Company Registration No. 6428375

NORTH WEST ELECTRICITY NETWORKS LIMITED

Half Year Condensed Consolidated Financial Statements

For the period ended 30 September 2010

HALF YEAR REPORT AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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 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:

J Gittins

S Johnson

M McCallion (appointed 2 September 2010)

C Thompson (resigned 2 September 2010)

P Taylor (appointed 14 July 2010)

Operations

North West Electricity Networks Limited 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 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.

Important Events

ENWL acquired the entire share capital of Electricity North West Services Limited ("ENWSL", formerly United Utilities Electricity Services Limited) on the 30 June 2010 for consideration of £25.5m. ENWSL had been engaged as a third party service provider to manage delivery of all operations and maintenance, capital investments, connections and customer service. Incorporating the operations and maintenance contract into one business will reduce costs, improve efficiency and secure continued delivery of all services to customers in the region. It will enable Electricity North West to address the challenges of Ofgem's latest price control and provide an efficient business structure to deliver investment in the North West's electricity network. The impact on the financial statements can be seen in note 12.

Results for six months ended 30 September 2010

The results for the period as set out in the condensed consolidated income statement on page 3, illustrate that revenue for the six month period ended 30 September 2010 was £174.0m (six month period ended 30 September 2009: £152.5m). Profit for the period after tax for the six months ended 30 September 2010 was £18.7m (six months period ended 30 September 2009: loss £29.2m). The results reflect a combination of increased revenues, well controlled costs, together with favourable finance expense movement. The impact of the acquisition is considered further in note 12.

Net Debt

Total borrowings increased and at 30 September 2010 were £1,922.4m (30 September 2009: £1,886.7m) an increase of £35.7m. Additional cash of £5.0m was raised from the drawdown of available borrowings during the period and at 30 September 2010 cash totalled £110.4m (30 September 2009: £149.2m). Consequently net debt increased by £74.5m to £1,812.0m at 30 September 2010 (30 September 2009: £1,737.5m).

Dividends

An interim dividend payment of £9.0m was declared and paid in the 6 month period to 30 September 2010 (six month period ended 30 September 2009: £2.4m). 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 2010.

INTERIM MANAGEMENT REPORT (continued)

Principal risks and uncertainties

The principal risks and uncertainties of the Group are discussed on pages 2 to 3 of the Company's 2010 Annual Report and Accounts which should be read in conjunction with the 2010 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.enwl.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 on 31 March 2011 will continue to be those set out in the 2010 Annual Reports and Accounts mentioned above, except that the risk attributed to the re-negotiation on the asset service agreement with United Utilities Electricity Services Limited (UUES). This risk has been mitigated with the acquisition of the company by Electricity North West Limited. A new risk now arises in ensuring that UUES, renamed Electricity North West Services Limited, is effectively integrated into the group, so that an efficient business structure to deliver investment in the north west's electricity network is maintained.

Going concern

After making enquiries as discussed in the accounting policies on pages 8 and 9, 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 consolidated financial statements.

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:

304 Bridgewater Place

Birchwood Park, Birchwood

Warrington WA3 6XG

By order of the Board:

S Johnson

Director

26 November 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2010

	Note	**Unaudited Six months ended 30 September 2010 £m**	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Revenue	**3**	**174.0**	152.5	323.4
Employee benefits expense		**(8.5)**	(2.8)	(6.7)
Depreciation and amortisation expense		**(36.7)**	(35.2)	(70.1)
Other operating costs		**(44.6)**	(50.3)	(100.9)
Total operating expenses		**(89.8)**	(88.3)	(177.7)
Operating profit		**84.2**	64.2	145.7
Investment income	**4**	**0.5**	0.2	0.6
Finance expense	**5**	**(67.9)**	(96.8)	(174.0)
Profit/(loss) before taxation		**16.8**	(32.4)	(27.7)
Taxation	**6**	**1.9**	3.2	(4.8)
Profit/(loss) for the period/year		**18.7**	(29.2)	(32.5)

All the results shown in the consolidated income statement derive from continuing operations. The effect of the current period acquisition of ENWSL is explained in note 12 to these financial statements.

The notes on pages 8 to 16 form part of the half year condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Note	**Unaudited 30 September 2010 £m**	Unaudited 30 September 2009 £m	Audited 31 March 2010 £m
ASSETS				
Non-current assets				
Intangible assets		**208.4**	206.3	207.8
Goodwill	**12**	**9.6**	-	-
Property, plant and equipment	**8**	**2,255.6**	2,148.6	2,200.7
		2,473.6	2,354.9	2,408.5
Current assets				
Inventories		**5.2**	-	-
Trade and other receivables		**48.6**	39.8	35.6
Cash and cash equivalents		**110.4**	149.2	111.7
Derivative financial instruments		**1.6**	1.0	1.1
		165.8	190.0	148.4
Total assets		**2,639.4**	2,544.9	2,556.9
LIABILITIES				
Current liabilities				
Trade and other payables		**(787.8)**	(761.4)	(747.9)
Current income tax liabilities		**(3.5)**	(1.1)	(5.3)
Derivative financial instruments		**(76.1)**	(7.1)	(70.6)
		(867.4)	(769.6)	(823.8)
Net current liabilities		**(701.6)**	(579.6)	(675.4)
Non-current liabilities				
Borrowings	**9**	**(1,252.7)**	(1,217.5)	(1,222.3)
Deferred tax liabilities		**(416.9)**	(430.6)	(412.7)
Customer contributions		**(107.5)**	(67.1)	(90.7)
Refundable customer deposits		**(2.1)**	(3.0)	(3.5)
Retirement benefit obligations	**11**	**(93.9)**	(90.8)	(142.8)
Derivative financial instruments		**-**	(62.1)	-
		(1,873.1)	(1,871.1)	(1,872.0)
Total liabilities		**(2,740.5)**	(2,640.7)	(2,695.8)
Net Liabilities		**(101.1)**	(95.8)	(138.9)
EQUITY				
Share capital		**3.0**	3.0	3.0
Retained earnings		**(104.1)**	(98.8)	(141.9)
Total equity		**(101.1)**	(95.8)	(138.9)

Approved by the board of directors on 26 November 2010 signed on its behalf by:

S Johnson

Director

The notes on pages 8 to 16 form part of the half year condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2010

	Unaudited Six months ended 30 September 2010 £m	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Profit/(loss) for the financial period/ year	**18.7**	(29.2)	(32.5)
Other comprehensive income/(expenses):			
Actuarial gains/(losses) on defined benefit pension scheme	**40.5**	(63.9)	(119.3)
Deferred tax on items taken directly to equity	**(12.4)**	17.9	33.4
Other comprehensive income/(expenses) for the period	**28.1**	(46.0)	(85.9)
Total comprehensive income/(expense) for the period	**46.8**	(75.2)	(118.4)
Attributable to equity holders	**46.8**	(75.2)	(118.4)

The notes on pages 8 to 16 form part of the half year condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2010

	Called up share capital	Retained (deficit)/ earnings	Total Equity
	£m	£m	£m
At 1 April 2009	3.0	(21.2)	(18.2)
Loss for the six months to 30 September 2009	-	(29.2)	(29.2)
Actuarial losses on defined benefit schemes	-	(63.9)	(63.9)
Tax on components of comprehensive income	-	17.9	17.9
Total comprehensive expense for the six months to 30 September 2009	-	(75.2)	(75.2)
Transactions with owners recorded directly in equity:			
Equity dividends	-	(2.4)	(2.4)
At 30 September 2009	3.0	(98.8)	(95.8)
Loss for the six months to 31 March 2010	-	(3.3)	(3.3)
Actuarial losses on defined benefit schemes	-	(55.4)	(55.4)
Tax on components of comprehensive income	-	15.6	15.6
Total comprehensive expense for the six months to 1 April 2010	-	(43.1)	(43.1)
At 1 April 2010	3.0	(141.9)	(138.9)
Profit for the six months to 30 September 2010	-	18.7	18.7
Actuarial gains on defined benefit schemes	-	40.5	40.5
Tax on components of comprehensive income	-	(12.4)	(12.4)
Total comprehensive income for the six months to 30 September 2010	-	46.8	46.8
Transactions with owners recorded directly in equity:			
Equity dividends	-	(9.0)	(9.0)
At 30 September 2010	**3.0**	**(104.1)**	**(101.1)**

The notes on pages 8 to 16 form part of the half year condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2010

	Note	**Unaudited Six months ended 30 September 2010 £m**	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Operating activities				
Cash generated from operations	**10**	**109.2**	108.3	218.0
Interest paid		**(27.2)**	(28.2)	(92.4)
Tax paid		**(8.7)**	(0.3)	(6.1)
Net cash generated from operating activities		**73.3**	79.8	119.5
Investing activities				
Interest received and similar income		**0.5**	0.2	0.6
Purchase of property, plant and equipment		**(74.4)**	(77.8)	(168.9)
Purchase of intangible assets		**(2.2)**	(1.8)	(5.0)
Customer contributions received		**19.6**	19.4	43.9
Proceeds from sale of property, plant and equipment		**0.3**	-	0.2
Acquisition of subsidiary, net of cash received	**12**	**(14.3)**	-	-
Net cash used in investing activities		**(70.5)**	(60.0)	(129.2)
Financing activities				
Dividends paid		**(9.0)**	(2.4)	(2.4)
Proceeds from borrowings		**5.0**	563.1	572.2
Repayment of borrowings		**(0.1)**	(473.6)	(490.7)
Net cash (absorbed by)/generated from financing activities		**(4.1)**	87.1	79.1
Net (decrease)/increase in cash and cash equivalents		**(1.3)**	106.9	69.4
Cash and cash equivalents at beginning of the period		**111.7**	42.3	42.3
Net cash and cash equivalents at end of the period		**110.4**	149.2	111.7

The notes on pages 8 to 16 form part of the half year condensed consolidated financial statements.

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

1 GENERAL INFORMATION

The financial information for the 6 month period ended 30 September 2010 and similarly the period ended 30 September 2009 has neither been audited nor reviewed by the auditors. The financial information for the year ended 31 March 2010 has been based on information in the audited financial statements for that period.

The information for the year ended 31 March 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. 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, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

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.

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 2010, 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;

- The Group and Company have considerable financial resources. Short-term liquidity requirements are met from the Group'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 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;

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

2 ACCOUNTING POLICIES (CONTINUED)

- The Group balance sheet shows net liabilities as at 30 September 2010. This position reflects a £37.8m improvement from 31 March 2010, driven by current profitability, a favourable movement in the retirement benefit obligation and partially offset by dividends paid. The net liability position arises due to a number of non-cash items including the defined benefit pension scheme and fair value movement on liabilities; and

- A significant component of the current liabilities arises from intercompany funding, which the directors are confident will continue to be available for the foreseeable future.

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 financial statements.

Significant accounting policies

The results for the period ended 30 September 2010 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 2010, except for the impact of the adoption of the standards and interpretations described below.

IFRS 3 (amended); 'Business Combinations'

In the current financial period the Group has adopted IFRS 3 (Revised) 'Business Combinations'.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Costs of acquisition are expensed as incurred.

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

IFRIC 18 Transfer of assets from customers

In the current financial period, the Group has adopted IFRIC 18 'Transfer of assets from customers'.

IFRIC 18 applies to all agreements in which an entity receives from a customer an item of property, plant and equipment (or cash to construct or acquire an item of property, plant and equipment) that the entity must use to either connect the customer to a network or provide the customer with ongoing access to a supply of goods and services, or both.

The Group recognises receiving the item of property, plant and equipment or cash when control of the asset is transferred. The asset is recognised in accordance with *IAS 16 Property, Plant and Equipment*, and therefore measured at cost on initial recognition at its fair value. Revenue is recognised in accordance with IAS 18 and is deferred over a period no longer than the useful life of the transferred asset used to provide the ongoing service. This accounting treatment is currently in use by the Group and therefore the adoption of IFRIC 18 has had no impact in the six months to 30 September 2010.

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

3 OPERATING SEGMENTS

Predominately 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.

4 INVESTMENT INCOME

	Unaudited Six months ended 30 September 2010 £m	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Interest receivable on short-term bank deposits held at amortised cost	**0.5**	0.2	0.6
	0.5	0.2	0.6

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

5 FINANCE EXPENSE

	Unaudited Six months ended 30 September 2010 £m	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Interest payable			
Expected return on pension scheme assets	**(25.8)**	(20.6)	(41.7)
Interest cost on pension scheme obligations	**25.3**	23.3	46.6
Net pension interest (income)/expense	**(0.5)**	2.7	4.9
Interest payable on bank borrowings	**-**	0.2	0.3
Interest payable on group borrowings	**12.7**	16.3	25.4
Interest payable on borrowings held at amortised cost	**29.5**	17.4	51.0
Interest payable on borrowings designated at fair value through profit and loss	**-**	-	22.2
Net (receipts)/ payments on derivatives held for trading	**(3.9)**	0.7	3.8
Other finance charges/ (income) related to index linked bonds	**2.3**	(2.5)	(1.6)
IAS 23 capitalised interest	**(0.1)**	(1.0)	-
	40.5	31.1	101.1
Fair value losses/(gains) on financial instruments			
Borrowings designated at fair value through profit and loss	**22.9**	22.6	26.3
Derivatives held for trading	**5.0**	31.8	33.1
Cash settlement on close-out of amortising swaps	**-**	(18.0)	(18.0)
Cash settlement on close-out of gilt locks	**-**	26.6	26.6
	27.9	63.0	68.0
	67.9	96.8	174.0

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

6 TAXATION

	Unaudited Six months ended 30 September 2010 £m	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Current tax:			
UK corporation tax	**(6.1)**	1.8	(8.6)
Deferred tax:			
Current period	**8.0**	1.4	3.8
	1.9	3.2	(4.8)

Corporation tax is calculated at 28% (period ended 30 September 2009: 28%, year ended 31 March 2010: 28%) being the best estimate of the effective tax rate for the full financial year. Deferred tax is calculated at 27% being the rate effective for the year to 31 March 2011. This rate has been applied due to the deferred tax position substantially reversing after this date.

7 DIVIDENDS

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

	Unaudited Six months ended 30 September 2010 £m	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Interim dividends for the period	**9.0**	2.4	2.4

The Group has not proposed a final dividend for the year ended 31 March 2011.

Interim dividends for the period ended 30 September 2010 of £3.00 per share (period ended 30 September 2009 of £0.82, year ended 31 March 2010 of £0.82 per share)

8 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent £74.4m on additions to property, plant and equipment as part of its capital programme for replacing its operating network and capitalised £0.1m of interest, in accordance with IAS 23.

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

9 BORROWINGS

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

	Unaudited 30 September 2010 £m	Unaudited 30 September 2009 £m	Audited 31 March 2010 £m
Non-current liabilities			
Bank and other term borrowings	**103.5**	99.8	98.3
Bonds	**1,149.2**	1,117.7	1,124.0
	1,252.7	1,217.5	1,222.3
Current liabilities			
Amounts owed to parent undertaking	**669.7**	669.2	648.0
	1,922.4	1,886.7	1,870.3

As at 30 September 2010 £224.2m of capex bank facility remains undrawn, (period ended 30 September 2009: £117.2m, year ended 31 March 2010: £254.2m)

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

10 CASH GENERATED FROM OPERATIONS

Cash generated from operations	**Unaudited Six months ended 30 September 2010 £m**	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Profit/(loss) before taxation	**16.8**	(32.4)	(27.7)
Adjustment for investment income, finance expense and other gains and losses	**67.4**	96.6	173.4
Operating profit	**84.2**	64.2	145.7
Adjustments for:			
Depreciation of property, plant and equipment	**36.3**	34.3	68.5
Amortisation of intangible assets	**1.7**	1.7	3.5
Amortisation of customer contributions	**(1.3)**	(0.8)	(1.9)
Profit on disposal of property, plant and equipment	**(0.3)**	-	(0.2)
Other gains and losses – non capitalised pension costs	**(7.8)**	(5.6)	(11.9)
Operating cash flows before movement in working capital	**112.8**	93.8	203.7
Changes in working capital:			
Decrease in trade and other receivables	**23.5**	14.5	6.8
(Decrease)/increase in provisions and payables	**(27.1)**	-	7.5
Cash generated from continuing operations	**109.2**	108.3	218.0

11 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 2010. 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 2010.

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 TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

12 ACQUISITION OF SUBSIDIARIES

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

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

	ENWSL's carrying amount before combination £m	Provisional Fair value adjustments £m	Provisional Fair value £m
Net assets acquired:			
Property, plant and equipment	12.1	-	12.1
Inventories	6.2	(1.0)	5.2
Trade receivables	36.8	(0.3)	36.5
Bank and cash balances	9.2	-	9.2
Trade payables	(47.2)	-	(47.2)
Deferred tax liability	(0.1)	0.2	0.1
Total identifiable assets	17.0	(1.1)	15.9
Goodwill arising on acquisition (provisional)			9.6
			25.5
Cash			23.5
Deferred consideration			2.0
Total consideration			25.5
Net cash outflow arising on acquisition:			
Cash consideration paid			(23.5)
Cash and cash equivalents acquired			9.2
			14.3

The fair value of the acquired identifiable intangible assets and net assets are provisional pending completion of final valuations given the proximity of the acquisition to the reporting period end.

The goodwill arising on the acquisition of ENWSL is attributable to the synergies and other benefits arising from controlling all the operations and maintenance of the company's operational assets and capturing the profit earned by the Company. None of the goodwill recognised is expected to be deductible for income tax purposes.

In accordance with IFRS 3 revised, £0.8m of acquisition costs have been expensed within the period.

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010

12 ACQUISITION OF SUBSIDIARIES (CONTINUED)

It is impracticable to disclose the contribution of ENWSL to the consolidated results presented for the period between the acquisition date and the half year balance sheet date. This is due to the following:

- ENWSL's principal customer is ENWL and between 1 April 2010 and the acquisition date a provisional charging mechanism was in place between the parties. Had the negotiations to acquire ENWSL not been satisfactorily concluded these provisional charges would have been subject to renegotiation; and
- Following the acquisition the trade between these companies has been conducted on a pass-through basis.

If the acquisition had been completed on 1 April 2010, total group revenue for the period would have been £174.1m, and profit for the period would have been £19.1m.

Deferred consideration will be paid on the 31 December 2011.

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

	Unaudited Six months ended 30 September 2010 £m	Unaudited Six months ended 30 September 2009 £m	Audited Year ended 31 March 2010 £m
Interest paid	**11.8**	12.7	25.4
Loans from related parties	**658.0**	658.0	648.0

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, £131.0 million carries interest at LIBOR plus 1.5%. Amounts are repayable on demand.