

Company Registration No. 99259

NORTH WEST ELECTRICITY NETWORKS (JERSEY) LIMITED

**Annual Report and Consolidated Financial Statements
for the year ended 31 March 2021**

North West Electricity Networks (Jersey) Limited

Annual Report and Consolidated Financial Statements for the year ended 31 March 2021

North West Electricity Networks (Jersey) Limited is the ultimate holding company of Electricity North West Limited. Electricity North West Limited is the electricity distributor for the North West of England. It owns, invests in, operates and maintains the network of poles, wires, transformers and cables which carry electricity from the national grid to 2.4 million premises and five million customers. Its job is to keep electricity flowing safely to customers' homes and businesses, keeping the lights on 24 hours a day, seven days a week. As the country moves towards net zero carbon, this dependence on our network, and the volume of electricity that it will have to carry, will increase. We are proud of who we are, the essential role we play for our customers, our support of the move to net zero carbon, and the investment we make locally.

We are pleased to present our Annual Report and Consolidated Financial Statements to shareholders for the year ended 31 March 2021. Further information on our North West Electricity (Jersey) Limited Group can also be found by visiting Electricity North West's website: www.enwl.co.uk.

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's 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.

Contents

Strategic Report.....	1
Directors' Report.....	11
Directors' Responsibilities Statement.....	14
Independent Auditor's Report.....	15
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated and Company Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Company Statement of Changes in Equity	21
Consolidated and Company Statement of Cash Flows	22
Notes to the Financial Statements	23

Strategic Report

The Directors present their Annual Report and audited Consolidated Financial Statements of North West Electricity Networks (Jersey) Limited (referred to as “the Company”, or “NWEN (Jersey)”) and its subsidiaries (together referred to as “the Group”) for the year ended 31 March 2021.

Business review and principal activities

The Company is limited by shares and incorporated and registered in Jersey under Companies (Jersey) Law. It has been UK tax resident since incorporation in 2007. The Group does not gain any tax advantage from this structure and is subject to UK corporation tax and VAT.

The trading address for the Group is Borron Street, Stockport, SK1 2JD.

The Company is the immediate and ultimate parent undertaking of the Group and is a non-trading entity. The Company acts as a holding company for the investment in the Group.

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.

Another activity of the Group is the construction, operation, maintenance and repair of high voltage assets, by Electricity North West (Construction and Maintenance) Limited, a subsidiary of North West Electricity Networks (UK) Limited (“NWEN (UK)”) which is a wholly owned subsidiary of the Company.

Electricity North West Services Limited, another wholly owned subsidiary of NWEN (UK), was set-up to insource certain ground maintenance

and meter cut out activities previously undertaken by contractors.

Electricity North West Property Limited, another wholly owned subsidiary of NWEN (UK), was established to develop, own and co-ordinate Intellectual Property Rights generated through its research activities into the electricity networks and their supporting technologies.

The Group includes three financing companies, two of which had debt listed on the London Stock Exchange throughout the year. These companies are ENW Finance plc and NWEN Finance plc, which are entities within the NWEN (Jersey) group. During the year, ENW Finance plc issued a new £300m bond in preparation for group financing obligations due in the next 12 months. External debt is also issued in North West Electricity Networks (Holdings) Limited, North West Electricity Networks plc, both intermediary holding and financing companies, and in ENWL, the operating company. Following the issue of debt, the proceeds are lent down the group to finance operations in ENWL.

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, with the exception of the COVID-19 risk, which has continued to be closely monitored, as noted below.

Strategic Report (continued)

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 from 2015 to 2023 and is designed to drive real benefits for customers. Ofgem has started consulting on RIIO-ED2 which will govern the next price control period, from 2023 to 2028, and we will be submitting our draft business plan for ED2 to Ofgem in late 2021.

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.

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 Company, our employees and our customers over the year. As ENWL is deemed a critical service provider by the UK Government, we have continued to deliver our essential services to customers throughout the year, with additional support provided to the most vulnerable.

We have continued to monitor the situation closely throughout the pandemic, responding to changing restrictions locally and nationally and adapting our policies and procedures to ensure the safety of our people and the public.

Supporting our colleagues

Our priorities in dealing with the exceptional challenges posed by COVID-19 continue to be ensuring the safety of our colleagues, including a focus on mental wellbeing, and the safety of our customers whilst maintaining the reliability of supply and building resilience for the future.

We have taken steps to protect those of our colleagues who are considered by government to be particularly vulnerable to the effects of the virus. All employees, whose roles permit them to do so effectively, remain working from home, and we have significantly increased our IT and other processes to support this throughout the year.

For our colleagues who work in the field, we swiftly introduced strict safety and hygiene procedures, which have been adapted as government advice has evolved, including social distancing measures and use of additional personal protective equipment where this is appropriate.

Strategic Report (continued)

COVID-19 (continued)

For those employees who have not been able to work effectively from home, and to facilitate the return of others in due course, we continue to adapt and introduce new measures to ensure we keep our colleagues safe in our offices and depots.

The commitment shown by our colleagues to the business and our customers throughout the pandemic has been exceptional. At the same time, we do recognise the impact that these unprecedented times can have on wellbeing, especially mental wellbeing. In addition to maintaining regular contact with colleagues using video meetings, we continue to support colleagues through our wellbeing support mechanisms, including our Employee Assistance Programme which is available to all employees.

Maintaining supplies

In line with our role as an essential service provider, we have continued throughout the pandemic with our essential maintenance of the network, albeit with a view to reducing the length of planned supply interruptions on Customers, as well as responding to power cuts. Our robust business continuity plans have enabled us to respond to the impact of the pandemic quickly and effectively.

During the pandemic, it has been vital that our engineers carry out maintenance and inspections on the power network, to ensure the resilience of our network is maintained.

Where possible, we have limited planned interruptions to last no longer than five hours and provided temporary generation where appropriate.

We have continued to work closely with Government and Ofgem as well as the industry body, the Energy Networks Association, to ensure a consistent industry-approach.

Supporting our customers and communities

Throughout the pandemic we have continued to respond to issues across the network 24 hours a day, 7 days a week, to keep power flowing, including responding to power cuts, wherever and whenever they happen.

We know that the COVID-19 pandemic had a significant impact on the wellbeing of the people and businesses in our region. The Company commissioned independent research on the impact of the COVID-19 pandemic on customers with vulnerabilities and emerging trends and challenges.

The analysis assessed risks and impacts around 18 vulnerability factors, grouped under six headings, and provided data on the most negatively impacted geographic and demographic groups in our region.

The report has been shared with our partners, and used to target actions from the Company, both independently and in collaboration with partners, to provide support and target Priority Services registration. A further report has been commissioned to provide on-going data and insight.

Our colleagues have continued to show this commitment to the communities we serve, with a number of local initiatives including collecting food and supplies for local foodbanks and hospitals and working in partnerships with charities, such as the Bread and Butter Trust, to deliver food bundles to families in our region.

Maintaining financial resilience

Like most businesses, the COVID-19 pandemic has had a direct effect on our revenue and cost base. During the year we have provided additional investment in remote IT access to allow colleagues to work from home, seen increased costs for the provision of PPE and seen some reductions in revenue in our business connections activity.

Strategic Report (continued)

COVID-19 (continued)

The vast majority of our revenues are collected in ENWL, in-part, based on the demand over the network. With the national and local lockdown restrictions, this has naturally fallen over the year, with a short-term reduction in revenue recorded and cashflows. To the extent that we have not collected all our allowed revenues in this year, the regulatory framework adjusts collections in future years, and therefore this will not have a lasting economic impact on us.

COVID-19 has had no significant financial impact on the three smaller trading entities in the Group.

As our cash is collected from energy suppliers, rather than end customers, our exposure to bad debts is more indirect. We continue to work, at the request of Ofgem, with the Industry to implement cash payment mechanisms that support liquidity of the industry, recognising that many customers will be facing financial difficulty.

Our cash is collected from energy suppliers, rather than end customers. During the year we supported an Ofgem led supplier payment deferral scheme, allowing delayed payment from energy suppliers where they were seeing a reduction in their own cash flows. Through this scheme, we offered £24m, and provided £2m, of cash flow support to the industry.

Our funding position continues to be strong, with careful management of our liquidity and working capital. As at 31 March 2021, the Group had £345m (2020: £81m) of available cash and £269m (2020: £251m) of available but undrawn bank facilities, representing available liquidity of £614m (2020: £332m). 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 above available liquidity.

Consideration has been given to financial impacts of COVID-19 by the Directors in making the going concern and viability assessments and in determining any possible impairment of the Company's assets.

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

Other External Factors

Ofgem consultation on the RIIO-ED2 framework, covering the period from 2023 to 2028, is underway. Ofgem's statements on RIIO-ED2 clearly reflect the importance of the electricity distribution sector in enabling the transition to a low carbon economy and also acknowledge the evolution of DNOs to perform Distribution System Operations (DSO) as part of this transition. The next year will see Ofgem decide on many of the aspects of the RIIO-ED2 price control framework which are to be developed to meet these and other strategic challenges. We continue to engage in, and influence, the RIIO-ED2 process to meet the needs of our customers and other stakeholders.

As part of this engagement process, we look forward to the opportunity to make representations at the Competition and Markets Authority (CMA) hearing in respect of the appeal by Wales and West Utilities (WWU) of their price control settlement, and the cost of debt allowance setting mechanism period, given the precedent this can set for RIIO-ED2. We, like WWU, are concerned to ensure that the cost of debt, efficiently incurred, will be appropriately funded.

We also monitor the continuing environment of political and economic uncertainty. Brexit has had a limited direct impact, aside from a modest increase in stock levels in ENWL 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 or the period covered by the viability statement.

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 2021 and 2020 is set out in the following table:

	2021	2020
Revenue	£455m	£486m
Operating Profit	£169m	£198m
Profit before tax and fair value movements	£86m	£107m
Profit before tax	£31m	£97m
Cash inflow before financing	£9m	£10m

Revenue

Revenue has decreased to £455m (2020: £486m) during the year as a result of COVID-19 reducing electricity demand 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 31 March 2021 there was an under recovery of DUoS revenue of £21.7m against allowed revenue, before adjustment for RPI indexation (2020: £9.7m over-recovery), reflecting variability against forecast in consumption volumes year on year, the significant under recovery being direct effect from the lower consumption due to COVID-19. This under 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 £169m (2020: £198m), primarily as a result of the reduction in revenue detailed above, which was not fully offset by the decrease in operating costs.

Profit before tax and fair value movements

Profit before tax and fair value movements has decreased to £86m (2020: £107m), mainly as a result of the reduction in operating profit net of lower interest costs – see Note 9.

Profit before tax

Profit before tax has decreased to £31m (2020: £97m), due to the reduction in operating profits and the increase in the fair value movement on derivatives held for trading – see Note 9.

Cash flow before financing activities

Net cash inflow before financing activities in the year was £9m (2020: £10m inflow), reflecting the decrease in cash from operations and reduction in investing activities.

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 solely an investment 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 policy and to maintain the agreed targeted headroom on key financial ratios.

Long-term borrowings are mainly at fixed rates to 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 2022, forecasts to the end of the current price review in 2023 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 2021, unutilised committed facilities of £269m (2020: £251m), together with £345m (2020: £81m) of cash and 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, 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.

NWEN (Holdings) is currently rated BB+ by S&P.

NWEN plc is currently rated BBB+ by S&P and BBB (negative outlook) by Fitch Ratings.

ENWL is currently rated Baa1/BBB+ by each of Moody's Investors Services, S&P and Fitch Ratings.

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

Strategic Report (continued)

Key performance indicators – Company

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

Net debt

Net Debt	2021	2020
	£m	£m
Cash and deposits	345	81
Borrowings	(2,094)	(1,786)
Net debt	(1,749)	(1,705)

The Group's borrowings, net of cash and money-market deposits, were £1,749m (2020: £1,705m).

Of the external debt, £7m (2020: £7m) is due to be repaid within the next year, under European Investment Bank (EIB) loans that have an amortising repayment profile, and £1m (2020: £2m) lease repayments.

The £200m 6.125% 2021 bond in ENW Finance plc matures in July 2021; during the year a £300m 1.415% 2030 bond was issued by ENW Finance plc which will be used to repay the 2021 bond on maturity.

The £180m 5.875% 2021 bond in NWEN Finance plc matures in June 2021; during the prior year a £210m bank facility was entered by NWEN (Holdings) which will be used to repay the 2021 bond on maturity.

The £50.0m (£35.4m utilised) bank loan facility in NWEN plc is due to mature in January 2022. NWEN plc has the option to extend the facility for a further two one-year periods.

All other borrowings are repayable after more than one year and include bonds with long-term maturities of £1,362m (2020: £1,441m), bank loans of £305m (2020: £332m) and leases of £3.3m (2020: £3.7m).

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 2021 there were no formal hedging relationships in the Group (2020: 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 £55m have been recognised in the income statement (2020: losses of £10m), which relates entirely to non-cash movements.

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

Additionally, the remeasurement of the defined benefit pension scheme has resulted in a £56m loss (2020: £74m loss) booked directly to equity.

Strategic Report (continued)

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.

Human rights

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

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

This year the Group has continued to strengthen its approach to Modern Slavery, working with suppliers and charities to raise awareness of this abhorrent activity. As a founding member of the Slave Free Alliance, we have played an active role in forming a Utilities Sector Modern Slavery Working Group. Collaboration with other like-minded organisations will help the Group to strengthen its work to address Modern Slavery. The Group's Modern Slavery Act statement is available on its website:

www.enwl.co.uk/about-us/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.

Employees

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.

We look to balance the right skills and people resources to support the business in the long term.

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.

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.

Strategic Report (continued)

Corporate Social Responsibility (continued)

We are committed to rewarding our colleagues equally, regardless of gender. During the year we published our gender pay gap information. More information is available at www.enwl.co.uk.

Gender diversity

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

	2021 Male	2021 Female	2020 Male	2020 Female
Total employees	1,440	482	1,550	502
Senior managers	32	13	34	11
Executive leadership team*	6	2	7	1
Directors	2	0	2	0

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

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;
- 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 2022 and forecasts covering the period to the end of

the current price review in 2023. These forecasts include projections and cash flow forecasts, including covenant compliance considerations. Inherent in forecasting is an element of uncertainty and 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 ongoing development of the COVID-19 pandemic; and
- Short-term liquidity requirements are forecast to be met from the Group's operating cash flows and short-term deposit balances. A further £269m of committed undrawn bank facilities of £50m in ENWL, £39m in NWEN plc and £180m in NWEN (Holdings) 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 31 May 2022 indicate there is significant headroom on these covenants.

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

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 2021.

Approved by the Board on 4 June 2021 and signed on its behalf by:



Peter O'Flaherty
Director

Directors' Report

The Directors present their Annual Report and Consolidated Financial Statements of North West Electricity Networks (Jersey) Limited ("the Company" or "NWEN (Jersey)") and its subsidiaries (together referred to as "the Group") for the year ended 31 March 2021.

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 2021, the Company declared an interim dividend of £47.9m, paid in December 2020 (31 March 2020: £37.7). There was no final dividend declared for the year ended 31 March 2020; the final dividend for the year ended 31 March 2019 of £12.0m was paid in June 2019.

The Directors have proposed a final dividend of £14.3m for the year ended 31 March 2021.

Ultimate parent undertaking and controlling party

The Company is the ultimate parent undertaking of the Group.

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 2021 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.

Non-executive Directors

S Jones

G Pan

S Sumitomo

P O' Flaherty (appointed 1 April 2020)

Y Hamada (appointed 1 April 2020, resigned 25 June 2020)

T Tanaka (appointed 25 June 2020)

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 (Jersey) Law 1991.

The insurance is a group policy, held in the name of 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 2021 the Group incurred £2.3m of expenditure on research and development (2020: £3.1m), 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.

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 30.

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.

Information given to auditor

Each of the persons who is 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.

Independent auditor

Deloitte LLP, Statutory Auditor, Manchester, United Kingdom has expressed its willingness to continue in office as auditor of the Group. In accordance with section 487 of the Companies Act 2006, Deloitte LLP is deemed to be re-appointed as auditor of the Company.

Directors' Report (continued)

Registered address

The Company is registered in Jersey at the following address:

North West Electricity Networks (Jersey)
Limited
44 Esplanade
St Helier
Jersey
JE4 9WG

Registered number: 99259

Approved by the Board on 4 June 2021 and
signed on its behalf by:



Peter O'Flaherty

Director

Directors' Responsibilities Statement

The directors are responsible for preparing 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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are required by law to 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.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- 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 in IFRSs 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 proper accounting records that 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 (Jersey) Law 1991.

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 and for compliance with the Financial Services (Jersey) Law 1998 and Codes of Practice.

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 European Union, 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 4 June 2021 and is signed on its behalf by:



Peter O'Flaherty
Director

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of North West Electricity Networks (Jersey) 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 2021 and of the group's and the parent company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated and company cash flow statements; and
- the related Notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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.

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 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.

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

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 statement of directors' responsibilities, 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.

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 frameworks that the group 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. These included Companies (Jersey) Law 1991, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

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

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.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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 Article 113A of the Companies (Jersey) Law 1991. 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
4 June 2021

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2021

	Note	Group 2021 £m	Group 2020 £m
Revenue	4	454.9	485.9
Employee costs	5,6	(65.5)	(63.3)
Depreciation and amortisation expense	5	(126.6)	(122.1)
Other operating costs		(93.8)	(102.4)
Total operating expenses		(285.9)	(287.8)
Operating profit	5	169.0	198.1
Investment income	8	0.9	0.4
Finance expense (net)	9	(139.2)	(101.7)
Profit before taxation		30.7	96.8
Taxation	10	(5.0)	(41.7)
Profit for the year attributable to equity shareholders of the company		25.7	55.1
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of net defined benefit liability	23	(55.7)	(74.1)
Deferred tax on re-measurement of defined benefit liability	25	10.6	14.0
Adjustment due to change in future tax rates of brought forward deferred tax	25	-	1.7
Other comprehensive expense for the year		(45.1)	(58.4)
Total comprehensive expense for the year attributable to shareholders of the company		(19.4)	(3.3)

As permitted by the Companies (Jersey) Law 1991, the Company has not presented its own Statement of Comprehensive Income. The profit after tax for the Company for the year ended 31 March 2021 was £20.7m profit (2020: £46.3m profit). Of this, £5.6m (2020: £42.9m) relates to intercompany dividends received.

The results shown in the Consolidated Statement of Comprehensive Income for the current and preceding year are derived from continuing operations.

Consolidated and Company Statement of Financial Position

as at 31 March 2021

	Note	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
ASSETS					
Non-current assets					
Intangible assets and goodwill	12	246.7	-	241.1	-
Property, plant and equipment	13	3,442.0	-	3,372.7	-
Investments	14	-	3.0	-	3.0
Loans to subsidiary	15	-	362.4	-	390.6
		3,688.7	365.4	3,613.8	393.6
Current assets					
Inventories	16	15.7	-	11.3	-
Trade and other receivables	17	73.3	9.1	60.5	10.3
Cash and cash equivalents	18,22	345.1	1.8	80.5	1.3
Current tax asset		-	0.1	1.8	-
		434.1	11.0	154.1	11.6
Total assets		4,122.8	376.4	3,768.0	405.2
LIABILITIES					
Current liabilities					
Trade and other payables	19	(156.9)	(0.9)	(138.8)	(1.2)
Borrowings	20	(423.4)	-	(8.9)	-
Provisions	24	(0.4)	-	(0.1)	-
Current tax liabilities		(0.2)	-	-	(1.3)
		(580.9)	(0.9)	(147.8)	(2.5)
Net current (liabilities)/ assets		(146.8)	10.1	6.3	9.1
Non-current liabilities					
Borrowings	20	(1,670.1)	-	(1,776.6)	-
Derivative financial instruments	22	(487.5)	-	(432.6)	-
Retirement benefit obligations	23	(68.6)	-	(26.3)	-
Deferred tax liabilities	25	(224.0)	-	(245.5)	-
Provisions	24	(1.3)	-	(1.7)	-
Customer contributions	26	(411.6)	-	(391.4)	-
		(2,863.1)	-	(2,874.1)	-
Total liabilities		(3,444.0)	(0.9)	(3,021.9)	(2.5)
Total net assets		678.8	375.5	746.1	402.7
EQUITY					
Stated capital account	28	245.0	245.0	245.0	245.0
Preference share capital	29	327.0	327.0	327.0	327.0
Retained earnings/(deficit)		106.8	(196.5)	174.1	(169.3)
Total equity		678.8	375.5	746.1	402.7

The Financial Statements of North West Electricity Networks (Jersey) Limited (registered number 99259) were authorised for issue and approved by the Board of Directors on 4 June 2021 and signed on its behalf by:



Peter O'Flaherty
Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2021

Group	Stated capital £m	Preference share capital £m	Retained earnings £m	Total Equity £m
At 1 April 2019	3.0	327.0	226.9	556.9
Opening adjustment on transition to IFRS 16	-	-	0.2	0.2
Opening reserves	3.0	327.0	227.1	557.1
Profit for the year	-	-	55.1	55.1
Other comprehensive expense for the year	-	-	(58.4)	(58.4)
Total comprehensive expense for the year	-	-	(3.3)	(3.3)
Transactions with owners recorded directly in equity				
Issue of stated capital	242.0	-	-	242.0
Equity dividends (Note 11)	-	-	(49.7)	(49.7)
At 31 March 2020	245.0	327.0	174.1	746.1
Profit for the year	-	-	25.7	25.7
Other comprehensive expense for the year	-	-	(45.1)	(45.1)
Total comprehensive expense for the year	-	-	(19.4)	(19.4)
Transactions with owners recorded directly in equity				
Issue of stated capital	-	-	-	-
Equity dividends (Note 11)	-	-	(47.9)	(47.9)
At 31 March 2021	245.0	327.0	106.8	678.8

Company Statement of Changes in Equity

for the year ended 31 March 2021

Company	Stated capital £m	Preference share capital £m	Retained earnings £m	Total Equity £m
At 1 April 2019	3.0	327.0	(165.9)	164.1
Profit for the year	-	-	46.3	46.3
Total comprehensive income for the year	-	-	46.3	46.3
Transactions with owners recorded directly in equity				
Issue of stated capital	242.0	-	-	242.0
Equity dividends (Note 11)	-	-	(49.7)	(49.7)
At 31 March 2020	245.0	327.0	(169.3)	402.7
Profit for the year	-	-	20.7	20.7
Total comprehensive income for the year	-	-	20.7	20.7
Transactions with owners recorded directly in equity				
Equity dividends (Note 11)	-	-	(47.9)	(47.9)
At 31 March 2021	245.0	327.0	(196.5)	375.5

Consolidated and Company Statement of Cash Flows

for the year ended 31 March 2021

	Note	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Operating activities					
Cash generated from/ (used in) operations	33	258.0	(0.3)	292.4	(8.8)
Interest paid		(77.4)	-	(85.8)	-
Tax paid		(13.9)	(5.0)	(19.5)	-
Net cash generated from/(used in) operating activities		166.7	(5.3)	187.1	(8.8)
Investing activities					
Interest received and similar income		0.9	19.8	0.2	9.7
Dividend received		-	5.6	-	42.9
Purchase of property, plant and equipment		(185.4)	-	(202.8)	-
Purchase of intangible assets		(8.6)	-	(8.0)	-
Customer contributions received	26	35.0	-	32.9	-
Proceeds from sale of property, plant and equipment		0.1	-	0.6	-
Net cash (used in)/ generated from investing activities		(158.0)	25.4	(177.1)	52.6
Net cash flow before financing activities		8.7	20.1	10.0	43.8
Financing activities					
Investment in Joint Venture	20	(0.1)	-	-	-
Proceeds from external borrowings	20	342.4	-	83.0	-
Repayment of external borrowings	20	(37.0)	-	(7.0)	-
Repayment of lease liabilities - capital	20	(1.5)	-	(1.3)	-
Repayment of inter-company loan from subsidiary	20	-	28.3	-	3.9
Dividends paid	11	(47.9)	(47.9)	(49.7)	(49.7)
Net cash generated from/(used in) financing activities		255.9	(19.6)	25.0	(45.8)
Net increase/ (decrease) in cash and cash equivalents		264.6	0.5	35.0	(2.0)
Cash and cash equivalents at the beginning of the year	18	80.5	1.3	45.5	3.3
Cash and cash equivalents at the end of the year	18	345.1	1.8	80.5	1.3

Notes to the Financial Statements

North West Electricity Networks (Jersey) Limited is a Company incorporated and registered in Jersey under Companies (Jersey) Law.

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

There are no new or amended Standards effective from the current year that impact the Company.

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:

- *Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards,*
- *IFRS 3 (amendments) Definition of a business,*
- *IAS 1 and IAS 8 (amendments) Definition of material.*

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,*
- *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current,*
- *Amendments to IFRS 3: Reference to the Conceptual Framework,*
- *Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use,*
- *Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract,*
- *Annual Improvements to IFRS Standards 2018-2020 Cycle.*

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

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 Article 105 (4) of the Companies (Jersey) Law 1991 and not presented an income statement for the Company alone.

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.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Investments (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 Company's income statement to the extent that they represent a realised profit for the Company.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

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.

2. Significant accounting policies (continued)

Revenue recognition (continued)

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.

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

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.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

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.

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.

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 right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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.

The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Borrowing costs

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

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

Retirement benefit costs

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

The defined benefit 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 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 Consolidated Income Statement;
- net interest expense or income, recognised within finance costs (see Note 9) in the Consolidated 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 the Statement of 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
Customer list	11 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)

2. Significant accounting policies (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 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.

Other assets are depreciated by writing off their cost evenly over their estimated useful lives, based on management's judgement and experience, which are principally 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); and
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

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

Financial assets

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

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

Notes to the Financial Statements (continued)

2. 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 or FVTOCI are measured at FVTPL. Specifically, the financial assets held by the Group classified as at FVTPL are derivatives and are stated at fair value, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated 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

In the consolidated cash flow statement and related notes, 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.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Money market deposits

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities 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	2021 £m	2020 £m
Revenue	454.9	485.9

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 (2020: three), each of which represented more than 10% of the total revenue. Revenue from these customers totalled £158.8m (2020: £171.7m). No other customer represented more than 10% of revenues either this year or in the prior year.

In the current year £10.4m (2020: £9.7m) of customer contributions amortisation has been amortised through revenue in line with IFRS 15 (Note 26 & 33).

Notes to the Financial Statements (continued)

5. Operating profit

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

Group	2021 £m	2020 £m
Employee costs (Note 6)	65.5	63.3
Depreciation and amortisation expense (net)		
Depreciation of property, plant and equipment		
Owned and right-of-use assets (Note 13 & 33)	120.7	115.5
Amortisation of intangible assets and customer contributions		
Software (Note 12 & 33)	5.9	6.6
Depreciation and amortisation expense	126.6	122.1
Other income		
Profit on disposal of property, plant and equipment	(0.1)	(0.6)
Provision charge/(credit) (Note 24)	0.1	(0.2)
Other operating costs include:		
Research and development	2.3	3.1

Analysis of the auditor's remuneration is as follows:

Group	2021 £m	2020 £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	0.2	0.2
Total audit fees	0.2	0.2
Audit-related assurance services	0.1	0.1
Corporate finance services	-	0.1
Total fees	0.3	0.4

* Fees payable for the audit of the Company's Financial Statements are £4,252 (2020: £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.

Notes to the Financial Statements (continued)

6. Employee costs

Group	2021 £m	2020 £m
Wages and salaries	107.9	102.9
Social security costs	11.6	11.3
Pension costs (Note 23)	20.6	22.3
Employee costs (including Directors' remuneration)	140.1	136.5
Costs transferred directly to fixed assets	(74.6)	(73.2)
Charged to operating expenses	65.5	63.3

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

Group	2021 Number	2020 Number
Electricity distribution	2,042	2,038

There are no employees of the Company (2020: nil).

7. Directors' remuneration

All remuneration was borne by ENWL. The aggregate emoluments of the Directors in 2021 amounted to £nil (2020: £nil). The emoluments of the highest paid Director in 2021 in respect of services to the Group amounted to £nil (2020: £nil).

The pension contributions for the highest paid Director for 31 March 2021 were £nil (2020: £nil). The accrued pension at 31 March 2021 for the highest paid Director was £nil (2020: £nil).

As at 31 March 2021 the Directors have no interests in the ordinary shares of the Company (2020: none).

Notes to the Financial Statements (continued)

8. Investment income

Group	2021 £m	2020 £m
Interest receivable on short-term bank deposits	0.9	0.4
Total investment income	0.9	0.4

9. Finance expense

Group	2021 £m	2020 £m
Interest payable:		
Interest payable on borrowings held at amortised cost	84.0	85.8
Net receipts on derivatives	(8.1)	(8.3)
Indexation of index-linked debt (Note 20)	8.8	16.2
Interest payable on leases	0.2	0.3
Interest cost/ (credit) on pension plan obligations (Note 23)	0.3	(1.0)
Capitalisation of borrowing costs under IAS 23	(0.9)	(1.1)
Total interest expense	84.3	91.9
Fair value movements on financial instruments:		
Fair value movement on derivatives held for trading	54.9	9.8
Total fair value movements	54.9	9.8
Total finance expense (net)	139.2	101.7

Borrowing costs capitalised in the year under IAS 23 were £0.9m (2020: £1.1m), using an average annual capitalisation rate of 4.19% (2020: 4.0%), 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.

There has been £nil (2020: £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.

A £200m interest rate swap, effective date July 2021, maturity date July 2030, was entered during the year (2020: none); no swaps were closed out during the year (2020: none) (see Note 22)

Notes to the Financial Statements (continued)

10. Taxation

Group	2021 £m	2020 £m
Current tax		
Current year	16.8	17.3
Adjustment in respect of prior year	(0.9)	(1.4)
	15.9	15.9
Deferred tax		
Current year	(11.7)	(0.7)
Adjustment in respect of prior year	0.8	(2.1)
Impact of change in future tax rates	-	28.6
	(10.9)	25.8
Tax charge for the year	5.0	41.7

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

Deferred tax is calculated using the rate at which it is expected to reverse. The Finance Bill 2021 proposes a rate increase to 25% on 1 April 2023 but as the legislation is not substantially enacted at the Balance Sheet date, the tax disclosures reflect deferred tax measured at the 19% rate from 1 April 2023.

The rate increase, had it been reflected in the accounts, would have increased the deferred tax liability by £69m.

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

Group	2021 £m	2020 £m
Profit before tax	30.7	96.8
Tax at the UK corporation tax rate of 19% (2020: 19%)	5.8	18.4
Prior year tax adjustments	(0.1)	(3.5)
Reduction in current year deferred tax due to rate change	-	0.2
Non-taxable (income)/expense	(0.7)	1.1
Impact from change in future tax rates	-	28.6
Release of provision	-	(3.1)
Tax charge for the year	5.0	41.7

Notes to the Financial Statements (continued)

10. Taxation (continued)

The following tables represent enhanced disclosures adopted in order to assist stakeholder understanding of the Group's tax position and policies.

	2021	2021	2020	2020
	£m	%	£m	%
Profit before tax	30.7		96.8	
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%)	5.8	19.0	18.4	19.0
Tax effect of:				
Capital allowances less depreciation	5.7	18.6	5.2	5.4
General provisions movement	(0.1)	(0.3)	(0.1)	(0.1)
Fair value movements on derivatives	10.0	32.6	0.5	0.5
Pension movements	(3.8)	(12.4)	(4.4)	(4.5)
Relief for capitalised interest	(0.2)	(0.7)	(0.2)	(0.2)
Expenses not deductible for tax purposes	0.1	0.3	0.4	0.5
Corporate interest restriction	-	-	1.2	1.3
Capital contributions	(2.0)	(6.5)	(1.9)	(2.0)
IFRS9 transitional adjustment	1.3	4.2	1.4	1.4
Other items	-	-	(0.1)	(0.1)
Release of provision	-	-	(3.1)	(3.2)
Adjustments to tax charge in respect of prior years	(0.9)	(2.9)	(1.4)	(1.6)
Reported current tax charge and effective rate	15.9	51.8	15.9	16.4
Depreciation in excess of capital allowances	(1.3)	(4.2)	(0.4)	(0.4)
Increase in provisions	0.1	0.3	0.1	0.1
Fair value movements on derivatives	(10.0)	(32.6)	(0.5)	(0.6)
Pension movements	2.5	8.1	2.8	3.0
Adjustments to tax charge in respect of prior years	0.8	2.6	(2.1)	(2.2)
Impact from change in future rates	-	-	28.6	29.7
IFRS9 transitional adjustment	(3.0)	(9.8)	(3.0)	(3.2)
IFRS9 consolidation adjustment	1.7	5.5	1.7	1.8
IFRS3 consolidation adjustment	(1.7)	(5.5)	(1.5)	(1.6)
Other items	-	-	0.1	0.1
Reported deferred tax credit and effective rate	(10.8)	(35.2)	25.8	26.7
Group tax charge and effective rate	5.0	16.3	41.7	43.1

Notes to the Financial Statements (continued)

10. Taxation (continued)

All Group companies are UK tax resident.

The Group's profits are earned in the UK, with the standard rate of UK corporation tax being 19% for the year ended 31 March 2021 (2020: 19%).

Capital allowances are tax reliefs provided in law for the expenditure the Group makes on property, plant and equipment. The rates are determined by Parliament annually and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such spending, where the expenditure on property, plant and equipment is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially.

The different accounting treatment of property, plant and equipment for tax and accounting purposes means that the taxable income of the Group is not the same as the profit reported in the financial statements.

Short term temporary differences are on items such as general provisions and retirement benefit obligations, because the treatment of such items is different for tax and accounting purposes. These differences usually reverse in the year following that in which they arise, as is reflected in the deferred tax charge in these financial statements. Where interest charges or other costs are capitalised in the account, tax relief is either given as the charges are incurred or when the costs are taken to the income statement.

The Group measures its financing derivatives at fair value under IFRS 9. As a result of the Group's subsidiaries applying the HMRC's 'Disregard Regulations', the re-measurement movements have no current effect, impacting only the deferred tax position.

Notes to the Financial Statements (continued)

10. Taxation (continued)

Profit and loss account summary (£m)

	Revenue	Operating expense	Income from shares in group	Investment income	Net finance expense	Profit before tax	Tax	Net income/expense)
ENW Ltd	449.8	(273.7)	-	0.9	(112.2)	64.8	(11.4)	53.4
ENW Finance plc	-	-	-	10.4	(17.3)	(6.9)	1.1	(5.8)
ENW Capital Finance plc	-	-	-	-	-	-	-	-
NWEN plc	-	-	30.7	2.0	(48.5)	(15.8)	9.0	(6.8)
NWEN Group Ltd	-	-	2.0	-	-	2.0	-	2.0
NWEN Finance plc	-	-	-	10.6	(10.6)	-	-	-
NWEN (Holdings) Ltd	-	-	2.0	32.7	(35.2)	(0.5)	0.5	-
NWEN (Finance) Ltd	-	-	3.6	20.0	(19.9)	3.7	-	3.7
ENW (C&M) Ltd	13.6	(11.4)	-	-	-	2.2	(0.4)	1.8
ENW Services Ltd	5.0	(4.8)	-	-	-	0.2	(0.1)	0.1
ENW Property Ltd	-	(0.3)	-	-	-	(0.3)	0.1	(0.2)
NWEN (UK) Ltd	-	-	3.6	20.0	(19.1)	4.5	(0.2)	4.3
NWEN (Jersey) Ltd	-	(0.4)	5.6	19.1	-	24.3	(3.6)	20.7
Consolidation adjustment	(13.5)	4.7	(47.5)	(114.8)	123.6	(47.5)	-	(47.5)
NWEN (Jersey) Group	454.9	(285.9)	-	0.9	(139.2)	30.7	(5.0)	25.7

Employee costs

	Average number of employees	Aggregate gross remuneration
ENW Ltd	1,918	102.8
ENW (C&M) Ltd	53	3.1
ENW Services Ltd	71	2.0

Gross remuneration comprises basic pay, overtime and bonuses. The average number of employees for the year has been calculated by reference to the monthly number of employees.

Notes to the Financial Statements (continued)

10. Taxation (continued)

Taxation	Current tax charge/ (credit) £000	Deferred tax charge/ (credit) £000	Total tax charge/(credit) £000
ENW Ltd	20,756	(9,399)	11,357
ENW Finance plc	340	(1,478)	(1,138)
ENW Capital Finance plc	-	-	-
NWEN plc	(9,029)	-	(9,029)
NWEN Group Ltd	-	-	-
NWEN Finance plc	2	-	2
NWEN (Holdings) Ltd	(516)	-	(516)
NWEN (Finance) Ltd	(1)	-	(1)
ENW (C&M) Ltd	403	-	403
ENW Services Ltd	67	-	67
ENW Property Ltd	(62)	-	(62)
NWEN (UK) Ltd	164	-	164
NWEN (Jersey) Ltd	3,636	-	3,636
Consolidation adjustment	37	38	75
Total tax charge/ (credit)	15,796	(10,839)	4,958

11. Dividends

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

Group and Company	2021 £m	2020 £m
Final dividends for the year ended 31 March 2020 of nil pence per share (31 March 2019 of 400.00 pence per share)	-	12.0
Interim dividends for the year ended 31 March 2021 of 374.39 pence per share (31 March 2020: 114.61 pence per share)	19.6	6.0
Interim dividends for the year ended 31 March 2021 of 540.57 pence per share (31 March 2020: 605.52 pence per share)	28.3	31.7
	47.9	49.7

During the year ended 31 March 2021, the Company declared an interim dividend of £47.9m, paid in December 2020 (31 March 2020: £37.7). There was no final dividend declared for the year ended 31 March 2020; the final dividend for the year ended 31 March 2020 of £12.0m, paid in June 2019, and an interim dividend of £6.0m that was paid in November 2019 and an interim dividend of £31.7m paid in December 2019.

The Directors have proposed a final dividend of £14.3m for the year ended 31 March 2021, subject to approval by equity holders of the Company, that is not a liability in the financial statements at 31 March 2021.

Notes to the Financial Statements (continued)

12. Intangible assets and goodwill

Group	Goodwill £m	Licence £m	Customer list £m	Software £m	Assets under the course of construction £m	Customer Database £m	Total £m
Cost							
At 1 April 2019	10.1	186.9	0.7	82.4	28.3	-	308.4
Additions	-	-	-	1.0	7.0	-	8.0
Transfers	-	-	-	6.9	(6.9)	-	-
At 31 March 2020	10.1	186.9	0.7	90.3	28.4	-	316.4
Additions	-	-	-	1.7	6.7	-	8.4
Transfers	-	-	-	3.7	(3.8)	0.1	-
Reclassification from tangible to intangible	-	-	-	3.3	-	-	3.3
At 31 March 2021	10.1	186.9	0.7	99.0	31.3	0.1	328.1
Amortisation							
At 1 April 2019	-	-	0.5	68.2	-	-	68.7
Charge for the year	-	-	0.1	6.5	-	-	6.6
At 31 March 2020	-	-	0.6	74.7	-	-	75.3
Charge for the year	-	-	-	5.9	-	-	5.9
Reclassification from tangible to intangible	-	-	-	0.2	-	-	0.2
At 31 March 2021	-	-	0.6	80.8	-	-	81.4
Net book value							
At 31 March 2021	10.1	186.9	0.1	18.2	31.3	0.1	246.7
At 31 March 2020	10.1	186.9	0.1	15.6	28.4	-	241.1

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 Company Number 1 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 2021, the Group had entered into contractual commitments for the acquisition of software amounting to £12.5m (2020: £9.2m).

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 2019	4,717.1	33.7	129.4	147.6	-	5,027.8
Adoption of IFRS 16	-	-	-	-	6.5	6.5
Additions	174.4	0.3	13.6	22.4	-	210.7
Transfers	40.5	0.2	9.0	(49.7)	-	-
Disposals	(3.8)	-	(0.8)	-	-	(4.6)
At 31 March 2020	4,928.2	34.2	151.2	120.3	6.5	5,240.4
Additions	151.3	1.2	10.7	29.4	0.6	193.2
Transfers	12.1	0.5	18.1	(30.7)	-	-
Reclassification from Tangible to Intangible	-	-	(3.3)	-	-	(3.3)
Disposals	(3.2)	-	(2.0)	-	(0.3)	(5.5)
At 31 March 2021	5,088.4	35.9	174.7	119.0	6.8	5,424.8
Accumulated depreciation and impairment						
At 1 April 2019	1,652.7	10.4	93.7	-	-	1,756.8
Charge for the year	100.5	1.0	12.7	-	1.3	115.5
Disposals	(3.8)	-	(0.8)	-	-	(4.6)
At 31 March 2020	1,749.4	11.4	105.6	-	1.3	1,867.7
Charge for the year	103.2	1.0	15.0	-	1.4	120.6
Reclassification from Tangible to Intangible	-	-	(0.2)	-	-	(0.2)
Disposals	(3.2)	-	(1.9)	-	(0.2)	(5.3)
At 31 March 2021	1,849.4	12.4	118.5	-	2.5	1,982.8
Net book value						
At 31 March 2021	3,239.0	23.5	56.2	119.0	4.3	3,442.0
At 31 March 2020	3,178.8	22.8	45.6	120.3	5.2	3,372.7

At 31 March 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £97.2m (2020: £99.6m).

The Company had not entered into any contractual commitments for the acquisition of property, plant and equipment at 31 March 2021 (2020: 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.

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 27-year period, including a terminal value, which represents the planning horizon used for management purposes being aligned to the end of an eight-year RIIO regulatory period. The rate used to discount cash flows reflects an assumed level of risk associated with the cash flows generated from the licence.

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. Investments

Company	2021 £m	2020 £m
Cost and carrying value	3.0	3.0

Details of the investments as at 31 March 2021, 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
<i>Direct subsidiary</i>			
North West Electricity Networks (UK) Ltd	Ordinary shares of £1 each	100%	Holding company
<i>Indirect subsidiaries</i>			
Electricity North West (Construction and Maintenance) Ltd	Ordinary shares of £1 each	100%	Construction, operation and maintenance of electricity network
Electricity North West Services Ltd	Ordinary shares of £1 each	100%	Metering and ground maintenance activities
Electricity North West Property Ltd	Ordinary shares of £1 each	100%	Intellectual property rights
North West Electricity Networks (Finance) Ltd	Ordinary shares of £1 each	100%	Holding company
North West Electricity Networks (Holdings) Ltd	Ordinary shares of £1 each	100%	Holding company
NWEN Finance plc	Ordinary shares of £1 each	100%	Financing company
NWEN Group Ltd	Ordinary shares of £1 each	100%	Holding company
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 Number1 Company Ltd	Ordinary shares of £1 each	100%	Dormant
ENW (ESPS) Pensions Trustees Ltd	Ordinary shares of £1 each	100%	Dormant
<i>Joint venture</i>			
Manchester Energy Partnership Ltd	Ordinary shares of £1 each	50%	Trading
Nor.Web DPL Ltd	Ordinary shares of £1 each	50%	Dormant

There have been no changes to these shareholdings during the year and 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.

North West Electricity Networks (Jersey) Limited and all of its investments are UK resident for tax purposes.

Notes to the Financial Statements (continued)

15. Loans to subsidiary

Company	2021 £m	2020 £m
Loans to subsidiary	362.4	390.7
Impairment of loans	-	(0.1)
Loans to subsidiary	362.4	390.6

The loans to subsidiary comprise amounts loaned to North West Electricity Networks (UK) Ltd £207.3m (2020: £235.6m) at 8.14% per annum, maturing in 2046, and £155.1m (2020: £155.1m) interest free, maturing in 2027.

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.

16. Inventories

Group	2021 £m	2020 £m
Raw materials and consumables	15.7	11.3

There is no inventory held in the Company (2020: same).

Notes to the Financial Statements (continued)

17. Trade and other receivables

Current assets	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Trade receivables	11.0	-	9.3	-
Amounts owed by affiliated undertakings	-	9.1	0.3	9.8
Prepayments and accrued income	62.3	-	50.4	-
Other taxation and social security	-	-	0.6	0.5
Balance at 31 March	73.3	9.1	60.5	10.3

Group

The average credit period taken on sales is 14 days (2020: 14 days). Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £2.6m (2020: £1.3m) estimated by management based on known specific circumstances, past default experience and their assessment of the current economic environment. No interest is charged on these balances.

Of the total trade receivables balance, £3.2m relates to trade receivables in Electricity North West (Construction and Maintenance) Ltd (2020: £1.4m) for which the average credit period taken on sales is 59 days (2020: 52 days) from receipt of invoice. No interest is charged on these balances.

At 31 March 2021, 69% of the Group trade receivables are past due but not impaired (2020: 43%); A balance of £3.7m (2020: £2.5m) is less than 30 days past due, against which an allowance for doubtful debt of £0.4m (2020: nil) has been made; a balance of £6.5m is greater than 30 days past due (2020: £2.6m), against which an allowance for doubtful debt of £2.2m (2020: £1.3m) has been made.

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

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Balance at 1 April	1.3	-	1.3	-
Amounts written off in the year	(0.1)	-	(0.3)	-
Amounts recognised in the income Statement	1.4	-	0.3	-
Balance at 31 March	2.6	-	1.3	-

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 2021 £2.6m (2020: £3.3m) of cash had been received as security.

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

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 2021 is £1,948m (2020: £1,896m) based on the actual retail price index (RPI) for March.

At 31 March 2021, £143.0m (2020: £132.0m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £7.4m (2020: £7.2m). 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 32. There are no provisions against these receivables. No element of the balance is overdue.

18. Cash and cash equivalents and money market deposits

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Cash and cash equivalents	345.1	1.8	80.5	1.3
Balance at 31 March	345.1	1.8	80.5	1.3

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 0.32% (2020: 0.6%) and these deposits had an average maturity of 8 days (2020: 60 days).

In Company, the effective interest rate on all short-term deposits was a weighted average of 0.00% (2020: 0.36%) and these deposits had an average maturity of 1 day (2020: 1 day).

Notes to the Financial Statements (continued)

19. Trade and other payables

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Trade payables	27.6	-	14.2	-
Amounts owed to group (Note 32)	-	-	0.4	-
Amounts owed to subsidiary undertaking	-	0.9	-	0.9
Other taxation and social security	11.5	-	14.2	-
Customer contributions (Note 26)	24.7	-	20.3	-
Refundable customer deposits (Note 27)	2.6	-	3.3	-
Accruals and deferred income	90.5	-	86.4	0.3
Balance at 31 March	156.9	0.9	138.8	1.2

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 19.7 days from receipt of invoice (2020: 19 days).

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 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Current liabilities				
Bonds	379.7	-	-	-
Bank and other term borrowings	42.4	-	7.0	-
Lease liabilities (Note 21)	1.3	-	1.9	-
	423.4	-	8.9	-
Non-current liabilities				
Bonds	1,362.0	-	1,441.4	-
Bank and other term borrowings	304.8	-	331.5	-
Lease liabilities (Note 21)	3.3	-	3.7	-
	1,670.1	-	1,776.6	-
Total borrowings	2,093.5	-	1,785.5	-

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 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Borrowings measured at amortised cost							
Bond	200.0	8.875%	2026	197.8	-	197.5	-
Bond	250.0	8.875%	2026	281.3	-	286.5	-
Bond	200.0	6.125%	2021	199.7	-	199.3	-
Bond	300.0	1.415%	2030	298.4	-	-	-
Bond	180.0	5.875%	2021	180.1	-	179.6	-
Index-linked bond	100.0	1.4746%+RPI	2046	152.8	-	150.3	-
Index-linked loan	135.0	1.5911%+RPI	2024	174.6	-	172.5	-
Index-linked loan	50.0	0.38% +RPI	2032	38.8	-	41.8	-
Index-linked loan	50.0	0%+RPI	2033	41.9	-	44.8	-
USPP bond	100.0	4.07%	2029	99.4	-	99.4	-
USPP bond	100.0	4.17%	2029	99.4	-	99.4	-
Index-linked USPP bond	20.0	1.40%+RPI	2034	22.7	-	22.4	-
Index-linked USPP bond	85.0	1.50%+RPI	2034	96.6	-	95.3	-
Index-linked PP bond	100.0	1.265%+RPI	2040	113.5	-	111.7	-
Bank facility	210.0	Libor+2.75%	2026	27.1	-	26.6	-
Bank facility	30.0	Libor+3.50%	2023	29.5	-	-	-
Revolving credit facility	50.0	Libor+0.35%	2022	-	-	29.9	-
Revolving credit facility	50.0	Libor+0.73%	2022	35.3	-	22.9	-
Lease liabilities (Note 21)				4.6	-	5.6	-
Total borrowings				2,093.5	-	1,785.5	-

Notes to the Financial Statements (continued)

20. Borrowings (continued)

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

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
At 1 April	1,785.5	-	1,930.2	-
Recognition of lease liabilities on transition to IFRS 16	-	-	6.9	-
Proceeds from external borrowings	342.4	-	83.0	-
Transaction costs on new external borrowings	(2.0)	-	(3.7)	-
Repayments of external borrowings	(37.0)	-	(7.0)	-
Purchase of unsecured loan stock	-	-	(235.6)	-
Repayments of lease liabilities	(1.5)	-	(1.3)	-
New lease liabilities	0.5	-	-	-
Indexation (Note 9)	8.8	-	16.2	-
Amortisation of transaction costs and bond discounts	(3.2)	-	(3.2)	-
At 31 March	2,093.5	-	1,785.5	-

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 bonds are secured and guaranteed by both North West Electricity Networks (Holdings) Ltd and North West Electricity Networks (Finance) Ltd.

As at 31 March 2021, all other loans and borrowings are unsecured and are in sterling (2020: same). There were no formal bank overdraft facilities in place (2020: same). The fair values of the Group's financial instruments are shown in Note 22.

Borrowing facilities

The Group had £268.6m (2020: £251.0m) in unutilised committed bank facilities at 31 March 2021, of which £268.6m (2020: £24.0m) expires within one year, £nil (2020: £227.0) expires after one year but less than two years and £nil (2020: £nil) expires in more than two years.

The Company had £nil (2020: £nil) in unutilised committed bank facilities at 31 March 2021.

Notes to the Financial Statements (continued)

21. Leases

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Lease assets:				
Land and buildings	2.3	-	2.6	-
Telecom	0.1	-	0.2	-
Vehicles	2.0	-	2.4	-
Total assets (Note 13)	4.4	-	5.2	-
Lease liabilities:				
Land and buildings	2.6	-	2.9	-
Telecom	0.1	-	0.2	-
Vehicles	1.9	-	2.5	-
Total liabilities (Note 20 & 21)	4.6	-	5.6	-

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 2020:	2.0	2.0	0.7	0.2	0.7	5.6
At 31 March 2021:	1.3	1.3	0.3	0.4	1.3	4.6

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.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Categories of financial instruments

Group and Company	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Financial assets:				
Cash and cash equivalents (Note 18)	345.1	1.8	80.5	1.3
Trade and other receivables (exc. prepayments) (Note 17)	11.0	9.1	9.6	9.8
Financial liabilities:				
Derivative instruments at FVTPL	(487.5)	-	(432.6)	-
Financial liabilities at amortised costs (Note 20)	(2,093.5)	-	(1,785.5)	-
Trade and other payables (exc. accruals) (Note 19)	(54.9)	(0.9)	(38.2)	(0.9)

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.

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.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

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 2021, none (2020: 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	2021 £m	2021 %	2020 £m	2020 %
AAA	62.9	17.3	25.6	24.9
AA	-	-	-	-
AA-	-	-	3.3	3.2
A+	168.3	46.3	39.8	38.8
A	132.2	36.4	33.9	33.1
	363.4	100.0	102.6	100.0

At 31 March 2021, £1.7m (2020: £1.2m) of the Company's treasury portfolio is invested with AAA, £nil (2020: £0.1m) with AA-, and £0.1m (2020: £nil) with A+ rated counterparties.

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 (2020: 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 these customers.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

At 31 March 2021 there were £10.2m receivables past due (2020: £5.1m) against which an allowance for doubtful debts of £2.6m has been made (2020: £1.3m).

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).

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
Trade receivables (Note 17)	11.0	-	9.3	-
Amounts owed by Group undertakings (Note 17)	-	9.1	0.3	9.8
Cash and cash equivalents (Note 18)	345.1	1.8	80.5	1.3
Balance at 31 March	356.1	10.9	90.1	11.1

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 27 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.

Available liquidity at 31 March was as follows:

	2021 Group £m	2021 Company £m	2020 Group £m	2020 Company £m
Cash and cash equivalents (Note 18)	345.1	1.8	80.5	1.3
Committed undrawn bank facilities (Note 20)	268.6	-	251.0	-
Balance at 31 March	613.7	1.8	331.5	1.3

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

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 (2020: none).

The Group had £268.6m (2020: £251.0m) in unutilised committed bank facilities at 31 March 2021, of which £268.6m (2020: £24.0m) expires within one year, £nil (2020: £227.0m) expires after one year but less than two years and £nil (2020: £nil) expires in more than two years.

At 31 March 2021, the Company had £nil (2020: £nil) in committed undrawn bank facilities.

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.

Group	<1 year £m	1 – 2 years £m	2 – 3 years £m	3 – 4 years £m	>4 years £m	Total £m
At 31 March 2021:						
Trade payables	(27.6)	-	-	-	-	(27.6)
Refundable customer deposits	(2.6)	-	-	-	-	(2.6)
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)
	(524.7)	(82.6)	(321.1)	(70.0)	(1,992.3)	(2,990.7)
At 31 March 2020:						
Trade payables	(14.2)	-	-	-	-	(14.2)
Refundable customer deposits	(3.3)	-	-	-	-	(3.3)
Bonds	(76.4)	(445.0)	(53.6)	(53.6)	(1,253.9)	(1,882.5)
Borrowings and overdrafts	(64.2)	(10.9)	(10.9)	(183.5)	(92.4)	(361.9)
Derivative financial instruments	8.2	2.7	(11.0)	(43.5)	(272.4)	(316.0)
	(149.9)	(453.2)	(75.5)	(280.6)	(1,618.7)	(2,577.9)

The Company had no contractual cash flows at 31 March 2021 (2020: none).

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	2021			2020		
Change in interest rates	-0.5%	+0.5%	+1%	-0.5%	+0.5%	+1%
	£m	£m	£m	£m	£m	£m
Interest rate swaps	7.9	(7.4)	(14.5)	(0.3)	0.3	0.6
Inflation-linked swaps	(39.7)	52.7	93.3	(57.7)	52.0	99.0
Total finance expense impact	(31.8)	45.3	78.8	(58.0)	52.3	99.6

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 2021, the Group had £95.4m floating rate borrowings (2020: £83.0m). 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.

Group	2021			2020		
Change in interest rates	-0.5%	+0.5%	+1%	-0.5%	+0.5%	+1%
	£m	£m	£m	£m	£m	£m
Floating rate borrowings	(0.2)	0.2	0.5	(0.1)	0.1	0.3
Total cash flow impact	(0.2)	0.2	0.5	(0.1)	0.1	0.3

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	2021			2020		
Change in inflation rates	-0.5%	+0.5%	+1%	-0.5%	+0.5%	+1%
	£m	£m	£m	£m	£m	£m
Inflation-linked swaps	67.0	(73.2)	(153.2)	66.6	(73.2)	(153.7)
Total finance expense impact	67.0	(73.2)	(153.2)	66.6	(73.2)	(153.7)

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	2021			2020		
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	3.2	(3.2)	(6.4)	3.2	(3.2)	(6.4)
Inflation-linked borrowings – interest charge	-	-	(0.1)	-	-	(0.1)
Inflation-linked swaps – interest charge	0.1	(0.1)	(0.1)	0.1	(0.1)	(0.1)
Total finance expense impact	3.3	(3.3)	(6.6)	3.3	(3.3)	(6.6)

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	Non-cash changes						At 31 March 2021 £m
	At 31 March 2020 £m	Financing cash flows £m	Amounts on transition to IFRS 16 £m	Fair value movement £m	Indexation £m	Other changes £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
8.14% unsecured loan stock	-	-	-	-	-	-	-
Lease liabilities	5.6	(1.5)	-	-	-	0.5	4.6
Derivatives	432.6	-	-	54.9	-	-	487.5
	2,218.1	303.9	-	54.9	8.8	(4.7)	2,581.0

Group	Non-cash changes						At 31 March 2020 £m
	At 31 March 2019 £m	Financing cash flows £m	Amounts on transition to IFRS 9 £m	Fair value movement £m	Indexation £m	Other changes £m	
Bonds	1,434.8	-	-	-	10.1	(3.5)	1,441.4
Bank borrowings	259.8	76.0	-	-	6.1	(3.4)	338.5
8.14% unsecured loan stock	235.6	-	-	-	-	(235.6)	-
Lease liabilities	-	(1.3)	6.9	-	-	-	5.6
Derivatives	422.8	-	-	9.8	-	-	432.6
	2,353.0	74.7	6.9	9.8	16.2	(242.5)	2,218.1

The Company has no liabilities arising from financing activities (2020: same).

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 2021 (2020: same); 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*	14	Index-linked	2038	3.56% + RPI, semi-annual	6.125%, semi-annual	5-yearly, next due July 2022 7-yearly, next due July 2023
£100m**	4	Index-linked	2050	1.51%+RPI, semi-annual	8.875%, annual	10-yearly, next due Sept 2030
£150m	5	Interest rate	2029	3.52%, semi-annual	2.60%, Semi-annual	n/a

*6.125% up to and including the 21 July 2021 settlement date, then changes to 6m Libor for the remaining term of the instruments.

**8.875% up to and including the 26 March 2026 settlement date, then changes to 6m Libor for the remaining term of the instruments.

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

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 2021, the Group's derivatives are not designated in formal hedging relationships (2020: 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	2021 Carrying value £m	2021 Fair value £m	2020 Carrying value £m	2020 Fair value £m
Current liabilities:				
Borrowings measured at amortised cost (Note 20)	(422.1)	(429.8)	(7.0)	(7.0)
Lease liabilities (Note 20)	(1.3)	(1.3)	(1.9)	(1.9)
Non-current liabilities:				
Borrowings measured at amortised cost (Note 20)	(1,666.8)	(1,465.2)	(1,772.9)	(2,037.7)
Lease liabilities (Note 20)	(3.3)	(3.3)	(3.6)	(3.6)
Derivative financial instruments	(487.5)	(487.5)	(432.6)	(432.6)
	(2,581.0)	(2,387.1)	(2,218.0)	(2,482.8)

The value of derivatives is disclosed gross of any collateral held. At 31 March 2021, the group held £nil (2020: £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.

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.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Fair value measurements recognised in the Statement of Financial Position (continued)

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

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

The adjustment for non-performance risk, as at 31 March 2021, is £76.7m (2020: £107.3m), of which £73.4m (2020: £106.3m) 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 £52.1m (2020: £53.8m). The movement in the period all relates to the straight-line release to profit or loss.

Group	2021 £m	2020 £m
FV of derivatives pre IFRS 13 adjustment	(616.3)	(593.7)
CVA/DVA	76.7	107.3
Day 1	52.1	53.8
IFRS 13 FV of derivatives	(487.5)	(432.6)

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

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 2021:				
Derivative financial 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)
At 31 March 2020:				
Derivative financial liabilities				
-£300m notional inflation-linked swaps	-	(12.6)	(407.1)	(419.7)
-£150m notional interest rate swaps	-	(12.9)	-	(12.9)
	-	(25.5)	(407.1)	(432.6)

The Company holds no derivative financial instruments (2020: same).

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

Group	2021 £m	2020 £m
At 1 April	(407.1)	(399.9)
Transfers into Level 3 from Level 2	-	-
Transfers from Level 3 into Level 2	33.1	-
Total gains or losses in profit or loss;		
-On transfers into Level 3 from Level 2	-	-
-On instruments carried forward in Level 3	(41.9)	(7.2)
At 31 March	(415.9)	(407.1)

The movement in the fair values of the derivative portfolio was largely due to fair value movements; additional interest-rate swaps totalling £200m were entered during the year, with fair value of £12.3m liability at 31 March 2021. No swaps were closed out during the year.

Notes to the Financial Statements (continued)

22. Financial instruments (continued)

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	2021 -10bps £m	2021 +10bps £m	2020 -10bps £m	2020 +10bps £m
Inflation-linked swaps	(2.1)	2.0	(2.0)	1.9

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 2021:				
Borrowings measured at amortised cost	(1,895.0)	-	-	(1,895.0)
At 31 March 2020:				
Borrowings measured at amortised cost	(2,044.7)	-	-	(2,044.7)

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 prior year, the scheme completed a pensioner buy-in for around 80% of the its pensioner liabilities. This has the effect of removing longevity and investment risks for this part of the membership. The gross liability remains recognised on the balance sheet, with an equivalent insurance asset recognised. The impact of the purchase of the pensioner buy-in was recognised as part of Other Comprehensive Income in the prior year.

During the year the Group made contributions of £28.5m (2020: £30.3m) to the defined benefit section of the Scheme. This includes £18.9m (2020: £18.3m) of deficit contributions. The Group estimates that contributions for the year ending 31 March 2022 will amount to around £29.6m which includes £19.4m of expected deficit contribution payments. The total defined benefit pension expense for the year was £15.1m (2020: £15.2m). No Executive Directors were part of the defined benefit scheme.

As at 31 March 2021 contributions of £2.4m (2020: £2.5m) 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 2021 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 deficit under IAS 19 (revised 2011) of £68.6m is included in the Statement of Financial Position at 31 March 2021 (2020: deficit of £26.3m).

The weighted average duration of the defined benefit obligation is approximately 18 years (2020: 17 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 2021 was £6.7m (2020: £5.7m) and represents contributions payable to the Scheme at rates specified in the rules of the Scheme. As at 31 March 2021 contributions of £nil (2020: £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	2021 £m	2020 £m
At 1 April	(26.3)	32.8
Expense recognised in the Statement of Comprehensive Income	(15.1)	(15.2)
Contributions paid	28.5	30.3
Total re-measurement included in Other Comprehensive Income	(55.7)	(74.1)
At 31 March	(68.6)	(26.2)

The balance recognised in the Statement of Financial Position is as follows:

Group	2021 £m	2020 £m
Present value of defined benefit obligations	(1,434.9)	(1,317.9)
Fair value of plan assets	1,366.3	1,291.7
Net liability arising from defined benefit obligation	(68.6)	(26.2)

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

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

Group	2021 £m	2020 £m
At 1 April	1,317.9	1,372.1
Current service cost	13.9	15.0
Interest expense	28.3	32.3
Member contributions	1.5	1.6
Past service costs:		
Augmentation	-	-
GMP equalisation	-	-
Re-measurement:		
Effect of changes in demographic assumptions	(1.2)	12.4
Effect of changes in financial assumptions	144.1	(43.4)
Effect of experience adjustments	-	(6.5)
Benefits paid	(69.6)	(65.6)
At 31 March	1,434.9	1,317.9

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

Group	2021 £m	2020 £m
Liabilities owing to active members	490.2	394.0
Liabilities owing to deferred members	76.7	83.0
Liabilities owing to pensioner members	868.0	840.9
Total liability at 31 March	1,434.9	1,317.9

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

Group	2021 £m	2020 £m
At 1 April	1,291.7	1,404.9
Interest income	28.0	33.3
Return on plan assets (net of interest income)	87.1	(111.6)
Employer contributions	28.5	30.3
Member contributions	1.5	1.6
Benefits paid	(69.6)	(65.6)
Administration expenses	(0.9)	(1.2)
At 31 March	1,366.3	1,291.7

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

The net pension expense before taxation recognised in the Statement of Comprehensive Income, before capitalisation, in respect of the Scheme is summarised as follows:

Group	2021 £m	2020 £m
Current service cost	(13.9)	(15.0)
Past service cost:		
Augmentation	-	-
GMP equalisation	-	-
Interest income on plan assets	28.0	33.3
Interest (expense) on Scheme obligations	(28.3)	(32.3)
Administration expenses and taxes	(0.9)	(1.2)
Net pension expense before taxation	(15.1)	(15.2)

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 net finance expense (Note 9).

The amounts recognised in Other Comprehensive Income is as follows:

Group	2021 £m	2020 £m
Return on scheme assets excluding interest income	87.1	(111.6)
Actuarial gains/ (losses) arising from changes in demographic assumptions	1.2	(12.4)
Actuarial (losses)/ gains arising from changes in financial assumptions	(144.1)	43.4
Experience gains on liabilities	-	6.5
Total loss recognised in Other Comprehensive Income	(55.7)	(74.1)

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	2021 %	2020 %
Discount rate	2.00	2.20
Pensionable salary increases	3.40	2.70
Pension increases	3.20	2.70
Price inflation (RPI)	3.40	2.70

The mortality rates utilised in the valuation are based on the standard actuarial tables S2PA (birth year) tables with a loading of 100% for male pensioners (2020: 100%), 95% for female pensioners (2020: 95%), 110% for male non-pensioners/future pensioners (2020: 110%) and 105% for female non-pensioners/future pensioners (2020: 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 1.5% p.a. is assumed within the underlying CMI 2020 model (2020: 1.5% CMI 2019 model).

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

Group	2021 Years	2020 Years
Male life expectancy at age 60		
Retired member	27.1	27.1
Non-retired member (current age 45)	27.7	27.6

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	2021 £m	2020 £m
Increase in Defined Benefit Obligation		
Discount rate: decrease by 25 basis points	65.9	57.9
Price inflation: increase by 25 basis points	43.7	52.5
Life expectancy: increase longevity by 1 year	64.2	59.0

Notes to the Financial Statements (continued)

23. Retirement benefit schemes (continued)

As at 31 March 2021, the fair value of the Scheme's assets and liabilities recognised in the Statement of Financial Position were as follows:

	Scheme assets	Quoted on exchange / liquid	Unquoted	Total Value	Scheme assets	Value
Group At 31 March	2021 %	2021 £m	2021 £m	2021 £m	2020 %	2020 £m
Cash and Cash equivalents	3.2	43.9	-	43.9	0.8	10.6
Equity instruments	3.6	48.7	-	48.7	2.7	35.3
Debt instruments	30.6	333.0	84.8	417.8	32.1	414.5
Real estate	9.4	-	128.0	128.0	11.3	146.4
Distressed debt	0.9	-	11.9	11.9	1.3	16.2
Hedge funds	-	-	-	-	0.0	-
Pensioner buy-in	52.3	-	716.0	716.0	51.8	668.7
Total fair value of assets	100.0	425.6	940.7	1,366.3	100.0	1,291.7
Present value of liabilities				(1,434.9)		(1,317.9)
Net retirement benefit obligation				(55.7)		(26.2)

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

Notes to the Financial Statements (continued)

24. Provisions

Group	2021 £m	2020 £m
At 1 April	1.8	3.0
Amounts charged/ (released) to the income statement (Note 5)	0.1	(0.2)
Reclassified under IFRS 16 as property lease liabilities	-	(0.6)
Utilisation of provision	(0.2)	(0.4)

At 31 March	1.7	1.8
--------------------	------------	------------

Group	2021 £m	2020 £m
Current	0.4	0.1
Non-current	1.3	1.7

At 31 March	1.7	1.8
--------------------	------------	------------

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 2021 of £1.5m (2020: £1.7m) on a discounted basis relates to the Company's 6.7% share of the liabilities.

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

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 timing differences £m	Total £m
At 1 April 2019	275.3	5.4	(45.2)	235.5
Charged/(credited) to the Income Statement (Note 10)	31.8	5.2	(11.2)	25.8
Deferred tax on re-measurement of defined benefit pension schemes	-	(14.1)	-	(14.1)
Adjustment due to change in future tax rates of brought forward deferred tax in OCI	-	(1.7)	-	(1.7)
At 1 April 2020	307.1	(5.2)	(56.4)	245.5
Charged/(credited) to the 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)
Adjustment due to change in future tax rates of brought forward deferred tax in OCI	-	-	-	-
At 31 March 2021	305.4	(13.3)	(68.1)	224.0

There is no deferred tax in the Company.

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 and rollover relief.

The Finance Bill 2021 proposes a rate increase to 25% on 1 April 2023 but as the legislation is not substantially enacted at the Balance Sheet date, the tax disclosures reflect deferred tax measured at the 19% rate from 1 April 2023.

The rate increase, had it been reflected in the accounts, would have increased the deferred tax liability by £69m.

Notes to the Financial Statements (continued)

26. Customer Contributions

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

Group	2021 £m	2020 £m
At 1 April	411.7	388.5
Additions during the year	35.0	32.9
Amortised through revenue (Note 4 & 33)	(10.4)	(9.7)
At 31 March	436.3	411.7
Split:		
Amounts due in less than one year (Note 19)	24.7	20.3
Amounts due after more than one year	411.6	391.4
At 31 March	436.3	411.7

27. Refundable customer deposits

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

Group	2021 £m	2020 £m
Amounts due in less than one year (Note 19)	2.6	3.3
Amounts due after more than one year	-	-
At 31 March	2.6	3.3

Notes to the Financial Statements (continued)

28. Stated capital

Group and Company	2021 £m	2020 £m
Authorised:		
50,000,000 ordinary shares of no par value	-	-
At 31 March	-	-

Group and Company	2021 £m	2020 £m
Issued and fully paid:		
3,000,000 ordinary shares of no par value	3.0	3.0
2,235,176 ordinary shares of no par value	242.0	242.0
At 31 March	245.0	245.0

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

See Note 30 for voting rights of each share.

29. Shareholders' Equity

The result after tax for the Company for the year ended 31 March 2021 was £20.7m profit (2020: £46.3m profit). Of this, £5.6m (2020: £42.9m) relates to intercompany dividends received. As permitted by the Companies (Jersey) Law 1991, the Company has not presented its own Income Statement.

The Preference Share Capital comprises 327 million no par redeemable Preference Shares. There is no coupon or redemption date attached to the shares and they are redeemable only at the request of the Company.

The Company made a distribution of £47.9m during the year, in line with Article 115 (2) (b) of the Companies (Jersey) Law 1991 (2020: £49.7m).

Notes to the Financial Statements (continued)

30. Capital structure

Details of the authorised and allotted share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 28. 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.

The redeemable preference shares shall, at the sole discretion of the Directors receive, in priority to any payment of dividend to the holders of any other class of shares in the Company a cumulative preferential rate to be determined at the sole discretion of the Directors. Each share carries the right to one vote at general meetings of the Company. The redeemable preference share capital consists of 327 million shares of no par value issued at £1 each.

The Company has the right to redeem at any time any or all of the redeemable preference shares.

There is a requirement in the Investment Deed that requires preference shares to be held by the same holders in the same proportion as ordinary shares. This is the only specific restriction 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, Investment Deed and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, its own Investment Deed 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.

31. Ultimate parent undertaking and controlling party

North West Electricity Networks (Jersey) Limited ("NWEN (Jersey)") is the ultimate parent undertaking of its Group. The address of the ultimate parent company is: 44 Esplanade, St Helier, Jersey, Channel Islands, JE4 9WG.

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)

32. Related party transactions

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

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

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Interest payable to ultimate controlling parties	-	-	(6.5)	-
Interest receivable from North West Electricity Networks (UK) Limited	-	19.2	-	13.0
Dividends paid to ultimate controlling parties	(47.9)	(47.9)	(49.7)	(49.7)
Dividends received from Group companies	5.6	5.6	42.9	42.9
Directors' remuneration (Note 7)	-	-	-	-

Amounts outstanding with related parties are as follows:

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Amounts owed by:				
North West Electricity Networks (UK) Limited (0% interest)	-	155.1	-	155.1
North West Electricity Networks (UK) Limited (8.14% interest)	-	207.3	-	235.6
Interest receivable from North West Electricity Networks (UK) Limited	-	9.0	-	9.7
Electricity North West Ltd	-	0.1	-	-
Amounts owed to:				
Electricity North West Ltd	-	(0.9)	-	(0.9)

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)

33. Cash generated from operations

	Group 2021 £m	Company 2021 £m	Group 2020 £m	Company 2020 £m
Operating profit/(loss)	169.0	(0.4)	198.1	(8.4)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5 & 13)	120.7	-	115.6	-
Amortisation of intangible assets (Note 5 & 12)	5.9	-	6.5	-
Amortisation of customer contributions (Note 4 & 26)	(10.4)	-	(9.7)	-
Profit on disposal of property, plant and equipment	(0.1)	-	(0.6)	-
Cash contributions in excess of pension charge to operating profit	(20.7)	-	(22.5)	-
Operating cash flows before movements in working capital	264.4	(0.4)	287.4	(8.4)
Changes in working capital:				
Decrease/(increase) in inventories	(3.2)	-	1.5	-
Increase in trade and other receivables	(13.4)	(0.1)	(3.9)	-
Increase/(decrease) in payables and provisions	10.2	0.2	7.4	(0.4)
Cash generated from/ (used in) operations	258.0	(0.3)	292.4	(8.8)