Company Registration No. 06428375

NORTH WEST ELECTRICITY NETWORKS PLC

Interim Report and Condensed Consolidated Financial Statements

for the half year ended 30 September 2023

Contents

This interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 March 2023.

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

These condensed interim financial statements were approved for issue on 30 November 2023.

These condensed interim financial statements have been reviewed, not audited.

Interim Management Report

Cautionary statement

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

Financial statements

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

Operations

The Group's principal activity is the operation and maintenance of electricity distribution assets owned by Electricity North West Limited ("ENWL"), a subsidiary of the Company. ENWL is one of 14 distribution network operators in the UK regulated by the Gas and Electricity Markets Authority, which operates through Office of Gas and Electricity Markets (Ofgem).

The Company acts as an intermediary holding and financing company within the North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") group of companies.

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 debt in issue and listed on the London Stock Exchange throughout the half 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 are lent in the Group to finance operations in ENWL. Debt is also held by ENWL.

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

Consolidated results

£m	Unaudited Half year ended 30 Sept 23	Unaudited Half year ended 30 Sept 22	Audited Year ended 31 Mar 23
Revenue	**264.0**	268.9	560.5
(Loss)/profit before tax and fair value movements	**(85.2)**	(34.2)	(27.0)
Net cash flow before financing activities	**(30.3)**	(16.4)	(319.1)
Net debt	**(2,451.1)**	(2,286.5)	(2,329.8)

Revenue

Revenue in the half year to 30 September 2023 was consistent with revenue in the same period in the prior year.

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 each year, the Group ends up with either an over or an under recovery against planned revenue. These over or under recoveries are reflected in the reported revenue for the period and will be corrected in future periods through the Ofgem price setting mechanism.

The revenue for the half year to 31 March 2024 is expected to be higher than that in the half year to 30 September 2023, due to the seasonally higher volumes of electricity units distributed over the winter period.

Interim Management Report (continued)

(Loss)/profit before tax and fair value movements

The profit before tax and fair value movements was £51.0m lower than the same period in the prior year. Whilst operating profit and finance income were £4.5m and £10.2m higher, respectively, finance costs (excluding fair value) were £65.7m higher, primarily due to the £66.9m higher accretion payment on index-linked swaps. The accretion payments do not occur each year, with the next not due until July 2027; see Note 3 for more details.

Net cash flow before financing activities

The net cash outflow before financing activities of £30.3m for the six-months to 30 September 2023 was £13.9m higher than the net cash outflow of £16.4m in the same period in the prior year.

The £66.9m higher accretion obligation (see above) was largely met with the £65.1m maturing money market deposits.

Excluding the increased accretion payment, the net cash generated from operating activities was comparable to that in the same period in the prior year; net cash used in investing activities (excluding the maturing money market deposits) was £11.4m higher.

Net Debt

Net debt increased by £121.3m over the half year to 30 September 2023. This was primarily due to a lower cash balance, resulting from the £87.0m accretion payment, and a £32.6m increase in the index-linked debt arising from RPI increases (Note 3).

Dividends

No dividends have been paid or proposed in the half year to 30 September 2023. See Note 5 for details of dividends paid in the comparative periods.

Retirement benefit scheme

The retirement benefit surplus has increased from £42.6m to £70.0m over the half year to 30 September 2023. The main reasons for the increase in the surplus were the increase in the discount rate and changes to the mortality assumptions resulting in a decrease of the scheme obligations, partially offset by a reduction in the value of certain of the scheme's assets (see Note 9).

Principal risks and uncertainties

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

The principal risks facing the Company are financing risks and the ability to meet the obligations under the external debt. There has been no change in the financing risks facing the Company, nor are there any drawn debt facilities of the Company due to expire in the next year.

The Directors are cognisant of the principal risks and uncertainties affecting the larger Group. The principal trade and activities of the Group are carried out in ENWL and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing that company, and ultimately the Group, are outlined on pages 34 to 40 of the Strategic Report in the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2023, which are available on the website, www.enwl.co.uk.

Events after the Balance Sheet date

There are no events after the balance sheet date that require disclosure.

Interim Management Report (continued)

Going concern

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

- The electricity distribution licence of ENWL includes the obligation in standard 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 2024. 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 have prepared forecasts covering the current five-year regulatory period to 31 March 2028, reflecting the final determination for RIIO-ED2 allowances. Forecasts demonstrate that there is sufficient headroom on key covenants and that there are sufficient resources available to the Group within the forecast period;
- Short-term liquidity requirements are forecast to be met from the Group's operating cash flows and short-term deposit balances. A further £90.0m of committed undrawn bank facilities, of £50.0m in ENWL and £40.0m in the Company, are available from lenders; of these, £40.0m has a maturity of less than one year, whilst £50.0m has a maturity of greater than one year; and
- Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to both 31 March 2024 and 31 March 2028 indicate there is sufficient headroom on these covenants.

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

Corporate governance

The NWEN (Jersey) group has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the entire business. Details of the internal control and risk management systems which govern the Company are outlined in the Corporate Governance Report on pages 41 to 55 of the ENWL Annual Report and Consolidated Financial Statements, which are available on the website www.enwl.co.uk.

Interim Management Report (continued)

Parent, ultimate parent and controlling party

The immediate parent undertaking is NWEN Group Limited ("NWEN Group"), a company incorporated and registered in the United Kingdom.

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

At 30 September 2023, the ownership of the shares in NWEN (Jersey) and, therefore, the ultimate controlling parties of the Company were:

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

Directors

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

Executive Directors

- Ian Smyth
- Chris Johns (appointed 25 May 2023)
- David Brocksom (resigned 25 May 2023)

Non-executive Directors

- Rob Holden
- Sion Jones (resigned 31 July 2023)
- Peter O'Flaherty (resigned 31 July 2023)
- Genping Pan (resigned 31 July 2023)
- Masahide Yamada (resigned 31 July 2023)
- Takeshi Tanaka (resigned 31 July 2023)

Alternate Directors

- Aisha Hamid (resigned 31 July 2023)
- Makoto Murata (resigned 31 July 2023)
- Tatsuhiro Tamura (resigned 31 July 2023)
- Hailin Yu (resigned 31 July 2023)

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

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7R; and
- the condensed set of consolidated financial statements has been prepared in accordance with IAS34 '*Interim Financial Reporting*'.

Approved by the Board and signed on its behalf by:

Chris Johns
Chief Financial Officer
30 November 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 September 2023

	Note	**Unaudited Half year ended 30 Sept 2023 £m**	*Restated Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Revenue	2	**264.0**	268.9	560.5
Other income[1]		**8.4**	13.3	25.9
Employee costs		**(35.9)**	(33.4)	(67.0)
Depreciation and amortisation expense		**(71.5)**	(69.2)	(141.0)
Other operating costs[2]		**(72.3)**	(91.4)	(191.7)
Total operating costs		**(179.7)**	(194.0)	(399.7)
Operating profit		**92.7**	88.2	186.7
Finance income		**10.4**	0.2	4.2
*Finance costs	3	**(63.3)**	51.5	(90.8)
Profit before income tax		**39.8**	139.9	100.1
Income tax expense	4	**(11.8)**	(43.2)	(34.2)
Profit for the period		**28.0**	96.7	65.9
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit obligations		**26.1**	71.1	9.4
Income tax relating to these items		**(6.3)**	(17.8)	(2.3)
Other comprehensive income for the period		**19.8**	53.3	7.1
Total comprehensive income for the period		**47.8**	150.0	73.0

*The comparative information for the half year ended 30 September 2022 has been restated, see Note 1 for more details.

[1] Other income has been presented as a separate line item for the half year ended 30 September 2023; previously this was included in revenue. Accordingly, the comparative amounts have been presented as a separate line item, with a corresponding reduction in revenue.

[2] For the half year ended 30 September 2023 and the audited year ended 31 March 2023, the revenue from Supplier of Last Resort (SoLR) levies and associated costs are shown gross in revenue and other operating costs respectively; previously they were shown net of each other in revenue. Accordingly, the comparative information for the half year ended 30 September 2022 has been re-presented with a £40.7m increase in operating costs and a corresponding increase in revenue.

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

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2023

	Note	**Unaudited As at 30 Sept 2023 £m**	*Restated Unaudited As at 30 Sept 2022 £m	Audited As at 31 Mar 2023 £m
ASSETS				
Non-current assets				
Property, plant and equipment	6	**3,708.6**	3,566.9	3,643.9
Right-of-use assets[1]		**4.5**	3.5	4.0
Intangible assets and goodwill		**241.1**	243.8	242.2
Derivative financial instruments	8	**31.6**	-	15.1
Retirement benefit surplus	9	**70.0**	96.7	42.6
Total non-current assets		**4,055.8**	3,910.9	3,947.8
Current assets				
Inventories		**38.1**	20.8	22.4
Trade and other receivables		**96.2**	97.7	94.8
Current income tax asset		**16.1**	10.1	16.3
Cash and cash equivalents		**157.2**	63.9	174.2
Money market deposits > 3 months		**240.6**	-	305.7
Total current assets		**548.2**	192.5	613.4
Total assets		**4,604.0**	4,103.4	4,561.2

*The comparative information at 30 September 2022 has been restated, see Note 1 for more details.

[1] Right-of-use-assets have been presented as a separate line item at 30 September 2023; previously these were included in property, plant and equipment. Accordingly, the comparative amounts have been presented as a separate line item, with a corresponding reduction in property, plant and equipment.

Condensed Consolidated Statement of Financial Position (continued)

As at 30 September 2023

	Note	**Unaudited As at 30 Sept 2023 £m**	*Restated Unaudited As at 30 Sept 2022 £m	Audited As at 31 Mar 2023 £m
LIABILITIES				
Current liabilities				
Trade and other payables		**(176.4)**	(148.6)	(155.2)
Contract liabilities[2]		**(11.1)**	(12.8)	(12.3)
Borrowings	7	**(231.4)**	(8.4)	(221.7)
Lease liabilities[3]		**(1.7)**	(1.5)	(1.6)
Customer contributions		**(82.2)**	(45.7)	(76.6)
Provisions		**(0.5)**	(0.6)	(0.6)
Total current liabilities		**(503.3)**	(217.6)	(468.0)
Net current assets/(liabilities)		**44.9**	(25.1)	145.4
Non-current liabilities				
*Borrowings	7	**(2,617.5)**	(2,342.0)	(2,588.0)
Lease liabilities[3]		**(3.0)**	(2.2)	(2.5)
Derivative financial instruments	8	**(341.0)**	(387.5)	(449.5)
Customer contributions		**(469.4)**	(454.1)	(449.1)
Deferred tax liabilities		**(367.0)**	(367.4)	(349.1)
Provisions		**(0.4)**	(1.0)	(0.4)
Total non-current liabilities		**(3,798.3)**	(3,554.2)	(3,838.6)
Total liabilities		**(4,301.6)**	(3,771.8)	(4,306.6)
Net assets		**302.4**	331.6	254.6
EQUITY				
Share capital		**3.0**	3.0	3.0
*Retained earnings		**299.4**	328.6	251.6
Total equity		**302.4**	331.6	254.6

*The comparative information at 30 September 2022 has been restated, see Note 1 for more details.

[2] Contract liabilities have been presented as a separate line item at 30 September 2023; previously these were included in trade and other payables. Accordingly, the comparative amounts have been presented as a separate line item, with a corresponding reduction in trade and other payables.

[3] Lease liabilities have been presented as a separate line item at 30 September 2023; previously these were included in borrowings. Accordingly, the comparative amounts have been presented as a separate line item, with a corresponding reduction in borrowings.

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

The consolidated financial statements on pages 6 to 9 were authorised for issue by the Board of Directors on 30 November 2023 and signed on its behalf by:

Chris Johns
Director

Condensed Consolidated Statement of Changes in Equity

For the half year ended 30 September 2023

	Called up share capital £m	*Restated Retained earnings £m	Total equity £m
Original at 1 April 2022 (audited)	3.0	116.2	119.2
*Restatement	-	95.7	95.7
*Restated at 1 April 2022 (audited)	3.0	211.9	214.9
*Restated profit for the half year	-	96.7	96.7
Other comprehensive income for the half year	-	53.3	53.3
***Restated total comprehensive income for the half year**	-	150.0	150.0
Equity dividends (Note 5)	-	(33.3)	(33.3)
***Restated at 30 September 2022 (unaudited)**	3.0	328.6	331.6
Original at 1 April 2022 (audited)	3.0	116.2	119.2
*Restatement	-	95.7	95.7
*Restated at 1 April 2022 (audited)	3.0	211.9	214.9
Profit for the year	-	65.9	65.9
Other comprehensive income for the year	-	7.1	7.1
Total comprehensive income for the year	-	73.0	73.0
Equity dividends (Note 5)	-	(33.3)	(33.3)
At 31 March and 1 April 2023 (audited)	3.0	251.6	254.6
Profit for the half year	**-**	**28.0**	**28.0**
Other comprehensive income for the half year	**-**	**19.8**	**19.8**
Total comprehensive income for the half year	**-**	**47.8**	**47.8**
Equity dividends (Note 5)	**-**	**-**	**-**
At 30 September 2023 (unaudited)	**3.0**	**299.4**	**302.4**

*The comparative information for the half year ended 30 September 2022 has been restated, see Note 1 for more details.

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

Condensed Consolidated Statement of Cash Flows

For the half year ended 30 September 2023

	Note	**Unaudited Half year ended 30 Sept 2023 £m**	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Operating activities				
Cash generated from operations	11	**125.5**	119.8	296.9
*Customer contributions received		**32.2**	28.7	60.6
Interest paid		**(43.8)**	(34.0)	(98.0)
Interest portion of lease liabilities		**(0.1)**	-	(0.2)
*Accretion on index-linked swaps		**(87.0)**	(20.1)	(20.1)
Net cash generated from operating activities		**26.8**	94.4	239.2
Investing activities				
Interest received and similar income		**9.9**	0.1	2.0
Transfer from/(to) money market deposits > 3 months		**65.1**	-	(305.7)
Purchase of property, plant and equipment		**(126.4)**	(106.3)	(244.6)
Purchase of intangible assets		**(5.9)**	(4.9)	(10.5)
Proceeds from sale of property, plant and equipment		**0.2**	0.3	0.5
Net cash used in investing activities		**(57.1)**	(110.8)	(558.3)
Net cash flow before financing activities		**(30.3)**	(16.4)	(319.1)
Financing activities				
Proceeds from external borrowings		**13.2**	57.9	513.4
Repayment of external borrowings		**(4.5)**	(4.1)	(45.3)
Repayment of lease liabilities		**(0.9)**	(0.7)	(1.5)
Increase in inter-company loan from parent		**61.4**	-	-
Decrease in inter-company loan from parent		**(68.3)**	-	(0.5)
Cash collateral on derivatives		**12.4**	-	-
Dividends paid	5	**-**	(33.3)	(33.3)
Net cash generated from/(used in) financing activities		**13.3**	19.8	432.8
Net (decrease)/increase in cash and cash equivalents		**(17.0)**	3.4	113.7
Cash and cash equivalents at beginning of period		**174.2**	60.5	60.5
Cash and cash equivalents at end of period		**157.2**	63.9	174.2

*As customer contributions received are recognised in revenue over the expected useful economic lives of related assets, the associated cash flows have been presented in operating activities for the year ended 31 March 2023. As they were previously presented in investing activities, comparative amounts for the half year to 30 September 2022 have been restated, with an increase in cash flows from operating activities of £28.7m, and a corresponding decrease in cash flows from investing activities. Similarly, the accretion on index-linked swaps has been presented in operating activities, previously presented in financing activities. This has resulted in a decrease in cash flows from operating activities of £20.1m, with a corresponding decrease in cash flows from financing activities.

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

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

This condensed consolidated interim financial report has been prepared in accordance with International Accounting Standard 34 *'Interim Financial Reporting'* (IAS 34).

The financial information for the half year ended 30 September 2023, and similarly the half year ended 30 September 2022, has not been audited nor reviewed by the auditor. The financial information for the year ended 31 March 2023 has been based on information in the audited financial statements for that year; it does not constitute the statutory financial statements for that year (as defined in s434 of the Companies Act 2006) but is derived from those financial statements. Statutory financial statements for 31 March 2023 have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The interim report does not include all the notes included in the audited financial statements. Accordingly, this report is to be read in conjunction with the audited financial statements for the year ended 31 March 2023.

The interim report is prepared on a going concern basis.

The Directors do not believe that the Group is affected by seasonal factors which would have a material effect on the performance of the Group when comparing the interim results to those expected to be achieved in the second half of the year, with the exception of the impact on revenue referred to in Note 2.

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

Adoption of new and amended standards

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

Critical accounting judgments and key sources of estimation uncertainty

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

Notes to the Condensed Consolidated Financial Statements (continued)

1. Basis of preparation (continued)

Prior period restatement

The comparative information for the half year ended 30 September 2022 has been restated to correct the accounting treatment of an inter-company loan from the parent company.

In the original financial statements for the half year ended 30 September 2022, this loan was carried at £322.4m, being the net amount of proceeds received under the loan, with interest accrued at 0% and a maturity date of December 2027, in accordance with the loan documentation.

In the year ended 31 March 2023, this loan was reassessed and deemed to be a loan at an off-market rate. Such a loan is required to be initially recognised at the present value of all future cash flows, discounted at a market rate of interest determined at the time of initial recognition, with the difference between the present value and the net proceeds received treated as a capital contribution. Subsequent measurement is required to be at amortised cost using the effective interest method, with the interest rate used being the market rate determined at initial recognition.

There is no impact on corporation tax or deferred tax.

The following tables show the impact of the restatement on the affected financial statement line items:

Consolidated Statement of Profit or Loss and Other Comprehensive Income	**Original £m**	**Impact £m**	**Restated £m**
Finance costs	58.7	(7.2)	51.5
Profit before income tax	**147.1**	**(7.2)**	**139.9**
Income tax expense	(43.2)	-	(43.2)
Profit for the half year	**103.9**	**(7.2)**	**96.7**
Other comprehensive income for the half year	53.3	-	53.3
Total comprehensive expense for the half year	**157.2**	**(7.2)**	**150.0**

Consolidated Statement of Financial Position	**Original £m**	**Impact £m**	**Restated £m**
Non-current liabilities			
Borrowings	(2,432.7)	88.5	(2,344.2)
Net assets	**243.1**	**88.5**	**331.6**
Retained earnings	240.1	88.5	328.6
Total equity	**243.1**	**88.5**	**331.6**

Notes to the Condensed Consolidated Financial Statements (continued)

2. Segment and revenue information

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

The geographical origin and destination of revenue is all within the United Kingdom.

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

3. Finance costs

	Unaudited Half year ended 30 Sept 2023 £m	*Restated Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Finance costs (excluding fair value movements):			
*Interest on group borrowings at amortised cost (Note 10)	**20.4**	20.9	41.4
Interest on borrowings at amortised cost	**41.7**	29.0	63.7
Net interest settlements on derivatives at fair value	**7.8**	7.0	5.6
Indexation of index-linked debt	**32.6**	46.0	89.0
Accretion payable on index-linked swaps	**87.0**	20.1	20.1
Reimbursement of inter-company loan impairment (Note 10)	**0.1**	0.1	(0.1)
Interest on leases	**0.1**	0.1	0.2
Net interest cost on pension plan obligations	**(1.0)**	(0.3)	(0.8)
Capitalisation of borrowing costs under IAS 23 (Note 6)	**(0.4)**	(0.3)	(1.2)
	188.3	122.6	217.9
Fair value movements on financial instruments:			
Derivative assets (Note 8)	**(16.5)**	-	(15.1)
Derivative liabilities (Note 8)	**(108.5)**	(174.1)	(112.0)
	(125.0)	(174.1)	(127.1)
Total finance costs	**63.3**	(51.5)	90.8

*The comparative information for the half year ended 30 September 2022 has been restated, see Note 1 for more details.

Details on the valuation techniques used to derive the fair values can be found in Note 8.

No new derivatives were entered or closed during the half year (30 Sept 2022: none, 31 Mar 2023: none).

Notes to the Condensed Consolidated Financial Statements (continued)

3. Finance costs (continued)

There has been £87.0m (30 Sept 2022: £20.1m, 31 Mar 2023: £20.1m) accretion payments on the index-linked swaps in the half 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 half year was £21.4m (30 Sept 2022: £29.8m, 31 Mar 2022: £57.1m), split as follows:

Accumulated Accretion	Five-yearly £m	Seven-yearly £m	Ten-yearly £m	Total £m
1 April 2022	14.8	51.9	22.7	89.4
Accrued in half year	7.0	14.2	8.6	29.8
Paid in half year	(20.1)	-	-	(20.1)
30 September 2022	1.7	66.1	31.3	99.1
1 April 2022	14.8	51.9	22.7	89.4
Accrued in year	13.4	27.2	16.5	57.1
Paid in year	(20.1)	-	-	(20.1)
31 March 2023	**8.1**	**79.1**	**39.2**	**126.4**
Accrued in half year	**5.0**	**10.2**	**6.2**	**21.4**
Paid in half year	-	(87.0)	-	(87.0)
30 September 2023	**13.1**	**2.3**	**45.4**	**60.8**

Notes to the Condensed Consolidated Financial Statements (continued)

4. Income tax

	Unaudited Half year ended 30 Sept 2023 £m	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Current tax:			
Current period	**0.2**	(6.5)	(10.7)
Adjustment in respect of prior period	**-**	-	(1.7)
	0.2	(6.5)	(12.4)
Deferred tax:			
Current period	**11.6**	49.7	42.3
Adjustment in respect of prior period	**-**	-	4.3
	11.6	49.7	46.6
Income tax expense	**11.8**	43.2	34.2

Current tax is calculated at 25% (30 Sept 2022: 19%, 31 Mar 2023: 19%) of the estimated assessable profit for the half year.

Deferred tax is calculated using the rate at which it is expected to reverse. Accordingly, the deferred tax has been calculated on the basis that it will reverse in future at 25% (30 Sept 2022: 25%, 31 Mar 2023: 25%).

5. Dividends

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

	Unaudited Half year ended 30 Sept 2023 £m	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Final dividends for the year ended 31 March 2022 of 1,110.00 pence per share (paid June 2022)	**-**	33.3	33.3
Dividends for the period (Note 10)	**-**	33.3	33.3

As at the date of signing of this interim report, the Directors have not proposed an interim dividend for the year ending 31 March 2024.

Notes to the Condensed Consolidated Financial Statements (continued)

6. Property, plant and equipment

During the half year, the Group spent £128.2m (30 Sept 2022: £116.6m, 31 Mar 2023: £252.9m) on additions to property, plant and equipment as part of its capital programme. Included in this figure is capitalised interest of £0.4m (30 Sept 2022: £0.3m, 31 Mar 2023: £1.2m) (see Note 3), derived in accordance with IAS 23, using an average annual capitalisation rate of 4.74% (30 Sept 2022: 4.01%, 31 Mar 2023: 4.13%).

7. Borrowings

	Unaudited Half year ended 30 Sept 2023 £m	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Current liabilities:			
Bank and other term borrowings	**231.4**	8.4	221.7
	231.4	8.4	221.7
Non-current liabilities:			
Bonds (Note 8)	**1,869.2**	1,404.7	1,852.0
Bank and other term borrowings	**146.1**	342.4	134.5
Amounts owed to parent undertaking (Note 8 & 10)	**602.2**	594.9	601.5
	2,617.5	2,342.0	2,588.0
Borrowings	**2,848.9**	2,350.4	2,809.7

The Group's debt facilities expire between December 2023 and April 2046. All borrowings were unsecured and in sterling, and there were no formal bank overdraft facilities in place. The fair values of the Group's financial instruments are shown in Note 8.

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

	Unaudited Half year ended 30 Sept 2023 £m	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Expiring beyond one year:			
Debt service reserve facility – expiry December 2023	**40.0**	40.0	40.0
Bank revolving credit facility (1) – expiry December 2024	**50.0**	13.0	50.0
Bank revolving credit facility (2) – expiry December 2024	**-**	27.7	13.2

Notes to the Condensed Consolidated Financial Statements (continued)

8. Fair value measurement of financial instruments

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

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

Fair value hierarchy

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

8. Fair value measurement of financial instruments (continued)

The following table presents the Group's financial instruments that are measured and recognised at fair value, grouped into the three levels outlined above:

At 30 September 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Derivative assets – inflation-linked swaps	**-**	**24.8**	**6.8**	**31.6**
	-	**24.8**	**6.8**	**31.6**
Financial liabilities:				
Derivative liabilities – inflation-linked swaps	**-**	**(4.9)**	**(276.1)**	**(281.0)**
Derivative liabilities – interest rate swap	**-**	**(60.0)**	**-**	**(60.0)**
	-	**(64.9)**	**(276.1)**	**(341.0)**
Total	**-**	**(40.1)**	**(269.3)**	**(309.4)**
At 30 September 2022				
Financial assets:				
Derivative assets – inflation-linked swaps	-	-	-	-
	-	-	-	-
Financial liabilities:				
Derivative liabilities – inflation-linked swaps	-	(15.7)	(303.4)	(319.1)
Derivative liabilities – interest rate swap	-	(68.3)	-	(68.3)
	-	(84.0)	(303.4)	(387.4)
Total	-	(84.0)	(303.4)	(387.4)
At 31 March 2023				
Financial assets:				
Derivative assets – inflation-linked swaps	-	3.5	11.6	15.1
	-	3.5	11.6	15.1
Financial liabilities:				
Derivative liabilities – inflation-linked swaps	-	(15.9)	(379.7)	(395.6)
Derivative liabilities – interest rate swap	-	(53.9)	-	(53.9)
	-	(69.8)	(379.7)	(449.5)
Total	-	(66.3)	(368.1)	(434.4)

Notes to the Condensed Consolidated Financial Statements (continued)

8. Fair value measurement of financial instruments (continued)

Valuation techniques used to determine fair values

Where available, quoted market prices have been used to determine fair values (Level 1 inputs). Where not available, fair values have been calculated by discounting estimated future cash flows based on observable interest and RPI curves sourced from market available data (Level 2 inputs).

In accordance with IFRS 13, an adjustment for non-performance risk has then been made to give the fair value. The non-performance risk has been quantified by calculating either a credit valuation adjustment (CVA) based on the credit risk profile of the counterparty, or a debit valuation adjustment (DVA) based on the credit risk profile of the relevant group entity, using market-available data where possible.

Whilst the majority of the inputs to the CVA and DVA calculations meet the criteria for Level 2 inputs, certain inputs regarding the Group's credit risk are deemed to be Level 3 inputs, due to the lack of market-available data. The credit risk profile of the Group has been built using the few market-available data points, e.g. credit spreads on the listed bonds of the Group and proxy bonds, and then extrapolated over the term of the derivatives. It is this extrapolation that is deemed to be Level 3.

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

At 30 September 2023, the net adjustment for non-performance risk was £69.3m (30 Sept 2022: £108.8m, 31 Mar 2023: £87.6m), of which £70.6m (30 Sept 2022: £122.6m, 31 Mar 2023: £87.1m) was classed as Level 3.

On entering certain derivatives, the valuation technique used resulted in a fair value loss. As this, however, was neither evidenced by a quoted price nor based on a valuation technique using only data from observable markets, this loss on initial recognition was not recognised. This was supported by the transaction price of nil. This difference is being recognised in profit or loss on a straight-line basis over the life of the derivatives. At 30 September 2023, the aggregate difference yet to be recognised in profit or loss was £46.2m (30 Sept 2022: £48.5m, 31 Mar 2023: £47.4m). The movement in the half year all relates to the straight-line release to profit or loss.

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

Notes to the Condensed Consolidated Financial Statements (continued)

8. Fair value measurement of financial instruments (continued)

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

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

	Unaudited Half year ended 30 Sept 2023 £m	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Opening balance	**(368.1)**	(517.1)	(517.1)
On new instruments in the period	**-**	-	-
Transfers from Level 3 into Level 2	**(8.1)**	15.8	46.5
Transfers from Level 2 into Level 3	**-**	(7.7)	(7.7)
Total gains or losses in profit or loss:			
- On transfers into Level 3 from Level 2	**-**	19.4	14.5
- On instruments carried forward in Level 3	**106.9**	186.2	95.7
Closing balance	**(269.3)**	(303.4)	(368.1)

These fair value movements are recognised in the finance costs line in the statement of profit or loss and other comprehensive income (see Note 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 DVA, as described in the section above. Any transfers between levels are deemed to have occurred at the beginning of the reporting period.

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

	Unaudited Half year ended 30 Sept 2023		Unaudited Half year ended 30 Sept 2022		Audited Year ended 31 Mar 2023	
	-10bps £m	**+10bps £m**	-10bps £m	+10bps £m	-10bps £m	+10bps £m
Derivatives	**(3.4)**	**3.4**	(4.0)	4.0	(3.8)	3.7

Notes to the Condensed Consolidated Financial Statements (continued)

8. Fair value measurement of financial instruments (continued)

Fair values of other financial instruments (unrecognised)

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying values, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature, such as cash and cash equivalents, trade and other receivables, and trade and other payables.

The instruments for which significant differences were identified are presented in the following table.

	Unaudited Half year ended 30 Sept 2023 £m	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Carrying value:			
Bonds (Note 7)	**(1,869.2)**	(1,404.7)	(1,852.0)
Amounts owed to parent undertaking (Note 7)	**(602.2)**	(594.9)	(601.5)
Fair value:			
Bonds[1]	**(2,093.8)**	(1,336.0)	(1,753.5)
Amounts owed to parent undertaking[2]	**(623.2)**	(639.6)	(646.4)

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

[2] These fair values are derived using a valuation technique using significant unobservable inputs and, therefore, meet the Level 3 criteria.

9. Retirement benefit scheme

The defined benefit surplus/obligation has been calculated based on the results of the 31 March 2022 triennial funding valuation, which has been projected forward by an independent actuary to take account of the requirements of IAS 19 *'Employee Benefits'* in order to assess the position at 30 September 2023 for the purpose of these interim financial statements. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The defined benefit plan assets have been updated to reflect their market value at 30 September 2023. The difference between the two amounts is recognised as a surplus or obligation in the statement of financial position.

A pension surplus under IAS 19 (revised 2011) of £70.0m is included in the statement of financial position (30 Sept 2022: £96.7m surplus, 31 Mar 2023: £42.6m surplus).

The increase in the defined benefit surplus over the half year to 30 September 2023 to £70.0m, was due to the increase in the discount rate assumption by 75 basis points driven by the market movement in corporate bond yields, partially offset by a 5 basis points increase in expected future inflation. This, along with changes to the mortality assumptions, resulted in a decrease in the scheme's obligation. This was partially offset by a reduction in the value of certain of the scheme's assets.

Notes to the Condensed Consolidated Financial Statements (continued)

10. Related party transactions

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

	Unaudited Half year ended 30 Sept 2023 £m	*Restated Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Charges to:			
Electricity North West (Construction and Maintenance) Limited	**1.3**	1.2	2.5
Electricity North West Services Limited	**0.7**	0.7	1.6
Electricity North West Property Limited	**0.1**	0.1	-
Charges from:			
Electricity North West (Construction and Maintenance) Limited	**(0.2)**	(0.5)	(0.5)
Electricity North West Services Limited	**(4.0)**	(4.0)	(7.5)
Interest payable to:			
*North West Electricity Networks (Holdings) Limited (Note 3)	**(20.4)**	(20.9)	(41.4)
Reimbursement of inter-company loan impairment on loan from North West Electricity Networks (Holdings) Limited (Note 3)	**(0.1)**	(0.1)	(0.1)
Dividends paid to NWEN Group Limited (Note 5)	**-**	(33.3)	(33.3)
Directors' remuneration	**(1.1)**	(1.0)	(2.9)

*The comparative information for the half year ended 30 September 2022 has been restated, see Note 1 for more details.

The Group's key management personnel comprise solely of its Directors.

Notes to the Condensed Consolidated Financial Statements (continued)

10. Related party transactions (continued)

Amounts outstanding with related parties were as follows:

	Unaudited Half year ended 30 Sept 2023 £m	*Restated Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Amounts owed by:			
North West Electricity Networks (Holdings) Limited	**0.7**	0.7	0.8
Electricity North West (Construction and Maintenance) Limited	**0.3**	0.4	1.2
Electricity North West Services Limited	**0.3**	0.6	0.5
Electricity North West Property Limited	**0.1**	0.1	0.1
North West Electricity Networks (UK) Limited	**0.1**	-	-
North West Electricity Networks (Jersey) Limited	**0.1**	0.1	0.1
Total in debtors	**1.6**	1.9	2.7
Amounts owed to:			
North West Electricity Networks (Holdings) Limited	**(0.2)**	(0.2)	(0.2)
Electricity North West (Construction and Maintenance) Limited	**-**	(0.1)	-
Electricity North West Services Limited	**(0.5)**	(0.5)	(0.5)
North West Electricity Networks (Jersey) Limited	**(0.1)**	(0.1)	-
Interest payable to:			
North West Electricity Networks (Holdings) Limited	**(11.2)**	(12.5)	(12.1)
Total in creditors	**(12.0)**	(13.4)	(12.8)
Borrowings payable to:			
*North West Electricity Networks (Holdings) Limited (Note 7)	**(602.2)**	(594.9)	(601.5)
Group tax relief owed by:			
North West Electricity Networks (Holdings) Limited	**-**	-	0.1
Electricity North West (Construction and Maintenance) Limited	**-**	-	0.9
Electricity North West Services Limited	**-**	-	0.3
North West Electricity Networks (Jersey) Limited	**-**	-	3.6

*The comparative information for the half year ended 30 September 2022 has been restated, see Note 1.

The loans from North West Electricity Networks (Holdings) Limited are as follows:

- £248.6m at a contracted rate of 0% but, as a loan at an off-market rate, is carried at amortised cost using the effective interest rate of 6.3%, repayable in 2027 (30 Sept 2022: £233.9m 6.3% restated, 31 Mar 2023: £241.0m 6.3%),
- £104.2m at fixed 10.0%, repayable in 2027 (30 Sept 2022: £200.0m at 10.0%, 31 Mar 2023: £172.5m at 10.0%), and
- £249.4m at fixed 5.60%, repayable in 2026 (30 Sept 2022: £161.0m at 4.25%, 31 Mar 2023: £188.0m at 4.69%).

Notes to the Condensed Consolidated Financial Statements (continued)

11. Cash generated from operations

	Unaudited Half year ended 30 Sept 2023 £m	Unaudited Half year ended 30 Sept 2022 £m	Audited Year ended 31 Mar 2023 £m
Operating profit	**92.7**	88.2	186.7
Adjustments for:			
Depreciation of property, plant and equipment	**64.5**	69.2	126.8
Amortisation of intangible assets	**7.0**	-	14.2
Amortisation of customer contributions	**(6.3)**	(5.8)	(11.9)
Profit on disposal of property, plant and equipment	**(0.2)**	(0.3)	(0.5)
Cash contributions in excess of pension charge to operating profit	**(2.8)**	(10.7)	(20.4)
Operating cash flows before movement in working capital	**154.9**	140.6	294.9
Changes in working capital:			
(Increase)/decrease in inventories	**(15.7)**	(2.7)	(4.3)
(Increase)/decrease in trade and other receivables	**(1.0)**	(20.7)	(15.6)
Increase/(decrease) in provisions and payables	**(12.7)**	2.6	21.9
Cash generated from operations	**125.5**	119.8	296.9