Company Registration No. 02366949

ELECTRICITY NORTH WEST LIMITED

Half Year Condensed Consolidated Financial Statements

for the period ended 30 September 2021

Contents

Interim Management Report

Cautionary statement

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

Financial statements

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

Operations

The Group's principal activity is the operation 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.

Consolidated results

	6 months ended 30 Sep 2021	6 months ended 30 Sep 2020	Year ended 31 Mar 2021
Revenue	**£216m**	£204m	£450m
Operating profit	**£82m**	£71m	£176m
Profit before tax and fair value movements	**£47m**	£41m	£123m
Net cash flow before financing activities	**£(1)m**	£27m	£31m
Net debt	**£1,173m**	£1,121m	£1,150m

Revenue

Our revenues are collected, in-part, based on the demand over the network. To the extent that we do not collect all our allowed revenues in this year, the regulatory framework adjusts collections in future years, and therefore this will not have a lasting economic impact on the Group.

Revenue was £12m higher in the six months to 30 September 2021 compared to the same period in the prior year. This is mainly due to the easing of the COVID-19 restrictions and the associated increase in electricity demand.

The revenue for the six months to 31 March 2022 is expected to be higher than that in the six months to 30 September 2021, due to the seasonally higher volumes of electricity units distributed over the winter period. The expectation is that they will also be higher than the equivalent period in the prior year due to the impact of the easing of COVID-19 restrictions.

Operating profit

Operating profit was £11m higher than the six months to September 2020. This is primarily due to the £12m higher revenue.

Interim Management Report (continued)

Profit before tax and fair value movements

The profit before tax and fair value movements was £6m higher than the same period in the prior year. This is due to the net effect of the £12m higher revenue and £6m higher interest expense (see Note 6).

Net cash flow before financing activities

There was a net cash outflow before financing activities of £1m in the six-months to 30 September 2021, compared to a net cash inflow of £27m in the same period in the prior year, despite the £11m higher operating profit. This was primarily due to a £23m higher working capital cash outflow (Sept21 £18m outflow compared to Sept20 £5m inflow), plus £3m higher interest payments and £8m higher tax payments.

Net Debt

Net debt increased by £23m over the six-months to 30 September 2021. This is due to an £8m increase in the index-linked debt arising from RPI increases (Note 6), and a lower cash balance, resulting from the net cash outflow before financing activities of £1m, plus the dividend payment of £16m.

There was a total of £204m repayment of debt in the period, but this had a zero impact on net debt, reducing both debt and cash correspondingly.

Dividends

Dividends of £16m were declared for the year ended 31 March 2021 and have been paid in the period. The Directors have proposed an interim dividend of £81m for the year ended 31 March 2022. More details on dividends are given in Note 8.

Retirement benefit scheme

The retirement benefit obligation over the six-month period to 30 September 2021, has decreased from £67m to £41m. The main reason for the decrease was primarily due to the higher than assumed asset returns over the period and the impact of the Guaranteed Minimum Pensions (GMP) conversion and Pension Increase Exchange (PIE) exercises, slightly offset by market movements, specifically an increase of 15 basis points to implied inflation (see Note 13).

Principal risks and uncertainties

The principal trade and activities of the Group are carried out in ENWL and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing the Company, and ultimately the Group, are outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2021, which are available on the website, www.enwl.co.uk.

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

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 2022 and forecasts covering the period to the end of the current price review, at 31 March 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.
- Assessment of the significance and ongoing development of the COVID-19 pandemic.
- Assessment of the likely impact on profit and cash from the increased numbers of energy suppliers entering administration including the associated bad debt expense and Supplier of Last Resort (SoLR) payments. While future SoLR payments are likely to be material, they are matched to associated revenue recovery such that the net impact on cash flows is minimal (see Note 17).
- Short-term liquidity requirements are forecast to be met from the Group's operating cash flow and short-term deposit balances. A further £50m of committed undrawn bank facilities are available from lenders; these have a maturity of less than one year;.
- Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to 31 March 2022 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 published by the Financial Reporting Council.

The Board continues to monitor the situation closely, with flexible plans in place to support short-term liquidity and long-term stability of the Company.

Ultimate parent undertaking and controlling party

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

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

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

Interim Management Report (continued)

Directors

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

Executive Directors

- P Emery
- D Brocksom

Non-executive Directors

- A Baldock
- A Buchanan
- S Cooklin
- R Holden
- S Jones
- P O'Flaherty
- G Pan
- S Sumitomo
- T Tanaka

Alternate Directors during the six-months were:

- A Bhuwania
- K Fukushima
- F Kumura
- H Yu

Sion Jones, Takeshi Tanaka, Shinichiro Sumitomo and Genping Pan are shareholder appointed directors and have appointed alternate directors during their time as Board members. Sion Jones's alternate is Achal Bhuwania. Takeshi Tanaka's alternate is Kaoru Fukushima and Shinichiro Sumitomo's alternate is Fukashi Kumura. Hailin Yu is the alternate to Genping Pan.

Responsibility statement

We confirm that to the best of our knowledge:

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

Registered address

Electricity North West Limited
Borron Street
Stockport
Cheshire
SK1 2JD

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

D Brocksom

Chief Financial Officer
29 November 2021

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

For the period ended 30 September 2021

	Note	**Unaudited Period ended 30 Sept 2021 £m**	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Revenue	4	**216.2**	204.1	449.8
Employee costs		**(24.6)**	(32.8)	(59.1)
Depreciation and amortisation expense		**(62.9)**	(62.4)	(125.9)
Other operating costs		**(46.4)**	(38.4)	(88.7)
Total operating expenses		**(133.9)**	(133.6)	(273.7)
Operating profit		**82.3**	70.5	176.1
Investment income	5	**0.3**	0.4	0.9
Finance expense	6	**(95.3)**	(96.5)	(112.2)
(Loss) / Profit before taxation		**(12.7)**	(25.6)	64.8
Taxation	7	**(46.2)**	5.2	(11.4)
(Loss)/profit for the year attributable to equity shareholders of the Company		**(58.9)**	(20.4)	53.4
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement of net defined benefit scheme		**9.9**	(77.0)	(55.7)
Deferred tax on remeasurement of defined benefit scheme		**(2.5)**	14.6	10.6
Adjustment of brought forward deferred tax due to change in future tax rates		**12.9**	-	-
Other comprehensive income/(expense) for the period		**20.3**	(62.4)	(45.1)
Total comprehensive (expense)/ income for the period attributable to shareholders		**(38.6)**	(82.8)	8.3

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	Note	**Unaudited Period ended 30 Sept 2021 £m**	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
ASSETS				
Non-current assets				
Intangible assets and goodwill		**60.9**	57.2	59.5
Property, plant and equipment	9	**3,463.4**	3,391.8	3,431.5
		3,524.3	3,449.0	3,491.0
Current assets				
Inventories		**15.2**	12.8	14.0
Trade and other receivables		**73.6**	62.9	75.3
Cash and cash equivalents		**101.5**	352.8	322.4
		190.3	428.5	411.7
Total assets		**3,714.6**	3,877.5	3,902.7
LIABILITIES				
Current liabilities				
Trade and other payables		**(145.7)**	(154.9)	(142.7)
Borrowings	10	**(8.9)**	(208.1)	(208.2)
Current tax liabilities		**(1.5)**	(4.2)	(9.0)
Provisions	14	**-**	(0.1)	(0.4)
		(156.1)	(367.3)	(360.3)
Net current assets		**34.2**	61.2	51.4
Non-current liabilities				
Borrowings	10	**(1,265.2)**	(1,266.1)	(1,264.1)
Derivative financial instruments	12	**(534.5)**	(483.3)	(474.9)
Retirement benefit obligation	13	**(41.0)**	(96.8)	(68.6)
Deferred tax		**(164.0)**	(129.5)	(135.8)
Customer contributions		**(676.8)**	(663.3)	(667.8)
Provisions	14	**(1.6)**	(1.7)	(1.3)
		(2,683.1)	(2,640.7)	(2,612.5)
Total liabilities		**(2,839.2)**	(3,008.0)	(2,972.8)
Total net assets		**875.4**	869.5	929.9
EQUITY				
Called up share capital		**238.4**	238.4	238.4
Share premium account		**4.4**	4.4	4.4
Revaluation reserve		**75.1**	83.0	81.9
Capital redemption reserve		**8.6**	8.6	8.6
Retained earnings		**548.9**	535.1	596.6
Total equity		**875.4**	869.5	929.9

Approved by the Board of Directors on 29 November 2021 and signed on its behalf by:

D Brocksom
Director

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 September 2021

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 31 March 2020 (audited)	238.4	4.4	84.1	8.6	616.8	952.3
Loss for the period	-	-	-	-	(20.4)	(20.4)
Other comprehensive expense for the period	-	-	-	-	(62.4)	(62.4)
Transfer from revaluation reserve	-	-	(1.1)	-	1.1	-
Total comprehensive expense for the period	-	-	-	-	(81.7)	(81.7)
Equity dividends (Note 8)	-	-	-	-	-	-
At 30 September 2020 (unaudited)	238.4	4.4	83.0	8.6	535.1	869.5
At 31 March 2020 (audited)	238.4	4.4	84.1	8.6	616.8	952.3
Profit for the year	-	-	-	-	53.4	53.4
Other comprehensive expense for the year	-	-	-	-	(45.1)	(45.1)
Transfer from revaluation reserve	-	-	(2.2)	-	2.2	-
Total comprehensive income/(expense) for the year	-	-	(2.2)	-	10.5	8.3
Equity dividends (Note 8)	-	-	-	-	(30.7)	(30.7)
At 31 March 2021 (audited)	238.4	4.4	81.9	8.6	596.6	929.9
Loss for the period	**-**	**-**	**-**	**-**	**(58.9)**	**(58.9)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**20.3**	**20.3**
Transfer from revaluation reserve	**-**	**-**	**(6.8)**	**-**	**6.8**	**-**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**(31.8)**	**(38.6)**
Equity dividends (Note 8)		**-**	**-**	**-**	**(15.9)**	**(15.9)**
At 30 September 2021 (unaudited)	**238.4**	**4.4**	**75.1**	**8.6**	**548.9**	**875.4**

Condensed Consolidated Statement of Cash Flows

For the period ended 30 September 2021

	Note	**Unaudited Period ended 30 Sept 2021 £m**	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Operating activities				
Cash generated from operations	16	**100.5**	117.0	256.4
Interest paid		**(13.7)**	(10.6)	(51.2)
Tax paid		**(15.1)**	(7.2)	(16.6)
Net cash generated from operating activities		**71.7**	99.2	188.6
Investing activities				
Interest received and similar income		**0.4**	0.2	0.8
Purchase of property, plant and equipment		**(94.4)**	(88.0)	(185.3)
Purchase of intangible assets		**(4.1)**	(3.1)	(8.6)
Customer contributions received		**25.4**	18.5	35.0
Proceeds from sale of property, plant and equipment		**0.3**	-	0.1
Net cash used in investing activities		**(72.4)**	(72.4)	(158.0)
Net cash flow before financing activities		**(0.7)**	26.8	30.6
Financing activities				
Repayment of external borrowings		**(3.6)**	(33.5)	(37.0)
Repayment of lease liabilities		**(0.7)**	(0.8)	(1.5)
Movement of inter-company loan from parent		**-**	4.1	4.8
Movement of inter-company loan from group undertaking		**-**	300.0	300.0
Outflow from inter-company loans		**(200.0)**	-	-
Dividends paid	8	**(15.9)**	-	(30.7)
Net cash used in financing activities		**(220.2)**	269.8	(235.6)
Net (decrease)/increase in cash and cash equivalents		**(220.9)**	0.9	**266.2**
Cash and cash equivalents at beginning of period		**322.4**	56.2	56.2
Cash and cash equivalents at end of period		**101.5**	352.8	322.4

Notes to the Condensed Consolidated Financial Statements

1. General Information

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

The financial information for the six-month period ended 30 September 2021, and similarly the six-month period ended 30 September 2020, has not been audited or reviewed by the auditor. The financial information for the year ended 31 March 2021 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2021 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 2021 have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

2. Significant accounting policies

Basis of preparation

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

The results for the period ended 30 September 2021 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 2021.

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

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

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

Changes in accounting policy

There are no accounting policies and standards adopted for the six-month period ended 30 September 2021, or for the remainder of the year to 31 March 2022, that have a significant impact on the Company.

Notes to the Condensed Consolidated Financial Statements

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Property, Plant and Equipment

The Group recognises infrastructure assets where the expenditures incurred enhance or increase the capacity of the network, whereas any expenditure classed as maintenance is expensed in the period it is incurred. Capital projects often contain a combination of enhancement and maintenance activity which are not distinct and, therefore, the allocation of costs between capital and operating expenditure is inherently judgemental. The costs capitalised include an allocation of overhead costs, relating to the proportion of time spent by support function staff, which is also inherently judgemental.

Key sources of estimation uncertainty

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

Impairment of tangible and intangible assets (including goodwill)

Management assesses the recoverability of tangible and intangible assets on an annual basis. Determining whether any of those assets are impaired requires an estimation of the value in use of the asset to the Group. This value in use calculation requires the Group to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value for the asset and compare that to its carrying value. This concluded that no impairment loss is required against those assets.

Notes to the Condensed Consolidated Financial Statements

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

Fair values of derivative financial instruments

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

Retirement benefit schemes

The Group's defined benefit obligation is derived using various assumptions, as disclosed in Note 13. Results can be affected significantly by the assumptions used, which management decide based on advice by a firm of actuaries.

Where available, market data is used to value assets, however for some less liquid assets, up-to-date data is not available, certain estimates regarding inputs to the valuation are required to be made, as disclosed in Note 13.

4. Operating segments

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

5. Investment income

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Interest receivable on short-term bank deposits	**0.3**	0.4	0.9

6. Finance expense

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Interest expense:			
Interest on Group borrowings	**7.0**	8.2	17.5
Interest on borrowings held at amortised cost	**20.2**	19.9	40.9
Net interest settlements on derivatives	**(0.2)**	(0.3)	(9.5)
Indexation of index-linked debt	**8.2**	2.1	5.7
Reimbursement of impairment on inter-company loan liability	**0.1**	0.1	0.1
Interest payable on leases	**0.1**	0.1	0.2
Net interest on pension plan obligations	**0.6**	0.3	0.3
Capitalisation of borrowing costs under IAS 23 (Note 9)	**(0.3)**	(0.3)	(0.9)
Total interest expense	**35.7**	30.1	54.3
Fair value movements on financial instruments:			
Fair value losses/(gains) on derivatives (Note 12)	**59.6**	66.4	57.9
Total finance expense	**95.3**	96.5	112.2

Notes to the Condensed Consolidated Financial Statements (continued)

7. Taxation

Group	**Unaudited Period ended 30 Sept 2021 £m**	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Corporation tax:			
Current period	**7.6**	6.5	21.6
Adjustments in respect of prior period	**-**	-	(0.9)
	7.6	6.5	20.8
Deferred tax:			
Current period	**(17.1)**	(11.7)	(10.2)
Adjustments in respect of prior period	**-**	-	0.8
Impact of change in future tax rates	**55.7**	-	-
	38.6	(11.7)	(9.4)
Tax charge/ (credit) for the period	**46.2**	(5.2)	11.4

Corporation tax is calculated at 19% (30 Sept 2020: 19%, 31 Mar 2021: 19%) of the estimated assessable profit for the period.

The tax charge in future periods will be affected by the announcement on 3 March 2021 that the corporation tax rate will be increased to 25% from 1 April 2023. This was substantively enacted on 24 May 2021.

Deferred tax is calculated using the rate at which it is expected to reverse. Accordingly, the deferred tax has been calculated on the basis that it will reverse in future at the 25% (2020: 19%) rate, except where it is known that it will reverse before 1 April 2023 when the 19% rate has been used.

8. Dividends

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

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Interim dividends for the year ended 31 March 2021 of 6.44 pence per share	**-**	-	30.7
Final dividends for the year ended 31 March 2021 of 3.33 pence per share	**15.9**	-	-
Dividends for the period (Note 15)	**15.9**	-	30.7

At the Board meeting in November 2021 the Directors proposed an interim dividend of £81.2m for the year ending 31 March 2022, subject to approval by equity holders of the Company. This is not shown as a liability in the financial statements at 30 September 2021.

Notes to the Condensed Consolidated Financial Statements (continued)

9. Property, plant and equipment

During the period, the Group spent £99.8m (30 Sept 2020: £99.2m, 31 Mar 2021: £192.9m) 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 2020: £0.3m, 31 Mar 2021: £0.9m), in accordance with IAS 23 (see Note 6).

The Company has recognised incremental right of use assets of £4.0m (30 Sept 2020: £4.9m, 31 Mar 2021: £0.6), in accordance with IFRS 16 (see Note 11).

10. Borrowings

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Current liabilities:			
Bank and other term borrowings	**7.4**	7.1	7.1
Lease liabilities (Note 11)	**1.5**	1.4	1.3
Amounts owed to group undertaking (Note 12, 15)	**-**	199.6	199.8
	8.9	208.1	208.2
Non-current liabilities:			
Bonds (Note 12)	**629.2**	632.2	631.9
Bank and other term borrowings	**252.3**	250.0	248.2
Lease liabilities (Note 11)	**2.9**	3.7	3.3
Amounts owed to parent undertaking (Note 15)	**82.2**	81.5	82.2
Amounts owed to group undertaking (Note 12, 15)	**298.6**	298.7	298.5
	1,265.2	1,266.1	1,264.1
Total borrowings	**1,274.1**	1,474.2	1,472.3

As at 30 Sept 2021 the Group had £50.0m of unutilised committed bank facilities (30 Sept 2020: £50.0m, 31 Mar 2021: £50.0m).

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

Notes to the Condensed Consolidated Financial Statements (continued)

11. Leases

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Lease assets:			
Land and buildings	**2.1**	2.5	2.3
Telecom	**0.1**	0.2	0.1
Vehicles	**1.8**	2.2	1.9
Total assets	**4.0**	4.9	4.3
Lease liabilities:			
Land and buildings	**2.4**	2.7	2.6
Telecom	**0.1**	0.2	0.1
Vehicles	**1.9**	2.2	1.9
Total liabilities (Note 10)	**4.4**	5.1	4.6

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

Notes to the Condensed Consolidated Financial Statements (continued)

12. Financial instruments

Fair values

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

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 2021 is £72.3m (30 Sept 2020: £88.2m, 31 Mar 2021: £76.4m), of which £51.9m (30 Sept 2020: £87.9m, 31 Mar 2021: £73.4m) 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 2021		Unaudited Period ended 30 Sept 2020		Audited Year ended 31 Mar 2021	
	-10bps £m	**+10bps £m**	-10bps £m	+10bps £m	-10bps £m	+10bps £m
Derivatives	**(3.6)**	**4.1**	(5.9)	5.7	(2.1)	12.0

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 £50.9m (30 Sept 2020: £55.1m, 31 Mar 2021: £53.0m). 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 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
FV of derivatives pre IFRS 13 adjustment	**(657.6)**	(626.6)	(604.3)
CVA/ DVA	**72.3**	88.2	76.4
Day 1 adjustments	**50.9**	55.1	53.0
IFRS 13 FV of derivatives	**(534.4)**	(483.3)	(474.9)

The value of derivatives is disclosed gross of any collateral held. At 30 September 2021, the Group held £nil (30 Sept 2020: £nil, 31 Mar 2021: £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 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Derivative financial liabilities;			
Level 1	**-**	-	-
Level 2	**(261.7)**	(56.0)	(59.9)
Level 3	**(272.7)**	(427.3)	(415.0)
	(534.4)	(483.3)	(474.9)

Notes to the Condensed Consolidated Financial Statements (continued)

12. Financial instruments (continued)

During the six-months to 30 September 2021, swaps with fair value of £182.6m were transferred from Level 3 to Level 2 (30 Sept 2020: £40.7m, 31 Mar 2021: £33.1m); swaps with fair value of £4.6m were transferred from Level 2 to Level 3 (30 Sept 2020: £nil, 31 Mar 2021: £nil). The transfers were principally due to a change in the significance of the unobservable inputs used to derive the Group's credit curve for the DVA, as described in this section above. Any transfers between levels are determined and recognised at the end of the reporting period.

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

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Opening balance	**(415.0)**	(404.3)	(404.3)
On new instruments in the period	**-**	(1.6)	-
Transfers from Level 3 into Level 2	**182.6**	40.7	33.1
Transfers from Level 2 into Level 3	**(4.6)**	-	-
Total gains or losses in profit or loss:			
-On instruments carried forward in Level 3	**(35.7)**	(62.1)	(43.8)
Closing balance	**(272.7)**	(427.3)	(415.0)

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 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Carrying value:			
Bonds held at amortised cost (Note 10)	**(629.2)**	(632.2)	(631.9)
Amounts owed to affiliated undertaking (Note 10)	**(298.6)**	(498.3)	(498.3)
Fair value:			
Bonds held at amortised cost (Note 10)	**(867.7)**	(896.3)	(1,181.1)
Amounts owed to affiliated undertaking (Note 10)	**(290.1)**	(513.7)	(493.5)

Notes to the Condensed Consolidated Financial Statements (continued)

13. Retirement benefit schemes

Defined benefit schemes

The defined benefit surplus/obligation is calculated using the latest actuarial valuation as at 31 March 2019 and has been projected forward by an independent actuary to take account of the requirements of IAS 19 'Employee Benefits' in order to assess the position at 30 September 2021 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 2021. 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 obligation over the six-month period to 30 September 2021 to £41.0m (30 Sept 2020: £96.8m, 31 Mar 2021: £68.6m), was primarily due to the higher than assumed asset returns over the period and the impact of the GMP conversion/ Pension Increase Exchange (PIE) exercises, slightly offset by market movements, specifically an increase of 15 basis points to implied inflation.

14. Provisions

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Opening Balance	**1.7**	1.8	1.8
Charged to the income statement	**-**	-	0,.1
Utilisation of provision	**(0.1)**	-	(0.2)
Closing balance	**1.6**	1.8	1.7
Current	**-**	0.1	0.4
Non-current	**1.6**	1.7	1.3
Closing balance	**1.6**	1.8	1.7

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 £1.6m provision on a discounted basis at 30 Sept 2021 (30 Sept 2020: £1.7m, 31 Mar 2021: £1.5m) 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:

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Recharges to:			
Electricity North West (Construction and Maintenance) Ltd	**(0.2)**	0.5	1.7
Electricity North West Services Ltd	**1.2**	0.8	1.2
Recharges from:			
Electricity North West (Construction and Maintenance) Ltd	**-**	(0.4)	(0.4)
Electricity North West Services Ltd	**-**	(2.1)	(5.0)
Interest payable to:			
North West Electricity Networks plc	**(1.1)**	(1.0)	(2.0)
ENW Finance plc	**(5.9)**	(7.2)	(15.5)
Interest on group borrowings (Note 6)	**(7.0)**	(8.2)	(17.5)
Reimbursement on intercompany loan impairment ENW Finance plc	**-**	(0.1)	-
Dividends paid to North West Electricity Networks plc (Note 8)	**(15.9)**	-	(30.7)
Directors' remuneration	**(1.2)**	(1.1)	(2.3)

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 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Amounts owed by:			
North West Electricity Networks plc	**3.4**	3.4	3.4
Electricity North West (Construction and Maintenance) Ltd	**0.3**	0.5	1.1
Electricity North West Services Ltd	**0.3**	0.7	0.4
Electricity North West Property Ltd	**0.1**	0.1	0.1
North West Electricity Networks (Jersey) Ltd	**0.9**	0.9	0.9
North West Electricity Networks (Holdings) Ltd	**0.2**	0.2	0.2
Total	**5.2**	5.8	6.1
Amounts owed to:			
Electricity North West Services Ltd	**(0.3)**	(0.5)	(0.7)
North West Electricity Networks (Holdings) Ltd	**-**	-	(0.1)
North West Electricity Networks (Jersey) Ltd	**-**	-	(0.1)
Interest payable to:			
North West Electricity Networks plc	**(0.6)**	(0.6)	(0.6)
ENW Finance plc	**(0.7)**	(3.2)	(5.5)
Reimbursement on intercompany loan impairment ENW Finance Plc	**-**	(0.1)	
Borrowings payable to (Note 10):			
North West Electricity Networks plc	**(82.2)**	(81.5)	(82.2)
ENW Finance plc	**(298.6)**	(498.3)	(498.3)
Group tax relief to:			
North West Electricity Networks plc	**(5.5)**	-	(8.7)

The loan from North West Electricity Networks plc accrues weighted average interest at 2.53% per annum (30 Sept 2020: 2.54%, 31 Mar 2021: 2.53%) and is repayable in March 2023.

The loan from ENW Finance plc accrues interest at a fixed rate of 1.415% and is repayable in July 2030. During the six-months to 30 September 2021 a £200m loan at a fixed rate of 6.125% was repaid on maturity, in July 2021.

Notes to the Condensed Consolidated Financial Statements (continued)

16. Cash generated from operations

	Unaudited Period ended 30 Sept 2021 £m	Unaudited Period ended 30 Sept 2020 £m	Audited Year ended 31 Mar 2021 £m
Operating profit	**82.3**	70.5	176.1
Adjustments for:			
Depreciation of property, plant and equipment	**60.3**	62.4	120.0
Amortisation of intangible assets	**2.6**	-	5.9
Amortisation of customer contributions	**(9.7)**	(9.3)	(18.9)
Profit on disposal of property, plant and equipment	**-**	-	(0.1)
Cash contributions in excess of pension charge to operating profit	**(17.3)**	(11.3)	(20.7)
Operating cash flows before movement in working capital	**118.2**	112.3	262.3
Changes in working capital:			
(Increase)/decrease in inventories	**(1.2)**	(2.0)	(3.2)
Decrease/(increase) in trade and other receivables	**1.7**	(0.9)	(11.8)
(Decrease)/increase in provisions and payables	**(18.2)**	7.6	9.1
Cash generated from operations	**100.5**	117.0	256.4

17. Contingent liability

Following significant price increases in the wholesale energy markets in the Autumn of 2021, several energy suppliers, from whom ENWL collects revenue associated with the use of its distribution network, have entered administration. As at 30 September 2021, there was a bad debt expense in relation to these supplier administrations of £1.1m, which has been reflected in the income statement in these interim financial statements. This bad debt expense will be recovered through increased use of system charges in future periods.

The supplier administration process, managed by the industry regulator Ofgem, appoints a Supplier of Last Resort (SoLR) in the event of an energy supplier entering administration, is designed to protect the consumer. There are certain costs associated with taking on these customers that the appointed SoLR can recover. These costs are referred to as a SoLR levy and are paid for by the distribution networks at the same time as such costs are also collected through the network companies' distribution charges. As such the payment and subsequent recovery of SoLR claims will impact the income and expense of the Company in future periods. As at the balance sheet date, No valid claims had been recorded and there was no liability recorded for such claims, nor were any claims payable in the period to 30 September 2021. It is expected that a significant value will be claimed by the suppliers through the SoLR process and as a consequence there will be an equivalent increase in revenues for the corresponding period, with a neutral cash impact. The total value of the claims, and associated recovery, is currently uncertain and cannot be reliably estimated.