Company Registration No. 6428375

NORTH WEST ELECTRICITY NETWORKS LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2009

ANNUAL REPORT AND FINANCIAL STATEMENTS 2009
CONTENTS

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the North West Electricity Networks Limited Group (the 'Group') for the year ended 31 March 2009.

Profit, dividends and comparative information

Comparative information is presented for the period from 15 November 2007 to 31 March 2008 and includes the trading results of Electricity North West Limited ("ENW") after the acquisition on 19 December 2007.

The results for the year set out in the income statement on page 10, show that revenue for the year ended 31 March 2009 was £341.8m (period 15 November 2007 to 31 March 2008: £98.9m). Profit for the year after tax was £21.8m (period 15 November 2007 to 31 March 2008 as restated: £32.8m). An interim dividend payment of £14.2m was made in June 2008 and a further interim dividned of £1.5m was paid in December 2008. The directors do not propose a final dividend for the year ended 31 March 2009 (period 15 November 2007 to 31 March 2008: same).

Business Combinations

During the year the Directors completed the review of the fair values ascribed on the acquisition of Electricity North West Limited ("ENW") in accordance with IFRS 3 'Business Combinations'. As a consequence of this review, the Group income statement, Group balance sheet and Group cashflow statement have been restated. The adjustments to the provisional fair values are explained in note 27.

Business review and principal activities

North West Electricity Networks Limited (the 'Company') acts as an intermediary holding company only within the North West Electricity Networks (Jersey) Limited Group and does not conduct any other trading activities**.** The financial year ended 31 March 2009 represents the first twelve month consolidated trading period of the Group.

The Group's principal activity is the operation of electricity distribution assets by Electricity North West Limited ("ENW"). The distribution of electricity is regulated by the terms of ENW's Electricity Distribution Licence granted under the Electricity Act 1989 and monitored by the Gas and Electricity Markets Authority. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

Key performance indicators

The performance of the Group is monitored by the Board of directors by reference to key performance indicators. Performances against these measures, from the period of incorporation to 31 March 2009, are set out in the table below:

Financial	**2009**	2008 restated (see note 1)
Revenue (£m)	**341.8**	98.9
Operating profit before restructuring credit of £0.8m (2008: charge of £0.7m) (£m)	**170.4**	54.3
Profit before tax (£m)	**40.4**	44.5
Interest cover [(1)]	**1.6 times**	1.6 times

The Company operates solely as an investment Company and therefore there are no non-financial key performance indicators. For an understanding of the Group's non-financial key performance indicators the non-financial key performance indicators are presented for ENW, along with other financial measures, and are disclosed in the financial statements of that Company. The comparative information in the key performance indicators on page 17 of the ENW accounts refer to a full year and are supplementary to the key performance indicators referred to above.

Principal risks and uncertainties

The Board considers the following risks to be the principal ones that might affect the Group's performance and results and are in addition to those identified in the ENW accounts.

The principal trade and activities in the Group are carried out in ENW and a comprehensive review of the business model, the regulatory anvironment, the resources and principal risks and uncertainties facing that Company, and ultimately the Group, are discussed in pages 10 to 15 of the ENW annual accounts.

(1) Interest cover is the number of times the net underlying finance expense is covered by operating profit from continuing operations before restructuring costs. Net underlying interest expense is calculated as the underlying cost of borrowings excluding any pension adjustment and movements in the fair value of debt and derivatives.

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

Failure to comply with investor and banking covenants

The Group has a comprehensive set of covenants contained within the legal agreements surrounding the external borrowings. A detailed review of all the covenants has been undertaken and appropriate owners identified within the business who will be responsible for ensuring compliance. A compliance reporting regime has been established and the compliance status is reported to the Board on a monthly basis. There are no covenenat breaches forecast.

Refinancing

North West Electricity Networks (Jersey) Limited is the holding company of a group of companies (the "NWEN(J) Group") established specifically for the purpose of purchasing ENW on 19 December 2007. The purchase was financed by a combination of equity and bank acquisition finance, the latter including a £465m bridging loan (the "bridge") to North West Electricity Networks Limited ("NWEN"), ENW's parent. The bridge is not due for repayment until December 2010. The NWEN(J) Group services its borrowings from the dividends it receives from ENW.

During the year, NWEN in consultation with ENW and with the benefit of external advice has developed plans for the refinancing of the bridge by one or more issues of notes to be listed on the London Stock Exchange. The directors of the NWEN(J) Group companies are committed to the refinancing and are monitoring market conditions, intending to announce plans to issue notes as soon as practicable and before the end of the current financial half year.

Liquidity and Capital Resources

The Groups's primary source of liquidity is cash generated from its ongoing business operations, and funding raised through external borrowings. The electricity regulator has established price controls to 2010 which will provide certainty for a large majority of the Group's revenues from ongoing operations, providing both a stable and a predictable source of funds. This drives much of the Treasury policy decisions undertaken by management.

During the 2009 financial year, pressures in the money markets and UK economy have put pressure on the availability of funding to many institutions. The Group has limited exposure to such liquidity risk, due to the long-term nature of much of the funding in place. Nonetheless, management continues to monitor liquidity closely and is currently seeking to re-finance certain borrowings as disclosed above.

Treasury policy

The Groups's treasury function operates with the delegated authority of, and under policies approved by, the Group Board. The treasury function does not act as a profit centre and does not undertake any speculative trading activity. It seeks to ensure that sufficient funding is available to meet foreseeable needs and to maintain reasonable headroom for contingencies. Long-term borrowings are structured to match earnings over a five year regulatory period through the use of interest rate swaps which are linked to inflation. The exposure limits with counterparties are reviewed regularly. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The principal risks which the Group is exposed to and which arise in the normal course of business include: credit, liquidity and interest rate risks. Derivatives are used to hedge exposure to fluctuations in interest rates. A derivative is a financial instrument, the value of which changes in response to some underlying variable (e.g., an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date. At present, the Group uses interest rate swaps, index linked swaps and gilt lock futures to hedge cash flows. Where the hedging criteria of IAS 39 are met, hedge accounting is applied and the effective part of any gain or loss on the derivative is recognised directly in equity. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

Financial instruments entered in the year

The Group entered two gilt lock futures contracts during the year, with notional principal totalling £200m. These instruments are linked to 10 year benchmark gilts and will be settled upon maturity in June 2009. They were entered to hedge a proposed fixed rate bond issue, with a 10 year maturity, and provide certainty over the gilt rate element of the bond coupon, covering the first £200m of the proposed bond issue in NWEN. These derivatives do not qualify for hedge accounting and all movements in fair value are reflected in the income statement. At 31 March 2009, the aggregate fair value of these instruments was £34.5m (liability). The group continues to monitor the effectiveness of this hedge in relation to the re-financing process.

The Group also entered into an inflation linked swap during the year, with a notional principal value of £170m. The swap has an underlying 30 year term, with a mandatory break clause in 2011. The swap was entered into to hedge a proposed inflation linked bond issue in ENW. This derivative does not qualify for hedge accounting and has been accounted for at fair value through profit and loss. At 31 March 2009, the fair value was £35.4m (liability).

Debt financing

The Group's borrowings net of cash and short-term deposits of £1,065.9m at 31 March 2009 (2008:£974.9m) comprised substantially all bonds and bank loans with medium to long-term maturities. The bonds have nominal value of £450m at 8.875 per cent that mature in 2026 and £100m of 1.4746 per cent index linked bonds maturing in 2046, whilst the bank loans currently amounting to £496.9m mature in December 2010 (2008:£458.7m).

Shorter-term liquidity

Short-term liquidity requirements are met from the Group's normal operating cashflow. Further liquidity is provided by cash and short-term deposit balances. Cash and short-term deposit balances were £42.3m at 31 March 2009 (2008:£101.7m).

At the year end the Group had £148.8m (31 March 2008:£184.0m) of undrawn committed bank facilities with maturity dates of longer than twelve months.

Longer-term liquidity

The Group's term loans were £1,108.2m at 31 March 2009 (2008:£1,076.4m). Amounts repayable in December 2010 comprise bank loans of £496.9m (2008:£458.7m). Amounts repayable after more than five years comprise bank and other loans. Fixed interest rates for amounts after more than five years are at 8.875 per cent on £498.9m (2008:£510.7m) and £112.4m (2008:£107m) of index linked debt was held at 31 March 2009 at an interest rate of 1.4746% plus retail price index (RPI).

Interest rate management

The Group has in place 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. The Group manages interest rate exposure by seeking to match financing costs as closely as possible with the revenues generated by its assets. The Group's exposure to interest rate fluctuations is periodically managed in the medium-term through the use of interest rate swaps.

The Group's use of derivative instruments relates directly to underlying indebtedness, including pre-hedging future bond issues; no speculative or trading transactions are undertaken. 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). The Group has no exposure to foreign currency exchange rate movements. Interest rate management and funding policies are set by the Board.

In order to hedge the interest cost implicit in the regulatory contract, the Group fixes interest rates for the duration of each five-year review period by typically swapping fixed rate debt to floating at the time of issue and then swapping back to fixed rate at the outset of each five-year regulatory contract period. IAS 39 'Financial Instruments: Recognition and Measurement' limits the use of hedge accounting, thereby increasing the potential volatility of theincome statement. However, this has no cashflow impact and the effect of IAS 39 should broadly balance out over the 2005-10 period.

DIRECTORS' REPORT (continued)

Interest rate management (continued)

Due to the nature of the revenue streams which the Group earns being linked to inflation, management has sought to match the cost of funding the business using an inflation linked bond. By seeking to match the cost of funding to revenue streams, the risk of movements in inflation levels is mitigated. Nonetheless, there will inevitably not be a perfect match between the in and out flows. The Group therefore retains some exposure to movements in inflation rates.

Research and development

The Group is committed to developing innovative, cost-effective and practical solutions for providing high quality services and standards to our customers, and for the benefit of the wider community and the development of the business. It seeks to take as part of this process maximum advantage of wide-ranging expertise, abilities and facilities within the Group.

Employees

Employees are key to achieving the business strategy and enhancing shareholder value and as such the Group remains committed to maintaining high standards of health and safety in every area of its business.

The Group is committed to improving its employees' skills through training and development and nurturing a culture in which employees feel valued. The Group encourages employees to work to their full potential and respects the dignity and rights of every employee and supports them in performing various roles in society. The Group also challenges prejudice and stereotyping.

The Group is committed to fulfilling its obligations in accordance with the Disability Discrimination Act 1995 and best practice. As an equal opportunities employer, the Group gives equal consideration to applicants with disabilities in its employment criteria and will modify equipment and working practices wherever it is safe and practical to do so, both for new employees, and for those employees that are disabled during the course of their employment. Additionally, the Group is committed to providing full support and appropriate training for employees who become disabled during the course of their employment, so they can continue to work in a position appropriate to their experience and abilities.

Policy on the payment of suppliers and creditors

The policy is to pay suppliers according to agreed terms of business. These terms are agreed upon entering into binding contracts and the Group seeks to adhere to the payment terms, provided the relevant goods and services have been supplied in accordance with the contracts. Trade creditors principally comprise amounts outstanding to UUES for capital and operating services provided under the ASA contract. The credit period with UUES is 10 days from receipt of invoice.

Directors and their interests

The directors of the Company during the year ended 31 March 2009 are set out below. All were directors for the whole year except where otherwise indicated.

D Rigney (resigned 21 April 2008)

M Ayre (resigned 21 April 2008)

D Latham (resigned 25 November 2008)

M Nagle (resigned 25 November 2008)

A Pena (resigned 25 November 2008)

J Zibarras (resigned 26 August 2008)

G Chatas (appointed 13 March 2008, resigned 25 November 2008)

J Altman (appointed 21 April 2008, resigned 25 November 2008)

C O'Reilly (appointed 21 April 2008, resigned 25 November 2008)

S Toor (appointed 26 August 2008, resigned 25 November 2008)

S Johnson (appointed 25 November 2008)

M Sugden (appointed 25 November 2008)

C Thompson (appointed 24 April 2009)

DIRECTORS' REPORT (continued)

Directors and their interests (continued)

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.

Going Concern

When considering continuing to adopt the going concern basis in preparing the annual report and financial statements, the directors have taken into account a number of factors, including the following:

- ENWs electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating;
- As part of a review of licensees' financing requirements, on 15 January 2009 Ofgem issued an information request to all DNOs under standard licence condition 6 relating to the financial resources each DNO has available in the 24 months ending 31 December 2009. After making enquiries and taking account of several factors, the directors approved the submission to Ofgem of a certificate confirming their reasonable expectation that ENW has, or will have available to it, sufficient financial resources and/or financial facilities to enable ENW to carry on its regulated business for a period of two years since the date of the last statutory accounts;
- 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 the activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000;
- The Group and Company have considerable financial resources. Short-term liquidity requirements are met from the Company's normal operating cashflow. Further liquidity is provided by cash and short-term deposit balances. Longer-term liquidity is provided by the Group's term loans, made available by HSBC, and committed undrawn bank facilities from HSBC, Commonwealth Bank of Australia and Mizuho, with maturity dates of longer than twelve months. There are no covenant breaches forecast;
- The Group and the Company are financed largely by long term external funding, and this together with the present cash position and committed un-drawn facilities provides the appropriate liquidity platform to allow the Company and Group to meet their operational and financial commitments for the foreseeable future;
- The Group and Company expects to raise further finance as required. The directors do not consider there to be any doubt over the Group and Company's ability to raise such finance, given the investment grade issuer ratings held by the Group and due to the fact that the Group operates within a stable and traditionally low risk industry. As a consequence, the directors believe that the Group and Company is well placed to manage its business risks despite the current uncertain economic outlook. There are no immediate consequences of being unable to refinance given the existing facilities all extend beyond 12 months;
- The Board have given detailed consideration to the principal risks and uncertainties affecting the Group and Company, as referred to in the business review, and all other factors which could impact on the Group and Company's ability to remain a going concern, and
- The Group balance sheet shows net liabilities for the year ended 31 March 2009, as a result of recognising £49.8m post tax actuarial losses on the defined benefit pension scheme. The Board have given consideration to this in respect of adopting the going concern basis and do not believe there to be any impact on the Group or Company's ability to continue as a going concern. The Board have obtained a letter of continued financial support from the parent undertaking for a period of 12 months from the signing of the annual report and accounts.

Consequently, after making enquiries, the directors have a reasonable expectation that the Company has 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 accounts.

Directors' and officers' insurance

The Company 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.

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Information given to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

DIRECTORS' REPORT (continued)

Independent auditor

On 1 December 2008 Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors of the company.

In accordance with section 384 of the Companies Act 1985, Deloitte LLP are deemed to be re-appointed as auditors of the Company.

Registered address

North West Electricity Networks Limited
Dalton House
104 Dalton Avenue
Birchwood Park
Birchwood
Warrington
WA3 6YF

Registered number: 6428375

By order of the board

S Johnson
Director

28 May 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NORTH WEST ELECTRICITY NETWORKS LIMITED

We have audited the Group and parent company financial statements (“the financial statements”) of North West Electricity Networks Limited for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company statements of recognised income and expense, the consolidated and company cashflow statements and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors’ responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (‘IFRSs’) as adopted by the European Union are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors’ Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of the profit for the year then ended;
- the parent company's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- the Group and parent company financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom
June 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

	Note	Group 2009 £m	Restated Group 2008 (see note 1) £m
Revenue	2	**341.8**	98.9
Employee benefits expense	4	**(6.5)**	(1.8)
Depreciation and amortisation expense		**(65.9)**	(17.9)
Other operating costs		**(99.0)**	(24.9)
Restructuring credit /(charge)		**0.8**	(0.7)
Total operating expenses		**(170.6)**	(45.3)
Operating profit	3	**171.2**	53.6
Investment income	5	**2.5**	1.8
Finance expense	6	**(133.3)**	(10.9)
Profit before taxation		**40.4**	44.5
Taxation	7	**(18.6)**	(11.7)
Profit for the year/period	24	**21.8**	32.8

All the results shown in the consolidated income statement derive from continuing operations.

BALANCE SHEETS
At 31 March 2009

	Note	**Group 2009 £m**	**Company 2009 £m**	Restated (see note 1) Group 2008 £m	Company 2008 £m
ASSETS					
Non-current assets					
Intangible assets	10	**206.2**	**-**	207.5	-
Property, plant and equipment	11	**2,101.9**	**-**	1,983.4	-
Investments	12	**-**	**1,145.7**	-	1,145.7
Retirement benefit surplus	18	**-**	**-**	45.1	-
		2,308.1	**1,145.7**	2,236.0	1,145.7
Current assets					
Trade and other receivables	13	**44.0**	**35.6**	34.4	5.8
Cash and cash equivalents	14	**42.3**	**5.6**	101.7	1.4
Derivative financial instruments	16	**43.2**	**-**	5.6	0.5
		129.5	**41.2**	141.7	7.7
Total assets		**2,437.6**	**1,186.9**	2,377.7	1,153.4
LIABILITIES					
Current liabilities					
Borrowings	15	**-**	**-**	(0.2)	-
Trade and other payables	17	**(729.2)**	**(668.1)**	(751.1)	(694.7)
Derivative financial instruments	16	**(79.6)**	**(34.5)**	(0.5)	-
Current income tax liabilities		**(3.3)**	**-**	(24.7)	-
		(812.1)	**(702.6)**	(776.5)	(694.7)
Net current liabilities		**(682.6)**	**(661.4)**	(634.8)	(687.0)
Non-current liabilities					
Borrowings	15	**(1,108.2)**	**(496.9)**	(1,076.4)	(458.7)
Deferred tax liabilities	19	**(449.9)**	**-**	(467.9)	(0.1)
Provisions	20	**-**	**-**	(2.0)	-
Consumer contributions	21	**(49.8)**	**-**	(19.2)	-
Refundable customer deposits	22	**(8.2)**	**-**	(10.1)	-
Retirement benefit obligations	18	**(27.5)**	**-**	-	-
		(1,643.6)	**(496.9)**	(1,575.6)	(458.8)
Total liabilities		**(2,455.7)**	**(1,199.5)**	(2,352.1)	(1,153.5)
Net (liabilities) / assets		**(18.1)**	**(12.6)**	25.6	(0.1)
EQUITY					
Share capital	23	**3.0**	**3.0**	3.0	3.0
Retained earnings	24	**(21.1)**	**(15.6)**	22.6	(3.1)
Total equity		**(18.1)**	**(12.6)**	25.6	(0.1)

Approved by the board of directors on 28 May 2009 and signed on its behalf by:

M Sugden

Director

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

	Note	**Group 2009 £m**	**Company 2009 £m**	Restated (see note 1) Group 2008 £m	Company 2008 £m
Actuarial losses on defined benefit pension schemes	18	**(73.5)**	**-**	(16.2)	-
Deferred tax on items taken directly to equity	19	**23.7**	**-**	6.0	-
Net expense recognised directly in equity		**(49.8)**	**-**	(10.2)	-
Profit/(loss) for the year/period		**21.8**	**3.2**	32.8	(3.1)
Total recognised income and expense for the year/period		**(28.0)**	**3.2**	22.6	(3.1)

CASHFLOW STATEMENTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

	Note	**Group 2009 £m**	**Company 2009 £m**	Restated (see note 1) Group 2008 £m	Company 2008 £m
Operating activities					
Cash generated from operations	29	**217.5**	**0.1**	106.6	(1.8)
Interest paid		**(86.1)**	**(50.6)**	(38.9)	(11.0)
Tax paid		**(33.9)**	**-**	(2.0)	-
Net cash generated from/(absorbed by) operating activities		**97.5**	**(50.5)**	65.7	(12.8)
Investing activities					
Interest received and similar income		**5.0**	**1.5**	2.3	0.6
Dividend received		**-**	**69.5**	-	11.0
Acquisition of subsidiaries	27	**-**	**-**	(1,067.8)	(1,145.7)
Purchase of property, plant and equipment		**(176.9)**	**-**	(64.9)	-
Purchase of intangible assets		**(1.9)**	**-**	-	-
Consumer contributions received		**32.6**	**-**	19.9	-
Proceeds from sale of property, plant and equipment		**0.3**	**-**	0.2	-
Net cash (used in)/generated by investing activities		**(140.9)**	**71.0**	(1,110.3)	(1,134.1)
Financing activities					
Proceeds on issue of ordinary shares		**-**	**-**	3.0	3.0
Dividends paid		**(15.7)**	**(15.7)**	-	-
Proceeds from borrowings		**46.0**	**36.0**	458.1	458.1
Repayment of borrowings		**(46.1)**	**(41.8)**	(2.2)	-
Proceeds from group borrowings		**-**	**5.2**	687.2	687.2
Net cash (absorbed by)/generated from financing activities		**(15.8)**	**(16.3)**	1,146.1	1,148.3
Net (decrease)/increase in cash and cash equivalents		**(59.2)**	**4.2**	101.5	1.4
Cash and cash equivalents at beginning of the period		**101.5**	**1.4**	-	-
Net cash and cash equivalents at end of the period	14	**42.3**	**5.6**	101.5	1.4

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted for use in the European Union, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (‘IFRIC’).

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, investment properties and certain property, plant and equipment.

The preparation of financial statements, in conformity with generally accepted accounting practice (‘GAAP’) under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Going concern basis

When considering continuing to adopt the going concern basis in preparing the annual report and accounts, the directors have taken into account a number of factors, including the financial position of the Group, its cash flows, liquidity position and borrowing facilities and covenant compliance as described in the directors report on page 5. Consequently, after making the appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and comply with its banking covenants for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

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. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used under the relevant local GAAP into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Restatement of Comparatives

As required by IFRS 3 ‘Business Combinations’ any adjustments in the hindsight period to the provisional fair values of the assets and liabilities acquired with a business should be adjusted as if the amendments had occurred on the acquisition date. As a consequence, following the completion of the exercise in relation to the acquisition of Electricity North West Limited on 19 December 2007, the Group income statement, Group balance sheet and Group cashflow statement for the period ended 31 March 2008 have been restated to reflect the adjustments made. The impact of the fair value adjustments is as follows:

Income Statement	**As previously reported £m**	**Adjustments arising from fair values £m**	**As restated £m**
Operating profit	52.6	1.0	53.6
Profit before tax	43.5	1.0	44.5
Tax	(11.4)	(0.3)	(11.7)
Profit after tax	32.1	0.7	32.8

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Restatement of Comparatives (continued)

	As previously reported £m	Adjustments arising from fair values £m	As restated £m
Balance sheet			
Intangible assets	20.6	186.9	207.5
Property, plant and equipment	2,170.4	(187.0)	1,983.4
Retirement benefit surplus	45.1	-	45.1
Current assets	141.7	-	141.7
Creditors: amounts falling due within one year	(776.5)	-	(776.5)
Creditors: amounts falling due after more than one year	(1,576.4)	0.8	(1,575.6)
Net Assets	24.9	0.7	25.6

The adjustment to plant, property and equipment comprises of an adjustment to the provisional fair value of £188.0m and a corresponding reduction in depreciation of £1.0m. The adjustments are explained further in note 27.

As a consequence of the changes to the income statement above, the Group cashflow statement has been restated in respect of operating profit and the depreciation of plant, property and equipment. There is no impact on the net cash generated by operations.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

North West Electricity Networks Limited acquired the entire share capital of Electricity North West Limited on 19 December 2007. The business combination was accounted for in accordance with IFRS 3 and IAS 38 and is explained in note 27.

Associates

An associate is an entity over which the Group, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling, the financial and operating policies of the entity. Associates are accounted for using the equity method. Losses of an associate in excess of the Group's interest in the associate are not recognised, except to the extent that the Group has incurred obligations in respect of the associate. Unrealised profits and losses recognised by the Group on transactions with an associate are eliminated to the extent of the Group's interest in the associate concerned.

Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Assets which have an indefinite life are not subject to amortisation but are tested for impairment at each balance sheet date. The carrying amount is reduced by any provision for impairment where necessary.

Amortisation periods for categories of intangible assets are:
Licence Indefinite life
Computer software 3-10 years

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment comprises operational structures and other assets (including properties, overground plant and equipment and electricity operational 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.

Other assets

All other property, plant and equipment are 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 period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. 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, fittings, tools and equipment 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 sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of tangible and intangible assets

Intangible assets with definite useful lives and property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cashflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell, and value in use. Value in use represents the net present value of expected future cashflows 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 cashflows 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. Impairment of non-current assets is recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement 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.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Financial instruments

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

Trade receivables

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

Trade payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

In the consolidated cashflow 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 on initial investment into known amounts of cash within three months and which are subject to an insignificant risk of change in value.

Financial investments

Investments (other than interests in subsidiaries and fixed deposits) are recognised and derecognised on a trade date basis and are initially measured at fair value, including transaction costs. Investments are classified as available-for-sale and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest rate is a method of calculating the amortised cost of a financial liability and of allocating interest expense to 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

Interest rate swap agreements are used to manage interest rate exposure. The Group does not use derivative financial instruments for speculative purposes.

All financial derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value of all derivative financial instruments that are not in a hedging relationship are recognised in the income statement within finance expense as they arise. The Group designates derivatives into hedging relationships and applies hedge accounting where all the criteria under IAS 39 'Financial; Instruments: Recognition and Measurement' are met. The Group currently has one portfolio of financial instrument designated in a hedging relationship; to the extent that the hedging relationship is determined to be effective, the change in fair value of the derivative financial instruments is recognised directly in equity, with any ineffective portion of the gain or loss being recognised immediately in the income statement.

The Group elects to designate a financial liability at inception as fair value through the profit or loss on the basis that it meets the conditions specified in IAS 39 'Financial Instruments: Recognition and measurement'.

Hedge accounting

There are two types of hedge accounting strategies that the Group considers and these are summarised below:
Currently the Group has one formal hedging relationship that is designated as a cash flow hedge.

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. To the extent there is an effective hedging relationship, the associated hedged items are stated at fair value in respect of hedged risk, with any gain or loss also recognised in the income statement. As a result these two items offset each other and reduce profit volatility.

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative is recognised directly in equity. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately. Hedge accounting is discontinued when the hedge designation is revoked, or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Derivatives and borrowings

The Group's default treatment is for borrowings to be carried at amortised cost, whilst derivatives are recognised separately on the balance sheet at fair value. Movements in fair values are reflected through the income statement, except for the effective part of any fair value movement on derivatives designated in a cash flow hedge relationship, which is recognised directly in equity. This has the potential to introduce considerable volatility to both the income statement and balance sheet.

The Group applies the fair value through profit or loss option as no hedge accounting is currently undertaken. This area is considered to be of significance due to the magnitude of the Group's level of borrowings.

Financial assets and liabilities designated at fair value through profit or loss

The Group applies this designation where the complexity of the swaps means that they are disallowed from being allocated in a hedge relationship despite there being significant fair value offset between the hedged item and the derivative itself. The otherwise inconsistent accounting treatment that would have resulted allows the Group to satisfy the criteria for this designation. The treatment of financial assets and liabilities designated at fair value through profit or loss is consistent with the Group's documented risk management strategy.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Borrowing costs and finance income

All borrowing costs and finance income that are not directly attributable to the acquisition, issue or disposal of a financial asset or financial liability are recognised in the profit and loss account in the period in which they are accrued. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial fair value of that instrument.

Operating profit

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

Current tax, representing UK corporation tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at 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. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at the balance sheet date. Such assets and liabilities are not recognised if the temporary difference arises from 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 measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse 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 more likely than not that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Retirement benefit obligations

The Group previously participated in two defined benefit schemes, operated by United Utilities PLC. Under the terms of the separation of Electricity North West Limited and United Utilities Electricity Services Limited, and the subsequent acquisition of Electricity North West Limited by North West Electricity Networks Limited, a new division of the Electricity Supply Pension scheme (ESPS) was established.

The division is split into two sections, the Electricity North West Limited (ENWL) section for defined benefit members of the former ESPS who are now employed by ENWL and the United Utilities Electricity Services Limited (UUES) section for defined benefit members of the former ESPS who are now employed by UUES.

The Group has taken on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the ASA contract. In addition, at termination of the contract it is expected that the activities will revert back to the Electricity North West Limited group and members of the UUES section will TUPE back at the same time under Employment Law. As a result the group has accounted for both sections of the ESPS in accordance with IAS 19 ‘Employee benefits’.

The most recent actuarial valuation for the scheme for funding purposes was carried out at 31 March 2008 and will be carried out thereafter at intervals of not more than three years. The pension cost under IAS 19 ‘Employee Benefits’ is assessed in accordance with the advice of a firm of actuaries. The assumptions are disclosed in note 18 of the financial statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the scheme’s assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for scheme members. 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 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 balance sheet.

‘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 recognized as an asset and may also require additional liabilities to be recognised where minimum funding requirements exist. Legal opinion has been obtained that a pension surplus could be recovered on wind up of the scheme and could therefore be recognized, along with associated liabilities.

The cost of providing pension benefits to employees relating to the current year’s service and the difference between the expected return on scheme assets and interest on scheme liabilities are included within the income statement within employee costs. The difference between the expected return on scheme assets and interest on scheme liabilities are included within the income statement within finance expense.

All actuarial gains and losses are recognised outside the income statement in retained earnings and presented in the statement of recognised income and expense.

In addition, the Group also operates defined contribution pension schemes. Payments are charged as employee costs as they fall due. The Group has no further payment obligations once the contributions have been paid.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue represents the fair value of the income receivable in the ordinary course of business for the distribution of electricity during the period, exclusive of value-added tax.

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.

Consumer Contributions

Contributions receivable in respect of 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.

Refundable Customer Deposits

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

Leases

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

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

On an ongoing basis, the Group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the policies the Group believes to have the most significant impact on the annual results under IFRS.

Carrying value of property, plant and equipment

The carrying value of property, plant and equipment (PPE) as at 31 March 2009 was £2,101.9m (2008 restated: £1,983.4m). Additions to PPE totalled £182.3m (2008 restated: £62.9m) and the depreciation charge was £63.8m in the year ended 31 March 2009 (2008 restated: £17.0m). The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PPE investment to the Group, variations between actual and estimated useful lives could impact operating results both positively and negatively, although historically, few changes to estimated useful lives have been required.

The Group is required to evaluate the carrying values of PPE for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cashflows, growth rates and discount rates of the cash-generating units under review.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Revenue recognition

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 customers of the electricity distribution business are the electricity supply companies that utilise Electricity North West Limited’s distribution network to distribute electricity from generators to the end consumer. The receivable billed is dependent upon the volume of electricity distributed, including estimates of the units distributed to customers. The estimated usage is based on historical data, judgement and assumptions. Operating revenues are gradually adjusted to reflect actual usage in the period over which the meters are read.

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 estimates involve judgements made by management after considering 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. The required provision may change in the future due to new developments and as additional information becomes available. 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.

Retirement benefits

The Group participates in a sectionalised defined benefit scheme as described further in note 18. The Group has taken on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the contract. In addition, at termination of the contract it is expected that the activities will revert back to the Electricity North West Limited Group and members of the UUES section will TUPE back at the same time. As a result the Group has accounted for both sections of the ESPS in accordance with IAS 19 ‘Employee benefits’.

The pension cost under IAS 19 ‘Employee benefits’ is assessed in accordance with the advice of a firm of actuaries. The assumptions are disclosed in note 18 of the financial statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the schemes’ assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for Scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Fair values of derivative financial instruments

The Group uses derivative financial instruments to manage the exposure to interest rate risk and bond issues. 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. All financial derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value of all derivative financial instruments that are not in a hedging relationship are recognised in the income statement within finance expense as they arise. The Group designates derivatives into hedging relationships and applies hedge accounting where all the criteria under IAS 39 ‘Financial Instruments: Recognition and Measurement’ are met.

The Group is therefore subject to volatility in the income statement due to changes in the fair values of the derivative financial instruments. Further information is provided in note 18.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Recently issued accounting pronouncements - International Financial Reporting Standards

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective. The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements. The directors anticipate that the Group will adopt these standards and interpretations on their effective dates.

IFRS1 (amended); 'Cost of an Investment in a Subsidiay, Jointly Controlled Entity or Associate'
IFRS 3 (amended); 'Business Combinations'
IFRS 8; 'Operating Segments'
IAS 23; 'Amendment – Borrowing Costs'
IFRS 27; 'Amendment – Consolidated and Separate Financial Statements'
IFRIC 18; 'Transfers of Assets from Customers'

Interpretations in issue but not considered relevant to the activities of the group are as follows:

IFRIC 13; 'Customer loyalty Programmes'

2. REVENUE

	Year ended 31 March 2009 £m	Period ended 31 March 2008 Restated (see note 1) £m
Revenue	**341.8**	98.9

All revenue predominantly arises from the principal activity of electricity distribution and associated activities.

The geographical origin and destination of revenue is all within the United Kingdom.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

3. OPERATING PROFIT

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

	Year ended 31 March 2009 £m	Period ended 31 March 2008 Restated (see note 1) £m
Employee benefits expense		
Employee costs (see note 4)	**6.5**	1.8
Depreciation and amortisation expense		
Depreciation of property, plant and equipment		
Owned assets (see note 11)	**63.8**	17.0
Amortisation of intangible assets and consumer contributions		
Software (see note 10)	**3.3**	1.0
Consumer contributions (see note 21)	**(1.2)**	(0.1)
Other income		
(Profit)/loss on disposal of property, plant and equipment	**(0.3)**	0.2
Other operating costs include:		
Research and development	**1.4**	0.3
Operating leases:		
- land and buildings	**0.8**	0.9
- hire of plant and machinery	**1.7**	1.4
Restructuring (credit)/costs	**(0.8)**	0.7

During the year, the Group obtained the following services from the Group's auditors, at costs detailed below:

	Year ended 31 March 2009 £m	Period ended 31 March 2008 £m
Audit services		
Statutory audit of the Company's subsidiaries annual accounts	**0.1**	0.1
Audit related regulatory reporting for the Company's subsidiaries	**-**	-
Total audit fees	**0.1**	0.1
Other services		
- Tax services	**0.7**	0.1
- Corporate finance services	**0.1**	-
	0.9	0.2

Fees payable for the audit of the Company's accounts were £6,000 (2008: £3,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

4. DIRECTORS AND EMPLOYEES

Directors' remuneration

Disclosure in respect of directors is included in note 9.

Employee costs

	Year ended 31 March 2009 £m	Period ended 31 March 2008 £m
Wages and salaries	**5.7**	1.1
Social security costs	**0.5**	0.3
Pension costs (see note 19)	**8.5**	2.8
	14.7	4.2
Capital schemes and charges against provisions	**(8.2)**	(2.4)
Charged to the income statement	**6.5**	1.8

Average number of employees during the period (full-time equivalent including directors)

	2009 Number	2008 Number
Electricity distribution	**83**	75

There are no employees of the Company.

5. INVESTMENT INCOME

	Year ended 31 March 2009 £m	**Year ended 31 March 2009 £m**	Period ended 31 March 2008 £m	Period ended 31 March 2008 £m
Interest receivable on short-term bank deposits held at amortised cost		**3.3**		0.6
Interest receivable on derivative instruments		**1.5**		-
Expected return on pension scheme assets	**47.7**		16.7	
Interest cost on pension scheme obligations	**(50.0)**		(15.5)	
Net pension interest (expense)/income		**(2.3)**		1.2
		2.5		1.8

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

6. FINANCE EXPENSE

	Year ended 31 March 2009 £m	**Year ended 31 March 2009 £m**	Period ended 31 March 2008 £m	Period ended 31 March 2008 £m
Interest payable				
Interest payable on bank borrowings	**0.2**		9.3	
Interest payable on borrowings held at amortised cost	**49.0**		5.7	
Interest payable on bank borrowings at fair value	**22.2**		8.3	
Other finance charges related to index linked bonds	**5.4**		0.3	
Interest payable to Group undertakings	**30.2**		9.5	
		107.0		33.1
Fair value (gains)/losses on financial instruments				
Derivatives designated at fair value through profit and loss	**39.9**		(3.4)	
Borrowings designated at fair value through profit and loss	**(13.6)**		(18.8)	
		26.3		(22.2)
		133.3		10.9

In respect of the total movement in the fair value of financial liabilities designated at fair value through profit or loss of £13.6m loss (2008: £18.8m loss), £44.3m gain (2008: £17.3m) is attributable to changes in credit risk, partially offset by changes due to interest rate movements.

7. TAXATION

	Year ended 31 March 2009 £m	Period ended 31 March 2008 Restated (see note 1) £m
Current tax:		
UK corporation tax	**12.9**	10.1
Deferred tax (note 19):		
Current period	**5.7**	1.6
	18.6	11.7

Corporation tax is calculated at 28% (2008:30%) of the estimated assessable profit for the period.

The change in the applicable tax rate from 30% to 28% reflects the reduction in UK Corporation Tax enacted in the Finance Act 2008

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

7. TAXATION (continued)

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

	Year ended 31 March 2009 £m	**Year ended 31 March 2009 %**	Period ended 31 March 2008 Restated (see note 1) £m	Period ended 31 March 2008 Restated (see note 1) %
Profit before tax	**40.4**		44.5	
Tax at the UK corporation tax rate of 28% (2008: 30%)	**11.3**	**28.0**	13.4	30.0
Non-taxable income	**(1.2)**	**(3.0)**	(1.7)	(3.8)
Impact from withdrawal of IBA allowances	**8.5**	**21.0**	-	-
	18.6	**46.0**	11.7	26.2

In addition to the amount charged to the income statement, deferred tax relating to actuarial losses on defined benefits schemes of £23.7m (2008: £6.0m) was also credited to the statement of recognised income and expense under IAS 19 and IFRIC 14.

8. DIVIDENDS

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

	2009 £m	2008 £m
Interim dividends for the year ended 31 March 2009 of £5.23 per share (period ended 31 March 2008: £nil per share)	**15.7**	-
	15.7	-

The Company has not proposed a final dividend for the year ended 31 March 2009.

9. DIRECTORS AND THEIR INTERESTS

No directors received any remuneration in respect of services to the Company for the year ended 31 March 2009 (2008: £nil) but certain directors were remunerated from the ultimate parent undertaking or subsidiary undertakings.

S Johnson and M Sugden were remunerated from Electricity North West Limited (ENW), a subsidiary of the Group of which they are also directors. The aggregate remuneration of the directors during the period in which they have also been directors of the Company was £245,355. Emoluments comprise salaries, fees, taxable benefits and the value of short-term incentive awards. A Pena and M Nagle are remunerated by the ultimate parent undertaking.

M Sugden is a member of, and contributes to, the Electricity Supply Pension Scheme, a defined benefit scheme which provides on normal retirement at the age of 60 a pension equal to 1/80th of pensionable earnings for each completed year of service (plus 3/80th cash). Early retirement is possible from the age of 50 if the Company agrees. S Johnson is a member of the company defined contribution scheme. None of the other directors contribute to any of the pension schemes within the Group.

As at 31 March 2009 the directors have no interests in the ordinary shares of North West Electricity Networks Limited or any subsidiary companies within the Group.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

10. INTANGIBLE ASSETS

Group	Software £m	Licence £m	Assets in course of construction £m	Total £m
Cost				
At incorporation	-	-	-	-
Acquired with subsidiaries (note 27)	33.5	-	0.6	34.1
Adjustments in respect of acquisitions in 2008 (note 27)	-	186.9	-	186.9
Transfers	0.1	-	(0.1)	-
Disposals	-	-	(0.2)	(0.2)
At 31 March 2008 (restated)	33.6	186.9	0.3	220.8
Additions	**-**	**-**	**2.0**	**2.0**
Transfers	**0.9**	**-**	**(0.9)**	**-**
At 31 March 2009	**34.5**	**186.9**	**1.4**	**222.8**
Amortisation				
At incorporation	-	-	-	-
Acquired with subsidiaries (note 27)	12.3	-	-	12.3
Charge for the period	1.0	-	-	1.0
At 31 March 2008	13.3	-	-	13.3
Charge for the year	**3.3**	**-**	**-**	**3.3**
At 31 March 2009	**16.6**	**-**	**-**	**16.6**
Net book value at 31 March 2009	**17.9**	**186.9**	**1.3**	**206.2**
Net book value at 31 March 2008 (restated)	20.3	186.9	0.3	207.5

The licence held by the Group to transmit and distribute electricity is viewed as having an indefinite life as the directors' believe the licence would only be revoked if there were a serious breach of the terms and conditions of the licence. The licence is held subject to 25 years' notice in writing from the Authority to the licensee.

The Group tests annually for impairment or more frequently if there are indications that intangible assets with indefinite lives might be impaired. The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations. 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 prepares cash flow forecasts the period up to 31 March 2015 and have extrapolated the cash flows into perpetuity. The rate used to discount cash flows was 9.5% and reflects the level of risk associated with the cash flows generated from the licence and is based on a premium over the internal rate of return, taking into account the regulatory return on tangible assets.

At 31 March 2009, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £nil (2008:£0.1m).

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

11. PROPERTY, PLANT AND EQUIPMENT

Group	Operational structures £m	Non operational land and buildings £m	Fixtures and equipment, vehicles and other £m	Assets in course of construction £m	Total £m
Cost					
Cost at incorporation	-	-	-	-	-
Acquired with subsidiaries (note 27)	2,733.9	12.4	25.9	184.3	2,956.5
Adjustments in respect of acquisitions in 2008 (note 27)	(188.0)	-	-	-	(188.0)
Additions	62.2	0.4	0.3	-	62.9
Transfers	15.3	0.1	(13.8)	(1.6)	-
Disposals	(0.6)	(0.4)	(3.2)	-	(4.2)
At 31 March 2008 (restated)	2,622.8	12.5	9.2	182.7	2,827.2
Additions	**87.1**	**0.2**	**1.5**	**93.5**	**182.3**
Transfers	**83.6**	**(0.2)**	**2.4**	**(85.8)**	**-**
Disposals	**(9.3)**	**(1.3)**	**(1.4)**	**-**	**(12.0)**
At 31 March 2009	**2,784.2**	**11.2**	**11.7**	**190.4**	**2,997.5**
Depreciation					
Depreciation at incorporation	-	-	-	-	-
Acquired with subsidiaries (note 27)	807.2	2.5	21.3	-	831.0
Charge for the period	17.5	0.5	-	-	18.0
Adjustments in respect of acquisitions in 2008 (note 27)	(1.0)	-	-	-	(1.0)
Transfers	9.5	1.4	(10.9)	-	-
Disposals	(0.6)	(0.5)	(3.1)	-	(4.2)
At 31 March 2008 (restated)	832.6	3.9	7.3	-	843.8
Charge for the year	**62.0**	**0.9**	**0.9**	**-**	**63.8**
Disposals	**(9.3)**	**(1.3)**	**(1.4)**	**-**	**(12.0)**
At 31 March 2009	**885.3**	**3.5**	**6.8**	**-**	**895.6**
Net book value at 31 March 2009	**1,898.9**	**7.7**	**4.9**	**190.4**	**2,101.9**
Net book value at 31 March 2008 (restated)	1,790.2	8.6	1.9	182.7	1,983.4

At 31 March 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £47.5m (2008:£35.2m).

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

12. INVESTMENTS

	2009 **Company** £m
Cost	
At incorporation	-
Additions in 2008 (note 27)	**1,145.7**
At 31 March 2008 and 31 March 2009	**1,145.7**

All acquisition information is shown in note 27.

Details of the investments at 31 March 2009 are as follows:

Company

Subsidiary undertaking	**Description of holding**	**Proportion held**	**Nature of business**
Electricity North West Limited	Ordinary shares of 50p each	100%	Energy distribution

Group

Subsidiary undertaking	**Description of holding**	**Proportion held**	**Nature of business**
NB Property and Estate Services No. 1 Limited	Ordinary shares of £1 each	100%	Dormant
NB Leasing Limited	Ordinary shares of £1 each	100%	Dormant
NB (Miles Platting Community Project) Limited	Ordinary shares of £1 each	100%	Dormant
ENW (ESPS) Pensions Trustees Limited	Ordinary shares of £1 each	100%	Non trading

Other investments	**Description of holding**	**Proportion held**	**Nature of business**
ESN Holdings Limited	Ordinary shares of £1 each	6.20%	Investment company
National Grid plc	Ordinary shares of 11.76p each	Negligible	Energy distribution

Associated undertaking	**Description of holding**	**Proportion held**	**Nature of business**
Nor.Web Limited	Ordinary shares of £1 each	50%	Dormant

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

13. TRADE AND OTHER RECEIVABLES

	Group 2009 £m	**Company 2009 £m**	Group 2008 £m	Company 2008 £m
Trade receivables	**1.6**	**-**	1.4	-
Amounts owed by group undertakings	**-**	**35.6**	-	5.3
Prepayments and accrued income	**42.4**	**-**	33.0	0.5
	44.0	**35.6**	34.4	5.8

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £0.6m (2008: £nil) estimated by management based on known specific circumstances, past default experience and their assessment of the current economic environment.

The average credit period taken on sales is 14.0 days (2008: 14.0 days).

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The majority of balances are less than 45 days past due; a balance of £882,000 is greater than 45 days past due at 31 March 2009 (2008: £30,000), against which an allowance for doubtful debt of £596,000 (2008: £nil) has been made.

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

	Group 2009 £m	**Company 2009 £m**	Group 2008 £m	Company 2008 £m
Balance at beginning of year	**-**	**-**	-	-
Charged to income statement	**0.6**	**-**	-	-
Balance at end of year	**0.6**	**-**	**-**	**-**

Trade receivables comprise 30 (2008: 28) individual customers and 56% (2007: 41%) of the trade receivables balance above relates to the regulated provision of infrastructure to electricity retail companies. The Group is required by the regulator to accept any company 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 the regulator 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 Electricity North West Limited. 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. At the year end £2.9m (2008: £2.8m) of cash had been received as security.

The allowed RAV is set by the regulator for each year of the current price review period (April 2005 – March 2010) and is £1,263m for the year ended 31 March 2009 (2008: £1,242m).

At the year end £70.4m (2008: £64.6m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £9.5m (2008: £8.7m). All of the customers granted credit of this level must have a credit rating of at least A- from Standard and Poors and A3 from Moodys or a guarantee from a parent company of the same rating level. Alternatively, the customer must be able to prove their creditworthiness on an ongoing basis.

Of the trade receivables, 17.2% (2008: 0%) are past due but not impaired.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

14. CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS

	Group 2009 £m	**Company 2009 £m**	Group 2008 £m	Company 2008 £m
Short-term bank deposits	**42.3**	**5.6**	101.7	1.4
Bank overdrafts (note 15)	**-**	**-**	(0.2)	-
	42.3	**5.6**	101.5	1.4

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less, net of bank overdrafts which are payable on demand.

The effective interest rate on short term deposits was 4.05% (2008:5.81%) and these deposits had an average maturity of 8.2 days (2008:8.5 days).

15. 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 interest rate risk and liquidity risk see note 16.

	Group 2009 £m	**Company 2009 £m**	Group 2008 £m	Company 2008 £m
Non-current liabilities				
Bank and other term borrowings	**496.9**	**496.9**	458.7	458.7
Bonds	**611.3**	**-**	617.7	-
	1,108.2	**496.9**	1,076.4	458.7
Current liabilities				
Bank overdrafts	**-**	**-**	0.2	-
Amounts owed to parent undertaking (note 17)	**667.5**	**667.1**	693.4	693.4
	667.5	**667.1**	693.6	693.4
	1,775.7	**1,164.0**	1,770.0	1,152.2

All loans and borrowings are unsecured. Intercompany borrowings are repayable on demand. There is no formal bank overdraft facility in place at 31 March 2009. All amounts are in sterling.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

15. BORROWINGS (Continued)

Carrying value by category

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

	Year of maturity	**Group 2009 Carrying value £m**	**Company 2009 Carrying value £m**	Group 2008 Carrying value £m	Company 2008 Carrying value £m
Borrowings designated at fair value through profit and loss					
8.875% £250m bond	2026	**302.1**	**-**	315.7	-
Borrowings measured at amortised cost					
8.875% £200m bond	2026	**196.8**	**-**	195.0	-
1.4746%+RPI[1] £100m index-linked bond	2046	**112.4**	**-**	107.0	-
Long term loans at LIBOR plus 0.55%	2010	**496.9**	**496.9**	458.7	458.7
Bank overdraft	2009	**-**	**-**	0.2	-
Other financial liabilities held at amortised cost					
Trade payables (note 17)	2009	**32.2**	**-**	26.4	-
Amounts owed to parent undertaking (note 17)	2009	**667.5**	**667.1**	693.4	693.4
		1,807.9	**1,164.0**	1,796.4	1,152.1

[1] RPI - Retail Price Index – the UK general index of retail prices (for all items) as published by the Office of National Statistics.

The terms of the Group borrowings are disclosed in note 26. The fair values of the Group's financial instruments are shown in note 16.

Borrowing facilities

The Group had £148.8m (2008:£184.0m) in unutilised committed bank facilities at 31 March 2009 of which £143.8m (2008:£nil) expires after one year but less than two years and £5.0m (2008:£30.0m) expires in more than two years.

16. 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 which the Group is exposed to and which arise in the normal course of business include credit, liquidity and market risk, in particular interest rate risk. Derivatives are used to hedge exposure to fluctuations in interest rates. A derivative is a financial instrument, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

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 1.

16. FINANCIAL INSTRUMENTS (continued)

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.

Financial instruments entered in the year

In addition to the interest rate swaps held at 31 March 2008 which have a fair value of £43.2m at 31 March 2009, the following derivative financial instruments have been entered into:

Inflation linked swap

The Group entered into an inflation linked swap during the year, with a notional principal value of £170m, under which the Group pays RPI adjusted fixed interest and receives floating LIBOR. The swap has an underlying 30 year term, with a mandatory break clause in 2011. The swap was entered into to hedge a proposed £170m inflation linked bond issue, with a 30 year maturity. This derivative does not qualify for hedge accounting and has been accounted for at fair value through profit and loss, with all movements reflected in the income statement. At 31 March 2009, the fair value of this instrument was £35.4m (liability).

Gilt lock swaps

The Group entered two gilt lock futures contracts during the year, with notional principal totalling £200m. These instruments are linked to 10 year benchmark gilts and mature in June 2009. They were entered to hedge a proposed £295m fixed rate bond issue, with a 10 year maturity, and provide certainty over the gilt rate element of the bond coupon, covering the first £200m of the proposed £295m bond issue. These derivatives do not qualify for hedge accounting and all movements in fair value are reflected in the income statement. At 31 March 2009, the aggregate fair value of these instruments was £34.5m (liability). The group continues to monitor the effectiveness of this hedge in relation to the re-financing process.

Forward start interest rate swaps

The Group entered into five forward start interest rate swaps during the year, with notional principal totalling £121.0m. These derivative instruments were taken out to hedge the Group's interest rate risk exposure to a £121.0m floating rate bank loan and pay a fixed rate, averaging 3.4652%, and receive a floating rate. These derivatives have been designated in a formal hedge relationship and meet all the IAS 39 criteria for cash flow hedge accounting. To the extent that the hedging relationship is determined to be effective, the change in fair value of the derivative financial instruments is recognised directly in equity, with any ineffective portion of the gain or loss being recognised in the income statement. At 31 March 2009, the aggregate fair value of these instruments was £0.1m (liability) and has been recognised in equity.

Market risk management

The primary financial risk faced by the Group is interest rate risk. The Board is required to review and approve policies for managing this risk on an annual basis. The Electricity North West Limited's treasury function, which is authorised to conduct the day-to-day treasury activities of the Group, reports on a regular basis (at least annually) to the Board. Since the acquisition of Electricity North West Limited, the Board has approved all new derivative financial instruments entered into.

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 (RPI) and equity price risks. The Group has no exposure to foreign exchange risk and limited exposure to inflation (RPI) due the Group's high proportion of inflation linked revenues.

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.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

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. It arises principally from lending, trade finance, and treasury activities. The Group has dedicated standards, policies and procedures to control and monitor all such risks.

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. The Group is potentially exposed to credit loss in the event of non-performance by counterparties, although such credit risk is controlled through 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 is obligations.

Significant changes in the economy or in the utilities sector could result in losses not necessarily provided for at the balance sheet date. With only a small number of customers (2009: 30, 2008: 28), the creditworthiness of each of these is closely monitored. Whilst the loss of one customer could have significant credit loss issues to the Group due to the small customer base, 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.

a) Trade receivables

Credit risk in relation to trade receivables is considered to be relatively low, due to the small number of customers, and the fact that each customer 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 2009 there was £0.9m receivables past due (2008: £nil) against which an allowance for doubtful debts of £0.6m has been made (2008: £nil).

b) 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 both amounts placed on deposit with counterparties and asset interest rate swaps). As at 31 March 2009 none (2008: none) of the Group's treasury portfolio exposure was either past due or impaired, and no terms had been renegotiated 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:

Credit Rating	**2009 £m**	**2009 %**	2008 £m	2008 %
AA+	**-**	**-**	1.2	1.0
AA	**6.8**	**8.0**	104.2	99.0
A+	**59.7**	**69.8**	-	-
A	**19.0**	**22.2**	-	-
	85.5	**100.0**	105.4	100.0

No collateral is held in relation to Treasury assets.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives, in the balance sheet. For trade receivables, the value is net of any collateral held in cash deposits (please refer to note 14 for further details).

Credit risk by class	**2009 Group £m**	**2009 Company £m**	2008 Group £m	2008 Company £m
Trade receivables	**1.6**	**-**	1.4	-
Interest rate swaps (Assets)	**43.2**	**-**	5.6	0.5
Cash and cash equivalents	**42.3**	**5.6**	101.7	1.4
Total	**87.1**	**5.6**	108.7	1.9

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet the obligations or commitments associated with its financial instruments, as they fall due. The Group manages the liquidity profile of its assets, liabilities and commitments so that cashflows 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 advising on any action to be taken as appropriate. A long-term view of liquidity is provided by the Business Plan, which is updated annually and projects cashflows out 40 years ahead, and a medium-term view is provided by the outputs of the five-year regulatory review process. Shorter-term liquidity is monitored via an 18 month liquidity projection and this is reported to the Board at least quarterly. The board approves a liquidity framework within which the business operates.

The Group largely manages all of its financing cashflows over the observed five-year regulatory period; the Group uses economic hedges to ensure that certain cash flows can be matched and, where all criteria are met, management uses hedge accounting to account for these.

The following is an analysis of gross contractual cash flows payable under financial liabilities and derivative financial instruments.

Group	**On demand**	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**>4 years**
As at 31 March 2009	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade payables	**32.2**	**-**	**-**	**-**	**-**	**-**
Amount owed to parent undertaking	**667.5**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments (net)	**-**	**31.1**	**(9.3)**	**27.7**	**(7.1)**	**(125.1)**
Borrowings and overdrafts	**-**	**53.8**	**551.8**	**41.5**	**41.5**	**1,120.8**
	699.7	**84.9**	**542.5**	**69.2**	**34.4**	**995.7**
As at 31 March 2008						
Trade payables	26.4	-	-	-	-	-
Amount owed to parent undertaking	693.4	-	-	-	-	-
Derivative financial instruments (net)	0.5	-	-	-	-	-
Borrowings and overdrafts	1.2	71.3	71.3	528.9	41.6	1,142.2
	721.5	71.3	71.3	528.9	41.6	1,142.2

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

Company **As at 31 March 2009**	**On demand**	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**>4 years**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Trade payables	**-**	**-**	**-**	**-**	**-**	**-**
Amount owed to parent undertaking	**667.1**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments (net)	**-**	**34.5**	**-**	**-**	**-**	**-**
Borrowings and overdrafts	**-**	**12.2**	**510.3**	**-**	**-**	**-**
	667.1	**46.7**	**510.3**	**-**	**-**	**-**
As at 31 March 2008						
Trade payables	-	-	-	-	-	-
Amount owed to parent undertaking	693.4	-	-	-	-	-
Derivative financial instruments (net)	-	-	-	-	-	-
Borrowings and overdrafts	1.0	29.7	29.7	487.3	-	-
	694.4	29.7	29.7	487.3	-	-

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, inflation (RPI), equity and commodity prices. The main type of market risk to which the Group is exposed is interest rate risk. The Group has very little foreign exchange and equity exposure. The management of market risk is undertaken using risk limits approved by the finance director under delegated authority.

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

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 adverse market conditions occur. The sensitivity figures are calculated based on upward parallel shifts of 1% and 3% in the yield curve.

Sensitivity Analysis	**Year ended 31 March 2009**		Period ended 31 March 2008	
	+1% change in interest rates	***+3% change in interest rates***	*+1% change in interest rates*	*+3% change in interest rates*
	£m	**£m**	£m	£m
Debt held at fair value	27.9	73.6	29.8	78.4
Interest rate swaps	(18.8)	(41.6)	(26.4)	(67.8)
Total fair value movement	9.1	32.0	3.4	10.6

The sensitivity analysis above shows the amount by which the fair value of items recorded on the balance sheet at fair value would be adjusted by. As such fair value movements are taken through the income statement; there would be a corresponding adjustment to profit in these scenarios. However, there would be no cash flow impact arising from these adjustments.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Although the above measures provide indication of the Group's exposure to market risk, such measures are limited in that historical data is not necessarily a good guide to future events, and exposures are calculated on static balance sheet positions, and therefore future changes in the structure of the balance sheet are ignored.

The Group has an inflation linked bond held on its balance sheet, as inflation is the key driver of future earnings. Whilst management does not formally monitor the sensitivity to changes in inflation (RPI rates), it is estimated that a 1% increase in inflation would lead to a £1.2m (2008:£1.6m) decrease in profits.

Interest rate risk

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

Under an interest rate swap, the Group agrees with another party to exchange at specific intervals the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. The notional principal of these instruments 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.

Interest rate swaps mature between 2010 and 2026. Swaps are executed in conjunction with bond issues to ensure that the combined cashflows approximate to floating sterling. In these cases, interest on the swap is received to coincide with bond interest payments which are generally annual or semi-annual on fixed rate bonds. Interest received on these swaps will match the nominal interest paid on the bonds. The floating side payable on these swaps will generally occur semi-annually. Additionally, swaps are executed to fix floating rate cashflows over the regulatory period. Cashflows on these regulatory swaps will coincide with the floating cashflow they are intended to fix.

Currency risk

The Group makes no significant sales or purchases in currencies other than its functional currency. Accordingly, the Group has no material unhedged foreign currency exposures.

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.

The Group's derivatives are designated in effective hedging relationships where all the criteria under IAS 39 are met, and otherwise are measured at fair value through profit or loss.

Fair values

The tables below provide a comparison of the book and fair values of the Group's financial instruments by category as at the balance sheet date. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

For cash and cash equivalents, trade and other receivables, trade and other payables and short-term loans and receivables with a maturity of less than one year the book values approximate the fair values because of their short-term nature. For non-public long term loans and receivables, fair values are estimated by discounting future contractual cash flows to net present values using current market interest rates available to the Group for similar financial instruments as at period end.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

Financial assets:	**Group**	**Group**	**Company**	**Company**
2009	**£m**	**£m**	**£m**	**£m**
Current assets:				
Cash and cash equivalents	**42.3**	**42.3**	**5.6**	**5.6**
Derivative financial instruments - held for sale trading swaps	**43.2**	**43.2**	-	-
	85.5	**85.5**	**5.6**	**5.6**
2008				
Current assets:				
Cash and cash equivalents	101.7	101.7	1.4	1.4
Derivative financial instruments - held for sale trading swaps	5.6	5.6	0.5	0.5
	107.3	107.3	1.9	1.9

The carrying value of trade and other receivables approximates to their fair value for both the Group and Company.

2009	**Group Carrying value**	**Group Fair value**	**Company Carrying value**	**Company Fair value**
	£m	**£m**	**£m**	**£m**
Financial liabilities:				
Non-current liabilities:				
Borrowings designated at fair value through profit and loss	**302.1**	**302.1**	**-**	**-**
Borrowings measured at amortised cost	**806.1**	**848.6**	**496.9**	**496.9**
	1,108.2	**1,150.7**	**496.9**	**496.9**
Current liabilities:				
Borrowings - amounts owed to parent undertaking	**667.5**	**667.5**	**667.1**	**667.1**
Derivative financial instruments - held for trading swaps	**79.6**	**79.6**	**34.5**	**34.5**
	747.1	**747.1**	**701.6**	**701.6**

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

2008	Group Carrying value	Group Fair value	Company Carrying value	Company Fair value
	£m	£m	£m	£m
Financial liabilities:				
Non-current liabilities:				
Borrowings designated at fair value through profit and loss	315.7	315.7	-	-
Borrowings measured at amortised cost	760.7	794.4	458.7	458.7
	1,076.4	1,110.1	458.7	458.7
Current liabilities:				
Borrowings - bank overdrafts	0.2	0.2	-	-
Borrowings - amounts owed to parent undertaking	693.4	693.4	693.4	693.4
Derivative financial instruments - held for trading swaps	0.5	0.5	-	-
	694.1	694.1	693.4	693.4

The carrying value of trade and other payables approximates to their fair value for both the Group and Company.

17. TRADE AND OTHER PAYABLES

	Group 2009 £m	**Company 2009 £m**	Group 2008 £m	Company 2008 £m
Trade creditors	**32.2**	**-**	26.4	-
Amounts owed to parent undertaking	**667.5**	**667.1**	693.4	693.4
Other taxation and social security	**2.7**	**-**	6.6	-
Consumers' contributions (note 21)	**1.4**	**-**	0.6	-
Refundable customer deposits (note 22)	**7.9**	**-**	7.2	-
Accruals and deferred income	**17.5**	**1.0**	16.9	1.3
	729.2	**668.1**	751.1	694.7

Trade creditors principally comprise amounts outstanding to United Utilities Electricity Services for capital and operating services provided under the ASA contract. The credit period with UUES is 10 days (2008: 10 days) from receipt of invoice.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

18. RETIREMENT BENEFIT SCHEMES

Group

The Group previously participated in two defined benefit schemes, operated by United Utilities PLC. Under the terms of the separation of Electricity North West Limited and United Utilities Electricity Services Limited, and the subsequent acquisition of Electricity North West Limited by North West Electricity Networks Limited, a new division of the Electricity Supply Pension scheme (ESPS) was established.

The division is split into two sections, the Electricity North West Limited (ENWL) section for defined benefit members of the former ESPS who are now employed by ENWL and the United Utilities Electricity Services Limited (UUES) section for defined benefit members of the former ESPS who are now employed by UUES.

The Group has taken on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the ASA contract. In addition, at termination of the contract it is expected that the activities will revert back to the Electricity North West Limited group and members of the UUES section will TUPE back at the same time under Employment Law. As a result the group has accounted for both sections of the ESPS in accordance with IAS 19 ‘Employee benefits’.

The scheme is closed to new entrants and the Group instead provides defined contribution arrangements for new entrants. The total cost charged to the income statement in relation to the defined contribution scheme was £0.5m (2008: £0.1m) and represents contributions payable to the scheme at rates specified in the rules of the plan.

The last actuarial valuation of the scheme was carried out as at 31 March 2008. This valuation has been projected forward by an independent actuary to take account of the requirements of IAS 19 ‘Employee Benefits’ in order to assess the position at 31 March 2009. 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.

During the year the Group made contributions of £13.2m (2008: £nil) to the defined benefit sections of the scheme. The Group will continue to make payments into the scheme in accordance with the results of the formal actuarial valuation of the Scheme as at 31 March 2008. The Group estimates that contributions for the year ending 31 March 2010 will amount to £13.9 m.

The total defined benefit pension expense for the year was £12.3m million (2008: pension expense £2.8 million). A pension deficit of £27.5 million is included in the balance sheet at 31 March 2009 (2008: surplus of £45.1 million). Information about the pension arrangements for executive directors is contained in note 9.

The main financial assumptions used by the actuary were as follows:

	At 31 March 2009	At 31 March 2008
Discount rate – ENWL	**6.50%**	6.40%
Discount rate - UUES	**6.90%**	6.30%
Expected return on assets –ENWL	**6.00%**	5.70%
Expected return on assets – UUES	**7.10%**	6.80%
Pensionable salary growth - ENWL	**3.80%**	4.50%
Pensionable salary growth - UUES	**4.30%**	4.50%
Pension increases - ENWL	**2.90%**	3.50%
Pension increases - UUES	**3.30%**	3.50%
Price inflation – ENWL	**2.90%**	3.50%
Price inflation - UUES	**3.30%**	3.50%

Recent studies have shown faster rates of life expectancy improvement than had previously been expected. An allowance has been made for these faster rates of improvements. Studies have also illustrated that mortality rates vary significantly with the location of employees and the nature of their work. These factors have been taken into account in the calculation of the defined benefit obligations of the Group.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

18. RETIREMENT BENEFIT SCHEMES (continued)

The current life expectancies (in years) underlying the value of the accrued pension scheme liabilities for the Group are:

	At 31 March 2009	At 31 March 2008
Life expectancy at age 60:		
Retired member	**25.9**	25.7
Non-retired member	**27.8**	28.3

As at 31 March 2009, the Group's share of the fair value of Schemes' assets, together with the liabilities in the Schemes recognised in the balance sheet were as follows:

	Scheme assets at 31 March 2009 %	**Value at 31 March 2009 £m**	Scheme assets at 31 March 2008 %	Value at 31 March 2008 £m
Equities	**37.8**	**264.8**	39.1	328.6
Gilts	**21.1**	**148.0**	40.6	341.7
Bonds	**40.9**	**286.3**	20.0	168.2
Cash	**0.2**	**1.4**	0.3	2.9
Total fair value of assets	**100.0**	**700.5**	100.0	841.4
Present value of liabilities		**(728.0)**		(796.3)
Net retirement benefit (obligation)/surplus		**(27.5)**		45.1

To develop the expected long-term rate of return on assets assumption, the Group considered the level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset class in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term return on assets assumption for the portfolio. The actual return on Scheme assets for the schemes was £104.8 million loss (2008:£22.9m loss). None of the pension scheme assets are held in the Group's own financial instruments or property occupied by, or assets used by the Group.

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

	2009 £m	2008 £m
At 1 April/incorporation	**(796.3)**	-
Acquired with subsidiary (note 27)	**-**	(816.5)
Current service cost	**(8.0)**	(2.8)
Interest cost on scheme obligations	**(50.0)**	(15.5)
Member contributions	**(2.1)**	(0.7)
Past service cost	**(2.0)**	-
Actuarial gains	**79.0**	23.4
Benefits paid	**51.4**	15.8
At 31 March	**(728.0)**	(796.3)

18. RETIREMENT BENEFIT SCHEMES (continued)

Movements in the fair value of the Schemes' assets were as follows:

	2009	2008
	£m	£m
At 1 April/ incorporation	**841.4**	-
Acquired with subsidiary (note 27)	**-**	879.4
Expected return on scheme assets	**47.7**	16.7
Actuarial losses	**(152.5)**	(39.6)
Member contributions	**13.2**	0.7
Company contributions	**2.1**	-
Benefits paid	**(51.4)**	(15.8)
At 31 March	**700.5**	841.4

The net pension expense before taxation recognised in the income statement in respect of the defined benefit Schemes is summarised as follows:

	2009	2008
	£m	£m
Current service cost	**(8.0)**	(2.8)
Past service cost	**(2.0)**	-
Expected return on scheme assets	**47.7**	16.7
Interest on scheme obligations	**(50.0)**	(15.5)
Net pension expense before taxation	**(12.3)**	(1.6)

The above amounts are recognised in arriving at operating profit except for expected return on scheme assets and interest on scheme obligations which have been recognised within investment income.

The reconciliation of the opening and closing balance sheet position is as follows:

	2009	2008
	£m	£m
At 1 April / incorporation	**45.1**	-
Acquired with subsidiary (note 27)	**-**	62.9
Expense recognised in the income statement	**(12.3)**	(1.6)
Contributions paid	**13.2**	-
Net actuarial loss gross of taxation	**(73.5)**	(16.2)
At 31 March	**(27.5)**	45.1

Actuarial gains and losses are recognised directly in the statement of recognised income and expense. At 31 March 2009, a cumulative loss of £89.7m (2008:£16.2m) had been recorded directly in the statement of recognised income and expense.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

18. RETIREMENT BENEFIT SCHEMES (continued)

The history of the Schemes for the current and prior years is as follows:

	2009 £m	2008 £m
Present value of defined benefit obligation	**(728.0)**	(796.3)
Fair value of schemes' assets	**700.5**	841.4
Net retirement benefit (obligation)/surplus	**(27.5)**	45.1
Experience adjustments on schemes' liabilities	**0.8**	-
Experience adjustments on schemes' assets	**(152.5)**	(39.6)

19. 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 reporting period.

Group	**Accelerated tax depreciation £m**	**Retirement benefit obligations £m**	**Other £m**	**Total £m**
At incorporation	-	-	-	-
Acquired with subsidiaries (note 27)	455.6	21.8	(4.0)	473.4
(Credited)/charged to the income statement	(4.3)	-	5.6	1.3
Credited to equity for the period	-	(6.0)	-	(6.0)
Adjustment made in respect of acquisition of subsidiaries in 2008 (see note 1)	(0.8)	-	-	(0.7)
At 31 March 2008 as restated	450.5	15.8	1.6	467.9
Charged/(credited) to the income statement	**8.1**	**0.3**	**(2.7)**	**5.7**
Credited to equity for the year	**-**	**(23.7)**	**-**	**(23.7)**
At 31 March 2009	**458.6**	**(7.6)**	**(1.1)**	**449.9**

Changes to the rules to phase out industrial building allowances were enacted in the Finance Act 2008. The impact of this change resulted has been an increase to the deferred tax liability of £8.5m in the year ended 31 March 2009.

Company	**Other £m**	**Total £m**
At incorporation	-	-
Charged to the income statement	0.1	0.1
At 31 March 2008	0.1	0.1
Credited to the income statement	**(0.1)**	**(0.1)**
At 31 March 2009	**-**	**-**

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

20. PROVISIONS

Group **Restructuring**	**2009 Provision £m**	2008 Provision £m
At 1 April / incorporation	**2.0**	-
Acquired with subsidiaries	**-**	4.1
Provided in year/period (note 3)	**0.3**	0.7
Utilisation of provision	**(2.3)**	(2.8)
At 31 March	**-**	2.0

21. CONSUMER CONTRIBUTIONS

Consumer contributions are amounts received from a customer in respect of the provision of a new connection to the network.

Consumer contributions are amortised through the income statement over the lifetime of the relevant asset.

Group	**£m**
At incorporation	-
Additions during the period	19.9
Amortisation	(0.1)
At 31 March 2008	19.8
Additions in the year	**32.6**
Amortisation	**(1.2)**
At 31 March 2009	**51.2**
Amounts due in less than one year (see note 17)	**1.4**
Amounts due after more than one year	**49.8**
	51.2

22. REFUNDABLE CUSTOMER DEPOSITS

Refundable customer deposits are those consumer contributions which may be in part refundable, dependent on contracted targets.

Group	**2009 £m**	2008 £m
Amounts due in less than one year (see note 17)	**7.9**	7.2
Amounts due after more than one year	**8.2**	10.1

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

23. SHARE CAPITAL

Group and Company	**2009**	2008
	£	£
Authorised:		
3,000,000 ordinary shares of £1 each	**3,000,000**	3,000,000
	3,000,000	3,000,000

	2009	2008
	£	£
Allotted, called up and fully paid:		
3,000,000 ordinary shares of £1 each	**3,000,000**	3,000,000
	3,000,000	3,000,000

24. SHAREHOLDER'S EQUITY

Group	**Called up share capital £m**	**Retained earnings £m**	**Total £m**
At Incorporation	-	-	-
New share capital issued	3.0	-	3.0
Profit for the period	-	32.1	32.1
Post employment benefits: Post tax actuarial losses on defined benefit schemes	-	(10.2)	(10.2)
Adjustment in respect of acquisition of subsidiaries in 2008	-	0.7	1.7
At 31 March 2008 as restated	3.0	22.6	25.6
Profit for the period	**-**	**21.8**	**21.8**
Dividends paid	**-**	**(15.7)**	**(15.7)**
Post employment benefits: Post tax actuarial losses on defined benefit schemes	**-**	**(49.8)**	**(49.8)**
At 31 March 2009	**3.0**	**(21.1)**	**(18.1)**

As allowed by section 230(4) of the Companies Act 1985, the Company has not presented its own income statement. The amount of Group profit after tax for the financial period dealt with in the Company's income statement is £3.2m (2008:£14.1m loss).

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

24. SHAREHOLDER'S EQUITY (continued)

Company	**Called up share capital £m**	**Retained deficit £m**	**Total £m**
At Incorporation	-	-	-
New share capital issued	3.0	-	3.0
Loss for the period	-	(14.1)	(14.1)
Dividends received	-	11.0	11.0
At 31 March 2008	3.0	(3.1)	(0.1)
Profit for the year	**-**	**3.2**	**3.2**
Dividends paid	**-**	**(15.7)**	**(15.7)**
At 31 March 2009	**3.0**	**(15.6)**	**(12.6)**

25. OPERATING LEASES

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

	Land and buildings 2009 £m	**Plant and machinery 2009 £m**	Land and buildings 2008 £m	Plant and machinery 2008 £m
Within one year	**0.7**	**0.1**	1.1	0.1
In the second to fifth years inclusive	**2.0**	**0.4**	4.2	0.4
After five years	**1.5**	**2.9**	5.5	2.8
	4.2	**3.4**	10.8	3.3

The Company does not hold any non-cancellable operating leases as at the 31 March 2009 (2008:Nil).

26. RELATED PARTY TRANSACTIONS

Group and Company

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

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

26. RELATED PARTY TRANSACTIONS (continued)

During the period, group companies entered into the following transactions with related parties who are not members of the Group:

	2009	2008
	£m	£m
Interest paid	**30.2**	9.5
Loans from related parties	**655.5**	687.3

The loans from related parties comprise amounts loaned from the immediate parent undertaking, North West Electricity Networks (Holdings) Limited. £200.0 million carries interest at 10% per annum, £327.0 million is interest free, £119.0 million carries interest at LIBOR plus 1.75% and other amounts are loaned at LIBOR plus 1.5%. All amounts are all repayable on demand.

The remuneration of directors, who are the key management personnel of the Group, is disclosed in note 9.

Amounts outstanding at 31 March 2009 between the North West Electricity Networks Limited Group and other companies within the Electricity North West Limited Group are provided in notes 13 and 17.

The Company entered into the following transactions with related parties:

	2009	2008
	£m	£m
Loans to Electricity North West Limited	**(10.0)**	-
Loans from North West Electricity Networks (Holdings) Limited	**655.5**	687.3
Interest paid	**30.2**	9.5

The loan to Electricity North West Limited carries interest at LIBOR plus 1.5% and is repayable on demand. The loans from North West Electricity Networks (Holdings) Limited are described above.

27. ACQUISITIONS AND DISPOSALS

There were no acquisitions during the year ended 31 March 2009.

Electricity North West Limited ("ENW")

On 19 December 2007 The Group acquired 100% of the issued share capital of ENW. The acquisition was accounted for by the purchase method of accounting.

27. ACQUISITIONS AND DISPOSALS (continued)

The initial fair values of the assets and liabilities acquired are as follows;

	Book value £m	Provisional fair value adjustment £m	Adjustments to fair values in 2009 £m	Fair value £m
Intangible Assets	21.8	-	186.9	208.7
Plant, property and equipment	1,924.2	201.3	(188.0)	1,937.5
Pension scheme surplus	24.7	38.2	-	62.9
Trade and other receivables	67.9	-	-	67.9
Cash and cash equivalents	77.9	-	-	77.9
Trade and other payables	(99.1)	21.6	-	(77.5)
Deferred tax liabilities	(316.3)	(157.1)	1.1	(472.3)
Non current liabilities	(364.8)	354.0	-	(10.8)
Long term debt	(658.8)	10.2	-	(648.6)
	677.5	468.2	-	1,145.7
Goodwill				-
Total consideration				1,145.7
Satisfied by				
-cash consideration				1,140.0
-costs of acquisition				5.7
				1,145.7

Net cash outflow arising on acquisition

Cash consideration	1,140.0
Acquisition costs	5.7
Cash and cash equivalents acquired	(77.9)
	1,067.8

The key provisional fair value adjustments made at acquisition relate to:

- the recognition of an increased tangible asset base, including the provisional value attributable to the licence to operate that had not at that time been separately identified;
- the de-recognition of the liability in relation to non-refundable customer contributions; and
- the recognition of deferred tax in relation to the provisional fair value adjustments.

In accordance with IFRS 3 “Business Combinations” the fair value review exercise was completed during the year ended 31 March 2009 and the final adjustments were made to the assets and liabilities acquired to reflect the conditions that existed at the acquisition date. These are set out above and the significant balances relate to the results of an independent valuation of the plant, property and equipment and a separate valuation of the intangible asset in relation to the licence under which ENW operate. The intangible licence has now been separately recognised. The deferred tax impact of these adjustments has also been reflected.

During the period ended 31 March 2008, ENW contributed £98.9 million to revenue and £62.5 million to the Group’s profit before tax for the period between the date of acquisition and the balance sheet date.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is North West Electricity Networks (Holdings) Limited and the ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company registered in Jersey. The external address of the ultimate parent company is: Whiteley Chambers, Don Street, St Helier, Jersey, JE4 9WG.

There are two joint ultimate controlling parties, each controlling 50% of the company's shares and voting rights. They are IIF Int'l Holding GP Ltd managed by JP Morgan and Commonwealth Bank of Australia.

29. CASH GENERATED FROM OPERATIONS

Cash generated from operations	Group 2009 £m	Company 2009 £m	Restated (see note 1) Group 2008 £m	Company 2008 £m
Profit/(loss) before taxation	**40.4**	**(22.6)**	44.5	(8.0)
Adjustment for investment income, finance expense and other gains and losses	**130.8**	**22.1**	9.1	6.7
Operating profit	**171.2**	**(0.5)**	53.6	(1.3)
Adjustments for:				
Depreciation of property, plant and equipment	**63.8**	**-**	17.0	-
Amortisation of intangible assets	**3.3**	**-**	1.0	
Amortisation of customer contributions	**(1.2)**	**-**	(0.1)	-
Profit on disposal of property, plant and equipment	**(0.3)**	**-**	(0.2)	-
Other gains and losses – non capitalised pension costs	**(8.7)**	**-**	-	-
Movement in restructuring provision	**(2.0)**	**-**	(2.1)	-
Operating cash flows before movement in working capital	**226.1**	**(0.5)**	68.0	(1.3)
Changes in working capital				
(Increase)/decrease in trade and other receivables	**(9.9)**	**0.5**	21.5	(0.6)
Increase in provisions and payables	**1.3**	**0.1**	15.9	0.1
Cash generated from/(used by) continuing operations	**217.5**	**0.1**	106.6	(1.8)