Company Registration No. 6428375

NORTH WEST ELECTRICITY NETWORKS LIMITED

Half Year Condensed Consolidated Financial Statements

for the period ended 30 September 2013

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 and its subsidiaries (together referred to as the "Group"). Statements or forecasts relating to events in the future necessarily involve risk and uncertainty and are made by the directors in good faith based on the information available at the date of signature of this report. North West Electricity Networks 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 (resigned 24 May 2013)

S Toor (appointed 22 April 2013)

M Rogers (appointed 22 April 2013)

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.

Results

	6 months ended 30 Sept 2013	Restated 6 months ended 30 Sept 2012	Restated Year ended 31 March 2013
Revenue	**£237m**	£210m	£468m
Operating profit	**£118m**	£97m	£212m
Profit before tax and fair value movements	**£71m**	£55m	£112m
Profit before tax	**£93m**	£18m	£115m

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

Revenue

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

Operating profit

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

Profit before tax and fair value movements

Profit before tax and fair value movements has increased as a result of an increase in operating profit, partially offset by an increase in intercompany interest payable due to the refinancing.

Profit before tax

Profit before tax has increased due to an increase in operating profit as detailed above and a favourable fair value movement compared to prior year, largely as a result of the early adoption of IFRS 13.

Dividends

At the date of these financial statements interim dividends of £38.0m have been paid (period ended September 2012: £12.0m, year ended 31 March 2013: £33.0m).

INTERIM MANAGEMENT REPORT *(continued)*

Principal risks and uncertainties

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

The principal trade and activities of the Group are carried out in ENWL and a comprehensive review of the strategy and operating model, the regulatory environment, the resources and principal risks and uncertainties facing that Company, and ultimately the Group, are discussed in the ENWL Annual Report and consolidated financial statements for the year ended 31 March 2013, which are available on our website, www.enwl.co.uk.

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

RIIO-ED1 Price Control Decision

ENWL submitted its business plan to Ofgem in July 2013 to cover the price control period from 2015–2023, known as RIIO-ED1 (Revenue = Incentives + Innovation + Outputs, Electricity Distribution Price Control 1).

In November 2013 Ofgem announced that they would not fast track ENWL's price control, and therefore ENWL would need to resubmit its plan in March 2014.

Ofgem approved of ENWL's plan in four out of five assessment areas: process, outputs, efficient finance, and uncertainty and risk. However, Ofgem gave a rating of amber rather than green in the area of 'efficient costs', meaning that in this area 'some work will be required to produce acceptable proposals in the business plan submitted at slow-track'.

Inevitably, this leaves uncertainty as we work to address certain areas of our plan in this area.

Ofgem's assessment of the RIIO ED1 Business Plans can be found in the following document: https://www.ofgem.gov.uk/ofgem-publications/84600/assessmentofriio-ed1businessplansletter.pdf

Retail Property Provision

Electricity North West Limited previously held the leasehold title to a number of retail properties as a result of its legacy retail operations whilst trading as Norweb Plc. In the financial statements at 31 March 2013 ENWL recognised a provision of £20.0m with regard to a group of retail units where ENWL became potentially liable under privity of contract for the costs associated with these properties.

During the six month period to 30 September 2013, 9 of these property leases have been disposed of or disclaimed which extinguishes any further obligations. A further 13 units are currently occupied by third parties, leaving 16 properties for which future cash outflows are considered probable. Leases for the remaining properties have a range of expiry dates up to 2021.

In the remote event of all 16 remaining property leases reverting to the Company, the maximum total annual accommodation cost (which includes rent, rates, service charge, insurance and maintenance), based on certain leases extending until 2021, would be approximately £41.2m profiled over an eight year period from 2013 to 2021 (£50.6m undiscounted).

Based on the Company's current risk assessment which considers the location and size of the stores, and expectation on the ability to re-let the properties, cash exposure is forecast to be approximately £6.4m over the next 12 months, with the remaining outflows falling over the period to 2020/21. A provision of £14.1m has been included within the financial statements at 30 September 2013.

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

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

INTERIM MANAGEMENT REPORT *(continued)*

Refinancing

The Company is a subsidiary within a group of companies established specifically for the purpose of purchasing ENWL on 19 December 2007. The purchase was financed by a combination of equity and bank acquisition finance. The Group and the Company are financed largely by long-term external funding, and this, together with the present cash position and committed undrawn facilities, provides the appropriate liquidity platform to allow the Company and Group to meet their operational and financial commitments for the foreseeable future.

Failure to comply with investor and banking covenants

The Group has a comprehensive set of covenants contained within the legal agreements surrounding the external borrowings. A detailed review of all the covenants has been undertaken and appropriate owners identified within the business who are responsible for ensuring compliance.

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

The losses incentive mechanism may result in revenue reduction

There is a risk that revenues will be adjusted downwards in 2015-16 as a result of the Losses Rolling Retention Mechanism ('LRRM'). This mechanism (part of the previous price control, DPCR4) allows for a final reconciliation of losses benefits achieved during the DPCR4 period, based on the cumulative losses performance at the end of the period.

The final year of DPCR4, which is key to the calculation of the LRRM, saw major fluctuations in settlement data due to corrections being applied by electricity suppliers. This has been recognised at an industry level and Ofgem has stated that it will take steps to ensure there are no windfall gains or losses arising from settlement data corrections, including the restatement of 2009-10 data where it is shown to be abnormal. Ofgem have issued their 'minded to' position for all DNOs in a consultation on the LRRM calculation. For Electricity North West this is a penalty of £3.6m. There has been a robust challenge to Ofgem's proposals in consultation responses, leaving the residual risk of a change from the 'minded to' position. The quantum of any resulting LRRM liability is uncertain at this stage.

Accounts

All of the Annual Reports and Consolidated Financial Statements referred to above can be found at www.enwl.co.uk.

Going concern

After making enquiries as discussed in the accounting policies on pages 10 to 12, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half year condensed consolidated financial statements.

Change in accounting policy

In the current financial period the Group has adopted the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income", and IAS19 (revised 2011) "Employee Benefits". Otherwise, the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. IFRS 13 "Fair Value Measurement" was early adopted in the 31 March 2013 financial statements. The standards that have been adopted and the impact, including the restatement, is set out in note 2.

Responsibility statement

We confirm that to the best of our knowledge:

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

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

c. the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

Registered address:

304 Bridgewater Place
Birchwood Park, Birchwood
Warrington WA3 6XG

On behalf of the Board:

S Johnson
Chief Executive Officer

28 November 2013

CONDENSED CONSOLIDATED INCOME STATEMENT
For the period ended 30 September 2013

	Note	**Unaudited Six months ended 30 September 2013 £m**	Restated Unaudited Six months ended 30 September 2012 £m	Restated Audited Year ended 31 March 2013 £m
Revenue	**3**	**236.6**	209.6	468.0
Employee benefits expense		**(23.4)**	(21.3)	(40.4)
Depreciation and amortisation expense (net)		**(48.6)**	(46.7)	(95.0)
Retail property provision release/(charge)	**14**	**0.5**	-	(20.6)
Other operating costs		**(47.1)**	(44.9)	(100.2)
Total operating expenses		**(118.6)**	(112.9)	(256.2)
Operating profit		**118.0**	96.7	211.8
Investment income	**4**	**0.2**	0.3	0.7
Finance expense	**5**	**(25.0)**	(79.1)	(98.0)
Profit before taxation		**93.2**	17.9	114.5
Taxation	**6**	**11.4**	11.9	(8.6)
Profit for the period/year		**104.6**	29.8	105.9

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

The notes on pages 10 to 20 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period ended 30 September 2013

	Unaudited Six months ended 30 September 2013 £m	Restated Unaudited Six months ended 30 September 2012 £m	Restated Audited Year ended 31 March 2013 £m
Profit for the financial period/year	**104.6**	29.8	105.9
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	**49.0**	1.6	(108.5)
Deferred tax on remeasurement of net defined benefit liability	**(10.3)**	(0.2)	24.9
Deferred tax as a result of future rate changes	**(3.8)**	(0.8)	(0.8)
Other comprehensive income/(expense) for the period/year	**34.9**	0.6	(84.4)
Total comprehensive income for the period/year and attributable to equity holders	**139.5**	30.4	21.5

The notes on pages 10 to 20 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2013

	Note	Unaudited 30 September 2013 £m	Restated Unaudited 30 September 2012 £m	Restated Audited 31 March 2013 £m
ASSETS				
Non-current assets				
Intangible assets		**202.5**	210.0	206.0
Goodwill		**10.1**	10.1	10.1
Property, plant and equipment	8	**2,633.6**	2,500.5	2,571.4
		2,846.2	2,720.6	2,787.5
Current assets				
Inventories		**6.6**	6.9	5.2
Trade and other receivables		**58.3**	54.1	57.6
Money market deposits		**-**	9.5	-
Cash and cash equivalents		**74.2**	70.0	88.2
		139.1	140.5	151.0
Total assets		**2,985.3**	2,861.1	2,938.5
LIABILITIES				
Current liabilities				
Borrowings	9	**(676.5)**	(658.8)	(677.2)
Trade and other payables		**(123.6)**	(117.6)	(128.2)
Derivative financial instruments	10	**(31.7)**	-	(31.7)
Current income tax liabilities		**(19.5)**	(5.5)	(8.4)
Provisions	14	**(5.4)**	-	(8.5)
		(856.7)	(781.9)	(854.0)
Net current liabilities		**(717.6)**	(641.4)	(703.0)
Non-current liabilities				
Borrowings	9	**(1,376.8)**	(1,367.3)	(1,370.7)
Deferred tax liabilities		**(315.0)**	(358.7)	(333.6)
Customer contributions		**(193.2)**	(169.7)	(183.0)
Refundable customer deposits		**(2.8)**	(3.4)	(3.1)
Retirement benefit obligations	12	**(60.3)**	(4.8)	(105.8)
Provisions	14	**(8.7)**	-	(11.5)
Derivative financial instruments	10	**(73.9)**	(149.0)	(80.4)
		(2,030.7)	(2,052.9)	(2,088.1)
Total liabilities		**(2,887.4)**	(2,834.8)	(2,942.1)
Net assets/(liabilities)		**97.9**	26.3	(3.6)
EQUITY				
Share capital		**3.0**	3.0	3.0
Retained earnings		**94.9**	23.3	(6.6)
Total equity		**97.9**	26.3	(3.6)

Approved by the Board of Directors on 28 November 2013 and signed on its behalf by:

S Johnson
Director

The notes on pages 10 to 20 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 2013

	Called up share capital £m	Retained earnings /(deficit) £m	Total equity £m
At 31 March 2012 (restated audited)	3.0	4.9	7.9
Profit for the period	-	29.8	29.8
Actuarial gains on defined benefit schemes	-	1.6	1.6
Tax on components of comprehensive income	-	(1.0)	(1.0)
Total comprehensive income for the period to 30 September 2012	-	30.4	30.4
Transactions with owners recorded directly in equity:			
Equity dividends	-	(12.0)	(12.0)
At 30 September 2012 (restated unaudited)	3.0	23.3	26.3
At 31 March 2012 (restated audited)	3.0	4.9	7.9
Profit for the year	-	105.9	105.9
Actuarial losses on defined benefit schemes	-	(108.5)	(108.5)
Tax on components of comprehensive income	-	24.1	24.1
Total comprehensive income for the period to 31 March 2013	-	21.5	21.5
Transactions with owners recorded directly in equity:			
Equity dividends	-	(33.0)	(33.0)
At 31 March 2013 (restated audited)	3.0	(6.6)	(3.6)
Profit for the period	-	104.6	104.6
Actuarial gains on defined benefit schemes	-	49.0	49.0
Tax on components of comprehensive income	-	(14.1)	(14.1)
Total comprehensive income for the period to 30 September 2013	**-**	**139.5**	**139.5**
Transactions with owners recorded directly in equity:			
Equity dividends	-	(38.0)	(38.0)
At 30 September 2013 (unaudited)	**3.0**	**94.9**	**97.9**

The notes on pages 10 to 20 form part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 September 2013

	Note	**Unaudited Six months ended 30 September 2013 £m**	Restated[1] Unaudited Six months ended 30 September 2012 £m	Restated Audited Year ended 31 March 2013 £m
Operating activities				
Cash generated from operations	**11**	**138.8**	115.2	301.5
Interest paid		**(29.9)**	(43.8)	(91.8)
Tax (paid)/received		**(8.1)**	7.1	2.1
Net cash generated from operating activities		**100.8**	78.5	211.8
Investing activities				
Interest received and similar income		**0.2**	4.8	0.7
Purchase of property, plant and equipment	**8**	**(108.0)**	(94.8)	(212.8)
Purchase of intangible assets		**-**	(0.1)	(0.1)
Customer contributions received		**14.3**	17.7	28.4
Proceeds from sale of property, plant and equipment		**0.3**	-	0.5
Net cash used in investing activities		**(93.2)**	(72.4)	(183.3)
Financing activities				
Dividends paid to equity shareholders of the Company	**7**	**(38.0)**	(12.0)	(33.0)
Transfer to money market deposits		**-**	15.5	25.0
Proceeds from borrowings		**16.4**	0.9	18.5
Accretion payment		-	-	(10.3)
Net cash (used)/generated from financing activities		**(21.6)**	4.4	0.2
Net (decrease)/increase in cash and cash equivalents		**(14.0)**	10.5	28.7
Cash and cash equivalents at beginning of the period		**88.2**	59.5	59.5
Net cash and cash equivalents at end of the period		**74.2**	70.0	88.2

The notes on pages 10 to 20 form part of the condensed consolidated financial statements.

1 Restated due to reclassification of customer contributions. Decrease of £25.2m offset by a £26.1m increase in accruals and £0.9m reduction in amortisation of intangible assets shown in cash generated from operations (note 11).

NOTES TO THE CONDENSED SET OF CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The financial information for the 6 month period ended 30 September 2013 and similarly the period ended 30 September 2012 has neither been audited nor reviewed by the auditors. The financial information for the year ended 31 March 2013 has been based on information in the audited financial statements for that year.

The financial information for the year ended 31 March 2013 does not constitute the statutory accounts for that year (as defined in s434 of the Companies Act 2006), but is derived from those accounts with the exception of the restatements made which are discussed in the 'change in accounting policy' section. Statutory accounts for 31 March 2013 have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

2 ACCOUNTING POLICIES

Basis of preparation

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

The results for the period ended 30 September 2013 have been prepared using the same method of computation and on the basis of accounting policies consistent with those set out in the Annual Report and Consolidated Financial Statements of North West Electricity Networks Limited for the year ended 31 March 2013 with the exception of the adoption of IAS1 and IAS19 (revised) as discussed in the 'changes in accounting policy' section.

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 2013, the directors have taken into account a number of factors, including the following:

- Electricity North West Limited's electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating and this has been maintained through the period under review;
- Under section 3A of the Electricity Act 1989, the Gas and Electricity Markets Authority has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000;
- Management has prepared, and the Directors have reviewed, updated Group forecasts for the regulatory period to 31 March 2015 which include projections and cash flow forecasts, including covenant compliance considerations. The forecasts include appropriate assumptions on the efficiencies forecast from business transformation. Inherent in forecasting is an element of uncertainty, our forecasts have been sensitised for possible changes in the key assumptions, including inflation (RPI) and over- or under-recoveries of allowed revenue, and demonstrate that there is sufficient headroom to key covenants and that sufficient resources are available within the forecast period;

Notes *(continued)*

2 ACCOUNTING POLICIES *(continued)*

Going Concern *(continued)*

- The Group and the Company are financed largely by long term external funding. This together with the present cash position and committed un-drawn facilities provides the appropriate liquidity platform to allow the Group and Company to meet their operational and financial commitments for the foreseeable future;
- Short-term liquidity requirements are forecast to be met from the Group's normal operating cash flow. Further liquidity is provided by cash and short-term deposit balances. Furthermore, committed undrawn bank facilities of £50m within ENWL and £141.4m in the Company are available from lenders which have a maturity of more than one year. Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to 31 March 2015 indicate there is sufficient covenant headroom;
- The Board has given detailed consideration to the principal risks and uncertainties affecting the Group and Company, as referred to in the interim management report, and all other factors which could impact on the Group and the Company's ability to remain a going concern; and
- The Condensed Consolidated Statement of Financial Position shows net current liabilities at 30 September 2013. 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.

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

Significant accounting policies

Changes in accounting policy

In the current financial period the Group has adopted the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income", and IAS19 (revised 2011) "Employee Benefits". Otherwise, the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. IFRS 13 "Fair Value Measurement" was early adopted in the 31 March 2013 financial statements.

The amendments to IAS 1 require items of comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified, together with their associated income tax. The amendments have been applied retrospectively, and hence the presentations of items of comprehensive income have been restated to reflect the change. The effect of these changes is evident from the condensed consolidated statement of comprehensive income.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit. For the period ended September 2013 the profit after tax is £4.4m lower (of which £1.2m relates to deferred tax) and other comprehensive income £4.4m higher (of which £1.2m relates to deferred tax) than it would have been prior to the adoption of IAS 19 (revised 2011).

For the period ended September 2012 the restated profit after tax is £1.9m lower (of which £0.6m relates to deferred tax) and other comprehensive income £1.9m higher (of which £0.6m relates to deferred tax) than previously reported.

For the year ended March 2013 the restated profit after tax is £3.7m lower (of which £1.1m relates to deferred tax) and other comprehensive expense is £3.7m lower (of which £1.1m relates to deferred tax) than previously reported.
As the Group has always recognised actuarial gains and losses immediately there has been no effect on the defined benefit obligation.

Notes *(continued)*

2 ACCOUNTING POLICIES *(continued)*

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liabilities and is included in the interest charge. Fair value is determined in the manner described in note 10.

In the year to 31 March 2013, the Group elected to adopt IFRS 13 which helps to provide clarity around the methodology for measuring fair value. The Group now applies the definition of fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. This change led to a change in the methodology the Group uses to value index-linked swaps.

The fair value methodology for derivative financial instruments has been amended to take into account the non-performance risk inherent within the instruments held, for both assets and liabilities. Determination of the non-performance risk is based on the transaction price for similar instruments or market data on appropriate credit spreads for the Group and counterparties. This change in methodology has resulted in financial liabilities for the derivatives being valued as at 30 September 2013, £100.0m lower (March 2013: £109.4m lower, Sept 2012: IFRS 13 not adopted) than they would have been had we not elected to adopt IFRS 13. The impact of this change in future periods is not disclosed as it is impractical to estimate.

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 2013 £m	Restated Unaudited Six months ended 30 September 2012 £m	Restated Audited Year ended 31 March 2013 £m
Interest receivable on short-term bank deposits held at amortised cost	**0.2**	0.3	0.7
Total investment income	**0.2**	0.3	0.7

Notes *(continued)*

5 FINANCE EXPENSE

	Unaudited six months ended 30 September 2013 £m	Restated six months ended Unaudited 30 September 2012 £m	Restated Year ended Audited 31 March 2013 £m
Interest payable			
Interest payable on group borrowings	**15.5**	12.6	25.8
Interest payable on borrowings held at amortised cost	**29.1**	29.1	58.4
Interest payable on borrowings designated at fair value through profit or loss	**-**	-	22.2
Net receipts on derivatives held for trading	**(3.1)**	(3.2)	(13.5)
Other finance charges related to index linked bonds	**3.6**	3.1	8.2
IAS 23 capitalised interest	**(0.3)**	-	(0.3)
Interest cost on pension plan obligations	**2.0**	0.2	-
	46.8	41.8	100.8
Fair value (gains)/losses on financial instruments			
Borrowings designated at fair value through profit or loss	**(15.3)**	20.1	17.1
Derivatives held for trading	**(6.5)**	6.9	(30.2)
Accretion payable on index-linked swaps	**-**	10.3	10.3
	(21.8)	37.3	(2.8)
	25.0	79.1	98.0

Notes *(continued)*

6 TAXATION

	Unaudited Six months ended 30 September 2013 £m	Restated Unaudited Six months ended 30 September 2012 £m	Restated Audited Year ended 31 March 2013 £m
Current tax:			
UK corporation tax:			
Current year	**21.3**	5.4	22.4
Prior year	**-**	-	(1.9)
	21.3	5.4	20.5
Deferred tax:			
Current year	**(2.7)**	(6.6)	6.6
Prior year	**-**	-	(2.3)
Impact from future tax rates	**(30.0)**	(10.7)	(16.2)
	(32.7)	(17.3)	(11.9)
Tax (credit)/charge for the year	**(11.4)**	(11.9)	8.6

Corporation tax is calculated at 23% (period ended 30 September 2012: 24%, year ended 31 March 2013: 24%) being the best estimate of the effective tax rate for the full financial year.

Deferred tax is calculated at 21% (period ended 30 September 2012: 23%, year ended 31 March 2013: 23%).

Reductions in the UK corporation tax rate from 26% to 24% (effective 1 April 2012) and to 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 and have been duly applied. Reductions to the corporation tax UK main rate to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future tax charge accordingly.

7 DIVIDENDS

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

	Unaudited Six months ended 30 September 2013 £m	Unaudited Six months ended 30 September 2012 £m	Audited Year ended 31 March 2013 £m
Interim dividends for the period	**38.0**	12.0	33.0

8 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent £108.0m (period ended 30 September 2012: £94.8m, year ended March 2013: £212.8m) on additions to property, plant and equipment as part of its capital programme for replacing its operating network and capitalised £0.3m (period ended 30 September 2012: £nil, year ended March 2013: £0.3m) of interest, in accordance with IAS 23.

Notes *(continued)*

9 BORROWINGS

	Unaudited 30 September 2013 £m	Unaudited 30 September 2012 £m	Audited 31 March 2013 £m
Non-current liabilities			
Bank and other term borrowings	**192.3**	170.1	173.5
Bonds	**1,184.5**	1,197.2	1,197.2
	1,376.8	1,367.3	1,370.7
Current liabilities			
Amounts owed to parent undertaking	**676.5**	658.8	677.2
	2,053.3	2,026.1	2,047.9

As at 30 September 2013 the Group had £191.4m of unutilised committed bank facilities (30 September 2012: £216.4m, 31 March 2013: £211.4m).

10 FINANCIAL INSTRUMENTS

Fair values

Where available, market values have been used to determine fair values (see Level 1 in the fair value hierarchy overleaf). Where market values are not available, fair values have been calculated by discounting future contractual cash flows to net present values at prevailing interest and RPI rates sourced from market data (see Level 2 in the fair value hierarchy overleaf). In light of the adoption of IFRS 13 for 31 March 2013 year end onwards, the rates used to discount these cash flows have been adjusted for the non-performance risk of either the Company or the counterparty where appropriate. The non-performance risk has been calculated by reference to the most recent comparable transactions and market-corroborated data adjusted for market and Company specific events subsequent to the transactions. The adjustment for non-performance risk of the Group as at 30 September 2013 is £100.0m (30 September 2012: £nil as IFRS13 not adopted, 31 March 2013: £109.4m).

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

Notes *(continued)*

10 FINANCIAL INSTRUMENTS *(continued)*

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

30 September 2012	Group Carrying Value	Group Fair Value	Company Carrying Value	Company Fair Value
Financial liabilities:	£m	£m	£m	£m
Non-current liabilities:				
Borrowings measured at amortised cost	(981.8)	(1,182.0)	(27.8)	(27.8)

31 March 2013	Group Carrying Value	Group Fair Value	Company Carrying Value	Company Fair Value
Financial liabilities:	£m	£m	£m	£m
Non-current liabilities:				
Borrowings measured at amortised cost	(988.2)	(1,181.5)	(27.9)	(27.9)

Fair value measurements recognised in the statement of financial position

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

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

Notes *(continued)*

10 FINANCIAL INSTRUMENTS *(continued)*

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

	30 September 2012			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	-	(133.3)	-	(133.3)
Financial liabilities designated at FVTPL	(385.5)	-	-	(385.5)
Total	(385.5)	(133.3)	-	(518.8)

	31 March 2013			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	-	(112.1)	-	(112.1)
Financial liabilities designated at FVTPL	(382.5)	-	-	(382.5)
Total	(382.5)	(112.1)	-	(494.6)

There were no transfers between levels during the current period (period ended 30 September 2012: IFRS13 not adopted, year ended 31 March 2013: same).

Notes *(continued)*

11 CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 September 2013 £m	Restated[2] Unaudited Six months ended 30 September 2012 £m	Restated Audited Year ended 31 March 2013 £m
Operating profit	**118.0**	96.7	211.8
Adjustments for:			
Depreciation of property, plant and equipment	**45.8**	43.3	88.4
Amortisation of intangible assets	**3.6**	4.3	8.3
Amortisation of customer contributions[3]	**(3.5)**	(2.1)	(4.3)
Profit on disposal of property, plant and equipment	**(0.2)**	-	(0.6)
Cash contributions less than/(in excess of) pension charge to operating profit	**3.5**	(8.3)	(16.9)
Operating cash flows before movement in working capital	**167.2**	133.9	286.7
Changes in working capital:			
(Increase)/decrease in inventories	**(1.4)**	(0.1)	1.6
(Increase)/decrease in trade and other receivables	**(0.8)**	0.1	(3.5)
(Decrease)/increase in provisions and payables	**(26.2)**	(18.7)	16.7
Cash generated from continuing operations	**138.8**	115.2	301.5

2 Restated due to reclassification of customer contributions. Decrease of £25.2m, shown in condensed consolidated statement of cash flows, offset by a £26.1m increase in accruals and £0.9m reduction in amortisation of intangible assets.

3 In the 6 months ended 30 September 2013 £2.7m (period ended September 2012: £1.2m, year ended March 2013: £2.6m) of customer contributions amortisation has been amortised through revenue as a result of the adoption of IFRIC 18.

12 RETIREMENT BENEFIT SCHEMES

Defined benefit schemes

The defined benefit obligation is calculated using the latest actuarial valuation as at 31 March 2013 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 2013. 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 2013. 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.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit. For the period ended September 2013 the profit after tax is £4.4m lower (of which £1.2m relates to deferred tax) and other comprehensive income £4.4m higher (of which £1.2m relates to deferred tax) than it would have been prior to the adoption of IAS 19 (revised 2011). For the period ended September 2012 the restated profit after tax is £1.9m lower (of which £0.6m relates to deferred tax) and other comprehensive income £1.9m higher (of which £0.6m relates to deferred tax) than previously reported. For the year ended March 2013 the restated profit after tax is £3.7m lower (of which £1.1m relates to deferred tax) and other comprehensive expense is £3.7m lower (of which £1.1m relates to deferred tax) than previously reported. As the Group has always recognised actuarial gains and losses immediately there has been no effect on the defined benefit obligation.

Notes *(continued)*

13 RELATED PARTIES

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

During the period, the North West Electricity Networks Limited group companies entered into the following transactions with related parties who are not members of that group:

	Unaudited Six months ended 30 September 2013 £m	Unaudited Six months ended 30 September 2012 £m	Audited Year ended 31 March 2013 £m
Transactions with related parties			
Recharges to Electricity North West (Construction and Maintenance) Limited	**0.7**	0.2	0.9
Recharges from Electricity North West (Construction and Maintenance) Limited	**0.3**	0.2	0.5
Interest paid to North West Electricity Networks (Holdings) Ltd	**15.5**	12.6	25.8
Dividends paid to North West Electricity Networks (Holdings) Ltd	**38.0**	12.0	33.0
Directors' fees to Colonial First State	**0.1**	0.1	0.1

Fees of £60,000 (September 2012: £60,000, March 2013: £120,000) were payable to Colonial First State in respect of the provision of Directors' services. Colonial First State is part of the Commonwealth Bank of Australia which is identified as a related party.
Amounts outstanding between the Group and other companies within the North West Electricity Networks (Jersey) Group:

	Unaudited 30 September 2013 £m	Unaudited 30 September 2012 £m	Audited 31 March 2013 £m
Amounts owed to related parties			
Interest to North West Electricity Networks (Holdings) Ltd	**13.0**	11.0	11.0
Group tax relief to North West Electricity Networks (Holdings) Ltd	**-**	0.5	0.5
Group tax relief to North West Electricity Networks (Finance) Ltd	**-**	0.2	0.2
Amounts owed to Electricity North West (Construction and Maintenance) Limited	**0.1**	-	0.2
Amounts owed to North West Electricity Networks (Holdings) Ltd	**676.5**	658.8	676.5
Amounts owed from related parties			
Amounts owed from Electricity North West (Construction and Maintenance) Limited	**0.2**	-	0.5
Amounts owed from North West Electricity Networks (Holdings) Ltd	**0.7**	0.6	0.7
Group tax relief from North West (Construction and Maintenance) Limited	**-**	0.1	0.1

Notes *(continued)*

13 RELATED PARTIES *(continued)*

The loans from related parties comprise amounts loaned from North West Electricity Networks (Holdings) Limited. £200m carries interest at 10% per annum, £327m is interest free, £121m carries interest at fixed rate 4.97% and £10m carries interest at a floating rate (2012: same). Amounts are repayable on demand.

14 PROVISIONS

	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2013
At 1 April 2013	**20.0**	-
Transfer from accruals	**-**	2.0
Additional provision in the year	**-**	21.9
Release to the income statement on re-estimate of liability	**0.5**	(1.3)
Utilisation of provision	**(6.4)**	(2.6)
At 30 September 2013	**14.1**	20.0

	Unaudited Six months ended 30 September 2013 £m	Audited Year ended 31 March 2013
Current	**5.4**	8.5
Non current	**8.7**	11.5
At 30 September 2013	**14.1**	20.0

Based on the Company's current risk assessment which considers the location and size of the stores, market conditions, demand and expectation on the ability to re-let the properties, cash exposure is forecast to be approximately £6.4m over the next 12 months, with the remaining outflows falling over the period to 2020/21.

The carried forward provision at 1 April 2013 was made up of £2.0m in relation to 4 retail properties as well as £18.0m for a portfolio of leases arising from the administration of a third party tenant.

During the six months to 30 September 2013, 3 of the 4 original retail property onerous leases have been disposed of by way of a premium payment to the landlord for an early release of liability which utilised part of the current provision. This leaves one remaining unit represented by the remaining provision of £1.4m. This amount takes account of expectations that the lease costs arising will be borne by the Group until the lease terminates (hence the amount represents a 100% provision).

Of the total portfolio of 39 leases previously assigned to the third party, at 31 March 2013 it was assumed that the likelihood of obligations for 8 of these units becoming payable was remote. This continues to be the case and no provision has been made for these leases as at 30 September 2013.

Of the other 31 leases within the portfolio, 19 make up the current provision of £12.7m as at 30 September 2013, whilst the others have either had leases disclaimed, surrendered by the landlord, or new third party tenants have taken occupation.