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Annual Report and Consolidated Financial Statements - For the year ended 31 March 2017



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For the year ended 31 March 2017



Electricity North West Limited
Registered number 02366949

electricity
north west
Bringing energy to your door

Notice regarding limitations on directors' liability under English law

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

Strategic Report

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

Cautionary statement regarding forward-looking statements

The Chairman's Statement, Chief Executive Officer's Statement and Strategic Report section of the Annual Report and Consolidated Financial Statements ('the annual report') have been prepared solely to provide additional information to the shareholders to assess the Group strategies and the potential for those to succeed. These sections and other sections of the annual report 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 Group does not undertake any obligation to update or revise these forward-looking statements, except as may be required by law or regulation.

Regulatory reporting and regulatory audits for the year ended 31 March 2017

Certain regulatory performance data contained in this annual report remain subject to regulatory audit by the Office of Gas and Electricity Markets ('Ofgem'). The final regulatory reporting pack and regulatory financial statements for the year ended 31 March 2017 are not due for submission to Ofgem until July 2017, and will be reviewed by Ofgem after their submission.

Website and investor relations

Electricity North West's website, www.enwl.co.uk, gives additional information on the Company and Group. Notwithstanding the references we make in this annual report to Electricity North West'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

Introduction

Electricity North West Limited ('Electricity North West' or 'the Company') is the electricity distributor for the North West of England. We own, invest in, operate and maintain the network of poles, wires, transformers and cables which carry electricity from the national grid to 2.4 million premises and five million customers. Our job is to keep electricity flowing safely to our customers' homes and businesses, keeping the lights on 24 hours a day, seven days a week.

We are proud of who we are, the essential role we play for our customers and the investment we make locally and nationally.

North West

We are champions of the North West and proud that it is our network that connects communities and will support the success of the Northern Powerhouse.

Service

We invest in our people and they are experts who ensure we provide exceptional service.

Innovation

We believe in continuous improvement, leading in energy innovation.

We are pleased to present the Annual Report and Consolidated Financial Statements of the Company and its subsidiaries (together referred to as 'the Group') to shareholders for the year ended 31 March 2017. Further information on our Company can also be found by visiting our website: www.enwl.co.uk.



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Chairman's statement

I am pleased to present the Annual Report and Consolidated Financial Statements of the Electricity North West Limited Group for the year ended 31 March 2017, the second year of the current 8 year regulatory period.



Dr John Roberts CBE
Chairman

There are many areas of the Company's performance in which we can be justifiably proud. The Company's financial performance remains strong and the Company continues to make efficiency savings which are shared with customers. We continue to be leading in innovation which was recognised by Ofgem in the discretionary award of £1.7m made during the year. We have now started the commercial implementation of CLASS, taking its innovative solution for controlling network voltage into commercial use.

The reliability and resilience of the network continues to improve with this year seeing the lowest ever level of interruptions on the network. When we were hit by Storm Doris the resilience of the network was such that it did not even rank as an Ofgem Exceptional Event, in contrast to other operators, a testament to our maintenance and tree cutting work.

Peter Emery took up his post as Chief Executive Officer in May 2016, and has focused in particular on the critical areas of safety and customer satisfaction.

The first, and most important, challenge for the Company is in the area of safety. We have a clear understanding of what is needed to create a top performing safety culture and are making changes to simplify safety rules to make them easier to implement.

The prosecution of the Company by the Health and Safety Executive, as a result of the tragic death of an overhead linesman in November 2013, has only served to reinforce the importance of safety in a sector which, by the nature of the work that it has to do and service that it provides, will always be hazardous.

The Company was found not guilty of two charges relating to a failure to risk assess and a failure to ensure the safety of its employees, but was found guilty of failing to manage working at height, a finding which the Company is appealing. The Company was fined £900k.

I am pleased to be able to report that customer performance has improved this year compared to last but remains below both targeted levels and below the performance of comparable companies. Analysis of areas of poor performance and implementation of corrective actions has led to an improving trend, with performance in the final quarter being closer to targeted levels.

Board changes

I would like to take this opportunity to thank Mark Walters, who resigned from the Board on 31 January 2017 after 3 years' service. John Lynch joined the Board on the same date and we very much look forward to his contribution to the Board.

I would also like to thank my Board colleagues for their support and contribution during the year and, finally, I would like to extend the Board's thanks to all Electricity North West employees and contractors for their continued commitment to keeping the lights on for our customers.

Chief Executive Officer's statement

This is my first report as Chief Executive Officer of Electricity North West Limited. When I joined in May 2016, I undertook an assessment of the business. I concluded that there were, as expected, both areas of strength and those in need of improvement. I would highlight the commitment and the skills of the employees in the business, the quality of the plant and equipment along with the ability for technical and regulatory innovation, as being some of the key positives of this review.

However, not unexpectedly, there were a number of areas where improvements were necessary. In particular, I would note the need to improve the safety culture of the business as well as the level of performance in customer satisfaction, upon which the Chairman has already commented. There are also opportunities to improve cross functional team-working across the business. This will enable the Company to improve the execution of its day to day activities and speed up the pace of change.

An overview of performance in the year against our corporate goals is contained within the Strategic Report.

Future outlook

The electricity industry is going through many changes as we move to a low carbon economy:

- There are increasingly blurred boundaries between wholesale markets and networks;
- The evolution of Distribution Network Operators (DNO) to Distribution System Operators (DSO) as both the level of generation connected to our network grows, and with increasing complexity of connection and load constraints; and
- In some cases customers are seeking more control and a more holistic energy solution, rather than a simple grid connection, which will allow them to operate 'off-grid'.

This brings many opportunities and challenges in helping to shape the role the Company will play in the electricity industry of the future.

A review of the Company's current position and external environment has been used to create priorities to help guide the Company as the industry moves forward. We have developed plans for the short and longer term supported by a focus on the culture required to achieve and sustain the Company's position as a high performing organisation. These are summarised in three areas:

- Strategic Direction – how the Company plans to align its strengths to exploit opportunities and mitigate threats to develop a long-term competitive advantage.
- Tactical Plans – the Company's short-term plans to continuously improve performance and deliver value for customers, stakeholders and shareholders.
- Corporate Culture - the behaviours required to sustain long-term high performance.

Strategic direction

The strategic agenda is to build competitive advantage and includes demonstrable actions to develop and prove capability. The RIIO incentive mechanisms that Ofgem has put in place ensure customers share the benefits of our success as these are financially realised.

We have to recognise that our market, and the environment in which we operate, is going to go through the biggest change since the electrification of rural areas in the 1960s. The use of innovative technology is becoming prevalent across the industry. We see this today within our operations, for example using technology better to identify the location of transient faults, reducing customer interruptions and traffic disruptions, or automated restoration systems to reconnect as many customers as possible in the event of faults. Outside of our operations, the move to a low carbon economy, electric vehicles in particular and the use of more local generation involve a step change in the way we work.



Peter Emery
Chief Executive Officer

This is already giving rise to opportunities for the business. We are implementing our Customer Load Active System Services (CLASS) project into some of our substations, a project which was initiated as a funded Low Carbon Network Fund (LCNF) project. This will enable us to offer National Grid market based frequency balancing services and, if it succeeds, save over 20,000 tonnes CO2 equivalent from UK emissions annually as it displaces power station energy consumption.

In this changing environment, we must operate differently. Whether this is to review the range of services that we provide, or the way we organise ourselves in a more competitive world, the future will be both different and exciting.

Being at the forefront of this change, we are using our experiences to influence the future shape of the Company's services. This could be through leading discussions on how we, as an industry, construct the electricity networks of the future to ensure efficient delivery of the service that our customers need. It could also be through supporting and managing larger local developments, not least being the Moorside nuclear construction project in Cumbria and the construction of Grid Transmission lines to transfer the power to the National Grid from the new power station.

Tactical plans

The tactical agenda is about improving our day-to-day operational performance. Actions plans are in place to improve focus, simplify and carry out detailed stewardship.

Our safety management system is continually reviewed to ensure risks associated with the Company's activities remain controlled. Safety culture is at the heart of our plans and we have a series of initiatives in progress which are aimed at positioning the Company as a top-class safety operator.

Delivering excellent customer service underpins the credibility of the Company and we have been disappointed that our performance has not been as good as other DNOs in this area. We have a Customer Satisfaction Roadmap in place and are starting to see an improved performance from driving compliance against standardised operating procedures. We are strengthening Governance to support delivery of the required improvement.

Productivity improvements are essential in being able to deliver savings for our customers and workforce flexibility is an important part of this. We need to schedule the working day around the length of time it takes to complete jobs. This will involve agreeing new ways of organising our time and our work, and to develop new approaches.

Corporate culture

Ultimately operational performance is a function of culture. The cultural characteristics that we believe will help ENWL become a high performing organisation revolve around management philosophy, leadership, policy and control, and securing our competitive advantage. They have been established and communicated to leaders across the organisation.

Defining and creating a high performance culture requires the Company to utilise a range of different business resources and skills including policy, process, training, role-modelling, reporting, measurement and behaviours. Alongside this, our new ethics policy has been introduced and communicated across the business clearly setting out how we expect our colleagues and contractors to operate.

I look forward to the challenges and opportunities that will come with the move to a low carbon future. With the support of my executive leadership team, our committed colleagues and contractors, we are well placed to build on the successes to date.

Company background

Electricity North West Limited is the electricity distributor for the North West of England. We are based here and we invest here.

The Company serves approximately 5 million customers at 2.4 million domestic and industrial locations, has circa 1,700 employees and provides a safe and reliable electricity supply, 24 hours a day, seven days a week.



We own, invest in, operate and maintain the network of poles, wires, transformers and cables which carry electricity from the national grid to homes and business across the North West.

We charge our customers through their electricity suppliers in the case of domestic and small customers, or directly for larger customers.

The prices that we charge our customers for distributing electricity are regulated by the Gas and Electricity Markets Authority which operates through Ofgem, but ultimately it is our customers that fund the business. Approximately 17p from every pound of a standard domestic electricity bill comes to Electricity North West to provide our services equivalent to £85 per home last year.

From April 2015 charges have been regulated by Ofgem through the RIIO model, which stands for

Revenue = Incentives + Innovation + Outputs

This model determines how much the Company is allowed to charge its customers to fund network investment and operating costs in the period from 2015 to 2023 and is designed to drive real benefits for customers.

The RIIO price controls have been developed to ensure that the revenues collected from customers are linked to company performance. Income in each year is largely fixed but will increase or decrease depending on performance against the outputs we deliver through a number of incentive mechanisms.

These mechanisms aim to promote good customer service and to minimise the number of interruptions that customers suffer and the average length of those interruptions. 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. These are shared between customers and shareholders, again after an annual review.

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

The Company 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 continues 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 to pay.

Company ownership

Electricity North West is a private limited company registered in England and Wales, ultimately owned by two shareholders each being long-term infrastructure funds as shown in note 29.

Corporate goals

The Company aims to provide customers with an excellent service at a competitive price through a safe and reliable electricity network.

To help achieve this objective the Company has the following corporate goals:

- **Safety** – safety is the number one priority – every day.
- **Customer** – to provide excellent customer service.
- **Affordability** – to keep costs down for customers.
- **Reliability** – to keep power flowing to customers, 24 hours a day, seven days a week.
- **Sustainability** – to maintain the network now and for future generations.
- **People** – to ensure the best working climate possible.

The **safety** of the Company's people, contractors and customers is a fundamental cornerstone of the business. The Company ensures that all of our people are well trained and able to operate safely, backed by policy driven procedures and compliance assurance, alongside a behavioural approach that seeks to ensure that all staff and contractors approach any task with a strong behavioural attitude to safety.

Electricity North West needs to deliver on its commitment to **customers**. The Company has constantly to make decisions that balance the conflicting priorities of maintaining a **reliable** network in the near term, investing to ensure this is **sustainable** in the long term, whilst keeping costs as low as reasonably practicable to meet the **affordability** challenge for our customers.



Safety and environment

The Company has three broad safety obligations:

- To ensure the safety of its employees and contractors
- Ensure third parties are protected from the risks inherent in the electrical assets it operates in the public environment
- Targeted investment in outputs that deliver a positive environmental impact

This is an industry that operates with hazards, and therefore the attention to safety needs to be top of the agenda. It is evident that improvements have been made in this area in recent years – near miss reports, a leading indicator of safety performance – were 12,199 in the year, an increase from the 9,240 near miss reports recorded in the year to March 2016. Having raised the attention on near miss reporting and resolution, and by implication on to safety, we are aiming to improve the quality of the reporting, focussing on behavioural challenge and those near misses that could have resulted in extreme harm. We have commenced a training programme designed to facilitate the ability of people throughout the organisation to challenge poor or risky behaviour.

We have also changed the messaging around safety in the business, reducing the messaging to focus on a limited number of clear “Golden Rules” which simplify the messaging and make behaviours easier to enforce.

Company background (continued)

The prosecution of the Company by the Health and Safety Executive, as a result of the tragic death of an overhead linesman in November 2013, has only served to reinforce the importance of safety in a sector which, by the nature of the work that it has to do and service that it provides, will always be hazardous. Safety is a continuous challenge for our business and our Board are fully committed to maintaining the focus on developing the safety culture in the Company.

The Company was found not guilty of charges relating to failure to risk assess and failure to ensure the safety of its employees. It was exonerated in respect of its underlying health and safety management but was found guilty of failing to adequately manage working at height. The Company has been fined £900k.

The Company has lodged an appeal against this guilty verdict.

The total number of lost time incidents involving employees and contractor employees for the year ended 31 March 2017 was seven (2016: four). The corresponding lost time incident frequency rate for the year ended 31 March 2017 was 0.10 (2016:0.06).

The safety of the public, customers and personnel from the inherent risks of electrical assets is assured through the Company's ongoing investment programme and the associated asset risk management policies that define the programme scope.

The Company is dedicated to achieving the highest standards of environmental performance, not only by minimising the risks created by our activities, but also through targeted investment in outputs that deliver a positive environmental impact. This includes:

- Removal of oil filled cable – to address oil leakage from fluid filled cables by replacing them with alternative modern oil free cabling and to respond quickly to leaks on legacy circuits.
- Undergrounding of overhead lines – part of our Network Investment Programme.

In terms of our own direct impact on the environment our principal performance indicator is the level of carbon dioxide emissions equivalent. This measure covers the environmental impact both from the use of fossil fuels in vehicles and generators and of energy in buildings, as well as the impact of Sulphur Hexafluoride (SF6), which is a strong greenhouse gas historically used as insulation

in electrical equipment. We have a target to reduce our emissions, in tonnes of CO2 equivalent, by 10% from a 2014/15 base by 2020. In the year ended 31 March 2017, we emitted 21,012 tCO2 equivalent, a 14.4% reduction from 2014/15.

Customer

The aim of Electricity North West is to put customers at the heart of everything the Company does, constantly balancing the conflicting priorities of maintaining a reliable network in the near term, investing to ensure this is sustainable in the long term, whilst keeping costs as low as reasonably practicable, while providing excellent customer service.

Reliability

Customers say that “keeping the lights on” is their top priority. This is achieved by targeted investment in the network both to limit the number of faults and also to limit the number of customers affected by those faults that do occur.

Performance is tracked using a variety of metrics including: delivery of the capital programme outputs, delivery against guaranteed standards of performance and network reliability measures including customer interruptions ('CIs') and customer minutes lost ('CMLs').

The reliability of the network continues to improve though proactive investment, the use of network automation and innovative solutions and an ongoing focus on operational response when incidents do occur. This year saw the lowest ever level of Customer Interruptions on the network, an improvement of 14% on the prior year, reflecting the investment in, and improved performance of, network automation.

In the year ended 31 March 2017, the average number of interruptions per 100 customers was 32.1, (2016: 37.2) outperforming the target of 48.0 set by Ofgem.

The average number of minutes for which customers were without supply during the year to 31 March 2017 was 33.1 (2016: 32.7), which outperformed the target of 45.8 set by Ofgem. Most customers enjoy excellent service from us but we recognise that there is variability in the level of service

experienced. A few customers experience a level of service significantly worse than average, usually by virtue of their location or due to localised network issues. We continued to invest in the year in schemes to reduce the numbers of worst served customers in line with our business plan commitment to have no customers falling into this category by 2023.

Investment in an affordable and sustainable network

In the year ended 31 March 2017, a total network investment programme of £89.7m was delivered (2016: £91.2m)

The current network has been installed over many decades and a significant proportion of the programme relates to replacing existing equipment at, or approaching, the end of its life with modern equivalents. We continue to deliver this replacement programme and to meet changing customer needs, using innovation to also ensure the Affordability challenge is met.

Innovation is vital to the future success and sustainability of the organisation. The Company is a leading network operator for innovation with a well established track record that the Company will continue to build on into the future.

The Company continues to be at the forefront of innovation. We were awarded a discretionary award of £1.7m in the year by Ofgem, reflecting the success of some of our past innovation projects, and a testament to the ability of the Company to deliver these projects.

Following the impact in our region of storms Desmond and Eva last year the mitigation of the impact of flooding is an important area of focus. The Company continues to invest in a significant programme of flood mitigation works, which have included both short-term measures and longer-term investment, such as raising the height of Rochdale and Lancaster sub-stations, both of which are in progress for completion in 2017.

Customer service

Delivering excellent customer service is a priority for Electricity North West. Historic performance levels in this area have been below the acceptable level, with a relative ranking of 13th or 14th out the DNO group.

Whilst there has been some recent improvement in performance levels, performance in this area needs to improve further. A customer strategy and detailed roadmap is in place and closely monitored by the executive leadership team.

The customer strategy is to provide to customers an easy to use service through a choice of communication channels 24 hours a day, 365 days a year. The tailored options and higher expectations of some customers require investment and development of current IT systems that manage both the customer journey and associated communication channels. The customer experience will be tailored based on individual customer needs and situation (such as fault type, resource availability). Every customer needs to feel that they are important.

During the year ended 31 March 2017 an improvement was seen in the customer satisfaction results measured through the Ofgem survey. The Company's overall satisfaction rating was 83.2% (2016: 80%) although the ranking among the Distribution Network Operators remained in 14th position. This is well below targeted levels and a continued focus on compliance with the customer journey has, however, seen performance in the last quarter improve to closer to targeted levels.

Analysis of the underlying reasons for poor customer satisfaction has resulted in targeted changes to operating procedures. For example, improvement in the way that our people communicate restoration times during faults, through the use of mobile technology that enables the identification of good and bad performance alike, has led to an improvement in the scores we receive from this area.

Company background (continued)

We are continuing the development of an improved website to improve the customer interaction that will continue into the year to March 2018.

The overall complaints performance within the year continued to outperform the Ofgem penalty incentive. Complaints performance has achieved a 76.8% (2016 52%) 24 hour resolution with a complaint metric of 3.76 (2016 7.65) forecasting us to 6th position within the DNO league table. This is an improvement on the previous year.

We have continued to focus on our Guaranteed Standards of Performance for connections during the year. We were disappointed in the high number of failures to meet the standards during last year. Whilst we have reduced the numbers of failures this year we are still not at the level of service that we want to give to our customers and will be continuing to focus on making improvements next year.

During 2016/17 we have introduced the welfare team to focus on the service for Priority Service Registered customers; this has provided the focus to contact over 77,000 customers from the register to deliver against our RIIO commitment.

The national Single Emergency Number (SEN) was launched in September 2016 with great success and call volumes are being monitored monthly showing that in March over 36% of our “no supply calls” came through this new channel.

People

The Company is a major employer in the North West of England and employs circa 1,700 people in the region. The Company 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.

Ultimately operational performance is a function of organisational culture. The overarching goal is to create a culture that drives the behaviours required for sustained high performance. Climate is the measure the Company uses to quantify how people feel about working for the

business and, in turn, makes the link between this ‘feeling’ and how the Company performs.

Significant investment is made by the Company in developing our managers into leaders who are able to demonstrate the Company’s culture. Half yearly surveys are undertaken to measure both colleague engagement and levels of agreement with the Company’s identified climate priorities. Time is provided between each survey to allow leadership teams to reflect on what they’ve learnt through the survey and then act to address issues identified.

Levels of colleague engagement are high, with a survey completion rate of almost 1,300 colleagues. The last survey in January 2017 had an overall agreement rate of 72%, an increase of two percentage points from the prior year. We have set a target of 75% employee agreement.

Electricity North West is committed to high ethical standards and to conducting our business with honesty and integrity. The Company expects all colleagues to act in the best interests of our business at all times and to operate in a manner which enhances and protects the Company’s reputation.

During the year our ethics policy was approved by the Board and launched into the business to support this expectation. The policy provides a single statement which applies to everyone who works for the business and to our contract partners. We provide a supportive environment for colleagues to voice any concerns, with training and refresher sessions launched to ensure our policies and ethical standards are adhered to. We also provide a confidential ‘Whistleblower’ telephone number to encourage disclosure.

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 Disability Discrimination Act 1995 and best practice. As an equal opportunities employer, equal consideration is given to applicants with disabilities in the Group’s employment criteria. The business will modify equipment and practices wherever it is safe and practical to do so, both for new employees and for those employees that become disabled during the course of their employment.

Corporate Social Responsibility

Stakeholder engagement

Electricity North West is committed to ongoing stakeholder engagement and recognises that such engagement enhances the Company’s ability to achieve its aims and objectives and to provide the highest level of service at a price customers can afford.

A strategic approach to stakeholder engagement provides structure to the activity undertaken by the business to support work reported in the RIIO-ED1 Stakeholder Engagement and Customer Vulnerability Incentive and the Connections Incentive as well as to the dissemination and learning work undertaken to support Low Carbon Network and Network Innovation Competition projects.

The Company has a number of Stakeholder Advisory Panels, each aligning to the Company goals of affordability, reliability, sustainability and customer service, together with an overarching Strategic Stakeholder Advisory Panel. All work is overseen by an Executive-level Internal Stakeholder Advisory Panel.

To support adherence to these initiatives, for the 6th year running the Company has engaged auditors for a non-financial assurance of its Stakeholder Engagement and Customer Vulnerability Submission and its commitment to AA1000APS.

Our Corporate Social Responsibility approach

On top of the engagement with its stakeholders the Company is committed to being a responsible and sustainable business and has set out Corporate Social Responsibility focus areas being; community, workplace, marketplace and environment.

The Corporate Social Responsibility activity is informed and shaped by the Business in the Community (BITC) Corporate Responsibility Index. This is the fifth year that the Company has participated in the Index and, in line with its plan, has maintained performance at 79%. The aim is to achieve 90% by September 2018.

Further information on these and other initiatives can be found under the Sustainability section of the Company’s website:

<http://www.enwl.co.uk/sustainability>

Human rights

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

The Company respects all human rights and regards those rights relating to non-discrimination, fair treatment and respect for privacy to be the most relevant and to have the greatest potential impact on key stakeholder groups of customers, employees and suppliers.

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

The Company’s Modern Slavery Act statement is available on its website:

<http://www.enwl.co.uk/about-us/modern-slavery-act-compliance-statement>

Corporate Social Responsibility (continued)

Gender and diversity

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



Workforce composition



Environment

The protection and enhancement of the natural environment impacted by our activities is a core value of the Company. The Company is dedicated to achieving the highest standards of environmental performance. This is achieved by minimising the risk of adverse impacts such as emissions, as well as investing in outputs that enhance the environment such as the undergrounding of overhead cables and supporting the UK in its move to a low carbon economy.

The RIIO-ED1 business plan and the supporting health, safety and environment strategy, set out the objectives and plans for delivering exceptional performance in environmental management, delivered through an environmental management system that is certified to ISO 14001 standard.

The Company continued during the year to implement energy efficiency measures through the refurbishment of its buildings and the replacement of fleet vehicles and company cars with more efficient vehicles. The Company also achieved certification of its energy management system to the ISO 50001 Energy Management Standard as well as retaining its ISO14001 certification.

Corporate Social Responsibility (continued)

Business carbon footprint

The Company's business carbon footprint (excluding losses) for the year was 21,012 tCO₂e (tonnes of CO₂ equivalent), a 9% reduction on the year ended 31st March 2016 of 23,133 tCO₂e.



The Company undergrounded and connected 11.2km of overhead lines in the year through the completion of three schemes. It remains on plan to complete the 80km planned in the RIIO-ED1 period.

A further 7.2km of oil filled cable was removed in the year and our overall leakage of oil from underground cables was 21,096 litres which is below the target of 30,000 litres per year across the RIIO-ED1 period, was in line with the forecast.

Electricity losses are measured as the difference between energy entering the network (generation) and energy exiting the network (demand). Whilst it is impossible to eliminate these losses, we do take steps to minimise them. This is done through installing more efficient assets in our network, particularly low loss transformers and cables and through our revenue protection unit, addressing the issue of theft.

Next year the Company will deliver more reductions in its carbon footprint and focus on delivering planned asset related environmental investment.

¹ The reported electrical losses figure is a snapshot of received data as of the date of this report and will change as further settlement reconciliation runs are carried out (up to 28 months after each relevant settlement date).

Key performance indicators

Safety

Lost time incident frequency rate

Definition and comment

The total number of reportable incidents in the period divided by the number of hours worked in that period by employees and contractors' employees, multiplied by 100,000 hours.

Performance

There were seven lost time incidents in the year, four involving Company employees and three involving contractors' employees. Improving the safety culture and reducing the risk of harm to our employees and contractors remains our highest priority.

0.10

0.10	0.06	0.23	0.11	0.11
2017	2016	2015	2014	2013

Safety

Near miss reporting

Definition and comment

Near miss reports are collected to provide valuable information on hazards and behavioural attitude. Near miss reporting is actively encouraged to promote a safety culture.

Performance

In the year ended 31 March 2017 the number of near misses reported by Electricity North West employees was 12,199 compared with 9,240 in the previous year and also above the target of 8,000. Having seen an increase in the volume of near misses over the last two years, the intention is now to focus on improving the quality and level of 'behavioural challenge'.

12,199 near miss reports

12,199	9,240	4,800
2017	2016	2015

Customer

Overall customer satisfaction

Definition and comment

The overall customer satisfaction score is a composite score from an Ofgem survey, assessing levels of customer satisfaction for connections quotations and delivery, interruptions and general enquiries.

Performance

Performance this year has improved to 83.2%, from 80% in the prior year and reflects the ongoing focus on improvement actions. Performance continues to be short of internal targets and remains a key focus area.

83.2%

83%	80%	83%	81%	76%
2017	2016	2015	2014	2013

People

Employee engagement

Definition and comment

Climate is measured through a climate survey which through a series of questions provides details of overall employee engagement and how employees feel about the 'working climate'.

Performance

Overall employee engagement increased to 72% in the year from 70% in the prior year.

72% Climate score

72%	70%	50%	42%
2017	2016	2015	2014

Key performance indicators (continued)

Reliability

Customer interruptions ²

Definition and comment

Customer interruptions represents the number of interruptions our customers experience. It is calculated by taking the total number of customers affected divided by the total number of customers connected to the networks, multiplied by 100, adjusted for exceptional events.

Performance

The result of 32.06 for the year outperforms the Ofgem target of 48.03 and is our best year ever. The improved performance reflects the ongoing investment in network automation and interconnection, to secure supplies to our customers.

32.06 CIs

2017	2016	2015	2014	2013
32.1	37.2	36.6	44.9	46.6

Reliability

Customer minutes lost ²

Definition and comment

Customer minutes lost represents the time customers are without power in the event of an interruption. It is calculated by taking the sum of the customer minutes lost for all restoration stages for all incidents, excluding exceptional events, and dividing by the number of connected customers as at 30 September each year.

Performance

The result of 33.06 for the year outperforms the Ofgem target of 45.83 and is our second best year ever, marginally behind the prior year.

33.06 minutes

2017	2016	2015	2014	2013
33.1	32.7	34.8	43.1	49.3

Sustainability

Carbon footprint excluding electrical losses

Definition and comment

Carbon footprint measures the impact of our operations on the environment and is calculated in line with Ofgem guidance. The calculation excludes electrical losses arising from the operation of the network which cannot be directly controlled or accurately measured.

Performance

We are aware of the environmental impacts we can have and are committed to manage the impact of our operations. Our carbon footprint has reduced by 9% from the prior year reflecting the ongoing focus in energy usage. There may be some year-on-year volatility in emissions dependant on levels of generation deployed on the network as a result of interruptions or exceptional events.

21,012 tCO₂e

2017	2016	2015	2014	2013
21,012	23,133	24,538	23,762	25,088

Affordability

Total expenditure ³

Definition and comment

Totex is a key financial measure for the business. It is an abbreviation which stands for total expenditure. It includes the money we spend on running our business day-to-day, and the amount we invest in new assets through our network investment programme. We aim to deliver efficiencies in totex which we share with our customers and that helps reduce customers' bills.

Performance

Totex for the year ending 31 March 2017 was £209.3m compared to an Ofgem allowance of £243.2m in outturn prices. Efficiencies have been delivered in the network investment programme and there was some delivery slippage which will be caught up in future years. Performance in the year benefited from a £7m insurance payout in relation to the December 2015 storms. 2015/16 costs included significant expenditure in relation to these storms.

£209.3m

2017	2016
£209.3	£244.2

² The year ended 31 March 2017 figure includes assumptions for exclusion of exceptional events and is yet to be audited by Ofgem

³ Totex is calculated on a regulatory basis and reported to Ofgem annually on 31 July. For management reporting purposes an approximate calculation of totex is prepared to track performance. The final regulatory totex figure will differ from this approximation when detailed cost allocations are performed.

Key performance indicators (continued)

Financial KPIs

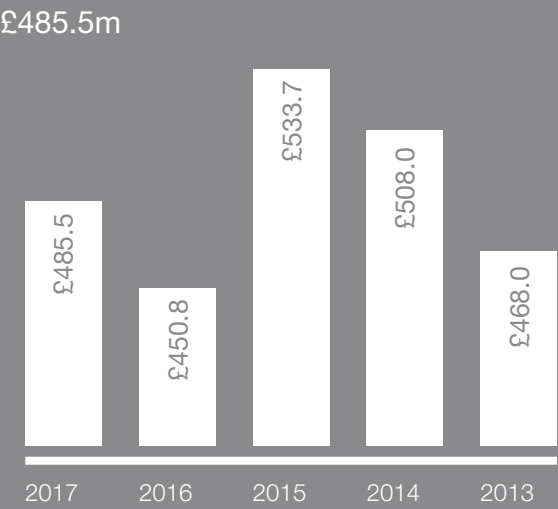
Revenue

Definition and comment

Revenue is largely fixed and is determined by Ofgem to allow recovery of efficient costs to maintain the network. This revenue is profiled over the price review period to 2023. Additional revenue is generated through charges for new connections to the network, along with an opportunity to earn incentive revenue for delivering improved performance.

Performance

Revenues have increased from the prior year in line with the average price increase. The revenue over recovery for the year was £3.7m and it will be corrected through adjustments in pricing in two years' time.



Financial KPIs

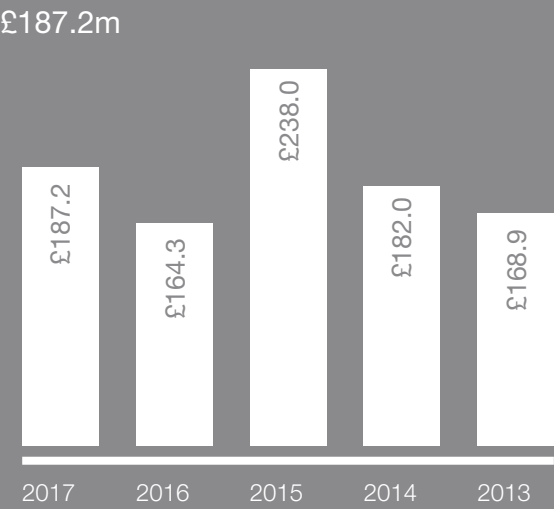
Profit before tax and fair value movements

Definition and comment

Profit before tax and fair value is the operating profit after interest charges.

Performance

Profit before tax and fair value movements has increased to £187m (2016: £164m), mainly as a result of the lower operating costs.



Financial KPIs

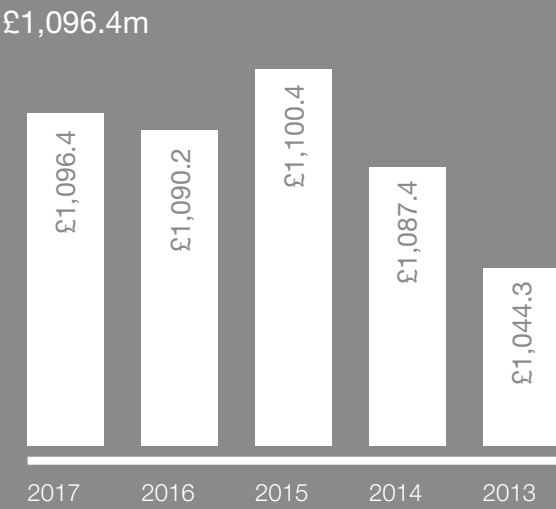
Net debt

Definition and comment

Net debt includes the total borrowings, current and non-current, net of cash and cash equivalents and money market deposits.

Performance

Net debt has increased over the year by £6m, the net effect of £16m higher debt and £10m higher cash balances. The increase in debt is due to the increased fair value of the £250m 8.875% 2026 bond at FVTPL and indexation on the inflation-linked debt. There were no new borrowings in the year.



Financial KPIs

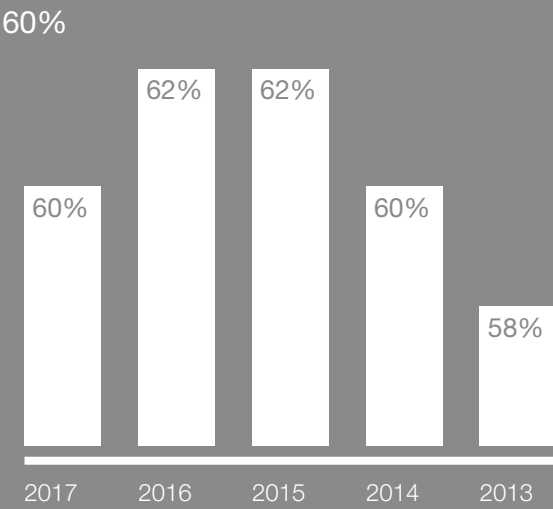
RAV gearing

Definition and comment

Regulatory Asset Value ("RAV") gearing is measured as borrowings at nominal value, plus accretion where applicable, net of cash and short-term deposits divided by the estimated RAV of £1,696m as at March 2017 (2016: £1,643m).

Performance

The RAV gearing is within the required maximum level of 65% and ahead of the internal target of 63%.



Key performance indicators (continued)

Financial KPIs

Interest cover

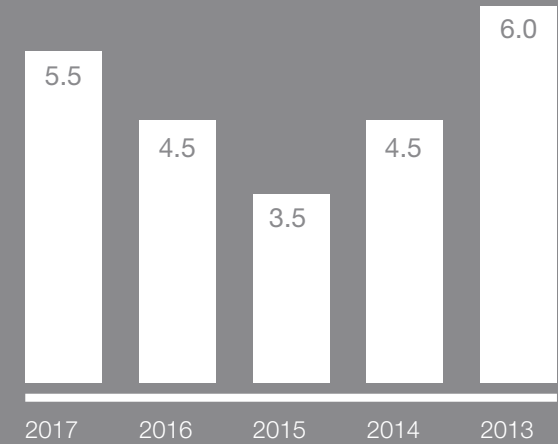
Definition and comment

Interest cover is the number of times the net interest expense, adjusted for indexation and capitalisation of borrowing costs, is covered by operating profit from continuing operations.

Performance

Interest cover has increased due to the £45m increase in Operating Profit, with the interest expense (excluding inflation movements on inflation-linked instruments and FV movements) remaining in line with the prior year.

5.5 times



Financial KPIs

Capital expenditure

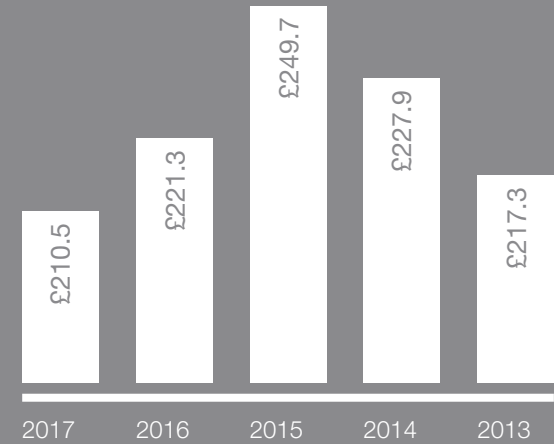
Definition and comment

This represents investment in the network to maintain its reliability and resilience for future customers. Capital expenditure represents the total additions to property, plant and equipment and software. Expenditure is less than the prior year reflecting the investment programme for RIIO ED1 and the impact of the December 2016 storms causing delays in delivery.

Performance

We continue to invest to improve the quality and reliability of the network. During the year we invested £210.5m; this was lower than planned investment levels due to a combination of scope efficiencies and some delivery slippage, which will be caught up in future years.

£210.5m



Financial performance

Given the nature of the business, traditional revenue and profitability measures are less meaningful than in other trading organisations.

Revenue is largely fixed across a price review period. It is set at a level that meets our efficient operating costs and expenses, as well as funding efficient investment, interest on necessary loan funding, taxes so it allows for a return to shareholders at a level that regulates the return and encourages future investment. Consequently the profit earned in any given period does not reflect a return to shareholders. The measure that is most closely aligned to this result is cash flow before financing activities (see page 23).

In any given year, an underspend against the allowed revenue can either be the result of efficient delivery and/or under-delivery, for example of investment expenditure. Where under-delivery has taken place, although this is recorded in the Financial Statements as an increased level of profitability in the year, as investment commitments are still required to be met, this expenditure will need to be undertaken in subsequent periods. Consequently underspends result in an overstatement of true returns to shareholders, with the converse true for overspends.

Revenue

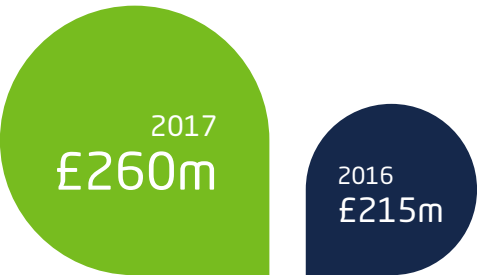
Revenue has increased to £486m (2016: £451m) during the year, in line with the allowed Distribution Use of System (DUoS) revenue under the RIIO price control.

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 profit and loss account for the period and will be corrected in future periods through the Ofgem price setting mechanism.

For the year 31 March 2017 there was an over recovery of DUoS revenue of £3.7m against plan, before adjustment for RPI indexation (2016: £10.4m over-recovery), reflecting variability against forecast in consumption volumes year on year. This over recovery will be corrected through adjustments in pricing in two years' time, in accordance with Ofgem methodology

Operating profit

Operating profit has increased to £260m (2016: £215m) as a result of the increase in revenue detailed above and lower operating costs.



Profit before tax and fair value movements

Profit before tax and fair value movements has increased to £187m (2016: £164m), mainly as a result of the lower operating costs.



Taxation

Corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profit for the period. The rate will be reduced to 19% on 1 April 2017 and to 17% on 1 April 2020. The deferred tax is calculated based on the expected future tax rates.

The overall taxation for the year has increased from a charge of £5m in 2016 to a charge of £10m in 2017 mainly as a result of the lower impact of the changes in future tax rates on deferred tax.

Financial performance (continued)

Dividends and dividend policy

The Group's dividend policy is to distribute the maximum amount of available cash in each financial year at semi-annual intervals. Distribution decisions take into account the forecast business needs, the Group's treasury policy on liquidity, financing restrictions, applicable law in any given financial year and are subject to the Company's licence obligations.

In the year ended 31 March 2017 the Company declared a final dividend for the year ended 31st March 2016 of £18m, paid in June 2016, and an interim dividend of £63m that was paid in December 2016. In the year ended 31 March 2016 the Company declared an interim dividend of £30m that was paid in December 2015.

Property, plant and equipment and software

The Group's business is asset-intensive. The Group allocates significant financial resources in the renewal of its network to maintain services, improve reliability and customer service and to invest to meet the changing demands of the UK energy sector.

The total original cost of the Group's property, plant and equipment at 31 March 2017 was £4,586m (2016: £4,391m), with a net book value of £3,037m (2016: £2,943m). In the year ended 31 March 2017, the Group invested £200m (2016: £206m) in property, plant and equipment in a large number of projects to reinforce and improve the network, and £10m (2016: £15m) on new computer software platforms. New investment is financed through a combination of operating cash flows and increased borrowing capacity against the Regulatory Asset Value.

Pension obligations

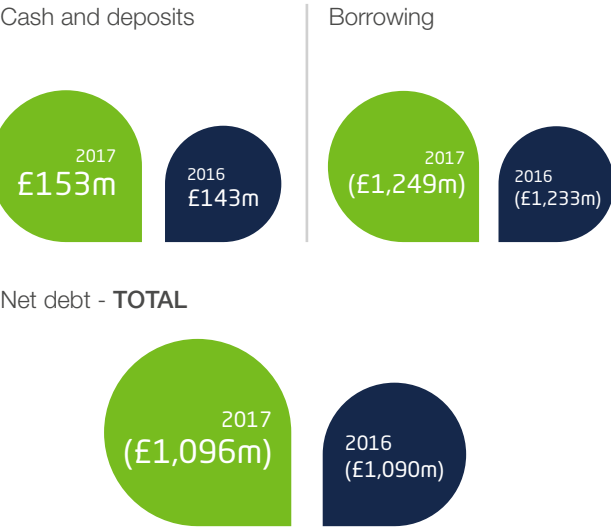
The valuation of the Group's Pension Scheme under IAS 19 has resulted in a net pension deficit at 31 March 2017 of £58m (2016: £16m). The main reason for the increase in the deficit is due to a significant decrease in the discount rate from 3.5% to 2.5% and a small increase in market expectations for future inflation over the period. This has been offset to some extent by the positive returns on the pension assets over the year, the payment of deficit repair contributions and the incorporation of experience gains from the 2016 actuarial valuation for funding purposes.

The most recent triennial valuation of the Group's Pension Scheme was carried out as at 31 March 2016 and identified a shortfall of £142.6m 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 2016 Actuarial valuation, the Group agreed to eliminate the shortfall by paying additional annual contributions from April 2016 to December 2023.

Cash flow before financing activities

Cash generated before financing in the year was £112m (2016: £32m), reflecting the increase in cash from operations and reduced investment

Net debt



Included within the total borrowings figure are £71m of loans from the parent company North West Electricity Networks plc, due to mature in March 2023 (2016: £70.9m) and £198m loans from an affiliated company ENW Finance plc, maturing in 2021 (2016: £197m).

£6.4m (2016: £4.6m) of the borrowings are due to be repaid within the next year, under the European Investment Bank (EIB) loans that have an amortising repayment profile.

All other borrowings are repayable after more than one year and include bonds with long-term maturities of £724m (2016: £711m) and EIB loans of £249m (2016: £249m). Note 19 provides more details on the borrowings.

Liquidity

The Group's primary source of liquidity is from Group operations and from funding raised through external borrowings.

Short-term liquidity

Short-term liquidity requirements are met from the Group's operating cash flows. Further liquidity is provided from short-term deposit balances and unutilised committed borrowing facilities.

As at 31 March 2017, the unutilised committed facilities were £25m (2016: £50m) and together with £153m (2016: £143m) of cash and short-term deposits provide short-term liquidity for the Group.

Utilisation of undrawn facilities remains subject to limits based on gearing levels determined against the Regulatory Asset Value.

Long-term liquidity

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 on a stable outlook basis. Long-term debt ratings have also remained stable. Currently the Group is rated BBB+ with stable outlook by Standard and Poor's, Baa1 with stable outlook by Moody's Investors Service and A- with stable outlook by Fitch Ratings. Our short-term debt ratings are A-2 and F2 with Standard and Poor's and Fitch Ratings respectively. Further details are available to credit investors on the Companies' website www.enwl.co.uk.

Treasury policy

The Group's treasury function operates with the delegated authority of, and under policies approved by, the Board. The treasury function does not undertake any speculative trading activity and 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') cash flows.

The Group's use of derivative instruments relates directly to underlying indebtedness. 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).

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:

- The Company'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 2018 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.
- Short-term liquidity requirements are forecast to be met from the Group's normal operating cash and short-term deposit balances. A further £25m of committed undrawn bank facilities are available from lenders; these have a maturity of more than one year. Whilst the utilisation of these facilities is subject to gearing covenant restrictions, 12 month projections to 31 May 2018 indicate there is significant headroom on these covenants.

Financial performance (continued)

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 Financial Statements.

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

Viability statement

In accordance with the provision of C.2.2 of the 2014 UK Corporate Governance Code, the Directors have assessed viability over a period longer than that required for going concern and have chosen three years.

Whilst the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group’s longer-term viability, based on the risk and sensitivity analysis undertaken, is the three-year period to 31 March 2020. Whilst this period is shorter than the forecast period the Board reviews, this three-year forecast period gives management and the Board sufficient, realistic visibility of the future. The Board has considered whether it is aware of any specific relevant factors beyond the three-year horizon and confirmed that there are none.

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

In arriving at their conclusion, the Directors have considered the Company’s forecast financial performance and cash flow over the three year viability period. The forecast has been subject to sensitivity analysis driven by the principal risks and the potential impact has been considered by sensitising a number of key assumptions, including Retail Price Index (RPI), interest rates and incentive revenue performance. Each analysis considered the Company’s ability to meet its operational and financial obligations throughout the period, including debt covenant compliance.

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

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 Group Risk, Control and Assurance;
- 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 and the in-depth reporting required by Ofgem, both the Audit Committee 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 2017.





Risk management

The Board is responsible for the alignment of strategy and risk, and for maintaining a sound system of risk management and internal controls. Our processes and systems are always evolving with the needs of our business and have been developed in accordance with the Financial Reporting Council's (FRC's) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Our Corporate Risk Register currently details a wide range of risks. These risks are considered in the context of the corporate goals – Safety, Customer, Affordability, Reliability, Sustainability and People and monitored by a business wide network of Risk Co-ordinators.

The electricity industry is embarking on a journey of unprecedented change. As with any business, the achievement of our goals necessitates a certain level of risk being taken. The key is ensuring that such a scale of change is managed with a good understanding of the risks involved, in a manner consistent with our strategy, and importantly making sure that these risks are managed within our agreed risk appetite. Risks should only be accepted where appropriate reward is achievable given the level of resources employed to manage them.

Our appetite for risk is defined using a framework which is reviewed annually by the Board. The framework enables our Board to demonstrate its risk appetite for the overall strategic direction of the business, and maps appetite for risk taking in the pursuit of each of our company goals at a tactical and operational level.

In line with the framework which provides descriptors on a scale of 'averse' to 'bold', the Company generally operates within a 'cautious' risk range, given that the achievement of the stretching business plan would not be possible without a level of measured risk taking. The areas where a 'very cautious' risk appetite is adopted relate to Sustainability, given our desire to ensure that the Company maintains its reputation for compliance and an ethical way of doing business, and most notably our Safety goal, on the basis that sound working practices that protect our employees and the general public are the number one priority for the business.

The key features of the risk management system include:

- Clear risk management strategy approved by the Board.
- Risk appetite framework, approved by the Board, in place that forms a key driver of the strategic business plan.
- Board oversight in identifying and understanding significant risks (and opportunities) to the Group in achieving strategic objectives.
- Dedicated Board and Executive Committees to oversee the management of risks for the Group.
- Appropriate operational and non-operational risks being managed within a corporate risk system.
- The underpinning of the corporate register by a number of "local" risk registers across the business with a network of Risk Co-ordinators which enhance the local monitoring process.

Risk management (continued)

Principal risks and uncertainties

The Group considers the following to be the principal risks that it faces.

	Risk	Mitigations
Safety	Health safety and the environment: Risk associated with unsafe working practices, man-made or naturally occurring hazards that could cause harm to people or the environment.	- Board Health, Safety and Environment Committee oversees this area. - Extensive policy and procedures to ensure a safe system of work - Behavioural safety training programme across all areas of the organisation. - Simple "Golden Rules" to ensure strong safety approach throughout the Company's operations - Robust lessons learned exercises conducted to identify root causes when safety issues occur. - Robust authorisation process to control who works on the network and the activities that they can perform. - Annual programme of audits and an inspection regime. - Enhanced hazard and near miss reporting.
Customer	Meeting our customers' commitments: Failure to meet the required level of customer satisfaction performance and to achieve costs and efficiencies against the commitments made to our customers in the RIIO-ED1 period.	- A programme of improvement activities described in more detail on pages 7 to 9 is being co-ordinated by the Executive Leadership Team to optimise Electricity North West's position against all elements of the customer satisfaction measure. - Robust plans in place to achieve other commitment targets, or outperform where possible. - Controls in place regarding the ongoing reporting of performance against targets.
People	Developing our people: Resource and succession planning for the business.	- Succession plans are in place, that are subject to periodic executive level review. - Training delivered throughout the Company to ensure employees are equipped to do their roles competently and effectively.
Reliability	Cyber and physical security threat: Breach of our security regime and access to key network security systems by an internal/external party.	- Dedicated qualified personnel allocated to Cyber and IT security. - A training programme in place to inform all users of the risks of e mail and social engineering attacks. - A cyber risk assessment methodology implemented within the Group. - Pre-employment screening. - A strong governance and inspection regime to protect infrastructure assets and operational capacity. - Physical and technological security measures. - Key laptops are encrypted preventing the loss of data. - Data Centre infrastructure providing enhanced security monitoring and management tools, 'next generation' firewalls and network traffic analysis. - Periodic internal and external security reviews. - Key systems migration and testing. Physical security measures are in place to limit access to sites.

	Risk	Mitigations
Sustainability	Government and regulator policy: The Company is subject to a high degree of regulatory and legislative intervention. The legal and compliance framework can change leading to additional compliance obligations, market conditions and reporting requirements that can have a significant effect on profitability.	- The Company has dedicated Regulation, Legal and Compliance departments that provide advice and guidance regarding the interpretation of political, regulatory and legislative change. - There is regular engagement with the Board on political and regulatory developments which may impact the Company.
	Business resilience: Events outside of our control, for example environmental or medical emergencies, affecting large areas may negatively impact the business.	- The Company has comprehensive contingency plans for network emergencies, including key contract resources such as mobile generators and overhead line teams. - Business continuity testing on a regular basis. - Reciprocal arrangements with other network operators. - Ongoing targets and monitoring of environmental performance.
	Regulation and compliance risk: Compliance failure leading to an adverse affect on the business.	- Overall governance and control framework in place, including established compliance routines and accountabilities, owned by the Executive Leadership Team and ultimately the Board. - Specialist teams in place to ensure compliance and assurance is carried out. - An internal audit programme focussing on the Group's key risk area, including fraud, regulatory compliance and business processes. - Established controls in place, including segregation of duties and restricted access to systems.
Affordability	Financial risks: The business is unduly subject to treasury, tax and liquidity risk exposures Under performance of the Pension Scheme investments, market impacts and/ or an increase in the scheme liabilities giving rise to higher contributions.	- A formal treasury policy in place to manage exposure to counterparty, liquidity and market risk, overseen by the Audit Committee. - A well established monthly banking covenant monitoring process. - Tax risk scoring. - Active monitoring of the Scheme's investments carried out on a quarterly basis. - The Trustee engages professional legal, actuarial and investment advice for all decisions taken and regularly consults with the Company.
	Programme delivery including change programmes: Delays in the investment programme leading to an adverse impact on customer interruptions and customer minutes lost performance.	- Fault response times and team performance are closely monitored. - Supply interruptions planned to minimise customer impact. - Network automation to minimise the effect of faults. - Significant expenditure on routine maintenance to reduce the causes of network interruption. - Initiatives to improve dispatch and mobilisation of response teams.
	Macro economic factors: Factors, such as Retail Price Index (RPI), may impact negatively on the business.	- Monitoring the potential exposure to fluctuating factors through forecasts from a range of financial institutions. - Inflation sensitivities reported quarterly through the business valuation process. - A significant proportion of our Group debt is RPI-linked to provide an economic hedge between allowed revenues and some of our financing costs.

The Strategic Report, outlined on pages 5 to 25, has been approved by the Board of Directors and signed on behalf of the Board on 26 May 2017.

D Brocksom
Director

Corporate governance report

Introduction

As is required by the Company’s Regulator, Ofgem, the Company reports on how the principles and provisions of the UK Corporate Governance Code (the Code) have been applied during the year. There are some limited areas of non-compliance, all of which are considered appropriate to the privately owned status of the Company and are explained on pages 35 and 36.

The Board

Board members at 31 March 2017

John Roberts

Independent Non-Executive Chairman

Appointed on 1 March 2014

John Roberts was Chief Executive of United Utilities plc from 1999 to 2006. He has a wealth of experience and knowledge, particularly in the utilities sector, having also been Chief Executive of Manweb in 1995. He has also sat on Ofgem’s Environmental Advisory Panel and has chaired the North West Energy Council. He is currently a Chairman of the Halite Energy Group.

Chris Dowling

Independent Non-Executive Director

Appointed on 1 May 2014

Chris Dowling was, until December 2013, Chairman of Challenger - Europe with particular responsibility for Challenger’s European Infrastructure investments. Prior to that, he was Managing Partner of Rutland Partners LLP, the Private Equity fund, and a founding director of Rutland Trust plc. He has a degree in Economics and qualified as a Chartered Accountant with Deloitte Haskins & Sells (now PricewaterhouseCoopers LLP ‘PwC’).

Mark Walters

Non-Executive Director

Appointed on 7 March 2014, resigned on 31 January 2017

Rob Holden

Independent Non-Executive Director

Appointed on 1 January 2016

Rob Holden combines a portfolio of Non-Executive Directorships with consultancy roles. He has board roles with HS1, the Submarine Delivery Authority, EdF and the Nuclear Decommissioning Authority. His advisory assignments in the UK include work with HS2, Thames Tideway Tunnel, the Type 26 Frigate and the QE Carrier programmes. Overseas he has worked in the USA and Singapore on High Speed Rail projects and in Australia on a regional rail project.

Niall Mills

Non-Executive Director

Appointed on 12 June 2009

Niall Mills is employed by First State Investments Management (UK) Limited where he is a Partner in the Direct Infrastructure Investment business. He has extensive infrastructure experience gained in senior industry roles across a variety of sectors, including utility companies, rail and airports. He is also a director of several other fund investments across Europe. He has been a Non-Executive Director of Anglian Water Group plc since September 2008. He is a Fellow of the Institution of Civil Engineers and holds a Masters of Business Administration from the London Business School and an Institute of Directors’ Diploma in Company Directorship.

Hamish Lea-Wilson

Non-Executive Director

Appointed on 23 November 2015

Hamish Lea-Wilson is employed by First State Investments Management (UK) Limited where he is a Director in the Direct Infrastructure Investment business. He is also a director of several other fund investments across Europe including New Finerge SA (Portuguese operator of wind farms with gross installed capacity of 843MW) and HH Ferries AB (high frequency ferry route operator, operating between Denmark and Sweden). He holds a B.Sc. (Hons) Economics degree from Durham University.

Mike Nagle

Non-Executive Director

Appointed on 28 January 2011

Mike Nagle was the Group Company Secretary and Solicitor of SEEBOARD plc and Senior Vice President, Legal Services at Metronet Rail. Now retired as a solicitor, he remains involved in consultancy work and is also a Non-Executive Director of the JP Morgan Infrastructure Investments Fund and of Greensands Holdings Limited (the parent company of Southern Water).

John Lynch

Non-Executive Director

Appointed on 31 January 2017

John Lynch is an investment principal in the Infrastructure Investments Fund of J.P. Morgan Asset Management, based in London. Prior to joining the firm, he had a twenty year global career in investment banking, including the role of head of EMEA Power at Bank of America Merrill Lynch where he led the bank’s advisory and lending efforts in utilities, conventional power generation, renewables and energy/utility related infrastructure. He is a dual citizen of the United States and Ireland. He graduated from Dartmouth College and holds an MBA from the University of Chicago Booth School of Business.

David Brocksom

Chief Finance Officer

Appointed on 5 October 2015

David Brocksom joined the Company as interim Chief Financial Officer in September 2013 and has, with a short break at the start of 2015, been with the Company since then, becoming a Director in October 2015. Previously he has held a number of CFO roles including at UK Coal plc and Pace plc. He qualified as a chartered accountant with Price Waterhouse (now PricewaterhouseCoopers LLP ‘PWC’) and is also a member of the Institute for Turnaround.

Peter Emery

Chief Executive Officer

Appointed on 27 May 2016

Peter Emery has over thirty years experience in the Energy Sector. He spent twenty years working for ExxonMobil in corporate planning, distribution operations, refining and supply with experience in Europe, North America and the Far East. His final assignment was as Operations Manager for Fawley Refinery having full operational responsibility for the UK’s largest refinery. On leaving ExxonMobil, he became the Executive Director of Production at Drax Power Limited and was a member of the executive team which completed the IPO of Drax Group plc in 2005, working with the Group until 2016, in which year he joined the Company. He is also a Non-Executive Director of N.G. Bailey Limited, having been appointed in September 2012 and a Board member of the York, North Yorkshire and East Riding Local Enterprise Partnership. He is a fellow of the Institute of Materials Minerals and Mining.

Steve Johnson

Executive Director

Appointed on 8 September 2008, resigned on 27 May 2016

Niall Mills, Hamish Lea-Wilson, John Lynch and Mark Walters are shareholders appointed directors and have appointed alternate Directors during their time as Board members, Hamish and Niall’s alternate was Tomas Pedraza. Andrew Truscott was Mark’s alternate until Mark’s resignation, when Andrew was appointed as John Lynch’s alternate.

Attendance at Board meetings

The Company Secretary attended all Board meetings during the year. Karen O’Donnell resigned as Company Secretary on 17 March 2017. Richard Somerville was appointed on the same day.

Where a Director was unable to attend a Board meeting, their views were canvassed by the Chairman prior to the meeting.

At the discretion of the Board, senior management were invited to attend meetings when appropriate to specific items subject to discussion.

The Board (continued)

The table below shows Board and Board Committee attendance during the year, for committee members only. Informal meetings to discuss board member replacements are not included nor are attendances by Directors at committee meetings where they are not formal members.

Attended / Scheduled					
Board member	ENWL Board	Audit Committee	Remuneration Committee	Nominations Committee	Health, Safety & Environment Committee
John Roberts	9/9	4/4	2/2	1/1	-
Chris Dowling	8/9	3/4	-	1/1	-
Rob Holden	9/9	-	-	1/1	3/3
Niall Mills	8/9	3/3	2/2	1/1	3/3
Hamish Lea-Wilson	9/9	4/4	2/2	-	-
Mark Walters	6/8	3/3	1/1	-	-
Mike Nagle	9/9	4/4	2/2	-	3/3
John Lynch*	1/2	1/1	0/1	0/1	-
Peter Emery	7/8	-	-	-	1/2
David Brocksom	9/9	-	-	-	-
Steve Johnson	1/1	-	-	-	1/1

*John Lynch attended four meetings as an observer prior to his appointment to the Board on 31 January 2017. At the 31st March 2017 meeting Andrew Truscott attended as an alternate Director in place of John Lynch.
The Remuneration Committee agreed some further business via email during July 2016 without meeting formally.

Diversity

The Board supports diversity in its broadest sense and accordingly aims to ensure that its number is made up of a diverse range of experience and expertise appropriate to the industry in which it operates, its operational business model and the extensive financial, governance, risk management and legal expertise required.

The Audit Committee last reviewed and updated the Board's Diversity Statement in May 2015. Diversity of the Board continues to be assessed on a case by case basis as vacancies arise. This is principally a matter for the Nominations Committee.

Composition

The Board comprises three Non-Executive Directors considered under the Code to be independent, one of whom is the Chairman, four Non-Executive Directors representing the two shareholders and two Executive Directors. The Directors' biographies are on pages 31-32.

Two of the Independent Non-Executive Directors, Chris Dowling and John Roberts have been named to Ofgem as fulfilling the role of Sufficiently Independent Directors as required by Ofgem. The role of the Sufficiently Independent Director was introduced from 1 April 2014 as part of a range of enhancements made to the ring-fence conditions in the Company's licence to protect consumers, should a distribution operator experience financial distress.

Leadership

The Board provides leadership of the Company, ensuring it continues to balance the needs of stakeholders while delivering the Company's strategy. Individually the Directors act in a way that they consider will promote the long-term success of the Company.

The role of the Chairman and the Chief Executive Officer is separate, defined by clear role descriptions set out in writing and agreed by the Board.

The Chairman is responsible for the leadership and governance of the Board and the Chief Executive Officer for the operational management of the Company and implementation of the strategy on the Board's behalf. The Chief Executive Officer is assisted by the Executive Leadership Team that comprises the operation unit directors.

Advice

All Directors are able to consult with the Company Secretary and the appointment and removal of the Company Secretary is a matter reserved for the Board.

Any individual Director, or the Board as a whole, may take independent professional advice relating to any aspect of their duties at the Company's expense. This is clearly stated in the Terms of Reference of the Board and of its Committees.

How the Board operates

The Board's role is to promote the long-term success of the Company and provide leadership within a framework of effective controls. The Board is responsible for approving the strategy and for ensuring that there are suitable resources to achieve it. In doing so, the Board takes into account all stakeholders, including its shareholders, employees, suppliers and the communities in which it operates.

The Board has Terms of Reference that detail matters specifically reserved for its decision, including the approval of budgets and financial results, assessment of new Board appointments, dividend decisions, litigation which is material to the Group and Directors' remuneration.

Evaluation

In December 2016, the Board undertook a questionnaire based evaluation process to which there was a 100% response.

The evaluation focused on ensuring that the Board reporting is succinct and focused and that the Board should continue to be cognisant of the Board diversity.

An externally facilitated evaluation will be conducted in the year ending March 2018.

Training

The Chairman is responsible for ensuring that all Directors update their skills, knowledge and familiarity of the Company.

Directors regularly receive reports facilitating greater awareness and understanding of the Company, its regulatory environment and the industry. The Board held one workshop and a strategy meeting during the >

The Board (continued)

year aimed at developing a greater understanding of the Company's operations and to explore strategic matters in detail.

Committee members received detailed presentations at meetings focussing on areas of relevance to the Committee and Board members are invited to workshops with shareholder representatives which are able to delve into areas of interest in greater detail.

The Chairman is also responsible for ensuring that all new Directors receive a tailored induction programme that reflects their experience and position as either an Executive or Non-Executive Director. This involves meetings with the Board, the Company Secretary, other members of the Executive and Senior Leadership Teams and site visits. Additional documentation is provided as appropriate.

Appointments

The three independent Non-Executive Directors (are provided with a detailed letter of appointment) and are appointed for an initial three-year term, to be reviewed every three years thereafter if they are reappointed. On the 31 March 2017 John Roberts and Chris Dowling were reappointed to the Board for 3 more years.

The four other Non-Executive Directors are appointed by the Company's shareholders as their representatives. The minimum expected time commitment required from Non-Executive Directors is six to ten days per year and is detailed in their letter of appointment.

On his appointment, Peter Emery was a Non-Executive Director of N G Bailey, the Board agreed to his remaining a Non-Executive Director with the proviso that when he is due for re-election, this is again discussed with the Electricity North West Board.

Conflicts of interest

The Board has appropriate processes in place to assess and manage any potential conflicts of interest. As part of these procedures the Board:

- Considers conflicts of interest as part of the agenda for all meetings.
- Asks Directors annually if there are any changes to their conflict of interest declarations, including appointments to the Boards of other entities.

- Keeps records and Board minutes regarding any decisions made.
- Maintains a companywide conflicts of interest register.

Areas of non-compliance with the UK Corporate Governance Code

There are some areas where the Company does not comply with the UK Corporate Governance Code, all of which are due to its privately owned status and are discussed below. The Company has endeavoured to comply with the spirit of the Code in the areas where compliance with the provision is either impractical or inappropriate.

Senior independent director

The Board has not appointed a Non-Executive Director as a Senior Independent Director under the Code. The Board meets the objectives behind this requirement through its shareholder representation on the Board.

Details of remuneration to executive directors, released to serve as non-executive directors

The Company does not disclose the remuneration to its Executive Directors who are released to serve as non-executive directors elsewhere. This information is made available to the shareholders through their representation on the Board.

Constitution of the Board

The Code states that half the Board should be Independent Non-Executive Directors. As the Company is privately owned and both shareholders are represented on the Board, it is felt that the needs of shareholders are met through their presence on the Board.

In addition to the two Sufficiently Independent Directors required by Ofgem, there is a further Independent Non-Executive Director. The Board considers that the three Independent Non-Executives offer an appropriate perspective, allowing for the refreshment of its Committees while allowing meaningful individual participation and effective collective decision making.

Annual election of Directors

The Board does not subject its Directors to annual elections as the shareholder representation on the Board allows the opportunity to challenge a Director's performance directly rather than an Annual General Meeting.

Publication of the terms and conditions of Non-Executive Directors

As a privately owned company Electricity North West is not required to provide a remuneration report in line with the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The purpose of the remuneration report is to enable shareholders to exercise judgement over directors' remuneration. With the presence of shareholder representatives on the Remuneration Committee, this purpose is directly met.

Engagement with stakeholders

As a privately owned company, Electricity North West does not have a large or dispersed shareholder base with which to formally communicate, nor are there any minority shareholders. Therefore Annual General Meetings are not held.

Shareholders:
In addition to formal Board meetings and workshop sessions, the meeting cycle includes quarterly valuation workshops to focus on financial and treasury matters and detailed periodic workshops to meet the requirements of strategic planning and more detailed performance reviews. Board members are invited to attend these meetings.

The Company works closely with its shareholders and both shareholders endorse the UK Stewardship Code and see their stewardship commitments as a key feature of their investment philosophy. They are committed to maintaining the integrity and quality of the markets in which they operate and allocate investment capital to productive purposes, while protecting and enhancing their clients' capital over the longer term.

Stakeholders:
The Company has strong and open relationships with stakeholders, including Ofgem, local government, schools,

emergency services, MPs and central government. There are a number of key relationships and a vast range of public sector stakeholders. The Company also engages across the industry with electricity suppliers, employees, contractors and other utilities.

Our stakeholder engagement strategy is outlined on page 10.

Board Committees

The Board has an extensive workload and therefore has delegated the detailed oversight of certain items to six standing Committees and two ad-hoc Committees:

Standing Committees, meeting on a regular pre-planned cycle:
Audit Committee
Remuneration Committee
Nominations Committee
Health, Safety and Environment Committee
Use of Systems Pricing Committee
Financing Committee
Ad-hoc Committees, meeting as required to deal with their specific areas of business:
Banking Committee
Retail Property Committee

The minutes of each Committee are made available to the Board. Those Committees listed in green produced a report for the year.

The Use of Systems Pricing Committee and the Financing Committee meet as required to approve detail about system pricing contained in Licence Condition 14 and financing transactions respectively.

The Banking and Retail Property Committees meet on an ad hoc basis to review bank mandates and the Company's residual retail property portfolio as necessary.

Report of the Audit Committee

The role and responsibilities of the Committee are set out in its Terms of Reference which are reviewed by the Committee and approved by the Board annually. The Terms of Reference are available on the Electricity North West website.

Membership and meetings

The Committee members are all Non-Executive Directors. The Board is satisfied that the committee chair, Chris Dowling, as a Chartered Accountant, has relevant financial experience. Attendance by individual members is detailed in the table on page 33.

There were a number of regular attendees by invitation at each of the Committee's meetings including the Chief Executive Officer, the Chief Financial Officer, the Head of Risk, Control and Assurance and the external auditor.

Over the course of the year, the Committee Chairman held separate meetings with both the lead external audit partner at Deloitte LLP and with the Head of Risk, Control and Assurance.

The Committee also met as a whole with the external auditor without management present.

The role of the Committee

The key responsibilities of the Audit Committee are to:

- Monitor the integrity of the financial statements, including its annual and half-yearly reports and to report the Board on significant financial reporting issues and judgements which they contain.
- Monitor the independence, effectiveness and remuneration of the external auditor.
- Review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and compliance with the UK Corporate Governance Code.
- Monitor the effectiveness of the Company's internal audit function.
- Ensure that the Group's treasury function is effective and approve treasury transactions in line with banking activity.

The significant matters considered by the Committee during the year included:

- Review of the 31 March 2017 Annual Report and Consolidated Financial Statements and the September 2016 half year-report.
- Evaluation of the effectiveness and scope of the internal audit plan including management response to audit reports.
- Review of the scope and methodology of the audit work to be undertaken by the external auditor, their terms of engagement and fees.

In accordance with UK regulations, the Company's auditor adheres to a rotation policy based on best practice and a new Group lead engagement partner is appointed once their predecessors have completed a term of five years. The current lead engagement partner will complete her five year term at the end of the 2016/17 audit. The Committee discussed the audit tender process at its November 2016

meeting and agreed that, given the business changes being currently undertaken across the business, that it would advise the Board to consider next tendering the audit in 2019 or 2020.

The significant issues considered by the Committee during the approval of the 2016/17 financial statements were:

- Capital and revenue allocations and ensuring the appropriate treatment of fixed asset expenditure. Management's key controls and a sample of projects were tested, as was capitalised interest cost to ensure compliance with IAS23. No evidence of management bias was identified and key assumptions were in line with external audit expectation.
- Accounting for the Electricity North West Group of the Electricity Supply Pension Scheme. This is a complex area where small changes in assumptions can have a significant effect on the valuation of liabilities and therefore on the financial statements. The Committee considered the evaluation by external actuaries, benchmarking data and the disclosure requirement of IAS19. The calculations and assumptions were considered appropriate.
- Treasury accounting, particularly fair value calculations and ensuring appropriate disclosures. There is a risk, due to the complexity of the financial instruments, that they are incorrectly valued, accounted for or disclosed, resulting in a material error in the financial statements or a material disclosure deficiency. The Committee noted the specialist advice received in the area and compliance with appropriate accounting standards in valuation and disclosure.
- Compliance with the FRC guidance and licence condition with regard to the going concern assessment. Consideration was given to operational performance against budget, financing arrangements, banking facility covenants and the application of appropriate sensitivities and compliance with Licence Condition 30.
- The risk of fraud in revenue recognition where considerations included specific testing on unbilled income and analytical review.

External audit

The external auditor is engaged to express an opinion on the Company's and Group's financial statements. The audit includes the review and testing of the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements. This year's report is the fourteenth conducted by Deloitte LLP.

To assess the effectiveness of the previous year's external audit the Committee reviewed the audit approach and strategy and received a report of Deloitte LLP's performance from both members of the Board and Executives. The performance evaluation was conducted via a questionnaire circulated to the Committee, the Chief Financial Officer, the Chief Executive Officer and the Company's senior financial leadership for completion.

The result of this evaluation was that the audit was appropriately scoped, was well planned and executed and provided appropriate challenge across the Company.

Auditor independence and the provision of non-audit services

The Company has a formal policy on the use of the auditor for non-audit work and the awarding of such work is managed in order to ensure that the auditor is able to conduct an independent audit and is perceived to be independent by our stakeholders.

The Committee will review its non-audit services policy in 2017/18 in light of the publication of the final draft of the FRC's Ethical Standard 2016.

In keeping with professional ethical standards, Deloitte also confirmed their independence to the Committee and set out the supporting evidence in their report to the Committee prior to the publication of the Annual Report and Financial Statements.

The non-audit services provided by Deloitte LLP during the year were in connection to Ofgem regulatory requirements, the covenant compliance agreed upon procedures and tax compliance and advisory services. Deloitte LLP have informed us that from 1 April 2017 they have resigned from providing tax compliance services and will not be performing any further work in this area in line with EU PIE rules.

Report of the Audit Committee (continued)

Internal control framework

The Committee, on behalf of the Board, is responsible for reviewing the Company's internal control framework. This review is consistent with the Code and covers all material areas of the Group, including risk management and compliance with controls. Further details of risk management and internal controls are set out on pages 28 to 30.

Whistleblowing arrangements

The Committee is responsible for reviewing the Company's Disclosure (Whistleblowing) policy and any concerns raised through these channels and management actions taken in response. A confidential service is provided by an external company whereby employees can raise concerns by e-mail or telephone in confidence. Any matters reported are investigated and escalated as appropriate.

Committee effectiveness

The Committee formally reviewed its Terms of Reference and its membership during the year to ensure both remain fit for purpose and were considered effective by the Board.

Fair, balanced and understandable

The Audit Committee was requested to assist the Board in confirming that the Annual Report is fair, balanced and understandable. As part of its review, the Audit Committee took into account the preparation process for the Annual Report and Consolidated Financial Statements:

- Different sections of the Annual Report are drafted by appropriate senior management who have visibility of the Company's performance in these areas.
- Reviews of the drafts are carried out by the Executive Directors and other members of the Executive Leadership Team.

Feedback is received from the external auditor on the content of the Annual Report. A final draft is reviewed by the Audit Committee before being recommended to the Board for approval.

The Directors' statement on a fair, balanced and understandable Annual Report and Consolidated Financial Statements is set out on page 46.

Report of the Nominations Committee

The role and responsibilities of the Committee are set out in its Terms of Reference and these are available on the Electricity North West website. The Committee's responsibilities include keeping under review the composition of the Board and senior executive, identifying and nominating candidates for approval by the Board to fill any vacancies and succession planning for Directors and other senior executives.

Membership and meetings

Composition of the Committee and attendance by individual members at meetings is detailed on page 33.

The Chief Executive Officer and the Customer and Corporate Services Director attend meetings at the invitation of the Chairman of the Committee.

Diversity

As described in the Corporate Governance report on page 34, the Board is committed to diversity in its broadest sense and the Nominations Committee ensures this remains central to recruitment and succession planning.

Report of the Remuneration Committee

The Committee’s role is to determine the remuneration structure for the Executive Directors to ensure that it balances appropriate reward with the creation of long-term value and sustainability of the network. The Terms of Reference for the Committee are available on the Electricity North West website.

It is also responsible for the review of the remuneration of other members of the Executive Leadership Team to ensure the structure and levels of remuneration appropriately incentivise these individuals to achieve the Company’s strategic objectives.

The Committee has been joined by invitation during the year by the Chief Executive Officer, Chief Financial Officer and the Customer and Corporate Services Director.

Membership and meetings

Composition of the Committee and attendance by individual members is detailed on page 33.

Role of the Committee

The Committee reviews and approves the overall remuneration levels of employees below senior management level, but does not set remuneration for these individuals. This oversight role allows the Committee to take into account pay policies and employment conditions across the Group.

A significant piece of work for the Committee during the year was reviewing the Company’s Executive Incentive Plan, the long-term incentive scheme for senior individuals covering the eight-year period beginning on 1 April 2015, aligned with the RIIO-ED1 price control period.

The Committee reviewed and re-approved the Executive Incentive Plan in May 2016. This scheme is for senior executives and covers the eight-year period beginning on 1 April 2015, aligned with the RIIO-ED1 price review period.

In compliance with the Code, this plan includes:

- An allowance for a downward adjustment to amounts not yet paid to individuals (malus); and
- An allowance for recovery of amounts already paid from the Executive Incentive Plan (clawback).

The Committee is of the opinion that the remuneration structure, designed for the RIIO period, reflects the strategic direction of the business and the steps taken during the year ensures that remuneration is designed to promote the long-term success of the Company.

Share options are not offered as an incentive to either Executive or Non-Executive Directors as the Company is privately owned.

The table below set out the nature of the remuneration of the Executive Directors:

Element	Purpose and link to strategy	Framework
Basic salary	Basic salary provides the core reward for the role. Salaries are set at a sufficient level to attract and retain high calibre individuals who can deliver the Group’s strategic objectives.	External advice is taken on all remuneration to ensure that it remains effective and appropriate. Levels of basic salary are benchmarked but also reflect the Director’s experience and time at Director level.
Benefits	Other benefits provided are designed, as with basic salary, to provide a competitive but not excessive reward package.	In addition to basic salary, Directors are provided with a car allowance and private medical insurance.
Executive Incentive Plan (EIP)	Executive Directors are members of the Executive Incentive Plan which was introduced in April 2015 to reward both in-year performance and incentivise strategic and innovative behaviours over the longer term, aligned to shareholder objectives.	The EIP works on a balanced scorecard approach, containing short-term metrics to evaluate in-year performance and longer-term measures promoting a strategic focus and sustainable performance. Partial payments are made each year based on achievement against the balanced scorecard, with additional payments made in years 4 and 8 to ensure the balance of short and long-term incentivisation is retained. Following Health & Safety best practice, Safety is considered to be an essential part of any role and Directors therefore receive no Health & Safety related incentives. However a range of safety performance measures act as a gateway to earn bonus.
Pension	Directors are offered the same level of defined contribution benefits as all other employees, or a taxable payment in lieu.	No Director is a member of the defined benefit scheme which is now closed to new members.

Report of the Health, Safety & Environment Committee

The Committee continues to develop the Company’s health, safety and environment strategies, agrees targets and monitors Company performance in this area. It regularly challenges the executive and the health, safety and environment team to look at new initiatives and work with other organisations.

Membership and meetings

Composition of the Committee and attendance by individual members is detailed on page 33.

Meetings are also attended by executives in charge of operationally focussed directorates.

- Report to the Board developments, trends and / or forthcoming legislation in relation to the health, safety and environmental matters which may be relevant to the Company’s operations, assets or employees.
- Review the Company’s external reporting in this area and regulatory disclosures.

At every meeting the Committee receives and discusses in detail a Health, Safety and Environment performance report for the preceding period, prepared and presented by the Head of Health Safety and Environment who attends every meeting.

Role of the Committee

The Committee has designated authority from the Board set out in its Terms of Reference which is published on the Electricity North West website.

The primary purpose of the Committee is to:

- Set the corporate health, safety and environment strategy, objectives, targets and programmes.
- Monitor performance in these areas with a view to:
 - Minimising risk;
 - Ensuring legal compliance;
 - Responding to significant events; and
 - Ensuring significant resources are allocated for the control of health, safety and environmental risks.

Directors’ report

The Directors present their Annual Report and the audited Consolidated Financial Statements of Electricity North West Limited (‘the Company’) and its subsidiaries (together referred to as the ‘Group’) for the year ended 31 March 2017.

Dividends

In the year ended 31 March 2017 the Company declared interim dividends of £63m, which were paid in December 2016 (31 March 2016: £30m). The final dividend for the year ended 31 March 2016 of £18m was paid in June 2016. At the Board meeting in May 2017 the Directors proposed a final dividend of £12m for the year ended 31 March 2017.

Directors

The Directors of the Company during the year ended 31 March 2017 are set out below. Directors served for the whole year except where otherwise indicated.

Executive Directors

P Emery (appointed 27 May 2016)
S Johnson (resigned 27 May 2016)
D G Brocksom

Non-executive Directors

Dr J Roberts
N P Mills
M A Nagle
J E Lynch (appointed 31 January 2017)
M A Walters (resigned 31 January 2017)
C Dowling
H Lea-Wilson
R D Holden

Alternate Directors during the year were:

T Pedraza
A Truscott (resigned as M A Walters alternate 31 January 2017, appointed as J E Lynch’s alternate 31 January 2017)

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

Directors’ and Officers’ insurance

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

People

The Group’s policies on employee consultation, the treatment of disabled employees and on equality and diversity across all areas of the business are contained within the People section of the Strategic Report.

Corporate Social Responsibility

Details of the Group’s approach to Corporate Social Responsibility can be found in the Strategic Report.

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. During the year ended 31 March 2017 the Group incurred £3.9m of expenditure on research and developments (2016: £6.7m).

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 20 to the financial statements.

Fixed assets

Further details on Property, Plant and Equipment are provided in the Strategic Report and note 13 to the Financial Statements.

Directors’ report

Capital structure

The Company’s capital structure is set out in note 28 to the Financial Statements.

Commitments

Details of commitments and contractual obligations are provided in notes 12, 13, 20 and 32 of the Financial Statements.

Information given to auditor

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

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

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

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

Independent auditor

Deloitte LLP 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.

Registered address

Electricity North West Limited
304 Bridgewater Place
Birchwood Park
Warrington
WA3 6XG

Registered number: 02366949

Approved by the Board on 26 May 2017
and signed on its behalf by:

D Brocksom
Director

Directors’ responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have also chosen to prepare the parent Company financial statements under IFRS as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements 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 Group’s ability to continue as a going concern.

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, 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 performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 26 May 2017 and is signed on its behalf by:

D Brocksom
Director

Independent Auditor’s Report to the Members of Electricity North West Limited

Opinion on financial statements of Electricity North West Ltd

In our opinion

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2017 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements that we have audited comprise:

- the consolidated income statement;
- the consolidated and company statements of comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated and company statements of cash flows; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern and the directors’ assessment of the principal risks that would threaten the solvency or liquidity of the group

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 29-30 that describe the principal risks and explain how they are being managed or mitigated;
- the directors’ confirmation on page 25 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors’ statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors’ explanation on pages 24-25 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors’ adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group’s ability to continue as a going concern.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: - Treasury accounting - Pensions – defined benefit scheme liability assumptions - Inappropriate capitalisation of costs
Materiality	The materiality that we used in the current year was £4.3m which was determined on the basis of revenue.
Scoping	All audit work for the group was performed directly by the group audit engagement team.
Significant changes in our approach	Our approach is consistent with the previous year.

Independence

We are required to comply with the Financial Reporting Council’s Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Treasury accounting	
Risk description	Treasury is a complex area and includes the accounting for material financial instruments including index-linked swaps and bonds. Due to the complexity of the accounting there is a risk that these instruments are incorrectly valued, accounted for or disclosed in the financial statements which may result in a material error. As at 31 March 2017 ENWL had £724.4m of bonds in issue (2016: £711.3m) as disclosed in note 19 to the financial statements, and held derivative financial instruments, being a portfolio of index-linked swaps, with a fair value of £363.5m (2016: £267.7m) as disclosed in note 20. Total fair value movements in the year were £106.2m (2016: £42.8m) as per note 9 to the financial statements. See also the Audit Committee’s Report on page 38 where treasury accounting is discussed as a significant issue, the accounting policy on financial instruments in note 2 to the financial statements and the associated critical accounting judgement and key sources of estimation uncertainty in note 3.
How the scope of our audit responded to the risk	Due to the complexity of the financial instruments held in the group our audit team includes financial instrument specialists. We tested a sample of valuations in respect of the index-linked swaps held by the group, including an assessment of the application of credit risk under IFRS 13. In addition we recalculated the carrying value of the bonds held at both amortised cost and at fair value through profit and loss, along with the associated amortisation and interest charges as the bonds unwind to maturity. We have challenged management by reviewing the inputs into the valuation model and agree that certain derivatives should be classified as Level 3. In addition our review of the financial statements assessed whether the disclosures made in note 20 are consistent with the requirements of IFRS 13 and IFRS 7.
Key observations	From the work performed we are satisfied that the valuation of the Group’s portfolio of bonds and index-linked swaps is materially correct. In addition we note that the index-linked swaps are appropriately disclosed as Level 3 in the financial statements.

Pensions – defined benefit scheme liability assumptions	
Risk description	The risk concerns the appropriateness of the actuarial assumptions, for example assumptions around the discount rate, mortality and inflation, used in calculating the Group’s defined benefit liability of £58.0m (2016: £16.2m) as shown in note 21. The valuation of the Group’s IAS 19 liability involves significant judgement, in particular in the choice of discount rate used. This is because a small movement in the discount rate can have a large impact on the funded status of the pension deficit. See also the Audit Committee’s Report on page 38 where pension accounting is discussed as a significant issue, the accounting policy on retirement benefit schemes in note 2 to the financial statements and the associated critical accounting judgement and key sources of estimation uncertainty in note 3.
How the scope of our audit responded to the risk	We have assessed the appropriateness of the assumptions underpinning the valuation of the schemes liabilities. Specifically we challenged the discount rate, and other key assumptions including inflation and mortality, by using our internal pension specialists to benchmark the assumptions applied against comparable third-party data and to assess the appropriateness of the assumptions in the context of the Group’s own position.
Key observations	From the work performed we are satisfied that the assumptions applied in respect of the valuation of the Group’s IAS 19 liabilities are materially correct. The assumptions, when taken together as a whole, are in the middle of our benchmarked range.

Inappropriate capitalisation of costs

Risk description	We focus our key risk in relation to inappropriate capitalisation of costs to the judgemental percentage rates applied to employee cost overhead absorption. In particular we focus on those judgemental areas, for example engineers and electricians whose time is split between capital projects and repair and maintenance on the network. The effect of inappropriate capitalisation of costs from a financial statement perspective is that items which are capital in nature are expensed, whilst items which are expenditure in nature are, conversely, capitalised. Given the magnitude of overheads capitalised in the business the impact could be material. Total employee costs are £105.0m in the year (2016: £102.3m), of which £58.1m (2016: £55.1m) has been capitalised directly to fixed assets. See also the Audit Committee’s Report on page 38 where overhead absorption is discussed as a significant issue, the accounting policy for tangible fixed assets in note 2 to the financial statements and the associated critical accounting judgement and key sources of estimation uncertainty in note 3.
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How the scope of our audit responded to the risk	We have reviewed the Company’s assumptions, policies and procedures with regards to overhead absorption and compared these to the balances capitalised. In respect of overhead absorption we have considered the relative percentage capitalisation by function/operational area in the business and challenged the key assumptions made by management including testing on a sample basis to appropriate support. As part of our audit of tangible fixed assets we tested a sample of additions to consider whether those items are capital in nature. A sample of capital projects were reviewed in detail, with discussions and supporting documentation obtained from project managers in order to better understand those projects and determine the specific nature of the spend and method of overhead absorption.
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Key observations	From the work performed we are satisfied that the assumptions made, in respect of the rates of overhead absorption applied in the business, are reasonable.
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These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£4.3m
Basis for determining materiality	We determined materiality for the group to be £4.3 million (2016: £4.1 million) using revenue as the determining base. This materiality is below 4.2% (2016: 3.4%) of pre-tax profit and below 1% (2016: 1%) of equity.
Rationale for the benchmark applied	Revenue is determined to be the key metric used by users of the financial statements and we have been requested by the Audit Committee to determine our materiality on the basis of revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £82,000 (2016: £79,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Given the nature of the group’s corporate structure where all evidence relating to each entity is compiled at the group’s head office and statutory audits are required for each non-dormant entity within the group, we performed an audit covering 100% of the group’s companies and accordingly our work was performed on each individual component’s total assets, revenue and profit.

We have also tested the consolidation process.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made.

We have nothing to report arising from these matters.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

We confirm that we have not identified any such inconsistencies or misleading statements.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors’ statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s and the parent company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jane Boardman

BSc FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

26 May 2017

Financial statements

Consolidated Income Statement

for the year ended 31 March 2017

	<i>Note</i>	Group 2017 £m	Group 2016 £m
Revenue	4	485.5	450.8
Employee costs	5,6	(46.9)	(47.2)
Depreciation and amortisation expense (net)	5	(99.3)	(94.4)
Other operating costs		(79.9)	(94.6)
Total operating expenses		(226.1)	(236.2)
Operating profit	5	259.4	214.6
Investment income	8	0.7	0.9
Finance expense (net)	9	(179.1)	(94.0)
Profit before taxation		81.0	121.5
Taxation	10	(10.0)	(4.5)
Profit for the year attributable to equity shareholders	27	71.0	117.0

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

Consolidated and Company Statement of Comprehensive Income

for the year ended 31 March 2017

	<i>Note</i>	Group and Company 2017 £m	Group and Company 2016 £m
Profit for the year		71.0	117.0
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit pension schemes	21	(52.1)	9.1
Deferred tax on re-measurement of defined benefit pension schemes taken directly to equity	23	8.9	(1.6)
Adjustment due to change in future tax rates of brought forward deferred tax taken directly to equity	23	(1.0)	(2.2)
Other comprehensive income for the year		(44.2)	5.3
Total comprehensive income for the year attributable to equity holders		26.8	122.3

Consolidated and Company Statement of Financial Position

as at 31 March 2017

Assets

Non-current assets

	<i>Note</i>	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Intangible assets and goodwill	12	45.5	45.5	39.5	39.5
Property, plant and equipment	13	3,037.3	3,037.3	2,942.7	2,942.7
Investments	14	-	15.4	-	15.4
		3,082.8	3,098.2	2,982.2	2,997.6

Current assets

Inventories	15	9.6	9.6	8.5	8.5
Trade and other receivables	16	60.5	60.5	67.9	67.9
Money market deposits	17,20	10.0	10.0	23.5	23.5
Cash and cash equivalents	17,20	142.7	142.7	119.3	119.3
		222.8	222.8	219.2	219.2

Total assets

		3,305.6	3,321.0	3,201.4	3,216.8
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LIABILITIES

Current liabilities

Trade and other payables	18	(142.7)	(158.4)	(137.1)	(152.8)
Current income tax liabilities		(8.2)	(8.2)	(7.1)	(7.1)
Borrowings	19	(6.4)	(6.4)	(4.6)	(4.6)
Provisions	22	(1.1)	(1.1)	(0.6)	(0.6)
		(158.4)	(174.1)	(149.4)	(165.1)

Net current assets

		64.4	48.7	69.8	54.1
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Non-current liabilities

Borrowings	19	(1,242.7)	(1,242.7)	(1,228.4)	(1,228.4)
Derivative financial instruments	20	(363.5)	(363.5)	(267.7)	(267.7)
Provisions	22	(2.9)	(2.9)	(1.9)	(1.9)
Retirement benefit obligations	21	(58.0)	(58.0)	(16.2)	(16.2)
Deferred tax	23	(126.7)	(126.7)	(158.0)	(158.0)
Customer contributions	24	(588.8)	(588.8)	(561.0)	(561.0)
		(2,382.6)	(2,382.6)	(2,233.2)	(2,233.2)

Total liabilities

		(2,541.0)	(2,556.7)	(2,382.6)	(2, 398.3)
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Total net assets

		764.6	764.3	818.8	818.5
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EQUITY

Called up share capital	26	238.4	238.4	238.4	238.4
Share premium account	27	4.4	4.4	4.4	4.4
Revaluation reserve	27	92.5	92.5	93.5	93.5
Capital redemption reserve	27	8.6	8.6	8.6	8.6
Retained earnings	27	420.7	420.4	473.9	473.6

Total equity

		764.6	764.3	818.8	818.5
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The financial statements of Electricity North West Limited (registered number 2366949) were authorised for issue and approved by the Board of Directors on 26 May 2017 and signed on its behalf by:

D Brocksom

Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2017

Group

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption resevre £m	Retained earnings £m	Total Equity £m
At 1 April 2015	238.4	4.4	99.2	8.6	375.9	726.5
Profit for the year	-	-	-	-	117.0	117.0
Transfer from revaluation reserve	-	-	(5.7)	-	5.7	-
Other comprehensive income for the year	-	-	-	-	5.3	5.3
Total comprehensive (expense)/income for the year	-	-	(5.7)	-	128.0	122.3
Transactions with owners recorded directly in equity						
Equity dividends (<i>note 11,27</i>)	-	-	-	-	(30.0)	(30.0)
At 31 March 2016	238.4	4.4	93.5	8.6	473.9	818.8
Profit for the year	-	-	-	-	71.0	71.0
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
Other comprehensive expense for the year	-	-	-	-	(44.2)	(44.2)
Total comprehensive (expense)/income for the year	-	-	(1.0)	-	27.8	26.8
Transactions with owners recorded directly in equity						
Equity dividends (<i>note 11,27</i>)	-	-	-	-	(81.0)	(81.0)
At 31 March 2017	238.4	4.4	92.5	8.6	420.7	764.6

Company Statement of Changes in Equity

for the year ended 31 March 2017

Company

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption resevre £m	Retained earnings £m	Total Equity £m
At 1 April 2015	238.4	4.4	99.2	8.6	375.6	726.2
Profit for the year	-	-	-	-	117.0	117.0
Transfer from revaluation reserve	-	-	(5.7)	-	5.7	-
Other comprehensive income for the year	-	-	-	-	5.3	5.3
Total comprehensive (expense)/income for the year	-	-	(5.7)	-	128.0	122.3
Transactions with owners recorded directly in equity						
Equity dividends (<i>note 11,27</i>)	-	-	-	-	(30.0)	(30.0)
At 31 March 2016	238.4	4.4	93.5	8.6	473.6	818.5
Profit for the year	-	-	-	-	71.0	71.0
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
Other comprehensive expense for the year	-	-	-	-	(44.2)	(44.2)
Total comprehensive (expense)/income for the year	-	-	(1.0)	-	27.8	26.8
Transactions with owners recorded directly in equity						
Equity dividends (<i>note 11,27</i>)	-	-	-	-	(81.0)	(81.0)
At 31 March 2017	238.4	4.4	92.5	8.6	420.4	764.3

Consolidated and Company Statement of Cash Flows

for the year ended 31 March 2017

	Note	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Operating activities					
Cash generated from operations	31	348.1	348.1	270.8	270.8
Interest paid		(46.3)	(46.3)	(46.8)	(46.8)
Tax paid		(32.3)	(32.3)	(22.8)	(22.8)
Net cash generated from operating activities		269.5	269.5	201.2	201.2
Investing activities					
Interest received and similar income		0.8	0.8	0.9	0.9
Purchase of property, plant and equipment		(194.3)	(194.3)	(199.5)	(199.5)
Purchase of intangible assets		(10.1)	(10.1)	(14.9)	(14.9)
Customer contributions received		45.5	45.5	44.3	44.3
Proceeds from sale of property, plant and equipment		0.1	0.1	0.2	0.2
Net cash used in investing activities		(158.0)	(158.0)	(169.0)	(169.0)
Net cash flow before financing activities		111.5	111.5	32.2	32.2
Financing activities					
Proceeds from borrowings		0.4	0.4	1.8	1.8
Repayment of borrowings		(4.8)	(4.8)	(22.2)	(22.2)
Accretion on index linked swaps		(16.2)	(16.2)		
Transfer from money market deposits		13.5	13.5	1.5	1.5
Dividends paid to equity shareholders of the Company		(81.0)	(81.0)	(30.0)	(30.0)
Net cash used in financing activities		(88.1)	(88.1)	(48.9)	(48.9)
Net increase/(decrease) in cash and cash equivalents		23.4	23.4	(16.7)	(16.7)
Cash and cash equivalents at the beginning of the year	17	119.3	119.3	136.0	136.0
Cash and cash equivalents at the end of the year	17	142.7	142.7	119.3	119.3

Notes to the financial statements

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

1. Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

Certain new and amended standards have taken effect during the year, as outlined below. The Directors have determined that these have not had any material impact on the amounts or disclosures reported in these Financial Statements:

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception. The Group and Company do not meet the definition of an investment entity, therefore the amendments have no impact.
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations. The Group and Company have not acquired a joint operation in the year, therefore the amendments have no impact.
- Amendments to IAS 1 – Disclosure Initiative. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, whilst reiterating that additional disclosures should be considered when compliance with the specific requirements in IFRS is insufficient for the understanding of users of the financial statements. The structure of the financial statements is also addressed, in terms of systematic ordering and grouping of notes. The amendments have no material impact. In addition, the amendments clarify the treatment of other comprehensive income from associates and joint ventures accounted for using the equity method. The Group and Company have no such arrangements, therefore this amendment has no impact.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation.

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The Group and Company uses the straight-line method for depreciation and amortisation; therefore the amendments have no impact.

- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants. As the Group and Company are not engaged in agricultural activities these amendments have no impact.
- Amendments to IAS 27 – Equity Method in Separate Financial Statements. The amendments allow the use of the equity method in separate financial statements and also clarify when a parent ceases to be, or becomes, an investment entity the change should be accounted for from the date of the change. The Company accounts for investments in subsidiaries at cost and is not an investment entity; therefore the amendments have no impact.

The Group has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2012-2014 Cycle for the first time in the current year. The adoption of these amendments has had no effect on the Group's consolidated financial statements.

- IFRS 5 – the amendments introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa). Such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The guidance for when held-for-distribution accounting is discontinued is also clarified.
- IFRS 7 – the amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose

of the disclosures required in relation to transferred assets.

- IAS 19 – the amendments clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and, in some cases, had not yet been adopted by the EU):

IFRS 9: Financial Instruments

IFRS 15: Revenue from Contracts with Customers

IFRS 16: Leases

IFRS 2 (amendments): Classification and Measurement of Share-based Payment Transactions

IAS 7 (amendments): Disclosure Initiative

IAS 12 (amendments): Recognition of Deferred Tax Assets for Unrealised Losses

IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group intends to adopt these standards, as applicable, when they become effective. It is not expected that they will have a material impact on the financial statements of the Group, except as noted below:

- IFRS 9 will impact the measurement and disclosures of financial instruments; and
- IFRS 15 may have an impact on revenue recognition and related disclosures.

The Group is assessing the impact of both these IFRSs.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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 Financial Reporting Standards ('IFRS') adopted by the European Union ('EU') and Article 4 of the IAS Regulation and have chosen to prepare the financial statements of the Company under IFRS as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value, and certain property, plant and equipment that were revalued in 1997. 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 20.

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date the Company gains control until the date the Company ceases to control the subsidiary.

2. Significant accounting policies (continued)

There have been no such acquisitions or disposals in the current or prior year.

Accounting policies are consistent in all Group companies.

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

Going concern

The Directors have, at the time of approving the financial statements, 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. Further detail is contained in the Strategic Report.

Business combinations and goodwill

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

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

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

Investments (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.

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.

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.

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

Customer contributions received in respect of expenditure on property, plant and equipment are treated as deferred income, which is credited to the Income Statement over the estimated economic lives of the related assets. Amortisation of contributions received post 1 July 2009 is shown as revenue, rather than within operating costs, following the adoption of IFRIC 18.

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably. It is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease rentals are charged to the Income Statement on a straight-line basis over the period of the lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. A qualifying asset is any major project with a projected timescale of greater than 12 months. Capitalisation commences when activities are undertaken to prepare the asset for use, and expenditure and borrowing costs are being incurred. Capitalisation ceases when substantially all of the activities necessary to prepare the intended asset for its intended use or sale, are complete.

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

Operating profit

Operating profit is stated after charging operating expenses but before investment income, net finance expense and other gains and losses.

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 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 2016; 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 21. 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); and
- re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet 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. At the current time, this interpretation does not affect the Group.

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 3-10 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.

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.

In 1997 the Company undertook a revaluation of certain assets due to a business combination. This resulted in the creation of a revaluation reserve of £234.9m. The additional depreciation as result of the revaluation is transferred from the revaluation reserve to retained earnings on an annual basis.

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 3-40 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.

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.

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.

2. Significant accounting policies (continued)

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

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

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

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss when the transactions costs are recognised immediately in profit or loss.

Financial assets are classified into the relevant categories, as specified in IAS 39. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The financial assets held by the Group are either financial assets ‘at fair value through profit or loss’ (FVTPL) or ‘loans and receivables’.

Financial assets at FVTPL

The financial assets held by the Group classified as at FVTPL are derivatives and are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Fair value is determined in the manner described in note 20.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’ and are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Trade receivables

Trade receivables are stated at nominal value with any allowances made for any estimated irrecoverable amounts.

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.

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.

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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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 arrangement.

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

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Financial liabilities at FVTPL

The financial liabilities held by the Group classified as at FVTPL are either derivatives or those designated as at FVTPL and are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Fair value is determined in the manner described in note 20.

The Group elects to designate a financial liability at inception as at FVTPL on the basis that it meets the conditions specified in IAS 39 ‘Financial Instruments:

Recognition and Measurement’. The £250m 8.875% 2026 bond was designated as at FVTPL upon initial recognition as the complexity of the associated swaps at that time meant that the criteria to allow hedge accounting was not met.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade payables

Trade payables are stated at their nominal value.

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 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

2. Significant accounting policies (continued)

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 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately; the Group does not currently designate derivatives into hedging relationships and apply hedge accounting.

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

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when 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. Other derivatives are presented as current assets or current liabilities.

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 balance sheet 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, 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 dealt with 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.

Revenue recognition

Under IFRS, the Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Should management consider that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as the transaction becomes fully earned. Payments received in advance of revenue recognition are recorded as deferred revenue. The Group recognises revenue in accordance with its entitlement to receive revenue as established by the periodic regulatory price review process. The principal direct customers of the

business are the electricity supply companies that utilise the Group's distribution network to distribute electricity from generators to the end consumer. Revenue from such activity is known as 'use of system'. The amount billed reflects the volume of electricity distributed, including estimates of the units distributed to customers. Revenue is gradually adjusted to reflect actual usage in the period over which the meters are read.

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.

Taxation

Assessing the outcome of uncertain tax positions such as the tax treatment of provisions requires judgements to be made regarding the application of tax law and the results of negotiations with, and enquiries from, tax authorities.

Accounting for provisions and contingencies

The Group is subject to a number of claims, incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. The Group routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonably estimated losses. Reasonable judgements are made by management after considering available information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience.

A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter. Matters that either are possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

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 calculation are 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 to the extent it is available. Where such data is not available, certain estimates regarding inputs to the valuation are required to be made. Information about the valuation techniques and inputs used are disclosed in note 20.

Retirement benefit schemes

The Group's defined benefit obligation is derived using various assumptions, as disclosed in note 21. Results can be affected significantly by the assumptions used, which management decide based on advice by a firm of actuaries.

4. Revenue

Group

	2017 £m	2016 £m
Revenue	485.5	450.8

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 two customers (2016: three), each of which represented more than 10 per cent of the total revenue. Revenue from these customers totalled £162.8m (2016: £234.4m). No other customer represented more than 10 per cent of revenues either this year or in the prior year.

5. Operating profit

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

Group

	2017 £m	2016 £m
Employee costs (see note 6)	46.9	47.2
Depreciation and amortisation expense (net)		
Depreciation of property, plant and equipment		
Owned assets (see note 13)	105.8	100.3
Amortisation of intangible assets and customer contributions		
Software (see note 12)	4.1	4.8
Customer contributions ¹ (see note 24)	(10.6)	(10.7)
Depreciation and amortisation expense (net)	99.3	94.4
Other income		
Profit on disposal of property, plant and equipment	(0.1)	(0.2)
Provision charge/ (credit) (see note 22)	1.9	(1.0)
Other operating costs include:		
Research and development	3.9	6.7
Write down of inventories to net realisable value	0.3	0.2
Operating leases:		
- land and buildings	0.7	0.7
- hire of plant and machinery	1.9	2.7

¹ In the current year £5.5m (2016: £4.6m) of customer contributions amortisation has been amortised through revenue in line with IFRIC 18.

Analysis of the auditor's remuneration is as follows:

Group

	2017 £m	2016 £m
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	0.1	0.1
Total audit fees	0.1	0.1
Audit-related assurance services	0.1	0.1
Taxation advisory services	0.1	-
Total non-audit fees	0.2	0.1
Total fees	0.3	0.2

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 of the Parent are required to disclose such fees on a consolidated basis.

6. Employee costs

Group

	2017 £m	2016 £m
Wages and salaries	80.6	77.3
Social security costs	8.8	7.6
Pension costs (see note 21)	15.6	17.4
Employee costs (including Directors' remuneration)	105.0	102.3
Costs transferred directly to fixed assets	(58.1)	(55.1)
Charged to operating expenses	46.9	47.2

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

Group

	2017 Number	2016 Number
Electricity distribution	1,666	1,604

7. Directors' remuneration

Group	2017 £m	2016 £m
Salaries and other short-term employee benefits	1.0	0.9
Accrued bonus	0.5	0.1
Amounts receivable under long-term incentive schemes	0.5	0.3
	2.0	1.3

The aggregate emoluments of the Directors in 2017 amounted to £1,979,000 (2016: £1,295,865). Emoluments comprise salaries, fees, taxable benefits, compensation for loss of office and the value of short-term and long-term incentive awards. The aggregated emoluments of the highest paid Director in 2017 in respect of services to the Group amounted to £865,000 (2016: £682,000). Under the Executive Incentive Plan bonuses are awarded and either paid in the following financial year (accrued bonus) or paid in subsequent years (amounts receivable under long-term incentive schemes). There were no amounts payable for compensation for loss of office in the year (2016: £35,000). Not included in the amounts shown above are further payments made in respect of Directors' services, as detailed in note 30.

As at 31 March 2017 the Directors have no interests in the ordinary shares of the Company (2016: same).

8. Investment income

Group	2017 £m	2016 £m
Interest receivable on short-term bank deposits held at amortised cost	0.7	0.9
Total investment income	0.7	0.9

9. Finance expense (net)

Group	2017 £m	2016 £m
Interest payable		
Interest payable on Group borrowings	14.7	15.0
Interest payable on borrowings held at amortised cost	23.0	23.3
Interest payable on borrowings designated at fair value through profit or loss	22.2	22.2
Net receipts on derivatives held for trading	(12.0)	(12.9)
Other finance charges related to index-linked debt	9.5	3.9
Accretion on index-linked swaps	16.2	-
Interest cost on pension plan obligations (see note 21)	0.1	0.7
Capitalisation of borrowing costs under IAS 23	(0.8)	(1.0)
Total interest expense	72.9	51.2
Movements on financial instruments		
Fair value movement on borrowings designated at fair value through profit or loss	10.3	(12.7)
Fair value movement on derivatives held for trading	95.9	55.5
Total fair value movements	106.2	42.8
Total finance expense (net)	179.1	94.0

Borrowing costs capitalised in the year under IAS 23 were £0.8m (2016: £1.0m), using an average annual capitalisation rate of 4.9% (2016: 4.9%).

The fair value movement of the borrowings designated at fair value through profit or loss is derived from movements in the market ask price of the bond; this is a Level 1 input under IFRS 13. 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 20 provides more detail on this.

There have been £16.2m (2016: £nil) in 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 2017. No swaps have been closed out in the year (2016: same).

10. Taxation

Group	2017 £m	2016 £m
Current tax		
Current year	34.4	31.9
Prior year	(1.1)	1.6
Deferred tax		
Current year	(14.7)	(6.6)
Prior year	1.2	(1.9)
Impact of change in future tax rates	(9.8)	(20.5)
Tax charge for the year	10.0	4.5

Corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profit for the period. The rate reduces to 19% on 1 April 2017 and 17% on 1 April 2020.

Deferred tax is calculated using the rate at which it is expected to reverse.

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

Group	2017 £m	2016 £m
Profit before tax	81.0	121.5
Tax at the UK corporation tax rate of 20% (2016: 20%)	16.2	24.3
Prior year tax adjustments	0.1	(0.3)
Reduction in current year deferred tax due to rate change	2.6	0.7
Non taxable expense	0.9	0.3
Impact of change in future tax rates	(9.8)	(20.5)
Tax charge for the year	10.0	4.5

11. Dividends

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

Group and Company	2017 £m	2016 £m
Final dividends for the year ended 31 March 2016 of 3.77 pence per share	18.0	-
Interim dividends for the year ended 31 March 2017 of 13.21 pence per share (31 March 2016: 6.29 pence)	63.0	30.0
	81.0	30.0

In the year ended 31 March 2017 the Company declared interim dividends of £63m, which were paid in December 2016 (31 March 2016: £30m). The final dividend for the year ended 31 March 2016 of £18m was paid in June 2016. At the Board meeting in May 2017 the Directors proposed a final dividend of £12m for the year ended 31 March 2017, subject to approval by equity holders of the Company; that is not a liability in the financial statements at 31 March 2017.

12. Intangible assets and goodwill

Group and Company

	Goodwill £m	Software £m	Assets under the course of construction £m	Total £m
Cost				
At 1 April 2015	10.1	55.9	11.0	77.0
Additions	-	5.9	9.0	14.9
Transfers	-	6.6	(6.6)	-
Disposals	-	-	-	-
At 31 March 2016	10.1	68.4	13.4	91.9
Additions	-	2.9	7.2	10.1
Transfers	-	3.4	(3.4)	-
At 31 March 2017	10.1	74.7	17.2	102.0
Amortisation				
At 1 April 2015	-	47.6	-	47.6
Charge for the year	-	4.8	-	4.8
Disposals	-	-	-	-
At 31 March 2016	-	52.4	-	52.4
Charge for the year	-	4.1	-	4.1
Disposals	-	-	-	-
At 31 March 2017	-	56.5	-	56.5
Net book value				
At 31 March 2017	10.1	18.2	17.2	45.5
At 31 March 2016	10.1	16.0	13.4	39.5

In the Company, goodwill arose on the acquisition of assets and liabilities of Electricity North West Number 1 Company Ltd (previously Electricity North West Services Ltd, having changed its name on 21 October 2016) 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.

At 31 March 2017, the Group and Company had entered into contractual commitments for the acquisition of software amounting to £6.3m (2016: £11.1m).

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 (see note 13).

13. Property, plant and equipment

Group and Company

	Operational Structures £m	Non operational land and buildings £m	Fixtures and equipment vehicles and other £m	Assets under the course of construction £m	Total £m
Cost or valuation					
At 1 April 2015	3,770.1	24.6	70.7	321.3	4,186.7
Additions	138.5	2.4	7.7	57.8	206.4
Transfers	238.9	4.1	14.6	(257.6)	-
Disposals	(1.4)	-	(0.8)	-	(2.2)
At 31 March 2016	4,146.1	31.1	92.2	121.5	4,390.9
Additions	147.4	0.6	7.9	44.5	200.4
Transfers	42.2	0.4	4.1	(46.7)	-
Disposals	(4.9)	-	(0.8)	-	(5.7)
At 31 March 2017	4,330.8	32.1	103.4	119.3	4,585.6
Accumulated depreciation and impairment					
At 1 April 2015	1,295.3	6.4	48.4	-	1,350.1
Charge for the year	87.6	0.8	11.9	-	100.3
Disposals	(1.4)	-	(0.8)	-	(2.2)
At 31 March 2016	1,381.5	7.2	59.5	-	1,448.2
Charge for the year	92.5	1.0	12.3	-	105.8
Disposals	(4.9)	-	(0.8)	-	(5.7)
At 31 March 2017	1,469.1	8.2	71.0	-	1,548.3
Net book value					
At 31 March 2017	2,861.7	23.9	32.4	119.3	3,037.3
At 31 March 2016	2,764.6	23.9	32.7	121.5	2,942.7

At 31 March 2017, the Group and Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £69.7m (2016: £63.2m).

At 31 March 2017, had the property, plant and equipment of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, the carrying amount would have been £2,925.7m (2016: £2,828.5m). The revaluation reserve is disclosed in note 27, net of deferred tax. The revaluation reserve arose following North West Water's acquisition of Norweb, in 1997.

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.

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 30 year period, 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 was 7.11% (2016: 6.08%) reflecting an assumed level of risk associated with the cash flows generated from the licence. Cash flow projections for the six year period to 2023 are based on the Ofgem final determination and the Company's latest approved business plan (2016: same) and reflect recent RPI forecasts. Forecasts beyond this point are projected forward based on expected levels of expenditure to maintain the health of the network and long-term inflation assumptions. The forecasts have been sensitised to a change in the discount rate of 1% either way and that analysis indicates that there is sufficient headroom and that no impairment would be required.

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.

14. Investments

	Group £m	Company £m
Cost and carrying value		
At 31 March 2016 and 31 March 2017	-	15.4

Details of the investments as at 31 March 2017, all of which were incorporated in the UK, are as follows.

Company	Description of holding	Proportion held	Nature of business
Subsidiary undertakings			
Electricity North West Number 1 Company Ltd*	Ordinary shares of £1 each	100%	Dormant
ENW (ESPS) Pensions Trustees Limited	Ordinary shares of £1 each	100%	Dormant
Joint venture			
Nor.Web DPL Limited	Ordinary shares of £1 each	50%	Dormant

* Electricity North West Number 1 Company Ltd was previously known as Electricity North West Services Ltd having changed its name on 21 October 2016.

There have been no changes to these shareholdings during the year and the address of the registered office for all of the investments noted above is: 304 Bridgewater Place, Birchwood Park, Warrington, WA3 6XG.

15. Inventories

Group and Company

	2017 £m	2016 £m
Raw materials and consumables	9.6	8.5

16. Trade and other receivables

Group and Company

	2017 £m	2016 £m
Trade receivables	6.1	15.6
Amounts owed by affiliated undertakings	5.4	4.5
Prepayments and accrued income	49.0	47.8
Balance at 31 March	60.5	67.9

The average credit period taken on sales is 14 days (2016: 14 days). Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £0.8m (2016: £0.7m) estimated by management based on known specific circumstances, past default experience and their assessment of the current economic environment.

16% (2016: 51%) are past due but not impaired. A balance of £0.7m (2016: £6.1m) is less than 30 days past due; a balance of £1.0m is greater than 30 days past due at 31 March 2017 (2016: £1.1m), against which an allowance for doubtful debt of £0.8m (2016: £0.7m) has been made.

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

Group and Company

	2017 £m	2016 £m
Balance at 1 April	0.7	0.3
Charged to the Income Statement	0.1	0.4
Balance at 31 March	0.8	0.7

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 the terms.

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 2017 £1.0m (2016: £2.6m) of cash had been received as security.

The RAV is calculated using the methodology set by Ofgem for each year of ED1 (1 April 2016 to 31 March 2023) and is £1,696m (2016: £1,643m) for the year ended 31 March 2017 based on the actual retail price index (RPI) for March.

At 31 March 2017 £129.0m (2016: £103.0m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £13.3m (2016: £10.7m). All of the customers granted credit of this level must have a credit rating of at least A- from Standard and Poor's and A3 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.

17. Cash and cash equivalents and money market deposits

Group and Company

	2017 £m	2016 £m
Cash and cash equivalents	142.7	119.3
Short-term money market deposits (maturity over 3 months)	10.0	23.5
Balance at 31 March	152.7	142.8

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.

The effective interest rate on all short-term deposits was a weighted average of 0.4% (2016: 0.7%) and these deposits had an average maturity of 15 days (2016: 40 days).

18. Trade and other payables

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Trade payables	14.7	14.7	13.4	13.4
Refundable customer deposits (note 25)	1.0	1.0	2.6	2.6
Other taxation and social security	15.1	15.1	11.2	11.2
Amounts owed to affiliated undertakings	3.6	3.6	3.0	3.0
Amounts owed to subsidiary undertakings	-	15.4	-	15.4
Customer contributions (note 24)	25.4	25.4	23.9	23.9
Accruals and deferred income	82.9	83.2	83.0	83.3
Balance at 31 March	142.7	158.4	137.1	152.8

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 15 days from receipt of invoice (2016: 15 days).

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

19. Borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to credit risk, liquidity risk and market risk see note 20.

Group and Company

	2017 £m	2016 £m
Current liabilities		
Bank and other term borrowings	6.4	4.6
Non-current liabilities		
Bonds	724.4	711.3
Bank and other term borrowings	249.4	249.0
Amounts owed to parent undertaking	71.2	70.9
Amounts owed to affiliated undertaking	197.7	197.2
	1,242.7	1,228.4
Total borrowings	1,249.1	1,233.0

Carrying value by category

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

Group and Company	Nominal value £m	Interest rate %	Maturity year	2017 Carrying value £m	2016 Carrying value £m
Borrowings designated at fair value through profit or loss statement					
Bond	250.0	8.875%	2026	391.0	380.7
Borrowings measured at amortised cost					
Bond	200.0	8.875%	2026	196.6	196.4
Index-linked bond	100.0	1.4746%+RPI	2046	136.8	134.3
Index-linked loan	135.0	1.5911%+RPI	2024	157.9	154.0
Index-linked loan	50.0	0.38% +RPI	2032	47.7	49.5
Index-linked loan	50.0	0%+RPI	2033	50.3	50.0
Amortising costs re: long-term loan		Libor+0.55%	2020	(0.1)	-
Amounts owed to parent undertaking			2023	71.2	70.9
Amounts owed to affiliated undertaking	200.0	6.125%	2021	197.7	197.2
Other financial liabilities held at amortised cost				858.1	852.3
Total borrowings				1,249.1	1,233.0

Affiliated companies are those owned by Companies under common ownership with Electricity North West Limited in the North West Electricity Networks (Jersey) Limited consolidation group.

RPI – Retail Prices Index – a UK general index of retail prices (for all items) as published by the Office for National Statistics (January 1987 = 100).

As at 31 March 2016 and at 31 March 2017 all loans and borrowings are unsecured and are in sterling. As in the prior year, there were no formal bank overdraft facilities in place in the year to 31 March 2017. The fair values of the Group's financial instruments are shown in note 20.

The loan from parent undertaking accrues interest at 2.74 % (2016:2.74%). The loan from the affiliated undertaking accrues interest at 6.125% (2016: 6.125%).

Borrowing facilities

The Group and Company had £25m (2016: £50m) in unutilised committed bank facilities at 31 March 2017 of £nil (2016: £nil) expires within one year, £nil (2016: £50m) expires after one year but less than two years and £25m (2016: £nil) expires in more than two years.

20. Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity in another entity. 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.

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 important 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, which 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, there have been changes to the Group’s policies in relation to the management of credit risk, risk limits and minimum credit ratings of counterparties have been amended 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.

The counterparties under treasury activities consist of financial institutions. In accordance with IAS 39, the Directors have considered and quantified the exposure of the Group to counterparty credit risk and do not consider there to be a material credit risk adjustment required. The exposure to counterparty credit risk will continue to be monitored. 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.

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. There are only two (2016: three) principal customers, see note 4. The credit worthiness of each of these is closely monitored. 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.

Trade receivables

Credit risk in relation to trade receivables is considered to be relatively low, due to the small number of principal customers, and the fact that 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.

At 31 March 2017 there was £1.7m receivables past due (2016: £7.2m) against which an allowance for doubtful debts of £0.8m has been made (2016: £0.7m).

Treasury investments

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 2017, none (2016: 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:

Group and Company	2017 £m	2017 %	2016 £m	2016 %
Credit Rating for cash and cash equivalents, including money market deposits, but excluding unrepresented cheques				
AAA	73.2	48.2	52.3	26.4
AA	-	-	-	-
AA-	-	-	11.4	5.7
A+	29.3	19.3	42.1	21.3
A	49.3	32.5	92.3	46.6
	151.8	100.0	198.1	100.0

At the Statement of Financial Position date, no collateral is held in relation to Treasury assets (2016: same).

20. Financial instruments (continued)

Exposure to credit risk

The maximum exposure to credit risk is 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 16 for further details).

Group and Company

	2017 £m	2016 £m
Credit risk by category		
Trade receivables	6.1	15.6
Amounts owed by Group undertakings	5.4	4.5
Money market deposits (maturity over three months)	10.0	23.5
Cash and cash equivalents	142.7	119.3
Balance at 31 March	164.2	162.9

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 30 years ahead, to the end of the Regulatory Period ending 31 March 2047. A medium-term view is provided by the Group business plan covering the following accounting period, which is updated and approved annually by the Board. Liquidity is monitored via an 18 month liquidity projection, updated and reported to the Board monthly. The Board has approved a liquidity framework within which the business operates.

Available liquidity at 31 March was as follows:

Group and Company

	2017 £m	2016 £m
Cash and cash equivalents	142.7	119.3
Short-term money market deposits (maturity over 3 months)	10.0	23.5
Committed undrawn bank facilities	25.0	50.0
Balance at 31 March	177.7	192.8

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 (2016: none).

The Group and Company had committed undrawn bank facilities including £nil (2016: £nil) of facilities that expire within one year, £nil (2016: £50m) that expires after one year but less than two years and £25m (2016: £nil) that expires in more than two years.

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

The following is an analysis of the maturity profile of contractual cash flows of 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.

20. Financial instruments (continued)

Group and Company at 31 March 2017

	On demand £m	<1 year £m	1 – 2 years £m	2 – 3 years £m	3 – 4 years £m	>4 years £m	Total £m
Trade payables	(14.7)	-	-	-	-	-	(14.7)
Refundable customer deposits	(1.0)	-	-	-	-	-	(1.0)
Amounts owed to parent undertaking	-	(1.9)	(1.9)	(1.9)	(1.9)	(75.7)	(83.3)
Amounts owed to affiliated companies	-	(12.2)	(12.2)	(12.2)	(12.2)	(206.1)	(254.9)
Bonds	-	(41.9)	(41.9)	(41.9)	(41.9)	(841.4)	(1,009.0)
Borrowings and overdrafts	-	(10.9)	(10.9)	(10.9)	(10.8)	(357.3)	(400.8)
Derivative financial instruments - net	-	6.5	11.8	11.8	11.8	(290.6)	(248.7)
	(15.7)	(60.4)	(55.1)	(55.1)	(55.0)	(1,771.1)	(2,012.4)

Group and Company at 31 March 2016

	On demand £m	<1 year £m	1 – 2 years £m	2 – 3 years £m	3 – 4 years £m	>4 years £m	Total £m
Trade payables	(13.4)	-	-	-	-	-	(13.4)
Refundable customer deposits	(2.6)	-	-	-	-	-	(2.6)
Amounts owed to parent undertaking	-	(2.0)	(1.9)	(1.9)	(1.9)	(77.3)	(85.0)
Amounts owed to affiliated companies	-	(12.2)	(12.2)	(12.2)	(12.2)	(218.4)	(267.2)
Bonds	-	(41.9)	(41.9)	(41.9)	(41.9)	(877.4)	(1,045.0)
Borrowings and overdrafts	-	(7.3)	(8.8)	(8.8)	(8.8)	(241.9)	(275.6)
Derivative financial instruments - net	-	12.1	7.5	12.1	12.1	(126.3)	(82.5)
	(16.0)	(51.3)	(57.3)	(52.7)	(52.7)	(1,541.3)	(1,771.3)

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. 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 has exposure to interest rate risk and inflation risk and this is explained in the sections below.

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 Group's fixed rate borrowings and derivatives are exposed to a risk of change in their fair value due to changes in interest rates. The following sensitivity analysis is used by Group management to monitor interest 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.

20. Financial instruments (continued)

Group and Company

	2017			2016		
	-0.5% £m	+0.5% £m	+1% £m	-0.5% £m	+0.5% £m	+1% £m
Change in interest rates						
Debt held at fair value	(14.1)	13.5	26.4	(14.8)	14.1	27.5
Inflation-linked swaps	(64.3)	56.9	92.4	(53.9)	47.8	90.6
Total finance expense impact	(78.4)	70.4	118.8	(68.7)	61.9	118.1

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 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.

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 2017, the Group had no floating rate borrowings (2016: same).

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.

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.

Group and Company

	2017			2016		
	-0.5% £m	+0.5% £m	+1% £m	-0.5% £m	+0.5% £m	+1% £m
Change in inflation rates						
Inflation-linked swaps	75.4	(83.7)	(176.7)	65.6	(72.6)	(153.4)
Total finance expense impact	75.4	(83.7)	(176.7)	65.6	(72.6)	(153.4)

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.

Group and Company

	2017			2016		
	-0.5% £m	+0.5% £m	+1% £m	-0.5% £m	+0.5% £m	+1% £m
Change in inflation rates						
Debt held at amortised cost – inflation-linked interest basis	2.0	(2.0)	(4.0)	2.0	(2.0)	(3.9)
Inflation-linked swaps	-	-	(0.1)	-	-	(0.1)
Total finance expense impact	2.0	(2.0)	(4.1)	2.0	(2.0)	(4.0)

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 2017, the Group's derivatives are not designated in formal hedging relationships (2016: none), and instead are measured at fair value through the Income Statement.

20. 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.

Where available, market values have been used to determine fair values (see Level 1 in the fair value hierarchy on page 95).

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 on page 95) in accordance with IFRS 13, an adjustment for non-performance risk has then been made to give the fair value.

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

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

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

The adjustment for non-performance risk, as at 31 March 2017, is £74.4m (2016: £93.2m), of which £73.3m (2016: £91.3m) is classed as Level 3.

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

Group and Company

	2017 -10bps £m	2017 +10bps £m	2016 -10bps £m	2016 +10bps £m
Inflation-linked swaps	(2.2)	2.0	(3.3)	3.2

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

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

Group and Company

	2017 Carrying value £m	2017 Fair value £m	2016 Carrying value £m	2016 Fair value £m
Current assets				
Trade receivables	6.1	6.1	15.6	15.6
Cash and cash equivalents	142.7	142.7	119.3	119.3
Short-term money market deposits (maturity over 3 months)	10.0	10.0	23.5	23.5
	158.8	158.8	158.4	158.4

Group and Company

	2017 Carrying value £m	2017 Fair value £m	2016 Carrying value £m	2016 Fair value £m
Non-current liabilities				
Borrowings designated at fair value through profit and loss (FVTPL)	(391.0)	(391.0)	(380.7)	(380.7)
Borrowings measured at amortised cost	(582.8)	(777.6)	(579.6)	(722.5)
Amounts due to parent undertaking	(71.2)	(71.2)	(70.9)	(70.9)
Amounts due to affiliated companies	(197.7)	(240.0)	(197.2)	(239.6)
Derivative financial instruments	(363.5)	(363.5)	(267.7)	(267.7)
	(1,606.2)	(1,843.3)	(1,496.1)	(1,681.4)
Current liabilities				
Trade and other payables	(14.7)	(14.7)	(13.4)	(13.4)
Refundable customer deposits	(1.0)	(1.0)	(2.6)	(2.6)
Borrowings measured at amortised cost	(6.4)	(6.4)	(4.6)	(4.6)
	(1,628.3)	(1,865.4)	(1,516.7)	(1,702.0)

20. Financial instruments (continued)

Fair value measurements recognised in the Statement of Financial Position

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:

- 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).

Group and Company

at 31 March 2017	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at FVTPL				
Derivative financial liabilities				
- £300m notional inflation-linked swaps	-	(119.3)	(244.3)	(363.5)
Financial liabilities designated at FVTPL	(391.0)	-	-	(391.0)
	(391.0)	(119.3)	(244.3)	(754.5)

Group and Company

at 31 March 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at FVTPL				
Derivative financial liabilities				
- £300m notional inflation-linked swaps	-	(99.9)	(167.8)	(267.7)
Financial liabilities designated at FVTPL	(380.7)	-	-	(380.7)
	(380.7)	(99.9)	(167.8)	(648.4)

Inflation-linked swap liabilities with fair values of £8.7m were transferred from Level 2 to Level 3 at the start of the current year (2016: £131.4m), principally due to a change in the significance of the unobservable inputs used to derive Electricity North West’s credit curve for the DVA, as described in this section above.

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

Group and Company

	2017 £m	2016 £m
At 1 April	(167.8)	-
Transfers into Level 3 from Level 2	(8.7)	(131.4)
Total gains or losses in profit or loss;		
- On transfers into Level 3 from Level 2	4.4	(26.0)
- On new derivatives in the year	-	(10.4)
- On instruments carried forward in Level 3	(72.2)	-
At 31 March	(244.3)	(167.8)

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

Group and Company

at 31 March 2017	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities with fair value disclosed				
Borrowings measured at amortised cost	(777.6)	-	-	(777.6)
	(777.6)	-	-	(777.6)

Group and Company

at 31 March 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities with fair value disclosed				
Borrowings measured at amortised cost	(722.5)	-	-	(722.5)
	(722.5)	-	-	(722.5)

21. Retirement benefit schemes

Group and Company
Nature of scheme

The Group’s defined benefit arrangement is the Electricity North West Group of the ESPS (“the Scheme”) and forms part of the Electricity Supply Pension Scheme (“ESPS”). Up to 31 March 2011 the Scheme was split into two sections. However, following the ‘hive-up’ of the assets and liabilities of Electricity North West Number 1 Company Ltd (previously Electricity North West Services Limited, having changed its name on 21 October 2016) to the Company and the termination of the Asset Services Agreement between the two companies on 31 March 2011, the two sections were merged as at that date.

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 since then provided instead with access to the defined contribution section.

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

During the year the Group made contributions of £23.6m (2016: £24.6m) to the defined benefit section of the Scheme. This includes £11.3m of deficit contributions. The Group estimates that contributions for the year ending 31 March 2018 will amount to around £31.1m which includes £17.3m of expected deficit contribution payments. The total defined benefit pension expense for the year was £13.3m (2016: £16.2m). No Executive Directors were part of the defined benefit scheme.

As at 31 March 2017 contributions of £2.1m (2016: £2.1m) due in respect of the current reporting period had not been paid over to the defined benefit Scheme.

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 2016 and identified a shortfall of £142.6m 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 2016 Actuarial valuation the Group agreed to remove the shortfall by paying annual contributions to 2023.

The results of the 2016 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 2017 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 £58.0m is included in the Statement of Financial Position at 31 March 2017 (2016 deficit of £16.2m).

The weighted average duration of the defined benefit obligation is approximately 17 years (2016: 17 years).

Investment strategy

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 Independent Scheme Trustee to ensure these interests are considered alongside those of the members of the pension scheme.

Other risks

The Scheme exposes the Group to risks, such as longevity risk, inflation risk, interest rate risk and investment 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.

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).

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 2017 was £3.2m (2016: £2.7m) and represents contributions payable to the Scheme at rates specified in the rules of the Scheme. As at 31 March 2017 contributions of £nil (2016: £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 and Company	2017 £m	2016 £m
At 1 April	(16.2)	(33.7)
Expense recognised in the Income Statement	(13.3)	(16.2)
Contributions paid	23.6	24.6
Total re-measurement included in Other Comprehensive Income	(52.1)	9.1
At 31 March	(58.0)	(16.2)

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

Group and Company	2017 £m	2016 £m
At 1 April	(1,219.9)	(1,276.6)
Current service cost	(12.0)	(13.7)
Interest expense	(41.6)	(41.1)
Member contributions	(1.9)	(2.0)
Augmentation	(0.4)	(1.0)
Re-measurement:		
Effect of changes in demographic assumptions	(24.6)	-
Effect of changes in financial assumptions	(221.8)	52.6
Effect of experience adjustments	33.1	-
Benefits paid	58.7	61.9
At 31 March	(1,430.4)	(1,219.9)

21. Retirement benefit schemes (continued)

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

Group and Company

	2017 £m	2016 £m
Liabilities owing to active members	439.7	400.6
Liabilities owing to deferred members	89.0	93.1
Liabilities owing to pensioner members	901.7	726.2
Total liability at 31 March	1,430.4	1,219.9

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

Group and Company

	2017 £m	2016 £m
At 1 April	1,203.7	1,242.9
Interest income	41.5	40.4
Return on plan assets (net of interest income)	161.4	(43.5)
Company contributions	23.6	24.6
Member contributions	1.9	2.0
Benefits paid	(58.7)	(61.9)
Administration expenses	(1.0)	(0.8)
At 31 March	1,372.4	1,203.7

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

Group and Company

	2017 £m	2016 £m
Current service cost	(12.0)	(13.7)
Past service cost	(0.4)	(1.0)
Interest income on plan assets	41.5	40.4
Interest (expense) on Scheme obligations	(41.6)	(41.1)
Administration expenses and taxes	(0.8)	(0.8)
Net pension expense before taxation	(13.3)	(16.2)

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 investment income.

For the year ending 31 March 2017 the past service cost includes £0.4m in respect of augmentations (2016: £1.0m).

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

Group and Company

	2017 %	2016 %
Discount rate	2.50	3.50
Pensionable salary increases	3.10	3.20
Pension increases	3.05	2.90
Price inflation	3.10	2.95

The mortality rates utilised in the valuation are based on the standard actuarial tables S2PMA/S2PFA (birth year) tables with a loading of 95% for male pensioners, 90% for female pensioners, 105% for male non-pensioners and 100% for female non-pensioners. 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 2015 model (2016:1.25%).

21. Retirement benefit schemes (continued)

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

Group and Company	2017	2016
Male life expectancy at age 60	Years	Years
Retired member	27.9	26.9
Non-retired member (current age 45)	28.7	28.4

In valuing the liabilities of the Scheme at 31 March 2017 mortality assumptions have been made as indicated above.

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 and Company	2017	2016
Increase in Defined Benefit Obligation	£m	£m
Discount rate: decrease by 25 basis points	61	53
Price inflation: increase by 25 basis points	49	43
Life expectancy: increase longevity by 1 year	48	34

As at 31 March 2017, the fair value of the Scheme’s assets and liabilities recognised in the Statement of Financial Position were as follows:

Group and Company at 31 March	Scheme assets 2017 %	Value 2017 £m	Scheme assets 2016 %	Value 2016 £m
Cash and Cash equivalents	6.7	92.6	0.5	5.9
Equity instruments	9.4	128.4	9.3	113.3
Debt instruments	68.6	942.1	68.0	819.1
Real estate	11.0	150.6	12.4	148.5
Distressed debt	2.5	34.7	2.7	32.0
Hedge funds	1.8	24.0	7.1	84.9
Total fair value of assets	100.0	1,372.4	100.0	1,203.7
Present value of liabilities		(1,430.4)		(1,219.9)
Net retirement benefit obligation		(58.0)		(16.2)

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

22. Provisions

Group and Company

	2017 £m	2016 £m
At 1 April	2.5	6.1
Charged /(credited) to the income statement	1.9	(1.0)
Utilisation of provision	(0.4)	(2.6)
At 31 March	4.0	2.5

Group and Company

	2017 £m	2016 £m
Current	1.1	0.6
Non current	2.9	1.9
At 31 March	4.0	2.5

During the year ended 31 March 2013 a provision was created in connection with a portfolio of retail properties for which the Company was liable under privity of contract. The combined closing provision of £2.2m at 31 March 2017 which now relates to one High Street retail property and two out of town retail properties has been evaluated by management, is supported by relevant external property specialists, and reflects the Company’s best estimate as at the Statement of Financial Position date of the amounts that could become payable by the Company, on a discounted basis. The estimate is a result of a detailed risk assessment process, which considers a number of variables including the location and size of the stores, expectations regarding the ability of the Company to both defend its position and also to re-let the properties, conditions in the local property markets, demand for retail warehousing, likely periods of vacant possession and the results of negotiations with individual landlords, letting agents and tenants, and is hence inherently judgemental.

The Company is part of a Covenanter Group (‘CG’) which is party to a Deed of Covenant with EA Technology Limited (EATL) under which certain guarantees over the benefits of members of the EATL Group of the Electricity Supply Pension Scheme have been given. In the event of EATL having been unable to meet the obligations for its part of the ESPS pension scheme deficit following a discontinuance event, the members of the pension scheme can make a claim against the CG. On the 31 March 2017 EATL entered into a Company Voluntary Arrangement (“CVA”) to ring-fence the pension and historical employment liabilities, with the agreement of the Pension Regulator. As the Company represents 6.7% of the liabilities, a provision of £1.8m on a discounted basis was recognised within the Company during the year ended 31 March 2017.

23. 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 and Company

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2015	226.9	(6.8)	(36.9)	183.2
Charged/(credited) to the Income Statement	(23.5)	-	(5.5)	(29.0)
Deferred tax on re-measurement of defined benefit pension schemes	-	1.6	-	1.6
Adjustment due to change in future tax rates of brought forward deferred tax OCI	-	2.2	-	2.2
At 1 April 2016	203.4	(3.0)	(42.4)	158.0
Charged/(credited) to the Income Statement	(9.5)	0.9	(14.8)	(23.4)
Deferred tax on re-measurement of defined benefit pension schemes	-	(8.9)	-	(8.9)
Adjustment due to change in future tax rates of brought forward deferred tax OCI	-	1.0	-	1.0
At 31 March 2017	193.9	(10.0)	(57.2)	126.7

There are no significant unrecognised deferred tax assets or liabilities for either the Group or Company in either the current or prior year. Other deferred tax relates primarily to derivative financial instruments.

24. Customer contributions

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

Group and Company	2017 £m	2016 £m
At 1 April	584.9	555.9
Additions during the year	45.4	44.3
Amortisation	(10.6)	(10.7)
Amortised through revenue (IFRIC 18)	(5.5)	(4.6)
At 31 March	614.2	584.9

Group and Company	2017 £m	2016 £m
Amounts due in less than one year (see note 18)	25.4	23.9
Amounts due after more than one year	588.8	561.0
At 31 March	614.2	584.9

25. Refundable customer deposits

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

Group and Company	2017 £m	2016 £m
Amounts due in less than one year (see note 18)	1.0	2.6
Amounts due after more than one year	-	-
At 31 March	1.0	2.6

26. Called up share capital

Company	2017 £	2016 £
Authorised:		
569,999,996 (2016: same) ordinary shares of 50 pence each	284,999,998	284,999,998
4 'A' ordinary shares of 50 pence each	2	2
Special rights redeemable preference share of £1	1	1
At 31 March	285,000,001	285,000,001

Company	2017 £	2016 £
Allotted, called up and fully paid:		
476,821,341 (2016: same) ordinary shares of 50 pence each	238,410,671	238,410,671
4 'A' ordinary shares of 50 pence each	2	2
At 31 March	238,410,673	238,410,673

The 'A' ordinary shares and the ordinary shares rank pari passu in all respects, save that dividends may be declared on one class of shares without being declared on the other.

27. Shareholders’ equity

Group	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 April 2016	238.4	4.4	93.5	8.6	473.9	818.8
Profit for the year	-	-	-	-	71.0	71.0
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
Re-measurement of defined benefit schemes	-	-	-	-	(52.1)	(52.1)
Tax on components of comprehensive expense	-	-	-	-	7.8	7.8
Total comprehensive income for the year	-	-	(1.0)	-	27.7	26.7
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(81.0)	(81.0)
At 31 March 2017	238.4	4.4	92.5	8.6	420.6	764.5

In 1997 the Company undertook a revaluation of certain assets, following North West Water’s acquisition of Norweb. This resulted in the creation of a revaluation reserve of £234.9m. The additional depreciation created as a result of the revaluation is transferred from the revaluation reserve to retained earnings on an annual basis.

Capital redemption reserve, is a non-distributable reserve specifically for the purchase of own shares.

Company	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 April 2016	238.4	4.4	93.5	8.6	473.6	818.5
Profit for the year	-	-	-	-	71.0	71.0
Transfer from revaluation reserve	-	-	(1.0)	-	1.0	-
Re-measurement of defined benefit schemes	-	-	-	-	(52.1)	(52.1)
Tax on components of comprehensive expense	-	-	-	-	7.8	7.8
Total comprehensive income for the year	-	-	(1.0)	-	27.7	26.7
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(81.0)	(81.0)
At 31 March 2017	238.4	4.4	92.5	8.6	420.3	764.2

The profit after tax for the Company for the year ended 31 March 2017 was £71.0m (2016: £117.0m) and the revenue for the year was £485.6m (2016: £450.8m). As permitted by s408 of the Companies Act 2006, the Company has not presented its own Income Statement.

28. Capital structure

Details of the authorised and allotted share capital, together with details of the movements in the Company’s issued share capital during the year are shown in note 26. 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 Company also has ‘A’ ordinary shares which rank pari passu in all respects, save that dividends may be declared on one class of shares without being declared on the other.

There exists an unissued special rights redeemable preference share which does not carry any voting rights and can only be held by one of Her Majesty’s Secretaries of State, another Minister of the Crown, the Solicitor for the affairs of her Majesty’s Treasury or any other person acting on behalf of the Crown. This share is a legacy from the privatisation of the Company and was issued on 19 November 1990 and redeemed on 31 March 1995.

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

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 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, and in the Corporate Governance Report on pagee 31 to 43.

29. Ultimate parent undertaking and controlling party

The immediate parent undertaking is North West Electricity Networks plc, a company incorporated and registered in the United Kingdom. The ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company incorporated and registered in Jersey. The address of the ultimate parent company is: 44 Esplanade, St Helier, Jersey, Channel Islands, JE4 9WG.

This Group is the smallest group in which the results of the Company are consolidated. The largest group in which the results of the Company are consolidated is that headed by North West Electricity Networks (Jersey) Limited.

First State Investments Fund Management S.à.r.l. on behalf of First State European Diversified Infrastructure Fund FCP-SIF (‘EDIF’) and IIF Int’l Holding GP Ltd (‘IIF’) have been identified as ultimate controlling parties. They are advised by Colonial First State Global Asset Management (a member of the Commonwealth Bank of Australia Group) and JP Morgan Investment Management Inc respectively.

30. Related party transactions

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

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Transactions with related parties				
Recharges to Electricity North West (Construction and Maintenance) Ltd	1.0	1.0	1.2	1.2
Recharges from Electricity North West (Construction and Maintenance) Ltd	(0.1)	(0.1)	(0.2)	(0.2)
Recharges to Electricity North West Services Ltd	1.2	1.2	-	-
Recharges from Electricity North West Services Ltd	(0.6)	(0.6)	-	-
Directors’ remuneration (note 7)	(2.0)	(2.0)	(1.3)	(1.3)
Directors’ services	(0.2)	(0.2)	(0.2)	(0.2)
Interest payable to North West Electricity Networks Plc	(1.9)	(1.9)	(2.6)	(2.6)
Interest payable to ENW Finance plc	(12.8)	(12.8)	(12.4)	(12.4)
Dividends paid to North West Electricity Networks Plc	(81.0)	(81.0)	(30.0)	(30.0)

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

30. Related party transactions (continued)

Amounts outstanding with related parties are as follows:

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Amounts owed to related parties				
Group tax relief to North West Electricity Networks plc	(23.6)	(23.6)	(12.9)	(12.9)
Interest payable to North West Electricity Networks plc	(0.5)	(0.5)	(0.5)	(0.5)
Interest payable to ENW Finance plc	(2.5)	(2.5)	(2.4)	(2.4)
Amounts owed to Electricity North West Number 1 Company Limited	-	(15.4)	-	(15.4)
Amounts owed to Electricity North West Services Limited	(0.6)	(0.6)	-	-
Borrowings from North West Electricity Networks plc	(71.2)	(71.2)	(70.9)	(70.9)
Borrowings from ENW Finance plc	(197.7)	(197.7)	(199.0)	(199.0)
Amounts owed by related parties				
Amounts owed by North West Electricity Networks plc	3.3	3.3	3.7	3.7
Amounts owed by Electricity North West (Construction and Maintenance) Ltd	0.4	0.4	0.5	0.5
Amounts owed by Electricity North West Services Limited	1.4	1.4	-	-
Amounts owed by North West Electricity Networks (Jersey) Limited	0.1	0.1	0.1	0.1
Amounts owed by North West Electricity Networks (Holdings) Ltd	0.2	0.2	0.2	0.2

The loan from North West Electricity Networks plc accrues weighted average interest at 2.74% (2016: 2.74%) and is repayable in March 2023. The loan from ENW Finance plc accrues interest at 6.125% (2016: 6.125%) and is repayable in July 2021.

Fees of £0.1m (2016: £0.1m) were payable to Colonial First State in respect of the provision of Directors' services. Colonial First State is part of the Commonwealth Bank of Australia which is identified as a related party as per note 29.

Fees of £0.1m (2016: £0.1m) were payable to IIF Int'l Holding GP Ltd ('IIF') in respect of the provision of Directors' services which is identified as a related party as per note 29.

During the year Electricity North West Services Limited changed its name to Electricity North West Number 1 Company Limited. A new operating company was set up by the Group named Electricity North West Services Limited.

31. Cash generated from operations

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Operating profit	259.4	259.4	214.6	214.6
Adjustments for:				
Depreciation of property, plant and equipment	105.8	105.8	100.3	100.3
Amortisation of intangible assets	4.1	4.1	4.8	4.8
Amortisation of customer contributions	(16.1)	(16.1)	(15.3)	(15.3)
Profit on disposal of property, plant and equipment	(0.1)	(0.1)	(0.2)	(0.2)
Cash contributions in excess of pension charge to operating profit	(16.5)	(16.5)	(16.0)	(16.0)
Operating cash flows before movements in working capital	336.6	336.6	288.2	288.2
Changes in working capital				
(Increase)/decrease in inventories	(1.1)	(1.1)	(1.2)	(1.2)
Increase in trade and other receivables	6.3	6.3	(2.0)	(2.0)
(Decrease)/increase in payables and provisions	6.3	6.3	(14.2)	(14.2)
Cash generated from operations	348.1	348.1	270.8	270.8

32. Operating leases

The Group and Company are committed to making the following payments over the lifetime of the lease in respect of non-cancellable operating leases which expire in:

Group and Company	Land and buildings 2017 £m	Plant and machinery 2017 £m	Land and buildings 2016 £m	Plant and machinery 2016 £m
Within one year	-	-	0.1	-
In the second to fifth years inclusive	1.1	-	1.5	-
After five years	2.6	2.9	2.8	2.9
	3.7	2.9	4.4	2.9

Glossary

CI	Customer Interruptions
CLASS	Customer Load Active System Services
CML	Customer Minutes Lost
DNO	Distribution Network Operator
DUoS	Distribution Use Of System
ENWL	Electricity North West Limited
ESPS	Electricity Supply Pension Scheme
FVTPL	Fair Value Through Profit or Loss
IFRS	International Financial Reporting Standard
KPI	Key Performance Indicators
Ofgem	Office of Gas and Electricity Markets
PPE	Property, Plant and Equipment
RAV	Regulatory Asset Value
RIIO	Revenue using Incentives to deliver Innovation and Outputs
RIIO - ED1	Revenue using Incentives to deliver Innovation and Outputs – Electricity Distribution 1
RPI	Retail Price Index