Company Registration No. 6428375

NORTH WEST ELECTRICITY NETWORKS LIMITED

Annual Report and

Consolidated Financial Statements

for the year ended 31 March 2011

Notice regarding limitations on Director Liability under English Law

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

Business Review

The Directors in preparing the Business Review have complied with s417 of the Companies Act 2006. The Business Review has been prepared for the North West Electricity Networks Limited group as a whole and therefore gives greater emphasis to those matters which are significant to the Group when viewed as a whole.

Cautionary statement regarding forward-looking statements

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

Website and Investor Relations

Electricity North West's website www.enwl.co.uk gives additional information on the Group. Notwithstanding the references we make in this Annual Report to Electricity North West's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein. Interested institutional debt investors can also gain access to additional financial information by contacting the Head of Treasury and Investor Relations (contact details at our website).

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Directors' Report

The Directors present their annual report and the audited financial statements of North West Electricity Networks Limited (the 'Company') and its subsidiaries (together referred to as the 'Group') for the year ended 31 March 2011.

Business review and principal activities

North West Electricity Networks Limited ('NWEN') acts as a holding company for the Group and is a non-trading entity. Its principal subsidiaries are Electricity North West limited ('ENWL'), which is the principal operating business, and ENW Capital Finance plc and ENW Finance plc, which have been used to raise external financing.

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

On the 30 June 2010 NWEN's subsidiary, ENWL completed the purchase of United Utilities Electricity Services Limited ('UUES') from United Utilities Group PLC ('UU'). The purchase of UUES, which had been contracted to operate and maintain the network on behalf of ENWL, has enabled the Group to establish one business which owns, operates, manages and maintains its network. UUES was subsequently renamed Electricity North West Services Limited ('ENWSL') and is referred to as such throughout. On 31 March 2011, the trade and assets of ENWSL were transferred to ENWL at book value.

Key performance indicators

The performance of the Group is monitored by the ENWL Board of Directors by reference to key performance indicators. Performance against these measures for the year ended 31 March 2011 is set out in the following table.

	2011	Restated 2010
Revenue	**£394m**	£324m
Operating profit	**£201m**	£146m
Profit/(loss) before tax	**£84m**	(£28m)
RAV Gearing[1]	**81%**	79%
Interest cover[2]	**1.90 times**	1.10 times

(1) RAV Gearing is measured as borrowings at nominal value net of cash and short-term deposits divided by the allowed Regulatory Asset Value ('RAV') of £1,403m (2010: £1,344m) based on March closing prices.

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

The Company operates solely as an investment company and therefore it has no non-financial key performance indicators.

For an understanding of the Group's operational performance, non-financial key performance indicators are presented for ENWL and are disclosed in the annual report and consolidated financial statements of that company.

Revenue

Revenue has increased to £394m as a result of the increase in allowed revenues, rising RPI and the timing of the recovery of allowed revenue. An over-recovery of revenue has arisen due to a combination of price mix and volume changes and, under regulatory rules, will be passed back to customers through reduced pricing over the next four years.

ENWL has submitted a request to restate its losses position in respect of the year ended 31 March 2010. If agreed by Ofgem, this restatement will reduce the total revenue over-recovery.

Operating profit

Operating profit has increased by 38% to £201m a result of increased revenue and the delivery of efficiencies arising from the acquisition and integration of UUES and from the Company's DPC5 transformation programme. The cost benefits have been off-set by non-recurring costs associated with the acquisition and integration activities and increased depreciation.

Profit before tax

The increase in operating profit coupled with reduced finance expense causes the increase in profit before tax.

Net finance expense for the year was £117m (2010: £173m). The 31 March 2011 position reflects adverse fair value movements of £29m on financial instruments (2010: £59m).

Directors' Report *(continued)*

Taxation

The Government announced on 23 March 2011 that the UK corporation tax rate will reduce from 28% to 26%, effective from 1 April 2011. The reduction in corporation tax rate contributes to a deferred tax credit to the Group's income statement of £33m. The deferred tax provision has remained broadly unchanged year on year given offsetting taxation on the IAS 19 Employee Benefits credit in the year.

Results and dividends

The results for the year, set out in the Consolidated Income Statement on page 9, show that revenue for the year ended 31 March 2011 was £394m (2010: £324m). Profit for the year after tax was £93m (2010: loss £33m).

The Company paid an interim dividend of £14m (2010: £2.4m). The Directors do not propose a final dividend for the year ended 31 March 2011 (2010: £nil).

Liquidity

The Group's primary source of liquidity is from Group operations and from funding raised through external borrowings. Specifically the Group has raised funds via ENW Capital Finance plc and ENW Finance plc, both of which have listed bonds.

ENWL has an agreed regulatory price control to 2015 which provides certainty for a large majority of the Group's revenues from ongoing operations, providing both a stable and a predictable source of funds.

Short-term liquidity

Short-term liquidity requirements are met from the Group's normal operating cash-flows. Further liquidity is provided by cash and short-term deposit balances.

In total at 31 March 2011, unutilised committed facilities of £130m (31 March 2010: £254m), together with £204m (31 March 2010: £112m) of cash and short-term deposits provide substantial short-term liquidity for the Group and Company.

Utilisation of undrawn facilities is with reference to RAV gearing restrictions for the Group.

Long-term liquidity

The Group's term debt was £1,351m at 31 March 2011 compared with £1,222m at 31 March 2010. Amounts repayable after more than five years comprise bonds and bank loans.

The Group's borrowings net of cash and short-term deposits of £1,147m at 31 March 2011 (2010: £1,111m) comprised substantially all bonds and bank loans with medium to long-term maturities.

The bonds include those at nominal value of £450m at 8.875 per cent that mature in 2026, £100m of 1.4746 per cent index-linked bonds maturing in 2046, £135m of 1.5911 per cent index-linked bonds maturing in 2024, £200m at 6.125 per cent that mature in 2021 and bonds which have nominal value of £300m at 6.75 per cent that mature in 2015. The bank loans amount to £214m (31 March 2010: £98m), of which £nil (31 March 2010: £nil) matures within one year, £79m (31 March 2010: £nil) matures in more than one year but less than two years and £135m (31 March 2010: £98m) matures in more than two years.

The Group's long-term borrowings mature at dates between 2012 and 2046. The Group's long-term debt ratings have remained stable since July 2009. Currently ENWL and ENW Finance plc are rated BBB+ with stable outlook by Standard and Poor's, Baa1 with stable outlook by Moody's Investors Service and A- with stable outlook by Fitch Ratings. ENW Capital Finance plc is rated BBB+ by Fitch and the Company is rated BBB with stable outlook by both Standard and Poor's and Fitch. Our short-term debt ratings are A-2 and F2 with Standard and Poor's and Fitch Ratings respectively.

Treasury policy

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

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

Treasury operations

The principal financial risks which the Group is exposed to and which arise in the normal course of business are credit risk, liquidity risk (discussed above) and market risk. Market risk includes foreign exchange, interest rate, inflation and equity price risks.

Directors' Report *(continued)*

Credit (counterparty) risk management

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 monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Market risk management

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 managed in the medium-term through the use of interest rate swaps.

Derivatives are used to hedge exposure to fluctuations in interest rates and inflation. 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 to manage interest rate risk and inflation swaps to convert fixed rate debt to index-linked borrowing.

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

Other than purchases of plant denominated in foreign currencies, the Group's cash flows are in sterling and the Group has no material exposure to foreign currency exchange rate movements.

Given that the regulated revenue which ENWL earns is linked to inflation, the Group has sought to match a proportion of the cost of funding the business using a combination of an inflation-linked bond and new long term inflation-linked bank loan and fixed rate debt with overlaying index-linked swaps.

During the year, ENWL entered into interest rate swaps to amend the interest rate profile on a nominal £250m of ENWL's fixed rate bond, maturing in 2026. The swaps mature in 2013 and have the effect of better aligning the Group's interest rate costs with the profile of revenue set by Ofgem over the regulatory period. These derivatives do not qualify for hedge accounting and all movements in fair value are reflected in the income statement.

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 cash inflows and outflows. Therefore, some exposure to movement in inflation rates remains.

IAS 39 'Financial Instruments: Recognition and Measurement' limits the use of hedge accounting, increasing the potential volatility of the income statement.

During the year this volatility has been experienced, in particular from the fair value movement arising on instruments held in subsidiary companies, namely the bond held at fair value, the index-linked swaps, back-to-back swaps and embedded derivative.

This has led to fair value losses of £29m being recognised in the income statement for this year (31 March 2010: £59m fair value loss). As noted above these movements have no cash flow impact in this year or the prior year.

Principal risks and uncertainties

The Board considers the following risks to be the principal ones that may affect the Group's performance and results, in addition to the financial risks described above and those identified in the ENWL accounts.

The principal trade and activities of the Group are carried out in ENWL and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing that Company, and ultimately the Group, are discussed in the ENWL Annual Report and consolidated financial statements, which are available on our website, www.enwl.co.uk.

Directors' Report *(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 are responsible for ensuring compliance.

A compliance reporting regime is well established and the compliance status is reviewed and approved by the CFO and CEO, and is reported to the Board on a monthly basis. There have been no covenant breaches in the current year. Further, there are no covenant breaches forecast nor expected in the most recent approved business plan to 31 March 2015.

Refinancing

The Company is a subsidiary within a group of companies established specifically for the purpose of purchasing ENWL on 19 December 2007. The purchase was financed by a combination of equity and bank acquisition finance, which were refinanced in July 2009. The acquisition finance was repaid by two issues of notes listed on the London Stock Exchange. One issue was by ENW Capital Finance plc ('ENW CF') of £300m 6.75% 2015 notes and the other by ENW Finance plc ('ENW F') of £200m 6.125% 2021 notes. There is also in place a £130m capex facility, maturing June 2012 and a £75m revolving credit facility at ENWL, maturing June 2012.

The Group and the Company are financed largely by long-term external funding, and this, together with the present cash position and committed undrawn facilities, provides the appropriate liquidity platform to allow the Company and Group to meet their operational and financial commitments for the foreseeable future.

Employees

Our people are key to achieving our business strategy, delivering high levels of customer service and enhancing shareholder value. The Group is committed to developing an engaged, motivated and high performing workforce to enable the Group to achieve its vision and goals, whilst putting safety at the core of how we operate.

The Group is committed to enhancing its employees' skills as well as providing equality of opportunity in learning and development. We are committed to developing a nurturing culture in which employees feel valued to reach their full potential and to understand how their own contribution adds value to the Group.

The Group sets policies and encourages a working culture that recognises, respects, values and harnesses diversity for the benefit of the Group and the individual, and we are committed to integrating equality and diversity into all that we do. Our aim is to ensure that our workforce reflects the population to whom we provide a service. The Group is committed to fulfilling its obligations in accordance with the Disability Discrimination Act 1995 and best practice. As an equal opportunities employer, equal consideration is given to applicants with disabilities in the Group's employment criteria. The business will modify equipment and practices wherever it is safe and practical to do so, both for new employees and for those employees that become disabled during the course of their employment.

Environment, social and community

Details of the Group's approach to corporate responsibility, relating to our environment, social and governance policies can be found in the Business Review of ENWL's Annual Report.

Directors

The Directors of the Company during the year ended 31 March 2011 are set out below. Directors were appointed for the whole year and to the date of this report except where otherwise indicated.

J Gittins	
S Johnson	
M McCallion	(appointed 13 August 2010, resigned 31 August 2010*. Reappointed 2 September 2010)
P Taylor	(appointed 14 July 2010, resigned 25 January 2011)
C Thompson	(resigned 2 September 2010)
P Bircham	(appointed 2 August 2010, resigned 23 august 2010*)

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.

*Appointment as an alternate Director.

Directors' Report *(continued)*

Going concern

When considering continuing to adopt the going concern basis in preparing the Annual Report and consolidated financial statements, the Directors have taken into account a number of factors, including the following:

- Management has prepared, and the Directors have reviewed, updated Group forecasts for the DPC5 period which include projections and cash flow forecasts, including covenant compliance considerations. The forecasts include appropriate assumptions on the efficiencies forecast from business transformation. Inherent in forecasting is an element of uncertainty, our forecasts have been sensitised for possible changes in the key assumptions, including RPI and over recoveries of allowed revenue, and demonstrate that there is sufficient headroom to key covenants and that sufficient resources are available within the forecast period;
- ENWL's electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating;
- Under section 3A of the Electricity Act 1989, the Gas and Electricity Markets Authority has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance their activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000; and
- The Group and Company have considerable financial resources. Short-term liquidity requirements are forecast to be met from the Group's normal operating cash flow. Further liquidity is provided by cash and short-term deposit balances. Furthermore, committed undrawn bank facilities are available from lenders of £80m within ENWL and £50m in the Company, which have a maturity of more than one year. Whilst the utilisation of these facilities is subject to gearing covenant restrictions the covenants are not forecast to pose any operational restrictions.

Consequently, after making appropriate 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 consolidated financial statements.

Directors' and Officers' insurance

The Group maintains an appropriate level of Directors' and Officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006.

Political and charitable donations

The Company and Group made no political donations in the year (2010: £nil).

Charitable donations by the Group in the year amounted to £11,000 (2010: £2,000) in support of causes in the local communities in which it operates. The Company made no charitable donations in the year (2010: £nil).

Essential contractual relationships

Certain suppliers to the Group contribute key goods or services, the loss of which could cause disruption to the Group's services. However, none are so vital that their loss would affect the viability of the Group as a whole; nor is the business of the Group overly dependent upon any one individual customer.

Policy on the payment of suppliers and creditors

The Group's policy is to pay suppliers according to agreed terms of business. These terms are agreed upon entering into binding contracts and the Group and the Company seeks to adhere to the payment terms, provided the relevant goods and services have been supplied in accordance with the contracts.

As at 31 March 2011, the average credit period taken by ENWL for trade purchases was 23 days from receipt of invoice. (In 2010 trade creditors principally comprised amounts outstanding to UUES for capital and operating services provided under their contract. The credit period with UUES was 10 days from receipt of invoice. UUES creditor days were 24 as disclosed in their March 2010 financial statements.)

Research and development

The Group is committed to developing innovative and cost-effective solutions for providing high quality services and reliability to our customers, and for the benefit of the wider community and the development of the network, as further detailed in the Business Review of ENWL's Annual Report.

Directors' Report *(continued)*

Financial instruments

The risk management objectives and policies of the Group and the Company in relation to the use of financial instruments can be found above and in note 17 to the financial statements.

Events after the balance sheet date

There have been no significant events after the balance sheet date.

Directors' responsibilities Statements

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.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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 Group and Company's auditor is 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 auditor is aware of that information.

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

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the company.

In accordance with section 487 of the Companies Act 2006, Deloitte LLP are deemed to be re-appointed as auditor of the Company.

Registered address

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

Registered number: 6428375

Approved by the Board on 26 May 2011 and signed on its behalf by:

S Johnson
Director

Independent auditor's report to the members of North West Electricity Networks Limited

We have audited the financial statements of North West Electricity Networks Limited for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Financial Position, Comprehensive Income, Changes in Equity and Cash Flows and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Alan Fendall (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom.

26 May 2011

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2011

	Note	Group 2011 £m	Restated* Group 2010 £m
Revenue	*2*	**393.7**	323.6
Employee benefits expense	*3,4*	**(33.9)**	(6.7)
Depreciation and amortisation expense (net)	*3*	**(77.8)**	(70.3)
Other operating costs		**(81.3)**	(100.9)
Total operating expenses		**(193.0)**	(177.9)
Operating profit	*3*	**200.7**	145.7
Investment income	*5*	**2.2**	0.6
Finance expense	*6*	**(119.1)**	(174.0)
Profit/(loss) before taxation		**83.8**	(27.7)
Taxation	*7*	**8.8**	(4.8)
Profit/(loss) after taxation and for the year	*24*	**92.6**	(32.5)

The results shown in the consolidated income statement for both the current and preceding years are derived from continuing operations.

*See notes 1 and 2 for details of the restatement

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	Note	**Group 2011 £m**	**Company 2011 £m**	Group 2010 £m	Company 2010 £m
Profit/(loss) for the financial year		**92.6**	**27.8**	(32.5)	-
Other comprehensive income/(expenses):					
Actuarial gains/(losses) on defined benefit pension Schemes	*19*	**84.4**	**-**	(119.3)	-
Deferred tax on items taken directly to equity	*20*	**(24.9)**	**-**	33.4	-
Other comprehensive income/(expense) for the year		**59.5**	**-**	(85.9)	-
Total comprehensive income/(expense) for the year and attributable to equity holders		**152.1**	**27.8**	(118.4)	-

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
At 31 March 2011

	Note	Group 2011 £m	Company 2011 £m	Re-presented* Group 2010 £m	Company 2010 £m
ASSETS					
Non-current assets					
Intangible assets and goodwill	*10*	**216.6**	**-**	207.8	-
Property, plant and equipment	*11*	**2,325.0**	**-**	2,200.7	-
Investments	*12*	**-**	**1,145.7**	-	1,145.7
		2,541.6	**1,145.7**	2,408.5	1,145.7
Current assets					
Inventories	*13*	**5.6**	**-**	-	-
Trade and other receivables	*14*	**78.5**	**68.9**	35.6	83.4
Cash and cash equivalents	*15*	**127.8**	**37.1**	111.7	39.6
Money market deposits	*15*	**76.2**	**-**	-	-
Derivative financial instruments	*17*	**1.0**	**-**	1.1	-
Current income tax asset		**-**	**15.1**	-	-
		289.1	**121.1**	148.4	123.0
Total assets		**2,830.7**	**1,266.8**	2,556.9	1,268.7
LIABILITIES					
Current liabilities					
Trade and other payables	*18*	**(804.8)**	**(702.0)**	(747.9)	(698.6)
Current income tax liabilities		**(9.9)**	**-**	(5.3)	-
		(814.7)	**(702.0)**	(753.2)	(698.6)
Net current liabilities		**(525.6)**	**(580.9)**	(604.8)	(575.6)
Non-current liabilities					
Borrowings	*16*	**(1,350.8)**	**(374.2)**	(1,222.3)	(393.3)
Derivative financial instruments	*17*	**(92.8)**	**-**	(70.6)	-
Deferred tax liabilities	*20*	**(403.8)**	**-**	(412.7)	-
Customer contributions	*21*	**(126.5)**	**-**	(90.7)	-
Refundable customer deposits	*22*	**(1.6)**	**-**	(3.5)	-
Retirement benefit obligations	*19*	**(41.3)**	**-**	(142.8)	-
		(2,016.8)	**(374.2)**	(1,942.6)	(393.3)
Total liabilities		**(2,831.5)**	**(1,076.2)**	(2,695.8)	(1,091.9)
Net (liabilities) / assets		**(0.8)**	**190.6**	(138.9)	176.8
EQUITY					
Share capital	*23*	**3.0**	**3.0**	3.0	3.0
Retained (deficit)/earnings	*24*	**(3.8)**	**187.6**	(141.9)	173.8
Total equity		**(0.8)**	**190.6**	(138.9)	176.8

*See note 17 for details of the re-presentation.

The financial statements of North West Electricity Network Limited (registered number 6428375) were approved by the Board of Directors on 26 May 2011 and signed on its behalf by:

M McCallion
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2011

	Called up share capital £m	Retained (deficit)/ earnings £m	Total equity £m
At 1 April 2009	3.0	(21.1)	(18.1)
Loss for the year	-	(32.5)	(32.5)
Actuarial losses on defined benefit Schemes	-	(119.3)	(119.3)
Tax on components of comprehensive income	-	33.4	33.4
Total comprehensive expense for the year	-	(118.4)	(118.4)
Transactions with owners recorded directly in equity			
Equity dividends	-	(2.4)	(2.4)
At 31 March 2010	3.0	(141.9)	(138.9)
Profit for the year	-	92.6	92.6
Actuarial gains on defined benefit Schemes	-	84.4	84.4
Tax on components of comprehensive income	-	(24.9)	(24.9)
Total comprehensive income for the year	-	**152.1**	**152.1**
Transactions with owners recorded directly in equity			
Equity dividends	-	(14.0)	(14.0)
At 31 March 2011	**3.0**	**(3.8)**	**(0.8)**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2011

	Called up share capital £m	Retained (deficit)/ earnings £m	Total Equity £m
At 1 April 2009	3.0	(15.6)	(12.6)
Profit for the year	-	191.8	191.8
Total comprehensive income for the year	-	191.8	191.8
Transactions with owners recorded directly in equity			
Equity dividends	-	(2.4)	(2.4)
At 31 March 2010	3.0	173.8	176.8
Profit for the year	-	27.8	27.8
Total comprehensive income for the year	**-**	**27.8**	**27.8**
Transactions with owners recorded directly in equity			
Equity dividends	-	(14.0)	(14.0)
At 31 March 2011	**3.0**	**187.6**	**190.6**

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 March 2011

	Note	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Operating activities					
Cash generated from operations	*28*	**236.6**	**-**	218.0	3.0
Interest paid		**(71.7)**	**(48.6)**	(92.4)	(39.6)
Tax (paid)/received		**(20.7)**	**10.4**	(6.1)	25.2
Net cash generated from/(absorbed by) operating activities		**144.2**	**(38.2)**	119.5	(11.4)
Investing activities					
Interest received and similar income		**0.6**	**4.8**	0.6	2.2
Dividends received		**-**	**62.0**	-	218.3
Purchase of property, plant and equipment		**(173.9)**	**-**	(168.9)	-
Acquisition of subsidiary net of cash acquired	26	**(14.3)**	**-**	-	-
Purchase of intangible assets		**(3.0)**	**-**	(5.0)	-
Customer contributions received		**37.1**	**-**	43.9	-
Proceeds from sale of property, plant and equipment		**0.6**	**-**	0.2	-
Net cash (used in)/generated from investing activities		**(152.9)**	**66.8**	(129.2)	220.5
Financing activities					
Dividends paid to equity shareholders of the Company		**(14.0)**	**(14.0)**	(2.4)	(2.4)
Transfer to money market deposits		**(76.2)**	**-**	-	-
Proceeds from borrowings		**140.0**	**-**	572.2	68.3
Repayment of borrowings		**(25.0)**	**(17.1)**	(490.7)	(502.6)
Proceeds from group borrowings		**-**	**-**	-	261.6
Net cash generated/(absorbed by) financing activities		**24.8**	**(31.1)**	79.1	(175.1)
Net increase /(decrease) in cash and cash equivalents		**16.1**	**(2.5)**	69.4	34.0
Cash and cash equivalents at beginning of the year	*15*	**111.7**	**39.6**	42.3	5.6
Cash and cash equivalents at end of the year	*15*	**127.8**	**37.1**	111.7	39.6

Notes to the Financial Statements

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 year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Basis of preparation – going concern basis

The performance, financial position and key risks impacting the Company are detailed in the Directors' Report on pages 2 to 7. The Company is ultimately a subsidiary of the North West Electricity Networks (Jersey) Limited Group, which manages its working capital on a pooled basis across the Group. The ability of the Company to meet its debts as they fall due is dependent on the fellow Group subsidiary's ability to service its debts to the Company. In consideration of this the Directors of this Company are cognisant of the following going concern disclosure which appears in the financial statements of North West Electricity Networks (Jersey) Limited for the year ended 31 March 2011:

"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 financial position of the Group, its cash flow forecasts, liquidity position, borrowing facilities and covenant compliance as described in the Directors' Report. 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 accounts."

The above text from North West Electricity Networks (Jersey) Limited's accounts cross refers to disclosures within its Directors' Report. This information is also included within the Directors' Report to these financial statements. Consequently, after making the appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the annual report and accounts.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported or the presentation and disclosure in the financial statements:

IFRIC 18 'Transfers of Assets from Customers'

In the current financial year, the Group has adopted IFRIC 18 'Transfers of Assets from Customers'. IFRIC 18 is effective for annual periods beginning on or after 31 October 2009, with earlier application permitted. Having been endorsed by the EU on 27 November 2009, this has been applied by Electricity North West Limited ('ENWL') during the year ending 31 March 2011. The standard has been applied to transfers received on or after 1 July 2009. The amortisation of customer contributions received in respect of certain connections assets is now shown as revenue rather than within operating costs. Comparatives have been restated accordingly. This has resulted in a prior year adjustment as outlined in note 2. There has been no Statement of Financial position adjustment arising from this restatement.

IFRS 3 (2008) - Business Combinations

IFRS 3 (2008) requires some significant changes to the way business combinations are accounted for. All costs associated with business combinations are expensed directly to the Income Statement. Additionally any changes to contingent consideration classified as debt must now be dealt with through the Income Statement subsequent to acquisition. These changes apply to all acquisitions made on or after 1 January 2010. There is no requirement to apply these changes retrospectively to earlier acquisitions.

Improvements to IFRSs

In April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Derivative financial liabilities have been re-presented to non-current in the preceding year, in accordance with Improvements to IFRSs. Other than that the adoption of these amendments, which are effective for accounting periods beginning on or after 1 January 2010, did not have any impact on the reporting of the financial position or performance of the Group.

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.

IFRS 9: Financial Instruments

IAS 24 (amended): Related Party Disclosures

IAS 32 (amended): Classification of Rights Issues

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

IFRIC 14 (amended): Prepayments of a Minimum Funding Requirement

Improvements to IFRSs (May 2010)

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the 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 into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Subsidiaries

Control is achieved where the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights, of an investee entity so as to obtain benefits from its activities. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired the difference is recognised as negative goodwill and immediately written-off and credited to the income statement in the year of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

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.

Goodwill arising on the acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, then the negative goodwill is recognised, but immediately written-off to the income statement.

Intangible assets and goodwill

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

Amortisation periods for categories of intangible assets are:

Licence	Indefinite life
Computer software	3 - 10 years

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Property, plant and equipment

Property, plant and equipment comprises operational structures and other assets (including properties, over ground 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.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

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 the income statement.

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. An intangible asset with an indefinite life is tested for impairment at least annually and whenever there is an indication of impairment. 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 cash flows 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 cash flows discounted on a pre-tax basis using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on average cost principles and includes expenditure incurred in acquiring the inventories, conversion costs and other costs in bringing them to their existing location and condition.

Financial instruments

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

Trade receivables

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

Trade payables

Trade payables are stated at their nominal value.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

In the consolidated cash flow statement and related notes, cash and cash equivalents includes cash at bank and in hand, deposits, other short-term highly liquid investments which are readily convertible on initial investment into known amounts of cash within three months and which are subject to an insignificant risk of change in value.

Money market deposits

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

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 year.

Investments (Company only)

Investments in subsidiary undertakings are stated at cost less any provisions for permanent diminution in value. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

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 year 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 year. 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.

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 income statement in the year 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.

Derivatives and borrowings

The Group's default treatment is for borrowings to be carried at amortised cost, whilst derivatives are recognised separately on the statement of financial position at fair value. Movements in fair values are reflected through the income statement. This has the potential to introduce considerable volatility to both the income statement and statement of financial position. The Group accounts for derivative financial instruments at fair value through profit or loss. This area is considered to be of significance due to the magnitude of the Group's level of borrowings.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Financial liabilities designated at fair value through profit or loss

The Group applied the fair value through profit or loss option to the £250m 8.875% 2026 bond upon initial recognition as the complexity of the associated swaps at that time meant that the criteria to allow hedge accounting was not met and the otherwise inconsistent accounting treatment that would have resulted allowed the Group to satisfy the criteria for this designation.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liabilities and is included in the interest charge. Fair value is determined in the manner described in note 17.

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 re-measured to their fair value at each statement of financial position date. Changes in the fair value of all derivative financial instruments are recognised in the income statement within finance expense as they arise. 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; a fair value hedge and a cash flow hedge. Currently the Group has no formal hedging relationships.

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 current and deferred tax charges for the financial year, adjusted for prior year items.

Current taxation

Current tax, representing UK corporation tax, is based on the taxable profit for the year 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 years 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.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation *(continued)*

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 other comprehensive income.

Employee benefits - Retirement benefit obligations

The Group's defined pension benefit arrangements are provided through a division of the Electricity Supply Pension Scheme (ESPS). The most recent actuarial valuation for the scheme for funding purposes was carried out at 31 March 2010 and actuarial valuations 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 19 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 statement of financial position.

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 comprehensive income.

In July 2010, the government announced its intention that future statutory minimum pension indexation would be measured by the Customer Prices Index, rather than the Retail Prices Index. The Company has taken legal advice on how this change will impact the Scheme. This change has been reflected in the Company's accounting figures at 31 March 2011 and a reduction in the benefit obligation of £3m has been recognised in equity as a result of this change in assumptions. 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.

IFRIC14: 'The limit on a defined benefit asset, minimum funding requirements and their interaction' was published by the interpretations committee of the International Accounting Standards Board in July 2007 and was adopted during the year ended 31 March 2008. IFRIC14 provides guidance on the extent to which a pension scheme surplus should be recognised as an asset and may also require additional liabilities to be recognised where minimum funding requirements exist. Legal opinion was obtained that a pension surplus could be recovered on wind up of the scheme and could therefore be recognised, along with associated liabilities. At this current time this interpretation does not affect the Group.

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 *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue represents the fair value of the income receivable in the ordinary course of business primarily for the distribution of electricity during the year, exclusive of value added tax. Revenue includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the year end. Remaining sales relate to the invoice value of other goods and services provided which also relate to the electricity network.

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

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

Customer contributions

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. Amortisation of contributions received post 1 July 2009 is shown as revenue following the adoption of IFRIC 18.

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.

Research and development

Research and development costs are written off to the income statement as incurred.

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 years 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 year 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.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Carrying value of long-life assets

The Group's accounting policy for property, plant and equipment ('PPE') is detailed above. The carrying value of PPE under IFRS as at 31 March 2011 was £2,325.0m (2010: £2,200.7m). Additions to PPE totalled £188.1m (2010: £167.3m) and the depreciation charge was £75.2m in the year ended 31 March 2011 (2010: £68.5m). 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.

In accordance with IFRS, 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 cash flows, growth rates and discount rates of the cash-generating units under review.

In the financial year ended 31 March 2011, the Directors have assessed the carrying value of both tangible and intangible fixed assets in accordance with the principles of IAS37 'Impairment of Assets'. This review was underpinned by the 19 December 2007 professional valuation of tangible and intangible assets completed in accordance with IFRS3 and included a review of the final proposals for the DPC5 period and thus any impact on the recoverable amount of these assets. The results of the 2009 valuation supported a fair value in excess of the book value and in addition the DPC5 final proposals do not indicate a resulting impairment due to favourable future operating cash flows being forecast to the end of 2015 and beyond. Furthermore, management have completed a review of tangible fixed assets for material obsolescence and/or physical damage and no indication of impairment was identified.

Revenue recognition

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

The principal customers of the business are the electricity supply companies that utilise the Group's distribution network to distribute electricity from generators to the end consumer. Revenue from such activity is known as 'use of system'. The amount billed is dependent upon the volume of electricity distributed, including estimates of the units distributed to customers. The estimated usage is based on historic 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.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Retirement 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 19 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 and inflation risk. 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 re-measured to their fair value at each balance sheet date. Changes in the fair value of all derivative financial instruments are recognised in the income statement within finance expense as they arise.

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 17.

Impairment of intangibles

Management assesses the recoverability of intangible assets on an annual basis. Determining whether any of the intangible assets are impaired requires an estimation of the value in use of the asset to the Group. This value in use calculation requires the Group to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate the present value for the asset and compare that calculation to its carrying value.

On acquisition of business combinations, assessment is required as to whether the Group has acquired any intangible assets as part of the acquisition, and subsequent measurement of any intangible assets must be made. During the year the Group has acquired the share capital of ENWSL. On acquisition, in line with IFRS 3 requirements, management has performed a review for intangibles as part of the assessment of fair values. For an intangible asset to be recognised it must be possible to separately identify it and also to reliably measure the value. Management did not identify any intangible assets arising as a result of the acquisition of ENWSL, and consequently the excess of the total consideration over acquired net assets, after fair value adjustments, of £10.1 million has been recognised as goodwill.

Notes *(continued)*

2. REVENUE

	2011 £m	Restated 2010 £m
Revenue	**393.7**	323.6

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

Included within the above are revenues of approximately £313.9m (31 March 2010: £254.4m) which arose from sales to the Group's five largest customers. Customer 1 represented £98.7m (2010: £78.6m), Customer 2 £79.7m (2010: £64.4m), Customer 3 £55.6m (2010: £43.5m), Customer 4 £40.3m (2010: £32.9m) and Customer 5 £39.6m (2010: £35.1m) of revenues. No other customer represented more than 10 per cent of revenues.

Following the adoption of IFRIC 18 in the year, the amortisation of customer contributions received in respect of certain connection assets is now shown as revenue rather than within operating costs. This has resulted in a prior year adjustment to increase revenue by £0.2m.

3. OPERATING PROFIT

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

	2011 £m	Restated 2010 £m
Employee benefits expense		
Employee costs (note 4)	**33.9**	6.7
Depreciation and amortisation expense (net)		
Depreciation of property, plant and equipment		
Owned assets (note 11)	**75.2**	68.5
Amortisation of intangible assets and customer contributions		
Software (note 10)	**4.3**	3.5
Customer contributions[1] (note 21)	**(1.7)**	(1.7)[1]
	77.8	70.3
Other income		
Profit on disposal of property, plant and equipment	**(0.6)**	(0.2)
Other operating costs include:		
Research and development	**1.5**	1.3
Acquisition and restructuring costs[2]	**1.9**	-
Operating leases:		
- land and buildings	**0.6**	0.9
- hire of plant and machinery	**0.5**	1.7

[1] In the current year £1.1m (2010: £0.2m) of customer contributions amortisation has been amortised through revenue as a result of the adoption of IFRIC 18 as detailed in note 1 and 2.

[2] Acquisition and restructuring costs include severance costs of £1.1m and acquisition costs of £0.8m.

Notes *(continued)*

3. OPERATING PROFIT *(continued)*

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

	2011 £m	2010 £m
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**0.1**	0.1
Total audit fees	**0.1**	0.1
Non-audit services		
- Other services provided by the auditor*	**-**	-
- Tax services	**0.1**	-
- Corporate Finance	**0.1**	0.1
Total non-audit services	**0.2**	0.1
Total fees payable	**0.3**	0.2

* Fees payable to the auditor in relation to other services totalled £45,000 (2010: £56,000).

Fees payable for the audit of the Company's accounts were £4,000 (2010: £5,000). 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.

4. EMPLOYEE BENEFITS EXPENSE

	2011 £m	2010 £m
Wages and salaries	**51.8**	6.4
Social security costs	**3.9**	0.5
Pension costs (note 19)	**12.6**	6.7
Employee costs (including Directors' remuneration	**68.3**	13.6
Costs transferred directly to fixed assets	**(34.4)**	(6.9)
Charged to the income statement	**33.9**	6.7

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

	2011 Number	2010 Number
Electricity distribution - Group	**1,189**	94

There are no employees of the Company.

The increase in employee numbers in the current year primarily relates to the acquisition of ENWSL, see note 26 for further details. The total expense included within operating profit in respect of share-based payments was £nil (2010:£nil).

Notes *(continued)*

5. INVESTMENT INCOME

	2011 £m	2010 £m
Interest receivable on short-term bank deposits held at amortised cost	**1.0**	0.6
Expected return on pension Scheme assets (note 19)	**51.7**	-
Interest cost on pension plan obligations (note 19)	**(50.5)**	-
	2.2	0.6

6. FINANCE EXPENSE

	2011 £m	**2011 £m**	2010 £m	2010 £m
Interest payable				
Expected return on pension Scheme assets (note 19)	**-**		(41.7)	
Interest cost on pension Scheme obligations (note 19)	**-**		46.6	
Net pension interest expense		**-**		4.9
Interest payable on bank borrowings	**0.4**		0.3	
Interest payable on group borrowings	**26.0**		25.4	
Interest payable on borrowings held at amortised cost	**58.5**		51.0	
Interest payable on borrowings designated at fair value through profit or loss	**22.2**		22.2	
Net (receipts)/ payments on derivatives held for trading	**(22.4)**		3.8	
Other finance charges/(gains) related to index linked bonds	**5.3**		(1.6)	
		90.0		101.1
Fair value losses/(gains) on financial instruments				
Borrowings designated at fair value through profit and loss	**6.8**		26.3	
Derivatives held for trading	**22.3**		33.1	
Cash settlement on close-out of amortising swaps	**-**		(18.0)	
Cash settlement on close-out of gilt locks	**-**		26.6	
		29.1		68.0
Total finance expense		**119.1**		174.0

In respect of the movement in the fair value of borrowings designated at fair value through profit or loss, of £6.8m loss (2010: £26.3m loss), £7.5m loss (2010: £32.3m loss) is attributable to changes in credit spread assumptions which is partially offset by changes in interest rates.

Notes *(continued)*

7. TAXATION

	2011 £m	2011 £m	2010 £m	2010 £m
Current tax:				
UK corporation tax - current year	**26.0**		4.1	
- prior year	**(1.3)**		4.5	
		24.7		8.6
Deferred tax (note 20):				
Current year	**(0.9)**		(12.3)	
Prior year	**-**		8.5	
Impact from future tax rates	**(32.5)**		-	
		(33.4)		(3.8)
		(8.8)		4.8

Corporation tax is calculated at 28% (2010: 28%) of the estimated assessable profit for the year.

The Budget on 23 March 2011 announced new phased reductions in the main UK corporation tax rate. The rate is now proposed to be 23% by 1 April 2014. The first reduction to 26% takes effect from 1 April 2011. Tax rate changes are taken into account if they are substantively enacted at the balance sheet date. The reduction to 26% was included in a resolution passed under the Provisional Collection of Taxes Act ('PCTA') 1968 on 29 March 2011. Accordingly the tax disclosures reflect deferred tax measured on the new 26% rate. It has not yet been possible to quantify the full anticipated effect of the further 3% rate reduction, although this will further reduce the company's future tax charge and reduce the company's deferred tax liabilities/assets accordingly.

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

	2011 £m	2011 %	2010 £m	2010 %
Profit/(loss) before tax	**83.8**		(27.7)	
Tax at the UK corporation tax rate of 28% (2010: 28%)	**23.4**	**28.0**	(7.8)	(28.0)
Prior year adjustment	**(1.3)**	**(1.6)**	13.0	46.9
Non-taxable income	**-**	**-**	(1.3)	(4.8)
Impact from change in future tax rates	**(32.5)**	**(38.9)**	-	-
Deferred tax on amounts not included in income statement	**0.1**	**0.2**	-	-
Impact from withdrawal of IBA allowances	**1.5**	**1.8**	0.9	3.2
	(8.8)	**(10.5)**	4.8	17.3

In addition to the amount charged to the Income Statement, deferred tax relating to actuarial gains on defined benefit schemes of £24.9m charge (2010: £33.4m credit) and the fair value loss on cash flow hedges of £0.3m credit (2010: £0.9m credit) was also taken to the Statement of Comprehensive Income.

Notes *(continued)*

8. DIVIDENDS

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

	2011 £m	2010 £m
Interim dividends for the year ended 31 March 2011 of £4.67 per share (31 March 2010: £0.82 per share)	**14.0**	2.4

The Company has not proposed a final dividend for the year ended 31 March 2011 (2010: £nil).

9. DIRECTORS' REMUNERATION

	Group 2011 £m	**Company 2011 £m**	Group 2010 £m	Company 2010 £m
Salaries	**1.0**	**0.8**	0.5	0.5
Accrued bonus	**0.6**	**0.6**	0.5	0.5
Pension	**0.1**	**0.1**	0.1	0.1
	1.7	**1.5**	1.1	1.1

The aggregate emoluments of the Directors in 2011 amounted to £1,734,451 (2010: £1,127,063). Emoluments comprise salaries, fees, taxable benefits, the value of short-term and long-term incentive awards and compensation for loss of office. Amounts payable under long-term incentive awards are not payable until June 2015 and are dependent upon a combination of both financial performance and comparative performance, as assessed by Ofgem, over the DPC5 period. The emoluments of the highest paid Director in 2011 in respect of services to the Group amounted to £727,209 (2010: £699,185). Included in the total emoluments shown above for the current year, are amounts payable for compensation for loss of office of £410,000 (2010: £nil) all paid in cash.

Not included in the amounts shown above are further payments made in respect of Directors services, as detailed in note 27.

Mr M McCallion and Mr P Taylor are former members of the United Utilities Pension Scheme and are members of, and contributed to, a defined benefit section of the ENW Electricity Supply Pension Scheme ('ENW ESPS'), which provides an entitlement, on normal retirement of age 65, equal to 1/60th of pensionable earnings for each complete year of service. Early retirement is possible from the age of 50 if the Company agrees. Mr S Johnson is a member of the defined contribution section of the ENW ESPS scheme.

The pension contributions for the highest paid Director for 31 March 2011 were £38,500 (2010: £37,100). The accrued pension at 31 March 2011 for the highest paid Director was £Nil (2010: £Nil).

As at 31 March 2011 the Directors have no interests in the ordinary shares of the Company.

Notes *(continued)*

10. INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill £m	Software £m	Licence £m	Assets in course of construction £m	Total £m
Cost					
At 1 April 2009	-	34.5	186.9	1.4	222.8
Additions	-	-	-	5.1	5.1
Transfers	-	0.9	-	(0.9)	-
At 31 March 2010	-	35.4	186.9	5.6	227.9
Additions	-	0.4	-	2.6	3.0
Arising on acquisition of subsidiary	10.1	-	-	-	10.1
Transfers	-	2.2	-	(2.2)	-
At 31 March 2011	**10.1**	**38.0**	**186.9**	**6.0**	**241.0**
Amortisation					
At 1 April 2009	-	16.6	-	-	16.6
Charge for the year	-	3.5	-	-	3.5
At 31 March 2010	-	20.1	-	-	20.1
Charge for the year	-	4.3	-	-	4.3
At 31 March 2011	**-**	**24.4**	**-**	**-**	**24.4**
Net book value at 31 March 2011	**10.1**	**13.6**	**186.9**	**6.0**	**216.6**
Net book value at 31 March 2010	-	15.3	186.9	5.6	207.8
Net book value at 1 April 2009	-	17.9	186.9	1.3	206.2

The licence held by ENWL, identified as an intangible asset on the acquisition of ENWL and measured at fair value at that date, 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.

In the Group goodwill arose on the acquisition of ENWSL in the current year, see note 26 for details.

Impairment testing

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. For the purposes of impairment testing the Group have determined that there is only one CGU. The key assumptions for the value in use calculations are those regarding discount rates and the outcomes of future Ofgem price control settlements. The Group has prepared cash flow forecasts for the period up to 31 March 2015 and has extrapolated the cash flows into perpetuity. The rate used to discount cash flows was 7% reflecting an assumed level of risk associated with the cash flows generated from the licence. At 31 March 2011, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £2.1m (2010: £nil).

Notes *(continued)*

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					
At 1 April 2009	2,784.2	11.2	11.7	190.4	2,997.5
Additions	85.0	-	0.2	82.1	167.3
Transfers	86.6	(0.1)	(0.3)	(86.2)	-
Disposals	(11.0)	-	-	-	(11.0)
At 31 March 2010	2,944.8	11.1	11.6	186.3	3,153.8
Additions	54.2	1.3	4.0	128.6	188.1
Transfers	104.5	0.4	1.4	(106.3)	-
Arising on acquisition	-	-	18.3	-	18.3
Disposals	(7.3)	-	(0.3)	-	(7.6)
At 31 March 2011	**3,096.2**	**12.8**	**35.0**	**208.6**	**3,352.6**
Depreciation and impairment					
At 1 April 2009	885.3	3.5	6.8	-	895.6
Charge for the year	67.1	0.2	1.2	-	68.5
Disposals	(11.0)	-	-	-	(11.0)
At 31 March 2010	941.4	3.7	8.0	-	953.1
Charge for the year	70.0	0.3	4.9	-	75.2
Arising on acquisition	-	-	6.9	-	6.9
Disposals	(7.3)	-	(0.3)	-	(7.6)
At 31 March 2011	**1,004.1**	**4.0**	**19.5**	**-**	**1,027.6**
Net book value at 31 March 2011	**2,092.1**	**8.8**	**15.5**	**208.6**	**2,325.0**
Net book value at 31 March 2010	2,003.4	7.4	3.6	186.3	2,200.7
Net book value at 1 April 2009	1,898.9	7.7	4.9	190.4	2,101.9

At 31 March 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £35.7m (2010: £33.4m).

Notes *(continued)*

12. INVESTMENTS

	Company £m
Cost at 31 March 2010 and 31 March 2011	**1,145.7**

Details of the investments as at 31 March 2011 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
ENW Capital Finance plc	Ordinary shares of £1 each	100%	Financing company
ENW Finance plc	Ordinary shares of £1 each	100%	Financing company
Indirect Subsidiaries			
Electricity North West Services Limited	Ordinary shares of £1 each	100%	Operation and maintenance of electricity network[1]
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

[1] As at 31 March 2011 the trade and assets of ENWSL were hived-up to ENWL. From 1 April 2011 ENWSL is no longer expected to trade.

Notes *(continued)*

13. INVENTORIES

	Group 2011 £m	**Company 2011 £m**	Group 2010 £m	Company 2010 £m
Raw Materials and Consumables	**5.6**	**-**	-	-

14. TRADE AND OTHER RECEIVABLES

	Group 2011 £m	**Company 2011 £m**	Group 2010 £m	Company 2010 £m
Trade receivables	**33.2**	**-**	2.0	-
Amounts owed by Group undertakings	**3.7**	**68.9**	0.1	83.3
Prepayments and accrued income	**41.6**	**-**	33.5	0.1
	78.5	**68.9**	35.6	83.4

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £0.1m (2010: £0.3m) 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 days (2010: 14 days).

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Of the trade receivables, 10.0% (2010: 2.3%) are past due but not impaired. The majority of balances are less than 45 days past due; a balance of £1.3m is greater than 45 days past due at 31 March 2011 (2010: £0.1m), against which an allowance for doubtful debt of £0.1m (2010: £nil) has been made.

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

	Group 2011 £m	**Company 2011 £m**	Group 2010 £m	Company 2010 £m
Balance at 1 April	**0.3**	**-**	0.6	-
Charged to income statement	**-**	**-**	0.3	-
Utilised	**(0.2)**	**-**	(0.6)	-
Balance at 31 March	**0.1**	**-**	0.3	-

Trade receivables comprise 654 (2010: 32) individual customers and 68.5% (2010: 26.4%) 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.

Notes *(continued)*

14. TRADE AND OTHER RECEIVABLES *(continued)*

Under the terms of the contract, the maximum unsecured credit that the Group may be required to give is 2% of the allowed 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 31 March 2011 £2.9m (2010: £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 2010 – March 2015) and is £1,403.3m for the year ended 31 March 2011 based on March closing prices (2010: £1,343.8m).

At 31 March 2011 £95.2m (2010: £87.2m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £10.3m (2010: £9.7m). All of the customers granted credit of this level must have a credit rating of at least A- from Standard and Poor's and A3 from Moody's Investor Services or a guarantee from a parent company of an equivalent rating. Alternatively, the customer must be able to prove their creditworthiness on an ongoing basis.

15. CASH AND CASH EQUIVALENTS

	Group 2011 £m	**Company 2011 £m**	Group 2010 £m	Company 2010 £m
Short-term bank deposits including cash at bank and in hand	**127.8**	**37.1**	111.7	39.6
Cash and cash equivalents	**127.8**	**37.1**	111.7	39.6
Short-term money market deposits (maturity over three months)	**76.2**	**-**	-	-
	204.0	**37.1**	111.7	39.6

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

The effective interest rate on short-term deposits was a weighted average of 0.97% (2010: 0.52%) and these deposits had an average maturity of 167 days (2010: 68 days).

Notes *(continued)*

16. 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 17.

	Group 2011	**Company 2011**	Group 2010	Company 2010
	£m	**£m**	£m	£m
Non-current liabilities				
Bonds	**1,137.3**	**-**	1,124.0	-
Bank and other term borrowings	**213.5**	**78.8**	98.3	98.7
Amounts owed to affiliated undertaking	**-**	**295.4**	-	294.6
	1,350.8	**374.2**	1,222.3	393.3
Current liabilities				
Amounts owed to parent undertaking (see note 18)	**658.0**	**658.0**	648.0	648.0
Amounts owed to subsidiary undertaking	**-**	**20.5**	-	20.5
	658.0	**678.5**	648.0	668.5
	2,008.8	**1,052.7**	1,870.3	1,061.8

Notes *(continued)*

16. BORROWINGS *(continued)*

Carrying value by category

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

	Year of maturity	**Group 2011 £m**	**Company 2011 £m**	Group 2010 £m	Company 2010 £m
Borrowings designated at fair value through income statement					
8.875% £250m bond	2026	**335.2**	**-**	328.4	**-**
Borrowings measured at amortised cost					
8.875% £200m bond	2026	**195.4**	**-**	195.4	**-**
6.125% £200m bond	2021	**195.2**	**-**	194.9	**-**
6.75% £300m bond	2015	**295.4**	**-**	294.6	**-**
1.4746%+RPI[1] £100m index-linked bond	2046	**116.1**	**-**	110.8	**-**
1.5911%+RPI[1] £135m index-linked loan	2024	**135.0**	**-**	**-**	**-**
Amortising costs re: Long term loans at LIBOR plus 2.25%	2012	**(0.3)**	**-**	(0.6)	**-**
Long term loans at LIBOR plus 3.0% (2010: LIBOR plus 0.55%)	2012	**78.8**	**78.8**	98.7	98.7
Amounts owed to parent undertaking	On demand	**658.0**	**658.0**	648.0	648.0
Amounts owed to subsidiary undertaking	2015	**-**	**295.4**	-	294.6
Amounts owed to subsidiary undertaking	On demand	**-**	**20.5**	-	20.5
		2,008.8	**1,068.2**	1,870.2	1,061.8

[1] Adjusted for RPI - Retail Price Index – the UK general index of retail prices (for all items) as published by the Office of National Statistics (January 1987 =100).

The 6.75% £300m bonds are secured and guaranteed by the Company, the issuing company, ENW Capital Finance plc, and NWEN Group Limited (the "Parent Company"). All other loans and borrowings are unsecured. There is no formal bank overdraft facility in place at 31 March 2011. All borrowings are in sterling. The fair values of the Group's financial instruments are shown in note 17.

Included within the borrowing note are capitalised facility arrangement fees of £0.3m (2010: £0.6m) relating to the undrawn Revolving Credit Facilities. This was part utilised and repaid in the current year and is forecast to be further utilised in the year ended 31 March 2012.

Borrowing facilities

The Group had £130.0m (2010: £254.2m) in unutilised committed bank facilities at 31 March 2011 of which £nil (2010: £25.0m) expires within one year, £125.0m (2010: £nil) expires after one year but less than two years and £5.0m (2010: £229.2m) expires in more than two years.

The Company had £50.0m (2010: £30.0m) in unutilised committed bank facilities at 31 March 2011 of which £nil (2010: £nil) expires within one year, £50.0m (2010: £nil) expires after one year but less than two years and £nil (2010: £30.0m) expires in more than two years.

Notes *(continued)*

17. 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 risk, liquidity and market risk, in particular interest rate risk and inflation 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.

Control over financial instruments

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

Risk management

All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial risk are credit risk, liquidity risk and market risk. Market risk includes foreign exchange, interest rate, inflation (RPI) and equity price risks. The Group has no exposure to foreign exchange risk or equity price risk.

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

The Group's policies and processes for managing risk and the methods used to measure risk have not changed since the prior year.

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 trade finance and treasury activities. The Group has dedicated standards, policies and procedures to control and monitor credit risk.

The counterparties under treasury activities consist of financial institutions. In accordance with IAS 39, the Directors have considered and quantified the exposure of the Group to counterparty credit risk and do not consider there to be a material credit risk adjustment required. The exposure to counterparty credit risk will continue to be monitored. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through regular credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. Management does not anticipate any counterparty will fail to meet its obligations.

Significant changes in the economy or in the utilities sector could result in losses not necessarily provided for at the balance sheet date. The total number of customers in 2011 was 654 (2010: 32), however there are five principal customers, see note 2. The creditworthiness of each of these is closely monitored. Whilst the loss of one of the principal customers could have a significant impact on the Group due to the small number of these, the exposure to such credit losses would be mitigated in most cases by the protection the regulator provides to cover such losses. Nonetheless, the credit management process must be closely adhered to, to avoid such circumstances, and the Group's management therefore closely monitor adherence to this process.

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

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 2011 there was £3.5m receivables past due (2010: £0.3m) against which an allowance for doubtful debts of £0.1m has been made (2010: £0.3m).

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 2011 none (2010: 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	2011 £m	2011 %	2010 £m	2010 %
AAA	**33.7**	**15.6**	-	-
AA	**1.0**	**0.5**	1.1	1.0
AA-	**96.0**	**44.6**	47.0	41.7
A+	**59.7**	**27.7**	39.0	34.6
A	**25.0**	**11.6**	25.7	22.8
	215.4	**100.0**	112.8	100.0

No collateral is held in relation to Treasury assets.

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives, in the statement of financial position. 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 category	2011 Group £m	2011 Company £m	2010 Group £m	2010 Company £m
Trade receivables	**33.2**	**-**	2.0	-
Derivative financial instruments (assets)	**1.0**	**-**	1.1	-
Cash and cash equivalents	**127.8**	**37.1**	111.7	39.6
Money market deposits (original maturity over three months)	**76.2**	**-**	-	-
Total	**238.2**	**37.1**	114.8	39.6

Trade receivables and cash and cash equivalents and money market deposits are measured at cost. Derivative financial instruments are measured at fair value.

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

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

The Board is responsible for monitoring the maturity of liquidity and deposit funding balances and 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 cash flows 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. The Board approves a liquidity framework within which the business operates.

Available liquidity at 31 March was as follows;

Available liquidity	**2011 Group £m**	**2011 Company £m**	2010 Group £m	2010 Company £m
Cash and cash equivalents	**127.8**	**37.1**	111.7	39.6
Money market deposits (original maturity over three months)	**76.2**	**-**	-	-
Committed undrawn bank facilities	**130.0**	**50.0**	254.2	254.2
Total	**334.0**	**87.1**	365.9	293.8

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturity of three months or less, net of any bank overdrafts which are payable on demand.

Committed undrawn bank facilities include £nil (2010: £25.0m) of facilities that expire within one year, £125.0m (2010: £nil) that expires after one year but less than two years and £5.0m (2010: £229.2m) that expires in more than two years.

The Group largely manages all of its financing cash flows over the observed five-year regulatory period; the Group uses economic hedges to ensure that certain cash flows can be matched.

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk *(continued)*

The Group gives consideration to the timing of scheduled payments to avoid the risks associated with the concentration of large cash flows within particular time periods.

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

Group **As at 31 March 2011**	**On demand**	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**>4 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade payables	**(9.9)**	**-**	**-**	**-**	**-**	**-**	**(9.9)**
Amount owed to parent undertaking	**(658.0)**	**-**	**-**	**-**	**-**	**-**	**(658.0)**
Bonds	**-**	**(74.2)**	**(74.2)**	**(74.2)**	**(74.2)**	**(1,652.6)**	**(1,949.4)**
Other borrowings and overdrafts	**-**	**(5.4)**	**(83.8)**	**(2.1)**	**(2.1)**	**(155.3)**	**(248.7)**
Derivative financial instruments (net)	**-**	**15.2**	**15.2**	**(22.2)**	**7.9**	**10.6**	**26.7**
	(667.9)	**(64.4)**	**(142.8)**	**(98.5)**	**(68.4)**	**(1,797.3)**	**(2839.3)**

As at 31 March 2010	On demand	<1 year	1-2 years	2-3 years	3-4 years	>4 years	Total
	£m	£m	£m	£m	£m	£m	£m
Trade payables	(33.2)	-	-	-	-	-	(33.2)
Amount owed to parent undertaking	(648.0)	-	-	-	-	-	(648.0)
Bonds	-	(74.2)	(74.0)	(74.0)	(74.0)	(1,717.5)	(2,013.7)
Other borrowings and overdrafts	-	(3.9)	(3.9)	(101.0)	-	-	(108.8)
Derivative financial instruments (net)	-	7.9	7.9	7.9	7.9	(32.4)	(0.8)
	(681.2)	(70.2)	(70.0)	(167.1)	(66.1)	(1,749.9)	(2,804.5)

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk *(continued)*

Company **As at 31 March 2011**	**On demand**	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**>4 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Amount owed to parent undertaking	**(658.0)**	**-**	**-**	**-**	**-**	**-**	**(658.0)**
Amount owed to subsidiary undertaking	**(20.5)**	**(20.3)**	**(20.3)**	**(20.3)**	**(20.3)**	**(310.1)**	**(411.8)**
Other borrowings and overdrafts	**-**	**(3.3)**	**(81.7)**	**-**	**-**	**-**	**(85.0)**
	(678.5)	**(23.6)**	**(102.0)**	**(20.3)**	**(20.3)**	**(310.1)**	**(1154.8)**

As at 31 March 2010	On demand	<1 year	1-2 years	2-3 years	3-4 years	>4 years	Total
		£m	£m	£m	£m	£m	£m
Amount owed to parent undertaking	(648.0)	-	-	-	-	-	(648.0)
Amount owed to subsidiary undertaking	(20.5)	(20.3)	(20.3)	(20.3)	(20.3)	(330.4)	(432.1)
Other borrowings and overdrafts	-	(3.9)	(3.9)	(101.0)	-	-	(108.8)
	(668.5)	(24.2)	(24.2)	(121.3)	(20.3)	(330.4)	(1,188.9)

Market risk

Market risk is the risk that 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 types of market risk to which the Group is exposed are interest rate risk and inflation risk. The Board is required to review and approve policies for managing these risks on an annual basis. The Board approves all new interest rate swaps and index-linked swaps entered into. The management of market risk is undertaken by the Chief Financial Officer or ENWL Treasurer 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.

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that 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 cash flows due to changes in interest rates. The Group uses interest rate swap contracts 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 2013 and 2026.

Sensitivity analysis

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.

	Year ended 31 March 2011		Year ended 31 March 2010	
	+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	**11.4**	**62.5**	30.5	80.8
Interest rate swaps	**0.1**	**(2.2)**	(0.7)	(1.2)
Total fair value movement	**11.5**	**60.3**	29.8	79.6

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

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Sensitivity analysis *(continued)*

Although the above measures provide an 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 statement of financial position positions, and therefore future changes in the structure of the statement of financial position are ignored.

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

Inflation risk

The revenues of ENWL are linked to movements in inflation, as defined by the Retail Price Index ("RPI"). To economically hedge exposure to RPI, ENWL links a portion of its funding costs to RPI by either issuing RPI linked bonds or by using derivative financial instruments. The Group's index-linked borrowings and index-linked swaps are exposed to a risk of change in their fair value arising from a risk of change of future cash flows due to changes in inflation rates.

The carrying value of index-linked debt at 31 March 2011 was £251.1m (2010: £110.8m). Whilst management does not formally monitor the sensitivity to changes in inflation, it is estimated that a 1% increase in inflation would lead to a £1.2m (2010: £1.1m) decrease in profits in relation to this index-linked debt. The Group's revenues are also linked to RPI via returns on the Regulated Asset Value ('RAV').

The Group also has £200m notional principal of index-linked swaps that convert a portion of the fixed rate of interest payable under bonds to an inflation-linked rate. These swaps were executed in conjunction with the associated bond issue so that the fixed rate of interest receivable under the swaps matches the nominal interest payable on the bond. Interest settlement dates under the swaps are timed to coincide with the bond interest payments, which are semi-annual.

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.

At 31 March 2011, the Group's derivatives are not designated in effective hedging relationships, and instead are measured at fair value through profit and loss.

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

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.

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

Financial assets:	**Group Carrying value**	**Group Fair value**	**Company Carrying value**	**Company Fair value**
2011	**£m**	**£m**	**£m**	**£m**
Current assets:				
Cash and cash equivalents	**127.8**	**127.8**	**37.1**	**37.1**
Money market deposits	**76.2**	**76.2**	**-**	**-**
Derivative financial instruments	**1.0**	**1.0**	**-**	**-**
	205.0	**205.0**	**37.1**	**37.1**
2010				
Current assets:				
Cash and cash equivalents	111.7	111.7	39.6	39.6
Derivative financial instruments	1.1	1.1	-	-
	112.8	112.8	39.6	39.6

Derivative financial assets are due after more than one year (2010: same).

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

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

31 March 2011	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	**(335.2)**	**(335.2)**	**-**	**-**
Borrowings measured at amortised cost	**(1,015.5)**	**(1,143.2)**	**(78.8)**	**(78.8)**
Derivative financial instruments	**(92.8)**	**(92.8)**	**-**	**-**
	(1,443.5)	**(1,571.2)**	**(78.8)**	**(78.8)**
Current liabilities:				
Borrowings - amounts owed to parent undertaking	**(658.0)**	**(658.0)**	**(658.0)**	**(658.0)**
Borrowings - amounts owed to subsidiary undertaking	**-**	**-**	**(20.5)**	**(20.5)**
	(658.0)	**(658.0)**	**(678.5)**	**(678.5)**

31 March 2010 (Re-presented)	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	(328.4)	(328.4)	-	-
Borrowings measured at amortised cost	(927.1)	(1,047.9)	(393.3)	(428.7)
Derivative financial instruments	(70.6)	(70.6)	-	-
	(1,326.1)	(1,446.9)	(393.3)	(428.7)
Current liabilities:				
Borrowings – amounts owed to parent undertaking	(648.0)	(648.0)	(648.0)	(648.0)
Borrowings – amounts owed to subsidiary undertaking	-	-	(20.5)	(20.5)
	(648.0)	(648.0)	(668.5)	(668.5)

Derivative financial liabilities have been re-presented to non-current in the preceding year in accordance with Improvements to IFRSs.

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

Notes *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

	31 March 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets at fair value through profit or loss				
Derivative financial assets	-	1.0	-	1.0
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(92.8)	-	(92.8)
Financial liabilities designated at FVTPL	(335.2)	-	-	(335.2)
Total	(335.2)	(92.8)	-	(428.0)

	31 March 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets at fair value through profit or loss				
Derivative financial assets	-	1.1	-	1.1
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(70.6)	-	(70.6)
Financial liabilities designated at FVTPL	(328.4)	-	-	(328.4)
Total	(328.4)	(70.6)	-	(399.0)

There were no transfers between levels during the current year.

Notes *(continued)*

18. TRADE AND OTHER PAYABLES

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Trade payables	**9.9**	**-**	33.2	-
Amounts owed to parent undertaking				
- Loan principal	**658.0**	**658.0**	648.0	648.0
- Accrued interest	**11.8**	**11.8**	10.0	10.0
Amounted owed to subsidiary undertakings	**-**	**30.7**	-	20.5
Other taxation and social security	**13.8**	**-**	6.0	-
Customer contributions (see note 21)	**3.0**	**-**	2.5	-
Refundable customer deposits (see note 22)	**6.5**	**-**	6.9	-
Accruals and deferred income	**101.8**	**1.5**	41.3	20.1
	804.8	**702.0**	747.9	698.6

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 23 days from receipt of invoice. In 2010 trade creditors principally comprised amounts outstanding to UUES for capital delivery and operating services provided under their contract with ENWL. The credit period with UUES was 10 days from receipt of invoice. UUES creditor days as disclosed in their March 2010 financial statements were 24 days.

19. RETIREMENT BENEFIT SCHEMES

Group and Company

The Group's defined benefit arrangements are the ENW Group of the ESPS ('the Scheme') and form part of the Electricity Supply Pension Scheme ('ESPS'). In the year ended 31 March 2011 the Scheme was split into two sections, the Electricity North West Limited ('ENW') section and the United Utilities Electricity Services Limited ('UUES') section.

The pension Scheme structure as described above was unaffected by the acquisition of ENWSL. However, following the 'hive-up' of the assets and liabilities of ENWSL to ENWL and the termination of the Asset Services Agreement between ENWL and ENWSL on the 31 March 2011, the two sections have been merged as at that date.

The defined benefit section of the Scheme closed to new entrants in 2005 and new employees of the Group are instead provided with access to a defined contribution section of the Scheme. The total cost charged to the income statement in relation to the defined contribution section for the year ended 31 March 2011 was £0.9m (2010: £0.2m) and represents contributions payable to the Scheme at rates specified in the rules of the Scheme.

During the year the Group made contributions of £27.6m (2010: £15.4m) 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 2010. The Group estimates that contributions for the year ending 31 March 2012 will amount to £26.5m. The total defined benefit pension expense for the year was £10.5m (2010: pension expense £11.4m). Information about the pension arrangements for the Executive Directors is contained in note 9.

The last actuarial valuation of the Scheme was carried out as at 31 March 2010. The 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 as at 31 March 2011. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. A pension deficit under IAS 19 of £41.3m is included in the statement of financial position at 31 March 2011 (2010: deficit of £142.8m).

Notes *(continued)*

19. RETIREMENT BENEFIT SCHEMES *(continued)*

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

	At 31 March 2011	At 31 March 2010
	%	%
Discount rate – ENWL	**5.40**	5.20
Discount rate - UUES	**5.60**	5.30
Expected return on assets –ENWL	**5.70**	6.00
Expected return on assets – UUES	**6.80**	7.20
Pensionable salary growth - ENWL	**4.40**	4.60
Pensionable salary growth - UUES	**4.50**	4.70
Pension increases - ENWL	**3.40**	3.60
Pension increases - UUES	**3.50**	3.70
Price inflation – ENWL	**3.40**	3.60
Price inflation - UUES	**3.50**	3.70

The mortality rates utilised in the valuation are based on the standard actuarial tables S1PMA /S1PFA (birth year) tables with a 105% loading (2010: PNMA00/PNFA00 (birth year) mortality tables with a 120% loading) to allow for differences in mortality between the Scheme population and the population used in the standard tables. A long term improvement rate of 1.0% pa is assumed. These factors have been taken into account in the calculation of the defined benefit obligations of the Scheme.

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

	At 31 March 2011	At 31 March 2010
Male life expectancy at age 60:		
Retired member	**25.8**	26.0
Non-retired member	**27.0**	27.9

Notes *(continued)*

19. RETIREMENT BENEFIT SCHEMES *(continued)*

In valuing the liabilities of the Scheme at 31 March 2011, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2011 would have increased by approximately £25m before deferred tax.

As at 31 March 2011, the Group's share of the fair value of the Scheme's assets and liabilities recognised in the statement of financial position were as follows:

	Scheme assets at 31 March 2011 %	**Value at 31 March 2011 £m**	Scheme assets at 31 March 2010 %	Value at 31 March 2010 £m
Equities	**43.7**	**385.6**	40.1	337.6
Gilts	**11.8**	**104.7**	18.7	157.6
Bonds	**38.3**	**338.7**	38.7	325.2
Property	**4.5**	**39.8**	0.6	5.3
Cash	**1.0**	**9.0**	1.9	15.6
Assets arising on ENWSL acquisition	**0.6**	**5.4**	-	-
Net current assets	**0.1**	**0.6**	-	-
Total fair value of assets	**100.0**	**883.8**	100.0	841.3
Present value of liabilities		**(925.1)**		(984.1)
Net retirement benefit obligation		**(41.3)**		(142.8)

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 classes 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 the Scheme assets was £56.1m gain (2010: £174.6m gain). None of the pension Scheme assets are held in the Group's own financial instruments or any other assets used by the Group.

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

	2011 £m	2010 £m
At 1 April 2010	**(984.1)**	(728.0)
Current service cost	**(11.4)**	(6.1)
Interest cost on Scheme obligations	**(50.5)**	(46.6)
Member contributions	**(2.1)**	(2.2)
Past service cost	**(0.3)**	(0.4)
Actuarial gains/(losses) - assumptions	**52.9**	(252.2)
Actuarial gains- experience	**27.1**	-
Benefits paid	**48.7**	51.4
ENWSL acquisition	**(5.4)**	-
At 31 March 2011	**(925.1)**	(984.1)

Notes *(continued)*

19. RETIREMENT BENEFIT SCHEMES *(continued)*

Movements in the fair value of the Group's pension Scheme assets were as follows:

	2011	2010
	£m	£m
At 1 April 2010	841.3	700.5
Expected return on Scheme assets	51.7	41.7
Actuarial gains/(losses)	4.4	132.9
Company contributions	27.6	15.4
Member contributions	2.1	2.2
Benefits paid	(48.7)	(51.4)
ENWSL acquisition	5.4	-
At 31 March 2011	883.8	841.3

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

	2011	2010
	£m	£m
Current service cost	(11.4)	(6.1)
Past service cost	(0.3)	(0.4)
Expected return on Scheme assets	51.7	41.7
Interest on Scheme obligations	(50.5)	(46.6)
Net pension expense before taxation	(10.5)	(11.4)

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 or finance expense as appropriate.

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

	2011	2010
	£m	£m
At 1 April 2010	(142.8)	(27.5)
Expense recognised in the income statement	(10.5)	(11.4)
Contributions paid	27.6	15.4
Actuarial losses gross of taxation	84.4	(119.3)
At 31 March 2011	(41.3)	(142.8)

Notes *(continued)*

19. RETIREMENT BENEFIT SCHEMES *(continued)*

Actuarial gains and losses are recognised directly in the statement of comprehensive income. At 31 March 2011, a cumulative gain of £199.1m (2010: gain of £114.7m) had been recorded directly in the statement of comprehensive income.

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligation	**(925.1)**	(984.1)	(728.0)	(796.3)	(826.1)
Fair value of Scheme assets	**883.8**	841.3	700.5	841.4	850.6
Net retirement benefit (obligation)/ surplus	**(41.3)**	(142.8)	(27.5)	45.1	24.5
Experience adjustments on Scheme liabilities	**27.1**	-	0.8	(18.4)	-
Experience adjustments on Scheme assets	**4.4**	-	(152.5)	(12.9)	-

20. DEFERRED TAX

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

Group	**Accelerated tax depreciation £m**	**Retirement benefit obligations £m**	**Other £m**	**Total £m**
At 31 March 2009	458.6	(7.6)	(1.1)	449.9
Charged/(credited) to the income statement	6.3	1.1	(11.2)	(3.8)
Credited to equity for the year	-	(33.4)	-	(33.4)
At 31 March 2010	464.9	(39.9)	(12.3)	412.7
(Credited)/charged to the income statement	(34.7)	4.3	(3.0)	(33.4)
Arising on acquisition of ENWSL	(0.4)	-	-	(0.4)
Charged to equity for the year	-	24.9	-	24.9
At 31 March 2011	**429.8**	**(10.7)**	**(15.3)**	**403.8**

There is no deferred tax in the Company.

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

Other deferred tax relates primarily to derivative financial instruments.

Notes *(continued)*

21. CUSTOMER CONTRIBUTIONS

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

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

Group

	£m
At 1 April 2009	51.2
Additions in the year	43.9
Amortisation	(1.9)
At 1 April 2010	93.2
Additions in the year	39.1
Amortisation	(2.8)
At 31 March 2011	**129.5**
Amounts due in less than one year (note 18)	**3.0**
Amounts due after more than one year	**126.5**
	129.5

22. REFUNDABLE CUSTOMER DEPOSITS

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

Group	**2011 £m**	2010 £m
Amounts due in less than one year (see note 18)	**6.5**	6.9
Amounts due after more than one year	**1.6**	3.5
	8.1	10.4

23. SHARE CAPITAL

Group and Company	**2011 £m**	2010 £m
Authorised:		
3,000,000 ordinary shares of £1 each	**3.0**	3.0
Allotted, called up and fully paid:		
3,000,000 ordinary shares of £1 each	**3.0**	3.0

Notes *(continued)*

24. SHAREHOLDER'S EQUITY

Group	**Called up share capital £m**	**Retained earnings/ (deficit) £m**	**Total £m**
At 1 April 2009	3.0	(21.1)	(18.1)
Loss for the year	-	(32.5)	(32.5)
Dividends paid	-	(2.4)	(2.4)
Post employment benefits: Post tax actuarial losses on defined benefit Schemes	-	(85.9)	(85.9)
At 31 March 2010	3.0	(141.9)	(138.9)
Profit for the year	**-**	**92.6**	**92.6**
Dividends paid	**-**	**(14.0)**	**(14.0)**
Post tax actuarial gains on defined benefit Schemes	**-**	**59.5**	**59.5**
At 31 March 2011	**3.0**	**(3.8)**	**(0.8)**

As allowed by section 408 of the Companies Act 2006, 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 £27.8m (2010: £191.8m profit).

Company	**Called up share capital £m**	**Retained (deficit)/ earnings £m**	**Total £m**
At 1 April 2009	3.0	(15.6)	(12.6)
Profit for the year	-	191.8	191.8
Dividends paid	-	(2.4)	(2.4)
At 31 March 2010	3.0	173.8	176.8
Profit for the year	**-**	**27.8**	**27.8**
Dividends paid		**(14.0)**	**(14.0)**
At 31 March 2011	**3.0**	**187.6**	**190.6**

Notes *(continued)*

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 2011 £m	**Plant and machinery 2011 £m**	Land and buildings 2010 £m	Plant and machinery 2010 £m
Within one year	**0.7**	**0.1**	0.6	0.1
In the second to fifth years inclusive	**1.9**	**0.4**	2.1	0.4
After five years	**1.4**	**3.0**	1.6	2.9
	4.0	**3.5**	4.3	3.4

The Company does not hold any non-cancellable operating leases as at the 31 March 2011 (2010:£nil).

26. ACQUISITION OF SUBSIDIARY

Electricity North West Services Limited ('ENWSL')

On the 30 June 2010, the Group acquired 100 per cent of the issued share capital of United Utilities Electricity Services Limited (now renamed ENWSL) for cash consideration of £25.5m. ENWSL had been engaged as a third party service provider to manage delivery of all operations and maintenance, capital investments, connections and customer service for ENWL. Incorporating the operations and maintenance contract into one business is expected to reduce costs, improve efficiency and secure continued delivery of all services to customers in the region. This transaction has been accounted for using the purchase method of accounting.

Notes *(continued)*

26. ACQUISITION OF SUBSIDIARY *(continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	Book value £m	Provisional fair value adjustments £m	Provisional fair value £m
Net assets acquired:			
Property, plant and equipment	12.1	(0.7)	11.4
Inventories	6.2	(1.0)	5.2
Trade receivables	36.8	(0.3)	36.5
Bank and cash balances	9.2	-	9.2
Trade payables	(47.3)	-	(47.3)
Deferred tax liability	-	0.4	0.4
Total identifiable assets	17.0	(1.6)	15.4
Goodwill arising on acquisition (provisional)			10.1
			25.5
Cash consideration paid			23.5
Deferred consideration (payable on 31 December 2011)			2.0
Total consideration			25.5
Net cash outflow arising on acquisition:			
Cash consideration paid			(23.5)
Cash and cash equivalents acquired			9.2
			(14.3)

The fair value of the acquired identifiable intangible assets and net assets are provisional pending completion of final valuations.

The goodwill arising on the acquisition of ENWSL is attributable to the synergies and other benefits arising from controlling all the operations and maintenance of the company's operational assets and capturing the profit earned by the company. None of the goodwill recognised is expected to be deductible for income tax purposes. In accordance with IFRS 3 revised, £0.8m of acquisition costs have been expensed within the period.

It is impractical to disclose the results contributed by ENWSL in the period between the date of acquisition and the statement of financial position date. This being due to the following reasons:

- between the 1 April 2010 and the acquisition date the ASA pricing had not been finalised between ENWL and ENWSL; and
- following the acquisition, trading between the companies has been conducted on a pass-through basis.

If the acquisition had been completed on 1 April 2010, total Group revenue for the year would have been £393.9m, and profit for the year would have been £121.6m.

Notes *(continued)*

27. RELATED PARTY TRANSACTIONS

Group and Company

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

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

	2011	2010
	£m	£m
Interest paid	**25.2**	25.4
Loans from related parties	**658.0**	658.0
Directors' fees	**0.1**	0.1

The loans from related parties comprise amounts loaned from North West Electricity Networks (Holdings) Limited. £200.0 million carries interest at 10% per annum, £327.0 million is interest free, £131.0 million carries interest 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.

Fees of £0.1m (2010: £0.1m) were payable to Colonial First State in respect of the provision of Directors' services. Colonial First State is part of the Commonwealth Bank of Australia which is identified as a related party as per note 30.

Amounts outstanding at 31 March 2011 between the Group and other companies within the North West Electricity Networks (Jersey) Group are provided in notes 14 and 16.

The Company entered into the following transactions with related parties:

	2011	2010
	£m	£m
Loans to Electricity North West Limited	**(67.4)**	(70.4)
Loans from North West Electricity Networks (Holdings) Limited	**658.0**	658.0
Loan from ENW Capital Finance Plc	**295.4**	294.6
Loan from ENW Finance Plc	**20.5**	20.5
Interest paid	**26.0**	25.4

The loan to Electricity North West Limited carries interest at fixed 6.5% and is repayable in 2015. The loans from North West Electricity Networks (Holdings) Limited are described above.

Notes *(continued)*

28. CASH GENERATED FROM OPERATIONS

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Profit/(loss) before taxation	**83.8**	**14.2**	(27.7)	(180.2)
Adjustment for investment income and finance expense	**117.0**	**(14.4)**	173.4	180.5
Operating profit/(loss)	**200.8**	**(0.2)**	145.7	0.3
Adjustments for:				
Depreciation of property, plant and Equipment	**75.2**	**-**	68.5	-
Amortisation of intangible assets	**4.3**	**-**	3.5	-
Amortisation of customer contributions	**(2.8)**	**-**	(1.9)	-
Profit on disposal of property, plant and equipment	**(0.6)**	**-**	(0.2)	-
Cash contributions in excess of pension charge to operating profit	**(15.9)**	**-**	(11.9)	-
Operating cash flows before movement in working capital	**261.0**	**(0.2)**	203.7	0.3
Changes in working capital:				
Decrease in inventories	**(0.2)**	**-**	-	-
(Increase)/decrease in trade and other receivables	**(6.2)**	**-**	6.8	(0.1)
(Decrease)/increase in provisions and payables	**(18.0)**	**0.2**	7.5	2.8
Cash generated from continuing operations	**236.6**	**-**	218.0	3.0

29. CONTINGENT LIABILITY

ENWL holds the leasehold title to a number of retail properties as a result of its legacy retail operations whilst trading as Norweb Plc. The Company assigned the majority of these to Comet Group Plc (‘Comet’) in 1996. ENWL still has a potential liability for lease obligations under privity of contract rules. In prior years, owing to the protection afforded by Kesa Electricals Plc (the parent company of Comet (‘Kesa’)), management assessed the risk of exposure to be remote. Although the Company remains shielded from landlord claims by a chain of indemnities, recent press coverage speculates that Kesa may be considering disposing of Comet, which may reduce its financial covenant and increase ENWL’s risk exposure.

Management consider the risk of exposure to be low. Owing to lack of visibility over the current holder of the lease and an up to date appraisal of their financial stability and the need for an appraisal of each retail site, management consider it impractical to accurately evaluate the exposure at this time.

Notes *(continued)*

30. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

The largest group in which the results of the company are consolidated is that headed by North West Electricity Networks (Jersey) Limited incorporated in Jersey. The smallest group in which they are consolidated is that headed by North West Electricity Networks (Holdings) Limited, a company incorporated and registered in the UK.

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