Corporate Development and M&A of Iberdrola, S.A. He is member of The Board of Directors of Iberdrola Mexico, Iberdrola Energía Internacional, and its Audit Committee. He is a member of the Finance Committee of Neoenergia and a member of the Board of these societies: Windar Renewable and Wallbox.

Prior to his role in Iberdrola, David was CFO of Prisa Group, and CFO at Siemens Gamesa Renewable Energy. He has a background as a strategic consultant and investment banker and specializes in capital markets and in designing different financing structures.

Masahide Yamada
Non-Executive Director
Appointed on 7 July 2022

Masahide Yamada is employed by the Kansai Electric Power Company Inc. which is an electric utility with its operational area of Kansai region, Japan. He is the General Manager for Asset Management, Americas and Europe Region, International Business Division. Masahide has 10 years' experience in the field of power distribution, with more than 10 years' experience in overseas investment in power assets including as a Finance Director of a hydropower project in the Republic of Indonesia, and some experience with Strategy, Planning and Budget Management.

Ian Smyth
Executive Director - Group CEO
Appointed on 5 September 2022

Ian Smyth has been Group CEO of Electricity North West Limited since 2022. Prior to Electricity North West, Ian was a Director of UK Power Networks, a Managing Director of Navigant a global advisory and dispute resolution consultancy and the lead partner of the Utilities and Regulated Industries practice for LCP. He has been a consultant for Ernst & Young LLP. Ian has worked internationally for governments, regulators and utilities across electricity, gas and water. Ian has a BA(Hons) in philosophy, psychology and artificial intelligence from Manchester Metropolitan University and an MSc in Cognitive Science from the University of Birmingham.

Chris Johns
Executive Director - Group CFO
Appointed on 25 May 2023

Chris Johns joined Electricity North West Limited as Group CFO (Chief Financial Officer) in May 2023. Chris is a Chartered Accountant and has previously been CFO of Yorkshire Water, a role he held from June 2020. He has also previously held the roles of Finance Director of both Northumbrian Water Group and Northern Gas Networks.

Corporate Governance Report (continued)

The Board (continued)

Shareholder appointed and shareholder nominated directors

Keith Anderson, Charles Langan, David Mesonero (all appointed to the Board on 22 March 2025) and Masahide Yamada are shareholder appointed directors.

Beatrice Araujo and Harold Hutchinson (both appointed to the Board on 22 October 2024) were shareholder nominated directors.

Beatrice Araujo resigned from the Board on 21 March 2025.

Harold Hutchinson converted to an Independent Non-Executive director effective from 21 March 2025, and furthermore named to Ofgem as fulfilling the role of a Sufficiently Independent director as required by Ofgem.

Mitsuo Wada was a shareholder appointed director until he resigned on 21 March 2025. Michiko Hara was the appointed alternate director for Mitsuo Wada during his time as a Board member. Michiko Hara resigned on 21 March 2025.

Makoto Murata is the appointed alternate director for Masahide Yamada.

Corporate Governance Report (continued)

The Board (continued)

Attendance at Board meetings

At the discretion of the Board, senior management were invited to attend meetings when appropriate specific items were subject to discussions. Where a director was unable to attend a Board meeting, their views were canvassed by the Chair prior to the meeting.

The table below shows Board attendance, and Board Committee attendance for committee members only. Informal meetings to discuss board member replacements are not included, nor are attendances by directors at committee meetings where they are not formal members.

Board Member Attended / Scheduled	ENWL Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Safety, Health and Environment Committee
Keith Anderson[1]	1/1	-	-	-	-
Beatrice Araujo[2]	3/4	-	1/2	-	1/1
Anne Baldock[3]	8/8	5/6	4/4	1/1	3/3
Alistair Buchanan	9/9	-	4/4	1/1	-
Susan Cooklin[4]	7/8	6/6	-	-	3/3
Rob Holden[5]	8/8	6/6	-	-	-
Harold Hutchinson[6]	5/5	-	2/2	-	2/2
Chris Johns	9/9	-	-	-	-
Siôn Jones[7]	2/4	-	1/2	0/1	-
Charles Langan[8]	1/1	-	-	-	-
David Mesonero[9]	1/1	-	-	-	-
Peter O'Flaherty[10]	4/4	-	2/2	1/1	1/1
Genping Pan[11]	2/4	-	1/2	0/1	-
Ian Smyth	9/9	-	-	-	3/3
Mitsuo Wada[12]	7/8	-	0/2	-	-
Masahide Yamada	8/9	-	4/4	1/1	2/3

[1] Appointed as director on 22 March 2025 and attended the only Board meeting during the period.
[2] Appointed as director on 22 March 2025 and resigned on 21 March 2025 but had attended 3 of the 4 Board meetings during the period.
[3] Resigned as director on 21 March 2025 but had attended all previous Board meetings during the year until this date.
[4] Resigned as director on 21 March 2025 but had attended 7 of the 8 Board meetings during the year until this date.
[5] Resigned as director on 21 March 2025 but had attended all previous Board meetings during the year until this date.
[6] Appointed as director on 22 October 2024 and had attended all of the Board meetings during the period.
[7] Resigned as director on 22 October 2024 but had attended 2 of the 4 Board meetings during the year until this date.
[8] Appointed as director on 22 March 2025 and attended the only Board meeting during the period.
[9] Appointed as director on 22 March 2025 and attended the only Board meeting during the period.
[10] Resigned as director on 22 October 2024 but had attended all previous Board meetings during the year until this date.
[11] Resigned as director on 22 October 2024 but had attended 2 of the 4 Board meetings during the year until this date.
[12] Resigned as director on 21 March 2025 but had attended 7 of the 8 Board meetings during the year until this date.

Corporate Governance Report (continued)

The Board (continued)

The Audit and Risk Committee was terminated by the directors of the Board on 23 March 2025, and replaced by the Audit and Compliance Committee with effect from the same date. The Remuneration Committee, Nominations Committee and Safety, Health and Environment Committee were terminated by the directors of the Board on 23 March 2025 with all of their respective powers, duties, and obligations returning to the Board of Directors as necessary.

Diversity

The Board supports diversity in its broadest sense and accordingly aims to ensure that its number is made up of a diverse range of experience, independence and expertise appropriate to the industry in which it operates, its operational business model and the extensive financial, governance, regulatory risk management and legal expertise required. Diversity of the Board continues to be assessed on a case-by-case basis as vacancies arise.

Composition

The Board comprises two Non-Executive Directors (including the Chair) considered under the Code to be Independent, and four Non-Executive Directors representing the shareholders, together with two Executive directors. The Directors' biographies are on pages 51 to 52.

The two Independent Non-Executive directors, Alistair Buchanan and Harold Hutchinson, have been named to Ofgem as fulfilling the role of Sufficiently Independent directors as required by Ofgem. The role of the Sufficiently Independent director was introduced from 1 April 2014 as part of a range of enhancements made to the ring-fence conditions in the Company's licence to protect consumers, should a distribution operator experience financial distress.

The individual directors are regularly asked to confirm that they are able to discharge their responsibilities on appointment and thereafter, in light of any other commitments or outside appointments they may have.

Leadership

The Board provides leadership of the Company, ensuring it continues to balance the needs of stakeholders while delivering the Company's strategy. Individually the directors act in a way that they consider will promote the long-term success of the Company.

The role of the Chair and the CEO is separate, defined by clear role descriptions set out in writing and agreed by the Board.

The Chair is responsible for the leadership and governance of the Board, and the CEO for the operational management of the Company and implementation of the strategy on the Board's behalf. The CEO is assisted by his ELT that comprises the operational unit directors.

Advice

All directors are able to consult with the Company Secretary, and the appointment and removal of the Company Secretary is a matter reserved for the Board.

Any individual director, or the Board as a whole, may take independent professional advice relating to any aspect of their duties at the Company's expense.

Corporate Governance Report (continued)

The Board (continued)

How the Board operates

The Board's role is to promote the long-term success of the Company and provide leadership within a framework of effective controls. The Board is responsible for approving the strategy and for ensuring that there are suitable resources to achieve it. In doing so, the Board takes into account all stakeholders, including its shareholders, employees, suppliers and the communities in which it operates.

The Board has matters specifically reserved for its decision, including the approval of budgets and financial results, assessment of new Board appointments, dividend decisions, litigation which is material to the Group, and directors' remuneration. From 23 March 2025 these matters are now dealt with by North West Electricity Networks (UK) Limited Board.

Training

The Chair is responsible for ensuring that all directors update their skills, knowledge and familiarity of the Company.

Directors regularly receive reports facilitating greater awareness and understanding of the Company, its regulatory environment and the industry. The Board aims to have at least two workshops and one strategy meeting a year aimed at developing a greater understanding of the Company's finances and operations and to explore strategic matters in detail.

Committee members received detailed presentations at meetings focusing on areas of relevance to the Committee and Board members are invited to workshops with shareholder representatives who are able to delve into areas of interest in greater detail.

The Chair is also responsible for ensuring that all new directors receive a tailored induction programme that reflects their experience and position as either an Executive or Non-Executive director. This involves meetings with the Board, the Company Secretary, other members of the Executive and Senior Leadership Teams and site visits. Additional documentation is provided as appropriate.

Appointments

The two independent Non-Executive directors are provided with a detailed letter of appointment.

The four other Non-Executive directors are appointed by the Company's shareholders as their representatives.

Conflicts of interest

The Board has appropriate processes in place to assess and manage any potential conflicts of interest. As part of these procedures the Board:

- Considers conflicts of interest as part of the agenda for all meetings.
- Asks directors annually if there are any changes to their conflict of interest declarations, including appointments to the Boards of other entities.
- Keeps records and Board minutes regarding any decisions made.

Corporate Governance Report (continued)

The Board (continued)

Areas of non-compliance with the Code

There are some areas where the Company did not comply with the Code during the year, all of which are due to its privately-owned status and are discussed below. The Company has endeavoured to comply with the spirit of the Code; nevertheless, as outlined below, compliance with certain provisions is either impractical or inappropriate.

Senior Independent Director

The Board has not appointed a Non-Executive director as a Senior Independent director under the Code. The Board meets the objectives behind this requirement through its shareholder representation on the Board.

Composition of the Board

The Code states that half the Board should be independent Non-Executive directors. In light of the composition of the Board explained above on pages 57 to 58, the Company does not satisfy this requirement. However, as the Company is privately-owned and all shareholders are represented on the Board, it is felt that the needs of shareholders are met through their presence on the Board.

The Board considers that the two Independent Non-Executive directors offer an appropriate perspective, meaningful individual participation and effective collective decision making.

Annual election of directors

The Board does not require its directors to be re-elected annually as the shareholder representation on the Board allows the opportunity to challenge a director's performance directly rather than at an Annual General Meeting.

Publication of the terms and conditions of Non-Executive Directors

As a privately-owned company, the Company is not required to provide a remuneration report in line with the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The purpose of the remuneration report is to enable shareholders to exercise judgement over directors' remuneration. With the presence of shareholder representatives on the Remuneration Committee, this purpose is met directly.

Engagement with stakeholders

As a privately-owned company, the Company does not have a large or dispersed shareholder base with which to communicate formally, nor are there any minority shareholders. Therefore, Annual General Meetings are not held.

Shareholders

The Group works closely with its shareholders and see their stewardship commitments as a key feature of their investment philosophy.

They are committed to maintaining the integrity and quality of the markets in which they operate and allocate investment capital to productive purposes, while protecting and enhancing their clients' capital over the longer term.

Workforce

The Board has not utilised the methods in the Code for engagement with the workforce. However, the workforce has a strong Trade Union representation and regular meetings of engagement take place both with representatives and directly through workforce meetings with the leadership team.

Corporate Governance Report (continued)

The Board (continued)

Areas of non-compliance with the Code (continued)

Stakeholders

The Company has strong and open relationships with stakeholders, including Ofgem, MPs and central government, local government, and emergency services. There are a number of key relationships and a vast range of public sector stakeholders. The Company also engages across the industry with electricity suppliers, employees, contractors and other utilities, along with research of customers' opinions. Due to the regulated nature of the industry the Company has less flexibility to determine some of its engagement mechanisms with stakeholders. Our stakeholder engagement strategy is outlined on page 22.

Board evaluation

The Code requires boards to conduct an annual evaluation of their effectiveness, with such evaluation being externally facilitated every three years for FTSE 350 companies. Although the Company does not undertake an annual exercise, externally led board evaluations are performed on a periodic basis as deemed appropriate. The last one conducted by Lintstock Limited was in 2021. The Chair of the Board will consider later in 2025 when may be an appropriate date to undertake the next effectiveness evaluation.

Internal audit team

The Company's internal audit team provides independent, objective assurance and advisory services designed to improve the Company's (and members of its group where applicable) operations. Internal audit activity helps the business achieve its objectives by evaluating and improving the effectiveness of risk management, control and governance processes.

Nomination Committee

The Code requires a majority of the members of the Nomination Committee to be independent Non-Executive directors.

Notwithstanding that the Company's Nomination Committee is not so constituted, during the year the Board considered that the Committee had the necessary mix of skills, expertise and experience to discharge its role of leading the process for appointments and ensuring appropriate plans were in place for succession to the Board and senior management positions. Additionally, it is felt that the interests of shareholders have been properly reflected by means of their representation of the Committee.

Remuneration Committee

The Code also states that the Remuneration Committee should comprise only independent Non-Executive directors.

Again, as the Company is privately-owned and has no external shareholders, during the year the Board believes that the interests of shareholders had been appropriately represented on the Committee and that the Committee was suitably constituted to discharge its functions in relation to the alignment of remuneration policies and practices to the long-term sustainable success of the Company.

The Nomination and Remuneration Committees were terminated by the Board on 23 March 2025 with all of their respective powers, duties, and obligations returning to the Board of Directors as necessary.

Corporate Governance Report (continued)

Board Committees

During the year the Board had delegated the detailed oversight of certain items to four standing Committees and three ad hoc Committees until they were terminated by the Board on 23 March 2025 with all of their respective powers, duties, and obligations returning to the ENWL Board of Directors as necessary.

The Audit and Risk Committee was terminated by the directors of the Board on 23 March 2025, and was replaced by the Audit and Compliance Committee with effect from the same date.

Standard Committees which generally met on a regular pre-planned cycle
Audit and Risk Committee
Remuneration Committee
Nominations Committee
Safety, Health, and Environment Committee
Ad hoc Committees meeting as required to deal with their specific areas of business
Use of Systems Pricing Committee
Finance Committee
Sustainable Financing Committee

The minutes of each Committee are made available to the Board.

The Use of Systems Pricing Committee met annually (or more frequently as necessary) to discuss customer bills. The Finance Committee met on an ad hoc basis, to approve detail about system pricing contained in Licence Condition 14 and financing transactions respectively. The Sustainable Financing Committee met on an ad hoc basis, to advise the Company on eligible green spend, in accordance with the Company's Green Financing Framework.

Report of the Audit and Risk Committee

The Audit and Risk Committee was terminated by the Board on 23 March 2025, and replaced by the Audit and Compliance Committee with effect from the same date.

The role and responsibilities of the Committee were set out in its Terms of Reference which were reviewed by the Committee and approved by the Board annually and were amended on 23 March 2025.

Membership and meetings

The Committee members were all Non-Executive directors. The Board was satisfied that the Committee Chair, Rob Holden, as a Chartered Accountant, had relevant financial experience. The Committee as a whole had experience relevant to the sector in which the Company operates. Attendance by individual members is detailed on page 54.

The role of the Committee

The key responsibilities of the Audit and Risk Committee were to:

- Monitor the integrity of the financial statements, including annual and half-yearly reports and to report to the Board significant financial reporting issues and judgements which they contain.
- Monitor the independence, effectiveness and remuneration of the external auditor.
- Review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management stems and compliance with the Code.
- Monitor the effectiveness of the Company's internal audit function.
- Ensure that the Group's treasury function is effective and approve treasury transactions in line with the Treasury policy.
- Conduct audit tender processes and make recommendations regarding the appointment and removal of the external auditor and any engagement terms. Monitor and ensure the appropriate use of the external auditor for any non-audit services.

Corporate Governance Report (continued)

Report of the Audit and Risk Committee (continued)

The significant matters considered by the Committee during the year included:

- The initial review of the 31 March 2025 Annual Report and Consolidated Financial Statements and the review of the FY25 half-year report.
- Evaluation of external audit work by PricewaterhouseCoopers LLP ("PwC") (including the initial discussion of fees and management response to audit reports) and developing the future audit programme.
- Review and evaluation of the auditor independence following the Iberdrola acquisition.
- Review of the going concern basis of preparation and the letter of support provided by Scottish Power UK Plc.
- Review and discussion on internal risk management controls and enhanced governance frameworks.
- Review of Treasury operations and Data Protection Officer's reports.

The following notes for the Audit and Risk Committee shall also apply to the Audit and Compliance Committee, as detailed below on page 62.

Committee effectiveness

The Committee formally reviewed its Terms of Reference and its membership during the year to ensure both remain fit for purpose and were considered effective by the Board.

Internal control framework

The Committee, on behalf of the Board, was responsible for reviewing the Company's internal control framework. This review is consistent with the Code and covers all material areas of the Group, including risk management and compliance with controls. Further details of risk management and internal controls are set out on pages 43 to 50.

Whistleblowing arrangements

The Committee is responsible for reviewing the Company's Disclosure (Whistleblowing) policy and any concerns raised through these channels and management actions taken in response. A revised policy was approved by the Audit and Risk Committee in January 2021 and a new Speak Up policy was approved in December 2021 and has been reviewed annually thereafter. A confidential service is provided by an external company whereby employees can raise concerns by email or telephone in confidence. Any matters reported are investigated and escalated as appropriate.

Corporate Governance Report (continued)

Report of the Audit and Risk Committee (continued)

External audit

The external auditors are engaged to express an opinion on the Company and Group financial statements. The audit includes the review and testing of the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements. This year's audit is undertaken by PwC, who will be stepping down as independent auditors, and auditors of Iberdrola Group who will be proposed for appointment as the statutory auditor of the Company.

In accordance with UK regulations, the Company's auditor adheres to a mandatory rotation policy and a new Group lead engagement partner is appointed once their predecessors have completed a term of five years.

To assess the independence and effectiveness of the external audit process, the Committee reviewed the audit approach and strategy and the final PwC report to the Committee, as well as receiving verbal feedback from the Board.

Auditor independence and the provision of non-audit services

The Company has a formal policy on the use of the auditor for non-audit work and the awarding of such work is managed in order to ensure that the auditor is able to conduct an independent audit, and is perceived to be independent by our stakeholders.

As a result of the acquisition of the NWEN (Jersey) group by Iberdrola in October 2024, a complex issue has arisen with regards to the independence of PwC as auditors for the NWEN (Jersey) group, including the Company, as PwC provides critical non-audit services to companies in the wider Iberdrola group. A market search was carried out, however no suitable alternative auditor was found. As a result, the Transitional Relief set out in Paragraph 1.27 of the FRC Ethical Standards 2019 was used to allow PwC to complete the audit for the year ended 31 March 2025. Although Iberdrola acquired 88% of the NWEN (Jersey) equity on the 22 October 2024, the CMA's Initial Enforcement Order ("IEO") prevented Iberdrola from influencing the operations or business of the NWEN (Jersey) group, including the Company. Based on this it was concluded that Iberdrola was only a controlling entity after the CMA released the restrictions of the IEO on the 20 March 2025, and at this point the 3-month period under the Transitional Relief would commence. The PwC audit has been concluded within this period.

In keeping with professional ethical standards, PwC also confirmed their independence to the Committee with regards to the NWEN (Jersey) group and set out the supporting evidence in their report to the Committee prior to the publication of the Annual Report and Consolidated Financial Statements.

The non-audit services provided by the statutory auditor during the year to the NWEN (Jersey) group were in connection to Ofgem regulatory requirements and financial covenant compliance.

Corporate Governance Report (continued)

Report of the Audit and Risk Committee (continued)

Fair, balanced and understandable

The Audit and Risk Committee was requested to assist the Board in confirming that the Annual Report is fair, balanced and understandable. As part of its review, the Audit and Risk Committee took into account the preparation process for the Annual Report and Consolidated Financial Statements:

- Detailed review and appropriate challenge from key internal Group functions, such as Risk, Control and Assurance, senior managers and the CFO.
- Formal signoffs from the business area senior managers, the finance managers and CFO.
- Audit and Risk Committee oversight, involving a review of key financial reporting judgements, review and appropriate challenge on matters such as any changes to material accounting policies and practices during the year, significant adjustments and the going concern assumption.
- The involvement of qualified, professional employees with an appropriate level of expertise and experience throughout the business.
- Engagement of a professional and experienced external auditor, a framework for full transparent disclosure of information during the audit process and post audit evaluation.

The Directors' Statement on a fair, balanced and understandable Annual Report and Consolidated Financial Statements is set out on pages 70 to 71.

Report of the Audit and Compliance Committee

The Audit and Compliance Committee replaced the Audit and Risk Committee, which was terminated by the Board on 23 March 2025.

The role and responsibilities of the Committee are set out in its Terms of Reference.

Membership and meetings

The Committee members are all Non-Executive directors. The Board is satisfied that the Committee Chair, Harold Hutchinson, has relevant knowledge and financial experience. The Committee as a whole have experience relevant to the sector in which the Company operates.

No meetings of the Committee were held during the part of the financial year since it was established. A minimum of four Committee meetings are scheduled for the year commencing 1 April 2025.

The role of the Committee

The key responsibilities of the Audit and Compliance Committee are to:

- Monitor the financial and non-financial information preparation process for the Company;
- Oversee the independence, activities and efficiency of the internal audit function;
- Oversee and review the activities of the Company's compliance unit;
- Monitor the statutory audit of the annual report and accounts of the Company; and
- Monitor the independence of the Group's external auditor and recommend to the Board the appointment of the external auditor and their associated terms of engagement.

Corporate Governance Report (continued)

Report of the Nominations Committee

The role and responsibilities of the Committee were set out in its Terms of Reference. The Committee's responsibilities included keeping under review the composition of the Board and senior executives, identifying and nominating candidates for approval by the Board to fill any vacancies and succession planning for directors and other senior executives.

The Nominations Committee was terminated by the Board on 23 March 2025 with all of its powers, duties, and obligations returning to the Board of Directors as necessary.

Membership and meetings

The Committee Chair was Alistair Buchanan, Independent Non-Executive director. Composition of the Committee and attendance by individual members at meetings is detailed on page 54. The Chief Executive Officer and external advisors attend meetings at the invitation of the Chair of the Committee.

The Nominations Committee held one meeting during the year.

Diversity

As described in the Corporate Governance report on page 55, the Board is committed to diversity in its broadest sense and the Nominations Committee ensured this remained central to recruitment and succession planning. The Committee typically undertook an annual review to assess the Company's planning for succession to executive and senior management roles.

Report of the Remuneration Committee

The Committee's role was to determine the remuneration structure for the Executive directors and Board to ensure that it balances appropriate reward with the creation of long-term value, customer performance and sustainability of the network.

It was also responsible for the review of the remuneration of other members of the ELT to ensure the structure and levels of remuneration appropriately incentivise these individuals to achieve the Company's strategic objectives.

As required by the Code, the Company engages directors on terms which do not reward poor performance and, where necessary, require directors to mitigate their losses.

Whilst the Company does not currently directly engage its workforce in relation to executive remuneration, there is information available internally and externally regarding the key terms of such remuneration.

When the Company's CEO attended (by the Committee's invitation) the Committee meeting held during the year, the CEO did not attend any discussions in which he was individually discussed.

Membership and meetings

The composition of the Committee and attendance by individual members is detailed on page 54.

The key areas of focus for the Remuneration Committee during the year were:

- Company performance update and executive incentive plan update.
- Executive bonus approvals and director remuneration.

Corporate Governance Report (continued)

Report of the Remuneration Committee (continued)

Role of the Committee

The Committee reviewed and approved the overall remuneration policies for employees below director level but did not set remuneration for these individuals. This oversight role allowed the Committee to take into account pay policies and employment conditions across the Group.

The Committee has reviewed the appropriateness of the remuneration structure for the RIIO-ED2 regulatory period and, subject to some changes, determined that it continues to promote the long-term success of the Company.

Share options are not offered as an incentive to either Executive or Non-Executive directors as the Company is privately-owned.

Nature of remuneration of Executive directors

The table below sets out the nature of the remuneration of the Executive directors:

Element	Purpose and link to strategy	Framework
Basic Salary	Basic salary provides the core reward for the role. Salaries are set at a sufficient level to attract and retain high calibre individuals who can deliver the Group's strategic objectives.	External advice is taken on all remuneration to ensure that it remains effective and appropriate. Levels of basic salary are benchmarked and will also reflect the director's experience and time at director level.
Benefits	Other benefits provided are designed, as with basic salary, to provide a competitive but not excessive reward package.	In addition to basic salary, directors are provided with a car allowance and are offered private medical insurance.
Executive Incentive Plan ("EIP")	Executive directors are members of the Executive Incentive Plan. This aims to reward both in-year performance and incentivise strategic and innovative behaviours over the longer-term, aligned to shareholder objectives, including customer performance. Following Health & Safety best practice, safety is considered to be an essential part of any role. Therefore, directors receive no Health & Safety related incentives.	The EIP works on a balanced scorecard approach, with measures scored on an annual basis but set in line with longer term ambitions, and bonus payouts in part deferred into subsequent years, to promote a strategic focus and sustainable performance.
Pension	Directors are offered the same level of defined contribution benefits as all other employees, or a taxable payment in lieu.	No director is a member of the defined benefit scheme which is now closed to new members.

Corporate Governance Report (continued)

Report of the Remuneration Committee (continued)

CEO pay ratio

In line with statutory requirements, effective for financial years commencing on or after 1 January 2019, companies with more than 250 employees and which are quoted on the UK Official List are required to publish information on their CEO pay ratio. The requirement is to publish total CEO remuneration compared to the 25th, 50th and 75th percentile total remuneration of full-time equivalent UK employees.

There are three methodologies that companies can choose to report their pay ratio, known as Option A, B and C. The government preference, and most accurate reporting method, is Option A. Electricity North West Limited have elected to use this method, consistent with previous years, which enables us to compare total remuneration for the financial year ended 31 March 2025, in line with the pay gap requirements.

The following tables set out this information for total remuneration[1] (which is inclusive of bonus, long term executive incentive payments, additional allowances or payments, benefit in kind and employer pension contributions).

Bonus payments are linked closely to Company performance and the timing of maturity of long-term incentive arrangements, so may fluctuate year on year. We have, therefore, also included a comparison of total remuneration excluding bonus and long-term incentive awards.

As per Table 1: The total CEO pay gap has increased from 2024. The increase is primarily due to the closure and subsequent payout of the executive long-term incentive plan, and linked to that closure, incentive payments accrued this year and in prior years (that would normally be payable next year) were paid “in year”.

The closure of the executive incentive plan was linked to the recent company sale process. Payments and fees received by the CEO from the NWEN (Jersey) group linked to the sale are not applicable to this calculation as they are deemed exceptional in nature.

TABLE 1	25th percentile	50th percentile	75th percentile
2025 Pay excluding bonus	1:11	1:8	1:6
2025 Total remuneration	1:54	1:40	1:30
2024 Pay excluding bonus	1:11	1:8	1:6
2024 Total remuneration	1:22	1:16	1:12

Employee remuneration amounts for each percentile are shown in Table 2 below.

TABLE 2	25th percentile	50th percentile	75th percentile
2025 Pay excluding bonus	£49,070	£66,877	£88,568
2025 Total remuneration	£50,947	£69,261	£92,694
2024 Pay excluding bonus	£44,756	£62,148	£84,529
2024 Total remuneration	£46,219	£64,113	£87,661

[1] The remuneration of employees who did not receive a full year's pay have been excluded to ensure the comparison is fair and equitable. For example, employees on reduced pay due to statutory absence those with part year service have been excluded.

Corporate Governance Report (continued)

Report of the Safety, Health and Environment Committee

The Committee developed the Company's safety, health and environment strategies, agreed targets and monitored Company performance in these areas. It regularly challenged the executive and the safety, health and environment team to look at new initiatives and work with other organisations.

The Safety, Health and Environment Committee was terminated by the Board on 23 March 2025 with all of its powers, duties, and obligations returning to the Board of Directors as necessary.

Membership and meetings

The Committee Chair was Susan Cooklin, Independent Non-Executive director until she resigned on 21 March 2025. Composition of the Committee and attendance by individual members is detailed on page 54.

Meetings were also attended by executives in charge of operationally focused directorates.

The role of the Committee

The Committee has delegated authority from the Board set out in its Terms of Reference.

The primary purpose of the Committee was to:

- Set the corporate safety, health and environment strategy, objectives, targets and programmes.
- Monitor performance in these areas with a view to:
  - minimising risk;
  - ensuring legal compliance;
  - responding to significant events; and
  - ensuring significant resources are allocated for the control of safety, health and environmental risks.
- Report to the Board developments, trends and/or forthcoming legislation in relation to the safety, health and environmental matters which may be relevant to the Company's operations, assets or employees.
- Review the Company's external reporting in this area and regulatory disclosures.

At every meeting, the Committee received and discussed in detail a Safety, Health and Environment performance report for the preceding period. Amongst other things, this report covered case studies, key issues and developments.

Additionally, the Committee considered relevant risks (including a review of risk that forms part of the Board's overall annual exercise) and oversaw the Company's mitigation strategies.

This financial year the Committee focussed on health and wellbeing activities. It also discussed the goals of the Environmental Action Plan which formed part of the previous RIIO-ED2 business plan. The Fatigue Risk Management Plan was also discussed for the wellbeing of employees, as was other safety, health and environment challenges facing the business.

Directors' Report

The directors present their Annual Report and Consolidated Financial Statements of Electricity North West Limited ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 March 2025.

General information

The Company is a private company limited by shares and incorporated and domiciled in England, the United Kingdom under the Companies Act 2006. The principal activity of the Company is as an electricity distribution company within the North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") group, part of the wider group headed by Iberdrola, S.A., one of the largest utility companies in the world and a leader in renewable energy.

Information contained in Strategic Report

As permitted by section 414C of the Companies Act 2006, certain information required to be included in the Directors' Report has been included in the Strategic Report. Specifically, this relates to:

- risk management, pages 43 to 50;
- how the directors have had regard to the need to foster business relationships with stakeholders, page 22;
- employee matters, pages 19 to 20;
- greenhouse gas emissions, pages 14 to 16; and
- future developments, page 11.

Parent, ultimate parent and controlling party

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

At 31 March 2024, the ultimate parent undertaking and ultimate controlling party was NWEN (Jersey), a company incorporated and registered in Jersey.

On 22 October 2024, Scottish Power Energy Networks Holdings Limited ("Scottish Power"), part of the group headed by Iberdrola, S.A., acquired 88% of the shares of NWEN (Jersey), with the remaining 12% of the shares retained by KDM Power Limited.

The transaction was subject to review by the Competition and Markets Authority ("CMA") pursuant to the regulations applicable to mergers of energy network companies in the United Kingdom; the CMA imposed an Initial Enforcement Order ("IEO") preventing any integration until CMA approval was granted. CMA approval was granted, and the IEO lifted, on 20 March 2025.

In the period from 22 October 2024 to 20 March 2025, despite Scottish Power's 88% equity ownership of NWEN (Jersey), Scottish Power did not control NWEN (Jersey), nor therefore the Company, due to the restrictions in the IEO. Scottish Power gained control of NWEN (Jersey) on 20 March 2025, when the CMA approval was granted and the IEO lifted.

At 31 March 2025, the directors regard Iberdrola, S.A., a company incorporated and registered in Spain, as the ultimate parent undertaking and the ultimate controlling party.

Dividends

Details of the Group's dividend policy can be found in the Strategic Report, page 39.

During the year, the Company paid dividends totalling £45.4m (2024: £30.4m) (Note 30).

The directors do not propose a final dividend for the year ended 31 March 2025.

Capital structure

The Company's capital structure is set out in Note 29.

Directors' Report (continued)

Financial instruments

The use of financial instruments and their related risks are disclosed in the Financial Review and Risk sections of the Strategic Report on pages 39 and 48, and in Note 21.

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 44, and in Note 22.

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 People section of the Strategic Report on pages 19 to 20.

Greenhouse gas emissions and energy use

Further details on greenhouse gas emissions are provided in the Business Carbon Footprint section of the Strategic Report on pages 14 to 16.

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, as further detailed in the Strategic Report. During the year ended 31 March 2025 the Group incurred £2.4m of expenditure on research and development (2024: £1.9m), see Note 5.

Future developments

Details of the future developments of the Company and Group can be found in the Chief Executive Officer's Statement and the Strategic Report on page 11.

Events after the Balance Sheet date

On 16 June 2025 Scottish Power UK plc provided North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") with a letter of support detailing the financial support it has committed to the group headed by NWEN (Jersey). An amount of £500.0m is available and can be utilised by NWEN (Jersey) and any of its subsidiaries, including the Company. This commitment will remain in place until the earlier of the NWEN (Jersey) group securing alternative financing, or 12 months from the date of approval of these financial statements, and will incur a charge of 20 basis points per annum whilst in place.

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 Group and Company are outlined in the Corporate Governance Report on pages 51 to 66.

Directors' and officers' insurance

The NWEN (Jersey) group maintains an appropriate level of directors' and officers' liability insurance, whereby directors and officers are indemnified against liabilities to the extent permitted by the Companies Act.

The insurance is a group policy, held in the name of the ultimate parent, Iberdrola, S.A., and is for the benefit of that company and all its subsidiaries. NWEN (Jersey) and all its subsidiaries were added to the policy on 22 October 2024, the date Iberdrola, S.A. acquired its shareholding in NWEN (Jersey). Prior to this date, NWEN (Jersey) arranged a policy in its own name which has subsequently been cancelled.

In addition, on 23 March 2025 the ENW board by way of written resolution approved the grant to the directors of a qualifying third-party indemnity provision.

Directors' Report (continued)

Directors

The directors of the Company who were in office during the year were:

Executive Directors

- Chris Johns
- Ian Smyth

Non-executive Directors

- Keith Anderson (appointed 22 March 2025)
- Beatrice Araujo (appointed 22 October 2024, resigned 21 March 2025)
- Anne Baldock (resigned 21 March 2025)
- Alistair Buchanan
- Susan Cooklin (resigned 21 March 2025)
- Rob Holden (resigned 21 March 2025)
- Harold Hutchinson (appointed 22 October 2024)
- Sion Jones (resigned 22 October 2024)
- Charles Langan (appointed 22 March 2025)
- David Mesonero (appointed 22 March 2025)
- Peter O'Flaherty (resigned 22 October 2024)
- Genping Pan (resigned 22 October 2024)
- Mitsuo Wada (resigned 21 March 2025)
- Masahide Yamada

Alternate Directors

- Aisha Hamid (resigned 22 October 2024)
- Michiko Hara (appointed 4 July 2024, resigned 21 March 2025)
- Makoto Murata
- Tatsuhiro Tamura (resigned 4 July 2024)
- Hailin Yu (resigned 22 October 2024)

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.

Independent auditor

PricewaterhouseCoopers LLP, Statutory Auditor, Manchester, United Kingdom is acting as independent auditor for the current year, but will then step down. KPMG LLP, the independent auditor of Iberdrola, S.A. and its subsidiaries, will be proposed for appointment as the statutory auditor of the Group and Company.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of the Company consider, both individually and together, that they have acted in a way they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in decisions taken during the year ended 31 March 2025. More details can be found on page 28 of the Strategic Report.

Registered address

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

Electricity North West Limited
Borron Street
Stockport
England
SK1 2JD

Registered number: 02366949

Approved by the Board on 16 June 2025 and signed on its behalf by:

Chris Johns
Director

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and Consolidated Financial Statements and the 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 group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 group and company and of the profit or loss of the group and company for that period. In preparing the 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 group and company will continue in business.

The directors are 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.

The directors are also 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 Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibilities Statement (continued)

Directors' confirmations

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

Each of the directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the group and profit of the 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 it faces.

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

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have 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 group's and company's auditors are aware of that information.

Approved by the Board of Directors on 16 June 2025 and is signed on its behalf by:

Chris Johns
Director

Independent auditors' report to the members of Electricity North West Limited

Report on the audit of the financial statements

Opinion

In our opinion, Electricity North West 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 2025 and of the Group's and Company'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 Act 2006.

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 2025; the Consolidated and Company Statements of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, and 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.

Our opinion is consistent with our reporting to the Audit and Compliance Committee.

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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

Other than those disclosed in Note 5 - Operating Profit, in the Notes to the Financial Statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The Group is organised into three components, located in the UK. The Group financial statements are a consolidation of these components and the consolidation journals.
- Of the 3 components, we have identified one component which we considered to be significant based on size and therefore required an audit of its complete financial information, this component is Electricity North West Limited. We also audited material consolidation journals.
- Electricity North West Limited contributed 100 per cent of the Group's consolidated revenue.
- The remaining two components are considered to be inconsequential components, as such we performed no additional audit procedures over these entities.

Key audit matters

- Valuation of Derivative Financial Instruments (Group and Company)
- Capitalisation of Costs (Group and Company)
- Valuation of Defined Benefit Pension Obligations (Group and Company)

Materiality

- Overall Group materiality: £7,300,000 (2024: £5,700,000) based on 5% of three years average of profit before tax, derivative fair value movements and accretion charges.
- Overall Company materiality: £7,300,000 (2024: £5,700,000) based on 5% of three years average of profit before tax, derivative fair value movements and accretion charges.
- Performance materiality: £5,500,000 (2024: £4,275,000) (Group) and £5,500,000 (2024: £4,275,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

Material uncertainty related to going concern and the valuation of defined benefit pension assets, which were key audit matters last year, are no longer included because of the conclusion of the Strategic Review undertaken by the shareholders of the Company's former ultimate parent undertaking, North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)"), which resulted in the sale of 88% of the shares of NWEN (Jersey) to the Group headed by Iberdrola SA. As a result, the conditions giving rise to a material uncertainty related to going concern in the prior year are no longer present. In addition, the valuation of defined benefit pension assets is no longer considered to be a key audit matter because of a reduction in our assessed level of audit risk associated with this area. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of Derivative Financial Instruments (Group and Company)	
Refer to Note 20 in the Group and Company financial statements. The Group and Company hold derivative financial instruments with both external and sister Company counterparties. At 31 March 2025 instruments held with external parties comprised derivative liabilities of £326.1m and derivative assets of £43.8m, whilst those held with sister companies comprised derivative liabilities and assets of £192.2m each. These instruments are measured at fair value through profit and loss. The valuations are complex, and made up of underlying risk free valuations, overlaid with credit risk adjustments (the 'risk adjustments'). We consider there to be a heightened risk of valuation error with respect to the risk adjustments due to fewer observable inputs and a higher level of estimation uncertainty. The risk adjustment have the effect of reducing the overall value of the derivative liabilities by £64.0m.	To assess the appropriateness of the valuation of derivative financial instruments, we performed the following: > We assessed the reasonableness of the risk adjustments using independently sourced data points and models; > We understood the underlying control environment applied to the valuation of the instruments; > We tested the models and key assumptions used by management to value derivatives; > We assessed the adequacy of the disclosures within the financial statements, including the disclosure requirements related to the Level 3 inputs used for valuing the credit risk adjustment; and > We prepared independent valuations for derivatives within the portfolio as at 31 March 2025 on a pre and post credit risk basis, including independently calculating individual credit risk adjustments. We concluded that valuations of derivatives, including the determination of credit risk adjustments within the valuations, were in line with ranges and thresholds we independently determined using independently sourced data points.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

Capitalisation of Costs (Group and Company)	
Refer to Notes 3 and 11 in the Group and Company financial statements. The Group continues to make significant capital investment in Property, plant and equipment, principally in relation to the development of the distribution network. For the year ended 31 March 2025 capital additions totalled £361.8m. These additions include £152.5m of capitalised overhead costs, of which £105.7m relates to capitalised employee costs. Certain categories of overhead costs are capitalised based on judgemental percentage rates. This year, our testing has focused on partly capitalised areas where the capitalisation rate has changed the most from prior year, whether increasing or decreasing. This is where we believe the significant risk resides. The risk is that the capitalisation rates used do not appropriately reflect the nature of activities to which the underlying costs relate, resulting in an incorrect apportionment of overhead costs between Property, plant and equipment on the Consolidated and Company Statements of Financial Position and expenses recognised in the Consolidated and Company Statements of Profit or Loss and Other Comprehensive Income.	To assess the appropriateness of and nature of costs capitalised into Property, plant and equipment in the year, we conducted the following procedures: > We discussed with management to understand the process by which capitalisation rates are determined and how costs are then appropriately accounted for when incurred; > We understood how activities by cost centre are used to determine the percentage of costs capitalised; > We sampled a selection of the cost categories, with a focus on the cost centres that have experienced the most movement in capitalisation rate since FY24; > We compared rates to historical trends and industry peers for reasonableness. We have considered the overall trend in the level of costs capitalised, taking into account relevant developments impacting the Company and Group, for example the increased network investment required to meet net-zero commitments; > We verified the accuracy of the disclosures included within the financial statements, as well as performing testing over the sensitivity disclosures; > We performed procedures to confirm that costs are appropriately allocated to the cost centre or centres to which they relate; and > We have selected cost centres for testing based on the risk assessment set and undertook procedures to corroborate the nature of activities performed under each cost category to assess the appropriateness of the capitalisation rates applied. We have concluded that management has applied appropriate estimates to determine the overall level of costs to be capitalised for the year, including in relation to those costs capitalised based on a judgemental proportion of costs, where we considered there to be a heightened level of audit risk.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

Valuation of Defined Benefit Pension Obligations (Group and Company)	
Refer to Note 23 in the Group and Company financial statements. The net defined benefit pension surplus at 31 March 2025 was £56.1m, comprising gross assets of £825.2m and gross liabilities of £769.1m. The determination of the value of liabilities requires the application of an actuarial valuation method, the attribution of benefits to periods of service, and the use of significant actuarial assumptions including in particular the discount rate, inflation rates and the average life expectancy of members.	To assess the appropriateness of the values of obligations in the defined benefit pension scheme, we performed the following: > We assessed the reasonableness of membership data used in valuing the defined benefit pension obligation; > In regard to active members, we have utilised testing from prior period given the triennial valuation data is rolled forward; > We reviewed the competency, independence, objectivity and capability of management's expert used in setting the liability assumptions; and > We considered the adequacy of the Group's disclosures in respect of reporting the key assumptions and sensitivities of assumptions. Based on the results of our testing, we found the liability assumptions made in the valuation of the UK defined benefit pension scheme resulted in an overall acceptable valuation, taking into account the materiality level applied. We also consider the disclosures made in the financial statements to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group owns and operates the North West electricity distribution network, meaning that it is a Distribution Network Operator. There is one cash generating unit within the Group.

The Group is organised into three components, located in the UK, being the Company, and two dormant subsidiary companies (Electricity North West Number 1 Company Limited and ENW (ESPS) Pensions Trustees Limited). The Group financial statements are a combination of these components and consolidation journals.

Of the three components, we have identified one component, Electricity North West Limited, which we considered to be significant based on size and therefore required an audit of its complete financial information. We also audited material consolidation journals.

Electricity North West Limited contributed 100 per cent of the Group's consolidated revenue.

All audit work on the Group and the Company was performed by the Group engagement team.

The remaining two components are considered to be inconsequential components.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Annual Report.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

We used our knowledge of the Group, to challenge the completeness of management's climate risk assessment by challenging the consistency of management's climate impact assessment with internal climate plans and board minutes, including whether the time horizons management have used take account of all relevant aspects of climate change such as transition risks and reading the entity's website and communications for details of climate related impacts.

Using our knowledge of the business we evaluated management's risk assessment, its estimates as set out in Note 3 of the financial statements and resulting disclosures, where significant. We considered the only financial statement areas to be potentially materially impacted by climate risk to be the directors' impairment assessment and capitalisation of costs. We tailored our audit approach to respond to the audit risk identified in these areas. In particular, we challenged management on how carbon reduction commitments have impacted the assumptions within the discounted cash flows prepared by management that are used in the Group's impairment analysis, and the level of costs capitalised into Property, Plant and Equipment.

We also considered the consistency of the disclosures in relation to climate change within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any other material impacts in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 March 2025.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	**Financial statements - Company**
Overall materiality	£7,300,000 (2024: £5,700,000).	£7,300,000 (2024: £5,700,000).
How we determined it	5% of three years average of profit before tax, derivative fair value movements and accretion charges	5% of three years average of profit before tax, derivative fair value movements and accretion charges
Rationale for benchmark applied	Profit before tax and fair value movements is a primary measure reported to shareholders to indicate the underlying performance of the Group and Company. We have also excluded the impact of accretion charges, as we do not consider these to relate directly to the underlying operations and performance of the Group and Company. The use of a three year average is considered appropriate as this reduces volatility caused by under or over recoveries of electricity distribution revenue in a specific financial year.	Profit before tax and fair value movements is a primary measure reported to shareholders to indicate the underlying performance of the Company. We have also excluded the impact of accretion charges, as we do not consider these to relate directly to the underlying operations and performance of the Company. The use of a three year average is considered appropriate as this reduces volatility caused by under or over recoveries of electricity distribution revenue in a specific financial year.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £6,090,000, being the component materiality level applied to the sole audit of the financial information of the component, Electricity North West Limited.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £5,500,000 (2024: £4,275,000) for the Group financial statements and £5,500,000 (2024: £4,275,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Compliance Committee that we would report to them misstatements identified during our audit above £0.32m (Group audit) (2024: £0.28m) and £0.32m (Company audit) (2024: £0.28m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's forecast base case and downside scenarios and challenging the appropriateness of underlying assumptions;
- Reviewing management accounts for the financial period to date and comparing those with management's scenarios;
- Evaluating the historical accuracy of management forecasts;
- Testing the mathematical integrity of management's going concern forecast models;
- Reviewing the disclosures made in respect of going concern included in the financial statements;
- Reviewing the letter of support provided by Scottish Power UK plc and assessing the Directors' evaluation of Scottish Power UK plc's ability to provide financial support up to the level required under all forecast scenarios; and
- Assessing whether the Company has sufficient liquidity to act as a guarantor of related parties and challenging the available support by applying severe but plausible sensitivities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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, except to the extent otherwise explicitly stated in this report, 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.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report, Directors' Report and Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Compliance Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

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 Act 2006 and applicable tax laws. 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 within 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 the Audit and Compliance Committee, management 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

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

- 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 Chapter 3 of Part 16 of the Companies Act 2006 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 Act 2006 exception reporting

Under the Companies Act 2006 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
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit and Compliance Committee, we were appointed by the members on 16 September 2022 to audit the financial statements for the year ended 31 March 2023 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 March 2023 to 31 March 2025.

Independent Auditor's Report to the Members of Electricity North West Limited (continued)

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Simon White (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
16 June 2025

Financial Statements

Consolidated and Company Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2025

	Note	**Group and Company 2025 £m**	Group and Company 2024 £m
Revenue	4	**654.4**	598.1
Employee costs	5,6	**(80.0)**	(76.7)
Depreciation and amortisation expense	5	**(157.0)**	(146.7)
Other operating costs		**(136.6)**	(145.6)
Total operating costs		**(373.6)**	(369.0)
Operating profit	5	**280.8**	229.1
Finance income	8	**6.7**	21.0
Finance costs	9	**(39.1)**	(88.3)
Profit before income tax		**248.4**	161.8
Income tax expense	10	**(61.9)**	(41.7)
Profit for the financial year	28	**186.5**	120.1
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit scheme	23	**14.1**	(6.8)
Deferred tax on remeasurement of retirement benefit scheme	25	**(3.5)**	1.7
Other comprehensive income/(expense) for the financial year	28	**10.6**	(5.1)
Total comprehensive income for the financial year		**197.1**	115.0

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

The above consolidated and company statements of profit or loss and other comprehensive income should be read in conjunction with the notes which form part of these financial statements.

Consolidated and Company Statements of Financial Position

As at 31 March 2025

	Note	Group 2025 £m	Company 2025 £m	Group 2024 £m	Company 2024 £m
ASSETS					
Non-current assets					
Property, plant and equipment	11	**4,004.8**	**4,004.8**	3,785.8	3,785.8
Intangible assets and goodwill	13	**53.1**	**53.1**	52.1	52.1
Investment in subsidiaries	14	**-**	**15.4**	-	15.4
Derivative assets	20	**236.0**	**236.0**	245.6	245.6
Retirement benefit surplus	23	**56.1**	**56.1**	39.0	39.0
Total non-current assets		**4,350.0**	**4,365.4**	4,122.5	4,137.9
Current assets					
Inventories	15	**56.7**	**56.7**	49.3	49.3
Trade and other receivables	16	**100.9**	**100.9**	102.5	102.5
Cash and cash equivalents	17	**132.1**	**132.1**	189.8	189.8
Total current assets		**289.7**	**289.7**	341.6	341.6
Total assets		**4,639.7**	**4,655.1**	4,464.1	4,479.5

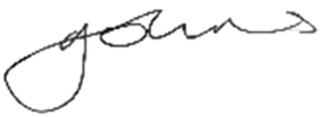
Consolidated and Company Statements of Financial Position (continued)

As at 31 March 2025

	Note	**Group 2025 £m**	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
LIABILITIES					
Current liabilities					
Trade and other payables	18	**(187.3)**	**(203.0)**	(163.5)	(179.2)
Current income tax liability		**(8.7)**	**(8.7)**	(18.5)	(18.5)
Borrowings	19	**(467.8)**	**(467.8)**	(10.9)	(10.9)
Customer contributions	24	**(67.1)**	**(67.1)**	(81.0)	(81.0)
Provisions	26	**(2.5)**	**(2.5)**	(0.5)	(0.5)
Total current liabilities		**(733.4)**	**(749.1)**	(274.4)	(290.1)
Non-current liabilities					
Borrowings	19	**(1,098.0)**	**(1,098.0)**	(1,559.1)	(1,559.1)
Derivative liabilities	20	**(518.3)**	**(518.3)**	(569.5)	(569.5)
Customer contributions	24	**(749.9)**	**(749.9)**	(720.3)	(720.3)
Deferred tax	25	**(308.9)**	**(308.9)**	(262.2)	(262.2)
Provisions	26	**(1.1)**	**(1.1)**	(0.2)	(0.2)
Total non-current liabilities		**(2,676.2)**	**(2,676.2)**	(3,111.3)	(3,111.3)
Total liabilities		**(3,409.6)**	**(3,425.3)**	(3,385.7)	(3,401.4)
Net assets		**1,230.1**	**1,229.8**	1,078.4	1,078.1
EQUITY					
Share capital	27,28	**238.4**	**238.4**	238.4	238.4
Share premium account	28	**4.4**	**4.4**	4.4	4.4
Revaluation reserve	28	**68.0**	**68.0**	70.0	70.0
Capital redemption reserve	28	**8.6**	**8.6**	8.6	8.6
Retained earnings	28	**910.7**	**910.4**	757.0	756.7
Total equity	28	**1,230.1**	**1,229.8**	1,078.4	1,078.1

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

The financial statements were approved and authorised for issue by the Board of directors on 16 June 2025 and were signed on its behalf by:



Chris Johns
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Share capital (Note 27) £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 April 2023	238.4	4.4	72.0	8.6	670.4	993.8
Profit for the financial year	-	-	-	-	120.1	120.1
Other comprehensive expense for the financial year	-	-	-	-	(5.1)	(5.1)
Transfer from revaluation reserve	-	-	(2.0)	-	2.0	-
Total comprehensive income for the financial year	-	-	(2.0)	-	117.0	115.0
Dividends (Note 30 & 32)	-	-	-	-	(30.4)	(30.4)
At 31 March 2024 and 1 April 2024	**238.4**	**4.4**	**70.0**	**8.6**	**757.0**	**1,078.4**
Profit for the financial year	**-**	**-**	**-**	**-**	**186.5**	**186.5**
Other comprehensive income for the financial year	**-**	**-**	**-**	**-**	**10.6**	**10.6**
Transfer from revaluation reserve	**-**	**-**	**(2.0)**	**-**	**2.0**	**-**
Total comprehensive income for the financial year	**-**	**-**	**(2.0)**	**-**	**199.1**	**197.1**
Dividends (Note 30 & 32)	**-**	**-**	**-**	**-**	**(45.4)**	**(45.4)**
At 31 March 2025	**238.4**	**4.4**	**68.0**	**8.6**	**910.7**	**1,230.1**

The above consolidated statement of changes in equity should be read in conjunction with the notes which form part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 March 2025

	Share capital (Note 27) £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 April 2023	238.4	4.4	72.0	8.6	670.1	993.5
Profit for the financial year	-	-	-	-	120.1	120.1
Other comprehensive expense for the financial year	-	-	-	-	(5.1)	(5.1)
Transfer from revaluation reserve	-	-	(2.0)	-	2.0	-
Total comprehensive income for the financial year	-	-	(2.0)	-	117.0	115.0
Dividends (Note 30 & 32)	-	-	-	-	(30.4)	(30.4)
At 31 March 2024 and 1 April 2024	**238.4**	**4.4**	**70.0**	**8.6**	**756.7**	**1,078.1**
Profit for the financial year	**-**	**-**	**-**	**-**	**186.5**	**186.5**
Other comprehensive income for the financial year	**-**	**-**	**-**	**-**	**10.6**	**10.6**
Transfer from revaluation reserve	**-**	**-**	**(2.0)**	**-**	**2.0**	**-**
Total comprehensive income for the financial year	**-**	**-**	**(2.0)**	**-**	**199.1**	**197.1**
Dividends (Note 30 & 32)	**-**	**-**	**-**	**-**	**(45.4)**	**(45.4)**
At 31 March 2025	**238.4**	**4.4**	**68.0**	**8.6**	**910.4**	**1,229.8**

The above company statement of changes in equity should be read in conjunction with the notes which form part of these financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 31 March 2025

	Note	**Group and Company 2025 £m**	Group and Company 2024 £m
Operating activities			
Cash generated from operations	34	**412.2**	311.3
Customer contributions received	24	**37.5**	57.1
Interest paid		**(79.8)**	(75.4)
Interest portion of lease liabilities	19	**(0.3)**	(0.3)
Accretion on index-linked swaps	9	**-**	(87.0)
Income taxes (paid)/received		**(28.6)**	6.2
Net cash generated from operating activities		**341.0**	211.9
Investing activities			
Interest received and similar income		**6.9**	22.6
Transfer from money market deposits over three months		**-**	305.7
Purchase of property, plant and equipment		**(355.4)**	(273.5)
Purchase of intangible assets	13	**(15.2)**	(11.1)
Proceeds from sale of property, plant and equipment		**0.5**	0.2
Net cash (used in)/generated from investing activities		**(363.2)**	43.9
Net cash flow before financing activities		**(22.2)**	255.8
Financing activities			
Repayment of external borrowings	19	**(9.3)**	(232.9)
Repayment of lease liabilities	19	**(1.9)**	(1.8)
Increase in loan from parent	19	**1.3**	13.3
Movement on cash collateral held		**19.8**	12.0
Dividends paid	30,32	**(45.4)**	(30.4)
Net cash used in financing activities		**(35.5)**	(239.8)
Net (decrease)/increase in cash and cash equivalents		**(57.7)**	16.0
Cash and cash equivalents at the beginning of the year		**189.8**	173.8
Cash and cash equivalents at the end of the year	17	**132.1**	189.8

The above consolidated and company statements of cash flows should be read in conjunction with the notes which form part of these financial statements.

Notes to the Financial Statements

Electricity North West Limited is a private company, incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is at Electricity North West, Borron Street, Stockport, England, SK1 2JD.

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, pages 40 to 41, and Note 2.

1. Adoption of new and amended standards

New and amended standards adopted by the Group and Company

In the current year, the Group and Company 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 2024; their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements:

- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants;*
- Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback;* and
- Amendments to IAS 7 and IFRS 7: *Supplier finance arrangements*.

New and amended standards not yet adopted

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

- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, effective from year ending 31 March 2026 but is not applicable to the Group and Company;
- Amendments to IFRS 9 *Financial Instruments* and IFRS *7 Financial Instruments: Disclosures*, effective from year ending 31 March 2027 but is not applicable to the Group and Company;
- Amendments to IFRS 18 *Presentation and Disclosure in Financial Statements*, effective from year ending 31 March 2028 ; and
- Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, effective from year ending 31 March 2028 but is not applicable to the Group and Company.

The directors do not expect that the adoption of the amendments listed above will have a material impact on the financial statements of the Group and Company 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 and 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 Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, retirement benefit scheme and certain property, plant and equipment that were revalued in 1997. 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 21.

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:

- 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, the Gas and Electricity Markets Authority 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 2026. 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 RIIO-ED2 regulatory period which runs to April 2028, reflecting the latest forecast of regulatory revenues, performance and uncertainty mechanisms. 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 June 2026, 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 2025, there was further liquidity available of £250.0m in the form of committed, undrawn borrowing facilities, available for at least 12 months from the date of approval of these financial statements.

Notes to the Financial Statements (continued)

2. Material accounting policy information

Going concern (continued)

- During the 12 months from the date of approval of these financial statements, the £450m 8.875% 2026 bond is due for repayment in March 2026, and £9.4m of scheduled repayments are due against the two EIB loans. In addition to the committed, undrawn facility mentioned above, the Group is also a beneficiary of the £500.0m committed financial support from Scottish Power UK plc (see below). There are no further re-financing obligations due in the next 12 months.
- Though the Group is largely financed by long-term funding, any forecast, 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 incentive penalties, macro-economic factors including inflation at +/-1%, DUoS revenue under collection and severe weather events.
- External factors are also considered such as, cost of living and high energy prices, interest rates, the Ukraine conflict and impact on supply chain, and energy prices and supplier administration.

In addition to the above, on 16 June 2025 Scottish Power UK plc provided North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") with a letter of support detailing the financial support it has committed to the group headed by NWEN (Jersey). An amount of £500.0m is available and can be utilised by NWEN (Jersey) and any of its subsidiaries, including the Company. This commitment will remain in place until the earlier of the NWEN (Jersey) group securing alternative financing, or 12 months from the date of approval of these financial statements, and will incur a charge of 20 basis points per annum whilst in place.

After making appropriate enquiries, and with consideration of the guidance published by the Financial Reporting Council (FRC), the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and meet their 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 these financial statements, per the FRC guidelines. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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.

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 value 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.

Goodwill is allocated to cash-generating units and is not amortised, but is 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, including any capital contributions to subsidiaries, less any provisions for permanent diminution in value. Dividends received and receivable are credited to profit or loss to the extent that they represent a realised profit for the Company.

Capitalisation of overheads

The costs are initially expensed to profit or loss 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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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.

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 profit or loss, 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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Revenue recognition (continued)

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 profit or loss 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 the Company creates a bespoke asset for which they have no alternative use other than to provide electricity to the customer's premises. The Company 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 contributions. These amounts may be refunded to customers if the works do not go ahead, otherwise they will be credited to customer contributions and amortised to revenue over the life of the project.

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.

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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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.

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. A subsequent triennial valuation as at 31 March 2025 is currently underway; however, the process remains at an early stage, and preliminary results are not anticipated until the second half of 2025.

Results are affected by the actuarial assumptions used, which are disclosed in Note 23. 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 profit or loss; 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 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 profit or loss 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 to profit or loss, 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 84 years. Employee costs incurred in implementing the capital schemes of the Group are capitalised within operational structure assets.

In 1997 the Company undertook a revaluation of certain assets following a business combination. This resulted in the creation of a revaluation reserve of £234.9m. The additional depreciation, as a result of the revaluation, is transferred from the revaluation reserve to retained earnings on an annual basis.

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 profit or loss 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 profit or loss.

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 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. 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.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal (FVLCD) 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 profit or loss 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 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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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.

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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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 21.

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 assets. 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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Impairment of financial assets (continued)

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.

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. The restrictions on cash held in ring-fenced bank accounts in relation to regulatory projects do not change the nature of the assets, only the purpose for which they can be used, thus these assets are included in cash and cash equivalents.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Money market deposits

Money market deposits with 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.

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 values is determined in the manner described in Note 20.

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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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.

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 20.

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 stand-alone 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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

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).

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 capital projects, diversions and service connections.

Notes to the Financial Statements (continued)

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 profit or loss 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.

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.

Notes to the Financial Statements (continued)

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

Key sources of estimation uncertainty (continued)

Capitalisation of overheads – capitalisation rate (continued)

The following table shows the pre-tax amount by which the impact on profit or loss would be adjusted for the given change in capitalisation rate; an increase in rate would result in a gain in profit or loss and *vice versa*.

Gain/(loss)	**2025** **£m**	2024 £m
Change in rate +/- 1%	**1.4/(1.4)**	1.4/(1.4)
Change in rate +/- 5%	**7.1/(7.1)**	6.8/(6.8)

Notes to the Financial Statements (continued)

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

Key sources of estimation uncertainty (continued)

Impairment of tangible and intangible assets (including goodwill)

During the year, the Group was acquired by Scottish Power Energy Networks Limited, part of the group headed by Iberdrola, S.A., with an implied enterprise value significantly in excess of the carrying value of the relevant assets. Given there have been no significant events or changes between the acquisition date and year end date that suggest a material deterioration in the value of assets, it can be concluded that there are no indications of impairment at 31 March 2025.

Management are required to assess the impairment of intangibles and goodwill annually. As these are part of the single cash generating unit that has been identified, management assesses the recoverability of tangible and intangible assets together, 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, with the recoverable amount being the higher of fair value less cost of disposal and value in use. 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 (2024: nil). Details of the impairment loss testing is set out in Note 11.

Fair value 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 20 and Note 22.

Retirement benefit schemes

The Group’s defined benefit obligation is derived using various assumptions, as disclosed in Note 23. 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 23, along with sensitivities of certain key inputs.

Notes to the Financial Statements (continued)

4. Revenue

Group and Company	2025 £m	2024 £m
Revenue	**654.4**	598.1

Predominantly all Group revenue 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 four customers (2024: three), each of which represented more than 10% of the total revenue. Revenue from these customers totalled £320.7m (2024: £207.8m), which includes £94.8m from Customer A (2024: £82.5m), £72.4m from Customer B (2024: £63.9m), £74.8m from Customer C (2024: £61.4m) and £78.7m from Customer D (2024: £50.9m). No other customer represented more than 10% of revenues either this year or in the prior year.

Where the Company is directed to collect or pay levies by the Regulator, Ofgem, those levies are accounted for under IFRIC21. For the year ended 31 March 2025, revenue includes £0.8m of SoLR levies (2024: £22.0m). 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, £21.8m (2024: £20.9m) of customer contributions have been amortised through revenue in line with IFRS 15 (Note 24 and 34).

Of the revenue recognised in the year, £3.9m (2024: £2.3m) was included in the contract liability at the beginning of the year.

5. Operating profit

The following items have been included in arriving at operating profit:

Group and Company Expense/(income)	2025 £m	2024 £m
Employee costs (Note 6)	**80.0**	76.7
Depreciation and amortisation expense:		
Depreciation of property, plant and equipment[1] (Note 11 & 34)	**142.8**	132.5
Amortisation of intangible assets (Note 13 & 34)	**14.2**	14.2
	157.0	146.7
Supplier of Last Resort levy costs (Note 4)	**0.8**	22.0
Profit on disposal of property, plant and equipment (Note 34)	**(0.5)**	(0.2)
Research and development	**2.4**	1.9

[1] This includes £1.9m (2024: £1.8m) depreciation of right of use assets (Note 11).

Notes to the Financial Statements (continued)

5. Operating profit (continued)

During the year, the fees payable to the Company's auditor and its associates were as follows:

Group and Company	2025 £m	2024 £m
Audit of the Group and Company financial statements[1]	**0.5**	0.4
Audit-related assurance services	**0.1**	0.1
Total fees	**0.6**	0.5

[1] All these fees relate to the Company; no fees were payable in relation to the subsidiaries of the Company as they are dormant. The fees for the current year include £31,881 of overrun fees in relation to the prior year (2024: £97,924).

Non-audit related services to the Group and Company were £17,172 (2024: £16,200).

6. Employee costs

Group and Company	2025 £m	2024 £m
Wages and salaries	**149.9**	137.1
Social security costs	**17.1**	15.8
Pension costs – defined benefit schemes (Note 23)	**7.5**	7.9
Pension costs – defined contribution schemes (Note 23)	**11.2**	9.9
Total employee costs (including directors' remuneration)	**185.7**	170.7
Costs transferred directly to fixed assets	**(105.7)**	(94.0)
Charged to operating costs (Note 5)	**80.0**	76.7

All employees and employee costs relate to the Company.

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

Group and Company	2025 Number	2024 Number
Craft, Technical and Engineering	**1,152**	1,114
Administration	**1,035**	989
Average number of employees	**2,187**	2,103

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	**2025 Number**	2024 Number
Remunerated directors	**8**	7
Non-remunerated directors*	**8**	6
Total number of directors	**16**	13

*There were 5 alternate directors (2024: 4 alternate directors) in addition to this as stated in page 69.

The compensation paid or payable to directors is shown in the table below:

	2025 £m	2024 £m
Salaries and other short-term employee benefits	**1.7**	1.4
Accrued bonus	**1.8**	0.9
Amounts receivable under long-term incentive schemes	**-**	0.7
Total emoluments solely in relation to services provided to the Company	**3.5**	3.0
Additional amounts of bonuses in relation to the sale of the NWEN (Jersey) group and continuing employment by the company*	**2.0**	-
Total emoluments (Note 32)	**5.5**	3.0

*These amounts were borne by other Group companies and not recharged to the company itself.

The aggregate emoluments of the directors in 2025 amounted to £5.5m (2024: £3.0m). Emoluments comprise salaries, fees, taxable benefits, and the value of short-term and long-term incentive awards. The aggregated emoluments of the highest paid director in 2025 in respect of services to the Group amounted to £2.8m (2024: £1.6m). Under the Executive Incentive Plan bonuses are awarded and either paid in the following financial year (accrued bonus) or paid in subsequent years (amounts receivable under long-term incentive schemes); no shares were received or receivable by any director. In the year additional bonus payments and fees amounting to £2.0m were receivable by the directors in relation to the sale of the NWEN (Jersey) group, including the Company, and were paid by NWEN (Jersey) Limited. The additional payments and fees in relation to the highest paid director was £1.1m.

As at 31 March 2024 and 2025, 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 the year ended 31 March 2025 were £nil (2024: £nil). The accrued pension at 31 March 2025 for the highest paid director was £nil (2024: £nil).

As at 31 March 2024 and 2025 the directors had no interests in the ordinary shares of the Company.

8. Finance income

Group and Company	**2025 £m**	2024 £m
Interest receivable on short-term bank deposits	**6.7**	21.0

Notes to the Financial Statements (continued)

9. Finance costs

Group and Company	2025 £m	2024 £m
Finance costs (excluding unrealised fair value movements):		
Interest on group borrowings at amortised cost (Note 32)	**30.0**	29.6
Interest on external borrowings at amortised cost	**39.3**	41.2
Net interest settlements on derivatives at fair value	**5.9**	5.4
Indexation of index-linked debt (Note 19 & 34)	**9.6**	31.0
Accretion paid on index-linked swaps	**-**	87.0
Reimbursement of inter-company loan impairment (Note 22 & 32)	**(0.2)**	(0.4)
Interest on leases (Note 19)	**0.3**	0.3
Net interest income on pension plan	**(2.1)**	(2.2)
Amount capitalised[1] (Note 11)	**(2.1)**	(1.3)
	80.7	190.6
Fair value movements on financial instruments[2]:		
Inter-company derivative asset (Note 32)	**24.9**	95.2
Inter-company derivative liability (Note 32)	**(24.9)**	(95.2)
Derivative assets	**(15.3)**	(13.4)
Derivative liabilities	**(26.3)**	(88.9)
	(41.6)	(102.3)
Total finance costs	**39.1**	88.3

[1]The amount of borrowing costs capitalised was determined using a capitalisation rate of 4.87% (2024: 4.13%), derived from the total general borrowing costs for the year divided by the average total general borrowings outstanding during the year.
[2]Details on the valuation techniques used to derive the fair value can be found in Note 20.

There have been £nil (2024: £87.0m) 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 £17.5m (2024: £24.9m), split as follows:

Group and Company	Five-yearly £m	Seven-yearly £m	Ten-yearly £m	Total £m
Accumulated Accretion				
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 2024	**14.0**	**3.9**	**46.4**	**64.3**
Accrued in year	**4.1**	**8.4**	**5.0**	**17.5**
Paid in year	**-**	**-**	**-**	**-**
31 March 2025	**18.1**	**12.3**	**51.4**	**81.8**

Notes to the Financial Statements (continued)

10. Income tax expense

Group and Company	2025 £m	2024 £m
Current tax:		
Current year	**18.6**	21.0
Adjustment in respect of prior year	**0.1**	(5.9)
	18.7	15.1
Deferred tax: (Note 25)		
Current year	**44.4**	18.7
Adjustments in respect of prior year	**(1.2)**	7.9
	43.2	26.6
Income tax expense	**61.9**	41.7

Corporation tax is calculated at 25% (2024: 25%) of the estimated assessable profit for the year. Deferred tax is calculated at 25% (2024: 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 notional tax charge at the UK corporation tax rate to the effective tax rate for the year:

Group and Company	2025 £m	2024 £m
Profit before income tax	**248.4**	161.8
Tax at the UK corporation tax rate of 25% (2024: 25%)	**62.1**	40.5
Non-taxable expense/(income)	**0.9**	(0.8)
Adjustments in respect of prior year	**(1.1)**	2.0
Income tax expense	**61.9**	41.7

Pillar Two model rules

The ultimate parent company of the Group is Iberdrola, S.A., a company based in Spain. Iberdrola, S.A. is the parent company of a global group within the scope of the Organisation for Economic Co-operation and Development's Pillar Two model rules and is, therefore, responsible for calculating the multinational top up tax for the Iberdrola group. The Iberdrola group is not within the scope of multi-national top-up tax.

The UK has enacted legislation to incorporate the Pillar Two model rules with effect from 1 January 2024. This includes domestic top up tax ("DTT") legislation. From 20 March 2025, the date Iberdrola, S.A. gained control of the Group, the Group will be consolidated into the Iberdrola group and falls into the scope of the Pillar Two and DTT rules. An assessment has been undertaken to determine if there is a risk of exposure to UK DTT for the period from 20 March 2025 to 31 March 2025. Based on the prescribed rules in the Pillar Two legislation, the calculated UK effective tax rate is assessed to be above 15% and thus no UK DTT charge is expected. The Group has applied the exception available in IAS 12 *'Income Taxes: International Tax Reform – Pillar Two Model Rules'* and has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the Financial Statements (continued)

11. Property, plant and equipment

Group and Company	Operational Structures £m	Non-operational land and buildings £m	Fixtures, equipment, vehicles and other £m	Assets under construction £m	Right of use assets (Note 19) £m	Total £m
Cost or valuation						
At 1 April 2023	5,471.7	38.6	206.0	149.7	7.3	5,873.3
Additions	185.9	1.2	19.2	70.9	2.6	279.8
Transfers	56.6	0.4	18.4	(75.4)	-	-
Disposals	(3.2)	-	(1.1)	-	(1.3)	(5.6)
At 31 March 2024	**5,711.0**	**40.2**	**242.5**	**145.2**	**8.6**	**6,147.5**
Additions	**229.2**	**0.7**	**17.4**	**111.4**	**3.1**	**361.8**
Transfers	**58.3**	**0.3**	**3.2**	**(61.8)**	**-**	**-**
Disposals	**(5.9)**	**-**	**(2.3)**	**-**	**(2.0)**	**(10.2)**
At 31 March 2025	**5,992.6**	**41.2**	**260.8**	**194.8**	**9.7**	**6,499.1**
Accumulated depreciation						
At 1 April 2023	2,059.2	14.4	157.9	-	3.3	2,234.8
Charge for the year	114.0	1.2	15.5	-	1.8	132.5
Disposals	(3.2)	-	(1.1)	-	(1.3)	(5.6)
At 31 March 2024	**2,170.0**	**15.6**	**172.3**	**-**	**3.8**	**2,361.7**
Charge for the year	**121.1**	**1.2**	**18.6**	**-**	**1.9**	**142.8**
Disposals	**(5.9)**	**-**	**(2.3)**	**-**	**(2.0)**	**(10.2)**
At 31 March 2025	**2,285.2**	**16.8**	**188.6**	**-**	**3.7**	**2,494.3**
Net book value						
At 31 March 2025	**3,707.4**	**24.4**	**72.2**	**194.8**	**6.0**	**4,004.8**
At 31 March 2024	3,541.0	24.6	70.2	145.2	4.8	3,785.8

At 31 March 2025, the Group and Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £75.8m (2024: £39.3m) (Note 33).

During the year, the Group and Company had cash outflow amounting to £355.4m (2024: £273.5m) on additions to property, plant and equipment. Included in this figure are capitalised borrowing costs of £2.1m (2024: £1.3m) (Note 9), determined using a capitalisation rate of 4.87% (2024: 4.13%).

At 31 March 2025, had the property, plant and equipment of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, the carrying amount would have been £3,914.0m (2024: £3,692.6m). The revaluation reserve is disclosed in Note 28, net of deferred tax. The revaluation reserve arose following a review after North West Water's acquisition of Norweb, in 1997.

Notes to the Financial Statements (continued)

11. Property, plant and equipment (continued)

Impairment testing of intangible assets and property plant and equipment

During the year, the Group was acquired by Scottish Power Energy Networks Limited, part of the group headed by Iberdrola, S.A., with an implied enterprise value significantly in excess of the carrying value of the relevant assets. Given there have been no significant events or changes between the acquisition date and year end date that suggest a material deterioration in the value of assets, it can be concluded that there are no indications of impairment at 31 March 2025.

However, intangible assets 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. 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 less costs of disposal (FVLCD) 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 2025 was £3,240.9m (2024: £3,036.6m) including goodwill of £10.1m (2024: £10.1m) excluding customer contributions of £817.0m (2024: £801.3m). The FVLCD was calculated at £4,200.5m (2024: £4,568.8m). The key assumptions for the FVLCD 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 2025 was 6.73% (2024: 6.00%).

It is considered appropriate to assess the cash flows over a 33-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 33-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 assumes a disposal of the assets for 1.56x Regulated Asset Value (RAV) at that point, and the assumption of 1.56x is reflective of net proceeds on disposal.

Other than the mandated RIIO-ED2 requirements there is 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 government's long-term CPI inflation target and in line with Ofgem methodology for costs and revenues.

In assessing the carrying value of the group's 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 FVLCD 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 and Company	**2025 £m**	2024 £m
Right of use assets at net book value:		
Land and buildings	**3.1**	2.0
Telecoms	**0.1**	0.1
Vehicles	**2.8**	2.7
Total (Note 11)	**6.0**	4.8
Lease liabilities:		
Land and buildings	**(2.7)**	(1.9)
Telecoms	**(0.1)**	(0.1)
Vehicles	**(2.9)**	(2.9)
Total (Note 19)	**(5.7)**	(4.9)

The amount of short-term and low value leases expensed in the year was £0.7m (2024: £0.4m).

The Company'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 rate is used. The lease liabilities have been discounted at 5% (2024: 5%) for land and buildings, and telecoms; and at 6% (2024: 6%) for vehicles.

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

Group and Company	**<1 year £m**	**1 – 2 years £m**	**2 – 3 years £m**	**3 – 4 years £m**	**>4 years £m**	**Total £m**
At 31 March 2025	**(2.0)**	**(1.3)**	**(0.7)**	**(0.4)**	**(1.3)**	**(5.7)**
At 31 March 2024	(1.8)	(1.3)	(0.5)	(0.6)	(0.7)	(4.9)

Notes to the Financial Statements (continued)

13. Intangible assets and goodwill

Group and Company	Goodwill £m	Computer software £m	Assets under construction £m	Total £m
Cost:				
At 1 April 2023	10.1	139.1	13.8	163.0
Additions	-	5.5	5.6	11.1
Transfers	-	10.3	(10.3)	-
At 31 March 2024	10.1	154.9	9.1	174.1
Additions	**-**	**5.5**	**9.7**	**15.2**
Transfers	**-**	**7.3**	**(7.3)**	**-**
Disposals	**-**	**(70.6)**	**-**	**(70.6)**
At 31 March 2025	**10.1**	**97.1**	**11.5**	**118.7**
Accumulated amortisation:				
At 1 April 2023	-	107.8	-	107.8
Charge for the year	-	14.2	-	14.2
At 31 March 2024	-	122.0	-	122.0
Charge for the year	**-**	**14.2**	**-**	**14.2**
Disposals	**-**	**(70.6)**	**-**	**(70.6)**
At 31 March 2025	**-**	**65.6**	**-**	**65.6**
Net book value				
At 31 March 2025	**10.1**	**31.5**	**11.5**	**53.1**
At 31 March 2024	10.1	32.9	9.1	52.1

In the Company, 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.

At 31 March 2025, the Group and Company had entered into contractual commitments for the acquisition of software amounting to £9.6m (2024: £2.1m) (Note 33).

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 £7.8m (2024: £12.9m) for an asset relating to the network management system which has 2 years (2024: 3 years) of amortisation remaining.

Notes to the Financial Statements (continued)

14. Investment in subsidiaries

Company	2025 £m	2024 £m
Cost and net book value	**15.4**	15.4

Investment in subsidiaries is stated at cost less any provisions for permanent diminution in value. Cost of investment relates wholly to the shareholding in the Company's direct subsidiary, Electricity North West Number 1 Company Limited.

Details of the investments at 31 March 2024 and 2025, all of which were incorporated in the UK and have a principal place of business in the UK, are as follows:

Company	Description of holding	Proportion held	Nature of business
Subsidiary undertakings			
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.

15. Inventories

Group and Company	2025 £m	2024 £m
Raw material and consumables	**56.7**	49.3

The cost of inventories recognised as an expense in the year was £2.9m (2024: £3.4m). Write-downs of inventories to net realisable value amounted to £0.3m (2024: £0.1m).

Notes to the Financial Statements (continued)

16. Trade and other receivables

Group and Company	2025 £m	2024 £m
Trade receivables	**7.5**	12.7
Amounts owed by group undertakings (Note 32)	**7.4**	5.8
Accrued income	**65.1**	61.3
Financial assets (Note 21)	**80.0**	79.8
Prepayments	**20.9**	22.7
Non-financial assets	**20.9**	22.7
Total trade and other receivables	**100.9**	102.5

The average credit period taken on trade receivables is 14 days (2024: 14 days). At 31 March 2025, £4.5m (2024: £6.5m) of the trade receivables were past due, with £2.8m over 30 days past due (2024: £4.7m).

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 and Company	2025 £m	2024 £m
At 1 April	**0.8**	4.1
Amounts written off in the year	**(0.1)**	(3.3)
At 31 March	**0.7**	0.8

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 2025, £2.7m (2024: £2.9m) of cash had been received as security (see Note 18).

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 2025, the RAV was £2,873.9m (2024: £2,684.6m) and has been indexed using the CPIH for March 2025. At 31 March 2025, £460.3m (2024: £366.2m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £10.2m (2024: £9.6m). 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.

Notes to the Financial Statements (continued)

17. Cash and cash equivalents

Group and Company	2025 £m	2024 £m
Cash in bank accounts	**9.1**	20.0
Cash in liquidity funds	**123.0**	120.4
Cash in short-term money market deposits under 3 months	**-**	49.4
Total cash and cash equivalents (Note 21, 22 & 34)	**132.1**	189.8
Weighted average interest rate	**4.51%**	5.33%
Weighted average term	**8.5 days**	23.9 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. At 31 March 2025, there was no formal bank overdraft facility in place (2024: same).

18. Trade and other payables

	Group 2025 £m	Company 2025 £m	Group 2024 £m	Company 2024 £m
Trade payables (Note 22)	**18.8**	**18.8**	18.4	18.4
Amounts owed to group undertakings (Note 32)	**13.4**	**13.4**	13.5	13.5
Amounts owed to subsidiary undertaking (Note 32)	**-**	**15.5**	-	15.5
Accruals	**76.7**	**76.9**	76.5	76.7
Refundable customer deposits (Note 22)	**2.7**	**2.7**	2.9	2.9
Cash collateral (Note 20)	**31.8**	**31.8**	12.0	12.0
Financial liabilities (Note 21)	**143.4**	**159.1**	123.3	139.0
Contract liabilities	**20.1**	**20.1**	10.0	10.0
Other taxation and social security	**9.8**	**9.8**	15.2	15.2
Deferred income	**14.0**	**14.0**	15.0	15.0
Non-financial liabilities:	**43.9**	**43.9**	40.2	40.2
Total trade and other payables	**187.3**	**203.0**	163.5	179.2

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 22.9 days from receipt of invoice (2024: 21.4 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.

Contract liabilities have increased due to the acceptance of high value projects. Of the revenue recognised in the year, £3.9m (2024: £2.3m) was included in the contract liability at the beginning of the year (Note 4).

Notes to the Financial Statements (continued)

19. Borrowings

This note provides information about the contractual terms of the Group's borrowings. For more information about the Group's financial risk management and exposure to credit risk, liquidity risk and market risk see Note 22.

The carrying values by category of borrowing were as follows:

Group and Company	2025 £m	2024 £m
Current liabilities:		
Bonds (Note 21)	**456.4**	-
Bank and other term borrowings (Note 22)	**9.4**	9.1
Lease liabilities (Note 12)	**2.0**	1.8
	467.8	10.9
Non-current liabilities:		
Bonds (Note 22)	**201.2**	656.9
Bank and other term borrowings (Note 22)	**59.7**	67.4
Lease liabilities (Note 12)	**3.7**	3.1
Amounts owed to parent undertaking (Note 22 & 32)	**111.1**	109.8
Amounts owed to group undertaking (Note 22 & 32)	**722.3**	721.9
	1,098.0	1,559.1
Borrowings (Note 21 & 34)	**1,565.8**	1,570.0

The carrying values and key terms by instrument were as follows:

Group and Company	Nominal value £m	Interest rate	Maturity year	2025 Carrying value £m	2024 Carrying value £m
Bond	200.0	8.875%	2026	**199.5**	199.0
Bond	250.0	8.875%	2026	**256.9**	263.6
Index-linked bond	100.0	1.4746%+RPI	2046	**201.2**	194.3
Index-linked loan	50.0	0.38% +RPI	2032	**32.9**	36.2
Index-linked loan	50.0	0%+RPI	2033	**37.1**	40.3
Revolving credit facility	250.0	Sonia+0.50%	2027	**(0.9)**	-
Lease liabilities (Note 12)	-	-	-	**5.7**	4.9
Amounts owed to parent undertaking	175.0	4.11%	2028	**111.1**	109.8
Amounts owed to group undertaking	300.0	1.415%	2030	**299.1**	299.0
Amounts owed to group undertaking	425.0	4.893%	2032	**423.2**	422.9
Borrowings (Note 21 & 34)				**1,565.8**	1,570.0

Notes to the Financial Statements (continued)

19. Borrowings (continued)

At 31 March 2024 and 2025, all 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 21 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.

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

Group and Company	2025 £m	2024 £m
At 1 April	**1,570.0**	1,763.1
Repayments of external borrowings	**(9.3)**	(232.9)
Lease liabilities capital repayment	**(1.9)**	(1.8)
Lease liabilities interest repayment	**(0.3)**	(0.3)
Lease liabilities interest charged (Note 9)	**0.3**	0.3
New lease liabilities (Note 34)	**2.7**	2.6
Increase in loan from parent	**1.3**	13.3
Indexation (Note 9 & 34)	**9.6**	31.0
Transaction costs on new external borrowings (Note 34)	**(1.3)**	(0.1)
Amortisation of transaction costs, bond discounts and premiums (Note 34)	**(5.3)**	(5.2)
At 31 March (Note 21 & 34)	**1,565.8**	1,570.0

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

Group and Company	2025 £m	2024 £m
£50m revolving credit facility – expiry December 2024	**-**	50.0
£250m revolving credit facility – expiry April 2027	**250.0**	-

Notes to the Financial Statements (continued)

20. 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.

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. 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 22.

At 31 March 2024 and 2025, the Group and Company's derivatives are not designated in formal hedge accounting relationships and are measured at fair value through profit or loss (FVTPL).

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

Group and Company	**2025 £m**	2024 £m
Non-current assets:		
Inter-company derivative asset	**192.2**	217.1
Inflation-linked swaps	**43.8**	28.5
Derivative assets (Note 21)	**236.0**	245.6
Non-current liabilities:		
Inter-company derivative liability	**(192.2)**	(217.1)
Inflation-linked swaps	**(286.7)**	(310.9)
Interest rate swaps – fixed to floating	**(39.4)**	(41.5)
Derivative liabilities (Note 21)	**(518.3)**	(569.5)

The table below summarises the key terms of the various external derivatives held by the Group at 31 March 2025; each category includes multiple instruments and the rates stated are the aggregate rate for that category. The table excludes the inter-company derivative asset and the inter-company derivative liability as the cash flows on these instruments net to £nil.

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

[1]8.875% up to and including the 26 March 2026 payment date, then changes to 6m Sonia for the remaining term of the instruments.

Notes to the Financial Statements (continued)

20. Derivatives (continued)

In the Group and Company, no new derivatives were entered during the year, neither were any derivatives closed out during the year.

The inter-company derivative asset and inter-company derivative liability are held by the Company, with ENW Finance plc as counterparty. The first is a back-to-back swap, mirroring in aggregate the terms of the £200m 2038 notional external index-linked swaps noted above. The second is a mirror of that back-to-back swap, the terms of which are defined in an inter-company loan agreement between the two entities, creating an embedded derivative that is bifurcated from the host contract and recorded as a separate instrument in the Company. The cash flows and fair value of these two instruments net to £nil 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 Company 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 Company. At 31 March 2025, £31.8m (2024: £12.0m) cash collateral was held under these CSAs (Note 18). 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 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 Company's statement of financial position if all set-off rights were exercised.

Group and Company	Gross amount £m	Amounts subject to master netting arrangements £m	Financial instrument collateral £m	Net amount £m
At 31 March 2025:				
Inter-company derivative asset	**192.2**	**(192.2)**	**-**	**-**
Inter-company derivative liability	**(192.2)**	**192.2**	**-**	**-**
Derivative assets	**43.8**	**(12.0)**	**(31.8)**	**-**
Derivative liabilities	**(326.1)**	**12.0**	**-**	**(314.1)**
	(282.3)	**-**	**(31.8)**	**(314.1)**
Other collateral not included above	**-**	**-**	**-**	**-**
Total	**(282.3)**	**-**	**(31.8)**	**(314.1)**
At 31 March 2024:				
Inter-company derivative asset	217.1	(217.1)	-	-
Inter-company derivative liability	(217.1)	217.1	-	-
Derivative assets	28.5	(19.6)	(8.9)	-
Derivative liabilities	(352.4)	19.6	-	(332.8)
	(323.9)	-	(8.9)	(332.8)
Other collateral not included above	-	-	(3.1)	(3.1)
Total	(323.9)	-	(12.0)	(335.9)

Notes to the Financial Statements (continued)

20. Derivatives (continued)

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.

Notes to the Financial Statements (continued)

20. 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 value. Each category includes multiple instruments.

Group and Company	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2025				
Derivative assets:				
Inter-company derivative asset	**-**	**-**	**192.2**	**192.2**
Inflation-linked swaps	**-**	**31.2**	**12.6**	**43.8**
	-	**31.2**	**204.8**	**236.0**
Derivative liabilities:				
Inter-company derivative liability	**-**	**-**	**(192.2)**	**(192.2)**
Inflation-linked swaps	**-**	**-**	**(286.7)**	**(286.7)**
Interest rate swaps – fixed to floating	**-**	**(39.4)**	**-**	**(39.4)**
	-	**(39.4)**	**(478.9)**	**(518.3)**
Total	**-**	**(8.2)**	**(274.1)**	**(282.3)**
At 31 March 2024				
Derivative assets:				
Inter-company derivative asset	-	-	217.1	217.1
Inflation-linked swaps	-	20.9	7.6	28.5
	-	20.9	224.7	245.6
Derivative 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)

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.

Any transfers between levels are deemed to have occurred at the beginning of the reporting period.

Notes to the Financial Statements (continued)

20. Derivatives (continued)

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

Group and Company	2025 £m	2024 £m
At 1 April	**(303.3)**	(368.1)
Transfers into Level 3 from Level 2	**-**	(15.9)
Transfers from Level 3 into Level 2	**3.2**	(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	**26.0**	82.8
At 31 March	**(274.1)**	(303.3)

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.

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 own 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 and Company	2025 -10bps £m	2025 +10bps £m	2024 -10bps £m	2024 +10bps £m
Impact on derivative portfolio	**(3.0)**	**2.9**	(3.7)	3.5

Notes to the Financial Statements (continued)

20. Derivatives (continued)

Valuation techniques used to determine fair value

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 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 calculations in relation to the counterparty credit risk meet the criteria for Level 2 inputs, the inputs regarding the Group's own 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 2025, in the statement of financial position, the net adjustment for non-performance risk was a £64.0m debit (2024: £74.9m debit), of which £64.7m debit (2024: £73.5m debit) was classed as Level 3, and £0.7m credit (2024: £1.4m debit) was classed as Level 2.

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 2025, the aggregate difference yet to be recognised was £42.6m (2024: £45.0m). The movement in the year all relates to the straight-line release to profit or loss.

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

Group and Company	**2025 £m**	2024 £m
Fair value of derivatives pre IFRS 13 adjustment	**321.8**	302.6
XVA adjustment	**(34.7)**	(40.0)
Day 1 adjustment	**(51.1)**	(17.0)
Derivative assets (Note 21)	**236.0**	245.6
Fair value of derivatives pre IFRS 13 adjustment	**(710.7)**	(746.4)
XVA adjustment	**98.7**	114.9
Day 1 adjustment	**93.7**	62.0
Derivative liabilities (Note 21)	**(518.3)**	(569.5)

Notes to the Financial Statements (continued)

21. 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 2025 £m	Company 2025 £m	Group 2024 £m	Company 2024 £m
Financial assets:				
Derivative assets (Note 20)	**236.0**	**236.0**	245.6	245.6
Trade and other receivables (Note 16)	**80.0**	**80.0**	79.8	79.8
Cash and cash equivalents (Note 17)	**132.1**	**132.1**	189.8	189.8
	448.1	**448.1**	515.2	515.2
Financial liabilities:				
Trade and other payables (Note 18)	**(143.4)**	**(159.1)**	(123.3)	(139.0)
Borrowings (Note 19)	**(1,565.8)**	**(1,565.8)**	(1,570.0)	(1,570.0)
Derivative liabilities (Note 20)	**(518.3)**	**(518.3)**	(569.5)	(569.5)
	(2,227.5)	**(2,243.2)**	(2,262.8)	(2,278.5)

The Group's exposure to various risks associated with the financial instruments is outlined in Note 22.

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.

Fair value 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 20.

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.

Group and Company	2025 Carrying value £m	2025 Fair value £m	2024 Carrying value £m	2024 Fair value £m
Financial liabilities:				
Bonds[1] (Note 19)	**(657.6)**	**(623.6)**	(656.9)	(650.9)
Bank and other term borrowings[2] (Note 19)	**(69.1)**	**(65.9)**	(76.5)	(74.8)
Amounts owed to group undertaking[1] (Note 19)	**(722.3)**	**(672.5)**	(721.9)	(685.8)

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

[2] These fair value 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)

22. 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 Compliance 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 Compliance 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 20.

Interest rate risk

The Group's floating rate borrowings (see Note 19) and derivatives (see Note 20) 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)

22. 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.

At 31 March 2025, the only floating rate debt facility was the revolving credit facility, which was nil drawn (2024: same), so there was no related interest charge in the income statement. 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.

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 and Company	**2025 -0.5% £m**	**2025 +0.5% £m**	**2025 +1% £m**	2024 -0.5% £m	2024 +0.5% £m	2024 +1% £m
Fair values:						
Inter-company derivative asset	**19.9**	**(18.7)**	**(36.4)**	23.4	(21.8)	(43.6)
Inter-company derivative liability	**(19.9)**	**18.7**	**36.4**	(23.4)	21.8	43.6
Inflation-linked swaps	**(34.7)**	**32.2**	**61.9**	(44.7)	34.3	68.5
Interest rate swaps	**4.2**	**(4.1)**	**(8.0)**	6.4	(3.2)	(6.4)
Total finance costs impact	**(30.5)**	**28.1**	**53.9**	(38.3)	31.1	62.1

Inflation risk

The Group's inflation-linked borrowings (see Note 19) and inflation-linked derivatives (see Note 20) 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)

22. 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 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 and Company	2025 -0.5% £m	2025 +0.5% £m	2025 +1% £m	2024 -0.5% £m	2024 +0.5% £m	2024 +1% £m
Interest:						
Inflation-linked borrowings	**-**	**-**	**-**	-	-	(0.1)
Indexation:						
Inflation-linked borrowings	**1.4**	**(1.4)**	**(2.7)**	1.4	(1.4)	(2.7)
Total finance costs impact	**1.4**	**(1.4)**	**(2.7)**	1.4	(1.4)	(2.8)

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 and Company	2025 -0.5% £m	2025 +0.5% £m	2025 +1% £m	2024 -0.5% £m	2024 +0.5% £m	2024 +1% £m
Fair values:						
Inter-company derivative asset	**(29.0)**	**30.5**	**62.7**	(33.2)	35.0	69.9
Inter-company derivative liability	**29.0**	**(30.5)**	**(62.7)**	33.2	(35.0)	(69.9)
Inflation-linked swaps	**49.3**	**(52.9)**	**(109.8)**	54.4	(65.1)	(130.1)
Total finance costs impact	**49.3**	**(52.9)**	**(109.8)**	54.4	(65.1)	(130.1)

Notes to the Financial Statements (continued)

22. 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 21.

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 2025, none (2024: 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 (excluding the impact of unpresented items), money market deposits and derivative assets.

Group and Company	2025 £m	2025 %	2024 £m	2024 %
AAA	**91.2**	**51.5**	90.3	41.1
A+	**43.8**	**24.8**	49.6	22.6
A	**42.0**	**23.7**	79.6	36.3
	177.0	**100.0**	219.5	100.0

For more information on the credit risk and expected credit losses in relation to trade and other receivables, see Note 16.

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 20).

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 33 years ahead, to the end of the Regulatory Period ending 31 March 2058. 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)

22. Financial risk management (continued)

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

Group and Company	2025 £m	2024 £m
Cash and cash equivalents (Note 17)	**132.1**	189.8
Committed undrawn borrowing facilities (Note 19)	**250.0**	50.0
	382.1	239.8

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 and Company	<1 year £m	1 – 2 years £m	2 – 3 years £m	3 – 4 years £m	>4 years £m	Total £m
At 31 March 2025:						
Trade payables	**(18.8)**	**-**	**-**	**-**	**-**	**(18.8)**
Refundable customer deposits	**(2.7)**	**-**	**-**	**-**	**-**	**(2.7)**
Leases	**(2.0)**	**(1.3)**	**(0.7)**	**(0.4)**	**(1.4)**	**(5.8)**
Amounts owed to parent undertaking	**(4.6)**	**(4.6)**	**(116.9)**	**-**	**-**	**(126.1)**
Amounts owed to group companies	**(25.0)**	**(25.0)**	**(25.0)**	**(25.0)**	**(816.7)**	**(916.7)**
Bonds	**(493.0)**	**(3.0)**	**(3.0)**	**(3.0)**	**(257.4)**	**(759.4)**
Borrowings and overdrafts	**(9.5)**	**(9.5)**	**(9.5)**	**(9.5)**	**(33.0)**	**(71.0)**
Derivatives	**(6.1)**	**(10.2)**	**(35.1)**	**(10.2)**	**(392.2)**	**(453.8)**
Total contractual cash flows	**(561.7)**	**(53.6)**	**(190.2)**	**(48.1)**	**(1,500.7)**	**(2,354.3)**
At 31 March 2024:						
Trade payables	(18.4)	-	-	-	-	(18.4)
Refundable customer deposits	(2.9)	-	-	-	-	(2.9)
Leases	(1.8)	(1.3)	(0.5)	(0.6)	(0.7)	(4.9)
Amounts owed to parent undertaking	(4.5)	(4.5)	(4.5)	(115.5)	-	(129.0)
Amounts owed to group companies	(25.0)	(25.0)	(25.0)	(25.0)	(841.7)	(941.7)
Bonds	(42.9)	(492.9)	(2.9)	(2.9)	(251.8)	(793.4)
Borrowings and overdrafts	(9.2)	(9.2)	(9.2)	(9.2)	(41.0)	(77.8)
Derivatives	(5.6)	(5.6)	(8.9)	(32.1)	(350.5)	(402.7)
Total contractual cash flows	(110.3)	(538.5)	(51.0)	(185.3)	(1,485.7)	(2,370.8)

Notes to the Financial Statements (continued)

23. Retirement benefit schemes

Group and Company

Nature of Scheme

The Group's retirement benefit arrangement is the Electricity North West Group of the Electricity Supply Pension Scheme ("ESPS" or "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 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 £9.8m (2024: £10.0m) to the defined benefit section of the Scheme. This includes £nil (2024: £nil) of deficit contribution. The Group estimates that contributions for the year ending 31 March 2026 will amount to around £9.8m. The total defined benefit pension expense for the year was £6.8m (2024: £6.8m). No Executive directors were part of the defined benefit scheme.

As at 31 March 2025 contributions of £1.0m (2024: £1.0m) 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. A subsequent triennial valuation as at 31 March 2025 is currently underway; however, the process remains at an early stage, and preliminary results are not anticipated until the second half of 2025. 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 2024; no further additional contributions are required after 31 March 2024 until at least the next triennial valuation. The next valuation, as at 31 March 2025, is currently underway and remains at an early stage.

Notes to the Financial Statements (continued)

23. 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 2025 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 £56.1m is included in the statement of financial position at 31 March 2025 (2024: surplus of £39.0m).

The duration of the Scheme based on the results of the 31 March 2022 triennial funding valuation is approximately 16 years (2024: 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 12 years (2024: 13 years) this has been used in the calculations as at 31 March 2025.

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's 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 45.0% of the total Scheme assets as at 31 March 2025 (2024: 47.1%). 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)

23. Retirement benefit schemes (continued)

Defined Contribution arrangements

All assets within the defined contribution section of the Scheme are held independently from the Group.

The total cost charged to the income statement in relation to the defined contribution section for the year ended 31 March 2025 was £11.2m (2024: £9.9m) and represents contributions payable to the Scheme at rates specified in the rules of the Scheme. At 31 March 2025 contributions of £0.2m (2024: £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 and Company	**2025 £m**	2024 £m
At 1 April	**39.0**	42.6
Expense recognised in the income statement	**(6.8)**	(6.8)
Contributions paid	**9.8**	10.0
Total re-measurement included in other comprehensive income	**14.1**	(6.8)
At 31 March	**56.1**	39.0

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

Group and Company	**2025 £m**	2024 £m
Present value of defined benefit obligations	**(769.1)**	(855.0)
Fair value of plan assets	**825.2**	894.0
Net surplus arising from defined benefit obligation	**56.1**	39.0

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

Group and Company	**2025 £m**	2024 £m
At 1 April	**855.0**	873.7
Current service cost	**7.5**	7.9
Interest expense	**39.7**	40.2
Member contributions	**1.3**	1.3
Re-measurement:		
Effect of changes in demographic assumptions	**(2.2)**	(14.3)
Effect of changes in financial assumptions	**(76.5)**	(7.0)
Effect of experience adjustments	**1.3**	9.1
Benefits paid	**(57.0)**	(55.9)
At 31 March	**769.1**	855.0

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

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

Group and Company	2025 £m	2024 £m
At 1 April	**894.0**	916.3
Interest income	**41.8**	42.4
Return on plan assets (net of interest income)	**(63.3)**	(19.0)
Employer contributions	**9.8**	10.0
Member contributions	**1.3**	1.3
Benefits paid	**(57.0)**	(55.9)
Administration expenses	**(1.4)**	(1.1)
At 31 March	**825.2**	894.0

The amount recognised in other comprehensive income is as follows:

Group and Company	2025 £m	2024 £m
Return on scheme assets excluding interest income	**(63.3)**	(19.0)
Actuarial gain arising from changes in demographic assumptions	**2.2**	14.3
Actuarial gain arising from changes in financial assumptions	**76.5**	7.0
Experience loss on liabilities	**(1.3)**	(9.1)
Total gain/(loss) recognised in other comprehensive income	**14.1**	(6.8)

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

Group and Company	2025 £m	2024 £m
Current service cost	**(7.5)**	(7.9)
Interest income on plan assets	**41.8**	42.4
Interest expense on Scheme obligations	**(39.7)**	(40.2)
Administration expenses	**(1.4)**	(1.1)
Net pension expense before taxation	**(6.8)**	(6.8)

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).

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

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

Group and Company	2025 %	2024 %
Discount rate	**5.60**	4.80
Pensionable salary increases	**4.15***	3.05
Pension increases (RPI)	**3.10**	3.15
Price inflation (RPI)	**3.35**	3.40
Price inflation (CPI)	**2.95**	2.95

*CPIH +1.1% (4.15%) in 2025, 2026. CPIH (3.05%) from 2027 onwards.

The mortality rates utilised in the valuation are based on the standard actuarial tables S3PA_M (SAPS3 combined amounts MIDDLE) (2024: S3PA_M) tables with a scaling of 109% for male pensioners (2024: 109%), 107% for female pensioners (2024: 107%), 109% for male non-pensioners/future pensioners (2024: 109%) and 107% for female non-pensioners/future pensioners (2024: 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 2023 model (2024: 1.25% CMI 2022 model).

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

Group and Company	2025 Years	2024 Years
Male member - current age 45	**25.8**	25.8
Male member - current age 60	**24.6**	24.7
Female member - current age 45	**29.0**	28.9
Female member - current age 60	**27.8**	27.8

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 and Company	2025 £m	2024 £m
Increase in Defined Benefit Obligation:		
Discount rate: decrease by 25 basis points	**23.4**	27.1
Price inflation: increase by 25 basis points	**17.5**	16.4
Life expectancy: increase longevity by 1 year	**23.9**	34.2

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

As at 31 March 2025, the fair value of the Scheme's assets and liabilities recognised in the Statement of Financial Position were as follows:

Group and Company	**Scheme assets 2025 %**	**Quoted 2025 £m**	**Unquoted 2025 £m**	**Total Value 2025 £m**	Scheme assets 2024 %	Quoted 2024 £m	Unquoted 2024 £m	Total Value 2024 £m
At 31 March								
Cash	**1.8**	**15.2**	**-**	**15.2**	2.1	18.6	-	18.6
Debt instruments	**31.2**	**162.2**	**95.1**	**257.3**	30.3	195.6	75.1	270.7
Real estate	**6.7**	**-**	**55.5**	**55.5**	11.0	-	97.9	97.9
Distressed debt	**0.3**	**-**	**2.1**	**2.1**	0.5	-	4.4	4.4
Infrastructure equity	**10.1**	**-**	**83.7**	**83.7**	9.0	-	80.8	80.8
Asset backed securities	**4.9**	**-**	**40.4**	**40.4**	-	-	-	-
Pensioner buy-in	**45.0**	**-**	**371.0**	**371.0**	47.1	-	421.6	421.6
Fair value of assets	**100.0**	**177.4**	**647.8**	**825.2**	100.0	214.2	679.8	894.0
Present value of liabilities				**(769.1)**				(855.0)
Net retirement benefit surplus				**56.1**				39.0

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

Virgin Media vs NTL Pension Trust II Limited

In June 2023, in the case of Virgin Media Limited vs NTL Pension Trustee II Limited, the Trustee raised a case to challenge whether an amendment to the pension scheme rules was invalid due to a lack of actuarial confirmation required by law for contracted-out defined benefit schemes (under Section 37 of the Pensions Scheme Act 1993). The High Court ruled in favour of the Trustee on this matter. This ruling was appealed at the Court of Appeal on 25 July 2024 however, the appeal was dismissed. Therefore, as the law currently stands, a plan amendment to a contracted-out scheme carried out between April 1997 and April 2016 without appropriate actuarial confirmation could be deemed void.

Since the outcome of the Court of Appeal judgement was announced, the Group sought legal advice to ascertain the extent to which any historic amendments were certified by the scheme actuary (if appropriate). The outcome of the legal review is that there is no reason to believe that the ruling in the case will have any financial impact for the Company. However, the legal position is untested, and it continues to evolve, so it is impossible to rule out the risk of challenge.

The legal advice was shared with the legal advisor to the Trustee of the ENW Group Pension Scheme. Whilst the legal advisers to the Trustee have not forensically examined the analysis carried out, they did not have any reason to disagree with the conclusion or believe that there is a fresh or freestanding obligation on the trustees to look into this issue further as a matter of course.

Based on the current legal advice the Group has concluded that the ruling in the case will have no material impact for the Company and the Group.

Notes to the Financial Statements (continued)

24. 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 and Company	2025 £m	2024 £m
At 1 April	**801.3**	765.1
Additions during the year	**37.5**	57.1
Amortised through revenue (Note 4 & 34)	**(21.8)**	(20.9)
At 31 March	**817.0**	801.3
Split:		
Amounts due in less than one year	**67.1**	81.0
Amounts due after more than one year	**749.9**	720.3
At 31 March	**817.0**	801.3

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

Group and Company	2025 £m	2024 £m
Refundable customer contributions	**87.0**	95.6
Non-refundable customer contributions	**730.0**	705.7
At 31 March	**817.0**	801.3

Notes to the Financial Statements (continued)

25. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and Company, and the movements thereon, during the current and prior year.

Group and Company	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2023	295.1	10.3	(68.1)	237.3
Charged to profit or loss (Note 10)	16.5	0.8	9.3	26.6
Deferred tax on re-measurement of defined benefit pension scheme	-	(1.7)	-	(1.7)
At 31 March 2024	**311.6**	**9.4**	**(58.8)**	**262.2**
Charged to profit or loss (Note 10)	**28.7**	**1.1**	**13.4**	**43.2**
Deferred tax on re-measurement of defined benefit pension scheme	**-**	**3.5**	**-**	**3.5**
At 31 March 2025	**340.3**	**14.0**	**(45.4)**	**308.9**

Other timing differences relate 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% (2024: 25%), being the rate at which it is expected to reverse.

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

Notes to the Financial Statements (continued)

26. Provisions

Group and Company	2025 £m	2024 £m
At 1 April	**0.7**	1.0
Additions in the year	**3.3**	-
Utilisation of provision	**(0.4)**	(0.3)
At 31 March	**3.6**	0.7

At 31 March 2025, £2.5m (2024: £0.5m) of the balance is due in less than one year, £1.1m (2024: £0.2m) is due after one year.

Additions in the year includes a provision relating to obligations arising from ongoing property-related matters involving company infrastructure. The amount reflects management's best estimate of expected settlement costs based on current information. £2.5m (2024: £nil) of the balance is due in less than one year, £0.8m (£2024: £nil) is due after one year.

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

27. Share capital

Group and Company	2025 £	2024 £
Authorised:		
569,999,996 ordinary shares of 50 pence each (2024: 569,999,996)	**284,999,998**	284,999,998
4 'A' ordinary shares of 50 pence each (2024: 4)	**2**	2
Special rights redeemable preference shares of £1 (2024: 1)	**1**	1
At 31 March	**285,000,001**	285,000,001
Allotted, called up and fully paid:		
476,821,341 ordinary shares of 50 pence each (2024: 476,821,341)	**238,410,671**	238,410,671
4 'A' ordinary shares of 50 pence each (2024: 4)	**2**	2
At 31 March	**238,410,673**	238,410,673

The 'A' ordinary shares and the ordinary shares rank pari passu in all respects, save that dividends may be declared on one class of shares without being declared on the other.

Notes to the Financial Statements (continued)

28. Shareholders' Equity

	Called up share capital	Share premium account	Revaluation reserve	Capital redemption	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
Group:						
At 1 April 2024	**238.4**	**4.4**	**70.0**	**8.6**	**757.0**	**1,078.4**
Profit for the year	**-**	**-**	**-**	**-**	**186.5**	**186.5**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**10.6**	**10.6**
Transfer from revaluation reserve	**-**	**-**	**(2.0)**	**-**	**2.0**	**-**
	-	**-**	**(2.0)**	**-**	**199.1**	**197.1**
Transactions with owners recorded directly in equity:						
Dividends (Note 30)	**-**	**-**	**-**	**-**	**(45.4)**	**(45.4)**
At 31 March 2025	**238.4**	**4.4**	**68.0**	**8.6**	**910.7**	**1,230.1**
Company:						
At 1 April 2024	**238.4**	**4.4**	**70.0**	**8.6**	**756.7**	**1,078.1**
Profit for the year	**-**	**-**	**-**	**-**	**186.5**	**186.5**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**10.6**	**10.6**
Transfer from revaluation reserve	**-**	**-**	**(2.0)**	**-**	**2.0**	**-**
	-	**-**	**(2.0)**	**-**	**199.1**	**197.1**
Transactions with owners recorded directly in equity:						
Dividends (Note 30)	**-**	**-**	**-**	**-**	**(45.4)**	**(45.4)**
At 31 March 2025	**238.4**	**4.4**	**68.0**	**8.6**	**910.4**	**1,229.8**

In 1997 the Company undertook a revaluation of certain assets, following North West Water's acquisition of Norweb. This resulted in the creation of a revaluation reserve of £234.9m. The additional depreciation created as a result of the revaluation is transferred from the revaluation reserve to retained earnings on an annual basis.

The capital redemption reserve is a non-distributable reserve specifically for the purchase of own shares.

Notes to the Financial Statements (continued)

29. 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 27. 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 Company also has 'A' ordinary shares which rank pari passu in all respects, save that dividends may be declared on one class of shares without being declared on the other.

There exists an unissued special rights redeemable preference share which does not carry any voting rights and can only be held by one of His Majesty's Secretaries of State, another Minister of the Crown, the Solicitor for the affairs of His Majesty's Treasury or any other person acting on behalf of the Crown. This share is a legacy from the privatisation of the Company and was issued on 19 November 1990 and redeemed on 31 March 1995.

There are no specific restrictions 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") and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions in the transfer of securities or on voting rights.

With regard to the appointment and replacement of directors, the Company is governed by its the Articles, the Companies Act 2006 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, and in the Corporate Governance Report on pages 51 to 66.

Capital risk management

The capital structure of the Group consists of net debt, comprised of borrowings net of cash, and equity, comprised of share capital and reserves.

The Group is subject to externally imposed capital requirements, by both Ofgem and financial lenders and investors. These capital requirements include gearing levels, being the ratio of net debt to the regulatory asset value (RAV). The forecast gearing position is closely monitored by the Board against the external capital requirements (see page 38).

The RAV (2020/21 prices) is taken from the most recent Price Control Financial Model (PCFM) published by Ofgem on its website and is calculated in accordance with the RIIO-ED2 methodology (1 April 2024 to 31 March 2028). For the year ended 31 March 2025, the RAV is £2,873.9m (2024: £2,684.6m) and has been indexed using the CPIH for March 2025.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance (see the dividend policy page 39), with regard to the externally imposed capital requirements.

Notes to the Financial Statements (continued)

30. Dividends

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

Group and Company	**2025 £m**	2024 £m
Final dividend for the year ended 31 March 2023 of 3.90 pence per share (paid June 2023)	**-**	18.6
Interim dividend for the year ended 31 March 2024 of 2.47 pence per share (paid February 2024)	**-**	11.8
Final dividend for the year ended 31 March 2024 of 9.52 pence per share (paid June 2024)	**45.4**	-
Dividends	**45.4**	30.4

No interim or final dividends for the year ended 31 March 2025 have been proposed at the date of signing of this report.

31. 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 registered address of the immediate parent undertaking is Borron Street, Stockport, Cheshire, SK1 2JD.

The smallest group in which the current and prior year results of the Company are consolidated is that headed by NWEN plc; those consolidated financial statements can be obtained from the above address.

The largest group in which the full current and prior year results of the Company are consolidated is that headed by North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)"), a company incorporated and registered in Jersey; those consolidated financial statements can be obtained from the registered address of NWEN (Jersey), which is 44 Esplanade, St Helier, Jersey, Channel Islands, JE4 9WG.

At 31 March 2024, the ultimate parent undertaking and ultimate controlling party was NWEN (Jersey).

On 22 October 2024, Scottish Power Energy Networks Holdings Limited ("Scottish Power"), part of the group headed by Iberdrola, S.A., acquired 88% of the shares of NWEN (Jersey), with the remaining 12% of the shares retained by KDM Power Limited.

The transaction was subject to review by the Competition and Markets Authority ("CMA") pursuant to the regulations applicable to mergers of energy network companies in the United Kingdom; the CMA imposed an Initial Enforcement Order ("IEO") preventing any integration until CMA approval was granted. CMA approval was granted, and the IEO lifted, on 20 March 2025.

In the period from 22 October 2024 to 20 March 2025, despite Scottish Power's 88% equity ownership of NWEN (Jersey), Scottish Power did not control NWEN (Jersey), nor therefore the Company, due to the restrictions in the IEO. Scottish Power gained control of NWEN (Jersey) on 20 March 2025, when the CMA approval was granted and the IEO lifted.

At 31 March 2025, the directors regard Iberdrola, S.A., a company incorporated and registered in Spain, as the ultimate parent undertaking and the ultimate controlling party. The largest group that will consolidate the results of the Company from 20 March is that headed by Iberdrola, S.A. The registered address of Iberdrola is Torre Iberdrola, Plaza Euskadi 5, 48009, Bilbao, Spain.

Notes to the Financial Statements (continued)

32. 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 year the following transactions with related parties were entered into:

	Group 2025 £m	Company 2025 £m	Group 2024 £m	Company 2024 £m
Recharges to:				
Electricity North West (Construction and Maintenance) Limited	**1.9**	**1.9**	2.3	2.3
Electricity North West Services Limited	**1.6**	**1.6**	1.3	1.3
Electricity North West Property Limited	**0.1**	**0.1**	0.1	0.1
Recharges from:				
Electricity North West (Construction and Maintenance) Limited	**(1.5)**	**(1.5)**	(1.2)	(1.2)
Electricity North West Services Limited	**(9.6)**	**(9.6)**	(8.1)	(8.1)
Interest on group borrowings:				
North West Electricity Networks plc	**(4.5)**	**(4.5)**	(4.2)	(4.2)
ENW Finance plc	**(25.5)**	**(25.5)**	(25.4)	(25.4)
Interest on group borrowings (Note 9)	**(30.0)**	**(30.0)**	(29.6)	(29.6)
Reimbursement of inter-company loan impairment on loan from ENW Finance plc (Note 9)	**(0.2)**	**(0.2)**	(0.4)	(0.4)
Fair value movement on inter-company derivative asset with ENW Finance plc (Note 9)	**24.9**	**24.9**	95.2	95.2
Fair value movement on inter-company derivative liability with ENW Finance plc (Note 9)	**(24.9)**	**(24.9)**	(95.2)	(95.2)
Dividends paid to North West Electricity Networks plc (Note 30)	**(45.4)**	**(45.4)**	(30.4)	(30.4)
Directors' remuneration (Note 7)	**(5.5)**	**(5.5)**	(3.0)	(3.0)

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

As disclosed in Note 31, on the 22 October 2024 88% of the NWEN (Jersey) group was acquired by Iberdrola, S.A. On the same date the CMA imposed an IEO which prevented the Iberdrola group from controlling the companies in the NWEN (Jersey) group. The IEO was lifted on the 20 March 2025 from which point Iberdrola obtained control. During the year ended 31 March 2025 the transactions between ENWL and the companies in the Iberdrola group were in relation to sales and purchases, conducted on a business-as-usual and arm's length basis. For the period from 20 March to 31 March 2025 the sales amounted to £0.9m and the purchases to £0.1m. For the period from 22 October 2024 to 31 March 2025 the sales amounted to £12.3m and the purchases to £1.1m. During the year ended 31 March 2025, recharges made to companies in the Iberdrola group consisted of £0.3m, of which £0.2m was outstanding at year-end.

Notes to the Financial Statements (continued)

32. Related party transactions (continued)

Amounts outstanding with related parties are as follows:

	Group 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Amounts owed by group companies:				
North West Electricity Networks plc	**3.7**	**3.7**	3.6	3.6
Electricity North West (Construction and Maintenance) Limited	**1.6**	**1.6**	1.0	1.0
Electricity North West Services Limited	**0.7**	**0.7**	0.4	0.4
Electricity North West Property Limited	**0.1**	**0.1**	0.1	0.1
North West Electricity Networks (Finance) Limited	**0.1**	**0.1**	0.1	0.1
North West Electricity Networks (Jersey) Limited	**0.2**	**0.2**	0.2	0.2
North West Electricity Networks (Holdings) Limited	**0.4**	**0.4**	0.3	0.3
North West Electricity Networks (UK) Limited	**0.6**	**0.6**	0.1	0.1
Total owed by group companies (Note 16)	**7.4**	**7.4**	5.8	5.8
Amounts owed to subsidiaries:				
Electricity North West Number 1 Company Limited	**-**	**(15.5)**	-	(15.5)
Interest payable to group companies:				
North West Electricity Networks plc	**(1.3)**	**(1.3)**	(1.3)	(1.3)
ENW Finance plc	**(10.4)**	**(10.4)**	(10.7)	(10.7)
Other amounts payable to group companies:				
Electricity North West Services Limited	**(0.9)**	**(0.9)**	(0.9)	(0.9)
North West Electricity Networks (Holdings) Limited	**(0.2)**	**(0.2)**	(0.2)	(0.2)
North West Electricity Networks (Jersey) Limited	**(0.1)**	**(0.1)**	(0.1)	(0.1)
North West Electricity Networks plc	**(0.2)**	**(0.2)**	(0.1)	(0.1)
Electricity North West (Construction and Maintenance) Limited	**(0.3)**	**(0.3)**	(0.2)	(0.2)
Total owed to group companies (Note 18)	**(13.4)**	**(13.4)**	(13.5)	(13.5)
Borrowings payable to:				
North West Electricity Networks plc (Note 19)[1]	**(111.1)**	**(111.1)**	(109.8)	(109.8)
ENW Finance plc (Note 19)[2]	**(722.3)**	**(722.3)**	(721.9)	(721.9)
Group tax relief owed by / (owed to):				
North West Electricity Networks plc	**(17.1)**	**(17.1)**	(13.8)	(13.8)
North West Electricity Networks (Holdings) Ltd	**-**	**-**	(0.6)	(0.6)
North West Electricity Networks (UK) Ltd	**0.4**	**0.4**	(0.4)	(0.4)
Derivative asset with ENW Finance plc (Note 20)	**192.2**	**192.2**	217.1	217.1
Derivative liability with ENW Finance plc (Note 20)	**(192.2)**	**(192.2)**	(217.1)	(217.1)

[1]This loan accrues weighted average interest at 4.11% (2024: 4.10%) and is repayable in March 2028.
[2]This balance relates to two loans; £299.1m (2024: £299.0m) accrues interest at 1.415% and matures in 2030, and £423.2m (2024: £422.9m) accrues interest at 4.893% and matures in 2032.

Notes to the Financial Statements (continued)

33. Contractual commitments

The following commitments have been contracted for but have not been recognised as liabilities in the financial statements:

Group and Company	2025 £m	2024 £m
Acquisition of software (Note 13)	**9.6**	2.1
Acquisition of property, plant and equipment (Note 11)	**75.8**	39.3
Contractual commitments	**85.4**	41.4

34. Cash flow information

Cash generated from operations

Group and Company	2025 £m	2024 £m
Operating profit	**280.8**	229.1
Adjustments for:		
Depreciation of property, plant and equipment (Note 5 & 11)	**142.8**	132.5
Amortisation of intangible asset (Note 5 & 13)	**14.2**	14.2
Amortisation of customer contributions (Note 4 & 24)	**(21.8)**	(20.9)
Profit on disposal of property, plant and equipment (Note 5)	**(0.5)**	(0.2)
Cash contributions in excess of pension charge to operating profit	**(4.7)**	(4.6)
Operating cash flows before movements in working capital	**410.8**	350.1
Changes in working capital:		
Increase in inventories	**(7.5)**	(26.9)
Decrease/(increase) in trade and other receivables	**2.9**	(4.2)
Increase/(decrease) in trade and other payables	**6.0**	(7.7)
Cash generated from operations	**412.2**	311.3

Net debt reconciliation

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

Group and Company	2025 £m	2024 £m
Cash and cash equivalents (Note 17)	**132.1**	189.8
Borrowings (Note 19)	**(1,565.8)**	(1,570.0)
Net debt	**(1,433.7)**	(1,380.2)

Notes to the Financial Statements (continued)

34. Cash flow information (continued)

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 and Company	Borrowings £m	Cash and cash equivalents £m	Money market deposits over three months £m	Total £m
Net debt at 1 April 2023	(1,763.1)	173.8	305.7	(1,283.6)
Financing cash flows	221.4	16.0	(305.7)	(68.3)
Indexation (Note 9)	(31.0)	-	-	(31.0)
New leases (Note 19)	(2.6)	-	-	(2.6)
Transaction costs on new borrowings (Note 19)	0.1	-	-	0.1
Amortisation of transaction costs, discounts and premiums (Note 19)	5.2	-	-	5.2
Net debt at 31 March 2024	**(1,570.0)**	**189.8**	**-**	**(1,380.2)**
Financing cash flows	**9.9**	**(57.7)**	**-**	**(47.8)**
Indexation (Note 9)	**(9.6)**	**-**	**-**	**(9.6)**
New leases (Note 19)	**(2.7)**	**-**	**-**	**(2.7)**
Transaction costs on new borrowings (Note 19)	**1.3**	**-**	**-**	**1.3**
Amortisation of transaction costs, discounts and premiums (Note 19)	**5.3**	**-**	**-**	**5.3**
Net debt at 31 March 2025	**(1,565.8)**	**132.1**	**-**	**(1,433.7)**

Where applicable, interest on borrowings is included in operating activities in the statement of cash flows and accruals within current liabilities in the statement of financial position and is, therefore, excluded from this analysis.

35. Post balance sheet events

On 16 June 2025 Scottish Power UK plc provided North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") with a letter of support detailing the financial support it has committed to the group headed by NWEN (Jersey). An amount of £500.0m is available and can be utilised by NWEN (Jersey) and any of its subsidiaries, including the Company. This commitment will remain in place until the earlier of the NWEN (Jersey) group securing alternative financing, or 12 months from the date of approval of these financial statements, and will incur a charge of 20 basis points per annum whilst in place.