

**NORTH WEST ELECTRICITY
NETWORKS LIMITED**

**Half Year Condensed Consolidated Financial
Statements**

For the period ended 30 September 2009

NORTH WEST ELECTRICITY NETWORKS LIMITED

HALF YEAR CONDENSED REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

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NORTH WEST ELECTRICITY NETWORKS LIMITED

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 Limited Group (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 Limited (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.

Directors

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

John Gittins (appointed 16/07/2009)

Steve Johnson

Carol Thompson (appointed 24/04/2009)

Malcolm Sugden (resigned 12/06/2009)

Alternate Director:

Robert O'Malley (appointed 01/07/2009; resigned 31/07/2009)

Operations

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

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

Important Events

The NWEN (J) Group was established specifically for the purpose of purchasing ENW on 19 December 2007. The purchase was financed by a combination of equity and bank acquisition finance, the latter including a £465m bridging loan (the "bridge") to the Company. The bridge was due for repayment in December 2010.

During the period, the Company has refinanced the bridge through the issuance of Notes through two newly incorporated subsidiary companies.

ENW Capital Finance plc and ENW Finance plc were incorporated on 8 April 2009 as public limited companies. The principal activities of these entities during the period from incorporation to 30 September 2009 was that of financing companies which issued Notes and listed them on the London Stock Exchange as disclosed below.

On 21 July 2009 the Company:

- (1) became Guarantor of an issue of GBP 300,000,000 6.75 per cent. fixed rate Notes due 2015 (the "NWEN Notes"), listed on the London Stock Exchange, by ENW Capital Finance plc; and
- (2) entered into a loan arrangement with ENW Capital Finance plc for the proceeds of the NWEN Notes.

On 21 July 2009 ENW Finance plc:

- (1) issued GBP 200,000,000 6.125 per cent. Fixed Rate Notes due 2021 (the "ENW Notes"), guaranteed by ENW; and
- (2) secured the listing of those Notes on the London Stock Exchange.

The repayment of bridge facility resulted in the write off £0.941m previously capitalised issuance costs in the period.

NORTH WEST ELECTRICITY NETWORKS LIMITED

INTERIM MANAGEMENT REPORT (continued)

Results for six months ended 30 September 2009

The results for the period as set out in the condensed income statement on page 4, illustrate that revenue for the six month period ended 30 September 2009 was £152.5m (six month period ended 30 September 2008: £155.2m). Loss for the period after tax for the six months ended 30 September 2009 was £29.2m (six months period ended 30 September 2008: Profit £5.7m). The loss arises due to fair value losses on financial instruments of £52.2m (six months period ended 30 September 2008: £28.5m) from which there are no cash outflows as a consequence.

Net Debt

As a result of the refinancing described above, total borrowings increased and at 30 September 2009 were £1,886.7m (30 September 2008: £1,782.7m) an increase of £104.0m. Additional cash of £70m was raised from the refinancing and at 30 September 2009 cash totalled £149.2m (30 September 2008: £74.3m). Consequently net debt increased by £29.1m to £1,737.5m at 30 September 2009 (30 September 2008: £1,708.4m).

Dividends

An interim dividend payment of £2.5m was made in June 2009. At the date of these financial statements the directors do not propose a further interim or final dividend for the six months ended 30 September 2009.

Principal risks and uncertainties

The principal risks and uncertainties of the NWEN Group are discussed on pages 1 to 4 of the Company's 2009 Annual Report and Accounts which should be read in conjunction with the 2009 Annual Report and Accounts of Electricity North West Limited as the principal trading subsidiary of that group. Both of those Reports and Accounts can be found at www.enwltld.co.uk.

It is the Board's view that the principal risks and uncertainties surrounding the Group in the second half of the financial year which ends in March 2010 will continue to be those set out in the 2009 Annual Reports and Accounts referred to above with the exception that the refinancing mentioned in those reports has now been completed. The Company acting as Guarantor to the listing of the NWEN Notes of ENW Capital Finance plc and ENW acting as Guarantor to the listing of the ENW Notes of ENW Finance plc form part of this refinancing.

The most significant risk of the Group is considered to be not securing a sustainable outcome at the DPCR5 price review. The Group are presently heavily involved with the DPCR5 price review which takes effect from 1 April 2010. On 3 August the group received the Initial Proposals from Ofgem and have also received subsequent letters on 5 and 23 October which provide further clarity and adjustments to the proposed DPCR5 settlement. The Group had previously submitted a high level business plan in August 2008 and a detailed business plan in January 2009 which has been used as the basis for the Initial Proposals. The process will be completed when companies decide to accept or reject Ofgem's final proposals in January 2010 and upon acceptance these are then enacted through changes to ENW's Electricity Distribution Licence. An adverse price determination may occur as a result of a number of factors, including an inadequate allowed cost of capital or unrealistic regulatory assumptions concerning operating expenses, required capital expenditure and revenue forecasts.

ENW has a robust process in place for undertaking and managing the price control review which reports regularly to the ENW Board. The experienced team at ENW has developed a thorough regulatory strategy and is engaging positively with Ofgem to secure a sustainable outcome.

Going concern

After making enquiries as discussed in the accounting policies on page 8, 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-yearly condensed financial statements.

INTERIM MANAGEMENT REPORT (continued)

Responsibility statement

We confirm that to the best of our knowledge:

- (a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and a description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Registered address:

Dalton House, 104 Dalton Avenue

Birchwood Park, Birchwood

Warrington WA3 6YF

By order of the Board:

S Johnson

Director

26 November 2009

NORTH WEST ELECTRICITY NETWORKS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2009

	Note	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Revenue	3	152.5	155.2	341.8
Employee benefits expense		(2.8)	(3.0)	(6.5)
Depreciation and amortisation expense		(35.2)	(32.0)	(65.9)
Other operating costs		(50.3)	(42.9)	(99.0)
Restructuring (charge)/credit		-	(1.2)	0.8
Total operating expenses		(88.3)	(79.1)	(170.6)
Operating profit		64.2	76.1	171.2
Investment (expense)/income	4	(2.5)	3.4	2.5
Finance expense	5	(94.1)	(83.0)	(133.3)
(Loss)/profit before taxation		(32.4)	(3.5)	40.4
Taxation	6	3.2	9.2	(18.6)
(Loss)/profit for the period/year		(29.2)	5.7	21.8

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

NORTH WEST ELECTRICITY NETWORKS LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2009

	Note	Unaudited 30 September 2009 £m	Unaudited 30 September 2008 £m	Audited 31 March 2009 £m
ASSETS				
Non-current assets				
Intangible assets		206.3	206.2	206.2
Property, plant and equipment	8	2,148.6	2,040.5	2,101.9
		<u>2,354.9</u>	<u>2,246.7</u>	<u>2,308.1</u>
Current assets				
Trade and other receivables		39.8	36.2	44.0
Cash and cash equivalents		149.2	74.3	42.3
Derivative financial instruments		1.0	16.9	43.2
		<u>190.0</u>	<u>127.4</u>	<u>129.5</u>
Total assets		<u><u>2,544.9</u></u>	<u><u>2,374.1</u></u>	<u><u>2,437.6</u></u>
LIABILITIES				
Current liabilities				
Trade and other payables		(761.4)	(752.3)	(729.2)
Current income tax liabilities		(1.1)	(3.5)	(3.3)
Derivative financial instruments		(7.1)	(36.9)	(79.6)
		<u>(769.6)</u>	<u>(792.7)</u>	<u>(812.1)</u>
Net current liabilities		<u>(579.6)</u>	<u>(665.3)</u>	<u>(682.6)</u>
Non-current liabilities				
Borrowings	9	(1,217.5)	(1,102.5)	(1,108.2)
Deferred tax liabilities		(430.6)	(444.1)	(449.9)
Provisions		-	(2.8)	-
Consumer contributions		(67.1)	(38.8)	(49.8)
Refundable customer deposits		(3.0)	(8.5)	(8.2)
Retirement benefit obligations	12	(90.8)	(3.5)	(27.5)
Derivative financial instruments		(62.1)	-	-
		<u>(1,871.1)</u>	<u>(1,600.2)</u>	<u>(1,643.6)</u>
Total liabilities		<u><u>(2,640.7)</u></u>	<u><u>(2,392.9)</u></u>	<u><u>(2,455.7)</u></u>
Net Liabilities		<u><u>(95.8)</u></u>	<u><u>(18.8)</u></u>	<u><u>(18.1)</u></u>
EQUITY				
Share capital		3.0	3.0	3.0
Retained earnings		(98.8)	(21.8)	(21.1)
Total equity	10	<u><u>(95.8)</u></u>	<u><u>(18.8)</u></u>	<u><u>(18.1)</u></u>

Approved by the board of directors on 25 November 2009 and signed on its behalf by:

S Johnson

Director

26 November 2009

NORTH WEST ELECTRICITY NETWORKS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the period ended 30 September 2009

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Actuarial losses on defined benefit pension schemes	(63.9)	(49.9)	(73.5)
Deferred tax on items taken directly to equity	17.9	14.0	23.7
Net expense recognised directly in equity	(46.0)	(35.9)	(49.8)
(Loss)/profit for the period/year	(29.2)	5.7	21.8
Total recognised income and expense for the period/year	(75.2)	(30.2)	(28.0)

NORTH WEST ELECTRICITY NETWORKS LIMITED

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the period ended 30 September 2009

	Note	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Operating activities				
Cash generated from operations	11	108.3	98.5	217.5
Interest paid		(28.2)	(27.6)	(86.1)
Tax paid		(0.3)	(21.7)	(33.9)
Net cash generated from operating activities		79.8	49.2	97.5
Investing activities				
Interest received and similar income		0.2	3.2	5.0
Purchase of property, plant and equipment		(77.8)	(85.6)	(176.9)
Purchase of intangible assets		(1.8)	(0.1)	(1.9)
Consumer contributions received		19.4	20.6	32.6
Proceeds from sale of property, plant and equipment		-	0.1	0.3
Net cash used in investing activities		(60.0)	(61.8)	(140.9)
Financing activities				
Dividends paid		(2.5)	(14.2)	(15.7)
Proceeds from borrowings		563.2	21.9	46.0
Repayment of borrowings		(473.6)	(22.3)	(46.1)
Net cash generated from/(absorbed by) financing activities		87.1	(14.6)	(15.8)
Net increase/(decrease) in cash and cash equivalents		106.9	(27.2)	(59.2)
Cash and cash equivalents at beginning of the period		42.3	101.5	101.5
Net cash and cash equivalents at end of the period		149.2	74.3	42.3

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2009**

1. GENERAL INFORMATION

The financial information for the period ended 30 September 2009 and similarly the period ended 30 September 2008 has neither been audited nor reviewed by the auditors. The financial information for the year ended 31 March 2009 has been based on information in the audited financial statements for that period.

The information for the year ended 31 March 2009 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements of the Group are 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 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) and have been prepared on the basis of International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2009, the directors have taken into account a number of factors, including the following:

- ENWs electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating 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;
- The Group and Company have considerable financial resources. Short-term liquidity requirements are met from the Company's normal operating cashflow. Further liquidity is provided by cash and short-term deposit balances. Longer-term liquidity is provided by the Group's term loans and bonds and committed undrawn bank facilities, with maturity dates of longer than twelve months. There are no covenant breaches forecast;
- The Group undertook a significant refinancing on 21 July 2009 as disclosed on page 1 and as a result 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;
- The Board have given detailed consideration to the principal risks and uncertainties affecting the Group and Company, as referred to in the business review, and all other factors which could impact on the Group and Company's ability to remain a going concern, and
- The Group balance sheet shows net liabilities for the six months period ended 30 September 2009, as a result of a further actuarial losses and fair value losses on financial instruments during the period. The Group recognised £46.0m post tax actuarial losses on the defined benefit pension scheme for the period (six months period ended 30 September 2008: loss £35.9m, Year ended 31 March 2009: loss £49.8m) and fair value losses on financial instruments of £52.2m (six months period ended 30 September 2008: £28.5m, Year ended 31 March 2009: £26.3m) from which there are no direct cash outflows as a consequence. The Board have given consideration to this in respect of adopting the going concern basis and do not believe there to be any impact on the Group or Company's ability to continue as a going concern.

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

**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2009**

2. ACCOUNTING POLICIES (continued)

Significant accounting policies

The results for the period ended 30 September 2009 have been prepared on the basis of accounting policies consistent with those set out in the Annual Report and Consolidated Financial Statements of North West Electricity Networks Limited for the year ended 31 March 2009, except for the impact of the adoption of the standards and interpretations described below.

IAS 23 Borrowing Costs

In the current financial year, the Group has adopted IAS 23 'Borrowing Costs'.

IAS 23 requires borrowing costs that are directly attributable to the construction of qualifying assets shall be capitalised as part of the cost of that asset. Borrowing costs are capitalised when they relate to qualifying assets for which the commencement date for capitalisation is on or after the 1 April 2009. The Group has adopted twelve months as the substantial period for all major large projects. The impact of the adoption was to capitalise interest of £1.0m in the six months to 30 September 2009, there has been no impact to the comparatives due to the prospective application of the standard.

IFRS 8

In the current financial year the Group has adopted IFRS 8 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer to allocate resources to the segments and to assess their performance. Predominantly all Group revenues arise from electricity distribution in the North West of England and associated activities. Only one operating segment is therefore regularly reviewed by the Chief Executive Officer.

3. REVENUE

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Revenue	152.5	155.2	341.8

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

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

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2009

4. INVESTMENT (EXPENSE)/INCOME

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Interest receivable on short-term bank deposits held at amortised cost	0.2	3.6	3.3
Interest receivable on derivative/financial instruments	-	-	1.5
	0.2	3.6	4.8
Expected return on pension scheme assets	20.6	24.5	47.7
Interest cost on pension scheme obligations	(23.3)	(24.7)	(50.0)
Net pension interest expense	(2.7)	(0.2)	(2.3)
Investment (expense)/income	(2.5)	3.4	2.5

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2009

5. FINANCE EXPENSE

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Interest payable			
Interest payable on bank borrowings	0.2	0.2	0.2
Interest payable on borrowings held at amortised cost	17.4	24.9	49.0
Interest payable on bank borrowings at fair value	11.5	11.5	22.2
Other finance (income)/charges related to index linked bonds	(2.5)	1.9	5.4
IAS 23 capitalised interest	(1.0)	-	-
Interest payable to Group undertakings	16.3	16.0	30.2
	41.9	54.5	107.0
Fair value losses/(gains) on financial instruments			
Derivatives at fair value through profit and loss	41.1	38.8	39.9
Borrowings designated at fair value through profit and loss	11.1	(10.3)	(13.6)
	52.2	28.5	26.3
	94.1	83.0	133.3

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED 30 SEPTEMBER 2009

6. TAXATION

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Current tax:			
UK corporation tax	(1.8)	0.6	12.9
Deferred tax:			
Current period	(1.4)	(9.8)	5.7
	(3.2)	(9.2)	18.6
	(3.2)	(9.2)	18.6

Corporation tax is calculated at 28% (period ended 30 September 2008:28%, year ended 31 March 2009:28%) being the best estimate of the effective tax rate for the full financial year.

7. DIVIDENDS

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

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
	2.5	14.2	15.7
	2.5	14.2	15.7

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

Interim dividends for the period ended 30 September 2009 of £0.82 (period ended 30 September 2008 of £4.74, year ended 31 March 2009 of £5.23 per share)

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent £80.0m on additions to property, plant and equipment and capitalised a further £1.0m of interest, in accordance with the adoption of IAS 23.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED 30 SEPTEMBER 2009

9. BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings.

	Unaudited 30 September 2009 £m	Unaudited 30 September 2008 £m	Audited 31 March 2009 £m
Non-current liabilities			
Bank and other term borrowings	99.8	478.8	496.9
Bonds	1,117.7	623.7	611.3
	1,217.5	1,102.5	1,108.2
Current liabilities			
Amounts owed to parent undertaking	669.2	680.2	667.5
	1,886.7	1,782.7	1,775.7
	1,886.7	1,782.7	1,775.7

On 21 July 2009 the Group issued £300m 6.75% fixed rate Notes due 2015 and £200m 6.125% fixed rate Notes due 2021.

As at 30 September 2009 £28m of capex bank facility remains undrawn, (period ended 30 September 2008: £18m, year ended 31 March 2009: £36m)

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2009

10. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR SIX MONTHS TO 30 SEPTEMBER 2009

Group	Called up share capital £m	Retained earnings £m	Total £m
At 1 April 2008 (restated)	3.0	22.6	25.6
Profit for the period	-	5.7	5.7
Dividends paid	-	(14.2)	(14.2)
Post employment benefits: Post tax actuarial losses on defined benefit schemes	-	(35.9)	(35.9)
	<hr/>	<hr/>	<hr/>
At 30 September 2008	3.0	(21.8)	(18.8)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Profit for the period	-	16.1	16.1
Dividends paid	-	(1.5)	(1.5)
Post employment benefits: Post tax actuarial losses on defined benefit schemes	-	(13.9)	(13.9)
	<hr/>	<hr/>	<hr/>
At 1 April 2009	3.0	(21.1)	(18.1)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Loss for the period	-	(29.2)	(29.2)
Dividends paid	-	(2.5)	(2.5)
Post employment benefits: Post tax actuarial losses on defined benefit schemes	-	(46.0)	(46.0)
	<hr/>	<hr/>	<hr/>
At 30 September 2009	3.0	(98.8)	(95.8)
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**NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2009**

11. CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Cash generated from operations			
(Loss)/profit before taxation	(32.4)	(3.5)	40.4
Adjustment for investment income, finance expense and other gains and losses	96.6	79.6	130.8
Operating profit	64.2	76.1	171.2
Adjustments for:			
Depreciation of property, plant and equipment	34.3	31.0	63.8
Amortisation of intangible assets	1.7	1.5	3.3
Amortisation of customer contributions	(0.8)	(0.5)	(1.2)
Profit on disposal of property, plant and equipment	-	(0.2)	(0.3)
Other gains and losses – non capitalised pension costs	(5.6)	(3.8)	(8.7)
Movement in restructuring provision	-	-	(2.0)
Operating cash flows before movement in working capital	93.8	104.1	226.1
Changes in working capital			
Decrease/(increase) in trade and other receivables	14.5	(6.4)	(9.9)
Increase in provisions and payables	-	0.8	1.3
Cash generated from continuing operations	108.3	98.5	217.5

12. RETIREMENT BENEFIT SCHEMES

Defined benefit schemes

The defined benefit obligation is calculated using the latest actuarial valuation as at 31 March 2008 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 2009. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The defined benefit plan assets have been updated to reflect their market value as at 30 September 2009.

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.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED 30 SEPTEMBER 2009

13. RELATED PARTIES

Group and Company

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 Limited group companies entered into the following transactions with related parties who are not members of that group:

	Unaudited Six months ended 30 September 2009 £m	Unaudited Six months ended 30 September 2008 £m	Audited Year ended 31 March 2009 £m
Interest paid	12.7	16.0	30.2
Loans from related parties	658.0	667.3	655.5

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