Company Registration No. 6428375

NORTH WEST ELECTRICITY NETWORKS PLC (Formerly NORTH WEST ELECTRICITY NETWORKS LIMITED)

Half Year Condensed Consolidated Financial Statements

for the period ended 30 September 2014

CONTENTS

INTERIM MANAGEMENT REPORT

Cautionary statement

This interim management report contains certain forward-looking statements with respect to the consolidated financial condition and business of North West Electricity Networks Plc and its subsidiaries (together referred to as the "Group"). Statements or forecasts relating to events in the future necessarily involve risk and uncertainty and are made by the Directors in good faith based on the information available at the date of signature of this report. North West Electricity Networks Plc (the "Company") undertakes no obligation to update these forward-looking statements. Nothing in this unaudited interim management report should be construed as a profit forecast nor should past performance be relied upon as a guide to future performance.

Change in company name

On 6 October 2014 North West Electricity Networks Limited formally re-registered its name as North West Electricity Networks Plc under Section 92(1)(c) of the Companies Act 2006.

Directors

The names of the Directors who held office during the period and subsequently are given below:

J Gittins

S Johnson

M Rogers

M Walters

Operations

North West Electricity Networks Plc acts as an intermediary holding company only within the North West Electricity Networks (Jersey) Limited Group and does not conduct any other trading activities.

The Group's principal activity is the operation of electricity distribution assets owned by Electricity North West Limited ("ENWL"), a subsidiary of the Company. The distribution of electricity is regulated by the terms of ENWL's Electricity Distribution Licence granted under the Electricity Act 1989 and monitored by the Gas and Electricity Markets Authority.

Results

	6 months ended 30 Sept 2014	6 months ended 30 Sept 2013	Year ended 31 March 2014
Revenue	**£248m**	£237m	£508m
Operating profit	**£126m**	£118m	£271m
Profit before tax and fair value movements	**£79m**	£71m	£123m
Profit before tax	**£45m**	£93m	£141m

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

Revenue

Total revenue from the Group has increased as a result of an increase in allowed Distribution Use of System (DUoS) revenue and increases to the Retail Price index (RPI).

Operating profit

Operating profit has increased as a result of increased revenues as above, partially offset by an increase in employee and operating costs.

Profit before tax and fair value movements

Profit before tax and fair value movements has increased as a result of an increase in operating profit.

Profit before tax

Profit before tax has reduced due to an adverse fair value movement compared to prior period, on index linked swaps and a mark to market bond largely as a result of a decrease in the market expectation of future interest rates, partially offset by the lower market expectation of future inflation rates.

Dividends

At the date of these financial statements interim dividends of £25.0m have been paid (period ended September 2013: interim dividend £38.0m, year ended 31 March 2014: final dividend £64.0m).

INTERIM MANAGEMENT REPORT *(continued)*

Principal risks and uncertainties

The Board considers that the principal risks and uncertainties have not changed from the last annual report apart from the risk associated with the RIIO decision discussed below.

The principal trade and activities of the Group are carried out by 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 for the year ended 31 March 2014, which are available on our website, www.enwl.co.uk.

The Board considers the following risks to be the principal ones that may affect the Group's performance and results.

RIIO-ED1 Price Control Decision

The new price control covering the period from 2015–2023, known as RIIO-ED1 (Revenue = Incentives + Innovation + Outputs, Electricity Distribution Price Control 1) will commence on 1 April 2015. The final determination is expected to be received on 28 November. This leaves an element of uncertainty around our revenues for the next price review period while we await Ofgem's final determination.

Retail Property Provision

ENWL previously held the leasehold title to a number of retail properties as a result of its legacy retail operations whilst trading as Norweb Plc. In the financial statements at 31 March 2014 ENWL recognised a provision of £8.4m with regard to a group of retail units where ENWL became potentially liable under privity of contract for the costs associated with these properties. £2.1m of the provision for this portfolio was utilised in the period.

A reassessment of the portfolio was undertaken during the period and the provision was increased by £0.3m.

Leases for the remaining properties have a range of expiry dates up to 2021.

In the remote event of all 13 remaining property leases reverting to ENWL, the maximum total annual accommodation cost (which includes rent, rates, service charge, insurance and maintenance), based on certain leases extending until 2021, would be approximately £19.0m profiled over a seven year period from 2014 to 2021 (£22.6m undiscounted).

Based on the current risk assessment which considers the location and size of the stores, and expectation on the ability to re-let the properties, cash exposure is forecast to be approximately £3.0m over the next 12 months, with the remaining outflows falling over the period to 2021/22. A provision of £6.6m has been included within the financial statements at 30 September 2014. Additionally there is one retail property outside of the portfolio which carries a provision of £1.1m at 30 September 2014. This amount takes account of expectations that the lease costs arising will be borne by the Group until the lease terminates.

The assessment of ENWL's liability in relation to these properties is subject to uncertainty as it involves making judgements on individual retail premises, the period of vacant possession and negotiations with individual landlords, letting agents and tenants.

Management have taken action to mitigate the evolving risks associated with these properties through the deployment of a cross functional team. This team, working with relevant external specialists, are focussed on the identification of potential new tenants and the disposal of units, whilst also planning for the reduction of any ongoing holding costs associated with properties that are not re-tenanted.

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. The Group and the Company are financed largely by long-term external funding. The Company is due to repay a £300m intercompany bond in June 2015. This is to be financed by a £305m US private placement, agreed in October 2014. The funds will be received denominated in sterling in two tranches, one of £120m in December 2014 and a second of £185m in June 2015.

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.

INTERIM MANAGEMENT REPORT *(continued)*

Failure to comply with investor and banking covenants (continued)

A compliance reporting regime is well established and the compliance status is reviewed and approved by the CEO, and is reported to the Board on a monthly basis. There have been no covenant breaches in the current period. Further, there are no covenant breaches forecast nor expected in the most recent approved business plan to 31 March 2016. The business plan will be updated in due course to reflect the outcome of RIIO-EDI, due on 28 November 2014. Management do not envisage any issues to arise following the announcement.

Accounts

All of the Annual Reports and Consolidated Financial Statements in the North West Electricity Networks (Jersey) Limited Group can be found at www.enwl.co.uk.

Going concern

After making enquiries as discussed in the accounting policies on pages 10 to 11, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half year condensed consolidated financial statements.

Responsibility statement

We confirm that to the best of our knowledge:

a. the condensed set of consolidated financial statements; which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;

b. the interim management report includes a fair review of the information required by DTR 4.2.7R; and

c. the condensed set of consolidated financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting'.

Registered address:

304 Bridgewater Place
Birchwood Park
Birchwood
Warrington
WA3 6XG

On behalf of the Board:

S Johnson

Chief Executive Officer

25 November 2014

CONDENSED CONSOLIDATED INCOME STATEMENT
For the period ended 30 September 2014

	Note	**Unaudited Six months ended 30 September 2014 £m**	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Revenue	**3**	**247.6**	236.6	508.0
Employee costs		**(18.6)**	(23.4)	(43.7)
Depreciation and amortisation expense (net)		**(48.6)**	(48.6)	(99.4)
Retail property provision (charge)/ release	**14**	**(0.3)**	0.5	1.5
Other operating costs		**(54.3)**	(47.1)	(95.9)
Total operating expenses		**(121.8)**	(118.6)	(237.5)
Operating profit		**125.8**	118.0	270.5
Investment income	**4**	**0.1**	0.2	0.4
Net finance expense	**5**	**(81.3)**	(25.0)	(130.4)
Profit before taxation		**44.6**	93.2	140.5
Taxation	**6**	**(10.6)**	11.4	15.1
Profit for the period/year attributable to the owners of the Company		**34.0**	104.6	155.6

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

The notes on pages 9 to 19 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 September 2014

	Unaudited Six months ended 30 September 2014 £m	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Profit for the financial period/year	**34.0**	104.6	155.6
Items that will not be re-classified to profit or loss:			
Remeasurement of net defined benefit liability	**7.4**	49.0	74.1
Deferred tax on remeasurement of net defined benefit pension schemes taken directly to equity	**(1.4)**	(10.3)	(14.8)
Adjustment due to future rates of brought forward deferred tax asset taken directly to equity	**-**	(3.8)	(5.7)
Other comprehensive income for the period/year	**6.0**	34.9	53.6
Total comprehensive income for the period/year and attributable to equity holders	**40.0**	139.5	209.2

The notes on pages 9 to 19 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2014

	Note	**Unaudited 30 September 2014 £m**	Unaudited 30 September 2013 £m	Audited 31 March 2014 £m
ASSETS				
Non-current assets				
Intangible assets and goodwill		**207.1**	212.6	208.9
Property, plant and equipment	**8**	**2,779.6**	2,633.6	2,704.9
		2,986.7	2,846.2	2,913.8
Current assets				
Inventories		**8.1**	6.6	7.3
Trade and other receivables		**60.6**	58.3	59.0
Cash and cash equivalents		**56.5**	74.2	69.5
		125.2	139.1	135.8
Total assets		**3111.9**	2,985.3	3,049.6
LIABILITIES				
Current liabilities				
Borrowings	**9**	**(676.5)**	(676.5)	(676.5)
Trade and other payables		**(135.6)**	(123.6)	(134.9)
Derivative financial instruments	**10**	**-**	(31.7)	-
Current income tax liabilities		**(15.5)**	(19.5)	(11.6)
Provisions	**14**	**(3.9)**	(5.4)	(3.8)
		(831.5)	(856.7)	(826.8)
Net current liabilities		**(706.3)**	(717.6)	(691.0)
Non-current liabilities				
Borrowings	**9**	**(1,424.7)**	(1,376.8)	(1,413.8)
Deferred tax liabilities		**(301.5)**	(315.0)	(304.2)
Customer contributions		**(219.0)**	(193.2)	(205.2)
Refundable customer deposits		**(2.6)**	(2.8)	(2.6)
Retirement benefit obligations	**12**	**(30.3)**	(60.3)	(37.1)
Provisions	**14**	**(3.8)**	(8.7)	(5.8)
Derivative financial instruments	**10**	**(141.9)**	(73.9)	(112.5)
		(2,123.8)	(2,030.7)	(2,081.2)
Total liabilities		**(2,955.3)**	(2,887.4)	(2,908.0)
Net assets		**156.6**	97.9	141.6
EQUITY				
Share capital		**3.0**	3.0	3.0
Retained earnings		**153.6**	94.9	138.6
Total equity		**156.6**	97.9	141.6

Approved by the Board of Directors on 25 November 2014 and signed on its behalf by:

S Johnson
Director
The notes on pages 9 to 19 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 2014

	Called up share capital £m	Retained earnings /(deficit) £m	Total equity £m
At 31 March 2013 (audited)	3.0	(6.6)	(3.6)
Profit for the period	-	104.6	104.6
Actuarial gains on defined benefit schemes	-	49.0	49.0
Tax on components of comprehensive income	-	(14.1)	(14.1)
Total comprehensive income for the period to 30 September 2013	-	139.5	139.5
Transactions with owners recorded directly in equity:			
Equity dividends	-	(38.0)	(38.0)
At 30 September 2013 (unaudited)	3.0	94.9	97.9
At 31 March 2013 (audited)	3.0	(6.6)	(3.6)
Profit for the year	-	155.6	155.6
Actuarial losses on defined benefit schemes	-	74.1	74.1
Tax on components of comprehensive income	-	(20.5)	(20.5)
Total comprehensive income for the period to 31 March 2014	-	209.2	209.2
Transactions with owners recorded directly in equity:			
Equity dividends	-	(64.0)	(64.0)
At 31 March 2014 (audited)	3.0	138.6	141.6
Profit for the period	-	34.0	34.0
Actuarial gains on defined benefit schemes	-	7.4	7.4
Tax on components of comprehensive income	-	(1.4)	(1.4)
Total comprehensive income for the period to 30 September 2014	**-**	**40.0**	**40.0**
Transactions with owners recorded directly in equity:			
Equity dividends	-	(25.0)	(25.0)
At 30 September 2014 (unaudited)	**3.0**	**153.6**	**156.6**

The notes on pages 9 to 19 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 September 2014

	Note	**Unaudited Six months ended 30 September 2014 £m**	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Operating activities				
Cash generated from operations	**11**	**161.8**	138.8	361.7
Interest paid		**(33.0)**	(29.9)	(134.2)
Tax paid		**(13.6)**	(8.1)	(29.2)
Net cash generated from operating activities		**115.2**	100.8	198.3
Investing activities				
Interest received and similar income		**0.1**	0.2	0.4
Purchase of property, plant and equipment	**8**	**(124.6)**	(108.0)	(234.6)
Customer contributions received		**19.1**	14.3	28.9
Proceeds from sale of property, plant and equipment		**0.2**	0.3	0.6
Net cash used in investing activities		**(105.2)**	(93.2)	(204.7)
Financing activities				
Dividends paid to equity shareholders of the Company	**7**	**(25.0)**	(38.0)	(64.0)
Proceeds from borrowings		**22.0**	16.4	67.0
Fees associated with borrowings		**-**	-	(0.3)
Repayment of borrowings		**(20.0)**	-	(15.0)
Net cash used in financing activities		**(23.0)**	(21.6)	(12.3)
Net decrease in cash and cash equivalents		**(13.0)**	(14.0)	(18.7)
Cash and cash equivalents at beginning of the period/year		**69.5**	88.2	88.2
Net cash and cash equivalents at end of the period/year		**56.5**	74.2	69.5

The notes on pages 9 to 19 form part of the condensed consolidated financial statements.

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The financial information for the 6 month period ended 30 September 2014 and similarly the period ended 30 September 2013 has neither been audited nor reviewed by the auditor. The financial information for the year ended 31 March 2014 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2014 does not constitute the statutory accounts for that year (as defined in s434 of the Companies Act 2006), but is derived from those accounts. Statutory accounts for 31 March 2014 have been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

2 ACCOUNTING POLICIES

Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The half year condensed consolidated financial statements of the Group which are unaudited, have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as adopted by the European Union.

The results for the period ended 30 September 2014 have been prepared using the same method of computation and on the basis of accounting policies consistent with those set out in the Annual Report and Consolidated Financial Statements of North West Electricity Networks Plc for the year ended 31 March 2014.

Although some of the Group's operations may sometimes be affected by seasonal factors such as general weather conditions, the Directors do not feel that this has a material effect on the performance of the Group when comparing the interim results to those achieved in the second half of the year.

Going concern

When considering continuing to adopt the going concern basis in preparing the half year condensed consolidated financial statements for the six months ended 30 September 2014, the Directors have taken into account a number of factors, including the following:

- Electricity North West Limited's electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating and this has been maintained through the period under review;
- Under section 3A of the Electricity Act 1989, the Gas and Electricity Markets Authority has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000;
- Management has prepared, and the Directors have reviewed, updated Group forecasts for the regulatory period to 31 March 2015 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 inflation (RPI), incentive revenue, over- or under-recoveries of allowed revenue and other possible RIIO-EDI outcomes, and demonstrate that there is sufficient headroom to key covenants and that sufficient resources are available within the forecast period;
- The latest forecasts used to assess going concern cover the 2015-23 regulatory price review (RIIO-ED1) process and therefore extend beyond the normal 12 month forecasting period. The final determination for the RIIO-ED1 price control period is expected on 28 November 2014; this inevitably leaves a level of uncertainty around future revenues. The forecasts demonstrate sufficient liquidity and headroom against the key covenant ratios, including when sensitised for variations in operational performance and other factors;

Notes *(continued)*

2 ACCOUNTING POLICIES *(continued)*

Going concern *(continued)*

- The Group and the Company are financed largely by long term external funding. This together with the present cash position and committed un-drawn facilities provides the appropriate liquidity platform to allow the Group and Company to meet their operational and financial commitments for the foreseeable future;
- 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 of £50m within ENWL and £117.4m in the Company are available from lenders which have a maturity of more than one year. At 30 September, the Company also had in place a committed, undrawn £40m liquidity facility for the specific purpose of funding any liquidity shortfall with respect to specific scheduled debt service payments, and a £200m backstop facility for the specific purpose of repaying the £300m bonds due in June 2015 if alternative finance could not be raised. A £305m debt issue has, however, been agreed in October and this backstop facility will now be cancelled. Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to 31 March 2015 indicate there is sufficient covenant headroom;
- The Board has given detailed consideration to the principal risks and uncertainties affecting the Group and Company, as referred to in the interim management report, and all other factors which could impact on the Group and the Company's ability to remain a going concern; and
- The Condensed Consolidated Statement of Financial Position shows net current liabilities at 30 September 2014. The net current liability position arises primarily due to the £676.5m inter-company borrowings.

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

Significant accounting policies

Changes in accounting policy

There are no accounting policies and standards adopted for the six month period ended 30 September 2014 or for the year ending 31 March 2015 that have a significant impact on the Company.

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments 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 is recognised in the income statement in finance expense and is separately identifiable from the net interest paid or received on these financial instruments, see note 5. Fair value is determined in the manner described in note 10.

3 OPERATING SEGMENTS

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

The geographical origin and destination of revenue is all within the United Kingdom. In addition whilst revenue can fluctuate marginally with weather conditions, revenues are not affected significantly by seasonal trends.

Notes *(continued)*

4 INVESTMENT INCOME

	Unaudited six months ended 30 September 2014 £m	Unaudited six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Interest receivable on short-term bank deposits held at amortised cost	**0.1**	0.2	0.4
Total investment income	**0.1**	0.2	0.4

5 NET FINANCE EXPENSE

	Unaudited six months ended 30 September 2014 £m	Unaudited six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Interest payable			
Interest payable on group borrowings	**15.6**	15.5	31.0
Interest payable on borrowings held at amortised cost	**30.2**	29.1	58.5
Interest payable on borrowings designated at fair value through profit or loss	**-**	-	22.2
Net (receipts)/payments on derivatives held for trading	**(3.0)**	(3.1)	25.6
Other finance charges related to index linked bonds	**3.2**	3.6	7.9
IAS 23 capitalised interest	**(0.2)**	(0.3)	(0.9)
Interest cost on pension plan obligations	**0.8**	2.0	4.1
	46.6	46.8	148.4
Fair value (gains)/losses on financial instruments			
Borrowings designated at fair value through profit or loss	**5.3**	(15.3)	(18.5)
Fair value movement on derivatives held for trading	**29.4**	(6.5)	0.5
	34.7	(21.8)	(18.0)
	81.3	25.0	130.4

Notes *(continued)*

6 TAXATION

	Unaudited Six months ended 30 September 2014 £m	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Current tax:			
UK corporation tax:			
Current period/year	**17.5**	21.3	34.9
Prior year	**-**	-	(0.1)
	17.5	21.3	34.8
Deferred tax:			
Current period/year	**(6.9)**	(2.7)	(1.9)
Prior year	**-**	-	1.2
Impact from future tax rates	**-**	(30.0)	(49.2)
	(6.9)	(32.7)	(49.9)
Tax charge/(credit) for the period/year	**10.6**	(11.4)	(15.1)

Corporation tax is calculated at 21% (period ended 30 September 2013: 23%, year ended 31 March 2014: 23%) being the best estimate of the effective tax rate for the full financial year.

Deferred tax is calculated at 20% (period ended 30 September 2013: 21%, year ended 31 March 2014: 20%).

The UK corporation tax rate will reduce to 20% from 1 April 2015 and deferred tax has been calculated at this rate. The rate reduction will reduce the Group's future tax charge.

7 DIVIDENDS

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

	Unaudited Six months ended 30 September 2014 £m	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Interim dividends for the period/year	**25.0**	38.0	64.0

Notes *(continued)*

8 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent £124.6m (period ended 30 September 2013: £108.0m, year ended March 2014: £234.6m) on additions to property, plant and equipment as part of its capital programme for replacing its operating network and capitalised £0.2m (period ended 30 September 2013: £0.3m, year ended March 2014: £0.9m) of interest, in accordance with IAS 23.

9 BORROWINGS

	Unaudited 30 September 2014 £m	Unaudited 30 September 2013 £m	Audited 31 March 2014 £m
Non-current liabilities			
Bank and other term borrowings	**232.2**	192.3	229.6
Bonds	**1,192.5**	1,184.5	1,184.2
	1,424.7	1,376.8	1,413.8
Current liabilities			
Amounts owed to parent undertaking	**676.5**	676.5	676.5
	2,100.2	2,053.3	2,090.3

As at 30 September 2014 the Group had £167.4m of unutilised committed bank facilities (30 September 2013: £191.4m, 31 March 2014: £259.4m).

10 FINANCIAL INSTRUMENTS

Fair values

Where available, market values have been used to determine fair values (see Level 1 in the fair value hierarchy overleaf). Where market values are not available, fair values have been calculated by estimating future contractual cash flows using prevailing interest and RPI rate expectations sourced from market data then discounting those estimated future cash flows, using a discount rate based on the market data and then adjusted for the non-performance risk of either the Company or the counterparty as appropriate (see Level 2 in the fair value hierarchy overleaf). The non-performance risk has been calculated by reference to the most recent comparable transactions and market-corroborated data and Company specific events subsequent to the transactions. Since the year end there have been no events to indicate any changes to our credit risk, all assumptions remain unchanged.

For cash and cash equivalents, trade and other receivables and trade and other payables the book values approximate to the fair values because of their short-term nature. Borrowings designated at fair value through profit or loss and derivative financial instruments are carried in the statement of financial position at fair value. All of the fair value measurements recognised in the statement of financial position for the Group and Company occur on a recurring basis. The only category of financial assets and financial liabilities where the carrying value differs from the fair value is Borrowings measured at amortised cost, as shown in the table below:

Notes *(continued)*

10 FINANCIAL INSTRUMENTS *(continued)*

30 September 2014	**Group Carrying Value**	**Group Fair Value**	**Company Carrying Value**	**Company Fair Value**
Financial liabilities:	**£m**	**£m**	**£m**	**£m**
Non-current liabilities:				
Borrowings measured at amortised cost	**(1,054.3)**	**(1,206.0)**	**(32.2)**	**(32.2)**

30 September 2013	Group Carrying Value	Group Fair Value	Company Carrying Value	Company Fair Value
Financial liabilities:	£m	£m	£m	£m
Non-current liabilities:				
Borrowings measured at amortised cost	(1,009.6)	(1,176.4)	(45.0)	(45.0)

31 March 2014	Group Carrying Value	Group Fair Value	Company Carrying Value	Company Fair Value
Financial liabilities:	£m	£m	£m	£m
Non-current liabilities:				
Borrowings measured at amortised cost	(1,049.8)	(1,173.7)	(30.1)	(30.1)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of the Group's 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).

Notes *(continued)*

10 FINANCIAL INSTRUMENTS *(continued)*

	30 September 2014			
Group	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	**-**	**(141.9)**	**-**	**(141.9)**
Financial liabilities designated at FVTPL	**(369.3)**	**-**	**-**	**(369.3)**
Total	**(369.3)**	**(141.9)**	**-**	**(511.2)**

	30 September 2013			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	-	(105.6)	-	(105.6)
Financial liabilities designated at FVTPL	(367.2)	-	-	(367.2)
Total	(367.2)	(105.6)	-	(472.8)

	31 March 2014			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	-	(112.5)	-	(112.5)
Financial liabilities designated at FVTPL	(364.0)	-	-	(364.0)
Total	(364.0)	(112.5)	-	(476.5)

There were no transfers between levels during the current period (period ended 30 September 2013: same, year ended 31 March 2014: same).

Notes *(continued)*

11 CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 September 2014 £m	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Operating profit	**125.8**	118.0	270.5
Adjustments for:			
Depreciation of property, plant and equipment	**47.4**	45.8	93.9
Amortisation of intangible assets	**1.9**	3.6	7.2
Amortisation of customer contributions[1]	**(1.2)**	(3.5)	(4.5)
Profit on disposal of property, plant and equipment	**-**	(0.2)	(0.2)
Cash contributions less than/(in excess of) pension charge to operating profit	**(0.2)**	3.5	1.3
Operating cash flows before movement in working capital	**173.7**	167.2	368.2
Changes in working capital:			
(Increase)/decrease in inventories	**(0.9)**	(1.4)	(2.0)
(Increase)/decrease in trade and other receivables	**(0.5)**	(0.8)	(1.4)
(Decrease)/increase in provisions and payables	**(10.5)**	(26.2)	(3.1)
Cash generated from continuing operations	**161.8**	138.8	361.7

1 In the 6 months ended 30 September 2014 £1.2m (period ended September 2013: £1.5m, year ended March 2014 £2.8m) of customer contributions amortisation has been amortised through revenue as a result of the adoption of IFRIC 18.

12 RETIREMENT BENEFIT SCHEMES

Defined benefit schemes

The defined benefit obligation is calculated using the latest actuarial valuation as at 31 March 2014 and has been projected forward by an independent actuary to take account of the requirements of IAS 19 'Employee Benefits' in order to assess the position at 30 September 2014. 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. The defined benefit plan assets have been updated to reflect their market value as at 30 September 2014. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the statement of comprehensive income in accordance with the Group's accounting policy.

Notes *(continued)*

13 RELATED PARTIES

Loans are made between companies in the North West Electricity Networks (Jersey) 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, the North West Electricity Networks Plc group companies entered into the following transactions with related parties who are not members of that group:

	Unaudited Six months ended 30 September 2014 £m	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Transactions with related parties			
Recharges to Electricity North West (Construction and Maintenance) Limited	**1.0**	0.7	1.1
Recharges from Electricity North West (Construction and Maintenance) Limited	**0.2**	0.3	0.4
Interest payable to North West Electricity Networks (Holdings) Ltd	**15.6**	15.5	31.0
Dividends paid to North West Electricity Networks Group Limited	**25.0**	38.0	64.0
Directors' fees to Colonial First State	**0.1**	0.1	0.2

Fees of £60,000 (September 2013: £60,000, March 2014: £120,000) 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.

Fees of £60,000 (September 2013: £60,000, March 2014: £120,000) were payable to IIF Int'l Holding GP Ltd ('IIF') in respect of the provision of Directors' services which is identified as a related party.
Amounts outstanding between the Group and other companies within the North West Electricity Networks (Jersey) Group:

	Unaudited 30 September 2014 £m	Unaudited 30 September 2013 £m	Audited 31 March 2014 £m
Amounts owed to related parties			
Interest to North West Electricity Networks (Holdings) Ltd	**13.0**	13.0	12.9
Amounts owed to Electricity North West (Construction and Maintenance) Limited	**-**	0.1	-
Amounts owed to North West Electricity Networks (Holdings) Ltd	**676.5**	676.5	676.5
Amounts owed from related parties			
Amounts owed from Electricity North West (Construction and Maintenance) Limited	**0.3**	0.2	0.5
Amounts owed from North West Electricity Networks (Holdings) Ltd	**0.6**	0.7	0.7
Group tax relief from North West (Construction and Maintenance) Limited	**-**	-	0.1

The loans from related parties comprise amounts loaned from North West Electricity Networks (Holdings) Limited. £200m carries interest at 10% per annum, £327m is interest free, £149.5m carries interest at fixed rate 7.09% (2013: same). Amounts are repayable on demand.

Notes *(continued)*

14 PROVISIONS

	Unaudited six months ended 30 September 2014 £m	Unaudited six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Opening Balance	**9.6**	20.0	20.0
Additional provision in the year	**-**	-	-
Charge/(release) to the income statement on re-estimate provision	**0.3**	0.5	(1.5)
Utilisation of provision	**(2.2)**	(6.4)	(8.9)
	7.7	14.1	9.6

	Unaudited six months ended 30 September 2014 £m	Unaudited six months ended 30 September 2013 £m	Audited Year ended 31 March 2014 £m
Current	**3.9**	5.4	3.8
Non current	**3.8**	8.7	5.8
	7.7	14.1	9.6

The provision relates to onerous lease commitments on properties and is in two parts, a portfolio of leases arising from the administration of a third party tenant and one retail property outside of the portfolio. The carried forward provision at 1 April 2014 was made up of 8.4m for the portfolio of leases and £1.2m in relation to the one retail property outside of the portfolio. During the period £2.1m of the provision relating to the portfolio of leases was utilised and £0.1m of the provision relating to the retail property outside of this portfolio was utilised.

Based on the current risk assessment of the portfolio which considers the location and size of the stores, market conditions, demand and expectation on the ability to re-let the properties, cash exposure is forecast to be approximately £3.0m over the next 12 months, with the remaining outflows falling over the period to 2021/22.

Of the total portfolio of 39 leases previously assigned to the third party, at 31 March 2014 it was assumed that the likelihood of obligations for 8 of these units becoming payable was remote. However, the liability on one of the properties has now returned to Electricity North West Limited and the provision has been re-estimated in the period to reflect this and other movements.

Of the other 31 leases within the portfolio, 13 make up the current provision of £6.6m as at 30 September 2014, whilst the others have either had leases disclaimed, surrendered by the landlord, or new third party tenants have taken occupation.

The one retail property outside of the portfolio carries a provision of £1.1m at 30 September 2014. This amount takes account of expectations that the lease costs arising will be borne by the Group until the lease terminates (hence the amount represents a 100% provision).

Notes *(continued)*

15 EVENTS AFTER THE BALANCE SHEET DATE

With effect from 5th October 2014 the name of the company was changed from North West Electricity Networks Limited to North West Electricity Networks Plc.

On 8 October 2014, the Company agreed a £305m new debt facility in the US private placement market. This was formally signed on 5 November 2014. The funds are due to be received in four tranches; on 18 December 2014, £100m at a fixed rate of 4.07% maturing in 2029 and £20m index-linked at a real rate of 1.40% maturing in 2034, and on 18 June 2015 £100m at a fixed rate of 4.17% maturing in 2029 and £85m index-linked at a real rate of 1.50% maturing in 2034. The Company will use the funds to repay the £300m inter-company bond with its subsidiary, ENW Capital Finance plc, due on 20 June 2015. ENW Capital Finance plc will subsequently use the proceeds from the repayment of the inter-company bond to repay the £300m 6.75% bond, also due on 20 June 2015.