Company Registration No. 6845434

ENW FINANCE plc

Annual Report and Financial Statements

For the period from 12 March 2009 to 31 March 2010

REPORT AND FINANCIAL STATEMENTS 2010

Directors' Report

The directors present their report and the audited financial statements of ENW Finance plc (the "Company") for the period ended 31 March 2010 which represents the first period following incorporation.

Business review and principal activities

The company was incorporated on 12 March 2009 as a public limited company. The principal activity of the Company during the period from incorporation to 31 March 2010 was that of a financing company which issued Notes and listed them on the London Stock Exchange. The Company is a financing entity within the North West Electricity Networks (Jersey) Limited group (the "Group") and following the issue of Notes, it has lent the proceeds to a fellow Group subsidiary and affiliated company, Electricity North West Limited ("ENW").

Profit and dividends

The results for the period are set out in the income statement on page 5 and show that profit for the period after tax was £2.1m.

Dividends recognised in the period were £Nil. The directors do not propose a final dividend for the period ended 31 March 2010.

Important Events

On 21 July 2009 the Company:

(1) issued GBP 200m 6.125 per cent Fixed Rate Notes due 2021 (the "ENW Notes"), guaranteed by ENW;
(2) secured the listing of those Notes on the London Stock Exchange;
(3) entered £200m notional value of index-linked swaps with an affiliated company, ENW, effectively converting the fixed coupon on the bond to inflation-linked; and
(4) entered into a loan arrangement with ENW for the proceeds of the Notes on equivalent terms of the Notes plus the net impact of the index-linked swaps. The adjustment for the net impact of the index-linked swaps creates an embedded derivative within this intercompany loan agreement.

Principal risks and uncertainties

As the Company's obligations in respect of the listed notes and intercompany index-linked swaps are met via income receivable from ENW via the intercompany loan arrangement the Board considers the principal risks and uncertainties facing the company to be those that affect North West Electricity Networks Limited ("NWEN") and the larger Group. The principal trade and activities of the Group are carried out in ENW and a comprehensive review of the business model, the regulatory environment, the resources and principal risks and uncertainties facing that Company, and ultimately the Group, are discussed in pages 11-16 of the ENW annual accounts.

The Company has exposure to interest rate risk and inflation risk; the intercompany index-linked swaps and the embedded derivative are exposed to a risk of change in their fair value arising from a risk of change of future cashflows due to changes in market interest rates and inflation rates. This exposure is limited as the impact on the intercompany index-linked swaps (liability) is largely offset by an opposite impact on the embedded derivative (asset).

Financial position

The Company has borrowings net of cash and short-term deposits of £198,234,000 at 31 March 2010 which relates to the aforementioned notes which have a long-term maturity. The notes have a nominal value of £200m at 6.125per cent that matures in 2021 and are held at amortised cost net of associated transaction costs.

Directors' Report *(continued)*

Going Concern

After making enquires, and based on the assumptions outlined in the notes to the financial statements, the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The names of the directors who held office during the period are given below:

J Gittins	(appointed 16 July 2009)
S Johnson	(appointed 12 March 2009)
C Thompson	(appointed 24 April 2009)
M Sugden	(appointed 12 March 2009, resigned 12 June 2009)
N Mills	(appointed 23 June 2009)
S Toor	(appointed 23 June 2009)

Events after the Balance Sheet Date

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

Directors' and officers' insurance

The Company maintains an appropriate level of directors' and officers' insurance whereby directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report *(continued)*

Information given to auditors

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

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

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

Independent auditor

Following the incorporation of the company Deloitte LLP were appointed as auditors. Deloitte LLP have expressed their willingness to continue in office as auditors of the company.

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

Registered address

ENW Finance plc
304 Bridgewater Place
Birchwood Park
Warrington
WA3 6XG

Registered number: 6845434

By order of the board

S Johnson

Director

8 June 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENW FINANCE PLC

We have audited the financial statements of ENW Finance plc for the period ended 31 March 2010 which comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 16. 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.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 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 (APB'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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and the company's profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 period 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 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; or

Alan Fendall (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, United Kingdom
8 June 2010

INCOME STATEMENT
For the period from 12 March 2009 to 31 March 2010

	Note	2010 £'000
Operating profit	*2*	**-**
Investment income	*4*	**8,958**
Finance expense	*5*	**(5,789)**
Net investment income and finance expense		**3,169**
Profit before taxation		**3,169**
Taxation	*6*	**(1,027)**
Profit for the period		**2,142**

All the results shown in the income statement derive from continuing operations. There are no other recognised gains and losses for the current financial period other than the result shown above. Accordingly a separate statement of comprehensive income has not been prepared.

STATEMENT OF FINANCIAL POSITION
At 31 March 2010

	Note	2010 £'000
ASSETS		
Non-current assets		
Trade and other receivables	7	198,247
		198,247
Current assets		
Trade and other receivables	7	23,266
Cash and cash equivalents	8	13
Derivative financial instruments	7	52,924
		76,203
Total assets		274,450
LIABILITIES		
Current liabilities		
Trade and other payables	11	(2,764)
Derivative financial instruments	10	(70,637)
		(73,401)
Net current assets		2,802
Non-current liabilities		
Borrowings	9	(198,247)
Deferred tax	12	(647)
		(198,894)
Total liabilities		(272,295)
Net assets		2,155
EQUITY		
Called up share capital	13	13
Retained earnings	14	2,142
Total equity		2,155

The Financial Statements of ENW Finance plc (registered number 6845434) were approved by the board of directors on 8 June 2010 and signed on its behalf by:

C Thompson
Director

STATEMENT OF CHANGES IN EQUITY
For the period from 12 March 2009 to 31 March 2010

	Called up share capital	Retained earnings	Total Equity
	£'000	£'000	£'000
At 12 March 2009	-	-	-
Profit for the period	-	2,142	2,142
Issue of share capital	13	-	13
At 31 March 2010	13	2,142	2,155

STATEMENT OF CASHFLOWS
For the period from 12 March to 31 March 2010

	Note	2010 £'000
Operating activities		
Cash generated from operations		-
Interest paid		(6,125)
Tax paid		-
Net cash used in operating activities		**(6,125)**
Investing activities		
Interest received and similar income		6,125
Net cash generated from investing activities		**6,125**
Financing activities		
Proceeds on issue of ordinary shares		13
Proceeds from borrowings		218,800
New Intergroup loans issued		(218,800)
Net cash generated by financing activities		**13**
Net increase in cash and cash equivalents		**13**
Net cash and cash equivalents on incorporation		**-**
Net cash and cash equivalents at end of the period	*8*	**13**

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

1. ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

Basis of preparation – going concern basis

The performance, financial position and key risks impacting the company are detailed in the Directors' Report on pages 1 and 2. The Company is 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 dependant on the fellow Group subsidiaries' 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 2010:

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

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

Financial instruments

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

Trade receivables

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

Trade payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

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

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Financial investments

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

Financial liabilities and equity

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

Bank borrowings

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

The Company derecognises financial liabilities when, and only when, the Company'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 profit and loss account in the period in which they are accrued. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial fair value of that instrument.

Derivatives and borrowings

The Company's default treatment is for borrowings to be carried at amortised cost, whilst derivatives are recognised separately on the balance sheet at fair value. Movements in fair values are reflected through the income statement, except for the effective part of any fair value movement on derivatives designated in a cash flow hedge relationship, which is recognised directly in equity. This has the potential to introduce considerable volatility to both the income statement and balance sheet. The Company accounts for derivative financial instruments at fair value through profit or loss, where hedge accounting cannot be applied. This area is considered to be of significance due to the magnitude of the Company's level of borrowings.

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

Notes *(continued)*

1. ACCOUNTING POLICIES (continued)

Operating profit

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

Taxation

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

Current taxation

Current tax, representing UK corporation tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at the balance sheet date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer more likely than not that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

Notes *(continued)*

2. OPERATING PROFIT

Audit fees payable to Deloitte LLP of £3,000 were borne by another Group Company and have not been recharged. 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. Any fees payable to professional service firms are borne by ENW.

3. DIRECTORS AND EMPLOYEES

The Company had no employees during the period and the Directors received no remuneration during the period from the Company.

4. INVESTMENT INCOME

	2010 £'000
Interest receivable from affiliated Company	8,958
	8,958

5. FINANCE EXPENSE

	2010 £'000
Interest payable	
Interest payable on borrowings held at amortised cost	8,576
Fair value (gains)/losses on financial instruments	
Derivatives designated at fair value through profit and loss	(2,787)
Net finance expense	5,789

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

6. TAXATION

	2010 £'000
Current tax:	
UK corporation tax	380
Deferred tax (note 12):	
Current year	647
	1,027

Corporation tax is calculated at 28 per cent of the estimated assessable profit for the period.

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

	2010 £'000	2010 %
Profit before tax	3,169	
Tax at the UK corporation tax rate of 28%	887	28.0
Non-taxable expense	140	4.4
	1,027	32.4

7. TRADE AND OTHER RECEIVABLES

	2010 £'000
Non-current assets	
Amounts due from group undertaking	198,247
	198,247
Current assets	
Amounts due from group underertaking	23,266
Derivative financial instruments	52,924
	76,190

On 21 July 2009 the Company lent Electricity North West Limited, GBP 200,000,000 at 6.125 per cent fixed rate due 2021. The Net proceeds received by the affiliate were £198,178,000 and terms are aligned to the external terms of the Bond and associated intercompany hedging arrangements. The carrying value of the receievable reflects the accretion of the discunt on issue over the life of the instrument. The Company also lent NWEN £20,500,000 on an interest free basis, repayable in 2021. These amounts were as a result of the Group refinance and Notes issued by the Company on 21 July 2009.

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

8. CASH AND CASH EQUIVALENTS

	2010 £'000
Short term bank deposits including cash at bank and in hand	13

Cash and cash equivalents comprise cash at bank and in hand.

9. BORROWINGS

This note provides information about the contractual terms of the Company's loans and borrowings. For more information about the Company's exposure to interest rate risk and liquidity risk see note 10.

	2010 £'000
Non-current liabilities (Borrowings at amortised cost)	
Notes - £200m, 6.125% maturing 2021	198,247
	198,247
Other financial liabilities held at amortised cost	
Trade payables (see note 11)	2,764
	201,038

On 21 July 2009 the Company issued GBP 200,000,000 6.125 per cent. fixed rate Notes due 2021, guaranteed by Electricity North West Limited. All loans and borrowings are unsecured. There is no formal Bank Overdraft facility in place at 31 March 2010. All amounts are in sterling.

Borrowing facilities

The Company had no unutilised committed bank facilities at 31 March 2010.

10. 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 Company uses financial instruments to invest liquid asset balances, raise funding and manage the risks arising from its operations.

The principal risks which the Company is exposed to and which arise in the normal course of business include liquidity and market risk, including interest and inflation risk. Derivatives are used to change the basis of interest cashflows from fixed to inflation-linked, for economic hedging reasons. 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 Company 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 Company 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 Group Board to set and approve the risk management procedures and controls. For a full discussion of the Groups risk management policies refer to the NWEN Jersey Group Accounts.

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

10. FINANCIAL INSTRUMENTS *(continued)*

Risk management

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

Liquidity risk

Liquidity risk is the risk that the Company 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. As the Company's obligations in respect of the listed notes and intercompany index-linked swaps are met via income receivable from ENW via the intercompany loan arrangement the Board considers the liquidity risk to be low and that cashflows are appropriately balanced to allow all funding obligations to be met when due.

The following is an analysis of the maturity profile of contractual cash flows of principal and interest payable under financial liabilities on an undiscounted basis. All cashflows are shown gross.

As at 31 March 2010	On demand	<1 year	1-2 years	2-3 years	3-4 years	>4 years
	£'000	£'000	£'000	£'000	£'000	£'000
Notes	-	(12,300)	(12,300)	(12,300)	(12,300)	(291,900)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, inflation (RPI), equity and commodity prices. The main types of market risk to which the Company 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 using risk limits approved by the finance director under delegated authority. The Group has no foreign exchange and no equity exposure.

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

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 cashflows 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.

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

10. FINANCIAL INSTRUMENTS *(continued)*

Inflation risk

The revenues of the Group's operating company, Electricity North West Limited ("ENW") are linked to movements in inflation, as defined by the Retail Price Index ("RPI"). To economically hedge exposure to RPI, the Company has linked its funding costs to RPI by using derivative financial instruments prior to on-lending the proceeds of such funding to ENW. The Company's 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 Company has £200m notional principal of intercompany index-linked swaps that convert the fixed rate of interest payable under the notes 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.

Fair values

The tables below provide a comparison of the book and fair values of the Company'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 Company for similar financial instruments as at year end.

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

	2010 Carrying value £'000	2010 Fair value £'000
Financial assets:		
Non-current assets:		
Amounts due from group undertaking	198,247	213,100
	198,247	213,100
Current assets:		
Cash and cash equivalents	13	13
Derivative financial instruments	52,924	52.924
Trade and other receivables		
	52,937	52,937

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

10. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

	2010 Carrying value £'000	2010 Fair value £'000
Financial liabilities:		
Non-current liabilities:		
Borrowings measured at amortised cost	198,247	213,100
	198,247	213,100
Current liabilities:		
Derivative financial instruments	70,637	70,637
	70,637	70,637

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

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 2010			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Derivative financial assets	-	52,924	-	52,924
Total	-	52,924	-	52,924
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(70,637)	-	(70,637)
Total	-	(70,637)	-	(70,637)

There were no transfers between Levels during the year.

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

11. TRADE AND OTHER PAYABLES

	2010 £'000
Accrued Bond Interest	2,382
Amounts owed to affiliated undertakings	382
	2,764

12. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the company, and the movements thereon, during the current and prior reporting periods.

	Total £'000
As at incorporation	-
Charged to the income statement	647
At 31 March 2010	**647**

13. SHARE CAPITAL

	2010 £'000
Authorised:	
50,000 ordinary shares of £1 each	50
	50
Allotted, called up and fully paid:	
12,500 ordinary shares of £1 each	13
	13

On 12 March 2009 the company issued 12,500 £1 ordinary shares

14. SHAREHOLDERS' EQUITY

	Called up share capital £'000	Retained earnings £'000	Total £'000
As at incorporation	-	-	-
Share capital issued in the period	13	-	13
Profit for the period	-	2,142	2,142
At 31 March 2010	**13**	**2,142**	**2,142**

NOTES TO THE ACCOUNTS
For the period from 12 March 2009 to 31 March 2010

15. RELATED PARTY TRANSACTIONS

Related party transactions during the period were as follows:

	2010
	£'000
Interest Receivable from group undertaking	8,958
Loan to parent undertaking	20,500
Loans to group undertaking	198,247

On 21 July 2009 the Company lent Electricity North West Limited, GBP 200,000,000 at 6.125 per cent fixed rate due 2021. This was as a result of the Group refinance and Notes issued by the Company on 21 July 2009. The net proceeds on lent were £198,274,000

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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