Company Registration No. 06428375

NORTH WEST ELECTRICITY NETWORKS PLC

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2025

Notice regarding limitations on Director Liability under English Law

The information supplied in the Strategic Report and the Directors' Report has been drawn up and presented in accordance with English Law. The liabilities of the directors in connection with that Report 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 North West Electricity Networks plc group as a whole comprising North West Electricity Networks plc (''the Company'') and its subsidiaries (together, ''the Group'').

Cautionary statement regarding forward-looking statements

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

Website and Investor Relations

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

Contents

Strategic Report

The directors present their Strategic Report on North West Electricity Networks plc ("the Company"), together with its subsidiaries referred to as "the Group", for the year ended 31 March 2025.

Business review and principal activities

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

An Electricity Distribution Licence was granted to ENWL, under the Electricity Act 1989. ENWL's performance against the terms of this Licence is regulated by the Gas and Electricity Markets Authority, which operates through the Office of Gas and Electricity Markets ("Ofgem"). Ultimately, it is the customer that funds the business and investment in the network, charged through their electricity suppliers. For more information, see the Regulatory Framework section on page 2.

The principal activity of the Company is as 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., one of the largest utility companies in the world and a leader in renewable energy.

During the year, 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. For more information, see page 14 and Note 31.

As part of this transaction, NWEN (Jersey) issued further shares, receiving proceeds totalling £400.0m, £399.0m of which was on-lent within the NWEN (Jersey) group. The Company received £86.0m, at an interest rate of 5.00%, maturing in October 2034 (Note 21), of which £35.3m was invested in money market deposits greater than three months (Note 19).

There have been no changes to the activity of the Group or Company as a result of the acquisition by Scottish Power.

The Company has debt in issue via private placements and bank facilities.

The Group includes two financing companies, one of which, ENW Finance plc, had listed debt in issue throughout the year. The other, ENW Capital Finance plc, had no debt in issue in either the current or prior year. Following the issue of debt in these companies, the proceeds were on-lent in the Group to finance operations in ENWL. Debt is also held by ENWL.

In April 2024, the £75m revolving credit facility (RCF) and the £40m debt service reserve (DSR) in the Company, and the £50m RCF in ENWL, which were all £nil drawn and due to expire in December 2024, were replaced by new facilities, comprising a £250m RCF in ENWL and £75m RCF in the Company, both due to expire in April 2027, and a £50m DSR due to expire in April 2025. For more information, see Note 21.

On 16 June 2025 Scottish Power UK plc provided 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. For more information, see pages 8 and 12.

There have been no significant changes to the activity of the Group or Company in the year ended 31 March 2025, nor are there any planned changes.

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

Strategic Report (continued)

Regulatory framework

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

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 ENWL 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, driving benefits for the customer. Performance against the incentives is assessed annually and any positive or negative adjustments are fed into a process which modifies revenue for subsequent years.

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

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

Investment and innovation 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 Group.

The net zero transition will undoubtedly result in very significant increases in network demand by 2050, driven by both renewable generation connections and new demand, such as electric vehicles and heat pumps. 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 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 the going concern statement (pages 11 to 12) or the period covered by the viability statement (page 12).

Purpose, Vision and Principles

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

The 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.

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

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

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

More details of the Group's initiatives in these focus areas can be found on pages 12 to 20 of the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website, www.enwl.co.uk.

Corporate social responsibility

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

There are four main strands to the framework, ***'Our customers; Our environment; Our Communities; and Our people'***. More details of the Group's initiatives under these strands can be found on pages 21 to 22 of the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website, www.enwl.co.uk.

Environment and climate change

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

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

Environmental protection continues to be one of our core values, and we remain committed to achieving the highest possible standards of environmental performance. The year ended 31 March 2025 saw a nominal increase in our carbon emissions, which was due to the Group's transition to a validated Science-based target ("SBTi") that expanded the emissions reported on. The Business Carbon Footprint uplift SBTi equivalent for prior year would have resulted in a 3% reduction year on year. Actions to reduce our carbon footprint will continue to be implemented to continue the carbon reduction trajectory of recent years.

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

More details of the Group's environmental performance can be found on pages 14 to 16 and 23 to 27 of the Strategic Report of ENWL, as referenced above.

Strategic Report (continued)

People

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

The Group is committed to building careers for our people, providing secure, long-term employment in an inclusive environment where everyone feels a sense of belonging.

Annual colleague climate surveys are undertaken to measure colleague engagement and agreement; leadership teams are responsible for identifying areas for improvement between each survey and implementing change to continue to drive employee engagement and performance. Colleague engagement scores in our November 2024 survey were the highest ever recorded by the organisation. 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.

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

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

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

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

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

Workforce (Male/ Female)	**2025 Numbers**	2024 Numbers
Total employees	**1,674/ 560** ***(75%/25%)***	1,602/ 541 (75%/25%)
Senior managers	**36/ 11** ***(77%/23%)***	32/ 14 (70%/30%)
Executive leadership team[1]	**3/ 1** ***(75%/25%)***	6/2 *(75%/25%)*
Non-Executive Directors	**1/1** ***(50%/50%)***	1/0 (100%/0%)

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

Respect for Human Rights

The Group operates exclusively in the UK and, as such, is subject to the European Convention on Human Rights, the UK Human Rights Act 1998 and the Modern Slavery Act 2015. The Group seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through policies and procedures 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)

Anti-corruption and anti-bribery

The Group has a strong commitment to high ethical standards in the way we work. The Group takes a zero-tolerance approach to bribery and corruption, and is committed to acting professionally, fairly and with integrity in all business dealings and relationships 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 Group 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. The Group has a revised 'Ethics in our Business' 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 the Speak Up policy, employees have access to a confidential independent reporting line, 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 the Group and form part of our Code of Conduct. Other individuals performing functions for the Group, such as temporary workers and contractors, are also required to adhere to our policies.

Strategic Report (continued)

Section 172 Statement

Introduction

The principal trade and activities of the Group are carried out in ENWL and a comprehensive Section 172 Statement is contained on pages 28 to 31 of the ENWL Annual Report and Consolidated Financial Statements, available on the website, www.enwl.co.uk.

The ENWL Section 172 Statement outlines how the Group takes into account the likely long-term consequences of any decisions; the interests of employees; the need to foster relationships with stakeholders; the impact of activities on communities and the environment; the importance of maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the Company.

The Group has now completed its second year of the five-year regulatory period. The board continues to balance the needs of all its stakeholders and recognises the Company's role in enabling the significant changes required by long-term goals such as net zero. RIIO-ED2 brings a unique challenge for the industry and is discussed on page 2 of the Strategic Report.

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

In relation to the Company, the Board of Directors consider, both individually and together, that they have acted in a way they believe 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 Act, in decisions taken during the year ended 31 March 2025. The directors have specifically considered the following:

(a) the likely long-term consequences of any decisions

The Company acts as a holding and financing company within the NWEN (Jersey) group of companies and is a non-trading entity. As such, the directors' principal decisions involve reviewing and monitoring the Group's treasury activities as outlined in the Strategic Report (see page 8).

(b) the interests of employees

The Company has no direct employees. The Group encourages a working culture that recognises, respects, values and harnesses diversity for the benefit of the Group and the individual and promotes employee engagement.

(c) the need to foster relationships with stakeholders

The Company is non-trading and has no direct suppliers or customers. The Company's primary business relationships are with finance lenders and investors, relationships with whom are managed by the Head of Corporate Finance and Investor Relations.

(d) the impact of operations on communities and environment

The Company is a holding and financing company and has no direct operations that impact communities or environment.

(e) the importance of maintaining a reputation for high standards of business conduct

As the Board of Directors, the intention is to behave responsibly and ensure that management operate the activities of the Group and Company in a responsible manner, operating within the high standards of business conduct and good governance expected for such a business. The Company is subject to the policies of the Group, which are set with the aim of being a responsible business and maintaining a reputation for high standards of business conduct.

(f) the need to act fairly between members

As the Board of Directors, the intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of the Group business plan.

Strategic Report (continued)

Financial review and key performance indicators

The performance of the Group is monitored by the Board of Directors with reference to key performance indicators (KPIs). Performance against those measures for the year ended 31 March 2025 and 2024 is set out below:

Financial KPIs	2025 £m	2024 £m
Revenue	**646.5**	589.9
Profit/(loss) before tax and fair value movements[1]	**133.9**	(19.5)
Net debt	**(2,526.5)**	(2,472.1)

[1] Profit/(loss) before tax and fair value movements comprises profit before income tax of £176.5m (2024: £84.0m profit) less fair value gains of £42.6m (2024: £103.5m gains) (Note 9).

Revenue

Revenue has increased by £56.6m, to £646.5m (2024: £589.9m). 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 the Ofgem 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, due to the collection of this levy. For more information, see Note 4.

Profit before tax and fair value movements

Profit before tax and fair value movements was £153.4m higher than prior year. This is primarily due to the £56.6m 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 or loss 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 underlying operations of the business.

Net debt

Net debt was £2,526.5m (2024: £2,472.1m) (Note 34). The £54.4m increase was primarily due to the combined effect of net cash outflows affecting net debt of £21.8m, the indexation of index-linked debt of £20.5m, and the increase in the carrying value of the 0% loan from parent of £16.1m due to imputed interest.

Included in the total borrowings figure of £2,726.8m (2024: £2,662.6m) are inter-company loans totalling £643.5m (2024: £584.6m), with maturity dates ranging from December 2027 to October 2034.

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 £1,552.5m (2024: £1,996.7m), bank loans of £59.3m (2024: £67.3m) and lease liabilities of £3.7m (2024: £3.1m).

Note 21 provides more details on the borrowings.

Strategic Report (continued)

Financial review and key performance indicators (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 (the Retail Price Index (RPI) to match the inflation-linked accretion to the Regulatory Asset Value (RAV). Ofgem have now changed this to a Consumer Price Index including owner occupiers' housing costs (CPIH) basis. The Group also holds some floating rate debt facilities.

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 next 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 £165.0m (2024: £190.5m), money market deposits greater than three months were £35.3m (2024: £nil) and unutilised committed facilities were £325.0m (2024: £165.0m), comprised of two revolving credit facilities (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 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 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 review and key performance indicators (continued)

Credit rating agencies

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

At 31 March 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.

NWEN plc was rated BBB+ with stable outlook by S&P and BBB- with rating watch positive outlook by Fitch.

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

Derivatives

The Group uses two main groups of derivatives to economically hedge exposure to fluctuations in market rates over the medium to long-term; interest rate swaps to manage interest rate risk and inflation swaps to convert fixed rate debt to index-linked borrowing in order to better match the Ofgem debt allowance methodology. All derivatives relate directly to underlying debt. At 31 March 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 £42.6m have been recognised (2024: gains of £103.5m), with the prior year being notably higher primarily due to the fair value gain associated with the £87.0m accretion payment in that year 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.

Dividends and dividend policy

The Group's dividend policy is to distribute the maximum amount of available cash to the 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. 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

During the financial year, the Company paid dividends totalling £nil (2024: £nil).

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

Strategic Report (continued)

Financial review and key performance indicators (continued)

Defined benefit pension

At 31 March 2025, the Group's defined benefit pension scheme had a net surplus, calculated under IAS 19 *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 expectations, 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.

Non-financial key performance indicators

A review of the Group's non-financial KPIs is disclosed in the Non-Financial and Sustainability Information Statement on pages 23 to 27 of the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website, www.enwl.co.uk.

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

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

Principal risks and uncertainties

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

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

During the year ended 31 March 2025, the £75m RCF and the £40m debt service reserve (DSR) in the Company, which were both £nil drawn, expired and were replaced by the new £75m RCF, due to expire in April 2027, and the £50m DSR, due to expire April 2025 (see Note 21).

The Company has no further re-financing obligations due in the next 12 months.

Strategic Report (continued)

Going Concern

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

- ENWL's electricity distribution licence includes the obligation in standard licence condition 40 to maintain an investment grade issuer credit rating, which has been met.
- Under section 3A of the Electricity Act 1989, 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 £325.0m in the form of committed, undrawn borrowing facilities. Of this, £325.0m was 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)

Going Concern (continued)

- The debt service costs of the Company are funded by a combination of interest receivable on inter-company loan assets and dividends receivable, both from Electricity North West Limited, a wholly owned subsidiary of the Company.

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 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 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 recent risk 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 Group'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 Group will continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Strategic Report (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 (CFO);
- 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.

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

Chris Johns
Director

Directors' Report

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

General information

The Company is a public 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 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., 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 (11) 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, page 10;
- how the directors have had regard to the need to foster business relationships with stakeholders, page 6;
- employee matters, page 4;
- greenhouse gas emissions, page 3.

Parent, ultimate parent and controlling party

The immediate parent undertaking is NWEN Group Limited, 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 9.

During the financial year, the Company paid dividends totalling £nil (2024: £nil).

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 30.

Financial instruments

The use of financial instruments and their related risks are disclosed in the Financial Review and Principal Risks and Uncertainties sections of the Strategic Report on page 10 and in Note 23.

Directors' Report (continued)

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 10 and in Note 24.

Employees

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

Greenhouse gas emissions and energy use

There are no greenhouse gas emissions directly attributable to the Company. Disclosures relating to the Group as a whole are reported on pages 15 to 16 of the Strategic Report of the Annual Report and Consolidated Financial Statements of Electricity North West Limited ("ENWL"), which are available on the website www.enwl.co.uk.

Research and development

The Group is committed to developing innovative and cost-effective solutions for providing high quality services and reliability to customers, and for the benefit of the wider sector and the development of the network. During the year ended 31 March 2025 the Group incurred £2.4m of expenditure on research and development (2024: £1.9m), see Note 5.

Future developments

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

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

Events after the Balance Sheet date

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 of the ENWL Annual Report and Consolidated Financial Statements, pages 51 to 66, as referenced above.

Directors

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

Executive Directors

- Chris Johns
- Ian Smyth

Non-executive Directors

- Beatrice Araujo (appointed 21 March 2025)
- Rob Holden (resigned 21 March 2025)
- Charles Langan (appointed 21 March 2025)

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

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

Directors' Report (continued)

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.

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 pages 28 to 31 of the ENWL Annual Report and Consolidated Financial Statements, as referenced above.

Registered address

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

North West Electricity Networks plc
c/o Electricity North West
Borron Street
Stockport
England
SK1 2JD

Registered number: 06428375

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 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 financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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 North West Electricity Networks plc

Report on the audit of the financial statements

Opinion

In our opinion, North West Electricity Networks plc'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 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 as applied in accordance with the provisions of the Companies Act 2006; 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 Statement 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.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

Independent auditors' report to the members of North West Electricity Networks plc (continued)

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.

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.

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.

Independent auditors' report to the members of North West Electricity Networks plc (continued)

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 legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to improve financial performance, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

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

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

Independent auditors' report to the members of North West Electricity Networks plc (continued)

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.

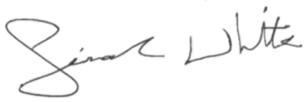
Other required reporting

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.



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

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2025

	Note	**Group 2025 £m**	Group 2024 £m
Revenue	4	**646.5**	589.9
Employee costs	5,6	**(80.0)**	(76.7)
Depreciation and amortisation expense	5	**(157.3)**	(147.0)
Other operating costs		**(136.6)**	(145.7)
Total operating costs		**(373.9)**	(369.4)
Operating profit	5	**272.6**	220.5
Finance income	8	**8.2**	21.7
Finance costs	9	**(104.3)**	(158.2)
Profit before income tax		**176.5**	84.0
Income tax expense	10	**(50.3)**	(23.3)
Profit for the financial year		**126.2**	60.7
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit scheme	25	**14.1**	(6.8)
Deferred tax on remeasurement of retirement benefit scheme	27	**(3.5)**	1.7
Other comprehensive income/(expense) for the financial year		**10.6**	(5.1)
Total comprehensive income for the financial year		**136.8**	55.6

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

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

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own statement of profit or loss and other comprehensive income. The loss after tax for the Company for the year ended 31 March 2025 was £9.1m (2024: £22.4m loss).

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	**4,013.7**	**-**	3,795.0	-
Intangible assets and goodwill	13	**240.0**	**-**	239.0	-
Deferred tax assets	27	**-**	**-**	-	9.1
Investment in subsidiaries	14	**-**	**1,145.7**	-	1,145.7
Loans to group undertakings	15	**-**	**111.1**	-	109.7
Derivative assets	22	**43.8**	**-**	28.4	-
Retirement benefit surplus	25	**56.1**	**-**	39.0	-
Total non-current assets		**4,353.6**	**1,256.8**	4,101.4	1,264.5
Current assets					
Inventories	16	**56.7**	**-**	49.3	-
Trade and other receivables	17	**98.3**	**2.5**	99.3	1.9
Current income tax asset		**9.5**	**25.6**	1.9	27.3
Cash and cash equivalents	18	**165.0**	**32.7**	190.5	0.6
Money market deposits over three months	19	**35.3**	**35.3**	-	-
Total current assets		**364.8**	**96.1**	341.0	29.8
Total assets		**4,718.4**	**1,352.9**	4,442.4	1,294.3

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	20	**(199.2)**	**(24.5)**	(176.9)	(25.5)
Borrowings	21	**(467.8)**	**-**	(10.9)	0.1
Customer contributions	26	**(67.1)**	**-**	(81.0)	-
Provisions	28	**(2.5)**	**-**	(0.5)	-
Total current liabilities		**(736.6)**	**(24.5)**	(269.3)	(25.4)
Non-current liabilities					
Borrowings	21	**(2,259.0)**	**(1,292.5)**	(2,651.7)	(1,222.9)
Derivative liabilities	22	**(332.1)**	**(6.0)**	(359.4)	(7.0)
Customer contributions	26	**(526.5)**	**-**	(489.0)	-
Deferred tax	27	**(416.1)**	**-**	(362.6)	-
Provisions	28	**(1.1)**	**-**	(0.2)	-
Total non-current liabilities		**(3,534.8)**	**(1,298.5)**	(3,862.9)	(1,229.9)
Total liabilities		**(4,271.4)**	**(1,323.0)**	(4,132.2)	(1,255.3)
Net assets		**447.0**	**29.9**	310.2	39.0
EQUITY					
Share capital	29	**3.0**	**3.0**	3.0	3.0
Retained earnings		**444.0**	**26.9**	307.2	36.0
Total equity		**447.0**	**29.9**	310.2	39.0

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 signed on its behalf by:

Chris Johns
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Share capital (Note 29) £m	Retained earnings £m	Total equity £m
At 1 April 2023	3.0	251.6	254.6
Profit for the financial year	-	60.7	60.7
Other comprehensive expense for the financial year	-	(5.1)	(5.1)
Total comprehensive income for the financial year	-	55.6	55.6
At 31 March 2024 and 1 April 2024	**3.0**	**307.2**	**310.2**
Profit for the financial year	**-**	**126.2**	**126.2**
Other comprehensive income for the financial year	**-**	**10.6**	**10.6**
Total comprehensive income for the financial year	**-**	**136.8**	**136.8**
At 31 March 2025	**3.0**	**444.0**	**447.0**

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 29) £m	Retained earnings £m	Total equity £m
At 1 April 2023	3.0	58.4	61.4
Loss for the financial year	-	(22.4)	(22.4)
Total comprehensive expense for the financial year	-	(22.4)	(22.4)
At 31 March 2024 and 1 April 2024	**3.0**	**36.0**	**39.0**
Loss for the financial year	**-**	**(9.1)**	**(9.1)**
Total comprehensive expense for the financial year	**-**	**(9.1)**	**(9.1)**
At 31 March 2025	**3.0**	**26.9**	**29.9**

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 2025 £m**	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Operating activities					
Cash generated from/(used in) operations	34	**412.2**	**-**	311.3	(0.1)
Customer contributions received	26	**37.5**	**-**	57.1	-
Interest paid		**(120.8)**	**(45.5)**	(119.0)	(46.7)
Interest portion of lease liabilities	21	**(0.3)**	**-**	(0.3)	-
Accretion on index linked swaps	9	**-**	**-**	(87.0)	-
Income taxes (paid)/received		**(7.9)**	**20.6**	6.2	-
Net cash generated from/(used in) operating activities		**320.7**	**(24.9)**	168.3	(46.8)
Investing activities					
Interest received and similar income		**7.8**	**5.4**	23.3	3.7
Transfer (to)/from money market deposits over three months		**(35.3)**	**(35.3)**	305.7	-
Dividends received	32	**-**	**45.4**	-	30.4
Purchase of property, plant and equipment		**(355.4)**	**-**	(273.6)	-
Purchase of intangible assets	13	**(15.2)**	**-**	(11.0)	-
Proceeds from sale of property, plant and equipment		**0.5**	**-**	0.2	-
Net cash (used in)/generated from investing activities		**(397.6)**	**15.5**	44.6	34.1
Net cash flow before financing activities		**(76.9)**	**(9.4)**	212.9	(12.7)
Financing activities					
Proceeds from external borrowings	21	**1.0**	**1.0**	133.2	133.2
Repayment of external borrowings	21	**(10.3)**	**(1.0)**	(307.9)	(75.0)
Repayment of lease liabilities	21	**(1.9)**	**-**	(1.8)	-
Increase in loan from parent	21	**86.0**	**86.0**	61.4	61.4
Repayment of loan from parent	21	**(43.2)**	**(43.2)**	(93.5)	(93.5)
Increase in loan to subsidiary		**-**	**(1.3)**	-	(13.3)
Movement on cash collateral held		**19.8**	**-**	12.0	-
Net cash generated from/(used in) financing activities		**51.4**	**41.5**	(196.6)	12.8
Net (decrease)/increase in cash and cash equivalents		**(25.5)**	**32.1**	16.3	0.1
Cash and cash equivalents at the beginning of the year		**190.5**	**0.6**	174.2	0.5
Cash and cash equivalents at the end of the year	18	**165.0**	**32.7**	190.5	0.6

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

North West Electricity Networks plc 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 11 and 12, 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 Group 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. The Company financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a statement of profit or loss and other comprehensive income for the Company.

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:

- Electricity North West Limited'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.

Notes to the Financial Statements (continued)

2. Material accounting policy information (continued)

Going concern (continued)

- 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 £325.0m in the form of committed, undrawn borrowing facilities. Of this, £325.0m was 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 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.
- The debt service costs of the Company are generally funded by a combination of interest receivable on inter-company loan assets and dividends receivable, both from Electricity North West Limited, a wholly owned subsidiary of the Company.

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 values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the consideration transferred and acquisition-date fair value of any previous equity interest in the acquired entity over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, and is recognised as an asset.

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

Investments in subsidiaries (Company only)

Investments in subsidiary undertakings are stated at cost, 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 total expenditure ("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 ENWL creates a bespoke asset for which they have no alternative use other than to provide electricity to the customer's premises. ENWL has an enforceable right to payment for the performance completed to date.

Refundable customer contributions received in respect of property, plant and equipment are initially held as a liability within customer 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 25. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements, recognised in employee costs (see Note 6) in the income statement;
- net interest expense or income, recognised within finance costs (see Note 9) in 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.

IFRIC 14 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. IFRIC 14 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.

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 (FVLCD), and value in use. The 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)

Financial assets (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 22.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets; the Group holds no lease receivables or financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

a) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near-term.

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)

Financial assets (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 value is determined in the manner described in Note 22.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not at FVTPL are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade payables

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

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 22.

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

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

Embedded derivatives

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

Notes to the Financial Statements (continued)

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

Key sources of estimation uncertainty

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

Capitalisation of overheads – capitalisation rate

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

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)

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 intangible assets 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. Details of the impairment loss testing is set out in Note 11.

Fair values of derivative financial instruments

In estimating the fair value of derivative financial instruments, the Group uses market-observable data (Level 1 and 2 inputs) to the extent it is available. Where such data is not available, certain estimates (Level 3 inputs) regarding inputs to the valuation are required to be made. The inputs regarding the Group's credit risk are deemed to be Level 3 inputs, as there are no observable credit related inputs for the Group at commonly quoted intervals or otherwise interpolated for substantially the full term of the instruments. The credit risk profile of the Group has been based on a UK utility credit curve provided by a third-party data provider. It is this assumption that is deemed to be Level 3. Level 3 inputs form a significant part of the fair value of the financial instruments held by the Group. Information about the valuation techniques, inputs used and sensitivities are disclosed in Note 22 and Note 24.

Retirement benefit schemes

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

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

Notes to the Financial Statements (continued)

4. Revenue

Group	**2025 £m**	2024 £m
Revenue	**646.5**	589.9

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

Included within the above are revenues from 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 Group is directed to collect or pay levies by the Regulator, Ofgem, those levies are accounted for under IFRIC 21 levies. 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 £13.9m (2024: £12.8m) of customer contributions have been amortised through revenue in line with IFRS 15 (Note 26 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 the Group's operating profit:

Group 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)	**143.1**	132.8
Amortisation of intangible assets (Note 13 & 34)	**14.2**	14.2
	157.3	147.0
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	2025 £m	2024 £m
Audit of the Group and Company financial statements[1]	-	0.1
Audit of the financial statements of subsidiaries[2]	0.6	0.5
Audit-related assurance services	0.1	0.1
Total fees	**0.7**	0.7

[1] Fees payable for the Group and Company financial statements audit were £45,152 (2024: £72,337). The fees for the current year include £nil of overrun fees in relation to the prior year (2024: £45,208).
[2] This includes £31,881 of additional fees in relation to the prior year (2024: £121,589).

Non-audit related services to the Group were £17,172 (2024: £16,200). There were no non-audit related services to the Company (2024: none).

6. Employee costs

Group	2025 £m	2024 £m
Wages and salaries	149.9	137.1
Social security costs	17.1	15.8
Pension costs – defined benefit schemes (Note 25)	7.5	7.9
Pension costs – defined contribution schemes (Note 25)	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	**80.0**	76.7

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

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

During year ended 31 March 2024 and 2025, there were no employees in the Company.

Notes to the Financial Statements (continued)

7. Directors' remuneration

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

Company	2025 Number	2024 Number
Remunerated directors	**4**	4
Non-remunerated directors*	**1**	5
Total number of directors	**5**	9

*There were no additional alternate directors during the year (2024: 4 alternate directors) as set out in page 15.

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

	2025 £m	2024 £m
Salaries and other short-term employee benefits	**1.1**	1.0
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	**2.9**	2.6
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)	**4.9**	2.6

*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 £4.9m (2024: £2.6m). 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 and other Group companies. All remuneration on the services solely provided to the company was borne by ENWL (2024: all) and full disclosures have been made in ENWL Annual Report and Consolidated Financial Statements, page 112.

Notes to the Financial Statements (continued)

8. Finance income

Group	2025 £m	2024 £m
Interest receivable on short-term bank deposits	**8.2**	21.7

9. Finance costs

Group	2025 £m	2024 £m
Finance costs (excluding unrealised fair value movements)		
Interest on group borrowings at amortised cost (Note 32)	**36.5**	39.7
Interest on external borrowings at amortised cost	**86.6**	86.2
Net interest settlements on derivatives at fair value	**7.3**	6.8
Indexation of index-linked debt (Note 21 & 34)	**20.5**	45.1
Accretion paid on index-linked swaps	**-**	87.0
Reimbursement of inter-company loan impairment (Note 15 & 32)	**(0.1)**	0.1
Interest on leases (Note 21)	**0.3**	0.3
Net interest income on pension plan (Note 25)	**(2.1)**	(2.2)
Amount capitalised[1] (Note 11)	**(2.1)**	(1.3)
	146.9	261.7
Fair value movements on financial instruments[2]		
Derivative assets	**(15.3)**	(13.4)
Derivative liabilities	**(27.3)**	(90.1)
	(42.6)	(103.5)
Total finance costs	**104.3**	158.2

[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 average total general borrowings outstanding during the year.
[2]Details on the valuation techniques used to derive the fair values can be found in Note 22.

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:

	PAYG 5 £m	PAYG 7 £m	PAYG 10 £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	2025 £m	2024 £m
Current tax:		
Current year	**6.9**	4.2
Adjustment in respect of prior year	**(6.6)**	3.9
	0.3	8.1
Deferred tax: (Note 27)		
Current year	**42.2**	20.0
Adjustment in respect of prior year	**7.8**	(4.8)
	50.0	15.2
Income tax expense	**50.3**	23.3

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	2025 £m	2024 £m
Profit before income tax	**176.5**	84.0
Tax at the UK corporation tax rate of 25% (2024: 25%)	**44.1**	21.0
Non-taxable expense	**7.0**	5.3
Adjustments in respect of prior year	**1.2**	(0.9)
Accelerated capital allowances and other timing differences	**(2.0)**	(2.1)
Income tax expense	**50.3**	23.3

Pillar Two model rules

The ultimate parent company 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 Company 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	Operational Structures £m	Non-operational land & buildings £m	Fixtures, equipment, vehicles & other £m	Assets under construction £m	Right of use assets (Note 12) £m	Total £m
Cost or valuation						
At 1 April 2023	5,484.3	38.6	206.0	149.7	7.3	5,885.9
Additions	186.0	1.2	19.2	70.9	2.6	279.9
Transfers	56.6	0.4	18.4	(75.4)	-	-
Disposals	(3.3)	-	(1.1)	-	(1.3)	(5.7)
At 31 March 2024	**5,723.6**	**40.2**	**242.5**	**145.2**	**8.6**	**6,160.1**
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	**6,005.2**	**41.2**	**260.8**	**194.8**	**9.7**	**6,511.7**
Accumulated depreciation						
At 1 April 2023	2,062.4	14.4	157.9	-	3.3	2,238.0
Charge for the year	114.3	1.2	15.5	-	1.8	132.8
Disposals	(3.3)	-	(1.1)	-	(1.3)	(5.7)
At 31 March 2024	**2,173.4**	**15.6**	**172.3**	**-**	**3.8**	**2,365.1**
Charge for the year	**121.4**	**1.2**	**18.6**	**-**	**1.9**	**143.1**
Disposals	**(5.9)**	**-**	**(2.3)**	**-**	**(2.0)**	**(10.2)**
At 31 March 2025	**2,288.9**	**16.8**	**188.6**	**-**	**3.7**	**2,498**
Net book value						
At 31 March 2025	**3,716.3**	**24.4**	**72.2**	**194.8**	**6.0**	**4,013.7**
At 31 March 2024	3,550.2	24.6	70.2	145.2	4.8	3,795.0

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

At 31 March 2024 and 2025, the Company did not have any property, plant and equipment, nor had it entered into any contractual commitments for the acquisition of property, plant and equipment.

During the year ended 31 March 2025, the Group had cash outflow amounting to £355.4m (2024: £273.6m) on additions to property, plant and equipment as part of its capital programme. 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%).

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 the 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 £3,660.28m (2024: £3,464.1m) including goodwill of £10.1m (2024: £10.1m) and other indefinite life intangible assets of £186.9m (2024: £186.9m) excluding customer contributions of £593.6m (2024: £570.0m). 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 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	**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 21)	**(5.7)**	(4.9)

At 31 March 2024 and 2025, the Company did not have any leases.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing cost is used. The lease liabilities have been discounted at 5% (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	<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	Goodwill £m	Licence £m	Computer Software £m	Assets under construction £m	Total £m
Cost:					
At 1 April 2023	10.1	186.9	139.2	13.8	350.0
Additions	-	-	5.4	5.6	11.0
Transfers	-	-	10.3	(10.3)	-
At 31 March 2024	**10.1**	**186.9**	**154.9**	**9.1**	**361.0**
Additions	**-**	**-**	**5.5**	**9.7**	**15.2**
Transfers	**-**	**-**	**7.3**	**(7.3)**	**-**
Disposals	**-**	**-**	**(70.6)**	**-**	**(70.6)**
At 31 March 2025	**10.1**	**186.9**	**97.1**	**11.5**	**305.6**
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**	**186.9**	**31.5**	**11.5**	**240.0**
At 31 March 2024	10.1	186.9	32.9	9.1	239.0

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

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

At 31 March 2025, the Group 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	**1,145.7**	1,145.7

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 subsidiaries.

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:

Investment	Description of holding	Proportion held	Nature of business
Direct subsidiaries			
Electricity North West Limited	Ordinary shares of 50p each	100%	Energy distribution
ENW Capital Finance plc	Ordinary shares of £1 each	100%	Financing company
ENW Finance plc	Ordinary shares of £1 each	100%	Financing company
Indirect subsidiaries			
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 North West Electricity Networks plc, c/o Electricity North West, Borron Street, Stockport, England, SK1 2JD.

15. Loans to group undertakings

Company	2025 £m	2024 £m
Loan to subsidiary (Note 32)	**111.1**	109.8
Impairment of loan (Note 32)	**-**	(0.1)
Loans to group undertakings	**111.1**	109.7

The Company has lent Electricity North West Limited £111.1m (2024: £109.8m) which accrue interest at a weighted average rate of 4.11% (2024: 4.10%) and are due for repayment in March 2028.

Impairment

Financial assets measured at amortised cost are subject to impairment testing. The credit risk of the inter-company loan has been assessed as low. Accordingly, the loss allowance is measured at an amount equal to 12-month expected credit losses. In determining the ECL for this asset, the directors have taken into account the historical default experience, the financial position of the counterparty, and the future prospects of the industry, as appropriate, in estimating the probability of default and loss upon default.

In accordance with provisions in the inter-company loan agreement, the Company has requested the reimbursement of the impairment charges (Note 32).

Notes to the Financial Statements (continued)

16. Inventories

Group	**2025 £m**	2024 £m
Raw materials 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).

At 31 March 2024 and 2025, there was no inventory held in the Company.

17. Trade and other receivables

	Group 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Trade receivables	**7.5**	**-**	12.7	-
Amounts owed by group undertakings (Note 32)	**4.1**	**2.0**	2.7	1.9
Accrued income	**65.7**	**0.5**	61.3	-
Financial assets (Note 23)	**77.3**	**2.5**	76.7	1.9
Prepayments	**21.0**	**-**	22.6	-
Non-financial assets	**21.0**	**-**	22.6	-
Total trade and other receivables	**98.3**	**2.5**	99.3	1.9

Group

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 Group 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. 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 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 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 20).

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

Under the terms of the contract, the maximum unsecured credit that the Group may be required to give per customer is 2% of the Regulatory Asset Value (RAV) of the Company. The RAV is calculated in accordance with Ofgem methodology. At 31 March 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.

Company

For further details of the amounts owed by group undertakings see Note 32. There are no provisions against these receivables. No element of the balance is overdue.

18. Cash and cash equivalents

	Group 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Cash in bank accounts	**9.8**	**0.5**	20.2	0.2
Cash in liquidity funds	**155.2**	**32.2**	120.9	0.4
Cash in money market deposits under 3 months	**-**	**-**	49.4	-
Total cash and cash equivalents (Note 23, 24 & 34)	**165.0**	**32.7**	190.5	0.6
Weighted average interest rate	**4.51%**	**4.51%**	5.33%	5.03%
Weighted average term	**6.9 days**	**1.0 days**	23.9 days	1.0 days

Cash and cash equivalents comprise cash at bank, deposits and other short-term highly liquid investments which are readily convertible into known amounts of cash and have an original maturity of three months or less, net of any bank overdrafts which are payable on demand. At 31 March 2025, there was no formal bank overdraft facility in place (2024: same).

Notes to the Financial Statements (continued)

19. Money market deposits over three months

	Group 2025 £m	Company 2025 £m	Group 2024 £m	Company 2024 £m
Money market deposits over three months (Note 23, 24 & 34)	**35.3**	**35.3**	-	-
Weighted average interest rate	**4.71%**	**4.71%**	-	-
Weighted average term	**182.0 days**	**182.0 days**	-	-

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

20. Trade and other payables

	Group 2025 £m	Company 2025 £m	Group 2024 £m	Company 2024 £m
Trade payables (Note 24)	**18.9**	**0.1**	18.5	-
Amounts owed to group undertakings (Note 32)	**9.2**	**7.8**	10.3	9.0
Amounts owed to subsidiary undertaking (Note 32)	**-**	**10.6**	-	10.0
Accruals	**92.7**	**6.0**	93.0	6.5
Refundable customer deposits (Note 24)	**2.7**	**-**	2.9	-
Cash collateral (Notes 22)	**31.8**	**-**	12.0	-
Financial liabilities (Note 23)	**155.3**	**24.5**	136.7	25.5
Contract liabilities	**20.1**	**-**	10.0	-
Other taxation and social security	**9.8**	**-**	15.2	-
Deferred income	**14.0**	**-**	15.0	-
Non-financial liabilities:	**43.9**	**-**	40.2	-
Total trade and other payables	**199.2**	**24.5**	176.9	25.5

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 23.1 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)

21. Borrowings

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

The carrying values by category of borrowing were as follows:

	Group 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Current liabilities:				
Bonds	**456.4**	**-**	-	-
Bank and other term borrowings (Note 23)	**9.4**	**-**	9.1	(0.1)
Lease Liabilities (Note 12)	**2.0**	**-**	1.8	-
	467.8	**-**	10.9	(0.1)
Non-current liabilities:				
Bonds	**1,552.5**	**628.9**	1,996.7	617.8
Bank and other term borrowings (Note 23)	**59.3**	**(0.4)**	67.3	-
Lease Liabilities (Note 12)	**3.7**	**-**	3.1	-
Amounts owed to parent undertaking (Note 23 & 32)	**643.5**	**643.5**	584.6	584.6
Amounts owed to subsidiary undertaking (Note 32)	**-**	**20.5**	-	20.5
	2,259.0	**1,292.5**	2,651.7	1,222.9
Borrowings (Note 23 & 34)	**2,726.8**	**1,292.5**	2,662.6	1,222.8

Notes to the Financial Statements (continued)

21. Borrowings (continued)

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

	Nominal value £m	Interest rate	Maturity year	**Group 2025 £m**	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Bond	200.0	8.875%	2026	**199.5**	**-**	199.0	-
Bond	250.0	8.875%	2026	**256.9**	**-**	263.6	-
Bond[1]	300.0	1.415%	2030	**299.2**	**-**	299.0	-
Bond[1]	425.0	4.893%	2032	**423.2**	**-**	423.0	-
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	-
USPP bond[2]	100.0	4.07%	2029	**99.7**	**99.7**	99.6	99.6
USPP bond[2]	100.0	4.17%	2029	**99.7**	**99.7**	99.6	99.6
Index-linked USPP bond[2]	20.0	1.40%+RPI	2034	**30.3**	**30.3**	29.2	29.2
Index-linked USPP bond[2]	85.0	1.50%+RPI	2034	**128.8**	**128.8**	124.3	124.3
Index-linked PP bond[2]	100.0	1.265%+RPI	2040	**150.8**	**150.8**	145.5	145.5
USPP bond[2]	65.0	6.58%	2033	**64.8**	**64.8**	64.8	64.8
USPP bond[2]	27.5	6.84%	2038	**27.4**	**27.4**	27.4	27.4
USPP bond[2]	27.5	7.04%	2038	**27.4**	**27.4**	27.4	27.4
Revolving credit facility	250.0	Sonia+0.50%	2027	**(0.9)**	**-**	-	-
Revolving credit facility	75.0	Sonia+1.00%	2024	**-**	**-**	(0.1)	(0.1)
Revolving credit facility	75.0	Sonia+1.20%	2027	**(0.4)**	**(0.4)**	-	-
Lease Liabilities (Note 12)				**5.7**	**-**	4.9	-
Amounts owed to parent undertaking	249.4	5.60%	2027	**249.4**	**249.4**	249.4	249.4
Amounts owed to parent undertaking[3]	327.0	0.0%	2027	**272.3**	**272.3**	256.2	256.2
Amounts owed to parent undertaking	200.0	10.0%	2027	**35.8**	**35.8**	79.0	79.0
Amounts owed to parent undertaking[4]	399.0	5.00%	2034	**86.0**	**86.0**	-	-
Amounts owed to subsidiary undertaking	20.5	variable	2030	**-**	**20.5**	-	20.5
Borrowings (Note 23 & 34)				**2,726.8**	**1,292.5**	2,662.6	1,222.8

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

[2]These private placements, issued by the Company, are secured and guaranteed by ENW Capital Finance plc and NWEN Group Limited (the parent company).

[3]This inter-company loan is an off-market rate loan that is carried at amortised cost using an effective interest rate of 6.3%, determined to be the market-rate at the time the loan was entered; the movement in the year is due to imputed interest. The amount outstanding on the facility at 31 March 2025 was £322.4m (2024: £322.4m).

[4]This loan is ultimately funded by the £400.0m share issue proceeds in North West Electricity Networks (Jersey) Limited (see page 1).

Notes to the Financial Statements (continued)

21. Borrowings (continued)

At 31 March 2024 and 2025, all other borrowings were unsecured and in sterling, and there were no formal bank overdraft facilities in place. All borrowings were measured at amortised cost; see Note 23 for more information on the fair value of the Group's borrowings.

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

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

	Group 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
At 1 April	**2,662.6**	**1,222.8**	2,813.8	1,167.7
Proceeds from external borrowings	**1.0**	**1.0**	133.2	133.2
Repayments of external borrowings	**(10.3)**	**(1.0)**	(307.9)	(75.0)
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	**86.0**	**86.0**	61.4	61.4
Repayment of loan from parent	**(43.2)**	**(43.2)**	(93.5)	(93.5)
Increase in carrying value of 0% loan from parent	**16.1**	**16.1**	15.2	15.2
Indexation (Note 9 & 34)	**20.5**	**10.8**	45.1	14.1
Transaction costs on new external borrowings (Note 34)	**(2.1)**	**(0.8)**	(0.5)	(0.4)
Amortisation of transaction costs, bond discounts and premiums (Note 34)	**(4.6)**	**0.8**	(5.0)	0.1
At 31 March (Note 23 & 34)	**2,726.8**	**1,292.5**	2,662.6	1,222.8

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

	Group 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
£50m revolving credit facility – expiry December 2024	**-**	**-**	50.0	-
£75m revolving credit facility – expiry December 2024	**-**	**-**	75.0	75.0
£40m debt service reserve – expiry December 2024[1]	**-**	**-**	40.0	40.0
£250m revolving credit facility – expiry April 2027	**250.0**	**-**	-	-
£75m revolving credit facility – expiry April 2027	**75.0**	**75.0**	-	-
£50m debt service reserve – expiry April 2025[1]	**50.0**	**50.0**		
	375.0	**125.0**	165.0	115.0

[1] This facility is restricted and not available to meet general liquidity requirements.

Notes to the Financial Statements (continued)

22. Derivatives

This note provides information about the derivative financial instruments held by the Group, including information on the methods and assumptions used in determining the fair value of these instruments.

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 24.

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 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Non-current assets:				
Inflation-linked swaps	**43.8**	**-**	28.4	-
Derivative assets (Note 23)	**43.8**	**-**	28.4	-
Non-current liabilities:				
Inflation-linked swaps	**(286.7)**	**-**	(310.9)	-
Interest rate swaps – fixed to floating	**(39.4)**	**-**	(41.5)	-
Interest rate swaps – fixed to fixed	**(6.0)**	**(6.0)**	(7.0)	(7.0)
Derivative liabilities (Note 23)	**(332.1)**	**(6.0)**	(359.4)	(7.0)

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.

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

[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.
[2]These derivatives are held by the Company.

Notes to the Financial Statements (continued)

22. Derivatives (continued)

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

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

The Group has two one-way credit support annexes (CSAs) in place that define the terms for the provision of cash collateral by the counterparty; under the CSAs, no cash collateral is required to be provided by the Group. At 31 March 2025, £31.8m (2024: £12.0m) cash collateral was held under these CSAs (Note 20). The cash collateral does not meet the offsetting criteria in IAS 32 paragraph 42, but it would be set off against the net amount of the derivatives in the case of default and insolvency or bankruptcy, in accordance with the CSAs. The Company has no CSAs or equivalent arrangements.

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

Group	Gross amount £m	Amounts subject to master netting arrangements £m	Financial instrument collateral £m	Net amount £m
At 31 March 2025:				
Derivative assets	**43.8**	**(12.0)**	**(31.8)**	**-**
Derivative liabilities	**(332.1)**	**12.0**	**-**	**(320.1)**
	(288.3)	**-**	**(31.8)**	**(320.1)**
Other collateral not included above	**-**	**-**	**-**	**-**
Total	**(288.3)**	**-**	**(31.8)**	**(320.1)**
At 31 March 2024:				
Derivative assets	28.4	(19.5)	(8.9)	-
Derivative liabilities	(359.4)	19.5	-	(339.9)
	(331.0)	-	(8.9)	(339.9)
Other collateral not included above	-	-	(3.1)	(3.1)
Total	(331.0)	-	(12.0)	(343.0)

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.

Notes to the Financial Statements (continued)

22. Derivatives (continued)

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.

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

Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2025				
Derivative assets:				
Inflation-linked swaps	**-**	**31.2**	**12.6**	**43.8**
	-	**31.2**	**12.6**	**43.8**
Derivative liabilities:				
Inflation-linked swaps	**-**	**-**	**(286.7)**	**(286.7)**
Interest rate swaps – fixed to floating	**-**	**(39.4)**	**-**	**(39.4)**
Interest rate swaps – fixed to fixed[1]	**-**	**(6.0)**	**-**	**(6.0)**
	-	**(45.4)**	**(286.7)**	**(332.1)**
Total	**-**	**(14.2)**	**(274.1)**	**(288.3)**
At 31 March 2024				
Derivative assets:				
Inflation-linked swaps	-	20.8	7.6	28.4
	-	20.8	7.6	28.4
Derivative liabilities:				
Inflation-linked swaps	-	-	(310.9)	(310.9)
Interest rate swaps – fixed to floating	-	(41.5)	-	(41.5)
Interest rate swaps – fixed to fixed[1]	-	(7.0)	-	(7.0)
	-	(48.5)	(310.9)	(359.4)
Total	-	(27.7)	(303.3)	(331.0)

[1] These swaps are in the Company.

Notes to the Financial Statements (continued)

22. Derivatives (continued)

There were no transfers between levels 1 and 2 during the current period. For transfers between levels 2 and 3, see overleaf.

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

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

Group	**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 curve 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	**2025 -10bps £m**	**2025 +10bps £m**	2024 -10bps £m	2024 +10bps £m
Impact on derivative portfolio	**(3.0)**	**3.0**	(3.7)	3.5

Notes to the Financial Statements (continued)

22. Derivatives (continued)

Valuation techniques used to determine fair values

Where available, quoted market prices have been used to determine fair values (Level 1 inputs). Where not available, fair values have been 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 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 £64.2m debit (2024: £75.3m debit), of which £64.7m debit (2024: £73.5m debit) was classed as Level 3, and £0.4m credit (2024: £1.8m 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.

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

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

Group	2025 £m	2024 £m
FV of derivatives pre IFRS 13 adjustment	**77.0**	26.4
XVA adjustment	**-**	(0.2)
Day 1 adjustment	**(33.2)**	2.2
Derivative assets (Note 23)	**43.8**	28.4
FV of derivatives pre IFRS 13 adjustment	**(472.2)**	(477.7)
XVA adjustment	**64.2**	75.5
Day 1 adjustment	**75.9**	42.8
Derivative liabilities (Note 23)	**(332.1)**	(359.4)

Notes to the Financial Statements (continued)

23. 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:				
Loans to group undertakings (Note 15)	**-**	**111.1**	-	109.7
Derivative assets (Note 22)	**43.8**	**-**	28.4	-
Trade and other receivables (Note 17)	**77.3**	**2.5**	76.7	1.9
Cash and cash equivalents (Note 18)	**165.0**	**32.7**	190.5	0.6
Money market deposits over three months (Note 19)	**35.3**	**35.3**	-	-
	321.4	**181.6**	295.6	112.2
Financial liabilities:				
Trade and other payables (Note 20)	**(155.3)**	**(24.5)**	(136.7)	(25.5)
Borrowings (Note 21)	**(2,726.8)**	**(1,292.5)**	(2,662.6)	(1,222.8)
Derivative liabilities (Note 22)	**(332.1)**	**(6.0)**	(359.4)	(7.0)
	(3,214.2)	**(1,323.0)**	(3,158.7)	(1,255.3)

The Group's exposure to various risks associated with the financial instruments is outlined in Note 24.

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

Notes to the Financial Statements (continued)

23. Financial instruments (continued)

Fair values of financial instruments

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

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 year, are presented in the following tables:

Group	2025 Carrying value £m	2025 Fair value £m	2024 Carrying value £m	2024 Fair value £m
Financial liabilities:				
Bonds[1] (Note 21)	**(2,008.9)**	**(1,878.6)**	(1,996.7)	(1,937.3)
Bank and other term borrowings[2] (Note 21)	**(68.7)**	**(65.5)**	(76.4)	(74.7)
Amounts due to parent undertaking[2] (Note 21)	**(643.5)**	**(654.2)**	(584.6)	(613.7)

Company	2025 Carrying value £m	2025 Fair value £m	2024 Carrying value £m	2024 Fair value £m
Financial liabilities:				
Bonds[1] (Note 21)	**(628.9)**	**(582.6)**	(617.8)	(600.5)
Amounts due to parent undertaking[2] (Note 21)	**(643.5)**	**(654.2)**	(584.6)	(613.7)
Amounts due to subsidiary undertaking[2] (Note 21)	**(20.5)**	**(15.1)**	(20.5)	(14.7)

[1] These fair values are derived from quoted market prices and, therefore, meet the Level 1 criteria.
[2] These fair values are based on discounted cash flows using a current borrowing rate. They are classified as Level 3 due to the use of unobservable inputs, including own credit risk.

Notes to the Financial Statements (continued)

24. Financial risk management

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

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

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

It is the responsibility of the Board to set, approve and review the risk management policies, procedures and controls. The Audit and Compliance Committee (previously the Risk Committee is responsible for independently overseeing the financial risk management activities of the Group. The Group treasury function, which is authorised to conduct the day-to-day treasury activities of the Group, reports on a regular basis to the Audit and 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 22.

Interest rate risk

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

Notes to the Financial Statements (continued)

24. Financial risk management (continued)

Sensitivity analysis on interest

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

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

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

Group	2025 -0.5% £m	2025 +0.5% £m	2025 +1% £m	2024 -0.5% £m	2024 +0.5% £m	2024 +1% £m
Interest:						
Floating rate borrowings	-	-	-	0.3	(0.3)	(0.5)
Total finance costs impact	-	-	-	0.3	(0.3)	(0.5)

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	2025 -0.5% £m	2025 +0.5% £m	2025 +1% £m	2024 -0.5% £m	2024 +0.5% £m	2024 +1% £m
Fair values:						
Inflation-linked swaps	**(34.7)**	**32.2**	**61.9**	(44.7)	34.3	68.5
Interest rate swaps	**4.1**	**(4.1)**	**(7.9)**	6.3	(3.1)	(6.2)
Total finance costs impact	**(30.6)**	**28.1**	**54.0**	(38.4)	31.2	62.3

Inflation risk

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

Notes to the Financial Statements (continued)

24. Financial risk management (continued)

Sensitivity analysis on inflation

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

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

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

Group	**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)**	0.1	(0.1)	(0.1)
Indexation:						
Inflation-linked borrowings	**2.9**	**(2.9)**	**(5.8)**	2.9	(2.9)	(5.7)
Total finance costs impact	**2.9**	**(2.9)**	**(5.9)**	3.0	(3.0)	(5.8)

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	**2025 -0.5% £m**	**2025 +0.5% £m**	**2025 +1% £m**	2024 -0.5% £m	2024 +0.5% £m	2024 +1% £m
Fair values:						
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)

24. Financial risk management (continued)

Credit risk

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

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

The Group is potentially exposed to significant credit risk in relation to cash and cash equivalents, money market deposits and derivative assets. For these counterparties, minimum credit ratings are specified, and individual exposure limits are in place to reduce the concentration of risk and exposure to any one counterparty. Management does not anticipate any of these counterparties will fail to meet its obligations. At 31 March 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	**2025 £m**	**2025 %**	2024 £m	2024 %
AAA	**123.5**	**58.8**	90.6	41.2
A+	**44.5**	**21.2**	49.8	22.6
A	**42.0**	**20.0**	79.7	36.2
	210.0	**100.0**	220.1	100.0

For more information on the credit risk and expected credit losses in relation to trade and other receivables, see Note 17.

Liquidity risk

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

The Board is responsible for monitoring the maturity of liquidity and deposit funding balances and taking any action as appropriate. A long-term view of liquidity is provided by Group financial models which project cash flows out 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)

24. Financial risk management (continued)

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

	2025 Group £m	**2025 Company £m**	2024 Group £m	2024 Company £m
Cash and cash equivalents (Note 18)	**165.0**	**32.7**	190.5	0.6
Money market deposits over three months (Note 19)	**35.3**	**35.3**	-	-
Committed undrawn bank facilities (Note 21)	**375.0**	**125.0**	165.0	115.0
Balance at 31 March	**575.3**	**193.0**	355.5	115.6

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

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

Group	**<1 year £m**	**1 – 2 years £m**	**2 – 3 years £m**	**3 – 4 years £m**	**>4 years £m**	**Total £m**
At 31 March 2025						
Trade payables	**(18.9)**	**-**	**-**	**-**	**-**	**(18.9)**
Refundable customer deposits	**(2.7)**	**-**	**-**	**-**	**-**	**(2.7)**
Leases	**(2.0)**	**(1.3)**	**(0.7)**	**(0.4)**	**(1.3)**	**(5.7)**
Amounts owed to parent undertaking	**(24.3)**	**(179.5)**	**(458.0)**	**(4.4)**	**(111.5)**	**(777.7)**
Bonds	**(538.6)**	**(48.6)**	**(48.6)**	**(48.6)**	**(1,810.8)**	**(2,495.2)**
Borrowings and overdrafts	**(9.5)**	**(9.5)**	**(9.5)**	**(9.5)**	**(33.0)**	**(71.0)**
Derivatives	**(7.5)**	**(11.6)**	**(36.5)**	**(11.6)**	**(393.6)**	**(460.8)**
Total contractual cash flows	**(603.5)**	**(250.5)**	**(553.3)**	**(74.5)**	**(2,350.2)**	**(3,832.0)**
At 31 March 2024						
Trade payables	(18.5)	-	-	-	-	(18.5)
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	(26.5)	(21.9)	(179.4)	(500.0)	-	(727.8)
Bonds	(89.1)	(538.4)	(48.4)	(48.4)	(1,839.2)	(2,563.5)
Borrowings and overdrafts	(9.2)	(9.2)	(9.2)	(9.2)	(41.0)	(77.8)
Derivatives	(7.0)	(7.0)	(10.3)	(33.5)	(353.3)	(411.1)
Total contractual cash flows	(155.0)	(577.8)	(247.8)	(591.7)	(2,234.2)	(3,806.5)

Notes to the Financial Statements (continued)

24. Financial risk management (continued)

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	**(0.1)**	**-**	**-**	**-**	**-**	**(0.1)**
Amounts owed to parent undertaking	**(24.3)**	**(179.5)**	**(458.0)**	**(4.4)**	**(111.5)**	**(777.7)**
Amount owed to subsidiary	**-**	**-**	**-**	**-**	**(20.5)**	**(20.5)**
Bonds	**(20.6)**	**(20.6)**	**(20.6)**	**(20.6)**	**(736.7)**	**(819.1)**
Borrowings and overdrafts	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives	**(1.4)**	**(1.4)**	**(1.4)**	**(1.4)**	**(1.4)**	**(7.0)**
Total contractual cash flows	**(46.4)**	**(201.5)**	**(480.0)**	**(26.4)**	**(870.1)**	**(1,624.4)**
At 31 March 2024:						
Amounts owed to parent undertaking	(26.5)	(21.9)	(179.4)	(500.0)	-	(727.8)
Amount owed to subsidiary	-	-	-	-	(20.5)	(20.5)
Bonds	(21.2)	(20.5)	(20.5)	(20.5)	(745.7)	(828.4)
Borrowings and overdrafts	-	-	-	-	-	-
Derivatives	(1.4)	(1.4)	(1.4)	(1.4)	(2.8)	(8.4)
Total contractual cash flows	(49.1)	(43.8)	(201.3)	(521.9)	(769.0)	(1,585.1)

Notes to the Financial Statements (continued)

25. Retirement benefit schemes

Group

Nature of Scheme

The Group's retirement benefit arrangement is the Electricity North West Group of the Electricity Supply Pension Scheme ("ESPS" 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 Company does not have any post retirement benefit arrangements.

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 contributions. 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 2024 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)

25. Retirement benefit schemes (continued)

Funding the liabilities

The current and prior year defined benefit obligation has been calculated based on the results of the 31 March 2022 triennial funding valuation. The results of the 2022 funding valuation have been projected forward by an independent actuary to take account of the requirements of revised IAS 19 in order to assess the position as at 31 March 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 (revised 2011) 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 Group recognises that the interests of customers, who ultimately fund pension costs, should be given full recognition in determining the investment strategy. The Group works in collaboration with the Scheme Trustee to ensure these interests are considered alongside those of the members of the Scheme.

Other risks

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

These risks are managed through de-risking and hedging strategies and are measured and reported to the Scheme Trustee. In particular, in October 2019 the Scheme completed a pensioner buy-in with Scottish Widows for around 80% of the Scheme’s then pensioner liabilities. This buy-in asset now represents 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)

25. 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	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	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	2025 £m	2024 £m
	855.0	873.7
At 1 April		
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)

25. Retirement benefit schemes (continued)

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

Group	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	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	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)

25. Retirement benefit schemes (continued)

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

Group	**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 Life expectancy	**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	**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)

25. Retirement benefit schemes (continued)

As at 31 March 2025 and 2024, the fair value of the Scheme's assets and liabilities recognised in the statement of financial position were as follows:

Group	Scheme assets	Quoted	Unquoted	Total Value	Scheme assets	Quoted	Unquoted	Total Value
	2025	2025	2025	2025	2024	2024	2024	2024
At 31 March	%	£m	£m	£m	%	£m	£m	£m
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 values 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)

26. Customer Contributions

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

Group	2025 £m	2024 £m
At 1 April	**570.0**	525.7
Additions during the year	**37.5**	57.1
Amortised through revenue (Note 4 & 34)	**(13.9)**	(12.8)
At 31 March	**593.6**	570.0
Split:		
Amounts due in less than one year	**67.1**	81.0
Amounts due after more than one year	**526.5**	489.0
At 31 March	**593.6**	570.0

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

Group	2025 £m	2024 £m
Refundable customer contribution	**87.0**	95.5
Non-refundable customer contribution	**506.6**	474.5
At 31 March	**593.6**	570.0

Notes to the Financial Statements (continued)

27. Deferred tax

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

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2023	404.1	10.3	(65.3)	349.1
Charged to profit or loss (Note 10)	14.4	0.8	-	15.2
Deferred tax on re-measurement of defined benefit pension schemes	-	(1.7)	-	(1.7)
At 31 March 2024	**418.5**	**9.4**	**(65.3)**	**362.6**
Charged to profit or loss (Note 10)	**26.6**	**1.1**	**22.3**	**50.0**
Deferred tax on re-measurement of defined benefit pension schemes	**-**	**3.5**	**-**	**3.5**
At 31 March 2025	**445.1**	**14.0**	**(43.0)**	**416.1**

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.

At 31 March 2025, there were no deferred tax assets or liabilities in the Company (2024: £9.1m asset). The prior year asset related to tax losses carried forward that were subsequently used in an earlier period as group relief.

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)

28. Provisions

Group	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.

29. Share capital

Group and Company	2025 £m	2024 £m
Authorised:		
3,000,000 ordinary shares of £1 each (2024: 3,000,000)	**3.0**	3.0
At 31 March	**3.0**	3.0
Allotted, called up and fully paid:		
3,000,000 ordinary shares of £1 each (2024: 3,000,000)	**3.0**	3.0
At 31 March	**3.0**	3.0

See Note 30 for voting rights of each share.

Notes to the Financial Statements (continued)

30. Capital structure

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

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 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.

31. Parent, ultimate parent and controlling party

The immediate parent undertaking is NWEN Group Limited, a company incorporated and registered in the United Kingdom. The registered address of the immediate parent undertaking is Borron Street, Stockport, England, SK1 2JD.

The smallest group in which the prior year results of the Company were consolidated was that headed by North West Electricity Networks (Holdings) Limited, which is exempt from producing consolidated financial statements for the current year. The smallest group in which the current year results are consolidated is that headed by North West Electricity Networks (UK) Limited. Both of those sets of 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

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**	**-**	2.3	-
Electricity North West Services Limited	**1.6**	**-**	1.3	-
Electricity North West Property Limited	**0.1**	**-**	0.1	-
Recharges from:				
Electricity North West (Construction and Maintenance) Limited	**(1.5)**	**-**	(1.2)	-
Electricity North West Services Limited	**(9.6)**	**-**	(8.1)	-
Interest on group borrowings:				
North West Electricity Networks (Holdings) Limited	**(36.5)**	**(36.5)**	(39.7)	(39.7)
ENW Finance plc	**-**	**(0.5)**	-	(0.5)
Interest on group borrowings (Note 9)	**(36.5)**	**(37.0)**	(39.7)	(40.2)
Reimbursement of inter-company loan impairment on loan from North West Electricity Networks (Holdings) Limited (Note 9)	**0.1**	**0.1**	0.1	0.1
Interest receivable from:				
Electricity North West Limited	**-**	**4.5**	-	4.2
Dividends received from Electricity North West Limited	**-**	**45.4**	-	30.4
Directors' remuneration (Note 7)	**(4.9)**	-	(2.6)	-

For disclosure relating to executive directors' remuneration see Note 7. The Company's key management personnel comprise solely 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
Interest owed by related parties:				
Electricity North West Limited	**-**	**1.3**	-	1.3
Amounts owed by related parties				
Electricity North West Limited	**-**	**0.2**	-	0.1
Electricity North West (Construction and Maintenance) Limited	**1.6**	**-**	1.0	-
Electricity North West Services Limited	**0.6**	**-**	0.4	-
Electricity North West Property Limited	**0.1**	**-**	0.1	-
North West Electricity Networks (Holdings) Limited	**0.9**	**0.5**	0.8	0.5
North West Electricity Networks (UK) Limited	**0.6**	**-**	0.1	-
North West Electricity Networks (Finance) Limited	**0.1**	**-**	0.1	-
North West Electricity Networks (Jersey) Limited	**0.2**	**-**	0.2	-
Total owed by related parties (Note 17)	**4.1**	**2.0**	2.7	1.9
Interest payable to:				
ENW Finance plc	**-**	**(6.9)**	-	(6.4)
North West Electricity Networks (Holdings) Limited	**(7.8)**	**(7.8)**	(8.9)	(8.9)
Amounts owed to related parties:				
Electricity North West Limited	**-**	**(3.7)**	-	(3.7)
Electricity North West Services Limited	**(0.9)**	**-**	(0.9)	-
North West Electricity Networks (Holdings) Limited	**(0.2)**	**-**	(0.2)	-
North West Electricity Networks (Jersey) Limited	**(0.1)**	**-**	(0.1)	-
Electricity North West (Construction and Maintenance) Limited	**(0.2)**	**-**	(0.2)	-
Total amounts owed to related parties (Note 20)	**(9.2)**	**(18.4)**	(10.3)	(19.0)

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
Group tax relief owed by / (owed to):				
Electricity North West Limited	**-**	**17.1**	-	13.8
ENW Finance plc	**-**	**7.2**	-	6.7
North West Electricity Networks (Holdings) Limited	**-**	**-**	(0.5)	0.1
North West Electricity Networks (UK) Limited	**-**	**-**	(0.4)	-
Electricity North West (Construction and Maintenance) Limited	**0.4**	**0.4**	1.3	1.3
Electricity North West Services Limited	**0.2**	**0.2**	0.4	0.4
North West Electricity Networks (Jersey) Limited	**0.8**	**0.8**	4.9	4.9
Loans to group undertakings:				
Electricity North West Limited	**-**	**111.1**	-	109.8
Impairment of loan	**-**	**-**	-	(0.1)
Total loans to group undertakings (Note 15)	**-**	**111.1**	-	109.7
Borrowings:				
North West Electricity Networks (Holdings) Limited (Note 21)	**(272.3)**	**(272.3)**	(256.2)	(256.2)
North West Electricity Networks (Holdings) Limited (Note 21)	**(249.4)**	**(249.4)**	(249.4)	(249.4)
North West Electricity Networks (Holdings) Limited (Note 21)	**(35.8)**	**(35.8)**	(79.0)	(79.0)
North West Electricity Networks (Holdings) Limited (Note 21)	**(86.0)**	**(86.0)**	-	-
ENW Finance plc (Note 21)	**-**	**(20.5)**	-	(20.5)

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	**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/(used in) operations	**Group 2025 £m**	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Operating profit/(loss)	**272.6**	**(0.1)**	220.5	(0.1)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5 & 11)	**143.1**	**-**	132.8	-
Amortisation of intangible assets (Note 5 & 13)	**14.2**	**-**	14.2	-
Amortisation of customer contributions (Note 4 & 26)	**(13.9)**	**-**	(12.8)	-
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**	**(0.1)**	349.9	(0.1)
Changes in working capital:				
Increase in inventories	**(7.5)**	**-**	(26.9)	-
Decrease/(increase) in trade and other receivables	**3.0**	**(0.1)**	(4.0)	(0.1)
Increase/(decrease) in payables and provisions	**5.9**	**0.2**	(7.7)	0.1
Cash generated from/(used in) operations	**412.2**	**-**	311.3	(0.1)

Net debt reconciliation

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

	Group 2025 £m	**Company 2025 £m**	Group 2024 £m	Company 2024 £m
Cash and cash equivalents (Note 18)	**165.0**	**32.7**	190.5	0.6
Money market deposits over 3 months (Note 19)	**35.3**	**35.3**	-	-
Borrowings (Note 21)	**(2,726.8)**	**(1,292.5)**	(2,662.6)	(1,222.8)
Net Debt	**(2,526.5)**	**(1,224.5)**	(2,472.1)	(1,222.2)

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	Borrowings £m	Cash and cash equivalents £m	Money market deposits over three months £m	Total £m
Net debt at 1 April 2023	(2,813.8)	174.2	305.7	(2,333.9)
Financing cash flows	208.6	16.3	(305.7)	(80.8)
Indexation (Note 9)	(45.1)	-	-	(45.1)
Increase in 0% loan from parent (Note 21)	(15.2)	-	-	(15.2)
New leases (Note 21)	(2.6)	-	-	(2.6)
Transaction costs on new borrowings (Note 21)	0.5	-	-	0.5
Amortisation of transaction costs, discounts and premiums (Note 21)	5.0	-	-	5.0
Net debt at 31 March 2024	**(2,662.6)**	**190.5**	**-**	**(2,472.1)**
Financing cash flows	**(31.6)**	**(25.5)**	**35.3**	**(21.8)**
Indexation (Note 9)	**(20.5)**	**-**	**-**	**(20.5)**
Increase in 0% loan from parent (Note 21)	**(16.1)**	**-**	**-**	**(16.1)**
New leases (Note 21)	**(2.7)**	**-**	**-**	**(2.7)**
Transaction costs on new borrowings (Note 21)	**2.1**	**-**	**-**	**2.1**
Amortisation of transaction costs, discounts and premiums (Note 21)	**4.6**	**-**	**-**	**4.6**
Net debt at 31 March 2025	**(2,726.8)**	**165.0**	**35.3**	**(2,526.5)**

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

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.