

Company Registration No. 02366949

ELECTRICITY NORTH WEST LIMITED

**Half Year Condensed Consolidated Financial Statements
for the period ended 30 September 2022**

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Interim Management Report

Cautionary statement

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

Financial statements

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

Operations

The Group's principal activity is the operation and maintenance of electricity distribution assets owned by ENWL. The distribution of electricity is regulated by the terms of ENWL's Electricity Distribution Licence granted under the Electricity Act 1989 and monitored by the Gas and Electricity Markets Authority.

There have been no significant changes to the activity of the Company in the current period.

Consolidated results

	6 months ended 30 Sep 2022	6 months ended 30 Sep 2021	Year ended 31 Mar 2022
Revenue	£246m	£216m	£473m
Profit before tax and fair value movements	£18m	£47m	£103m
Net cash flow before financing activities	£13m	£(1)m	£41m
Net debt	£1,281m	£1,173m	£1,227m

Revenue

Revenue was £30m higher in the six months to 30 September 2022 compared to the same period in the prior year. The primary factor driving the increase is the increase in DUoS (Distribution Use of System) revenues as a result of the higher allowed revenue set by Ofgem including the impact of inflation and adjustments from under recoveries in previous years.

The allowed revenue is recovered against an estimated level of electricity demand across the network. Given the difficulty of predicting this demand each year we end up with either an over or an under recovery against planned revenue. These over or under recoveries are reflected in the Consolidated Income Statement for the period and will be corrected in future periods through the Ofgem price setting mechanism.

The revenue for the six months to 31 March 2023 is expected to be higher than that in the six months to 30 September 2022, due to the seasonally higher volumes of electricity units distributed over the winter period.

Interim Management Report (continued)

Profit before tax and fair value movements

The profit before tax and fair value movements was £29m lower than the same period in the prior year. This is due to the net effect of the £30m higher revenue, £20m higher operating costs and £39m higher interest expense (see Note 6).

Of the £39m higher interest expense, £20m relates to an accretion payment in the period and £18m relates to higher indexation due to the increase in RPI.

The primary driver for the increase in operating costs was also the increase in RPI.

Net cash flow before financing activities

There was a net cash inflow before financing activities of £13m in the six-months to 30 September 2022, compared to a net cash outflow of £1m in the same period in the prior year. The increased cash generation was primarily due to £19m higher cash from operations plus £5m lower tax payments, net of £10m higher net capex.

Net Debt

Net debt increased by £54m over the six-months to 30 September 2022. This is primarily due to a £26m increase in the index-linked debt arising from RPI increases (Note 6), and a lower cash balance, resulting from the £20m accretion payment and £23m dividend payment, net of the £13m cash inflow before financing activities.

Dividends

Dividends of £23m were declared for the year ended 31 March 2022 and have been paid in the period. More details on dividends are given in Note 8. The Directors do not propose an interim dividend for the year ended 31 March 2023.

Retirement benefit scheme

The retirement benefit surplus over the six-month period to 30 September 2022, has increased from £18m to £97m. The main reason for the increase was primarily the increase in the discount rate assumption by 240 basis points driven by the market movement in corporate bond yields and a 10 basis points decrease in expected future inflation. This was partially offset by a reduction in the value of the Scheme's assets as a result of the market events as described above (see Note 13).

Principal risks and uncertainties

The principal trade and activities of the Group are carried out in ENWL and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing the Company, and ultimately the Group, are outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2022, which are available on the website, www.enwl.co.uk.

An assessment of the change in risk has been carried out and the principal risks are deemed comparable to those at the last annual report.

Interim Management Report (continued)

Going concern

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

- The Company's electricity distribution licence includes the obligation in standard licence condition 40 to maintain an investment grade issuer credit rating, which has been met;
- Under section 3A of the Electricity Act 1989, 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, the approved Group budgets for the year ending 31 March 2023. These budgets include 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 RPI and over/under recoveries of allowed revenue;
- Management have prepared forecasts covering the next regulatory period to 31 March 2028, based on the business plan submission for RII0-ED2 and considering the draft determination. Forecasts demonstrate that there is sufficient headroom on key covenants and that there are sufficient resources available to the Group within the forecast period;

- Short-term liquidity requirements are forecast to be met from the Group's operating cash flow and short-term deposit balances. A further £13m of committed undrawn bank facilities are available from lenders; these have a maturity of more than one year; and
- Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to 31 March 2023 and 2028 indicate there is significant headroom on these covenants.

The Board has given detailed consideration to the principal risks and uncertainties affecting the Group and Company, as referred to above, and all other known factors which could impact on the Group and the Company's ability to remain a going concern.

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Condensed Consolidated Financial Statements.

The going concern basis has been adopted by the Directors, with consideration of the guidance published by the Financial Reporting Council.

Corporate governance

The NWEN (Jersey) group has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the entire business.

The details of the internal control and risk management systems which govern the Company in relation to the financial processes are outlined in the Corporate Governance Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website www.enwl.co.uk.

Interim Management Report (continued)

Ultimate parent undertaking and controlling party

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

The ownership of the shares in NWEN (Jersey) and, therefore, the ultimate controlling parties of the Company:

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

Directors

The Directors who held office during the period are given below. Directors served for the whole six-months, and to the date of this report, except where otherwise indicated.

Executive Directors

- I Smyth (appointed 5 September 2022)
- D Brocksom
- P Emery (resigned 4 September 2022)

Non-executive Directors

- A Baldock
- A Buchanan
- S Cooklin
- R Holden
- S Jones
- P O'Flaherty
- G Pan
- T Tanaka
- M Yamada (appointed 7 July 2022)
- S Sumitomo (resigned 7 July 2022)

S Jones, P O'Flaherty, G Pan, T Tanaka, M Yamada and S Sumitomo are shareholder

appointed directors and have appointed alternate directors during their time as Board members.

Alternate Directors

- S Jones – A Bhuwania
- P O'Flaherty – A Bhuwania
- G Pan – H Yu
- T Tanaka – K Fukushima (resigned 7 July 2022)/ T Tamura (appointed 7 July 2022)
- M Yamada – M Murata (appointed 28 July 2022)
- S Sumitomo – F Kumura (resigned 7 July 2022)

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, and the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
- the interim management report includes a fair review of the information required by DTR 4.2.7R; and
- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

Registered address

Electricity North West Limited
Borron Street
Stockport
Cheshire
SK1 2JD

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


D Brocksom
Chief Financial Officer
29 November 2022

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

For the period ended 30 September 2022

		Unaudited Period ended 30 Sept 2022	Unaudited Period ended 30 Sept 2021	Audited Year ended 31 Mar 2022
	Note	£m	£m	£m
Revenue	4	245.7	216.2	472.8
Employee costs		(33.4)	(24.6)	(60.9)
Depreciation and amortisation expense		(69.1)	(62.9)	(132.7)
Other operating costs		(50.6)	(46.4)	(103.6)
Total operating expenses		(153.1)	(133.9)	(297.2)
Operating profit		92.6	82.3	175.6
Investment income	5	0.1	0.3	0.4
Finance expense (net)	6	97.2	(95.3)	(150.0)
Profit/(loss) before taxation		189.9	(12.7)	26.0
Taxation	7	(51.3)	(46.2)	(59.1)
Profit/(loss) for the year attributable to equity shareholders of the Company		138.6	(58.9)	(33.1)
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefit scheme		71.1	9.9	68.8
Deferred tax on remeasurement of defined benefit scheme		(17.8)	(2.5)	(17.2)
Adjustment of brought forward deferred tax on remeasurement of defined benefit scheme due to change in future tax rates		-	12.9	12.0
Other comprehensive income/(expense) for the period		53.3	20.3	64.5
Total comprehensive income/(expense) for the period attributable to shareholders		191.9	(38.6)	31.4

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

		Unaudited Period ended 30 Sept 2022	*Restated Unaudited Period ended 30 Sept 2021	Audited Year ended 31 Mar 2022
	Note	£m	£m	£m
ASSETS				
Non-current assets				
Intangible assets and goodwill		56.8	60.9	58.9
Property, plant and equipment	9	3,560.8	3,463.4	3,512.1
Inter-company derivative asset	12	284.2	404.0	408.8
Retirement benefit surplus	13	96.7	-	18.4
		3,998.5	3,928.3	3,998.2
Current assets				
Inventories		20.8	15.2	18.1
Trade and other receivables		100.7	73.6	80.0
Current tax asset		3.0	-	-
Cash and cash equivalents		61.9	101.5	59.4
		186.4	190.3	157.5
Total assets		4,184.9	4,118.6	4,155.7
LIABILITIES				
Current liabilities				
Trade and other payables		(191.7)	(145.7)	(164.2)
Borrowings	10	(9.9)	(8.9)	(93.2)
Current tax liabilities		-	(1.5)	(6.2)
Provisions	14	(0.6)	-	(0.6)
		(202.2)	(156.1)	(264.2)
Net current (liabilities)/assets		(15.8)	34.2	(106.7)
Non-current liabilities				
Borrowings	10	(1,332.6)	(1,265.2)	(1,192.9)
Derivative liabilities	12	(663.4)	(938.5)	(960.2)
Retirement benefit deficit	13	-	(41.0)	-
Deferred tax		(254.8)	(164.0)	(187.3)
Customer contributions		(697.8)	(676.8)	(686.5)
Provisions	14	(1.0)	(1.6)	(1.0)
		(2,949.6)	(3,087.1)	(3,027.3)
Total liabilities		(3,151.8)	(3,243.2)	(3,291.5)
Total net assets		1,033.1	875.4	864.2
EQUITY				
Called up share capital		238.4	238.4	238.4
Share premium account		4.4	4.4	4.4
Revaluation reserve		73.1	75.1	74.1
Capital redemption reserve		8.6	8.6	8.6
Retained earnings		708.6	548.9	538.7
Total equity		1,033.1	875.4	864.2

*The comparative information has been restated; for more details see Note 2.

Approved by the Board of Directors on 29
November 2022 and signed on its behalf by:

D Brocksom
Director

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 September 2022

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 31 March 2021 (audited)	238.4	4.4	81.9	8.6	596.6	929.9
Loss for the period	-	-	-	-	(58.9)	(58.9)
Other comprehensive expense for the period	-	-	-	-	20.3	20.3
Transfer from revaluation reserve	-	-	(6.8)	-	6.8	-
Total comprehensive expense for the period	-	-	-	-	(31.8)	(38.6)
Equity dividends (Note 8)		-	-	-	(15.9)	(15.9)
At 30 September 2021 (unaudited)	238.4	4.4	75.1	8.6	548.9	875.4
At 31 March 2021 (audited)	238.4	4.4	81.9	8.6	596.6	929.9
Loss for the year	-	-	-	-	(33.1)	(33.1)
Other comprehensive income for the year	-	-	-	-	64.5	64.5
Transfer from revaluation reserve	-	-	(7.8)	-	7.8	-
Total comprehensive income/(expense) for the year	-	-	(7.8)	-	39.2	31.4
Equity dividends (Note 8)	-	-	-	-	(97.1)	(97.1)
At 31 March 2022 (audited)	238.4	4.4	74.1	8.6	538.7	864.2
Profit for the period	-	-	-	-	138.6	138.6
Other comprehensive income for the period	-	-	-	-	53.3	53.3
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
Total comprehensive income/(expense) for the period	-	-	(1.0)	-	192.9	191.9
Equity dividends (Note 8)		-	-	-	(23.0)	(23.0)
At 30 September 2022 (unaudited)	238.4	4.4	73.1	8.6	708.6	1,033.1

Condensed Consolidated Statement of Cash Flows

For the period ended 30 September 2022

		Unaudited Period ended 30 Sept 2022	Unaudited Period ended 30 Sept 2021	Audited Year ended 31 Mar 2022
	Note	£m	£m	£m
Operating activities				
Cash generated from operations	16	119.8	100.5	266.2
Interest paid		(14.5)	(13.7)	(54.1)
Interest portion of lease liabilities		-		(0.2)
Tax paid		(10.3)	(15.1)	(15.2)
Net cash generated from operating activities		95.0	71.7	196.7
Investing activities				
Interest received and similar income		0.1	0.4	0.4
Purchase of property, plant and equipment		(106.3)	(94.4)	(196.5)
Purchase of intangible assets		(4.9)	(4.1)	(12.2)
Customer contributions received		28.7	25.4	51.8
Proceeds from sale of property, plant and equipment		0.3	0.3	0.5
Net cash used in investing activities		(82.1)	(72.4)	(156.0)
Net cash flow before financing activities		12.9	(0.7)	40.7
Financing activities				
Proceeds from external borrowings		37.0		30.0
Repayment of external borrowings		(4.1)	(3.6)	(37.4)
Repayment of lease liabilities		(0.7)	(0.7)	(1.2)
Accretion of index linked swap		(20.1)	-	-
Increase in inter-company loan from parent		0.5	-	2.0
Decrease in inter-company loan from group		-	(200.0)	(200.0)
Dividends paid	8	(23.0)	(15.9)	(97.1)
Net cash used in financing activities		(10.4)	(220.2)	(303.7)
Net increase/(decrease) in cash and cash equivalents		2.5	0.9	(263.0)
Cash and cash equivalents at beginning of period		59.4	322.4	322.4
Cash and cash equivalents at end of period		61.9	101.5	59.4

Notes to the Condensed Consolidated Financial Statements

1. General Information

Electricity North West Ltd is a company incorporated in the United Kingdom, and registered in England and Wales, under the Companies Act 2006.

The financial information for the six-month period ended 30 September 2022, and similarly the six-month period ended 30 September 2021, has not been audited or reviewed by the auditor. The financial information for the year ended 31 March 2022 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2022 does not constitute the statutory financial statements for that year (as defined in s434 of the Companies Act 2006), but is derived from those financial statements. Statutory financial statements for 31 March 2022 have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

2. Significant accounting policies

Basis of preparation

The Annual Report and Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Half Year Condensed Consolidated Financial Statements of the Group which are unaudited, have been prepared in accordance with International Accounting Standard 34 '*Interim Financial Reporting*' (IAS 34).

The results for the period ended 30 September 2022 have been prepared using the same method of computation and the same accounting policies set out in the Annual Report and Consolidated Financial Statements of ENWL for the year ended 31 March 2022.

Although some of the Group's operations may be affected by seasonal factors such as general weather conditions, the Directors do not feel that this has a material effect on the performance of the Group, beyond the expected impact on revenue outlined on page 1, when comparing the interim results to those expected to be achieved in the second half of the year.

These condensed financial statements are prepared on the going concern basis. Further detail on the going concern assessment is contained in the Interim Management Report.

These condensed financial statements are presented in sterling, the functional currency of the Company. All values are stated in million pounds (£'m) unless otherwise indicated.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Condensed Consolidated Financial Statements (continued)

Changes in accounting policy

There are no accounting policies or standards adopted for the six-month period ended 30 September 2022, or for the remainder of the year to 31 March 2023, that have a significant impact on the Company.

Prior period restatement

In the year ended 31 March 2022, there has been a presentational change to the derivative assets and liabilities balances reported as at 30 September 2021.

There has been a reclassification adjustment to gross up an inter-company embedded derivative and an inter-company back-to-back derivative agreement between Electricity North West Limited and ENW Finance plc. which were previously presented on a net basis. Whilst in practice the arrangements are net settled, there exists no legal right to offset.

The comparative information in the statement of financial position has been restated, recognising an inter-company derivative asset of £404.0m and a corresponding increase to the derivative liabilities of £404.0m, with a net nil impact on total net assets. This derivative asset of £404.0m was offset against a derivative liability of £404.0m.

The comparative fair value movement in the finance expense note (Note 5) has been restated to show the movement on the inter-company derivative asset, inter-company derivative liability and derivative liabilities separately, with a net nil impact on the total finance expense recognised in the income statement.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies 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.

Notes to the Condensed Consolidated Financial Statements (continued)

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

Property, Plant and Equipment

The Group recognises infrastructure assets where the expenditures incurred enhance or increase the capacity of the network, whereas any expenditure classed as maintenance is expensed in the period it is incurred. 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 is inherently judgemental. The costs capitalised include an allocation of overhead costs, relating to the proportion of time spent by support function staff, which is also inherently judgemental.

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.

Impairment of tangible and intangible assets (including goodwill)

Management assesses the recoverability of tangible and intangible assets on an annual basis. Determining whether any of those assets are impaired requires an estimation of the value in use of the asset to the Group. This value in use 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.

Fair values of derivative financial instruments

In estimating the fair value of derivative financial instruments, the Group uses market-observable data (Level 1 and 2 inputs) to the extent it is available. Where such data is not available, certain estimates (Level 3 inputs) regarding inputs to the valuation are required to be made. Level 3 inputs form a significant part of the fair value of the financial instruments held by the Group. Information about the valuation techniques and inputs used are disclosed in Note 12.

Retirement benefit schemes

The Group's defined benefit obligation is derived using various assumptions, as disclosed in Note 13. 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 13.

Notes to the Condensed Consolidated Financial Statements (continued)

4. Operating segments

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

The geographical origin and destination of revenue is all within the United Kingdom. In addition, whilst revenue can fluctuate with weather conditions, revenues are not affected significantly by seasonal trends.

5. Investment income

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Interest receivable on short-term bank deposits	0.1	0.3	0.4

6. Finance expense (net)

	Unaudited Period ended 30 Sept 2022 £m	*Restated Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Interest expense:			
Interest on group borrowings at amortised cost (Note 15)	3.2	7.0	10.2
Interest on borrowings at amortised cost	20.1	20.2	40.6
Net interest settlements on derivatives at FVTPL	6.4	(0.2)	(3.1)
Indexation of index-linked debt	25.8	8.2	25.2
Accretion payable on index linked swap	20.1	-	-
Reimbursement of inter-company loan impairment	(0.1)	0.1	0.3
Interest on leases	0.1	0.1	0.2
Net interest cost on pension plan obligations	(0.3)	0.6	1.1
Capitalisation of borrowing costs under IAS 23 (Note 9)	(0.3)	(0.3)	(1.0)
Total interest expense	75.0	35.7	73.5
Fair value movements on financial instruments:			
Fair value loss/(gain) on inter-company derivative asset (Note 12)	142.3	(36.4)	(41.2)
Fair value (gain)/loss on inter-company derivative liability (Note 12)	(142.3)	37.3	42.1
Fair value net (gain)/loss on derivatives (Note 12)	(172.2)	58.7	75.6
Total fair value movement (Note 12)	(172.2)	59.6	76.5
Total finance expense (net)	(97.2)	95.3	150.0

Notes to the Condensed Consolidated Financial Statements (continued)

6. Finance expense (net) (continued)

*The comparative fair value movement has been restated to show the movement on the inter-company derivative asset, inter-company derivative liability and external derivative liabilities separately, with a net nil impact on the total fair value movement and total finance expense recognised in the income statement.

The fair value movements on the derivatives are derived using a discounted cash flow technique using both market expectations of future interest rates and future inflation levels, obtained from Bloomberg, and calibrations to observable market transactions evidencing fair value; these are Level 2 inputs and Level 3 inputs under IFRS 13. Note 12 provides more detail on this.

No new derivatives were entered or closed out during the period (30 Sept 2021: same, 31 Mar 2022: same).

There has been £20.1m (30 Sept 2021: £nil, 31 Mar 2022: £nil) 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 2023. The amount of accretion accrued over the year was £29.8m (30 Sept 2021: £11.5m, 31 Mar 2022: £29.8m), split as follows:

Accumulated Accretion	PAYG 5 £m	PAYG 7 £m	PAYG 10 £m	Total £m
1 April 2021	7.8	37.7	14.1	59.6
Accrued in period	7.0	14.2	8.6	29.8
Paid in period	-	-	-	-
30 September 2021	14.8	51.9	22.7	89.4
1 April 2021	7.8	37.7	14.1	59.6
Accrued in year	7.0	14.2	8.6	29.8
Paid in year	-	-	-	-
31 March 2022	14.8	51.9	22.7	89.4
Accrued in period	7.0	14.2	8.6	29.8
Paid in period	(20.1)	-	-	-
30 September 2022	1.7	66.1	31.3	99.1

Notes to the Condensed Consolidated Financial Statements (continued)

7. Taxation

Group and Company	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Current tax:			
Current period	0.7	7.6	12.3
Adjustments in respect of prior period	-	-	(0.2)
	0.7	7.6	12.5
Deferred tax:			
Current period	50.6	(17.1)	46.4
Adjustments in respect of prior period	-	-	0.2
Impact of change in future tax rates	-	55.7	-
	50.6	38.6	46.6
Tax charge for the period	51.3	46.2	59.1

Corporation tax is calculated at 19% (30 Sept 2021: 19%, 31 Mar 2022: 19%) of the estimated assessable profit for the period.

The tax charge in future periods will be affected by the corporation tax rate increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2022 and confirmed by the announcement on 14 October 2022.

Deferred tax is calculated using the rate at which it is expected to reverse. Accordingly, the deferred tax has been calculated on the basis that it will reverse in future at the 25% (30 Sept 2021: 19%, 31 Mar 2022: 25%) rate, except where it is known that it will reverse before 1 April 2023 when the 19% rate has been used, in all periods reported above.

Notes to the Condensed Consolidated Financial Statements (continued)

8. Dividends

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

Group and Company	Unaudited Period ended 30 Sept 2022	Unaudited Period ended 30 Sept 2021	Audited Year ended 31 Mar 2022
	£m	£m	£m
Final dividends for the year ended 31 March 2021 of 3.33 pence per share (paid June 2021)	-	15.9	15.9
Interim dividends for the year ended 31 March 2022 of 17.03 pence per share (paid December 2021)	-	-	81.2
Final dividends for the year ended 31 March 2022 of 4.82 pence per share (paid June 2022)	23.0	-	-
Dividends for the period (Note 15)	23.0	15.9	97.1

The Directors do not propose an interim dividend for the year ending 31 March 2023.

9. Property, plant and equipment

During the period, the Group spent £116.6m (30 Sept 2021: £99.8m, 31 Mar 2022: £200.8m) on additions to property, plant and equipment as part of its capital programme for its operating network. Included in this figure is capitalised interest of £0.3m (30 Sept 2021: £0.3m, 31 Mar 2022: £1.0m), in accordance with IAS 23 (see Note 6).

The Company has recognised incremental right of use assets of £0.2m (30 Sept 2021: £4.0m, 31 Mar 2022: £0.7), in accordance with IFRS 16 (see Note 11).

Notes to the Condensed Consolidated Financial Statements (continued)

10. Borrowings

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Current liabilities:			
Bank and other term borrowings	8.4	7.4	7.6
Lease liabilities (Note 11)	1.5	1.5	1.4
Amounts owed to group undertaking (Note 15)	-	-	84.2
	9.9	8.9	93.2
Non-current liabilities:			
Bonds	635.8	629.2	632.5
Bank and other term borrowings	311.2	252.3	259.5
Lease liabilities (Note 11)	2.2	2.9	2.3
Amounts owed to parent undertaking (Note 15)	84.7	82.2	-
Amounts owed to group undertaking (Note 15)	298.7	298.6	298.6
	1,332.6	1,265.2	1,192.9
Total borrowings	1,342.5	1,274.1	1,286.1

As at 30 Sept 2022 the Group had £13.0m of unutilised committed bank facilities (30 Sept 2021: £50.0m, 31 Mar 2022: £50.0m).

The Group's debt facilities expire between 2022 and 2046.

Notes to the Condensed Consolidated Financial Statements (continued)

11. Leases

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Lease assets:			
Land and buildings	1.8	2.1	2.0
Telecom	0.1	0.1	0.1
Vehicles	1.7	1.8	1.5
Total assets	3.6	4.0	3.6
Lease liabilities:			
Land and buildings	1.8	2.4	1.9
Telecom	0.1	0.1	0.1
Vehicles	1.8	1.9	1.7
Total liabilities (Note 10)	3.7	4.4	3.7

The lease liabilities have been discounted at 5% for land and buildings and telecoms, and 6% for vehicles.

Notes to the Condensed Consolidated Financial Statements (continued)

12. Financial instruments

Fair values

All of the fair value measurements recognised in the statement of financial position for the Group and Company occur on a recurring basis.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where available, market values have been used to determine fair values (Level 1 inputs).

Where market values are not available, fair values have been calculated by discounting future cash flows at prevailing interest and RPI rates sourced from market data (Level 2 inputs). In accordance with IFRS 13, an adjustment for non-performance risk has then been made to give the fair value.

The non-performance risk has been quantified by calculating either a credit valuation adjustment (CVA) based on the credit risk profile of the counterparty, or a debit valuation adjustment (DVA) based on the credit risk profile of the relevant group entity, using market-available data. A funding valuation adjustment (FVA) has also been made.

Whilst the majority of the inputs to the CVA, DVA and FVA calculations meet the criteria for Level 2 inputs, certain inputs regarding the Group's credit risk are deemed to be Level 3 inputs, due to the lack of market-available data. The credit risk profile of the Group has been built using the few market-available data points, e.g. credit spreads on the listed bonds, and then extrapolated over the term of the derivatives. It is this extrapolation that is deemed to be Level 3. The estimation of the funding cost in the FVA calculation is also a Level 3 input. All other inputs to both the underlying valuation and the CVA, DVA and FVA calculations are Level 2 inputs.

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

The adjustment for non-performance risk as at 30 Sept 2022 is £108.4m (30 Sept 2021: £72.3m, 31 Mar 2022: £121.2m), of which £122.6m (30 Sept 2021: £51.9m, 31 Mar 2022: £120.3m) is classed as Level 3.

On entering certain derivatives, the valuation technique used resulted in a fair value loss. As this, however, 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. The aggregate difference yet to be recognised in profit or loss is £48.5m (30 Sept 2021: £50.9m, 31 Mar 2022: £49.7m). The movement in the period all relates to the straight-line release to profit or loss.

Notes to the Condensed Consolidated Financial Statements (continued)

12. Financial instruments (continued)

Fair values (continued)

The following table shows the sensitivity of the fair values of derivatives disclosed as Level 3 to the Level 3 inputs, determined by applying a 10bps shift to the credit curve used to calculate the DVA.

	Unaudited Period ended 30 Sept 2022		Unaudited Period ended 30 Sept 2021		Audited Year ended 31 Mar 2022	
	-10bps £m	+10bps £m	-10bps £m	+10bps £m	-10bps £m	+10bps £m
Derivatives	(4.0)	4.0	(3.6)	4.1	(5.9)	5.6

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
FV of inter-company derivative asset pre IFRS 13 adjustments	356.1	459.7	487.3
CVA/DVA/FVA adjustments	(50.7)	(33.2)	(56.7)
Day 1 adjustment	(21.2)	(22.5)	(21.8)
IFRS 13 FV of inter-company derivative asset	284.2	404.0	408.8
FV of inter-company derivative liability pre IFRS 13 adjustments	(356.1)	(459.7)	(487.3)
CVA/DVA/FVA adjustments	50.7	33.2	56.7
Day 1 adjustment	21.2	22.5	21.8
IFRS 13 FV of inter-company derivative liability	(284.2)	(404.0)	(408.8)
FV of derivative liabilities pre IFRS 13 adjustments	(536.1)	(657.6)	(722.3)
CVA/DVA/FVA adjustments	108.4	72.3	121.1
Day 1 adjustment	48.5	50.9	49.7
IFRS 13 FV of derivative liabilities	(379.2)	(534.4)	(551.4)

At 30 September 2022, there is no collateral held or posted in relation to the derivatives (30 Sept 2021: £nil, 31 Mar 2022: £nil).

Notes to the Condensed Consolidated Financial Statements (continued)

12. Financial instruments (continued)

Fair values (continued)

The following table provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Inter-company derivative asset:			
Level 1	-	-	-
Level 2	-	-	-
Level 3	284.2	404.0	408.8
	284.2	404.0	408.8
Inter-company derivative liability:			
Level 1	-	-	-
Level 2	-	-	-
Level 3	(284.2)	(404.0)	(408.8)
	(284.2)	(404.0)	(408.8)
Derivative liabilities:			
Level 1	-	-	-
Level 2	(75.8)	(261.7)	(34.3)
Level 3	(303.4)	(272.7)	(517.1)
	(379.2)	(534.4)	(551.4)

Notes to the Condensed Consolidated Financial Statements (continued)

12. Financial instruments (continued)

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

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Opening balance	(517.1)	(415.0)	(415.0)
On new instruments in the period	-	-	-
Transfers from Level 3 into Level 2	15.8	182.6	5.1
Transfers from Level 2 into Level 3	(7.7)	(4.6)	(35.6)
Total gains or losses in profit or loss:			
On transfers from Level 2 into Level 3	19.4	-	5.5
On instruments carried forward in Level 3	186.2	(35.7)	(77.1)
Closing balance	(303.4)	(272.7)	(517.1)

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 DVA, as described in this section above. Any transfers between levels are determined and recognised at the end of the reporting period.

For cash and cash equivalents, trade and other receivables and trade and other payables the book values approximate to the fair values because of their short-term nature.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values. The fair values shown in the table below are derived from market values and, therefore, meet the Level 1 criteria.

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Carrying value:			
Bonds held at amortised cost (Note 10)	(635.8)	(629.2)	(632.5)
Amounts owed to affiliated undertaking (Note 10)	(298.7)	(298.6)	(298.6)
Fair value:			
Bonds held at amortised cost	(651.2)	(867.7)	(812.1)
Amounts owed to affiliated undertaking	(214.6)	(290.1)	(271.3)

Notes to the Condensed Consolidated Financial Statements (continued)

13. Retirement benefit schemes

Defined benefit schemes

The defined benefit surplus/obligation is calculated using the latest actuarial valuation as at 31 March 2019 and has been projected forward by an independent actuary to take account of the requirements of IAS 19 'Employee Benefits' in order to assess the position at 30 September 2022 for the purpose of these financial statements. The present value of the defined benefit surplus/obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The defined benefit plan assets have been updated to reflect their market value as at 30 September 2022. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the statement of comprehensive income in accordance with the Group's accounting policy.

The increase in the defined benefit surplus over the six-month period to 30 September 2022 to £96.7m (30 Sept 2021: £41.0m deficit, 31 Mar 2022: £18.4m surplus), was primarily due to the increase in the discount rate assumption by 240 basis points driven by the market movement in corporate bond yields and a 10 basis points decrease in expected future inflation. This was partially offset by a reduction in the value of the Scheme's assets as a result of the market events as described above.

14. Provisions

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Opening Balance	1.6	1.7	1.7
Charged/(released) to the income statement	-	-	(0.2)
Lease liabilities under IFRS 16 reclassified as provision	-	-	0.3
Utilisation of provision	-	(0.1)	(0.2)
Closing balance	1.6	1.6	1.6
Current	0.6	-	0.6
Non-current	1.0	1.6	1.0
Closing balance	1.6	1.6	1.6

The Company is part of a Covenanter Group (CG) which is party to a Deed of Covenant under which certain guarantees over the benefits of members of the EATL Group of the Electricity Supply Pension Scheme have been given. The closing provision at 30 September 2022 of £1.2m (30 Sept 2021: £1.6m, 31 Mar 2022: £1.2m) on a discounted basis relates to the Company's 6.7% share of the liabilities. £0.2m of this balance is due after more than one year and £1.0m of it is due in less than one year.

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

Notes to the Condensed Consolidated Financial Statements (continued)

15. 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 period, the Electricity North West Ltd Group companies entered into the following transactions with related parties who are not members of that Group:

Group	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Charges to:			
Electricity North West (Construction and Maintenance) Ltd	1.2	-	0.1
Electricity North West Services Ltd	0.7	1.2	0.9
Electricity North West Property Ltd	0.1	-	-
Charges from:			
Electricity North West (Construction and Maintenance) Ltd	(0.5)	(0.2)	-
Electricity North West Services Ltd	(4.0)	-	(7.3)
Interest payable to:			
North West Electricity Networks plc	(1.1)	(1.1)	(2.1)
ENW Finance plc	(2.2)	(5.9)	(8.1)
Interest on group borrowings (Note 6)	(3.2)	(7.0)	(10.2)
Reimbursement of inter-company loan impairment ENW Finance plc	(0.1)	0.1	0.3
Fair value movement on inter-company derivative asset with ENW Finance plc (Note 6)	142.3	(36.4)	(41.2)
Fair value movement on inter-company derivative liability with ENW Finance plc (Note 6)	(142.3)	37.3	42.1
Dividends paid to North West Electricity Networks plc (Note 8)	(23.0)	(15.9)	(97.1)
Directors' remuneration	(1.2)	(1.2)	(2.2)

Notes to the Condensed Consolidated Financial Statements (continued)

15. Related party transactions (continued)

Amounts outstanding between the Group and other companies within the North West Electricity Networks (Jersey) Limited Group:

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Amounts owed by:			
North West Electricity Networks plc	3.5	3.4	3.5
North West Electricity Networks (Holdings) Ltd	0.2	0.2	0.2
Electricity North West (Construction and Maintenance) Ltd	0.4	0.3	0.6
Electricity North West Services Ltd	0.6	0.3	0.3
Electricity North West Property Ltd	0.1	0.1	0.1
North West Electricity Networks (Jersey) Ltd	0.1	0.9	0.1
Total in debtors	4.9	5.2	4.8
Amounts owed to:			
North West Electricity Networks (Holdings) Ltd	(0.2)	-	(0.2)
Electricity North West (Construction and Maintenance) Ltd	(0.1)	-	-
Electricity North West Services Ltd	(0.5)	(0.3)	(0.9)
North West Electricity Networks (Jersey) Ltd	(0.1)	-	(0.1)
Interest payable to:			
North West Electricity Networks plc	(0.6)	(0.6)	(0.6)
ENW Finance plc	(1.1)	(0.7)	(3.4)
Total in creditors	(2.6)	(1.6)	(5.2)
Borrowings payable to (Note 10):			
North West Electricity Networks plc	(84.7)	(82.2)	(84.2)
ENW Finance plc	(298.7)	(298.6)	(298.6)
Inter-company derivative asset with ENW Finance plc (Note 12)	266.6	404.0	408.8
Inter-company derivative liability with ENW Finance plc (Note 12)	(266.6)	(404.0)	(408.8)
Group tax relief to:			
North West Electricity Networks plc	-	(5.5)	(10.2)

The loan from North West Electricity Networks plc accrues weighted average interest at 2.47% per annum (30 Sept 2021: 2.53%, 31 Mar 2022: 2.47%) and is repayable in March 2028.

The loan from ENW Finance plc accrues interest at a fixed rate of 1.415% and is repayable in July 2030.

Notes to the Condensed Consolidated Financial Statements (continued)

16. Cash generated from operations

	Unaudited Period ended 30 Sept 2022 £m	Unaudited Period ended 30 Sept 2021 £m	Audited Year ended 31 Mar 2022 £m
Operating profit	92.6	82.3	175.6
Adjustments for:			
Depreciation of property, plant and equipment	69.1	60.3	119.9
Amortisation of intangible assets	-	2.6	12.8
Amortisation of customer contributions	(10.0)	(9.7)	(19.5)
Profit/(loss) on disposal of property, plant and equipment	(0.3)	-	(0.1)
Cash contributions in excess of pension charge to operating profit	(10.7)	(17.3)	(23.7)
Operating cash flows before movement in working capital	140.7	118.2	265.0
Changes in working capital:			
(Increase)/decrease in inventories	(2.7)	(1.2)	(4.1)
(Increase)/decrease in trade and other receivables	(20.7)	1.7	(4.7)
Increase/(decrease) in provisions and payables	2.5	(18.2)	10.0
Cash generated from operations	119.8	100.5	266.2