

**Company Registration No. 02366949**

# **ELECTRICITY NORTH WEST LIMITED**

**Half Year Condensed Consolidated Financial Statements  
for the period ended 30 September 2019**

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## Interim Management Report

### Cautionary statement

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

### Financial statements

The Annual Report and Consolidated Financial Statements of the Company can be found at [www.enwl.co.uk](http://www.enwl.co.uk).

### Operations

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

### Adoption of IFRS 16 'Leases'

The Group has adopted IFRS 16 during the year. IFRS 16 has resulted in an opening reserves adjustment of £0.2m, along with incremental lease liabilities of £5.0m and right of use assets of £4.6m at 30 September 2019. More details of the impact of IFRS 16 can be found in Notes 3 and 12.

### Adoption of IFRS 9 'Financial Instruments'

The results for the period ended 30 September 2018 have been restated to reflect the adoption of IFRS 9, on 1 April 2018. The opening reserves for the period have been adjusted (see the Statement of Changes in

Equity), as have the finance expense, borrowings and interest payable. IFRS 9 was fully reflected in the audited accounts for the year ended 31 March 2019, and more details on the impact of IFRS 9 can be found in the Annual Report and Consolidated Financial Statements of the Company at [www.enwl.co.uk](http://www.enwl.co.uk).

### Consolidated results

	6 months ended 30 Sep 2019	Restated 6 months ended 30 Sep 2018	Year ended 31 Mar 2019
Revenue	£222m	£208m	£458m
Profit before tax and fair value movements	£57m	£50m	£134m
Profit/ (loss) before tax	£(22)m	£53m	£87m
Net cash flow before financing activities	£6m	£3m	£(2)m
Net debt	£1,165m	£1,098m	£1,146m

### Revenue

Revenue is £14m higher in the six months to 30 September 2019 compared to the same period in the prior year. This is due to higher unit prices which are set to recover an allowed Distribution Use of System ("DUoS") revenue for each year. The principal reasons for the higher unit price are higher allowed base revenue including adjustments for inflation, higher incentive revenue and the impact of the final over recovery of revenue in the prior year.

The revenue for the six months to 31 March 2020 is expected to be higher than that in the six months to 30 September 2019, due to the seasonally higher volumes of electricity units distributed over the winter period.

### Profit before tax and fair value movements

Profit before tax and fair value movements is £7m higher than the six months to September 2018. This is primarily due to the higher revenue.

## Interim Management Report (continued)

### Profit/ (loss) before tax

There is a loss before tax of £22m, compared to a profit of £53m for the same period in the prior year, a movement of £75m. This is primarily due to a fair value loss on the derivative financial instruments of £80m, compared to a gain of £3m in the prior period. The fair value movements are a result of the combined effect of the changes in market expectations of future interest rates and of inflation rates (see Note 12).

### Net cash flow before financing

The net cash flow before financing is £3m higher than the same period in the prior year. Cash generated from operations was stable, with the increase primarily due to £7m lower capital expenditure offset by £4m higher tax paid.

### Net Debt

Net debt has increased by £19m in the six month period to 30 September 2019; this is due to the £20m increase in borrowings, offset by the £1m increase in cash. The increase in borrowings is mainly due to a £14m drawing on the revolving credit facility and a £5m lease liability recognised following adoption of IFRS 16 on 1 April 2019.

### Dividends

Final dividends for the year ended 31 March 2019 of £17m have been paid in the period. The Directors have proposed an interim dividend of £21.4m for the year ended 31 March 2020. More details on dividends are given in Note 8.

### Retirement benefit scheme

The retirement benefit asset over the six month period to 30 September 2019, has reduced from £33m to £24m. The main reason for the decrease is the decrease in the discount rate used to value the liabilities (see Note 13).

## Principal risks and uncertainties

The principal trade and activities of the Group are carried out in Electricity North West Limited ("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 in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2019, which are available on the website, [www.enwl.co.uk](http://www.enwl.co.uk).

The Board considers that the principal risks and uncertainties have not changed from the last annual report.

### Going concern

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

- The Company's electricity distribution licence includes the obligation in standard licence condition 40 to maintain an investment grade issuer credit rating, which has been met;
- Under section 3A of the Electricity Act 1989, the Gas and Electricity Markets Authority has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance their activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000;



## Interim Management Report (continued)

### Going concern (continued)

- Management has prepared, and the Directors have reviewed, the approved Group budgets for the year ending 31 March 2020 and forecasts covering the period to the end of the current price review, in 2023. These forecasts include projections and cash flow forecasts, including covenant compliance considerations. Inherent in forecasting is an element of uncertainty and forecasts have been sensitised for possible changes in the key assumptions, including RPI and over/under recoveries of allowed revenue. This analysis demonstrates that there is sufficient headroom on key covenants and that sufficient resources are available to the Group within the forecast period;
- Short-term liquidity requirements are forecast to be met from the Group's operating cash flow and short-term deposit balances. A further £36m of committed undrawn bank facilities are available from lenders; these have a maturity of more than one year. Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to 31 March 2020 and 2023 indicate there is significant headroom on these covenants.

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

Consequently, after making appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt

the going concern basis in preparing the Half Year Condensed Consolidated Financial Statements.

The going concern basis has been adopted by the Directors, with consideration of the guidance given in *'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009'* published by the Financial Reporting Council in October 2009.

### Ultimate parent undertaking and controlling party

The immediate parent undertaking is North West Electricity Networks plc, a company incorporated and registered in the United Kingdom. The ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company incorporated and registered in Jersey. On 20 August 2019, there was a change in ownership of the shares in North West Electricity Networks (Jersey) Limited and, therefore, a change in the ultimate controlling parties of the Company. Prior to the sale, the ultimate controlling parties were First State Investments Fund Management S.a.r.l. on behalf of First State European Diversified Infrastructure Fund FCP-SIF ('EDIF') and IIF Int'l Holding GP Ltd ('IIF'), each with a 50% holding.

Following the sale, the shareholdings are:

- KDM Power Limited (32.07%);
- IIF Int'l NWEN UK Cayman Limited (25%);
- First State Investments Fund Management S.a.r.l. on behalf of First State European Diversified Infrastructure Fund FCP-SIF (25%); and
- Equitix ENW 6 Limited (17.93%).

## Interim Management Report (continued)

### Directors

The names of the Directors who held office during the period and subsequently are given below:

#### Executive Directors

- Peter Emery
- David Brocksom

#### Non-executive Directors

- Dr John Roberts
- Anne Baldock
- Alistair Buchanan
- Susan Cooklin
- Chris Dowling
- Rob Holden
- Niall Mills
- Sion Jones – appointed 20 August 2019
- Yamabayashi Yoshihiro – appointed 20 August 2019
- Mark Scarsella – appointed 10 September 2019
- Hamish Lea-Wilson – resigned 20 August 2019
- John Lynch – resigned 10 September 2019

Niall Mills, Sion Jones, Yamabayashi Yoshihiro and Mark Scarsella are shareholder appointed directors and have appointed alternate Directors. Hamish Lea-Wilson resigned as director and has been appointed as the alternate for Niall Mills. Peter O’Flaherty is the alternate for Sion Jones, Toru Kuwahara is the alternate for Yamabayashi Yoshihiro and Gary Blackburn is the alternate for Mark Scarsella.

### 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

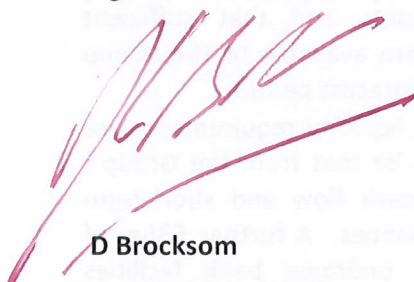
issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;

- 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’.

### Registered address

Electricity North West Limited  
Borron Street  
Stockport  
Cheshire  
SK1 2JD

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



**D Brocksom**

Chief Financial Officer  
29 November 2019

**Condensed Consolidated Statement of Comprehensive Income**

For the period ended 30 September 2019

		Unaudited Period ended 30 Sept 2019 £m	Restated Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
	Note			
<b>Revenue</b>		<b>222.4</b>	207.7	458.3
Employee costs		(29.4)	(28.8)	(58.1)
Depreciation and amortisation expense (net)		(60.4)	(52.7)	(116.9)
Other operating costs		(44.0)	(43.7)	(92.8)
<b>Total operating expenses</b>		<b>(133.8)</b>	(125.2)	(267.8)
<b>Operating profit</b>		<b>88.6</b>	82.5	190.5
Investment income	5	0.1	0.2	0.4
Finance expense (net)	6	(111.1)	(29.8)	(103.9)
<b>Profit/(loss) before taxation</b>		<b>(22.4)</b>	52.9	87.0
Taxation	7	2.9	(13.6)	(15.2)
<b>Profit/(loss) for the period attributable to shareholders</b>		<b>(19.5)</b>	39.3	71.8
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Remeasurement of defined benefit scheme		(15.5)	15.2	41.4
Deferred tax on remeasurement of defined benefit scheme		2.6	(2.6)	(7.0)
<b>Other comprehensive income/(expense) for the period</b>		<b>(12.9)</b>	12.6	34.4
<b>Total comprehensive income/(expense) for the period attributable to shareholders</b>		<b>(32.4)</b>	51.9	106.2

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

The results for the period ended 30 September 2018 have been restated to reflect the adoption of IFRS 9, effective from 1 April 2018. The opening reserves for the period have been adjusted (see the Statement of Changes in Equity), as has the finance expense for the period.

**Condensed Consolidated Statement of Financial Position**

As at 30 September 2019

		Unaudited Period ended 30 Sept 2019	Restated Unaudited Period ended 30 Sept 2018	Audited Year ended 31 Mar 2019
	Note	£m	£m	£m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets and goodwill		53.0	50.9	52.3
Property, plant and equipment		3,311.6	3,196.0	3,259.7
Retirement benefit surplus	13	24.1	4.2	32.8
		<b>3,388.7</b>	<b>3,251.1</b>	<b>3,344.8</b>
<b>Current assets</b>				
Inventories		10.5	11.9	12.2
Trade and other receivables		57.7	54.0	57.7
Cash and cash equivalents		23.6	68.8	22.7
		<b>91.8</b>	<b>134.7</b>	<b>92.6</b>
<b>Total assets</b>		<b>3,480.5</b>	<b>3,385.8</b>	<b>3,437.4</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(126.7)	(148.3)	(120.6)
Current tax liabilities		(0.7)	(12.0)	(6.6)
Borrowings	10	(8.6)	(6.8)	(6.8)
Provisions	14	(0.4)	(0.6)	(0.8)
		<b>(136.4)</b>	<b>(167.7)</b>	<b>(134.8)</b>
<b>Net current liabilities</b>		<b>(44.4)</b>	<b>(33.0)</b>	<b>(42.2)</b>
<b>Non-current liabilities</b>				
Borrowings	10	(1,179.9)	(1,159.6)	(1,161.8)
Derivative financial instruments	12	(484.1)	(354.8)	(404.6)
Deferred tax liabilities		(134.7)	(153.1)	(150.1)
Provisions	14	(1.9)	(2.3)	(2.2)
Customer contributions		(645.9)	(625.6)	(637.2)
		<b>(2,446.5)</b>	<b>(2,295.4)</b>	<b>(2,355.9)</b>
<b>Total liabilities</b>		<b>(2,582.9)</b>	<b>(2,463.1)</b>	<b>(2,490.7)</b>
<b>Net assets</b>		<b>897.6</b>	<b>922.7</b>	<b>946.7</b>
<b>EQUITY</b>				
Called up share capital		238.4	238.4	238.4
Share premium account		4.4	4.4	4.4
Revaluation reserve		87.2	89.3	88.2
Capital redemption reserve		8.6	8.6	8.6
Retained earnings		559.0	582.0	607.1
<b>Total equity</b>		<b>897.6</b>	<b>922.7</b>	<b>946.7</b>

The balance sheet as at 30 September 2018 has been restated to reflect the adoption of IFRS 9, effective from 1 April 2018. The opening reserves for the period have been adjusted (see the Statement of Changes in Equity), as have the borrowings and interest payable amounts.

Approved by the Board of Directors on 29 November 2019 and signed on its behalf by:

**D Brocksom**

Director



**Condensed Consolidated Statement of Changes in Equity**

For the period ended 30 September 2019

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
<b>At 31 March 2018 (audited)</b>	238.4	4.4	90.3	8.6	486.1	827.8
Opening reserve adjustment: transition to IFRS 9	-	-	-	-	71.0	71.0
Tax impact on IFRS 9 adjustment	-	-	-	-	(12.0)	(12.0)
Opening reserves	238.4	4.4	90.3	8.6	545.1	886.8
Profit for the period	-	-	-	-	39.3	39.3
Other comprehensive income for the period	-	-	-	-	12.6	12.6
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
<b>Total comprehensive income/(expense) for the period</b>	-	-	(1.0)	-	52.9	51.9
Equity dividends (Note 8)	-	-	-	-	(16.0)	(16.0)
<b>At 30 September 2018 (unaudited)</b>	238.4	4.4	89.3	8.6	582.0	922.7
<b>At 31 March 2018 (audited)</b>	238.4	4.4	90.3	8.6	486.1	827.8
Opening reserve adjustment: transition to IFRS 9	-	-	-	-	71.0	71.0
Tax impact on IFRS 9 adjustment	-	-	-	-	(12.0)	(12.0)
Opening reserves	238.4	4.4	90.3	8.6	545.1	886.8
Profit for the period	-	-	-	-	71.8	71.8
Other comprehensive income for the period	-	-	-	-	34.4	34.4
Transfer from revaluation reserve	-	-	(2.1)	-	2.1	-
<b>Total comprehensive income/(expense) for the period</b>	-	-	(2.1)	-	108.3	106.2
Equity dividends (Note 8)	-	-	-	-	(46.3)	(46.3)
<b>At 31 March 2019 (audited)</b>	238.4	4.4	88.2	8.6	607.1	946.7
Opening reserve adjustment: transition to IFRS 16	-	-	-	-	0.2	0.2
Opening reserves	238.4	4.4	88.2	8.6	607.3	946.9
Loss for the period	-	-	-	-	(19.5)	(19.5)
Other comprehensive expense for the period	-	-	-	-	(12.9)	(12.9)
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
<b>Total comprehensive expense for the period</b>	-	-	(1.0)	-	(31.4)	(32.4)
Equity dividends (Note 8)	-	-	-	-	(16.9)	(16.9)
<b>At 30 September 2019 (unaudited)</b>	238.4	4.4	87.2	8.6	559.0	897.6

The opening reserves and profit for the period ended 30 September 2018 have been restated to reflect the adoption of IFRS 9, effective from 1 April 2018.

**Condensed Consolidated Statement of Cash Flows**

For the period ended 30 September 2019

		Unaudited Period ended 30 Sept 2019	Unaudited Period ended 30 Sept 2018	Audited Year ended 31 Mar 2019
	Note	£m	£m	£m
<b>Operating activities</b>				
Cash generated from operations	16	117.1	117.1	267.6
Interest paid		(9.2)	(8.7)	(48.3)
Tax paid		(15.8)	(12.3)	(27.1)
<b>Net cash generated from operating activities</b>		<b>92.1</b>	<b>96.1</b>	<b>192.2</b>
<b>Investing activities</b>				
Interest received and similar income		0.1	0.2	0.4
Purchase of property, plant and equipment		(100.1)	(109.1)	(224.2)
Purchase of intangible assets		(4.0)	(4.2)	(8.9)
Proceeds from sale of property, plant and equipment		0.3	0.1	0.4
Customer contributions received		17.4	19.6	37.8
<b>Net cash used in investing activities</b>		<b>(86.3)</b>	<b>(93.4)</b>	<b>(194.5)</b>
<b>Net cash flow before financing activities</b>		<b>5.8</b>	<b>2.7</b>	<b>(2.3)</b>
<b>Financing activities</b>				
Dividends paid	8	(16.9)	(16.0)	(46.3)
Repayment of external borrowings		(3.5)	(3.4)	(6.7)
Proceeds from external borrowings		14.0	-	-
Proceeds from inter-company borrowings		1.5	-	1.6
Movement in cash collateral held		-	(1.5)	(10.6)
<b>Net cash used in financing activities</b>		<b>(4.9)</b>	<b>(20.9)</b>	<b>(62.0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>0.9</b>	<b>(18.2)</b>	<b>(64.3)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>22.7</b>	<b>87.0</b>	<b>87.0</b>
<b>Cash and cash equivalents at end of period</b>		<b>23.6</b>	<b>68.8</b>	<b>22.7</b>

## Notes to the Condensed Consolidated Financial Statements

### 1. General Information

Electricity North West Ltd is a company incorporated in the United Kingdom under the Companies Act 2006.

The financial information for the 6 month period ended 30 September 2019 and similarly the period ended 30 September 2018 has neither been audited nor reviewed by the auditor. The financial information for the year ended 31 March 2019 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2019 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 2019 have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

### 2. Significant accounting policies

#### Basis of accounting

The Annual Report and Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). The Half Year Condensed Consolidated Financial Statements of the Group which are unaudited, have been prepared in accordance with International Accounting Standard 34 '*Interim Financial Reporting*' (IAS 34) as adopted by the EU.

The results for the period ended 30 September 2019 have been prepared using the same method of computation and the same accounting policies set out in the Annual Report and Consolidated Financial Statements of ENWL for the year ended 31 March 2019 with the exception of the adoption of IFRS 16 '*Leases*'.

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

#### Adoption of IFRS 9 '*Financial Instruments*'

The results and financial position for 30 September 2018 have been restated to reflect the adoption of IFRS 9, effective from 1 April 2018. IFRS was fully reflected in the audited accounts for the year ended 31 March 2019, and more details on the impact of IFRS 9 can be found in the Annual Report and Consolidated Financial Statements of the Company at [www.enwl.co.uk](http://www.enwl.co.uk).

The transition to IFRS 9 resulted in a fair value gain of £71m being recognised in the opening retained earnings of the Company, along with associated deferred tax of £12m, having a net impact on opening retained earnings of £59m.

The application of IFRS 9 has had no impact on the consolidated cash flows of the Group.

## Notes to the Condensed Consolidated Financial Statements

### 2. Significant accounting policies (continued)

#### Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Condensed Consolidated Financial Statements. Further detail is contained in the Interim Management Report.

### 3. Critical accounting judgements and key sources of estimation uncertainty

#### Changes in accounting policy

The Group has adopted the following IFRS Standards during the period;

##### IFRS 16: Leases

The Group has adopted the modified retrospective approach without restatement of comparatives.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract).

IFRS 16 has resulted in an opening reserves adjustment of £0.2m, along with incremental lease liabilities of £5.0m and right of use assets of £4.6m at 30 September 2019.

##### Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments at FVTPL are stated at fair value, with any gains or losses on re-measurement recognised in the income statement. The net gain or loss is recognised in finance expense and is separately identifiable from the net interest payable or receivable on these financial instruments, see Note 6. Fair value is determined in the manner described in Note 12.

### 4. Operating segments

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

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



**Notes to the Condensed Consolidated Financial Statements (continued)****5. Investment income**

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
Interest receivable on short-term bank deposits	0.1	0.2	0.4

**6. Finance expense (net)**

	Unaudited Period ended 30 Sept 2019 £m	Restated Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Interest expense:</b>			
Interest on Group borrowings (Note 15)	7.3	7.1	14.7
Interest on borrowings held at amortised cost	20.2	20.4	41.2
Net receipts on derivatives held for trading	(0.4)	(0.6)	(9.9)
Other finance charges related to index-linked debt	5.1	5.6	11.4
Interest payable on leases	0.1	-	-
Net interest on defined benefit obligations	(0.4)	0.1	0.3
Capitalisation of borrowing costs under IAS 23 (Note 9)	(0.3)	(0.3)	(1.1)
<b>Total interest expense</b>	<b>31.6</b>	<b>32.3</b>	<b>56.6</b>
<b>Fair value movements on financial instruments:</b>			
Fair value losses/(gains) on derivatives (Note 12)	79.5	(2.5)	47.3
<b>Total finance expense (net)</b>	<b>111.1</b>	<b>29.8</b>	<b>103.9</b>

The finance expense for the period ended 30 September 2018 has been restated to reflect the adoption of IFRS 9, effective from 1 April 2018.

**Notes to the Condensed Consolidated Financial Statements (continued)****7. Taxation**

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Corporation tax:</b>			
Current period	9.8	10.8	21.9
Prior periods	-	-	(1.6)
	9.8	10.8	20.3
<b>Deferred tax:</b>			
Current period	(12.7)	2.8	(5.4)
Prior periods	-	-	0.3
	(12.7)	2.8	(5.1)
<b>Tax (credit)/ charge for the period</b>	<b>(2.9)</b>	<b>13.6</b>	<b>15.2</b>

Corporation tax is calculated at 19% (30 Sept 2018: 19%, 31 Mar 2019: 19%) of the estimated assessable profit for the period. The Government announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. The legislation has been given effect by the Finance Act 2019 which was substantively enacted on 12 February 2019. Deferred tax is calculated using the rate at which it is expected to reverse. Accordingly, the deferred tax has been calculated on the basis that it will reverse in future at the 17% rate.

**8. Dividends**

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Amounts recognised as distributions to equity holders in the period:</b>			
Final dividends for the year ended 31 March 2018 of 3.36 pence per share	-	16.0	16.0
Interim dividends for the year ended 31 March 2019 of 6.35 pence per share	-	-	30.3
Final dividends for the year ended 31 March 2019 of 3.54 pence per share	16.9	-	-
<b>Dividends for the period (Note 15)</b>	<b>16.9</b>	<b>16.0</b>	<b>46.3</b>

At the Board meeting in November 2019 the Directors proposed an interim dividend of £21.4m for the year ending 31 March 2020, subject to approval by equity holders of the Company. This is not shown as a liability in the financial statements at 30 September 2019.

**Notes to the Condensed Consolidated Financial Statements (continued)****9. Property, plant and equipment**

During the period, the Group spent £109.2m (30 Sept 2018: £113.2m, 31 Mar 2019: £232.5m) on additions to property, plant and equipment as part of its capital programme for its operating network. Included in this figure is capitalised interest of £0.3m (30 Sept 2018: £0.3m, 31 Mar 2019: £1.1m), in accordance with IAS 23 (see Note 6).

The Company has recognised incremental right of use assets of £4.6m (30 Sept 2018: £nil, 31 Mar 2019: £nil), in accordance with IFRS 16 (see Note 11).

**10. Borrowings**

	Unaudited Period ended 30 Sept 2019 £m	Restated Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Current liabilities:</b>			
Bank and other term borrowings	6.8	6.8	6.8
Lease liabilities (Note 11)	1.8	-	-
	<b>8.6</b>	<b>6.8</b>	<b>6.8</b>
<b>Non-current liabilities:</b>			
Bonds held at amortised cost (Note 12)	632.9	633.9	634.8
Bank and other term borrowings	268.0	253.5	253.0
Lease liabilities (Note 11)	3.2	-	-
Amounts owed to parent undertaking (Note 15)	76.8	73.7	75.3
Amounts owed to affiliated undertaking (Note 12, 15)	199.0	198.5	198.7
	<b>1,179.9</b>	<b>1,159.6</b>	<b>1,161.8</b>
<b>Total borrowings</b>	<b>1,188.5</b>	<b>1,166.4</b>	<b>1,168.6</b>

The borrowings at 30 September 2018 have been restated to reflect the adoption of IFRS 9, effective from 1 April 2018.

As at 30 Sept 2019 the Group had £36.0m of unutilised committed bank facilities (30 Sept 2018: £25.0m, 31 Mar 2019: £50.0m).

The Group's debt facilities expire between 2021 and 2046.

## Notes to the Condensed Consolidated Financial Statements (continued)

## 11. Leases

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Lease assets:</b>			
Land and buildings	2.4	-	-
Vehicles	2.2	-	-
<b>Total assets</b>	<b>4.6</b>	<b>-</b>	<b>-</b>
<b>Lease liabilities:</b>			
Land and buildings	2.8	-	-
Vehicles	2.2	-	-
<b>Total liabilities</b>	<b>5.0</b>	<b>-</b>	<b>-</b>

IFRS 16 was adopted on 1 April 2019 and the modified retrospective approach has been applied without restatement of comparatives. The lease liabilities have been discounted at a range of 4.75% to 5% for land and buildings and 6% to 8% for vehicles.

## Notes to the Condensed Consolidated Financial Statements (continued)

### 12. Financial instruments

#### Fair values

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

Where available, market values have been used to determine fair values (see Level 1 in the fair value hierarchy overleaf).

Where market values are not available, fair values have been calculated by discounting future cash flows at prevailing interest and RPI rates sourced from market data (see Level 2 in the fair value hierarchy overleaf). 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.

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, and then extrapolated over the term of the derivatives. It is this extrapolation that is deemed to be Level 3. All other inputs to both the underlying valuation and the CVA and DVA calculations are Level 2 inputs.

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

The adjustment for non-performance risk as at 30 Sept 2019 is £104.0m (30 Sept 2018: £89.5m, 31 Mar 2019: £100.5m), of which £103.7m (30 Sept 2018: £88.9m, 31 Mar 2019: £100.3m) is classed as Level 3.

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

	Unaudited Period ended 30 Sept 2019		Unaudited Period ended 30 Sept 2018		Audited Year ended 31 Mar 2019	
	-10bps £m	+10bps £m	-10bps £m	+10bps £m	-10bps £m	+10bps £m
Inflation-linked swaps	(6.7)	6.5	(2.1)	2.0	(2.2)	2.1

On entering certain derivatives, the valuation technique used resulted in a fair value loss. As this, however, was neither evidenced by a quoted price nor based on a valuation technique using only data from observable markets, this loss on initial recognition was not recognised. This was supported by the transaction price of nil. This difference is being recognised in profit or loss on a straight-line basis over the life of the derivatives. The aggregate difference yet to be recognised in profit or loss is £58.7m (30 Sept 2018: £63.0m, 31 Mar 2019: £60.7m). The movement in the period all relates to the straight-line release to profit or loss.

## Notes to the Condensed Consolidated Financial Statements (continued)

## 12. Financial instruments (continued)

## Fair values (continued)

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
FV of derivatives pre IFRS 13 adjustment	(646.8)	(507.3)	(565.8)
CVA/ DVA	104.0	89.5	100.5
Day 1 adjustments	58.7	63.0	60.7
IFRS 13 FV of derivatives	(484.1)	(354.8)	(404.6)

The value of derivatives is disclosed gross of any collateral held. At 30 September 2019, the Group held £nil (30 Sept 2018: £9.0m, 31 Mar 2019: £nil) as collateral in relation to derivative financial instruments, included within current liabilities. The cash collateral does not meet the offsetting criteria in IAS 32: 42, but it can be set off against the net amount of the derivatives in the case of default and insolvency or bankruptcy, in accordance with associated collateral arrangements.

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

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

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Derivative financial liabilities;</b>			
Level 1	-	-	-
Level 2	(13.1)	(26.9)	(9.2)
Level 3	(471.0)	(327.9)	(395.4)
	(484.1)	(354.8)	(404.6)

## Notes to the Condensed Consolidated Financial Statements (continued)

### 12. Financial instruments (continued)

There were no transfers between levels during the current period (30 Sept 2018: same). In the year ended 31 March 2019, £30.0m was transferred from Level 2 to Level 3, and £2.3m was transferred from Level 2 to Level 3, principally due to a change in the significance of the unobservable inputs used to derive the Group's credit curve for the DVA, as described in this section above. Any transfers between levels are determined and recognised at the end of the reporting period.

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

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Opening balance</b>	<b>(395.4)</b>	<b>(322.7)</b>	<b>(322.7)</b>
Transfers into Level 3 from Level 2	-	-	(30.0)
Transfers from Level 3 into Level 2	-	-	2.3
Total gains or losses in profit or loss:			
On transfers into Level 3 from Level 2	-	-	(8.2)
On instruments carried forward in Level 3	<b>(75.6)</b>	<b>(5.2)</b>	<b>(36.8)</b>
<b>Closing balance</b>	<b>(471.0)</b>	<b>(327.9)</b>	<b>(395.4)</b>

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

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

	Unaudited Period ended 30 Sept 2019 £m	Restated Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Carrying value:</b>			
<b>Non-current liabilities:</b>			
Bonds held at amortised cost (Note 10)	<b>(632.9)</b>	<b>(633.9)</b>	<b>(634.8)</b>
Amounts owed to affiliated undertaking (Note 10)	<b>(199.0)</b>	<b>(198.5)</b>	<b>(198.7)</b>
<b>Fair value:</b>			
<b>Non-current liabilities:</b>			
Bonds held at amortised cost	<b>(916.7)</b>	<b>(856.2)</b>	<b>(1,127.5)</b>
Amounts owed to affiliated undertaking	<b>(217.8)</b>	<b>(224.7)</b>	<b>(221.2)</b>



## Notes to the Condensed Consolidated Financial Statements (continued)

### 12. Financial instruments (continued)

#### Changes in circumstances significantly affecting the fair value of financial assets and financial liabilities

Over the period there has been a £79.5m loss on financial instruments held at FVTPL (Note 6). This is primarily due to changes in future interest and inflation expectations used to derive the fair values. £89.9m of the loss is a result of the decrease in interest rate expectations, offset by a £4.3m gain as a result of the change in inflation expectation profile and £6.1m as a result in the change of credit risk over the period.

### 13. Retirement benefit schemes

#### Defined benefit schemes

The defined benefit surplus/obligation is calculated using the latest actuarial valuation as at 31 March 2016 and has been projected forward by an independent actuary to take account of the requirements of IAS 19 'Employee Benefits' in order to assess the position at 30 September 2019 for the purpose of these financial statements. The present value of the defined benefit surplus/obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The defined benefit plan assets have been updated to reflect their market value as at 30 September 2019. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the statement of comprehensive income in accordance with the Group's accounting policy.

The decrease in the defined benefit surplus to £24.1m (30 Sept 2018: £4.2m, 31 Mar 2019: £32.8m), was primarily due to a fall in the discount rate, which increased the value placed on the liabilities, partially offset by an increase in the asset value due to higher than expected returns.

Under the IAS 19 'Employee Benefits' valuation basis, the Group applies the principles of IFRIC 14, '*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*', whereby a surplus is only recognised to the extent that the Group is able to access the surplus either through an unconditional right of refund to the surplus or through reduced future contributions relating to ongoing service, which have been substantively enacted or contractually agreed. Further, where the Group does not have access to any funds once they are paid into the scheme, the IFRS financial position recorded reflects the higher of any underlying IAS 19 deficit and any obligation for committed deficit funding where applicable.

The Group has concluded that 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 Section.



## Notes to the Condensed Consolidated Financial Statements (continued)

## 14. Provisions

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
Opening Balance	3.0	3.1	3.1
Charged to the income statement	-	-	0.7
Utilisation of provision	(0.7)	(0.2)	(0.8)
Closing balance	2.3	2.9	3.0
Current	0.4	0.6	0.8
Non current	1.9	2.3	2.2
Closing balance	2.3	2.9	3.0

During the year ended 31 March 2013 a provision was created in connection with a portfolio of retail properties for which the Company was liable under privity of contract. The combined closing provision of £0.4m (30 Sept 2018: £1.3m, 31 Mar 2019: £1.1m), which now relates to two high street retail properties and one out of town retail property, has been evaluated by management, is supported by relevant external property specialists, and reflects the Company's best estimate as at the Statement of Financial Position date of the amounts that could become payable by the Company, on a discounted basis. The estimate is a result of a detailed risk assessment process, which considers a number of variables including the location and size of the stores, expectations regarding the ability of the Company to both defend its position and also to re-let the properties, conditions in the local property markets, demand for retail warehousing, likely periods of vacant possession and the results of negotiations with individual landlords, letting agents and tenants, and is hence inherently judgemental.

The Company is part of a Covenanter Group (CG) which is party to a Deed of Covenant under which certain guarantees over the benefits of members of the EATL Group of the Electricity Supply Pension Scheme have been given. The Company has recognised a £1.9m provision on a discounted basis at 30 Sept 2019 (30 Sept 2018: £1.6m, 31 Mar 2019: £1.9m) relating to the Company's 6.7% share of the liabilities.

**Notes to the Condensed Consolidated Financial Statements (continued)****15. Related party transactions**

Loans are made between companies in the North West Electricity Networks (Jersey) Group on which varying rates of interest are chargeable. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

	<b>Unaudited Period ended 30 Sept 2019</b>	<b>Unaudited Period ended 30 Sept 2018</b>	<b>Audited Year ended 31 Mar 2019</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Recharges to:</b>			
Electricity North West (Construction and Maintenance) Ltd	<b>0.6</b>	0.6	1.6
Electricity North West Services Ltd	<b>0.8</b>	1.4	1.8
<b>Recharges from:</b>			
Electricity North West (Construction and Maintenance) Ltd	<b>(0.1)</b>	-	(0.1)
Electricity North West Services Ltd	<b>(2.9)</b>	(2.0)	(7.6)
<b>Interest payable to:</b>			
North West Electricity Networks plc	<b>(1.1)</b>	(1.0)	(2.0)
ENW Finance plc	<b>(6.2)</b>	(6.1)	(12.3)
Interest on Group borrowings (Note 6)	<b>(7.3)</b>	(7.1)	(14.3)
<b>Dividends paid to:</b>			
North West Electricity Networks plc (Note 8)	<b>(16.9)</b>	(16.0)	(46.3)
Directors' remuneration	<b>(1.1)</b>	(1.4)	(2.1)
Directors' services	<b>(0.1)</b>	(0.1)	(0.2)

Fees of £47,000 (30 Sept 2018: £60,000, 31 Mar 2019: £120,000) were payable to Colonial First State in respect of the provision of Directors' services. Colonial First State is part of the Commonwealth Bank of Australia which is identified as a related party.

Fees of £47,000 (30 Sept 2018: £60,000, 31 Mar 2019: £120,000) were payable to IIF Int'l Holding GP Ltd, in respect of the provision of Directors' services. IIF Int'l Holding GP Ltd is identified as a related party.

## Notes to the Condensed Consolidated Financial Statements (continued)

## 15. Related party transactions (continued)

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

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Amounts owed by:</b>			
North West Electricity Networks plc	3.4	3.4	3.5
North West Electricity Networks (Holdings) Ltd	0.7	0.2	0.2
Electricity North West (Construction and Maintenance) Ltd	0.2	0.2	0.4
Electricity North West Services Ltd	0.2	0.6	0.3
Electricity North West Property Ltd	-	0.1	-
North West Electricity Networks (Jersey) Ltd	-	0.1	0.2
<b>Amounts owed to:</b>			
Electricity North West Services Ltd	(0.4)	(0.3)	(0.7)
<b>Group tax relief to:</b>			
North West Electricity Networks plc	(3.2)	(3.0)	(5.0)
North West Electricity Networks (Holdings) Ltd	(0.1)	-	-
<b>Interest payable to:</b>			
North West Electricity Networks plc	(0.6)	(0.6)	(0.6)
ENW Finance plc	(4.6)	(2.4)	(2.5)
<b>Borrowings payable to (Note 10):</b>			
North West Electricity Networks plc	(76.8)	(73.7)	(75.3)
ENW Finance plc	(199.0)	(198.5)	(198.7)

The loan from North West Electricity Networks plc accrues weighted average interest at 2.69% per annum (30 Sept 2018: 2.70%, 31 Mar 2019: 2.70%) and is repayable in March 2023.

The loan from ENW Finance plc accrues interest at 6.125% (30 Sept 2018: 6.125%, 31 Mar 2019: 6.125%) and is repayable in July 2021.

**Notes to the Condensed Consolidated Financial Statements (continued)****16. Cash generated from operations**

	Unaudited Period ended 30 Sept 2019 £m	Unaudited Period ended 30 Sept 2018 £m	Audited Year ended 31 Mar 2019 £m
<b>Operating profit</b>	<b>88.6</b>	<b>82.5</b>	<b>190.5</b>
Adjustments for:			
Depreciation of property, plant and equipment	57.2	55.1	110.7
Amortisation of intangible assets	3.2	2.8	6.2
Amortisation of customer contributions <sup>1</sup>	(9.0)	(8.7)	(17.6)
Profit on disposal of property, plant and equipment	(0.3)	(0.1)	(0.4)
Cash contributions in excess of pension charge to operating profit	(10.1)	(11.4)	(18.0)
<b>Operating cash flows before movement in working capital</b>	<b>129.6</b>	<b>120.2</b>	<b>271.4</b>
Changes in working capital:			
Decrease/(increase) in inventories	1.8	(1.5)	(1.8)
Decrease in trade and other receivables	-	9.1	5.0
Decrease in provisions and payables	(14.3)	(10.7)	(7.0)
<b>Cash generated from operations</b>	<b>117.1</b>	<b>117.1</b>	<b>267.6</b>

<sup>1</sup> In the 6 months ended 30 September 2019 £9.0m (30 Sept 2018: £8.7m, 31 Mar 2019 £17.6m) of amortisation in respect of customer contributions has been amortised through revenue as a result of the adoption of IFRS 15.