Company Registration No. 06428534

NORTH WEST ELECTRICITY NETWORKS (HOLDINGS) LIMITED

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2022

Notice regarding limitations on Director Liability under English Law

The information supplied in the Strategic Report and the Directors' Report has been drawn up and presented in accordance with English Law. The liabilities of the Directors in connection with that Report shall be subject to the limitations and restrictions provided by such law.

Strategic Report

In preparing the Strategic Report, the Directors have complied with s414 of the Companies Act 2006. The Strategic Report has been prepared for the North West Electricity Networks (Holdings) group as a whole comprising North West Electricity Networks (Holdings) Limited (''the Company'') and its subsidiaries (together, ''the Group'').

Cautionary statement regarding forward-looking statements

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

Website and Investor Relations

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

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Strategic Report

North West Electricity Networks (Holdings) Limited (the "Company", or "NWEN (Holdings)") is a company limited by shares and incorporated in England, the United Kingdom under the Companies Act 2006. Together with its subsidiaries, referred to as "the Group".

Business review and principal activities

The Company acts as a holding and financing company within the North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") group of companies and is a non-trading entity. The immediate parent company is North West Electricity Networks (Finance) Limited ("NWEN (Finance)"), which is a company limited by shares and incorporated in England, the United Kingdom, under the Companies Act 2006.

The Group's principal activity is the operation and maintenance of the North West's electricity distribution network and is undertaken by Electricity North West Limited ("ENWL"), an indirectly held subsidiary of the Company. The distribution of electricity is regulated by the terms of the Electricity Distribution Licence granted to ENWL under the Electricity Act 1989 and monitored by the Gas and Electricity Markets Authority.

The strategy and objectives of the Group are outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements.

The Group includes three financing companies, two of which had debt listed on the London Stock Exchange in the year. These companies are ENW Finance plc and NWEN Finance plc. Debt is also issued in North West Electricity Networks plc, an intermediary holding and financing company, and in ENWL, the operating company. Following the issue of debt the proceeds are lent down the group to finance operations in ENWL.

In the year, the Company drew a further £180m on a floating rate bank facility, maturing in June 2026, which it used to repay the £180m inter-company loan that matured in the year. At 31 March 2021, this was fully drawn.

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

Principal risks and uncertainties

The Board considers the principal risks and uncertainties facing the Group to be those that affect ENWL and 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 in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements, which are available on ENWL's website, www.enwl.co.uk.

An assessment of the change in risk has been carried out and the principal risks are deemed comparable year on year.

Operational background

Charges are regulated by Ofgem through the RIIO model, which stands for Revenue = Incentives + Innovation + Outputs. This model determines how much ENWL is allowed to charge its customers to fund network investment and operating costs in the RIIO-ED1 regulatory period which runs from 2015 to 2023. The RIIO model is designed to drive real benefits for customers through incentives for good performance in key performance areas.

During the year, we submitted our ambitious stakeholder led plans to Ofgem for the next regulatory period, RIIO-ED2, which will govern the next price control period, from 2023 to 2028.

The RIIO price controls have been developed to ensure that the revenues collected from customers are linked to ENWL's performance. The base income in each year is largely fixed, being essentially a return to investors for the capital invested in the Company. However, income increases or decreases depending on performance against the outputs set through a number of incentive mechanisms.

Strategic Report (continued)

Operational background (continued)

These mechanisms incentivise good customer service and network reliability, the latter based upon minimising the number of interruptions that customers suffer (CIs) and the average length of those interruptions (CMLs). Performance is assessed each year and any positive or negative adjustments are fed annually into a process which will modify revenues for subsequent years.

The RIIO price control model also incentivises cost reductions, delivering a well-maintained and efficiently invested network for the long-term, but at a lower cost, through innovation as well as efficiency. These are shared between customers and shareholders, again after an annual review.

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

ENWL is committed to ensuring the sustainability of the network for our customers, now and in the future. We routinely inspect the network and these inspections inform our maintenance and asset replacement programmes, taking electrical load and customer numbers into account.

Investment and innovation continue to ensure the development and availability of the appropriate technology to meet the changing demands of electricity supply and meet the challenge of a low carbon future, at a price our customers can afford.

COVID-19

The COVID-19 pandemic has provided a challenging backdrop for the Group, our colleagues and our customers. As ENWL is deemed a critical service provider by the UK Government, we have continued to deliver essential services to all customers throughout the pandemic, with additional support provided to those identified as vulnerable.

Our priorities in dealing with the exceptional challenges posed by COVID-19 has continued to be the safety of our colleagues with a continued emphasis on positive mental wellbeing, and the safety of our customers all whilst maintaining the reliability of supply and building resilience for the future.

We have continued to be proactive in monitoring the rapidly changing COVID-19 guidelines throughout the pandemic, responding to local and national changes, adapting our policies and procedures to ensure the safety of our people, customers, partners and the public. The Group has not received any government assistance throughout the pandemic maintaining full employment for colleagues.

We continue to review our working practices and policies as we move into a period of living with COVID-19.

Further information on steps taken to manage the impact of Covid-19 is contained in the Annual Report and Consolidated Financial Statements of ENWL.

Strategic Report (continued)

COVID-19 (continued)

Maintaining financial resilience

Like most businesses, the COVID-19 pandemic had an initial direct effect on our cost base such as additional investment in remote IT access to allow colleagues to work from home. While some expenditure has been ongoing during the year ended 31 March 2022, expenditure levels have been more modest.

Our allowed revenues are set by Ofgem. While revenues recorded in any financial year are, in part, based on volume demand over the network, to the extent that we do not collect all our allowed revenues, the regulatory framework adjusts collections in future years. This, therefore, means that any short-term impact on revenue collection timing does not have a lasting economic impact on us. Revenues returned to near pre pandemic levels in the year ended 31 March 2022.

Our funding position continues to be strong, through careful management of our liquidity and working capital. As at 31 March 2022, the Group had £70m (2021: £336m) of available cash and £139m (2021: £269m) of available but undrawn bank facilities, representing available liquidity of £209m (2021: £604m). In June 2021, the £180m inter-company loan was repaid with a drawing against the available bank facilities and, in July 2021, the £200m 6.125% 2021 bond was repaid with funding raised in the prior year. There is also headroom against all compliance ratios and there are no re-financing obligations due in the next 12 months that are not already covered by the available liquidity noted above.

Consideration has continued to be given to financial impacts of COVID-19, including the disruption to supply chains, by the Directors in making the going concern and viability assessments and in determining any possible impairment of the Group's assets. The Board continues to monitor the situation closely, with flexible plans in place to support short-term liquidity, were that to be necessary, and to ensure the long-term stability of the Group.

Other External Factors

RIIO-ED2 Business Plan

During the year we submitted to Ofgem our ambitious stakeholder led plans for the next regulatory period, RIIO-ED2, covering the period from 2023 to 2028. The plan was the result of the most extensive customer engagement we have ever carried out and it sets out a clear vision around Net Zero with three headline commitments in the areas of Net Zero, Network Reliability and Customer Service. The plan also results in the lowest proposed ED2 bill of all the network groups but it is also important that our plan is sufficiently attractive to be able to attract the required investment funds. It is particularly important that the industry remains attractive to investors so that the industry can deliver in the face of the Net Zero imperative. We are working closely with Ofgem to achieve this balance of an affordable plan but one that remains sufficiently attractive to investors and we are currently awaiting our draft determination.

We note that Wales and West Utilities (WWU) has requested a Judicial Review into the decision by the Competition and Markets Authority (CMA) on its appeal against Ofgem's Final Determination for the RIIO-ED2 period. The Judicial Review, if granted by the High Court, will consider the legal interpretation of a number of statutory provisions made by the CMA, including those directly related to the financing of Energy networks, providing much needed clarity on the financing duties set out in statute. As detailed in our ED2 Business Plan submission, we consider it to be vitally important for the long-term interest of customers that Ofgem ensures that equity investors in all networks can make investment decisions, confident that efficiently incurred debt costs will be met, even in periods of rising interest rates.

Strategic Report (continued)

Other External Factors (continued)

Energy prices and supplier administrations

The unprecedented rise in gas and electricity prices over the last year has put energy markets under severe strain. Consequently, there were significant numbers of energy suppliers who entered administration during the year ended 31 March 2022.

When an energy supplier fails, the Supplier of Last Resort (SoLR) process is triggered or, where this is not possible, through the Special Administration Regime (SAR). The two regimes are overseen by Ofgem to protect customers from significant harm.

When a SoLR takes on the customers of a failed supplier, it has to finance the additional costs of doing so (for example procuring the energy it supplies to those customers, honouring any credit balances the customers had with the failed supplier or particular costs of onboarding those customers). The SoLR process allows for the new supplier to recover these costs through a SoLR levy agreed between Ofgem and the new supplier. This levy is collected through the distribution network companies on a pass through basis. This cost will effectively be recovered through future energy bills.

As a result of the significant volume and value of SoLR claims approved by Ofgem, our allowed revenue for the financial year ending 31 March 2023 will be £79m higher that it would otherwise have been, as this levy is collected. However, immediately at the point the levy becomes billable, the entire value of the levy is paid over to suppliers, with networks making no profit from our role in the process, with this net position (nil) being recognised in turnover.

In the year ended 31 March 2022, there were bad debts recorded of £2.9m (2021: £0.8m) in relation to failing suppliers. The costs of this bad debt are recoverable through adjustments to prices in future years.

Political and economic uncertainty

We also monitor the continuing environment of political and economic uncertainty. Supply chain management continues to be an area of focus as we see the implications of the COVID-19 recovery, Brexit and the events in Ukraine. Brexit has had a limited direct impact, aside from a modest planned increase in stock levels to manage supply chain risk, which has proved helpful in managing the COVID-19 crisis.

Having considered the factors noted above there are no material impacts on either the going concern statement on page 10, or the period covered by the viability statement (page 11).

Corporate Social Responsibility

Details of the Group's approach to Corporate Social Responsibility, relating to environmental matters, the Group's employees, and social and community issues can be found in the Strategic Report of ENWL's Annual Report and Consolidated Financial Statements.

People and Partners

The Group is a major employer in the North West of England and employs nearly 2,000 people in the region. The Group also works with a carefully chosen contractor workforce providing even greater levels of employment for the region. We are committed to providing secure, long-term employment and career development opportunities for employees, and look to balance the right skills and people resources to support the business in the long term.

The Group operates exclusively in the UK and, as such, is subject to the European Convention on Human Rights, the UK Human Rights Act 1998 and the Modern Slavery Act 2015.

The Group seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through our policies and procedures and, in particular, regarding employment, equality and diversity, treating customers fairly and information security.

Strategic Report (continued)

Corporate Social Responsibility (continued)

The Group sets policies and encourages a working culture that recognises, respects, values and harnesses diversity for the benefit of the Group and the individual, and we are committed to integrating equality and diversity into all that the Group does. This year the Group has launched the first Diversity and Inclusion Strategy, with stretching goals to drive significant change in colleague demographics.

The Group is committed to fulfilling its obligations in accordance with the Equality Act 2010. As an equal opportunities employer, equal and fair consideration is given to all applicants regardless of their diverse backgrounds. The business will modify equipment and practices wherever it is safe and practical to do so, both for new and existing employees.

If necessary, the business will modify equipment and practices wherever it is safe and practical to do so, both for new and existing employees, to assist all colleagues work successfully with us.

We are committed to rewarding our colleagues equally, regardless of gender. More information on our gender pay gap reporting is available at www.enwl.co.uk.

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

	2022 Male	**2022 Female**	2021 Male	2021 Female
Total employees	**1,462**	**500**	1,440	482
Senior managers	**32**	**14**	32	13
Executive leadership team*	**6**	**3**	6	2
Directors	**6**	**0**	2	0

** The Executive leadership team figure includes the two Executive Directors, who are also included in the Directors figure.*

ENWL is a Real Living Wage employer, a member of the Greater Manchester Combined Authority Good Employer Charter and a founding partner of the Utilities National Work Group on Modern Slavery. The Group's Modern Slavery Act statement is available on its website: www.enwl.co.uk/misc/modern-slavery-act-compliance-statement.

Anti-corruption and anti-bribery

We are proud of our strong commitment to high ethical standards in the way that we work. The business takes a zero-tolerance approach to bribery and corruption, and is committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, implementing and enforcing effective systems to counter bribery. It is important that our regulator and other stakeholders have confidence in the arrangements and integrity of the organisation.

The Group operates a number of policies governing the anti-bribery and anti-corruption matters: Anti-Corruption and Bribery Policy, Disclosure (Whistleblowing) Policy, Ethics Policy and Conflict of Interest Policy.

These policies apply to all employees and officers of the Group and form part of the employee Code of Conduct. Other individuals performing functions for the Group, such as agency workers and contractors, are also required to adhere to our anti-bribery and anti-corruption policies.

To support our whistleblowing policy we have in place a confidential independent reporting line called Safecall.

Strategic Report (continued)

Section 172 Statement

Introduction

The principal trade and activities of the Group are carried out in ENWL and a comprehensive review of the strategy and operating model is contained in the ENWL Annual Report and Financial Statements. The ENWL Annual Report and Consolidated Financial Statements are available on the website, www.enwl.co.uk.

The Section 172 Statement of ENWL discusses how the Group takes into account the likely consequences of long-term decisions; understand the importance of engaging with our employees; the need to foster relationships with stakeholders; understand the impact of our operations on the communities in our region and the environment; we depend upon; attribute importance to behaving as a responsible business and the desirability of maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the company.

The impact of Storm Arwen and the ongoing impact of the COVID-19 pandemic on the operations and finances of the business, along with the actions taken to support our employees and communities through these unprecedented times is discussed on pages 2-5 of the Strategic Report.

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

In relation to the Company, the Board of Directors consider, both individually and together, that they have acted in a way they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in decisions taken during the year ended 31 March 2022. The Directors have specifically considered the following;

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

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

(c) the need to foster relationships with stakeholders
The Company is non-trading and has no direct suppliers or customers. The Company's primary business relationships are with finance lenders and investors.

(d) the impact of operations on communities and environment
The Company is a financing company and has no direct operations that impact communities or environment.

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

(f) the need to act fairly between members as a whole
As the Board of Directors, the intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of the Group business plan.

Strategic Report (continued)

Financial performance and key performance indicators

Key performance indicators – Group

The performance of the Group is monitored by the Board of Directors by reference to key performance indicators. Performance against these measures for the years ended 31 March 2022 and 2021 is set out in the following table:

	2022	2021
Revenue	**£464m**	£441m
Operating profit	**£167m**	£167m
Profit before tax and fair value movements	**£36m**	£64m
(Loss)/profit before tax	**£(30m)**	£9m
Cash inflow/ (outflow) before financing	**£8m**	£(8m)

Revenue

Revenue has increased to £464m (2021: £441m) during the year, as a result of the return to pre COVID-19 levels of demand for electricity and also reflecting the allowed Distribution Use of System (DUoS) revenue under the RIIO-ED1 price control.

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

For the year-ended 31 March 2022 there was a over recovery of DUoS revenue of £3.6m against plan before adjustment for RPI indexation (2021: £12.7m under-recovery), reflecting variability against forecast in consumption volumes year on year, the over recovery being effected by the return of consumption to pre COVID-19. This over recovery will be corrected through adjustments in revenues to be received in two years' time, in accordance with Ofgem's methodology.

Operating profit

Operating profit has decreased to £167m (2021: £167m), primarily as a result of the increase in revenue detailed above, offset by higher operational costs in the year, largely as a result of Storm Arwen.

Profit before tax and fair value movements

Profit before tax and fair value movements has decreased to £36m (2021: £64m), mainly as a result of higher costs of finance during the year – see Note 9.

(Loss)/profit before tax

Loss before tax was £30m (2021: £9m profit), due to the increase in finance costs, as above.

Cash flow before financing activities

Net cash inflow before financing activities in the year was £8m (2021: £8m outflow), reflecting the higher cash generated from operations.

Non-financial key performance indicators

For an understanding of the Group's operational performance, non-financial key performance indicators are outlined in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements.

Strategic Report (continued)

Key performance indicators – Company

As the Company is primarily a financing company, performance is assessed by monitoring the Group's treasury activities, as outlined below.

Treasury policy and operations

The Group's treasury function operates with the delegated authority of, and under policies approved by, the Board. The treasury function does not act as a profit centre and does not undertake any speculative trading activity. It seeks to ensure that sufficient funding is available in line with treasury policy and to maintain the agreed targeted headroom on key financial ratios.

Long-term borrowings are mainly at fixed rates that provide certainty or are indexed to inflation to match the Group's inflation-linked (RPI) accretion to the RAV and to cash flows.

The Group's use of derivative instruments relates directly to the Group's debt, largely converting the fixed rates of interest on this debt to RPI-linked cashflows, in order to better match the Ofgem debt allowance structure.

The proportion of borrowings at effective fixed rates of interest for a period greater than one year is set in conjunction with the level of floating rate borrowings and projected regulatory revenues that are exposed to inflationary adjustments (index-linked).

Cash flows are in sterling, other than sundry purchases of plant denominated in foreign currencies and some assets of the defined benefit pension scheme which are managed by the pension scheme investment managers. The Group has no other material exposure to foreign currency exchange movements.

Liquidity

The Group's primary sources of liquidity are operating cash flows, cash balances and funding raised through external borrowings. Group budgets for the year-ending 31 March 2023, forecasts to the end of the next price review in 2028 and longer-term forecasts to 2048 are used to assess the liquidity needs of the Group.

Short-term liquidity

Short-term liquidity requirements are met from the Group's operating cash flows, cash balances, short-term deposits and unutilised committed borrowing facilities.

At 31 March 2022, the unutilised committed facilities were £139m (2021: £269m) and, together with £70m (2021: £336m) of cash and short-term deposits, provide short-term liquidity for the Group.

Utilisation of undrawn facilities is with reference to Regulatory Asset Value (RAV) gearing restrictions for the Group. Actual and forecast RAV gearing is monitored by the Board.

Long-term liquidity

Where a liquidity need cannot be met by existing resources as outlined above, for example the refinancing of existing debt or a demand for additional borrowing, the Group treasury function starts the process of raising the required debt at least 12 months ahead of the requirement.

The Group's long-term debt is comprised of a combination of fixed, floating and index-linked debt, taking derivatives into account, with a range of maturities and interest rates reflective of prevailing market rates at issue.

The Group issues debt in the public bond markets and maintains credit ratings with a number of leading credit rating agencies. During the period, the Group's credit ratings have been formally reviewed and affirmed. Fitch changed the outlook for ENWL to negative from stable, citing financial pressure from the upcoming price control.

Currently, ENWL is rated BBB+ with stable outlook by Standard and Poor's, Baa1 with stable outlook by Moody's Investors Service and BBB+ with negative outlook by Fitch Ratings.

Strategic Report (continued)

Key performance indicators – Company (continued)

NWEN plc is currently rated BBB+ with stable outlook by Standard and Poor's and BBB- with negative outlook by Fitch Ratings.

NWEN (Holdings) is currently rated BB+ by Standard and Poor's, with stable outlook.

Our short-term debt ratings are A-2 and F2 with Standard and Poor's and Fitch Ratings respectively.

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

Net debt

Net Debt	2022 £m	2021 £m
Cash and deposits	**70**	336
Borrowings	**(2,353)**	(2,551)
Net debt	**(2,283)**	(2,215)

During the year, the net debt increased by £68m, due to the combined effect of the reduction in both the cash and debt balances. Of the £266m reduction in cash, £238m reduction was due to net repayments of debt, £37m reduction due to dividend payments, net of £9m increase from activities before financing. Of the £198m reduction in debt, £238m reduction was due to the net repayments, net of £44m increase due to RPI indexation, plus £4m net decrease due to the movement in transaction costs.

Included within the total borrowings figure are £453m of loans from the parent company NWEN (Finance), due to mature in 2027 (2021: £457m).

Of the external debt, £8m (2021: £7m) is due to be repaid within the next year, under European Investment Bank (EIB) loans that have an amortising repayment profile, and £1m (2021: £1m) of lease repayments.

All other borrowings are repayable after more than one year and include bonds with long-term maturities of £1,381m (2021: £1,362m), bank loans of £507m (2021: £305m), and leases of £2m (2021: £3m).

Note 20 provides more details on the borrowings.

Derivatives

The Group uses two main groups of derivatives to economically hedge exposure to fluctuations in market rates over the medium to long-term; interest rate swaps to manage interest rate risk and inflation swaps to convert fixed rate debt to index-linked borrowing. All derivatives relate directly to underlying debt. At 31 March 2022 there were no formal hedging relationships in the Group (2021: same).

The proportion of post-hedging borrowings at fixed, floating and index-linked rates of interest is maintained in line with target levels set in the Treasury Policy and is monitored by the Board, with reference to the projected regulatory revenues that are exposed to inflationary adjustments (index-linked).

Fair values

The derivatives are accounted for at fair value through profit or loss (FVTPL), with fair value movements booked through the income statement.

These fair value movements are non-cash and will reverse over the life of the financial instrument but can be significant and result in material volatility in the income statement.

In the current year, net fair value losses totalling £66m have been recognised in the income statement (2021: losses of £55m), which relates entirely to non-cash movements.

The fair value movements in the year were primarily driven by the significant changes in market expectations of future interest and inflation rates.

Additionally, the re-measurement of the defined benefit pension scheme under IAS 19 has resulted in a £69m gain (2021: £56m loss) booked directly to other comprehensive income.

Strategic Report (continued)

Key performance indicators – Company (continued)

Dividends and dividend policy

The Group's dividend policy is to distribute the maximum amount of available cash, whilst maintaining its targeted gearing level, in each financial year at semi-annual intervals, with reference to the forecast business needs, the Group's treasury policy on liquidity, financing restrictions, applicable law in any given financial year and ENWL's licence obligations.

During the year ended 31 March 2022, the Company declared final dividends for the year-ended 31 March 2021 of £2.8m, paid in June 2021 (2021: nil), and interim dividends for the current year of £33.7m, paid in December 2021 (2021: £3.6m).

At the Board meeting in May 2022, the Directors proposed a final dividend of £33.3m for the year ended 31 March 2022 (Note 11).

Going concern

When considering whether to continue to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements, the Directors have taken into account a number of factors, including the following:

- ENWL's electricity distribution licence includes the obligation in standard licence condition 40 to maintain an investment grade issuer credit rating, which has been met;
- Under section 3A of the Electricity Act 1989, the Gas and Electricity Markets Authority has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance their activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000;
- Management has prepared, and the Directors have reviewed, Group budgets for the year ending 31 March 2023 and forecasts covering the period to the end of the next price review in 2028. These forecasts include projections and cash flow forecasts, including covenant compliance considerations. Inherent in forecasting is an element of uncertainty and our forecasts have been sensitised for possible changes in the key assumptions, including RPI and under recoveries of allowed revenue. This analysis demonstrates that there is sufficient headroom on key covenants and that there are sufficient resources available to the Group within the forecast period;
- Assessment of the significance and developments of the COVID-19 pandemic;
- Short-term liquidity requirements are forecast to be met from the Group's operating cash flows and short-term deposit balances. A further £139m of committed undrawn bank facilities of £50m in ENWL and £89m in NWEN plc are available from lenders; these have availability periods of more than one year.
- Whilst the utilisation of these facilities is subject to gearing covenant restrictions, 12-month projections to 30 June 2023 indicate there is significant headroom on these covenants.

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 Annual Report and Consolidated Financial Statements.

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

Strategic Report (continued)

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code the Directors have assessed viability over a period longer than that required for going concern and have chosen the period to the end of March 2025.

Whilst the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability, based on the risk and sensitivity analysis undertaken, is the period to 31 March 2025.

The Board has considered whether it is aware of any specific relevant factors and notes, in particular, Ofgem's RIIO-ED2 consultation document, which indicates lower equity returns and possibly a changed incentive environment for RIIO-ED2.

The Board has considered the impact of the COVID-19, the current economic environment including rising inflation and supply chain disruption, the political environment, including impacts from the invasion in Ukraine and potential changes in future government policy as well as the impact from Brexit, in making the viability assessment.

In reaching its conclusion, the Board has taken into account Ofgem's statutory duty to secure that companies can finance their functions and has assumed that there will be no changes to the regulatory framework or Government policy that will affect the Company's viability.

The Directors have conducted a robust assessment of the principal risks facing the Company and believe that the Company is in a position to manage these risks.

In arriving at their conclusion, the Directors have considered the Company's forecast financial performance and cash flow over the viability period to 2025. Headroom to compliance ratios over the viability period is considered and the extent to which deviations in financial performance from the business plan may impact that headroom. The Directors have considered this headroom in assessing the Company's long-term viability.

On the basis of this assessment, and assuming that the principal risks are managed or mitigated as expected, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Strategic Report (continued)

Fair, balanced & understandable

The Directors have reviewed the thorough assurance process in place within the Group with regards to the preparation, verification and approval of financial reports. This process includes:

- Detailed review and appropriate challenge from key internal Group functions, such as Risk, Control and Assurance, senior managers and the Chief Financial Officer;
- Formal sign-offs from the business area senior managers, the finance managers and Chief Financial Officer;
- Group Audit Committee oversight, involving a review of key financial reporting judgements, review and appropriate challenge on matters such as any changes to significant accounting policies and practices during the year, significant adjustments and the going concern assumption;
- The involvement of qualified, professional employees with an appropriate level of expertise and experience throughout the business; and
- Engagement of a professional and experienced external auditor, a framework for full transparent disclosure of information during the audit process and post audit evaluation.

As a result of these processes together with the information and assurance provided by the day-to-day internal control processes, the information provided by the Executive Leadership Team of ENWL and the in-depth reporting required by Ofgem, both the Audit Committee of ENWL and the Board are satisfied that the Annual Report and Consolidated Financial Statements taken as a whole, provide a fair, balanced and understandable assessment of the Group's position at 31 March 2022.

Approved by the Board on 24 June 2022 and signed on its behalf by:

David Brocksom
Director

Directors' Report

The Directors present their Annual Report and Consolidated Financial Statements of North West Electricity Networks (Holdings) Ltd ("the Company" or "NWEN (Holdings)") and its subsidiaries (together referred to as "the Group") for the year ended 31 March 2022.

Information contained in Strategic Report

As permitted by section 414C of the Companies Act 2006, certain information required to be included in the Directors' Report has been included in the Strategic Report. Specifically, this relates to:

- information in respect of employee matters (including actions taken to introduce, maintain or develop arrangements aimed at employees, details on how the directors have engaged with employees and had regard to employee interests, our approach to investing in and rewarding the workforce, employee diversity and the employment, training and advancement of disabled persons)
- likely future developments
- risk management
- details on how the directors have had regard to the need to foster business relationships with stakeholders
- greenhouse gas emissions

Dividends

During the year ended 31 March 2022, the Company declared a final dividend for the year-ended 31 March 2021 of £2.8m, paid in June 2021, and declared an interim dividend of £33.7m, paid in December 2021. In the prior year, the Company did not declare a final dividend for the year ended 31 March 2020, but did declare an interim dividend of £3.6m that was paid in December 2020.

The Directors have proposed a final dividend of £33.3m for the year ended 31 March 2022.

Ultimate parent undertaking and controlling party

The immediate parent undertaking is NWEN (Finance), a company incorporated and registered in the United Kingdom. The ultimate parent undertaking is 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 are:

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

Directors

The Directors of the Company during the year ended 31 March 2022 and to date are set out below. Directors were appointed for the whole year and to the date of this report except where otherwise indicated.

Executive Directors

D Brocksom
P Emery

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

Directors' and Officers' insurance

The Group maintains an appropriate level of directors' and officers' insurance whereby directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act.

The insurance is a group policy, held in the name of the ultimate parent, NWEN (Jersey) and is for the benefit of that company and all its subsidiaries.

Directors' Report (continued)

People

The Group's policies on employee consultation and involvement, the treatment of disabled employees and on equality and diversity across all areas of the business are contained within the Strategic Report, with further information provided in the **People** section of the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements.

Engagement with employees

Details of Director engagement with employees can be found within the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements.

Engagement with suppliers, customers and others

Details of the Directors' approach to fostering the Company's business relationships with suppliers, customers and others can be found within the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements.

Corporate Social Responsibility

Details of the Group's approach to Corporate Social Responsibility can be found in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements.

Research and development

The Group is committed to developing innovative and cost-effective solutions for providing high quality services and reliability to our customers, and for the benefit of the wider community and the development of the network, as further detailed in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements. During the year ended 31 March 2022 the Group incurred £2.5m of expenditure on research and development (2021: £2.3m), see Note 5.

Greenhouse gas emissions

Further details on greenhouse gas emissions are provided in the Business Carbon Footprint section of the Strategic Report of the ENWL Annual Report.

Environmental impacts

The Company is dedicated to achieving the highest standards of environmental performance, not only by minimising the risk of adverse impacts such as pollution, but through investment in outputs that deliver a positive impact.

Climate change

As this company acts solely as a financing company, it will not be directly affected by any impacts of climate change.

COVID-19

An assessment of the significance and ongoing development of the COVID-19 impact has been undertaken. The Directors have reviewed the assumptions behind demand projections, financial performance and liquidity, and assessed Group resilience to a reduction in income brought about by reduced electricity demand. More detail on the group can be found in the ENWL accounts, however, there is no direct impact on this company.

Financial instruments

The risk management objectives and policies of the Group in relation to the use of financial instruments can be found in the Strategic Report and in Note 22.

Capital structure

The Company's capital structure is set out in Note 28.

Events after the Balance Sheet date

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

Future developments

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

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

Directors' Report (continued)

Information given to the auditor

Each of the persons who are a Director at the date of approval of this Annual Report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted within the provisions of s418 of the Companies Act 2006.

Independent auditor

Deloitte LLP, Statutory Auditor, Manchester, United Kingdom has been the auditor of the Company since incorporation in 2007. In accordance with legal and regulatory requirements, Deloitte LLP will be resigning as auditor following completion of the audit for the year-ended 31 March 2022. Following a tender process in early 2022, the Audit Committee recommended to the Board that PricewaterhouseCoopers LLP (PwC) be appointed as the Company's auditor for the financial year beginning on 1 April 2022.

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

The Board of Directors of the Company consider, both individually and together, that they have acted in a way they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in decisions taken during the year ended 31 March 2022. More details can be found in the ENWL accounts.

Registered address

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

North West Electricity Networks (Holdings) Limited
Borron Street
Stockport
Cheshire
SK1 2JD

Registered number: 06428534

Approved by the Board on 24 June 2022 and signed on its behalf by:

David Brocksom
Director

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 24 June 2022 and is signed on its behalf by:

David Brocksom
Director

Independent Auditor's Report to the Members of North West Electricity Networks (Holdings) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of North West Electricity Networks (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's result for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statement; and
- the related Notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- reviewed management's forecasts for the management's going concern period review covering to the end of 2025;
- assessed the significance and ongoing development of the COVID-19 pandemic;
- assessed the significance of energy supplier failures in FY22;
- considered short-term liquidity and the financing facilities available;
- considered linkage to business model and medium-term risks, including the forthcoming RIIO ED-2 regulatory period;
- performed sensitivity analysis; and
- considered the sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of North West Electricity Networks (Holdings) Ltd (continued)

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of North West Electricity Networks (Holdings) Ltd (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Independent Auditor's Report to the Members of North West Electricity Networks (Holdings) Ltd (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Robertson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP,
Statutory Auditor,
Manchester, United Kingdom
24 June 2022

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2022

	Note	**Group 2022 £m**	Group 2021 £m
Revenue	4	**464.4**	441.4
Employee costs	5,6	**(60.9)**	(59.1)
Depreciation and amortisation expense	5	**(132.9)**	(126.1)
Other operating costs		**(103.7)**	(88.9)
Total operating expenses		**(297.5)**	(274.1)
Operating profit	5	**166.9**	167.3
Investment income	8	**0.4**	0.9
Finance expense	9	**(197.1)**	(159.1)
(Loss)/profit before taxation		**(29.8)**	9.1
Taxation	10	**(76.4)**	(0.8)
(Loss)/profit for the year attributable to equity shareholders of the Company		**(106.2)**	8.3
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of net defined benefit scheme	23	**68.8**	(55.7)
Deferred tax on re-measurement of defined benefit scheme	25	**(17.2)**	10.6
Adjustment of brought forward deferred tax on re-measurement of defined benefit scheme due to change in future tax rates	25	**12.9**	-
Other comprehensive income/(expense) for the year		**64.5**	(45.1)
Total comprehensive expense for the year attributable to shareholders of the Company		**(41.7)**	(36.8)

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

As permitted by s408 of the Companies Act 2006, the Company has not presented its own income statement. The profit after tax for the Company for the year-ended 31 March 2022 was £43.1m (2021: £nil).

Consolidated and Company Statement of Financial Position

as at 31 March 2022

	Note	Group 2022 £m	Company 2022 £m	Group 2021 £m	Company 2021 £m
Non-current assets					
Intangible assets and goodwill	12	**245.8**	-	246.4	-
Property, plant and equipment	13	**3,521.8**	-	3,441.4	-
Investment in subsidiaries	14	-	**3.1**	-	3.1
Derivative assets	22	**8.4**	**8.4**	-	-
Loans to subsidiary	15	**-**	**682.9**	-	522.3
Retirement benefit surplus	23	**18.4**	**-**	-	-
		3,794.4	**694.4**	3,687.8	525.4
Current assets					
Loans to subsidiary	15	-	**-**	-	161.0
Inventories	16	**18.1**	**-**	14.0	-
Trade and other receivables	17	**76.3**	**12.6**	71.7	13.5
Cash and cash equivalents	18,22	**69.7**	**9.1**	335.6	12.6
Current tax asset		**3.8**	**-**	0.1	0.5
		167.9	**21.7**	421.4	187.6
TOTAL ASSETS		**3,962.3**	**716.1**	4,109.2	713.0
Current liabilities					
Trade and other payables	19	**(177.0)**	**(11.7)**	(158.5)	(14.3)
Current income tax liabilities		**-**	**(0.1)**	-	-
Borrowings	20	**(9.0)**	**-**	(423.4)	(179.9)
Provisions	26	**(0.6)**	**-**	(0.4)	-
		(186.6)	**(11.8)**	(582.3)	(194.2)
Net current (liabilities)/ assets		**(18.7)**	**9.9**	(160.9)	(6.6)
Non-current liabilities					
Borrowings	20	**(2,343.7)**	**(690.5)**	(2,127.2)	(513.7)
Derivative liabilities	22	**(561.5)**	**-**	(487.5)	-
Retirement benefit deficit	23	**-**	**-**	(68.6)	-
Customer contributions	24	**(438.7)**	**-**	(411.6)	-
Deferred tax	25	**(302.3)**	**(2.1)**	(224.0)	-
Provisions	26	**(1.0)**	**-**	(1.3)	-
		(3,647.2)	**(692.6)**	(3,320.2)	(513.7)
TOTAL LIABILITIES		**(3,833.8)**	**(704.4)**	(3,902.5)	(707.9)
TOTAL NET ASSETS		**128.5**	**11.7**	206.7	5.1
EQUITY					
Called up share capital	27	**3.1**	**3.1**	3.1	3.1
Retained earnings		**125.4**	**8.6**	203.6	2.0
TOTAL EQUITY		**128.5**	**11.7**	206.7	5.1

As permitted by s408 of the Companies Act 2006, the Company has not presented its own income statement. The profit after tax for the Company for the year-ended 31 March 2022 was £43.1m (2021: £nil).

The financial statements of North West Electricity Networks (Holdings) Limited (registered number 06428534) were authorised for issue and approved by the Board of Directors on 24 June 2022 and signed on its behalf by:

David Brocksom, Director

Consolidated Statement of Changes in Equity
for the year ended 31 March 2022

	Note	Called up share capital £m	Retained earnings £m	Total equity £m
At 1 April 2020		3.1	244.0	247.1
Profit for the year		-	8.3	8.3
Other comprehensive expense for the year		-	(45.1)	(45.1)
Total comprehensive expense for the year		-	(36.8)	(36.8)
Transactions with owners recorded directly in equity				
Equity dividends	11	-	(3.6)	(3.6)
At 31 March 2021		3.1	203.6	206.7
Loss for the year		**-**	**(106.2)**	**(106.2)**
Other comprehensive income for the year		**-**	**64.5**	**64.5**
Total comprehensive expense for the year		**-**	**(41.7)**	**(41.7)**
Transactions with owners recorded directly in equity				
Equity dividends	11	**-**	**(36.5)**	**(36.5)**
At 31 March 2022		**3.1**	**125.4**	**128.5**

Company Statement of Changes in Equity
for the year ended 31 March 2022

	Note	**Called up share capital £m**	**Retained earnings £m**	**Total equity £m**
At 1 April 2020		3.1	5.6	8.7
Profit for the year		-	-	-
Total comprehensive income for the year		-	-	-
Transactions with owners recorded directly in equity				
Equity dividends	11	-	(3.6)	(3.6)
At 31 March 2021		3.1	2.0	5.1
Profit for the year		-	**43.1**	**43.1**
Total comprehensive income for the year		-	**43.1**	**43.1**
Transactions with owners recorded directly in equity				
Equity dividends	11	-	**(36.5)**	**(36.5)**
At 31 March 2022		**3.1**	**8.6**	**11.7**

Consolidated and Company Statement of Cash Flows

for the year ended 31 March 2022

	Note	Group 2022 £m	Company 2022 £m	Group 2021 £m	Company 2021 £m
Operating activities					
Cash generated from operations	31	**266.1**	**(0.1)**	256.4	-
Interest paid		**(95.8)**	**(29.8)**	(98.3)	(35.6)
Interest portion of lease liabilities		**(0.2)**	**-**	(0.2)	-
Tax (paid)/received		**(6.0)**	**0.5**	(8.3)	0.5
Net cash generated from/ (used in) operating activities		**164.1**	**(29.4)**	149.6	(35.1)
Investing activities					
Interest received and similar income		**0.5**	**29.8**	0.9	32.7
Dividends received		**-**	**36.6**	-	2.0
Purchase of property, plant and equipment		**(196.5)**	**-**	(185.3)	-
Purchase of intangible assets		**(12.2)**	**-**	(8.6)	-
Customer contributions received	24	**51.8**	**-**	35.0	-
Proceeds from sale of property, plant and equipment		**0.5**	**-**	0.1	-
Net cash (used in)/ generated from investing activities		**(155.9)**	**66.4**	(157.9)	34.7
Net cash flow before financing activities		**8.2**	**37.0**	(8.3)	(0.4)
Financing activities					
Proceeds from external borrowings	20	**210.0**	**180.0**	342.4	30.0
Repayment of external borrowings	20	**(442.4)**	**-**	(37.0)	-
Repayment of lease liabilities	20	**(1.2)**	**-**	(1.3)	-
Repayment of inter-company loan from subsidiary	20	**-**	**(180.0)**	-	-
Decrease of inter-company loan from parent	20	**(4.0)**	**(4.0)**	(28.3)	(28.3)
Dividends paid	11	**(36.5)**	**(36.5)**	(3.6)	(3.6)
Net cash (used in)/generated from financing activities		**(274.1)**	**(40.5)**	272.2	(1.9)
Net (decrease)/increase in cash and cash equivalents		**(265.9)**	**(3.5)**	263.9	(2.3)
Cash and cash equivalents at the beginning of the year	18	**335.6**	**12.6**	71.7	14.9
Cash and cash equivalents at the end of the year	18	**69.7**	**9.1**	335.6	12.6

Notes to the Financial Statements

North West Electricity Networks (Holdings) Limited is a Company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006.

The financial statements are presented in sterling, which is the functional currency of the Company and Group. All values are stated in million pounds (£'m) unless otherwise indicated.

The financial statements are prepared on the going concern basis. Further detail on the going concern assessment is contained in the Strategic Report.

1. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) for an accounting period that begins on or after 1 January 2021:

- Amendments to IFRS 9 '*Financial Instruments'*, IAS 39 '*Financial Instruments: Recognition and Measurement*', IFRS 7 '*Financial Instruments: Disclosures'*, IFRS 4 '*Insurance Contracts*' and IFRS 16 '*Leases*' – Interest Rate Benchmark Reform (Phase 2).

Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Phase 1 amendments '*Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7*' were effective. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform. The Group has no formal hedging relationships in place; as such, Phase 1 was not relevant to the Group.

In the current year, the Group adopted the Phase 2 amendments *'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16'*. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period but applied the amendments retrospectively with any adjustments recognised in equity as at 1 April 2021. No such adjustments have been recognised.

The amendments are relevant for the following types of financial instruments of the Company, all of which extend beyond 31 December 2021:

- Derivatives;
  - External index-linked swaps, where the receive leg is GBP LIBOR-linked,
  - External interest rate swap, where the receive leg is GBP LIBOR-linked,
  - Inter-company index-linked swap, where the pay leg is GBP LIBOR-linked, and
  - Inter-company hybrid liability, where the receive leg of the embedded derivative is GBP LIBOR-linked, and
- Bank borrowings;
  - Revolving credit facilities.
  - Term facilities - £210m and £30m facilities in the Company.

Notes to the Financial Statements (continued)

1. Adoption of new and revised Standards (continued)

Derivatives

None of the contractual terms of the Group's derivatives affected by the interest rate benchmark reform have been amended, rather the Group has adhered to the ISDA 2020 IBOR Fallbacks Protocol ('ISDA Protocol'). Where the contractual terms reference GBP LIBOR, they have transitioned to the nominated replacement, GBP SONIA, plus a credit adjustment spread (CAS) based on the historical difference between the relevant LIBOR and SONIA and fixed by the ISDA Protocol.

As the Group has adhered to the ISDA Protocol, this has ensured a common benchmark replacement across all swaps and that there has been no transfer of economic value as a result of the transition.

Bank borrowings

The contractual terms of the GBP LIBOR-linked revolving credit facilities in the Group were amended in December 2021, ahead of the transition. These were replaced with GBP SONIA-linked revolving credit facilities.

The contractual terms of the GBP LIBOR-linked £210m and £30m term facilities in the Company were amended in June 2021, ahead of the transition. The *Amendment and Waivers* clause, with regard to changes in reference rate, in the original facilities was applied and the contractual terms amended, replacing GBP LIBOR with GBP SONIA plus a CAS, in a similar way to the derivatives transition under the ISDA Protocol.

Amendments to other standards:

Amendments to other IFRS Standards and interpretations issued by the International Accounting Standards Board (IASB) that are effective in the year are listed below; their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements:

- Amendments to IFRS 16 *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*.

Notes to the Financial Statements (continued)

1. Adoption of new and revised Standards (continued)

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective (and, in some cases, had not yet been adopted by the EU):

- IFRS 17 *Insurance Contracts,* effective year-ending 31 March 2024 but is not applicable to the Group,
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,* effective date not yet set,
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*, effective and will be applied by the Group from year-ending 31 March 2024,
- Amendments to IFRS 3: *Reference to the Conceptual Framework,* effective and will be applied by the Group from year-ending 31 March 2023,
- Amendments to IAS 16: *Property, Plant and Equipment—Proceeds before Intended Use,* effective and will be applied by the Group from year-ending 31 March 2023,
- Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract,* effective and will be applied by the Group from year-ending 31 March 2023,
- Annual Improvements to IFRS Standards 2018-2020 Cycle, effective and will be applied by the Group from year-ending 31 March 2023,
- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies,* effective date not yet set,
- Amendments to IAS 8: *Definition of Accounting Estimates*, effective and will be applied by the Group from year-ending 31 March 2024,
- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* effective and will be applied by the Group from year-ending 31 March 2024.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

Notes to the Financial Statements (continued)

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently in the current year and the prior year.

Basis of accounting

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Going concern

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), made up to 31 March each year.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. There have been no acquisitions or disposals of subsidiaries in the current or prior year.

Accounting policies are consistent in all Group companies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group members are eliminated on consolidation.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an Statement of Comprehensive Income for the Company alone.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, and is recognised as an asset. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the consideration transferred, the excess is recognised immediately in profit or loss.

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

Investments in subsidiaries (Company only)

Investments in subsidiary undertakings are stated at cost less any provisions for permanent diminution in value. Dividends received and receivable are credited to the Statement of Comprehensive Income to the extent that they represent a realised profit for the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable primarily for the distribution of electricity in the normal course of business, net of VAT.

Revenue from the distribution of electricity

The recognition of revenue from the distribution of electricity includes an assessment of the volume of unbilled energy distributed as at the year end. Non-distribution sales relate to the invoice value of other goods and services provided which also relate to the electricity network.

Where turnover received or receivable in the year exceeds the maximum amount permitted by regulatory agreement adjustments will be made to future prices to reflect this over-recovery; no liability is recognised as such an adjustment to future prices relates to the provision of future services. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

Incentive income earned or adjustments for under or over-spend on Totex, or over or under delivery of outputs, all in the financial year are not adjusted as adjustments to revenues in the period. These are adjusted through the regulatory mechanism in revenues two years later. Similarly adjustments in respect of comparable performance measures are reflected in the current year’s financial statements.

The Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred revenue.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Customer contributions

The current accounting treatment for customer contributions towards distribution system assets is to defer revenue and release over the life of the asset. The income is released to the statement of profit or loss on a straight-line basis, in line with the useful economic life of the distribution system assets. This amortisation of contributions received is recognised in revenue.

Under IFRS 15, revenue is recognised as each performance obligation within the contract is satisfied. If performance obligations are not satisfied over time, revenue will not be recognised.

Identification of contract with customer: The written quotation provided by ENWL and accepted by the customer (the Agreement), has commercial substance in that ENWL's future cash flows are expected to change as a result and it is considered probable that ENWL will collect the consideration to which it is entitled under the Agreement in exchange for completion of the connection.

Identification of performance obligation: As the performance obligation relating to the ongoing maintenance is not covered by the Agreement, so in relation to the revenue arising from the customer contribution, there is only one performance obligation. This obligation is considered to be distinct because the following criteria are met:

- the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and readily available other resources being the existing network
- the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. The connection is separately identifiable from maintenance as maintenance is not covered by the Agreement.

The existing distribution network is considered to be a readily available resource.

Determination of transaction price: All other factors being equal and the completion of the job is on budget, the expected transaction price will be that of the quoted price in the Agreement. Generally the price is fixed by Ofgem regulations. Variations may arise when the customer has certain specifications and changes are reviewed on a contract by contract basis to establish whether they should be treated as variable consideration. Variable consideration is accounted for based on the best estimate of the transaction price if it is highly probable that the revenue will be received. Given the variations on contracts are relating to a single performance obligation and do not constitute distinct services, these should be accounted for as a continuation of the original contract resulting in additional or reduced revenue.

Allocation of transaction price: For the Agreements being considered there is only one performance obligation to allocate the transaction price to. The transaction price is stated within the Agreement.

Recognition of revenue when performance obligation is satisfied: The performance obligation is regarded as satisfied over time as ENWL creates a bespoke asset for which they have no alternative use other than to provide electricity to the customer's premises. ENWL has an enforceable right to payment for the performance completed to date. Revenue is, therefore, recognised over the life of the asset.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Refundable customer deposits

Refundable customer deposits received in respect of property, plant and equipment are held as a liability until repayment conditions come into effect and the amounts are repaid to the customer or otherwise credited to customer contributions.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Government levies

Where the Company is directed to collect or pay levies by the Regulator, Ofgem, those levies are accounted for under IFRIC21 levies.

In accordance with IFRIC 21, levies such as Supplier of Last Resort (SoLR) payment levies, are recognised progressively when an obligating event takes place. SoLR levies are directed from time to time by Ofgem, with specified payment and collection periods. In accordance with IFRIC 21 the liability associated with the levy is triggered progressively as the associated income becomes billable, being the defined obligating event.

Revenue from SoLR levies, net of the associated costs are therefore recognised proportionately over time in the income statement.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using either the rate implicit in the lease, or our incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Retirement benefit costs

Payments to the defined contribution retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

The defined benefit retirement benefit scheme is provided through a division of the Electricity Supply Pension Scheme (ESPS). The most recent actuarial valuation for the scheme for funding purposes was carried out as at 31 March 2019; agreed actuarial valuations are carried out thereafter at intervals of not more than three years.

Results are affected by the actuarial assumptions used, which are disclosed in Note 23. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements, recognised in employee costs (see Note 6) in the income statement;
- net interest expense or income, recognised within finance costs (see Note 9) in the income statement; and
- re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur.

Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the Statement of Financial Position.

IFRIC14: '*The limit on a defined benefit asset, minimum funding requirements and their interaction*' was published by the interpretations committee of the International Accounting Standards Board in July 2007 and was adopted during the year ended 31 March 2008. IFRIC14 provides guidance on the extent to which a pension scheme surplus should be recognised as an asset and may also require additional liabilities to be recognised where minimum funding requirements exist. Legal opinion was obtained that a pension surplus could be recovered on wind up of the scheme and could, therefore, be recognised, along with associated liabilities.

The Group has concluded that, when a defined benefit asset exists, it can recognise the full amount of this surplus on the grounds that it could gain sufficient economic benefit from the refund of the surplus assets that would be available to it following the final payment to the last beneficiary of the Scheme.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of current and deferred tax charges for the financial year, adjusted for prior year items.

Current taxation

Current tax is based on taxable profit for the year and is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Intangible assets

Intangible assets with finite useful economic lives are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

Amortisation periods for categories of intangible assets are:

Computer software	1-12 years

Intangible assets under construction are not amortised. Amortisation commences from the date the intangible asset is available for use.

The Licence has an indefinite useful economic life and, therefore, is tested annually for impairment.

Notes to the Financial Statements (continued)

Property, plant and equipment

Property, plant and equipment comprise operational structures, non-operational land and buildings, fixtures and equipment, vehicles and other assets.

Operational structures

Infrastructure assets are depreciated by writing off their deemed cost less the estimated residual value, evenly over their useful lives, which range from 5 to 80 years. Employee costs incurred in implementing the capital schemes of the Group are capitalised within operational structure assets.

Assets other than operational structures

All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement of during the financial year in which they are incurred.

Freehold land and assets in the course of construction are not depreciated until the asset is available for use.

Depreciation is provided on other assets on a straight-line basis over its expected useful life as follows:

Buildings	30-60 years
Fixtures and equipment, vehicles and other	2-40 years

Depreciation methods and useful lives are re-assessed annually and, if necessary, changes are accounted for prospectively.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Impairment of tangible and intangible fixed assets

Tangible and intangible assets are reviewed for impairment at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite life is tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the reversal is recognised immediately in profit or loss and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Research and development

Research costs are recognised in the income statement as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to reliably measure the expenditure incurred during development.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on weighted average cost and includes expenditure incurred in acquiring the inventories, conversion costs and other costs in bringing them to their present location and condition. Net realisable value represents the estimated selling price, net of estimated costs of selling.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the contract can be valued using active market quotes or verifiable objective market information. The Group policy for the amortisation of day 1 gain or loss is to release it in a reasonable fashion based on the facts and circumstances (e.g. using a straight line amortisation).

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. The Group has no financial assets purchased or originated credit-impaired, or that have subsequently become credit-impaired.

Interest income is recognised in profit or loss and is included in the ‘Investment income’ line item.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost of FVTOCI are measured at FVTPL. Specifically, the financial assets held by the Group classified as at FVTPL are derivatives and are stated at fair value, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 22.

Impairment of financial assets

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

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

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

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

a) *Significant increase in credit risk*

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

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

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

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

b) *Definition of default*

The Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

c) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

d) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The exposure at default is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits, other short-term highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less and which are subject to an insignificant risk of change in value.

Money market deposits

Money market deposits with terms to maturity in excess of three months are not included as cash or cash equivalents and are separately disclosed on the face of the Statement of Financial Position.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The Group has no financial liabilities designated at FVTPL. Fair value is determined in the manner described in Note 22.

Financial liabilities measured subsequently at amortised cost

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

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

Trade payables

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

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability, or part of it, as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and inflation risk. Further details of derivative financial instruments are disclosed in Note 22.

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

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

Embedded derivatives

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

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Hedge accounting

The Group considers hedge accounting when entering any new derivative, however, there are currently no formal hedging relationships in the Group.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the group's accounting policies

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

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. See Note 6 for details on value of employee costs capitalised in the year.

Notes to the Financial Statements (continued)

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

Key sources of estimation uncertainty

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

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. Details of the impairment loss testing is set out in Note 13.

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 and sensitivities are disclosed in Note 22.

Retirement benefit schemes

The Group's defined benefit obligation is derived using various assumptions, as disclosed in Note 23. Results can be affected significantly by the assumptions used, which management decide based on advice by a firm of actuaries.

The valuation of the assets held within the scheme has been impacted by the COVID-19 pandemic. 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 23, along with sensitivities of certain key inputs.

Notes to the Financial Statements (continued)

4. Revenue

Group	2022 £m	**2021 £m**
Revenue	**464.4**	441.4

Predominantly all Group revenues 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. Included within the above are revenues from three customers (2021: three), each of which represented more than 10% of the total revenue. Revenue from these customers totalled £174.3m (2021: £158.8m). No other customer represented more than 10% of revenues either this year or in the prior year.

In the current year £11.1m (2021: £10.4m) of customer contributions amortisation has been amortised through revenue in line with IFRS 15 (Note 24 & 31).

5. Operating profit

The following items have been included in arriving at the Group's operating profit:

Group	**2022 £m**	2021 £m
Employee costs (Note 6)	**60.9**	59.1
Depreciation and amortisation expense		
Depreciation of property, plant and equipment (Note 13 & 31) *	**120.1**	120.0
Amortisation of intangible assets (Note 12 & 31)	**12.8**	6.1
	132.9	126.1
Loss allowance on trade receivables written off (Note 17)	**(1.0)**	(0.1)
Loss allowance on trade receivables (Note 17)	**2.9**	1.3
Profit on disposal of property, plant and equipment	**(0.1)**	(0.1)
Provision (credit)/charge (Note 26)	**(0.2)**	0.1
Research and development	**2.5**	2.3

*Includes depreciation on Right of Use assets of £1.5m (2021: £1.4m).

Notes to the Financial Statements (continued)

5. Operating profit (continued)

Analysis of the auditor's remuneration is as follows:

Group	2022 £m	2021 £m
Fees payable to the company's auditor and their associates for the audit of the company's annual financial statements *	-	-
Fees payable to the company's auditor and their associates for the audit of the company's subsidiaries annual financial statements	0.3	0.2
Audit-related assurance services	0.1	0.1
Total fees	**0.4**	0.3

* Fees payable for the audit of the Company's Financial Statements are £4,452 (2021: £4,252).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the Consolidated Financial Statements are only required to disclose such fees on a consolidated basis. There are no non-audit related services to the Group in either the current or prior year.

6. Employee costs

Group	2022 £m	2021 £m
Wages and salaries	108.6	102.5
Social security costs	11.5	11.0
Pension costs (Note 23)	14.0	20.2
Employee costs (including Directors' remuneration)	134.1	133.7
Costs transferred directly to fixed assets	(73.2)	(74.6)
Charged to operating expenses	**60.9**	59.1

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

Group	2022 Number	2021 Number
Electricity distribution	**1,935**	1,918

There are no employees of the Company (2021: none).

Notes to the Financial Statements (continued)

7. Directors' remuneration

Group	2022 £m	2021 £m
Salaries and other short-term employee benefits	**0.9**	0.8
Accrued bonus	**0.5**	0.6
Amounts receivable under long-term incentive schemes	**0.5**	0.6
Total fees	**1.9**	2.0

The aggregate emoluments of the Directors in 2022 amounted to £1,904,000 (2021: £1,955,000). Emoluments comprise salaries, fees, taxable benefits and the value of short-term and long-term incentive awards. The aggregated emoluments of the highest paid Director in 2022 in respect of services to the Group amounted to £1,145,000 (2021: £1,150,000). Under the Executive Incentive Plan bonuses are awarded and either paid in the following financial year (accrued bonus) or paid in subsequent years (amounts receivable under long-term incentive schemes). There were no amounts payable for compensation for loss of office in the year (2021: £nil).

The pension contributions for the highest paid Director for the year-ended 31 March 2022 were £nil (2021: £nil). The accrued pension at 31 March 2022 for the highest paid Director was £nil (2021: £nil).

As at 31 March 2022 the Directors have no interests in the ordinary shares of the Company (2021: same). All remuneration was borne by ENWL (2021: same).

8. Investment income

Group	2022 £m	2021 £m
Interest receivable on short-term bank deposits	**0.4**	0.9

Notes to the Financial Statements (continued)

9. Finance expense

Group	2022 £m	2021 £m
Interest payable:		
Interest on group borrowings at amortised cost (Note 30)	**17.3**	20.1
Interest on borrowings at amortised cost	**71.7**	83.9
Net interest settlements on derivatives at FVTPL	**(1.5)**	(8.1)
Indexation of index-linked debt (Note 20)	**43.5**	8.8
Impairment of inter-company loan asset (Note 15 & 30)	**-**	-
Reimbursement of inter-company loan impairment (Note 15 & 30)	**0.2**	(0.1)
Interest payable on leases	**0.2**	0.2
Interest cost on pension plan obligations (Note 23)	**1.1**	0.3
Capitalisation of borrowing costs under IAS 23	**(1.0)**	(0.9)
Total interest expense	**131.5**	104.2
Fair value movements on financial instruments:		
Fair value movement on derivative assets	**(8.4)**	-
Fair value movement on derivative liabilities	**74.0**	54.9
Total fair value movement	**65.6**	54.9
Total finance expense	**197.1**	159.1

Borrowing costs capitalised in the year under IAS 23 were £1.0m (2021: £0.9m), using an average annual capitalisation rate of 3.99% (2021: 4.19%), derived from the total general borrowing costs for the year divided by the average total general borrowings outstanding for the year.

The fair value movements on the derivatives are derived using a discounted cash flow technique using both market expectations of future interest rates and future inflation levels, obtained from Bloomberg, and calibrations to observable market transactions evidencing fair value; these are Level 2 inputs and Level 3 inputs under IFRS 13. Note 22 provides more detail on this.

Notes to the Financial Statements (continued)

9. Finance expense (continued)

There has been £nil (2021: £nil) accretion payments on the index-linked swaps in the year; these are scheduled five-yearly, seven-yearly and ten-yearly with the next payment due in July 2022. The amount of accretion accrued over the year was £29.8m (2021: £4.7m), split as follows:

	PAYG 5 £m	PAYG 7 £m	PAYG 10 £m	Total £m
Accumulated Accretion				
1 April 2020	6.7	35.5	12.7	54.9
Accrued in Year	1.1	2.2	1.4	4.7
Paid in Year	-	-	-	-
Accumulated Accretion				
31 March 2021	7.8	37.7	14.1	59.6
Accrued in Year	**7.0**	**14.2**	**8.6**	**29.8**
Paid in Year	-	-	-	-
Accumulated Accretion				
31 March 2022	**14.8**	**51.9**	**22.7**	**89.4**

Interest rate swaps with £210.0m notional were entered by the Company in the year. These were entered to hedge the interest rate exposure on the £210.0m floating rate bank facility in the Company. No swaps were closed out, in the Company or Group, during the year (2021: none).

Notes to the Financial Statements (continued)

10. Taxation

Group	2022 £m	2021 £m
Current tax		
Current year	**2.2**	12.6
Adjustment in respect of prior year	**0.2**	(0.9)
	2.4	11.7
Deferred tax (Note 25)		
Current year	**73.8**	(11.7)
Adjustment in respect of prior year	**0.2**	0.8
	74.0	(10.9)
Tax charge for the year	**76.4**	0.8

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year.

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% (2021: 19%) rate, except where it is known that it will reverse before 1 April 2023 when the 19% rate has been used. There is no unrecognised deferred tax in the Group.

The table below reconciles the notional tax charge at the UK corporation tax rate to the effective tax rate for the year:

Group	2022 £m	2021 £m
(Loss)/profit before tax	**(29.8)**	9.2
Tax at the UK corporation tax rate of 19% (2021: 19%)	**(5.7)**	1.7
Non-taxable income/expense	**(0.5)**	(0.8)
Prior year tax adjustments	**0.4**	(0.1)
Increase in current year deferred tax due to rate change	**82.2**	-
Tax charge for the year	**76.4**	0.8

Notes to the Financial Statements (continued)

11. Dividends

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

Group and Company	**2022 £m**	2021 £m
Final dividends for the year ended 31 March 2021 of 91.80 pence per share (31 March 2020 of zero pence per share)	**2.8**	-
Interim dividends for the year ended 31 March 2022 of 1,104.92 pence per share (31 March 2021: 118.03 pence per share)	**33.7**	3.6
	36.5	3.6

In the year ended 31 March 2022, the Company declared interim dividends of £33.7m, which were paid in December 2021 (31 March 2021: £3.6m). The Company declared a final dividend for the year ended 31 March 2021 of £2.8m that was paid in June 2021; the Company did not declare a final dividend for the year ended 31 March 2020.

At the Board meeting in May 2022, the Directors proposed a final dividend of £33.3m for the year ended 31 March 2022, subject to approval by equity holders of the Company, that is not a liability in the financial statements at 31 March 2022.

Notes to the Financial Statements (continued)

12. Intangible assets and goodwill

Group	Goodwill	Licence	Software	Assets under the course of construction	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2020	10.1	186.9	90.2	28.2	315.4
Additions	-	-	1.8	6.7	8.5
Transfers	-	-	3.7	(3.7)	-
Reclassification from tangible to intangible	-	-	3.3	-	3.3
At 31 March 2021	**10.1**	**186.9**	**99.0**	**31.2**	**327.2**
Additions	**-**	**-**	**6.6**	**5.6**	**12.2**
Transfers	**-**	**-**	**31.8**	**(31.8)**	**-**
At 31 March 2022	**10.1**	**186.9**	**137.4**	**5.0**	**339.4**
Amortisation					
At 1 April 2020	-	-	74.7	-	74.7
Charge for the year	-	-	5.9	-	5.9
Reclassification from tangible to intangible	-	-	0.2	-	0.2
At 31 March 2021	**-**	**-**	**80.8**	**-**	**80.8**
Charge for the year	**-**	-	**12.8**	**-**	**12.8**
At 31 March 2022	**-**	-	**93.6**	**-**	**93.6**
Net book value					
At 31 March 2022	**10.1**	**186.9**	**43.8**	**5.0**	**245.8**
At 31 March 2021	10.1	186.9	18.2	31.2	246.4

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

The licence held by the Group, identified as an intangible asset on the acquisition of Electricity North West Number 1 Company Ltd and measured at fair value at that date, to distribute electricity is viewed as having an indefinite life as the Directors' believe the licence would only be revoked if there were a serious breach of the terms and conditions of the licence. The licence is held subject to 25 years notice in writing from the Authority to the licensee.

At 31 March 2022, the Group had entered into contractual commitments for the acquisition of software amounting to £5.2m (2021: £12.5m).

At each balance sheet date the Group reviews the carrying amounts of its goodwill and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss (Note 13).

Notes to the Financial Statements (continued)

13. Property, plant and equipment

Group	Operational Structures £m	Non-operational land and buildings £m	Fixtures and equipment, vehicles and other £m	Assets under the course of construction £m	Right of Use Assets £m	Total £m
Cost or valuation						
At 1 April 2020	4,928.2	34.2	149.6	120.3	6.3	5,238.6
Additions	151.1	1.2	10.7	29.3	0.6	192.9
Transfers	12.1	0.5	18.1	(30.7)	-	-
Disposals	(3.2)	-	(2.0)	-	(0.3)	(5.5)
Reclassification from tangible to intangible	-	-	(3.3)	-	-	(3.3)
At 31 March 2021	**5,088.2**	**35.9**	**173.1**	**118.9**	**6.6**	**5,422.7**
Additions	**131.2**	**0.2**	**5.7**	**63.0**	**0.7**	**200.8**
Transfers	**37.9**	**0.5**	**1.1**	**(39.5)**	**-**	**-**
Disposals	**(2.5)**	**-**	**(0.2)**	**-**	**(0.6)**	**(3.3)**
At 31 March 2022	**5,254.8**	**36.6**	**179.7**	**142.4**	**6.7**	**5,620.2**
Accumulated depreciation and impairment						
At 1 April 2020	1,749.4	11.4	104.8	-	1.2	1,866.8
Charge for the year	103.2	1.0	14.6	-	1.4	120.2
Disposals	(3.2)	-	(2.0)	-	(0.3)	(5.5)
Reclassification from tangible to intangible	-	-	(0.2)	-	-	(0.2)
At 31 March 2021	**1,849.4**	**12.4**	**117.2**	**-**	**2.3**	**1,981.3**
Charge for the year	**104.1**	**1.0**	**13.5**	**-**	**1.5**	**120.1**
Disposals	**(2.1)**	**-**	**(0.2)**	**-**	**(0.7)**	**(3.0)**
At 31 March 2022	**1,951.4**	**13.4**	**130.5**	**-**	**3.1**	**2,098.4**
Net book value						
At 31 March 2022	**3,303.4**	**23.2**	**49.2**	**142.4**	**3.6**	**3,521.8**
At 31 March 2021	3,238.8	23.5	55.9	118.9	4.3	3,441.4

At 31 March 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £108.7m (2021: £97.2m).

The Company had not entered into any contractual commitments for the acquisition of property, plant and equipment at 31 March 2022 (2021: same).

Notes to the Financial Statements (continued)

13. Property, plant and equipment (continued)

Impairment testing of intangible assets and property plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

An assets recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The pre-tax discount rate is calculated at the year-end solely from external sources of information.

For the purposes of impairment testing the Group have determined that there is only one cash generating unit (CGU). The key assumptions for the value in use calculations are those regarding discount rates and the outcomes of future Ofgem price control settlements.

The Group has prepared cash flow forecasts for a 26-year period, including a terminal value, which represents the planning horizon used for management purposes, being aligned to the end of a RIIO regulatory period. No real growth rate is assumed in projecting cash flows beyond the period covered by most recent budgets/forecast, however, the impact of inflation is considered.

Based on the impairment testing performed, management believe that sufficient headroom exists between the value in use and the carrying value of the assets such that no impairment loss is required to be booked.

Notes to the Financial Statements (continued)

14. Investment in subsidiaries

Company	**2022** **£m**	2021 £m
Cost and net book value	**3.1**	3.1

Investments in subsidiary undertakings are stated at cost less any provisions for permanent diminution in value. Cost of investment relates wholly to the shareholding in the Company's direct subsidiaries.

Details of the investments as at 31 March 2022, all of which were incorporated in the UK, and the principal place of business of each is in the UK, are as follows.

Investment	**Description of holding**	**Proportion held**	**Nature of business**
Direct subsidiaries			
NWEN Group Ltd	Ordinary shares of £1 each	100%	Holding company
NWEN Finance plc	Ordinary shares of £1 each	100%	Financing company
Indirect subsidiaries			
North West Electricity Networks plc	Ordinary shares of £1 each	100%	Financing company
Electricity North West Ltd	Ordinary shares of 50p each	100%	Energy distribution
ENW Capital Finance plc	Ordinary shares of £1 each	100%	Financing company
ENW Finance plc	Ordinary shares of £1 each	100%	Financing company
Electricity North West Number 1 Company Limited	Ordinary shares of £1 each	100%	Dormant
ENW (ESPS) Pensions Trustees Ltd	Ordinary shares of £1 each	100%	Dormant
Joint venture			
Nor.Web DPL Ltd *(dissolved in year)*	Ordinary shares of £1 each	50%	Dormant

There have been no changes to these shareholdings during the year, with the exception of Nor.Web DPL Ltd that was dissolved in February 2022; there was no gain or loss on dissolution. The address of the registered office of the investments above is Borron Street, Stockport, SK1 2JD, with the exception of Nor.Web DPL Ltd whose registered office is 304 Bridgewater Place, Birchwood Park, Warrington, WA3 6XG.

Notes to the Financial Statements (continued)

15. Loans to subsidiary

Company	**2022 £m**	2021 £m
Non-current:		
Loans to subsidiary	**683.4**	522.4
Impairment of loans	**(0.5)**	(0.1)
Loans to subsidiary due > 1 year	**682.9**	522.3
Current:		
Loans to subsidiary	**-**	161.0
Impairment of loans	**-**	-
Loans to subsidiary due < 1 year	**-**	161.0
Total loans to subsidiary	**682.9**	683.3

The loans to subsidiary comprise amounts loaned to NWEN plc of: £200.0m (2021: £200.0m) at 10% per annum, maturing in 2027; £322.4m (2021: £322.4m) interest free, maturing in 2027; and £161.0m (2021: £161.0m) 4.25%, maturing in 2026.

Impairment

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

In accordance with provisions within the inter-company loan agreement, the Company has requested the reimbursement of the impairment charges incurred to date (Note 9). Similarly, NWEN (Finance), the parent company, has requested the reimbursement of the impairment charges it has incurred on the loan with the Company (Note 30).

16. Inventories

Group	**2022 £m**	2021 £m
Raw materials and consumables	**18.1**	14.0

There is no inventory held in the Company (2021: same).

Notes to the Financial Statements (continued)

17. Trade and other receivables

	Group 2022 £m	Company 2022 £m	Group 2021 £m	Company 2021 £m
Trade receivables	**7.8**	**-**	7.7	-
Amounts owed by group undertakings (Note 30)	**1.1**	**12.6**	2.5	13.5
Prepayments and accrued income	**67.4**	**-**	61.5	-
Balance at 31 March	**76.3**	**12.6**	71.7	13.5

Group

The average credit period taken on sales is 14 days (2021: 14 days). Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £4.4m (2021: £2.5m) estimated by management based on known specific circumstances, past default experience and their assessment of the current economic environment.

At 31 March 2022, 59% of the Group trade receivables are past due but not impaired (2021: 81%). A balance of £2.2m (2021: £3.1m) is less than 30 days past due, against which an allowance for doubtful debt of £nil (2021: £0.4m) has been made; a balance of £6.9m is greater than 30 days past due (2021: £5.7m), against which an allowance for doubtful debt of £4.4m (2021: £2.1m) has been made.

The movement on the provision for impairment of Group trade receivables is as follows:

	Group 2022 £m	Company 2022 £m	Group 2021 £m	Company 2021 £m
Balance at 1 April	**2.5**	**-**	1.3	-
Amounts written off in the year	**(1.0)**	-	(0.1)	-
Amounts recognised in the income statement	**2.9**	-	1.3	-
Balance at 31 March	**4.4**	**-**	2.5	-

The Group is required by Ofgem to accept any company as a counterparty that has obtained a trading licence regardless of their credit status. To mitigate the risk posed by this, all transactions with customers are governed by a contract which all customers are required by Ofgem to sign and adhere to.

Under the terms of the contract, the maximum unsecured credit that the Group may be required to give is 2% of the Regulatory Asset Value (RAV) of the Company. In addition the contract makes provisions for the credit quality of customers and adjusts the credit value available to them based on credit ratings and payment history. Where a customer exceeds their agreed credit level, under the contract, the customer must provide collateral to mitigate the increased risk posed. As at 31 March 2022 £3.4m (2021: £2.6m) of cash had been received as security.

The RAV is calculated using the methodology set by Ofgem for each year of RIIO-ED1 (1 April 2015 to 31 March 2023) and for the year ended 31 March 2022 is £2,159m (2021: £1,948m) based on the actual retail price index (RPI) for March.

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

At 31 March 2022, £162.0m (2021: £143.0m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £7.6m (2021: £7.4m). All of the customers granted credit of this level must have a credit rating of at least BBB+ from Standard and Poor's and Baa1 from Moody's Investor Services or a guarantee from a parent company of an equivalent rating. Alternatively, the customer must be able to prove their creditworthiness on an ongoing basis.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Company

For further details of the amounts owed by Group undertakings see Note 30. There are no provisions against these receivables. No element of the balance is overdue.

18. Cash and cash equivalents and money market deposits

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Cash in bank accounts	**21.3**	**0.5**	12.1	0.9
Cash in liquidity funds	**39.7**	**-**	61.1	-
Cash in short-term deposit accounts	**0.1**	**-**	250.7	-
Cash in short-term money market deposits	**8.6**	**8.6**	11.7	11.7
Cash and cash equivalents	**69.7**	**9.1**	335.6	12.6

Cash and cash equivalents comprise cash at bank and in hand, deposits and other short-term highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less, net of any bank overdrafts which are payable on demand. Money market deposits with terms to maturity in excess of three months are not included as cash or cash equivalents and are separately disclosed on the face of the Statement of Financial Position.

In Group, the effective interest rate on all short-term deposits was a weighted average of 0.47% (2021: 0.32%) and these deposits had an average maturity of 33 days (2021: 8 days).

In Company, the effective interest rate on all short-term deposits was a weighted average of 0.30% (2021: 0.25%) and these deposits had an average maturity of 182 days (2021: 181 days).

Notes to the Financial Statements (continued)

19. Trade and other payables

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Trade payables	**13.4**	**-**	26.4	-
Amounts owed to group undertakings (Note 30)	**9.6**	**8.7**	10.1	12.3
Amounts owed to subsidiary undertakings (Note 30)	**-**	**0.7**	-	0.8
Other taxation and social security	**13.4**	**-**	11.0	-
Customer contributions (Note 24)	**38.3**	**-**	24.7	-
Refundable customer deposits	**3.4**	**-**	2.6	-
Accruals and deferred income	**98.9**	**2.3**	83.7	1.2
Balance at 31 March	**177.0**	**11.7**	158.5	14.3

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 20.2 days from receipt of invoice (2021: 19.7 days).

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

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

20. Borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's financial risk management and exposure to credit risk, liquidity risk and market risk see Note 22.

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Current liabilities				
Bonds	**-**	**-**	379.7	-
Bank and other term borrowings	**7.6**	**-**	42.4	-
Lease liabilities (Note 21)	**1.4**	**-**	1.3	-
Amounts owed to subsidiary undertaking (Note 30)	**-**	**-**	-	179.9
	9.0	**-**	423.4	179.9
Non-current liabilities				
Bonds	**1,381.1**	**-**	1,362.0	-
Bank and other term borrowings	**507.2**	**237.4**	304.8	56.6
Lease liabilities (Note 21)	**2.3**	**-**	3.3	-
Amounts owed to parent undertaking (Note 30)	**453.1**	**453.1**	457.1	457.1
	2,343.7	**690.5**	2,127.2	513.7
Total borrowings	**2,352.7**	**690.5**	2,550.6	693.6

Notes to the Financial Statements (continued)

20. Borrowings (continued)

Carrying value by category

The carrying values by category of financial instruments were as follows:

	Nominal value £m	Interest rate %	Maturity year	**Group 2022 £m**	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Borrowings measured at amortised cost							
Bond	200.0	8.875%	2026	**198.2**	**-**	197.8	-
Bond	250.0	8.875%	2026	**275.7**	**-**	281.3	-
Bond	200.0	6.125%	2021	**-**	**-**	199.7	-
Bond	300.0	1.415%	2030	**298.6**	**-**	298.4	-
Bond	180.0	5.875%	2021	**-**	**-**	180.1	-
Index-linked bond	100.0	1.4746%+RPI	2046	**158.6**	**-**	152.8	-
Index-linked loan	135.0	1.5911%+RPI	2024	**187.7**	**-**	174.6	-
Index-linked loan	50.0	0.38% +RPI	2032	**38.1**	**-**	38.8	-
Index-linked loan	50.0	0%+RPI	2033	**41.4**	**-**	41.9	-
USPP bond	100.0	4.07%	2029	**99.5**	**-**	99.4	-
USPP bond	100.0	4.17%	2029	**99.5**	**-**	99.4	-
Index-linked USPP bond	20.0	1.40%+RPI	2034	**24.5**	**-**	22.7	-
Index-linked USPP bond	85.0	1.50%+RPI	2034	**104.3**	**-**	96.6	-
Index-linked PP bond	100.0	1.265%+RPI	2040	**122.2**	**-**	113.5	-
Bank facility	210.0	Sonia+2.75%	2026	**207.7**	**207.7**	27.1	27.1
Bank facility	30.0	Sonia+3.50%	2023	**29.7**	**29.7**	29.5	29.5
Revolving credit facility	50.0	Libor+0.35%	2022	**-**	**-**	-	-
Revolving credit facility	50.0	Sonia+0.35%	2024	**(0.1)**	**-**	-	-
Revolving credit facility	50.0	Libor+0.73%	2022	**-**	**-**	35.3	-
Revolving credit facility	75.0	Sonia+1.00%	2024	**10.3**	**-**	-	-
Lease liabilities (Note 21)				**3.7**	**-**	4.6	-
Amounts owed to parent undertaking	327.0	0.0%	2027	**285.4**	**285.4**	285.4	285.4
Amounts owed to parent undertaking	200.0	10.0%	2027	**167.7**	**167.7**	171.7	171.7
Amounts owed to subsidiary undertaking	180.0	5.875%	2021	**-**	**-**	-	179.9
Total borrowings				**2,352.7**	**690.5**	2,550.6	693.6

Notes to the Financial Statements (continued)

20. Borrowings (continued)

The following table provides a reconciliation of the opening and closing debt amounts.

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
At 1 April	**2,550.6**	**693.6**	2,270.8	691.6
Proceeds from external borrowings	**210.0**	**180.0**	342.4	30.0
Repayments of external borrowings	**(442.4)**	**-**	(37.0)	-
Repayments of lease liabilities - capital	**(1.2)**	**-**	(1.3)	-
Repayments of lease liabilities - interest	**(0.2)**	**-**	(0.2)	-
Lease liabilities reclassified to provisions (Note 26)	**(0.3)**	**-**	-	-
New lease liabilities	**0.8**	**-**	0.5	-
Decrease of inter-company loan from parent	**(4.0)**	**(4.0)**	(28.3)	(28.3)
Decrease of inter-company loan from subsidiary	**-**	**(180.0)**		
Indexation (Note 9)	**43.5**	**-**	8.8	-
Transaction costs on new external borrowings	**(0.3)**	**-**	(2.0)	(0.5)
Amortisation of transaction costs, etc	**(3.8)**	**0.9**	(3.1)	0.8
At 31 March	**2,352.7**	**690.5**	2,550.6	693.6

The £200m 6.125% 2021 bond and the £300m 1.415% 2030 bond issued by ENW Finance plc are guaranteed by Electricity North West Ltd.

The 4.07% £100m tranche, 4.17% £100m tranche, 1.40%+RPI £20m tranche and 1.50%+RPI £85m tranche of the USPP and 1.265%+RPI £100m tranche PP are secured and guaranteed by ENW Capital Finance plc and NWEN Group Ltd.

The 5.875% £180m bond was secured and guaranteed by both the Company and North West Electricity Networks (Finance) Ltd.

As at 31 March 2022, all other loans and borrowings are unsecured and are in sterling (2021: same). There were no formal bank overdraft facilities in place (2021: same). The fair values of the Group's financial instruments are shown in Note 22.

Borrowing facilities

The Group had £138.6m (2021: £268.6.0m) unutilised committed bank facilities at 31 March 2022 of which £24.0m (2021: £268.6m) expires within one year, £nil (2021: £nil) expires after one year but less than two years and £114.6m (2021: £nil) expires in more than two years.

The Company had £nil (2021: £180.0m) unutilised committed bank facilities at 31 March 2022 of which £nil (2021: £180.0m) expires within one year, £nil (2021: £nil) expires after one year but less than two years and £nil (2020: £nil) expires in more than two years.

Notes to the Financial Statements (continued)

21. Leases

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Lease assets at net book value:				
Land and buildings	**2.0**	**-**	2.3	-
Telecoms	**0.1**	**-**	0.1	-
Vehicles	**1.5**	**-**	1.9	-
Total net book value (Note 13)	**3.6**	**-**	4.3	-
Lease liabilities:				
Land and buildings	**1.9**	**-**	2.6	-
Telecoms	**0.1**	**-**	0.1	-
Vehicles	**1.7**	**-**	1.9	-
Total liabilities (Note 20)	**3.7**	**-**	4.6	-

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

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

The following is an analysis of the maturity profile of the lease liabilities.

Group and Company	**<1 year £m**	**1 – 2 years £m**	**2 – 3 years £m**	**3 – 4 years £m**	**>4 years £m**	**Total £m**
At 31 March 2022:	**1.4**	**0.9**	**0.4**	**0.2**	**0.8**	**3.7**
At 31 March 2021:	1.3	1.3	0.3	0.4	1.3	4.6

Notes to the Financial Statements (continued)

22. Financial instruments

The Group uses financial instruments to invest liquid asset balances, raise funding and manage the risks arising from its operations.

The principal risks to which the Group is exposed and which arise in the normal course of business include credit risk, liquidity risk and market risk, in particular interest rate risk and inflation risk. Derivative financial instruments are used to change the basis of interest cash flows from fixed to either inflation-linked or an alternative fixed profile to more accurately match the revenue profile.

The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons.

The accounting policy for derivatives is provided in Note 2.

Categories of financial instruments

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Financial assets:				
Derivative assets	**8.4**	**8.4**	-	-
Cash and cash equivalents (Note 18)	**69.7**	**9.1**	335.6	12.6
Trade receivables (Note 17)	**7.8**	**-**	7.7	-
Amounts owed by group undertakings (Note 17)	**1.1**	**12.6**	2.5	13.5
Financial liabilities:				
Derivative liabilities	**(561.5)**	**-**	(487.5)	-
Financial liabilities at amortised cost (Note 20)	**(2,352.7)**	**(690.5)**	(2,550.7)	(693.6)
Trade and other payables (exc. accruals) (Note 19)	**(78.1)**	**(9.4)**	(74.8)	(13.1)

Control over financial instruments

The Group has a formal risk management structure, which includes the use of risk limits, reporting and monitoring requirements, mandates, and other control procedures. It is currently the responsibility of the Board to set and approve the risk management procedures and controls.

Risk management

All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most significant types of financial risk are credit risk, liquidity risk and market risk. Market risk includes foreign exchange, interest rate, inflation and equity price risks.

The only material exposure the Group has to foreign exchange risk, or equity price risk, relates to the assets of the defined benefit pension scheme that are managed by the pension scheme investment managers.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up-to-date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Audit Committee is responsible for independently overseeing the activities in relation to Group risk management. The Group's treasury function, which is authorised to conduct the day-to-day treasury activities of the Group, reports on a regular basis to the Committee.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Risk management (continued)

The Group's processes for managing risk and the methods used to measure risk have not changed since the prior year. In the year, the Group's policies in relation to the management of credit risk, risk limits and minimum credit ratings of counterparties have been reviewed and updated as appropriate to reflect changes to market conditions and the associated level of perceived risks.

Credit risk

The Group takes on exposure to credit risk, which is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract as they fall due. Credit risk arises principally from trade finance and treasury activities. The Group has dedicated standards, policies and procedures to control and monitor credit risk.

Treasury activities

The counterparties under treasury activities consist of financial institutions. In accordance with IFRS, the Directors have considered and quantified the exposure of the Group to counterparty credit risk and a credit risk adjustment is made where required (see the section on Fair Values below). The exposure to counterparty credit risk is updated at each reporting date. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through regular credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. Management does not anticipate any counterparty will fail to meet its obligations.

The Directors do not believe that the Group is exposed to any material concentrations of credit risk in relation to treasury investments, including amounts on deposit with counterparties. As at 31 March 2022, none (2021: none) of the Group's treasury portfolio exposure was either past due or impaired, and no terms had been re-negotiated with any counterparty. The Group has limits in place to ensure counterparties have a certain minimum credit rating, and individual exposure limits to ensure there is no concentration of credit risk.

The table below provides details of the ratings of the Group's treasury portfolio, including cash and cash equivalents, money market deposits and derivative asset positions (prior to IFRS 13 credit risk adjustment):

Group	**2022 £m**	**2022 %**	2021 £m	2021 %
AAA	**39.7**	**55.5**	61.1	17.3
AA	**-**	**-**	-	-
AA-	**-**	**-**	-	-
A+	**23.0**	**32.2**	160.6	45.4
A	**8.8**	**12.3**	132.2	37.3
	71.5	**100.0**	353.9	100.0

At 31 March 2022, £nil (2021: £nil) of the Company's treasury portfolio was invested with AA-, £0.5m (2021: £0.9m) with A+ and £8.6m (2021: £11.7m) with A rated counterparties.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Trade receivables

Significant changes in the economy or in the utilities sector could result in losses not necessarily provided for at the statement of financial position date. Credit risk in relation to trade receivables is considered to be relatively low, due to the small number of principal customers; there are only three (2021: three) principal customers, see Note 4. Each of these customers has a contract in place with the Group, and is required to provide collateral in the form of a cash deposit subject to the amounts due and their credit rating. Whilst the loss of one of the principal customers could have a significant impact on the Group, due to the small number of these, the exposure to such credit losses would be mitigated in most cases by the protection the regulator provides to cover such losses. Nonetheless, the credit management process must be closely adhered to, to avoid such circumstances, and the Group's management, therefore, closely monitor adherence to this process, including closely monitoring the credit worthiness of each of these customers.

At 31 March 2022 there were £9.1m receivables past due (2021: £8.8m) against which an allowance for doubtful debts of £4.4m has been made (2021: £2.5m).

Exposure to credit risk

The table below shows the maximum exposure to credit risk, represented by the carrying amount of each financial asset, in the statement of financial position. For trade receivables, the value is net of any collateral held in cash deposits (see Note 17 for further details).

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Trade receivables (Note 17)	**7.8**	**-**	7.7	-
Amounts owed by group undertakings (Note 17)	**1.1**	**12.6**	2.5	13.5
Cash and cash equivalents (Note 18)	**69.7**	**9.1**	335.6	12.6
Balance at 31 March	**78.6**	**21.7**	345.8	26.1

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet the obligations or commitments resulting from its business operations or associated with its financial instruments, as they fall due. The Group manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due. This is achieved through maintaining a prudent level of liquid assets, and arranging funding facilities.

The Board is responsible for monitoring the maturity of liquidity and deposit funding balances and taking any action as appropriate. A long-term view of liquidity is provided by Group financial models which currently project cash flows out 26 years ahead, to the end of the Regulatory Period ending 31 March 2048. A medium-term view is provided by the Group business plan covering the remainder of the current Regulatory Period ending 31 March 2023, which is updated and approved annually by the Board. The Board has approved a liquidity framework within which the business operates, including the maintenance of a minimum of 18 months liquidity, subject to excluding any ENWL and ENW Finance plc debt maturing between 12 and 18 months whilst maintaining appropriate credit ratings.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Available liquidity at 31 March was as follows:

	2022 Group £m	**2022 Company £m**	2021 Group £m	2021 Company £m
Cash and cash equivalents (Note 18)	**69.7**	**9.1**	335.6	12.6
Committed undrawn bank facilities (Note 20)	**138.6**	**-**	268.6	180.0
Balance at 31 March	**208.3**	**9.1**	604.2	192.6

Cash and cash equivalents comprise cash at bank and in hand, deposits and other short-term highly liquid investments which are readily convertible into known amounts of cash and have a maturity of less than three months, net of any unpresented cheques. There was no formal bank overdraft facility in place during the year (2021: none).

The Group had £138.6m (2021: £268.6m) unutilised committed bank facilities at 31 March 2022, of which £24.0m (2021: £268.6m) expires within one year, £nil (2021: £nil) expires after one year but less than two years and £114.6m (2021: £nil) expires in more than two years.

The Company had £nil (2021: £180.0m) unutilised committed bank facilities at 31 March 2022, of which £nil (2021: £180.0m) expires within one year, £nil (2021: £nil) expires after one year but less than two years and £nil (2021: £nil) expires in more than two years.

The Group gives consideration to the timing of scheduled payments to avoid the risks associated with the concentration of large cash flows within particular time periods. The Group uses economic hedges to ensure that certain cash flows can be matched.

The following is an analysis of the maturity profile of contractual cash flows of financial liabilities, including principal and interest payable under financial liabilities and derivative financial instruments on an undiscounted basis. Derivative cash flows have been shown net; all other cash flows are shown gross.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Group	<1 year £m	1 – 2 years £m	2 – 3 years £m	3 – 4 years £m	>4 years £m	Total £m
At 31 March 2022:						
Trade payables	**(13.4)**	**-**	**-**	**-**	**-**	**(13.4)**
Refundable customer deposits	**(3.4)**	**-**	**-**	**-**	**-**	**(3.4)**
Amounts owed to parent undertaking	**(25.3)**	**(16.8)**	**(16.8)**	**(16.8)**	**(481.9)**	**(557.6)**
Bonds	**(58.2)**	**(58.3)**	**(58.3)**	**(508.3)**	**(1,065.3)**	**(1,748.4)**
Borrowings and overdrafts	**(29.9)**	**(238.0)**	**(15.2)**	**(15.1)**	**(263.6)**	**(561.8)**
Derivative financial instruments	**(25.1)**	**(69.0)**	**(14.0)**	**(13.4)**	**(368.8)**	**(490.3)**
	(155.3)	**(382.1)**	**(104.3)**	**(553.6)**	**(2,179.6)**	**(3,374.9)**
At 31 March 2021:						
Trade payables	(26.4)	-	-	-	-	(26.4)
Refundable customer deposits	(2.6)	-	-	-	-	(2.6)
Amounts owed to parent undertaking	(26.6)	(17.2)	(17.2)	(17.2)	(503.8)	(582.0)
Bonds	(448.9)	(57.9)	(57.9)	(57.9)	(1,534.7)	(2,157.3)
Borrowings and overdrafts	(47.4)	(11.9)	(216.3)	(8.0)	(84.5)	(368.1)
Derivative financial instruments	1.8	(12.8)	(46.9)	(4.1)	(373.1)	(435.1)
	(550.1)	(99.8)	(338.3)	(87.2)	(2,496.1)	(3,571.5)

Company	<1 year £m	1 – 2 years £m	2 – 3 years £m	3 – 4 years £m	>4 years £m	Total £m
At 31 March 2022:						
Amounts owed to parent undertaking	**(25.3)**	**(16.8)**	**(16.8)**	**(16.8)**	**(481.9)**	**(557.6)**
Borrowings and overdrafts	**(8.6)**	**(38.0)**	**(7.4)**	**(7.4)**	**(213.7)**	**(275.1)**
Derivatives	**(0.6)**	**(0.6)**	**(0.6)**	**-**	**-**	**(1.8)**
	(34.5)	**(55.4)**	**(24.8)**	**(24.2)**	**(695.6)**	**(834.5)**
At 31 March 2021:						
Amounts owed to parent undertaking	(26.6)	(17.2)	(17.2)	(17.2)	(503.8)	(582.0)
Amount owed to subsidiary	(185.3)	-	-	-	-	(185.3)
Borrowings and overdrafts	(1.9)	(1.9)	(31.4)	(0.8)	(31.2)	(67.2)
	(213.8)	(19.1)	(48.6)	(18.0)	(535.0)	(834.5)

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Market risk

Market risk is the risk that future cash flows of a financial instrument, or the fair value of a financial instrument, will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, inflation, equity and commodity prices. The main types of market risk to which the Group is exposed are interest rate risk and inflation risk, and these are explained below.

The Board is required to review and approve policies for managing these risks on an annual basis. The Board approves all new interest rate swaps and index-linked swaps entered into. The management of market risk is undertaken by reference to risk limits, approved by the Chief Financial Officer or Treasurer under delegated authority from the Board.

The Group has no significant foreign exchange, equity or commodity exposure.

The Group borrows in the major global debt markets at fixed, index-linked and floating rates of interest, using derivatives, where appropriate, to generate the desired effective interest basis.

Interest rate risk

Interest rate risk is the risk that either future cash flows of a financial instrument, or the fair value of a financial instrument, will fluctuate because of changes in market interest rates. The Group's floating rate borrowings and derivatives are exposed to a risk of change in cash flows due to changes in interest rates. The Group's fixed rate borrowings and derivatives are exposed to a risk of change in their fair value due to changes in interest rates. Investments in short-term receivables and payables are not exposed to interest rate risk due to their short-term nature.

The Group uses derivative financial instruments to change the basis of interest cash flows from fixed to either inflation-linked or an alternative fixed profile to more accurately match the revenue profile. The cash flows exchanged under the derivatives are calculated by reference to a notional principal amount. The notional principal reflects the extent of the Group's involvement in the instruments, but does not represent its exposure to credit risk, which is assessed by reference to the fair value.

Sensitivity analysis on interest

The following sensitivity analysis is used by Group management to monitor interest rate risk and shows the amount by which the fair value of items recorded on the statement of financial position at fair value would be adjusted for a given interest rate movement. As fair value movements are taken to the income statement, there would be a corresponding adjustment to profit in these scenarios (figures in brackets represent a reduction to profit). However, there would be no direct cash flow impact arising from these adjustments.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

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

Group			**2022**			2021
Change in interest rates	**-0.5%**	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
	£m	**£m**	**£m**	£m	£m	£m
Interest rate swaps	**(21.9)**	**(27.2)**	**(34.0)**	7.9	(7.4)	(14.5)
Inflation-linked swaps	**(54.3)**	**47.9**	**97.3**	(39.7)	52.7	93.3
Total finance expense impact	**(76.2)**	**20.7**	**63.3**	(31.8)	45.3	78.8

The Group's floating rate borrowings and derivatives are exposed to a risk of change in cash flows due to changes in interest rates. At 31 March 2022, the Group had £220.3m of floating rate borrowings (2021: £95.4m). The analysis below shows the impact on profit for the year if interest rates over the course of the year had been different from the actual rates.

			2022			2021
Group	**-0.5%**	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
Change in interest rates	**£m**	**£m**	**£m**	£m	£m	£m
Interest rate swaps *	**(0.2)**	**0.2**	**0.5**	-	-	-
Inflation-linked swaps **	**0.5**	**(0.5)**	**(1.0)**	-	-	-
Floating rate borrowings	**(1.2)**	**1.2**	**2.3**	(0.2)	0.2	0.5
Total cash flow impact	**(0.9)**	**0.9**	**1.8**	(0.2)	0.2	0.5

* effective date 21 July 2021 and 15 September 2021
** receive leg was a fixed rate until 21 July 2021

Although the above measures provide an indication of the Group's exposure to market risk, such measures are limited due to the long-term nature of many of the financial instruments and the uncertainty over future market rates.

Index-linked debt is carried at amortised cost and as such the Statement of Financial Position in relation to this debt is not exposed to movements in interest rates.

Inflation risk

The Group's revenues are linked to movements in inflation, as measured by the Retail Prices Index (RPI). To economically hedge exposure to RPI, the company links a portion of its funding costs to RPI by either issuing RPI linked bonds or by using derivative financial instruments. The Group's index-linked swaps are exposed to a risk of change in their fair value and future cash flows due to changes in inflation rates. The Group's revenues are linked to RPI via returns on the Regulated Asset Value (RAV) and an increase in RPI would increase revenues, mitigating any increase in finance expense.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Sensitivity analysis on inflation

The Group's inflation-linked derivatives are exposed to a risk of change in their fair value due to changes in inflation rates. The following sensitivity analysis is used by Group management to monitor inflation rate risk. The analysis below shows forward-looking projections of market risk assuming certain market conditions occur. The sensitivity figures are calculated based on a downward parallel shift of 0.5% and upward parallel shifts of 0.5% and 1% in the yield curve, a range in outcomes that managements deem reasonably possible within the next financial year.

Group			**2022**			2021
Change in inflation rates	**-0.5%**	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
	£m	**£m**	**£m**	£m	£m	£m
Inflation-linked swaps	**66.2**	**(69.6)**	**(144.8)**	67.0	(73.2)	(153.2)
Total finance expense impact	**66.2**	**(69.6)**	**(144.8)**	67.0	(73.2)	(153.2)

The sensitivity analysis above shows the amount by which the fair value of items recorded on the statement of financial position at fair value would be adjusted for a given inflation rate movement. As fair value movements are taken to the Income Statement, there would be a corresponding adjustment to profit in these scenarios (figures in brackets represent a reduction to profit). However, there would be no direct cash flow impact arising from these adjustments.

The Group's inflation-linked borrowings and derivatives are exposed to a risk of change in cash flows due to changes in inflation rates. The analysis below shows the impact on profit for the year if inflation rates over the course of the year had been different from the actual rates. The change in indexation has a corresponding impact on the carrying value of the inflation-linked debt.

Group			**2022**			2021
Change in inflation rates	**-0.5%**	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
	£m	**£m**	**£m**	£m	£m	£m
Inflation-linked borrowings – indexation charge	**5.5**	**(5.5)**	**(11.0)**	3.2	(3.2)	(6.4)
Inflation-linked borrowings – interest charge	**-**	**-**	**(0.1)**	-	-	(0.1)
Inflation-linked swaps – interest charge	**0.1**	**(0.1)**	**(0.2)**	0.1	(0.1)	(0.1)
Total finance expense impact	**5.6**	**(5.6)**	**(11.3)**	3.3	(3.3)	(6.6)

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Capital risk management

The Group manages it's capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance (see the Dividend Policy page 10).

The capital structure of the Group consists of net debt (borrowings net of cash, Notes 18 and 20), and equity of the Group (share capital and reserves, see the Statement of Changes in Equity).

The Group is subject to externally imposed capital requirements, by both Ofgem and financial lenders and investors. These capital requirements are based on gearing levels, being the ratio of net debt (as above) to the regulatory asset value (RAV). The forecast gearing position is closely monitored by the Board against the external capital requirements (see page 8).

The RAV (2012/13 prices) is taken from the most recent Price Control Financial Model (PCFM) published by Ofgem on its website and is calculated in accordance with the RIIO-ED1 methodology (1 April 2015 to 31 March 2023). For the year-ended 31 March 2022, the nominal RAV is £2,159m (2021: £1,948m) and has been indexed using the retail price index (RPI) for March 2022.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Change in liabilities arising from financing activities

The table below shows changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Group	At 1 April 2021 £m	Financing cash flows £m	Non-cash changes Fair value movement £m	Non-cash changes Indexation £m	Non-cash changes Other changes £m	At 31 March 2022 £m
Bonds	**1,741.7**	**(380.0)**	**-**	**24.2**	**(4.8)**	**1,381.1**
Bank borrowings	**347.2**	**147.6**	**-**	**19.3**	**0.7**	**514.8**
Lease liabilities	**4.6**	**(1.4)**	**-**	**-**	**0.5**	**3.7**
Amounts owed to parent	**457.1**	**(4.0)**	**-**	**-**	**-**	**453.1**
Derivatives	**487.5**	**-**	**74.0**		**-**	**561.5**
	3,038.1	**(237.8)**	**74.0**	**43.5**	**(3.0)**	**2,898.3**

Group	At 1 April 2020 £m	Financing cash flows £m	Non-cash changes Fair value movement £m	Non-cash changes Indexation £m	Non-cash changes Other changes £m	At 31 March 2021 £m
Bonds	1,441.4	300.0	-	5.6	(5.3)	1,741.7
Bank borrowings	338.5	5.4	-	3.2	0.1	347.2
Lease liabilities	5.5	(1.5)	-	-	0.6	4.6
Amounts owed to parent	485.4	(28.3)	-	-	-	457.1
Derivatives	432.6	-	54.9		-	487.5
	2,703.4	275.6	54.9	8.8	(4.6)	3,038.1

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Company	At 1 April 2021 £m	Financing cash flows £m	Non-cash changes: Fair value movement £m	Non-cash changes: Indexation £m	Non-cash changes: Other changes £m	At 31 March 2022 £m
Bank borrowings	**56.6**	**180.0**	**-**	**-**	**0.8**	**237.4**
Amounts owed to parent	**457.1**	**(4.0)**	**-**	**-**	**-**	**453.1**
Amounts owed to subsidiary	**179.9**	**(180.0)**	**-**	**-**	**0.1**	**-**
	693.6	**(4.0)**	**-**	**-**	**0.9**	**690.5**

Company	At 1 April 2020 £m	Financing cash flows £m	Non-cash changes: Fair value movement £m	Non-cash changes: Indexation £m	Non-cash changes: Other changes £m	At 31 March 2021 £m
Bank borrowings	26.6	30.0	-	-	-	56.6
Amounts owed to parent	485.4	(28.3)	-	-	-	457.1
Amounts owed to subsidiary	179.6	-	-	-	0.3	179.9
	691.6	1.7	-	-	0.3	693.6

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments to change the basis of interest cash flows from fixed to inflation-linked to more accurately match the revenue profile. The table below summarises the various external derivatives held by the Group at 31 March 2022; each category includes multiple instruments and the pay leg rate stated is the aggregate rate for that category.

Notional	Number	Type	Maturity	Pay Leg	Receive Leg	Accretion
£200m[1]	14	Index-linked	2038	3.56% + RPI, semi-annual	6m Sonia, semi-annual	5-yearly, next due July 2022 7-yearly, next due July 2023
£100m[2]	4	Index-linked	2050	1.51%+RPI, semi-annual	8.875%, annual	10-yearly, next due Sept 2030
£200m[3]	1	Fix/ float	2030	6m Sonia, semi-annual	0.283%, Semi-annual	None
£150m	5	Interest rate	2029	3.52%, semi-annual	2.60%, Semi-annual	n/a
£210m[4]	2	Interest rate	2024	0.4935%, semi-annual	6m Sonia, Semi-annual	n/a

[1]6.125% up to and including the 21 July 2021 settlement date, then changes to 6m Sonia for the remaining term of the instruments. The original contract references Libor, but transitioned to Sonia under the ISDA Protocol during the year (see Note 1).
[2]8.875% up to and including the 26 March 2026 settlement date, then changes to 6m Sonia for the remaining term of the instruments. The original contract references Libor, but transitioned to Sonia under the ISDA Protocol during the year (See Note 1).
[3]Entered in prior year, effective date 21 July 2021. The original contract references Libor, but transitioned to Sonia under the ISDA Protocol during the year (see Note 1).
[4]These swaps are held by the Company.

The Group entered a £200m notional interest rate swap during the prior year. This swap has an effective date of July 2021 and a maturity date of July 2030. It has been entered to hedge the Sonia exposure on the above £200m index-linked swaps, when that begins from July 2021.

The Company entered £210m notional interest rate swaps during the year. These swaps have an effective date of 15 September 2021 and a maturity date of December 2024. They have been entered to hedge the Sonia exposure on the £210m bank facility in the Company.

Hedging

The Group does not use derivative financial instruments for speculative purposes, and has not pledged collateral in relation to any of its derivative instruments. At 31 March 2022, the Group's derivatives are not designated in formal hedging relationships (2021: same), and instead are measured at fair value through the income statement.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Fair values

The tables below provide a comparison of the book values and fair values of the Group's financial instruments by category as at the statement of financial position date. Cash and cash equivalents, trade and other receivables and trade and other payables are excluded as the book values approximate to the fair values because of their short-term nature.

Group	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Non-current assets:				
Derivative assets	**8.4**	**8.4**	-	-
Current liabilities:				
Borrowings measured at amortised cost (Note 20)	**(7.6)**	**(7.6)**	(422.1)	(429.8)
Lease liabilities (Note 20)	**(1.4)**	**(1.4)**	(1.3)	(1.3)
Non-current liabilities:				
Borrowings measured at amortised cost (Note 20)	**(1,888.3)**	**(2,041.6)**	(1,666.8)	(1,465.2)
Amounts due to parent undertaking (Note 20)	**(453.1)**	**(453.1)**	(457.1)	(457.1)
Lease liabilities (Note 20)	**(2.3)**	**(2.3)**	(3.3)	(3.3)
Derivative liabilities	**(561.5)**	**(561.5)**	(487.5)	(487.5)
	(2,905.8)	**(3,059.1)**	(3,038.1)	(2,844.2)

The value of derivatives is disclosed gross of any collateral held. At 31 March 2022, the group held £nil (2021: £nil) as collateral in relation to derivative financial instruments, included within current liabilities (see Note 19). 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.

Company	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Non-current assets:				
Derivative assets	**8.4**	**8.4**	-	-
Current liabilities				
Amounts due to subsidiary undertaking (Note 20)	**-**	**-**	(179.9)	(193.8)
Non-current liabilities				
Borrowings measured at amortised cost (Note 20)	**(237.4)**	**(237.4)**	(56.6)	(56.6)
Amounts due to parent undertaking (Note 20)	**(453.1)**	**(453.1)**	(457.1)	(457.1)
	(682.1)	**(682.1)**	(693.6)	(707.5)

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Fair value measurements recognised in the Statement of Financial Position

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

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

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

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 above) in accordance with IFRS 13, an adjustment for non-performance risk has then been made to give the fair value.

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

Whilst the majority of the inputs to the CVA, DVA and FVA calculations meet the criteria for Level 2 inputs, certain inputs regarding the Group's credit risk are deemed to be Level 3 inputs, due to the lack of market-available data. The credit risk profile of the Group has been built using the few market-available data points, e.g. credit spreads on the listed bonds, and then extrapolated over the term of the derivatives. It is this extrapolation that is deemed to be Level 3. The estimation of the funding cost in the FVA calculation is also a Level 3 input. All other inputs to both the underlying valuation and the CVA 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 31 March 2022, is £121.4m (2021: £76.7m), of which £120.3m (2021: £73.4m) is classed as Level 3.

On entering certain derivatives, the valuation technique used resulted in a fair value loss. As this, however, was neither evidenced by a quoted price nor based on a valuation technique using only data from observable markets, this loss on initial recognition was not recognised. This was supported by the transaction price of nil. This difference is being recognised in profit or loss on a straight-line basis over the life of the derivatives. The aggregate difference yet to be recognised in profit or loss is £49.9m (2021: £52.1m). The movement in the period all relates to the straight-line release to profit or loss.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Group	2022 £m	2021 £m
Derivative assets:		
FV of derivatives pre IFRS 13 adjustment	**8.3**	-
CVA/DVA adjustment	**-**	-
FVA adjustment	**(0.1)**	-
Day 1 adjustment	**0.2**	-
IFRS 13 FV of derivatives	**8.4**	-
Derivative liabilities:		
FV of derivatives pre IFRS 13 adjustment	**(732.5)**	(616.3)
CVA/DVA adjustment	**101.5**	76.7
FVA adjustment	**19.8**	-
Day 1 adjustment	**49.7**	52.1
IFRS 13 FV of derivatives	**(561.5)**	(487.5)

The following table provides an analysis of 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:

Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2022				
Derivative assets:				
- £210m notional interest rate swaps	**-**	**8.4**	**-**	**8.4**
Derivative liabilities:				
- £300m notional inflation-linked swaps	**-**	**(10.2)**	**(517.1)**	**(527.3)**
- £200m notional interest rate swaps	**-**	**(24.1)**	**-**	**(24.1)**
- £150m notional interest rate swaps	**-**	**(10.1)**	**-**	**(10.1)**
	-	**(44.4)**	**(517.1)**	**(561.5)**
At 31 March 2021				
Derivative assets:				
- £210m notional interest rate swaps	-	-	-	-
Derivative liabilities:				
- £300m notional inflation-linked swaps	-	(47.6)	(415.9)	(463.5)
- £200m notional interest rate swaps	-	(12.3)	-	(12.3)
- £150m notional interest rate swaps	-	(11.7)	-	(11.7)
	-	(71.6)	(415.9)	(487.5)

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

The Company has £210m notional interest rate swaps valued at fair value through profit or loss, measured at £8.4m asset at 31 March 2022 (2021: no derivatives). These are disclosed as Level 2.

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

Group	2022 £m	2021 £m
At 1 April	**(415.9)**	(407.1)
Transfers into Level 3 from Level 2	**(35.6)**	-
Transfers from Level 3 into Level 2	**5.1**	33.1
Total gains or losses in profit or loss;		
- On transfers into Level 3 from Level 2	**5.5**	-
- On instruments carried forward in Level 3	**(76.2)**	(41.9)
At 31 March	**(517.1)**	(415.9)

The movement in the fair values of the derivative portfolio was largely due to fair value movements. No additional swaps classed as Level 3 were entered during the year, and no swaps were closed out during the year.

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.

Group	2022 -10bps £m	2022 +10bps £m	2021 -10bps £m	2021 +10bps £m
Inflation-linked swaps	**(5.9)**	**5.6**	(2.1)	2.0

Fair value measurements disclosed but not recognised in the Statement of Financial Position

Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2022:				
Borrowings measured at amortised cost	**(2,049.2)**	**-**	**-**	**(2,049.2)**
At 31 March 2021:				
Borrowings measured at amortised cost	(1,895.0)	-	-	(1,895.0)

Notes to the Financial Statements (continued)

23. Retirement benefit schemes

Group

Nature of Scheme

The Group's retirement benefit arrangement is the Electricity North West Group of the ESPS ("the Scheme") and forms part of the Electricity Supply Pension Scheme (ESPS). The Scheme contains both a defined benefit section and a defined contribution section. The defined benefit section of the Scheme closed to new entrants on 1 September 2006, with new employees of the Group subsequently provided with access to the defined contribution section.

The defined benefit section is a UK funded final salary arrangement providing pensions and lump sums to members and dependants. The defined benefit section is a separate fund that is legally separated from the entity. The Trustee board of the Scheme is composed of representatives from both the employer and members of the Scheme. Under the Pensions Act 2004 at least one third of the Trustee Board must be member nominated and the Trustee Board has made the necessary arrangements to fulfil this obligation. The Trustee Board of the Scheme is required by law to act in the interest of the Scheme and all relevant stakeholders of the Scheme, i.e. active employees, retirees and employers. The Trustee Board is responsible for the operation, funding and investment strategy of the Scheme.

During the year the Group made contributions of £28.1m (2021: £28.5m) to the defined benefit section of the Scheme. This includes £19.4m (2021: £18.9m) of deficit contributions. The Group estimates that contributions for the year ending 31 March 2023 will amount to around £30.0m which includes £20.0m of expected deficit contribution payments. The total defined benefit pension expense for the year was £9.9m (2021: £15.1m). No Executive Directors were part of the defined benefit scheme.

As at 31 March 2022 contributions of £2.5m (2021: £2.4m) relating to the current reporting period had not been paid over to the defined benefit Scheme.

Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the Statement of Financial Position.

The most recent triennial funding valuation of the scheme was carried out as at 31 March 2019 and identified a shortfall of £69.5m against the Trustee Board's statutory funding objective. In addition to the timing of the two valuations, the contributions made in the period and the return on assets, the main difference is due to the different assumptions used by the IAS 19 and the funding valuation. In the event of underfunding, the Group must agree a deficit recovery plan with the Trustee Board within statutory deadlines. As part of the 2019 actuarial valuation, the Group agreed to eliminate the shortfall by paying additional annual contributions in the period to March 2023.

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

Funding the liabilities

UK legislation requires the Trustee Board to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent valuation was carried out as at 31 March 2019 and identified a shortfall of £69.5m against the Trustee Board's statutory funding objective. In the event of underfunding the Group must agree a deficit recovery plan with the Trustee Board within statutory deadlines. As part of the 2019 actuarial valuation the Group agreed to remove the shortfall by paying annual contributions to 2023.

The results of the 2019 funding valuation have been projected forward by an independent actuary to take account of the requirements of revised IAS 19 *'Employee Benefits'* in order to assess the position as at 31 March 2022 for the purpose of these financial statements. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. A pension surplus under IAS 19 (revised 2011) of £18.4m is included in the statement of financial position at 31 March 2022 (2021: deficit of £68.6m).

The weighted average duration of the defined benefit obligation is approximately 16 years (2021: 18 years).

Investment risks

The Scheme has an investment strategy to aim to match pensioner and other liabilities with lower risk cash flow investments and to invest liabilities in respect of active members into return seeking assets. As active members retire, then a switch of investments would be carried out.

The Company recognises that the interests of customers, who ultimately fund pension costs, should be given full recognition in determining the investment strategy. The Company works in collaboration with the Scheme Trustee to ensure these interests are considered alongside those of the members of the pension scheme.

Other risks

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

These risks are managed through de-risking and hedging strategies and are measured and reported at Board level. In particular in October 2019 the Scheme completed a pensioner buy-in with Scottish Widows for around 80% of the Scheme's pensioner liabilities. This had the effect of removing longevity and investment risks for this part of the membership.

Winding up

Although currently there are no plans to do so, the Scheme could be wound up in which case the benefits would have to be bought out with an insurance company. The cost of buying-out benefits would be significantly more than the defined benefit obligation calculated in accordance with IAS 19 (revised 2011).

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

Defined Contribution arrangements

All assets within the defined contribution section of the Scheme are held independently from the Group.

The total cost charged to the income statement in relation to the defined contribution section for the year ended 31 March 2022 was £6.7m (2021: £6.3m) and represents contributions payable to the Scheme at rates specified in the rules of the Scheme. As at 31 March 2022 contributions of £nil (2021: £nil) due in respect of the current reporting period had not been paid over to the defined contribution Scheme.

Defined Benefits employee benefits

The reconciliation of the opening and closing statement of financial position is as follows:

Group	**2022 £m**	2021 £m
At 1 April	**(68.6)**	(26.3)
Expense recognised in the income statement	**(9.9)**	(15.1)
Contributions paid	**28.1**	28.5
Total re-measurement included in other comprehensive income	**68.8**	(55.7)
At 31 March	**18.4**	(68.6)

The balance recognised in the statement of financial position is as follows:

Group	**2022 £m**	2021 £m
Present value of defined benefit obligations	**(1,259.3)**	(1,434.9)
Fair value of plan assets	**1,277.7**	1,366.3
Net surplus/ (deficit) arising from defined benefit obligation	**18.4**	(68.6)

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

Movements in the fair value of the defined benefit obligations are as follows:

Group	2022 £m	2021 £m
At 1 April	**1,434.9**	1,317.9
Current service cost	**15.7**	13.9
Interest expense	**27.9**	28.3
Member contributions	**1.4**	1.5
Past service credit	**(8.4)**	-
Re-measurement:		
Effect of changes in demographic assumptions	**(73.1)**	(1.2)
Effect of changes in financial assumptions	**(50.5)**	144.1
Effect of experience adjustments	**(10.2)**	-
Benefits paid	**(78.4)**	(69.6)
At 31 March	**1,259.3**	1,434.9

The liability value as at 31 March is made up of the following approximate splits:

Group	2022 £m	2021 £m
Liabilities owing to active members	**448.8**	490.2
Liabilities owing to deferred members	**68.2**	76.7
Liabilities owing to pensioner members	**742.3**	868.0
Total liability at 31 March	**1,259.3**	1,434.9

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

Group	2022 £m	2021 £m
At 1 April	**1,366.3**	1,291.7
Interest income	**26.8**	28.0
Return on plan assets (net of interest income)	**(65.0)**	87.1
Employer contributions	**28.1**	28.5
Member contributions	**1.4**	1.5
Benefits paid	**(78.4)**	(69.6)
Administration expenses	**(1.5)**	(0.9)
At 31 March	**1,277.7**	1,366.3

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

The net pension expense before taxation recognised in the income statement, before capitalisation, in respect of the Scheme is summarised as follows:

Group	**2022 £m**	2021 £m
Current service cost	**(15.7)**	(13.9)
Past service credit	**8.4**	-
Interest income on plan assets	**26.8**	28.0
Interest expense on Scheme obligations	**(27.9)**	(28.3)
Administration expenses	**(1.5)**	(0.9)
Net pension expense before taxation	**(9.9)**	(15.1)

The above amounts are recognised in arriving at operating profit except for the interest on Scheme assets and interest on Scheme obligations which have been recognised within finance expense (Note 9).

The £8.4m past service credit has arisen in the Group due to the £1.5m past service cost from the Guaranteed Minimum Pension (GMP) conversion exercise for pensioner and dependant members net of the £9.9m past service credit from the Pension Increase Exchange (PIE) exercise for the year-ended 31 March 2022 (2021: nil).

The amounts recognised in other comprehensive income is as follows:

Group	**2022 £m**	2021 £m
Return on scheme assets excluding interest income	**(65.0)**	87.1
Actuarial gain arising from changes in demographic assumptions	**73.1**	1.2
Actuarial gain/(loss) arising from changes in financial assumptions	**50.5**	(144.1)
Experience gain on liabilities	**10.2**	-
Total gain/(loss) recognised in other comprehensive income	**68.8**	(55.7)

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

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

Group	**2022 %**	2021 %
Discount rate	**2.65**	2.00
Pensionable salary increases	**3.80**	3.40
Pension increases	**3.65**	3.20
Price inflation (RPI)	**3.80**	3.40
Price inflation (CPI)	**3.30**	2.90

The mortality rates utilised in the valuation are based on the standard actuarial tables S2PA (birth year) tables with a loading of 110% for male pensioners (2021: 100%), 105% for female pensioners (2021: 95%), 110% for male non-pensioners/future pensioners (2021: 110%) and 105% for female non-pensioners/future pensioners (2021: 105%). These loading factors allow for differences in expected mortality between the Scheme population and the population used in the standard tables. A long-term improvement rate of 1.25% p.a. is assumed within the underlying CMI 2021 model (2021: 1.50% CMI 2020 model). The A factor for mortality was 0.25%.

The current life expectancies underlying the value of the accrued liabilities for the Scheme are:

Group **Life expectancy**	**2022** **Years**	2021 Years
Male - Non-retired member (current age 45)	**26.6**	27.7
Male - Retired member (current age 60)	**25.6**	27.1
Female - Non-retired member (current age 45)	**29.4**	30.3
Female - Retired member (current age 60)	**28.2**	29.7

The following table presents a sensitivity analysis for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the Statement of Financial Position date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability, the measurement of which depends on a number of factors including the fair value of Scheme assets. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will also increase.

Group **Increase in Defined Benefit Obligation**	**2022** **£m**	2021 £m
Discount rate: decrease by 25 basis points	**48.3**	65.9
Price inflation: increase by 25 basis points	**27.7**	43.7
Life expectancy: increase longevity by 1 year	**57.2**	64.2

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

As at 31 March 2022, the fair value of the Scheme's assets and liabilities recognised in the statement of financial position were as follows:

Group

	Scheme assets	**Quoted**	**Unquoted**	**Total Value**	Scheme assets	Quoted	Unquoted	Total Value
			2022				2021	
At 31 March	**%**	**£m**	**£m**	**£m**	%	£m	£m	£m
Cash	**3.6**	**45.7**	**-**	**45.7**	3.2	43.9	-	43.9
Equity instruments	**4.3**	**54.8**	**-**	**54.8**	3.6	48.7	-	48.7
Debt instruments	**33.3**	**337.7**	**88.2**	**425.9**	30.6	333.0	84.8	417.8
Real estate	**11.1**	**-**	**141.6**	**141.6**	9.4	-	128.0	128.0
Distressed debt	**0.4**	**-**	**5.1**	**5.1**	0.9	-	11.9	11.9
Pensioner buy-in	**47.3**	**-**	**604.6**	**604.6**	52.3	-	716.0	716.0
Fair value of assets	**100.0**	**438.2**	**839.5**	**1,277.7**	100.0	425.6	940.7	1,366.3
Present value of liabilities				**(1,259.3)**				(1,434.9)
Net retirement benefit surplus/ (obligation)				**18.4**				(68.6)

The fair values of the assets set out above are as per the quoted market prices in active markets.

24. Customer Contributions

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

Group	**2022 £m**	2021 £m
At 1 April	**436.3**	411.7
Additions during the year	**51.8**	35.0
Amortised through revenue (Note 4 & 31)	**(11.1)**	(10.4)
At 31 March	**477.0**	436.3
Split:		
Amounts due in less than one year (Note 19)	**38.3**	24.7
Amounts due after more than one year	**438.7**	411.6
At 31 March	**477.0**	436.3

Notes to the Financial Statements (continued)

25. Deferred tax

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

Group	**Accelerated tax depreciation £m**	**Retirement benefit obligations £m**	**Other £m**	**Total £m**
At 1 April 2020	307.2	(5.2)	(56.5)	245.5
(Credited)/charged to income statement (Note 10)	(1.8)	2.5	(11.6)	(10.9)
Deferred tax on re-measurement of defined benefit pension schemes	-	(10.6)	-	(10.6)
At 31 March 2021	**305.4**	**(13.3)**	**(68.1)**	**224.0**
Charged/(credited) to the income statement (Note 10)	**94.2**	**13.3**	**(33.5)**	**74.0**
Deferred tax on re-measurement of defined benefit pension schemes	**-**	**17.2**	**-**	**17.2**
Adjustment due to change in future tax rates of brought forward deferred tax OCI	**-**	**(12.9)**	**-**	**(12.9)**
At 31 March 2022	**399.6**	**4.3**	**(101.6)**	**302.3**

Company	**Accelerated tax depreciation £m**	**Retirement benefit obligations £m**	**Other £m**	**Total £m**
At 1 April 2020	-	-	-	-
Charged/(credited) to the income statement	-	-	-	-
At 31 March 2021	**-**	**-**	**-**	**-**
Charged/(credited) to the income statement	**-**	**-**	**2.1**	**2.1**
At 31 March 2022	**-**	**-**	**2.1**	**2.1**

The deferred tax in the Company has arisen as a result of the derivative entered in the year (Note 22). There was not deferred tax in the prior year.

There are no significant unrecognised deferred tax assets or liabilities for either the Group or Company in either the current or prior year.

Other timing differences relates primarily to derivative instruments, but also includes general provision, pension contributions not paid, rollover relief, IFRS9 and IFRS16 transitional adjustments.

Notes to the Financial Statements (continued)

25. Deferred tax (continued)

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% (2021: 19%) rate, except where it is known that it will reverse before 1 April 2023 when the 19% rate has been used.

26. Provisions

Group	**2022** **£m**	2021 £m
At 1 April	**1.7**	1.8
Amounts (released)/charged to the income statement (Note 5)	**(0.2)**	0.1
Lease liabilities under IFRS 16 reclassified as provision	**0.3**	-
Utilisation of provision	**(0.2)**	(0.2)
At 31 March	**1.6**	1.7

Group	**2022** **£m**	2021 £m
Current	**0.6**	0.4
Non-current	**1.0**	1.3
At 31 March	**1.6**	1.7

ENWL is part of a Covenanter Group (CG) which is party to a Deed of Covenant under which certain guarantees over the benefits of members of the EATL Group of the Electricity Supply Pension Scheme have been given. The closing provision at 31 March 2022 of £1.2m (2021: £1.5m) on a discounted basis relates to the Company's 6.7% share of the liabilities. £1.0m of this balance is due after more than one year and £0.2m of it is due in less than one year.

The remainder of the provision relates to Comet properties and is all due less than one year.

Notes to the Financial Statements (continued)

27. Called up share capital

Group and Company	**2022**	2021
	£m	£m
Authorised:		
3,050,000 ordinary shares of £1 each	**3.1**	3.1
At 31 March	**3.1**	3.1

Group and Company	**2022**	2021
	£m	£m
Allotted, called up and fully paid:		
3,050,000 ordinary shares of £1 each	**3.1**	3.1
At 31 March	**3.1**	3.1

No person has any special rights of control over the Company's share capital and all allotted shares are fully paid.

See Note 28 for voting rights of each share.

28. Capital structure

Details of the authorised and allotted share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 27. The Company has Ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions in the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid up.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles of Association, copies of which are available on request.

Notes to the Financial Statements (continued)

29. Ultimate parent undertaking and controlling party

The immediate parent undertaking is North West Electricity Networks (Finance) Ltd, a company incorporated and registered in the United Kingdom. The registered address of the immediate parent undertaking is Borron Street, Stockport, Cheshire SK1 2JD. This is the smallest group in which the results of the Company are consolidated and these consolidated accounts can be obtained from the above address.

The ultimate parent undertaking is NWEN (Jersey), a company incorporated and registered in Jersey. The address of the ultimate parent company is: 44 Esplanade, St Helier, Jersey, Channel Islands, JE4 9WG. This is the largest group in which the results of the Company are consolidated.

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

- 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%).

Notes to the Financial Statements (continued)

30. Related party transactions

During the year the following transactions with related parties were entered into:

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Recharges to:				
Electricity North West (Construction and Maintenance) Ltd	**0.1**	**-**	1.7	-
Electricity North West Services Ltd	**0.9**	**-**	1.2	-
Recharges from:				
Electricity North West (Construction and Maintenance) Ltd	**-**	**-**	(0.4)	-
Electricity North West Services Ltd	**(7.3)**	**-**	(5.0)	-
Interest payable to:				
North West Electricity Networks (Finance) Ltd	**(17.3)**	**(17.3)**	(20.1)	(20.1)
NWEN Finance plc	**-**	**(2.4)**	-	(10.6)
Interest receivable from:				
North West Electricity Networks plc	**-**	**28.4**	-	32.6
Dividends paid to North West Electricity Networks (Finance) Ltd	**(36.5)**	**(36.5)**	(3.6)	(3.6)
Dividends received from NWEN (Group) Ltd	**-**	**36.6**	-	2.0
Directors' remuneration (Note 7)	**(1.9)**	**-**	(2.0)	-

For disclosure relating to executive directors' remuneration see Note 7. The Company's key management personnel comprise solely of its directors.

Notes to the Financial Statements (continued)

30. Related party transactions (continued)

Amounts outstanding with related parties are as follows:

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Amounts owed by group undertakings:				
North West Electricity Networks (Jersey) Ltd	**-**	**-**	0.9	-
Electricity North West (Construction and Maintenance) Ltd	**0.6**	**-**	1.0	-
Electricity North West Services Ltd	**0.3**	**-**	0.4	-
Electricity North West Property Ltd	**0.1**		0.1	
North West Electricity Networks plc	**-**	**-**	-	-
North West Electricity Networks (Finance) Ltd	**0.1**	**-**	0.1	-
Electricity North West Ltd	**-**	**0.2**	-	0.1
Interest owed by North West Electricity Networks plc	**-**	**11.9**	-	13.3
Reimbursement of inter-company loan impairment	**-**	**0.5**	-	0.1
Total (Note 17)	**1.1**	**12.6**	2.5	13.5
Amounts owed to subsidiary undertakings:				
North West Electricity Networks plc	**-**	**(0.5)**	-	(0.5)
Electricity North West Ltd	**-**	**(0.2)**	-	(0.3)
		-		
Total (Note 19)	**-**	**(0.7)**	-	(0.8)
Amounts owed to group undertakings:				
Interest owed to North West Electricity Networks (Finance) Ltd	**(8.7)**	**(8.7)**	(9.3)	(9.3)
Interest owed to NWEN Finance plc	**-**	**-**	-	(3.0)
North West Electricity Networks (Jersey) Ltd	**-**	**-**	(0.1)	-
Electricity North West Services Ltd	**(0.9)**	**-**	(0.7)	-
Total (Note 19)	**(9.6)**	**(8.7)**	(10.1)	(12.3)
Group tax relief:				
North West Electricity Networks (UK) Ltd	**-**	**-**	0.2	0.2
Electricity North West (Construction and Maintenance) Ltd	**-**	**-**	0.4	0.4
Electricity North West Services Ltd	**-**	**-**	0.1	0.1
Electricity North West Property Ltd	**-**	**-**	(0.1)	(0.1)
Borrowings owed to:				
North West Electricity Networks (Finance) Ltd	**(453.1)**	**(453.1)**	(457.1)	(457.1)
NWEN Finance plc	**-**	**-**	-	(179.9)
Borrowings owed by:				
North West Electricity Networks plc	**-**	**683.4**	-	683.4

Notes to the Financial Statements (continued)

30. Related party transactions (continued)

The loans from related parties comprise amounts loaned from the immediate parent undertaking, North West Electricity Networks (Finance) Ltd, of £453.1m (2021: £457.1m). Of this, £167.7m (2021: £171.7m) carries interest at 10% per annum and £285.4m (2021: £285.4m) is interest free. The £180.0m borrowed from NWEN Finance plc, which carried interest at 5.875% per annum, was repaid during the year.

The loans to related parties comprise amounts loaned to North West Electricity Networks plc, of £683.4m. Of this, £200.0m carries interest at 10% per annum, £322.4 million is interest free, £161.0m carries interest at 4.25%. All other related party balances bear no interest.

31. Cash generated from operations

	Group 2022 £m	**Company 2022 £m**	Group 2021 £m	Company 2021 £m
Operating profit/ (loss)	**166.9**	**(0.1)**	167.3	-
Adjustments for:				
Depreciation of property, plant and equipment (Note 5 & 13)	**120.1**	**-**	120.0	-
Amortisation of intangible assets (Note 5 & 12)	**12.8**	**-**	6.1	-
Amortisation of customer contributions (Note 4 & 24)	**(11.1)**	**-**	(10.4)	-
Profit on disposal of property, plant and equipment	**(0.1)**	**-**	(0.1)	-
Cash contributions in excess of pension charge to operating profit	**(23.7)**	**-**	(20.7)	-
Operating cash flows before movements in working capital	**264.9**	**-**	262.2	-
Changes in working capital:				
Increase in inventories	**(4.1)**	**-**	(3.2)	-
Increase in trade and other receivables	**(4.7)**	**-**	(11.7)	(0.1)
Increase in payables and provisions	**10.0**	**-**	9.1	0.1
Cash generated from operations	**266.1**	**(0.1)**	256.4	-