Company Registration No. 06428375

NORTH WEST ELECTRICITY NETWORKS PLC

(Formerly NORTH WEST ELECTRICITY NETWORKS LIMITED)

Annual Report and

Consolidated Financial Statements

for the year ended 31 March 2015

Notice regarding limitations on Director Liability under English Law

The information supplied in the Strategic Report and the Directors' Report has been drawn up and presented in accordance with English company law. The liabilities of the Directors in connection with that Report shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

The Strategic Report and Directors' Report have been prepared solely to provide additional information to the shareholders to assess the Company and the Group's strategies and the potential for those to succeed. They contain certain forward looking statements that are subject to factors associated with, amongst other matters, the economic and business circumstances occurring within the region and country in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those anticipated at the date of the Annual Report. The Company does not undertake any obligation to update or revise these forward-looking statements, except as may be required by law or regulation.

Website and Investor Relations

Electricity North West's website www.enwl.co.uk gives additional information on the Group. Notwithstanding the references we make in this Annual Report to Electricity North West's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein. Interested institutional debt investors can also gain access to additional financial information by contacting the Head of Treasury and Investor Relations (contact details at our website).

Contents

Strategic Report

The Directors present their Annual Report and the audited Financial Statements of North West Electricity Networks plc (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2015.

Business model

North West Electricity Networks plc ("NWEN") acts as a holding company within the group headed by North West Electricity Networks (Jersey) Ltd and is a non-trading entity.

The Group's principal activity is the operation and maintenance of the North West's electricity distribution network. The distribution of electricity is regulated by the terms of Electricity North West Limited's ("ENWL's") Electricity Distribution Licence granted under the Electricity Act 1989 and monitored by the Gas and Electricity Markets Authority. ENWL is a directly held subsidiary of the Company. The strategy and objectives of the Group are discussed in the Strategic Report of ENWL.

On 6 October 2014 North West Electricity Networks Limited formally re-registered its name as North West Electricity Networks Plc under Section 92(1)(c) of the Companies Act 2006. The re-registration was in connection with the issuance of notes by way of a US Private Placement, in order to pre-fund the redemption of the bond maturing in June 2015. It was necessary for the Company to be re-registered as a public limited company under Part 7 of the Companies Act 2006 in order to comply with section 755 of the Act which prohibits private limited companies from making public offers of securities.

The Group also includes two wholly owned financing companies which have debt listed on the London Stock Exchange. These companies are ENW Finance plc and ENW Capital Finance plc. Following the issue of debt, ENW Capital Finance plc lent the net proceeds to the Company and ENW Finance plc lent the net proceeds to a fellow Group subsidiary, ENWL.

Future developments

Once again, a significant focus for the past year has been around getting the business ready for RIIO-ED1. We use the term RIIO-ED1 to indicate both the challenging period that lies ahead and the new regulatory framework in which we now operate.

This new price review period (2015-2023) will be extremely challenging for all DNOs, demanding a better service and outputs for customers, at the same time as a reduction in costs and improved efficiency. Therefore, over the past few years, we have been getting the business ready to meet these challenges. A wide range of projects and plans are in place to ensure a seamless transition into the new price period.

In November 2014, Ofgem announced their final determination for the RIIO-ED1 period. Electricity North West was recognised by Ofgem as the most efficient network operator. The North West price cut is the biggest of any region in Great Britain, and Ofgem has singled out Electricity North West as the most efficient and industry leading company. You can find out more about the improvements we plan to make in the period 2015 to 2023 by reading our full plan at: www.enwl.co.uk/businessplan.

In March 2015, British Gas and Northern Power Grid both sought permission to appeal to the Competition and Markets Authority ("CMA") against Ofgem's RIIO-ED1 settlement. The CMA will have six months to determine the appeal, if it decides to go ahead. This brings a period of uncertainty to the start of RIIO-ED1 and we will continue to closely monitor how this issue progresses, providing full support to the investigation if and when needed.

Financial performance

Key performance indicators

The performance of the Group is monitored by the Board of Directors by reference to key performance indicators. Performance against these measures for the years ended 31 March 2015 and 2014 is set out in the following table:

	2015	2014
Revenue	**£534m**	£508m
Operating profit	**£290m**	£271m
Profit before tax and fair value movements	**£174m**	£123m
Profit before tax	**£15m**	£141m
Cash inflow/(outflow) before financing activities	**£22m**	(£6m)

Since the Company operates solely as an investment company it has no non-financial key performance indicators.

For an understanding of the Group's operational performance, non-financial key performance indicators are presented for ENWL and are

Strategic Report *(continued)*

Key performance indicators *(continued)*

disclosed in the Annual Report and Consolidated Financial Statements of that company.

Revenue
Revenue has increased to £534m (2014: £508m) during the year, as a result of an increase in allowed DUoS (Distribution Use of System) revenue and rising RPI, both of which are in line with the agreed revenue under the current price control period, Distribution Price Control Review period 5 (“DPCR5”).

Changing patterns in energy usage and warmer than anticipated weather over the winter have reduced consumer consumption volumes, resulting in an under recovery of DUoS revenue At 31 March 2015 this amounted to £22.9m (31 March 2014: £19.3m under-recovery). This under recovery will be recovered through adjustments in pricing over the next two years.

Operating profit

Operating profit has increased to £290m (2014: £271m) as a result of the £25m increase in revenue detailed above, less £3m of restructuring costs incurred in the year (2014: £nil).

Profit before tax and fair value movements

Profit before tax and fair value movements has increased as a result of increased operating profit and a decrease in interest expense of £32m which is largely due to the absence of interest payable on interest rate swaps, held by ENWL, which matured in the prior year.

Profit before tax

The decrease in profit before tax of £125m (2014: £26m increase) reflects the increase in operating profit as detailed above offset by a net fair value loss of £159m on financial instruments (2014: £18m gain). The fair value losses are due to increases in the liability values of the bond designated to be measured at fair value through the profit or loss and of the derivative financial instruments.

Cash flow (before financing activities)

Cash flow before financing activities has increased by £28m (2014: £35m decrease) in the year. The increase in cash from operations and the increased customer contributions have been partially offset by increases in investments in fixed assets. Net cash inflow from financing activities was £166m in the year (2014: £12m outflow). Dividend payments decreased to £38m (2014: £64m) and proceeds of new borrowings were £232m (£2014: £67m).

Liquidity

The Group’s primary source of liquidity is from Group operations and from funding raised through external borrowings. ENWL has an agreed regulatory price control to March 2015 which provides certainty for a large majority of the Group’s revenues from ongoing operations, providing both a stable and a predictable source of funds. Forecasts have been prepared for the next regulatory period to 2023 and are used to monitor liquidity.

Short-term liquidity

Short-term liquidity requirements are met from the Group’s normal operating cash flows. Further liquidity is provided by cash and short-term deposit balances.

At 31 March 2015, unutilised committed facilities of £332m (2014: £259m), together with £283m (2014: £70m) of cash and money-market deposits provide substantial short-term liquidity for the Group and Company. Utilisation of undrawn facilities is with reference to Regulatory Asset Value (“RAV”) gearing restrictions for the Group.

Long-term liquidity

At 31 March 2015, the Group's long term debt was £1,381m (2014: £1,414m), consisting of bonds and bank loans with medium to long-term maturities. The Group’s external debt, net of cash and money-market deposits was £1,398m (2014: £1,344m). The Group’s term debt is comprised of a combination of fixed, floating and index-linked debt, with a range of maturities and interest rates reflective of prevailing market rates at issue.

At 31 March 2015, £300m (2014: £nil) of the external debt mature within 1 year, £92m (2014: £298m) matures in more than one year but less than two years, £nil (2014: £30m) matures in more than two years but less than five years, and £1,289m (2014: £1,085m) matures in more than five years. Additionally, there is £677m (2014: £677m) intra-group debt repayable on demand.

The Group companies that issue debt in the public bond markets maintain credit ratings with one or more of the leading credit rating agencies. During the year the credit ratings have been formally reviewed and have been affirmed on a stable outlook basis. Further details are available to credit investors on the companies’ website www.enwl.co.uk

Strategic Report *(continued)*

Treasury policy

The Group's treasury function operates with the delegated authority of, and under policies approved by, the Board. The treasury function does not act as a profit centre and does not undertake any speculative trading activity. It seeks to ensure that sufficient funding is available in line with policy and to maintain the agreed targeted headroom on key financial ratios. Long-term borrowings are at fixed rates to provide certainty or are indexed to inflation to match the Group's inflation-linked (RPI) cash flows.

Treasury operations

The Group uses two main groups of derivatives to economically hedge exposure to fluctuations in market rates over the medium to long term; interest rates swaps to manage interest rate risk and inflation swaps to convert fixed rate debt to index-linked borrowing. At 31 March 2015 there were no formal hedging relationships in the Group (2014: none).

The Group's use of derivative instruments relates directly to underlying indebtedness.

The proportion of post-hedging borrowings at fixed, floating and index-linked rates of interest is maintained in line with target levels set in the Treasury Policy and is monitored by the Board, with reference to both the level of floating rate borrowings and the projected regulatory revenues that are exposed to inflationary adjustments (index-linked).

The derivatives are accounted for at fair value through profit or loss ("FVTPL"), with fair value movements booked through the Income Statement. Similarly, fair value movements on the £250m 8.875% 2026 bond in ENWL are booked through the Income Statement as this bond was designated at FVTPL on initial recognition. These fair value movements are non-cash and reverse over the life of the financial instrument, but can be significant and result in material volatility in the Income Statement.

In the current year, net fair value losses totalling £159m have been recognised in the Income Statement (2014: gains of £18m), which relates entirely to non-cash movements.

The Group's cash flows are in sterling other than sundry purchases of plant denominated in foreign currencies and some assets of the defined benefit pension scheme which are managed by the pension scheme investment managers. The Group has no other material exposure to foreign currency exchange movements.

Going concern

When considering continuing to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements, the Directors have taken into account a number of factors, including the following:

- ENWL's electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating;
- 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 their 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 period ending 31 March 2016 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 RPI and over/under recoveries of allowed revenue, and demonstrate that there is sufficient headroom on key covenants and that sufficient resources are available within the forecast period;
- The latest forecasts for the 2015-23 RIIO-ED1 price review period have also been reviewed to assess going concern. The forecasts demonstrate sufficient liquidity and headroom against key ratio's to support the going concern basis.
- Short-term liquidity requirements are forecast to be met from the Group's normal operating cash flow. Further liquidity is provided by surplus cash and short-term deposit balances. Furthermore, committed undrawn bank facilities of £50m within

Strategic Report *(continued)*

Going concern *(continued)*

ENWL and £282m in the Company are available from lenders.

- Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to 31 May 2016 indicate there is significant headroom on these covenants. The Group and ENWL 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. A £300m 6.75% bond issued by ENW Capital Finance plc is due to mature in June 2015. A United States Private Placement ("USPP") has been entered into by the Company for the amount of £305m to repay the amount due on maturity. As at 31 March 2015, £120m of the balance has been drawn down, and the remainder will be available on 18 June 2015, prior to the maturity date of the bonds.

Consequently, after making appropriate 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 Annual Report and Consolidated Financial Statements.

Principal risks and uncertainties

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, which are available on our website, www.enwl.co.uk.

An assessment of the change in risk has been carried out and the principle risks are deemed comparable year on year with the exception of the risk of refinancing. However, as discussed below the Group is confident of securing appropriate long term refinancing.

The Board considers the following risks to be the principal ones that may affect the Group's performance and results, in addition those identified in the Strategic Report of the ENWL Annual Report and Consolidated Financial Statements.

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 Interim CFO and 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 covering the period to 31 March 2016.

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 finance. The Group is 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.

The £300m 6.75% bond issued by ENW Capital Finance plc is due to mature in June 2015. As detailed above under the Going concern heading plans to re-finance this debt are already in place.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Financial risks

The principal financial risks which the Group is exposed to and which arise in the normal course of business are credit risk, liquidity risk and market risk. Market risk includes foreign exchange, interest rate, inflation and equity price risks.

Credit (counterparty) risk management

The Group is required by Ofgem to accept any company that has obtained a trading licence regardless of their credit status. To mitigate the risk posed by this, all transactions with customers are governed by a contract which all customers are required by Ofgem to sign and adhere to the terms.

Exposure limits with counterparties are reviewed regularly. The Group's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Market risk management

The Group manages market risk exposure by seeking to match financing costs as closely as possible with the revenues generated by its assets. The regulated revenue generated by ENWL is linked to inflation and the Group, therefore, matches a proportion of the financing costs using a combination of index-linked debt and index-linked derivatives. By matching the cost of funding and revenue in this way, the exposure to movements in inflation is somewhat mitigated. Inevitably, there is not a perfect match and some exposure remains.

Employees

Our people are key to achieving our business strategy, delivering high levels of customer service and enhancing shareholder value. The Group is committed to developing an engaged, motivated and high performing workforce to enable the Group to achieve its vision and goals, whilst putting safety at the core of how we operate.

The Group is committed to employee's health and safety as well as providing equality of opportunity in learning and development. We are committed to developing a nurturing culture in which employees feel valued to reach their full potential and to understand how their own contribution adds value to the Group. The Group sets policies and encourages a working culture that recognises, respects, values and harnesses diversity for the benefit of the Group and the individual, and we are committed to integrating equality and diversity into all that we do. The Group is committed to fulfilling its obligations in accordance with the Disability Discrimination Act 1995 and best practice. As an equal opportunities employer, equal consideration is given to applicants with disabilities in the Group's employment criteria. The business will modify equipment and practices wherever it is safe and practical to do so, both for new employees and for those employees that become disabled during the course of their employment.

Human rights

The Group operates exclusively in the UK and, as such, is subject to the European Convention on Human Rights and the UK Human Rights Act 1998.

We respect all human rights and regard those rights relating to non-discrimination, fair treatment and respect for privacy to be the most relevant and to have the greatest potential impact on our key stakeholder groups of customers, employees and suppliers.

We seek to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through our policies and procedures and, in particular, through our policies regarding employment, equality and diversity, treating customers fairly and information security.

Gender and diversity

Information on the composition of the workforce at the year end is summarised below:

	2015 Male	**2015 Female**	2014 Male	2014 Female
Total Employees	**1,286**	**360**	1,324	337
Of which:				
Senior Managers	**29**	**10**	20	7
Executive leadership team	**8**	**1**	7	2
Executive Directors	**4**	**0**	7	0

Strategic Report *(continued)*

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 Financial Statements as applied in the prior year.

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 defined benefit pension scheme. The impact has been applied retrospectively in line with the standard resulting in a prior year restatement.

Environmental impacts

The Group are dedicated to achieving the highest standards of environmental performance, not only by minimising the risk of adverse impacts such as pollution, but through investment in outputs that deliver a positive impact.

Our greenhouse gas emissions are reported in the Strategic Report of ENWL. There are no further disclosures for the rest of the Group which consists of non-trading investment companies with the exception of Electricity North West (Construction and Maintenance) Limited which does not have a material impact on the Group’s disclosures.

Corporate social responsibility

Details of the Group’s approach to corporate responsibility, relating to our environment, social and governance policies can be found in ENWL’s Annual Report and Financial Statements.

Fair, balanced & understandable

The Directors have reviewed the thorough assurance process in place within the Group with regards to the preparation, verification and approval of financial reports. This process includes:

- Detailed review and appropriate challenge from key internal Group functions, such as Group Risk, Assurance and Internal Audit;
- Formal sign-offs from the business area senior managers, the finance managers and Interim CFO of ENWL;
- Group Audit Committee oversight, involving a review of key financial reporting judgements, review and appropriate challenge on matters such as any changes to significant accounting policies and practices during the year, significant adjustments and the going concern assumption;
- The involvement of qualified, professional employees with an appropriate level of expertise and experience throughout the business; and
- Engagement of a professional and experienced external auditor, a framework for full transparent disclosure of information during the audit process and post audit evaluation.

As a result of these processes together with the information and assurance provided by the day to day internal control processes, the information provided by the Executive Leadership Team of ENWL and the in-depth reporting required by Ofgem, both the Audit Committee of ENWL and the Board are satisfied that the Annual Report and Financial Statements taken as a whole, provide a fair, balanced and understandable assessment of the Group’s position at 31 March 2015.

Approved by the Board on 27 May 2015 and signed on its behalf by:

S Johnson
Director

Directors' Report

The Directors present their annual report and the audited Financial Statements of North West Electricity Networks plc (the 'Company') and its subsidiaries (together referred to as the 'Group') for the year ended 31 March 2015.

Directors

The Directors of the Company during the year ended 31 March 2015 are set out below. Directors were appointed for the whole year and to the date of this report except where otherwise indicated.

J Gittins

S Johnson

M Rogers

M Walters

A Dench (appointed 29 January 2015 and resigned 5 May 2015)

At no time during the year did any Director have a material interest in any contract or arrangement which was significant in relation to the Group's business.

Directors' and officers' insurance

The Group maintains an appropriate level of Directors' and Officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act 2006.

Results and dividends

The Company paid interim dividends of £38m (2014: £64m). The Directors do not propose a final dividend for the year ended 31 March 2015 (2014: none).

Research and development

The Group is committed to developing innovative and cost-effective solutions for providing high quality services and reliability to our customers, and for the benefit of the wider community and the development of the network, as further detailed in the Strategic Report of ENWL.

Capital structure

See note 26 for details of the Company's capital structure.

Financial instruments

The risk management objectives and policies of the Group and the Company in relation to the use of financial instruments can be found in note 17 to the Financial Statements.

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have also chosen to prepare the parent company Financial Statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing these Financial Statements, International Accounting Standard 1 requires that the Directors:

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

Directors' Report *(continued)*

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Information given to auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

(2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted within the provisions of s418 of the Companies Act 2006.

Reappointment of auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company.

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

Registered address

North West Electricity Networks plc
304 Bridgewater Place
Birchwood Park
Warrington
WA3 6XG

Registered number: 06428375

Approved by the Board on 27 May 2015 and signed on its behalf by:

S Johnson
Director

Independent Auditor's Report to the members of North West Electricity Networks plc

We have audited the financial statements of North West Electricity Networks plc for the year ended 31 March 2015 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Patrick J Loftus ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
27 May 2015

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2015

	Note	**Group 2015 £m**	Group 2014 £m
Revenue	*2*	**533.7**	508.0
Employee costs	*3,4*	**(44.5)**	(43.7)
Depreciation and amortisation expense (net)	*3*	**(97.2)**	(99.4)
Retail property provision credit	*3,19*	**-**	1.5
Other operating costs		**(99.4)**	(95.9)
Restructuring costs	*3,32*	**(2.8)**	-
Total operating expenses		**(243.9)**	(237.5)
Operating profit	*3*	**289.8**	270.5
Investment income	*5*	**0.6**	0.4
Finance expense	*6*	**(275.4)**	(130.4)
Profit before taxation		**15.0**	140.5
Taxation	*7*	**(4.2)**	15.1
Profit for the year attributable to the equity shareholders	*25*	**10.8**	155.6

The results shown in the Consolidated Income Statement for both the current and preceding years are derived from continuing operations.

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2015

	Note	**Group 2015 £m**	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Profit/(loss) for the year		**10.8**	**(16.2)**	155.6	41.3
Items that will not be classified subsequently to profit or loss:					
Remeasurement of net defined benefit liability	*20*	**4.4**	**-**	74.1	-
Deferred tax on remeasurement of defined benefit pension schemes taken directly to equity	*21*	**(0.9)**	**-**	(14.8)	-
Adjustment due to change in future tax rates of brought forward deferred tax asset taken directly to equity	*21*	**-**	**-**	(5.7)	-
Other comprehensive income for the year		**3.5**	**-**	53.6	-
Total comprehensive income/(loss) for the year attributable to equity holders		**14.3**	**(16.2)**	209.2	41.3

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

	Note	Group 2015 £m	Company 2015 £m	Group 2014 £m	Company 2014 £m
ASSETS					
Non-current assets					
Intangible assets and goodwill	10	**216.3**	**-**	208.9	-
Property, plant and equipment	11	**2,847.9**	**-**	2,704.9	-
Investments	12	**-**	**1,145.7**	-	1,145.7
Intercompany loan		**-**	**89.7**	-	-
Deferred tax asset	21	**-**	**3.6**	-	0.8
		3,064.2	**1,239.0**	2,913.8	1,146.5
Current assets					
Inventories	13	**7.3**	**-**	7.3	-
Trade and other receivables	14	**63.4**	**2.0**	59.0	82.8
Cash and cash equivalents	15,17	**257.6**	**121.6**	69.5	4.1
Money market deposits (maturity over 3 months)	15,17	**25.0**	**-**	-	-
Current tax asset		**14.4**	**13.7**	-	-
		367.7	**137.3**	135.8	86.9
Total assets		**3,431.9**	**1,376.3**	3,049.6	1,233.4
LIABILITIES					
Current liabilities					
Borrowings	16	**(976.1)**	**(996.6)**	(676.5)	(697.0)
Trade and other payables	18	**(146.2)**	**(27.3)**	(134.9)	(25.0)
Current tax liabilities		**-**	**-**	(11.6)	-
Provisions	19	**(2.8)**	**-**	(3.8)	-
		(1,125.1)	**(1,023.9)**	(826.8)	(722.0)
Net current liabilities		**(757.4)**	**(886.6)**	(691.0)	(635.1)
Non-current liabilities					
Borrowings	16	**(1,381.3)**	**(209.6)**	(1,413.8)	(328.5)
Derivative financial instruments	17	**(241.9)**	**(18.2)**	(112.5)	(4.1)
Deferred tax liabilities	21	**(283.0)**	**-**	(304.2)	-
Customer contributions	22	**(240.9)**	**-**	(205.2)	-
Refundable customer deposits	23	**(4.8)**	**-**	(2.6)	-
Provisions	19	**(3.3)**	**-**	(5.8)	-
Retirement benefit obligation	20	**(33.7)**	**-**	(37.1)	-
		(2,188.9)	**(227.8)**	(2,081.2)	(332.6)
Total liabilities		**(3,314.0)**	**(1,251.7)**	(2,908.0)	(1,054.6)
Net assets/(liabilities)		**117.9**	**124.6**	141.6	178.8
EQUITY					
Called up share capital	24, 25	**3.0**	**3.0**	3.0	3.0
Retained earnings/(deficit)	25	**114.9**	**121.6**	138.6	175.8
Total equity	25	**117.9**	**124.6**	141.6	178.8

The Financial Statements of North West Electricity Networks plc (registered number 06428375) were authorised for issue and approved by the Board of Directors on 27 May 2015 and signed on its behalf by:

S Johnson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2015

	Note	Called up share capital £m	Retained (deficit)/ earnings £m	Total equity £m
At 1 April 2013		3.0	(6.6)	(3.6)
Profit for the year		-	155.6	155.6
Remeasurement of defined benefit schemes	*20*	-	74.1	74.1
Tax on components of comprehensive income	*21*	-	(20.5)	(20.5)
Total comprehensive income for the year		-	209.2	209.2
Transactions with owners recorded directly in equity				
Equity dividends	*8*	-	(64.0)	(64.0)
At 31 March 2014		3.0	138.6	141.6
Profit for the year		-	10.8	10.8
Remeasurement of defined benefit schemes	*20*	-	4.4	4.4
Tax on components of comprehensive income	*21*	-	(0.9)	(0.9)
Total comprehensive income for the year		-	14.3	14.3
Transactions with owners recorded directly in equity				
Equity dividends	*8*	-	(38.0)	(38.0)
At 31 March 2015		3.0	114.9	117.9

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2015

	Note	**Called up share capital £m**	**Retained earnings £m**	**Total Equity £m**
At 1 April 2013		3.0	198.5	201.5
Profit for the year		-	41.3	41.3
Total comprehensive income for the year		-	41.3	41.3
Transactions with owners recorded directly in equity				
Equity dividends	*8*	-	(64.0)	(64.0)
At 31 March 2014		3.0	175.8	178.8
Profit for the year		-	(16.2)	(16.2)
Total comprehensive income for the year		-	(16.2)	(16.2)
Transactions with owners recorded directly in equity				
Equity dividends	*8*	-	(38.0)	(38.0)
At 31 March 2015		3.0	121.6	124.6

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 March 2015

	Note	Group 2015 £m	Company 2015 £m	Group 2014 £m	Company 2014 £m
Operating activities					
Cash generated from operations	*29*	**394.4**	**-**	361.7	9.9
Interest paid		**(108.2)**	**(54.4)**	(134.2)	(50.9)
Tax (paid)/received		**(52.4)**	**11.3**	(29.2)	-
Net cash generated from/ (used in) operating activities		**233.8**	**(43.1)**	198.3	(41.0)
Investing activities					
Interest received and similar income		**0.5**	**4.6**	0.4	4.4
Dividends received		**-**	**37.0**	-	83.0
Purchase of property, plant and equipment		**(243.7)**	**-**	(234.6)	-
Purchase of intangible assets		**(11.0)**	**-**	-	-
Customer contributions received		**41.1**	**-**	28.9	-
Proceeds from sale of property, plant and equipment		**1.2**	**-**	0.6	-
Net cash (used in)/ generated from investing activities		**(211.9)**	**41.6**	(204.7)	87.4
Net cash inflow/(outflow) before financing activities		**21.9**	**(1.5)**	(6.4)	46.4
Financing activities					
Dividends paid to equity shareholder of the Company	*8*	**(38.0)**	**(38.0)**	(64.0)	(64.0)
Transfer to money market deposits		**(25.0)**	**-**	-	-
Proceeds from external borrowings		**232.0**	**182.0**	67.0	17.0
Fees Associated with borrowings		**(2.8)**	**(2.7)**	(0.3)	-
Increase in group loan receivable		**-**	**(22.3)**	(15.0)	(15.0)
Net cash generated from /(used in) financing activities		**166.2**	**119.0**	(12.3)	(62.0)
Net increase/(decrease) in cash and cash equivalents		**188.1**	**117.5**	(18.7)	(15.6)
Cash and cash equivalents at the beginning of the year	*15*	**69.5**	**4.1**	88.2	19.7
Cash and cash equivalents at the end of the year	*15*	**257.6**	**121.6**	69.5	4.1

Notes to the Financial Statements

North West Electricity Networks plc is a company incorporated in the United Kingdom under the Companies Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been applied consistently in the current year and prior year.

Basis of preparation

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

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The Financial Statements are presented in Sterling which is also the functional currency. All values are rounded to the nearest million pounds (£m) unless otherwise indicated.

The preparation of Financial Statements, under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Basis of preparation – going concern basis

When considering continuing to adopt the going concern basis in preparing the Annual Report and Consolidated Financial Statements, the Directors have taken into account a number of factors, including the following:

- ENWL's electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating;
- 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 their 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, Group forecasts to 31 March 2016 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 RPI and over/under recoveries of allowed revenue, and demonstrate that there is sufficient headroom on key covenants and that sufficient resources are available within the forecast period;
- The latest forecasts for the 2015-23 RIIO-ED1 price review period have also been reviewed to assess going concern. The forecasts are based on the Ofgem final determination and demonstrate sufficient liquidity and headroom against key ratios to support the going concern basis;
- Short-term liquidity requirements are forecast to be met from the Group's normal operating cash flow. Further liquidity is provided by surplus cash and short-term deposit balances. Furthermore, committed undrawn bank facilities of £50m within ENWL and £282m in the Company are available from lenders. Whilst the utilisation of these facilities is subject to gearing covenant restrictions, projections to 31 March 2016 indicate there is significant headroom on these covenants; and

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation – going concern basis *(continued)*

- The Group and ENWL 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. A £300m 6.75% bond issued by ENW Capital Finance plc is due to mature in June 2015. A United States Private Placement ("USPP") has been entered into by the Company for the amount of £305m to repay the amount due on maturity. As at 31 March 2015, £120m of the balance has been drawn down, and the remainder will be available on 18 June 2015, prior to the maturity date of the bonds.

Consequently, after making appropriate 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 Annual Report and Consolidated Financial Statements.

Adoption of new and revised standards

Certain new and amended standards have taken effect during the year. The Directors have determined that the following standards have no impact on the Financial Statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities. The Group and Company do not meet the definition of an investment entity. Therefore the amendments have no impact.
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities. The amendments clarify that right of offset must be legally enforceable in the event of default, bankruptcy or insolvency as well as in the normal course of business. This does not affect the offsetting performed in these Financial Statements.
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The amendment adds disclosure requirements for impaired assets and assets with recoverable amounts based on fair value measurements. Neither requirement is applicable to the Group or Company.
- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting. The Group does not designate any hedge relationships, therefore there is no impact from the amendment.
- IFRIC 21 Levies. The Group has no levies. Therefore there is no impact from the amendment.

New standards in issue not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and had not yet been adopted by the EU):

- IFRS 15: Revenue from customer contracts (Effective for the year ended 31 March 2018)
- IFRS 9: Financial Instruments (Effective for the year ended 31 March 2019)

The Group intends to adopt these standards, as applicable, when they become effective.

IFRS 9 will impact the measurement and disclosure of the Group's financial instruments. IFRS 15 may impact the measurement of the Group's revenue. The Group is assessing the impact of both these IFRSs.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries), made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries

Control is achieved where the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights, of an investee entity so as to obtain benefits from its activities. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired the difference is recognised as negative goodwill and immediately written-off and credited to the Income Statement in the year of acquisition. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments (Company only)

Investments in subsidiary undertakings are stated at cost less any provisions for permanent diminution in value. Dividends received and receivable are credited to the Company's Income Statement to the extent that they represent a realised profit for the Company.

Business combinations and goodwill

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, plus any costs directly attributable to the business combination. 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. All costs associated with business combinations are expensed to the Income Statement.

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, then the negative goodwill is recognised, but immediately written off to the Income Statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment because it has an indefinite life.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

Amortisation periods for categories of intangible assets are:

Computer software	3 - 10 years

Intangible assets under construction are not amortised. Amortisation commences from the date the intangible asset is available for use.

The licence has an indefinite useful life and therefore is tested annually for impairment.

Property, plant and equipment

Property, plant and equipment comprises operational structures and other assets (including properties, over ground plant and equipment and electricity operational assets).

Operational structures

Infrastructure assets are depreciated by writing off their deemed cost less the estimated residual value, evenly over their useful lives, which range from 5 to 80 years. Employee costs incurred in implementing the capital schemes of the Group are capitalised within operational structure assets.

Other assets

All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost evenly over their estimated useful lives, based on management's judgement and experience, which are principally as follows:

Buildings	30 - 60 years
Fixtures and equipment, vehicles and other	3 - 40 years

Depreciation methods and useful lives are re-assessed annually and, if necessary, changes are accounted for prospectively.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Impairment of tangible and intangible fixed assets

Intangible assets and property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. An intangible asset with an indefinite life is tested for impairment at least annually and whenever there is an indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets *(continued)*

The recoverable amount is the higher of fair value less costs to sell, and value in use. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment of non-current assets is recognised in the Income Statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the Income Statement and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on weighted average cost and includes expenditure incurred in acquiring the inventories, conversion costs and other costs in bringing them to their existing location and condition. Net realisable value refers to the net amount expected to realise from the sale of inventory in the ordinary course of business.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

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

Trade payables

Trade payables are stated at their nominal value.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Cash and cash equivalents

In the consolidated statement of cash flows and related notes, cash and cash equivalents includes cash at bank and in hand, deposits, other short-term highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Money market deposits

Money market deposits with terms to maturity in excess of three months are not included as cash or cash equivalents and are separately disclosed on the face of the Statement of Financial Position.

Financial investments

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

Investments (Company only)

Investments in subsidiary undertakings are stated at cost less any provisions for permanent diminution in value. Dividends received and receivable are credited to the Company's Income Statement to the extent that they represent a realised profit for the Company.

Financial liabilities

All financial liabilities are initially measured at fair value, plus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified into the following specified categories: financial liabilities'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Cost is recognised on an effective interest basis for debt instruments other than those financial liabilities classified as at FVTPL.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Finance expense and interest income

All borrowing costs and finance income that are not directly attributable to the acquisition, issue or disposal of a financial asset or financial liability are recognised in the Income Statement in the year in which they are accrued. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial fair value of that instrument.

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

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Under IAS 23 borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. A qualifying asset is any major project with a projected timescale of greater than 12 months. Capitalisation commences when activities are undertaken to prepare the asset for use, and expenditure and borrowing costs are being incurred. Capitalisation ceases when substantially all of the activities necessary to prepare the intended asset for its intended use or sale are complete.

Borrowing costs capitalised in the year under IAS 23 were £0.8m (2014: £0.9m), using an average annual capitalisation rate of 5.9% (2014: 5.9%).

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Derivatives and borrowings

The Group's default treatment is for borrowings to be carried at amortised cost, whilst derivatives are recognised separately on the Statement of Financial Position at fair value. Movements in fair values are reflected through the Income Statement. This has the potential to introduce considerable volatility to both the Income Statement and Statement of Financial Position. The Group accounts for derivative financial instruments at fair value through profit or loss. This area is considered to be of significance due to the magnitude of the Group's level of borrowings and derivatives.

Financial liabilities designated at fair value through profit or loss

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 17.

The Group elects to designate a financial liability at inception as fair value through the profit or loss on the basis that it meets the conditions specified in IAS 39 'Financial Instruments: Recognition and Measurement'.

The Group applied the fair value through profit or loss option to the £250m 8.875% 2026 bond upon initial recognition as the complexity of the associated swaps at that time meant that the criteria to allow hedge accounting was not met and the otherwise inconsistent accounting treatment that would have resulted allowed the Group to satisfy the criteria for this designation. Whilst these swaps were closed out during an earlier year, IAS 39 does not permit the reclassification of the bond, which remains designated at fair value through profit or loss.

Derivative financial instruments and hedge accounting

Interest rate and indexed-linked swap agreements are used to manage interest rate exposure. The Group does not use derivative financial instruments for speculative purposes.

All financial derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each Statement of Financial Position date.

Changes in the fair value of all derivative financial instruments are recognised in the Income Statement within finance expense as they arise.

Fair values

IFRS 13 provides clarity around the methodology for measuring fair value. The Group 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.

The fair value methodology for derivative financial instruments under IFRS 13 takes 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.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Hedge accounting

There are two types of hedge accounting strategies that the Group considers; a fair value hedge and a cash flow hedge. There are currently no formal hedging relationships in the Group.

Operating profit

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

Taxation

The tax expense represents the sum of the current and deferred tax charges for the financial year, adjusted for prior year items.

Current taxation

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

Deferred taxation

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

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

Employee benefits - Retirement benefit obligations

The Group's defined pension benefit arrangements are provided through a division of the Electricity Supply Pension Scheme (ESPS). The most recent actuarial valuation for the scheme for funding purposes was carried out at 31 March 2013; agreed Actuarial valuations are carried out thereafter at intervals of not more than three years. The 31 March 2014 valuation is being completed and expected to be finalised in 2015. The pension cost under IAS 19 (Revised 2011) 'Employee Benefits' is assessed in accordance with the advice of a firm of actuaries.

The assumptions are disclosed in note 20 of the Financial Statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the scheme's assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants. Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the Statement of Financial Position.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The assumptions are disclosed in note 20 of the Financial Statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the scheme's assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants. Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the Statement of Financial Position.

The net interest expense is recognised within finance costs (see note 6)

The remeasurement of the defined benefit pension schemes is recognised immediately through the Statement of Comprehensive Income.

Employee benefits - Retirement benefit obligations *(continued)*

In addition, the Group also operates a defined contribution pension scheme. Payments are charged to the Income Statement as employee costs as they fall due. The Group has no further payment obligations once the contributions have been paid.

IFRIC14: 'The limit on a defined benefit asset, minimum funding requirements and their interaction' was published by the interpretations committee of the International Accounting Standards Board in July 2007 and was adopted during the year ended 31 March 2008. IFRIC14 provides guidance on the extent to which a pension scheme surplus should be recognised as an asset and may also require additional liabilities to be recognised where minimum funding requirements exist. Legal opinion was obtained that a pension surplus could be recovered on wind up of the scheme and could therefore be recognised, along with associated liabilities. At the current time, this interpretation does not affect the Group.

Revenue recognition

Revenue represents the fair value of the income receivable in the ordinary course of business primarily for the distribution of electricity during the year, exclusive of value-added tax. Revenue includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the year end. Remaining sales relate to the invoice value of other goods and services provided which also relate to the electricity network.

Where turnover received or receivable in the year exceeds the maximum amount permitted by regulatory agreement and adjustments will be made to future prices to reflect this over-recovery, no liability is recognised as such an adjustment to future prices relates to the provision of future services. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

The Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred revenue.

An element of the Group's revenue is generated from construction contracts. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the Income Statement turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as proportion of the total contract value.

Customer contributions

Contributions receivable in respect of property, plant and equipment are treated as deferred income, which is credited to the Income Statement over the estimated economic lives of the related assets. Amortisation of contributions received post 1 July 2009 is shown as revenue rather than within operating costs following the adoption of IFRIC 18.

Refundable customer deposits

Refundable customer deposits received in respect of property, plant and equipment are held as a liability until repayment conditions come into effect and the amounts are repaid to the customer or are transferred to customer contributions.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development

Research and development costs are written off to the Income Statement as incurred.

Leases

Operating lease rentals are charged to the Income Statement on a straight-line basis over the period of the lease.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the years presented.

On an ongoing basis, the Group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the year in which the facts that give rise to the revision become known.

The following policies are those critical judgements which the Group believes have the most significant impact on the annual results under IFRS.

Carrying value of long-life assets

The Group's accounting policy for property, plant and equipment ("PPE") is detailed above. The carrying value of PPE under IFRS as at 31 March 2015 was £2,847.9m (2014: £2,704.9m). Additions to PPE totalled £238.7m (2014: £227.9m) and the depreciation charge was £95.3 m in the year ended 31 March 2015 (2014: £93.9m).

The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, the charge is adjusted prospectively. Due to the significance of PPE investment to the Group, variations between actual and estimated useful lives could impact operating results both positively and negatively, although historically, few changes to estimated useful lives have been required.

In accordance with IFRS, the Group is required to evaluate the carrying values of PPE for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash-generating units under review.

In the financial year ended 31 March 2015, the Directors have assessed the carrying value of both tangible and intangible fixed assets in accordance with the principles of IAS 36 'Impairment of Assets'. This review was underpinned by value in use calculations on the recoverable amounts of the cash generating units ("CGUs").

For the purpose of impairment testing the Group have determined that there is only one CGU, and, due to favourable operating cash flows being forecast to the end of RIIO-ED1 and beyond, no impairment exists. Furthermore, management have completed a review of tangible fixed assets for material obsolescence and/or physical damage and no indication of impairment was identified.

Revenue recognition

Under IFRS, the Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Should management consider that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as the transaction becomes fully earned. Payments received in advance of revenue recognition are recorded as deferred revenue. The Group raises bills and recognises revenue in accordance with its entitlement to receive revenue in line with the limits established by the periodic regulatory price review processes.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

The principal customers of the business are the electricity supply companies that utilise the Group's distribution network to distribute electricity from generators to the end consumer. Revenue from such activity is known as 'use of system'. The amount billed is dependent upon the volume of electricity distributed, including estimates of the units distributed to customers. The estimated usage is based on historic data, judgement and assumptions. Operating revenues are gradually adjusted to reflect actual usage in the period over which the meters are read.

Accounting for provisions and contingencies

The Group is subject to a number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. The Group routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonably estimated losses. Reasonable estimates involve judgements made by management after considering information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter. The required provision may change in the future due to new developments and as additional information becomes available. Matters that either are possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

Property provision

ENWL held the leasehold title to a number of retail properties as a result of its legacy retail operations whilst trading as Norweb Plc. ENWL assigned the majority of these to a third party in 1996. However, the third party went into administration and ENWL still has a potential liability for lease obligations under privity of contract rules for these retail properties. The retail properties have lease expiry dates ranging from 2015 to 2021. The Directors have recognised a provision based on the probable financial exposure, having consulted with both internal and external property advisors and property management agents. Further information on the judgements involved is provided in note 19 to the Financial Statements.

Taxation

Assessing the outcome of uncertain tax positions such as the tax treatment of provisions, requires judgements to be made regarding the application of tax law and the results of negotiations with, and enquiries from tax authorities.

Retirement benefits

The pension cost under IAS 19 (revised 2011) 'Employee Benefits' is assessed in accordance with the advice of a firm of actuaries. The assumptions are disclosed in note 20 of the Financial Statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the schemes' assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Fair values of derivative financial instruments

The Group uses derivative financial instruments to manage the exposure to interest rate and inflation risk. The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. All financial derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each Statement of Financial Position date. Changes in the fair value of all derivative financial instruments are recognised in the Income Statement within finance expense as they arise.

The Group is therefore subject to volatility in the Income Statement due to changes in the fair values of the derivative financial instruments. Further information is provided on the judgements involved in note 17 to the Financial Statements.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The value in use calculation performed concludes that no impairment loss is required against this goodwill.

Impairment of intangibles

Management assesses the recoverability of intangible assets on an annual basis. Determining whether any of the intangible assets are impaired requires an estimation of the value in use of the asset to the Group. This value in use calculation requires the Group to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate the present value for the asset and compare that calculation to its carrying value. See note 10.

Impairment of investments

Management assesses the recoverability of investments on an annual basis. The net assets at the Statement of Financial Position date of the company which the investment is held within are compared with the carrying value of the investment at the Statement of Financial Position date. Should the net assets be lower than the carrying value, this is treated as an indicator for impairment and an impairment test is conducted. Any such impairment test would require an estimation of the value in use of the asset to the Group. The value in use calculation would require the Group to estimate the future cash flows expected to arise from the asset, discounted at a suitable rate to calculate the present value for the asset, and compare that calculation to its carrying value.

2. REVENUE

	Group 2015 £m	Group 2014 £m
Revenue	**533.7**	508.0

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 and Executive Leadership Team.

Included within the above are revenues of approximately £370.8m (2014: £374.9m) which arose from sales to the Group’s five (2014: five) largest customers. Customer 1 represented £109.6m (2014: £115.4m), Customer 2 £98.9m (2014: £102.5m), Customer 3 £75.2m (2014: £71.0m), Customer 4 £46.8m (2014: £43.8m) and Customer 5 £40.3m (2014: £42.2m) of revenues. No other customer represented more than 10 per cent of revenues either this year or prior year.

Notes to the Financial Statements *(continued)*

3. OPERATING PROFIT

The following items have been included in arriving at the Group's operating profit:

	2015 £m	2014 £m
Employee costs		
Employee costs (note 4)	**44.5**	43.7
Depreciation and amortisation expense (net)		
Depreciation of property, plant and equipment:		
Owned assets (note 11)	**95.3**	93.9
Amortisation of intangible assets and customer contributions:		
Software (note 10)	**3.6**	7.2
Customer contributions[1] (note 22)	**(1.7)**	(1.7)
Depreciation and amortisation expense (net)	**97.2**	99.4
Other income		
Profit on disposal of property, plant and equipment	**(0.8)**	(0.2)
Other operating costs include:		
Research and development	**3.3**	2.1
Operating leases:		
- land and buildings	**0.8**	0.9
- hire of plant and machinery	**1.7**	0.1
Retail property provision credit (note 19)	**-**	(1.5)
Restructuring costs (note 32)	**2.8**	-

[1] For the year ended 31 March 2015, £1.9m (2014: £2.8m) of customer contributions have been amortised through revenue in accordance with IFRIC 18.

Notes to the Financial Statements *(continued)*

3. OPERATING PROFIT *(continued)*

Analysis of the auditor's remuneration is as follows:	**Group 2015 £m**	Group 2014 £m
Fees payable to the Company's auditor and their associates for the audit of the Company's annual Financial Statements*	**-**	-
Fees payable to the Company's auditor and their associates for other services to the Group		
The audit of the Company's subsidiaries	**0.2**	0.1
Total audit fees	**0.2**	0.1
Audit-related assurance services*	**0.1**	0.1
Taxation advisory services	**-**	-
Total non-audit fees	**0.1**	0.2
Total fees payable	**0.3**	0.2

* Fees payable to the auditor in relation to other audit related services totalled £106,975 (2014: £82,450). Fees payable for the audit of the Company's Financial Statements of £6,908 (2014: £3,635). Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the Consolidated Financial Statements are only required to disclose such fees on a consolidated basis.

4. EMPLOYEE COSTS

	Group 2015 £m	Group 2014 £m
Wages and salaries	**74.7**	75.0
Social security costs	**7.2**	7.1
Pension costs (note 20)	**16.3**	14.8
Employee costs (including Directors' remuneration)	**98.2**	96.9
Costs transferred directly to fixed assets	**(53.7)**	(53.2)
Charged to operating expenses	**44.5**	43.7

The average monthly number of employees during the year (including executive Directors) was

	2015 Number	2014 Number
Electricity distribution - Group	**1,670**	1,688

There are no employees of the Company (2014: nil).

Notes to the Financial Statements *(continued)*

5. INVESTMENT INCOME

Group	2015 £m	2014 £m
Interest receivable on short-term bank deposits held at amortised cost	**0.6**	0.4
Total investment income	**0.6**	0.4

6. FINANCE EXPENSE (NET)

Group	2015 £m	2015 £m	2014 £m	2014 £m
Interest payable				
Interest payable on Group borrowings	**31.4**		31.0	
Interest payable on borrowings held at amortised cost	**61.7**		58.5	
Interest payable on borrowings designated at fair value through profit or loss	**22.2**		22.2	
Net (receipts)/payments on derivatives held for trading	**(5.4)**		25.6	
Other finance charges related to index linked bonds	**6.3**		7.9	
Interest cost on pension plan obligations (see note 20)	**1.2**		4.1	
Capitalisation of borrowing costs under IAS 23	**(0.8)**		(0.9)	
Total interest expense		**116.6**		148.4
Fair value movements on financial instruments				
Fair value movement on borrowings designated at fair value through profit or loss	**29.4**		(18.5)	
Fair value movement on derivatives held for trading	**129.4**		0.5	
Total fair value movements		**158.8**		(18.0)
Total finance expense (net)		**275.4**		130.4

Where available, market values have been used to determine fair values; this is a Level 1 in input under IFRS13. Where market values are not available, fair values have been calculated by discounting future cash flows at prevailing interest and RPI rates sourced from market data; these are level 2 inputs. In accordance with IFRS 13, an adjustment for the non-performance risk of either the Group or the counterparty, as applicable, is made. The non-performance risk has been quantified by calculating a credit valuation adjustment ("CVA") and deducting this from the discounted cash flow figure to give the fair value. Note 17 provides more detail on this.

There have been no accretion payments on the index-linked swaps in the year; these are scheduled five-yearly and seven-yearly with the next payment due in July 2016. No swaps have been closed out in the year (2014: same).

Notes to the Financial Statements *(continued)*

7. TAXATION

	Group 2015 £m	**Group 2015 £m**	Group 2014 £m	Group 2014 £m
Current tax:				
Current year	**30.1**		34.9	
Prior year	**(3.8)**		(0.1)	
		26.3		34.8
Deferred tax (note 21):				
Current year	**(25.2)**		(1.9)	
Prior year	**3.1**		1.2	
Impact of change in future tax rates	**-**		(49.2)	
		(22.1)		(49.9)
Tax charge/(credit) for the year		**4.2**		(15.1)

Corporation tax is calculated at 21% (2014: 23%) of the estimated assessable profit for the year.

The rate will be reduced to 20% on 1 April 2015. The tax disclosures reflect deferred tax measured at the 20% rate.

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

	Group 2015 £m	Group 2014 £m
Profit before tax	**15.0**	140.5
Tax at the UK corporation tax rate of 21% (2014: 23%)	**3.2**	32.3
Prior year adjustment	**(0.7)**	1.1
Reduction in current year deferred tax due to rate change	**1.3**	0.3
Non deductible expenses	**0.4**	0.4
Impact from change in future tax rates	**-**	(49.2)
Tax charge/(credit) for the year	**4.2**	(15.1)

In addition to the amount charged to the Income Statement, £0.9m of deferred tax relating to remeasurement of defined benefit schemes has been charged to the Statement of Comprehensive Income (2014: £14.8m), as has a £nil deferred tax charge due to changes in future tax rates of the brought forward deferred tax asset (2014: £5.7m charge).

Notes to the Financial Statements *(continued)*

8. DIVIDENDS

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

	2015	2014
Group and Company	**£m**	£m
Interim dividends for the year ended 31 March 2015 of 1,266.67 pence per share (31 March 2014: 2,133.33 pence per share)	**38.0**	64.0

At the current and prior year ends, there were no proposed final dividends subject to approval by equity holders of the Company and, hence, no liabilities have been included in the Financial Statements at 31 March 2015 and 31 March 2014 respectively.

9. DIRECTORS' REMUNERATION

	Group 2015 £m	Group 2014 £m
Salaries	**0.4**	0.7
Accrued bonus	**0.3**	0.6
Amounts receivable under long term incentive schemes	**1.0**	-
Pension	**-**	0.1
	1.7	1.4

The aggregate emoluments of the Directors in 2015 amounted to £1,699,522 (2014: £1,345,134). Emoluments comprise salaries, fees, taxable benefits, compensation for loss of office and the value of short-term and long-term incentive awards. Amounts payable under long-term incentive awards are not payable until June 2015 and are dependent upon a combination of both financial performance and comparative performance, as assessed by Ofgem, over the DPC5 period. The emoluments of the highest paid Director in 2015 in respect of services to the Group amounted to £1,607,702 (2014: £1,007,203). Included in the total emoluments shown above are amounts payable for compensation for loss of office of £nil (2014: £260,000) all paid in cash.

Not included in the amounts shown above are further payments made in respect of Directors' services, as detailed in note 28.

The highest paid director is a member of the defined contribution section of the ENW ESPS scheme (2014: same).

The pension contributions for the highest paid Director for 31 March 2015 were £nil (2014: £nil). The accrued pension at 31 March 2015 for the highest paid Director was £nil (2014: £nil).

As at 31 March 2015 and 31 March 2014 the Directors have no interests in the ordinary shares of the Company. All remuneration was borne by ENWL (2014: same).

Notes to the Financial Statements *(continued)*

10. INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill £m	Software £m	Licence £m	Assets in course of construction £m	Total £m
Cost					
At 1 April 2013	10.1	58.1	186.9	0.2	255.3
Disposals	-	(2.2)	-	-	(2.2)
At 31 March 2014	10.1	55.9	186.9	0.2	253.1
Additions	-	-	-	11.0	11.0
Transfers	-	0.2	-	(0.2)	-
At 31 March 2015	**10.1**	**56.1**	**186.9**	**11.0**	**264.1**
Amortisation					
At 1 April 2013	-	39.2	-	-	39.2
Charge for the year	-	7.2	-	-	7.2
Disposals	-	(2.2)	-	-	(2.2)
At 31 March 2014	-	44.2	-	-	44.2
Charge for the year	-	3.6	-	-	3.6
At 31 March 2015	-	47.8	-	-	47.8
Net book value at 31 March 2015	**10.1**	**8.3**	**186.9**	**11.0**	**216.3**
Net book value at 31 March 2014	10.1	11.7	186.9	0.2	208.9

At 31 March 2015, the Group had entered into contractual commitments for the acquisition of software amounting to £15.5m (2014: £nil). The Company had not entered into contractual commitments for the acquisition of software at 31 March 2015 (2014: same).

The licence held by the Group, identified as an intangible asset on the acquisition of ENWL and measured at fair value at that date, to distribute electricity is viewed as having an indefinite life as the Directors' believe the licence would only be revoked if there were a serious breach of the terms and conditions of the licence. The licence is held subject to 25 years notice in writing from the Authority to the licensee.

Goodwill arose on the acquisition of Electricity North West Services Limited ("ENWSL") in 2010.

Impairment testing of goodwill and intangible assets with indefinite lives

The Group tests annually for impairment or more frequently if there are indications that intangible assets with indefinite lives might be impaired. The recoverable amounts of the cash generating units ("CGUs") are determined from value in use calculations. For the purposes of impairment testing the Group have determined that there is only one CGU. The key assumptions for the value in use calculations are those regarding discount rates and the outcomes of future Ofgem price control settlements.

Notes to the Financial Statements *(continued)*

10. INTANGIBLE ASSETS AND GOODWILL *(continued)*

Impairment testing of goodwill and intangible assets with indefinite lives *(continued)*

The Group has prepared cash flow forecasts for a 25 year period, which represents the notice period on the licence to distribute electricity. The rate used to discount cash flows was 6.46% (2014: 7.56%) reflecting an assumed level of risk associated with the cash flows generated from the licence. Cash flow projections for the 8 year period to 2023 are based on the Ofgem final determination (2014: based on forecast business plan submission to Ofgem) and reflect recent RPI forecasts. Forecasts beyond this point are projected forward based on expected levels of expenditure to maintain the health of the network and long term inflation assumptions.

Based on the impairment testing performed, management are comfortable that sufficient headroom exists between the value in use and the carrying value of the assets such that no impairment loss is required to be booked.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Operational structures £m	Non operational land and buildings £m	Fixtures and equipment, vehicles and other £m	Assets in course of construction £m	Total £m
Cost					
At 1 April 2013	3,409.2	15.4	60.3	269.4	3,754.3
Additions	59.7	3.1	2.4	162.7	227.9
Transfers	136.9	4.7	2.6	(144.2)	-
Disposals	(6.4)	(0.3)	(7.2)	-	(13.9)
At 31 March 2014	**3,599.4**	**22.9**	**58.1**	**287.9**	**3,968.3**
Additions	67.8	1.8	4.6	164.5	238.7
Transfers	119.8	(0.1)	11.4	(131.1)	-
Disposals	(3.8)	-	(3.5)	-	(7.3)
At 31 March 2015	**3,783.2**	**24.6**	**70.6**	**321.3**	**4,199.7**
Depreciation and impairment					
At 1 April 2013	1,144.7	4.9	33.3	-	1,182.9
Charge for the year	80.4	0.7	12.8	-	93.9
Disposals	(6.3)	-	(7.1)	-	(13.4)
At 31 March 2014	**1,218.8**	**5.6**	**39.0**	**-**	**1,263.4**
Charge for the year	82.1	0.8	12.4	-	95.3
Disposals	(3.8)	-	(3.1)	-	(6.9)
At 31 March 2015	**1,297.1**	**6.4**	**48.3**	**-**	**1,351.8**
Net book value at 31 March 2015	**2,486.1**	**18.2**	**22.3**	**321.3**	**2,847.9**
Net book value at 31 March 2014	2,380.6	17.3	19.1	287.9	2,704.9

At 31 March 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £71.3m (2014: £87.7m). The Company had not entered into any contractual commitments for the acquisition of property, plant and equipment at 31 March 2015 (2014: none).

Notes to the Financial Statements *(continued)*

12. INVESTMENTS

	Company £m
Cost and carrying value at 31 March 2014 and 31 March 2015	**1,145.7**

Details of the principal investments, all of which are incorporated in the UK, as at 31 March 2015 are as follows. To avoid a statement of excessive length, details of investments which are not significant have been omitted and full disclosure has been made in the annual return filed at Companies House.

Company

Subsidiary undertaking	Description of holding	Proportion held	Nature of business
Electricity North West Limited	Ordinary shares of 50p each	100%	Energy distribution
ENW Capital Finance plc	Ordinary shares of £1 each	100%	Financing company
ENW Finance plc	Ordinary shares of £1 each	100%	Financing company

Group – indirectly held by the Company

Associated undertaking			
Nor.Web DPL Limited	Ordinary shares of £1 each	50%	Dormant

Joint venture			
Selectusonline Limited	Ordinary shares of 66.67p each	16.67%	Planning and Procurement

Notes to the Financial Statements *(continued)*

13. INVENTORIES

	Group 2015 £m	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Raw materials and consumables	**7.3**	**-**	7.3	-

14. TRADE AND OTHER RECEIVABLES

	Group 2015 £m	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Trade receivables	**6.7**	**-**	6.5	-
Amounts owed by Group undertakings	**1.3**	**2.0**	1.3	82.8
Prepayments and accrued income	**55.4**	**-**	51.2	-
Balance at 31 March	**63.4**	**2.0**	59.0	82.8

Group trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £0.3m (2014: £0.4m) estimated by management based on known specific circumstances, past default experience and their assessment of the current economic environment. The average credit period taken on sales is 14 days (2014: 14 days). No interest is charged on these balances (2014: same).

The Directors consider that the carrying amount of Group trade and other receivables approximates their fair value. Of the Group trade receivables, 56% (2014: 31%) are past due. The majority of balances are less than 45 days past due; a balance of £1.0m is greater than 45 days past due at 31 March 2015 (2014: £1.4m), against which an allowance for doubtful debt of £0.3m (2014: £0.4m) has been made.

The movement on the provision for estimated irrecoverable amounts of Group trade receivables is as follows:

	Group 2015 £m	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Balance at 1 April	**0.4**	**-**	0.3	-
(Credited)/charged to Income Statement	**(0.1)**	**-**	0.1	-
Balance at 31 March	**0.3**	**-**	0.4	-

Group trade receivables comprise 413 (2014: 354) individual customers. The Group is required by Ofgem to accept any company that has obtained a trading licence regardless of their credit status. To mitigate the risk posed by this, all transactions with customers are governed by a contract which all customers are required by Ofgem to sign and adhere to the terms.

Notes to the Financial Statements *(continued)*

14. TRADE AND OTHER RECEIVABLES *(continued)*

Under the terms of the contract, the maximum unsecured credit that the Group may be required to give is 2% of the Regulatory Asset Value ("RAV") of the Company. In addition the contract makes provisions for the credit quality of customers and adjusts the credit value available to them based on credit ratings and payment history. Where a customer exceeds their agreed credit level under the contract the customer must provide collateral to mitigate the increased risk posed. As at 31 March 2015 £4.8m (2014: £2.5m) of cash had been received as security.

The allowed RAV is set by Ofgem for each year of DPCR5 (1 April 2010 to 31 March 2015) and is £1,609m for the year ended 31 March 2015 based on March closing prices (2014: £1,700m).

At 31 March 2015 £112.0m (2014: £93.1m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £10.7m (2014: £10.7m). All of the customers granted credit of this level must have a credit rating of at least A- from Standard and Poor's and A3 from Moody's Investor Services or a guarantee from a parent company of an equivalent rating. Alternatively, the customer must be able to prove their creditworthiness on an ongoing basis.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

15. CASH AND CASH EQUIVALENTS AND MONEY MARKET DEPOSITS

	Group 2015 £m	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Cash and cash equivalents	**257.6**	**121.6**	69.5	4.1
Short-term money market deposits (maturity over three months)	**25.0**	**-**	-	-
	282.6	**121.6**	69.5	4.1

Cash and cash equivalents comprise cash at bank and in hand, deposits and other short-term highly liquid investments which are readily convertible to cash and have a maturity of less than three months, net of any bank overdrafts which are payable on demand. Money market deposits with terms to maturity in excess of three months are not included as cash or cash equivalents and are separately disclosed on the face of the Statement of Financial Position.

The effective interest rate on short-term deposits was a weighted average of 0.57% (2014: 0.55%) and these deposits had an average maturity 49 days (2014: 1 day).

Notes to the Financial Statements *(continued)*

16. BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate risk and liquidity risk see note 17.

	Group 2015	**Company 2015**	Group 2014	Company 2014
	£m	**£m**	£m	£m
Non-current liabilities				
Bonds	**1,036.4**	**117.3**	1,184.2	-
Bank and other term borrowings	**344.9**	**92.3**	229.6	30.1
Amounts owed to subsidiary undertaking	**-**	**-**	-	298.4
	1,381.3	**209.6**	1,413.8	328.5
Current liabilities				
Bonds	**299.6**	**-**	-	-
Amounts owed to parent undertaking	**676.5**	**676.5**	676.5	676.5
Amounts owed to subsidiary undertaking	**-**	**320.1**	-	20.5
	976.1	**996.6**	676.5	697.0
Total borrowings	**2,357.4**	**1,206.2**	2,090.3	1,025.5

Notes to the Financial Statements *(continued)*

16. BORROWINGS *(continued)*

Carrying value by category

The carrying values by category of financial instruments were as follows:

	Year of maturity	**Group 2015 £m**	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Borrowings designated at fair value through profit or loss					
8.875% £250m bond	2026	**393.4**	**-**	364.0	-
Borrowings measured at amortised cost					
8.875% £200m bond	2026	**196.1**	**-**	195.9	-
6.125% £200m bond	2021	**196.7**	**-**	196.3	-
6.750% £300m bond	2015	**299.6**	**-**	298.4	-
1.4746%+RPI[1] £100m index-linked bond	2046	**132.9**	**-**	129.6	-
1.5911%+RPI[1] £135m index-linked loan	2024	**152.2**	**-**	149.8	-
0.38%+RPI[1] £50m index-linked loan	2032	**50.5**	**-**	49.9	-
0.0%+RPI[1] £50m index-linked loan	2033	**50.0**	**-**	-	-
4.07% £100m USPP bond	2029	**97.8**	**97.8**	-	-
1.40%+RPI[1] £20m index-linked USPP bond	2034	**19.5**	**19.5**	-	-
Amortising costs re: Long term loans[2] at LIBOR plus 0.7%	2017	**(0.1)**	**-**	(0.2)	-
Long term loans at LIBOR plus 1.2%	2016	**92.3**	**92.3**	30.1	30.1
Amounts owed to parent undertaking	On demand	**676.5**	**676.5**	676.5	676.5
Amounts owed to subsidiary undertaking	2015	**-**	**299.6**	-	298.4
Amounts owed to subsidiary undertaking	On demand	**-**	**20.5**	-	20.5
Total borrowings measured at amortised		**1,964.0**	**1,206.2**	1,726.3	1,025.5
Total borrowings		**2,357.4**	**1,206.2**	2,090.3	1,025.5

[1] Adjusted for RPI - Retail Price Index – the UK general index of retail prices (for all items) as published by the Office of National Statistics (January 1987 = 100).

[2] Included within the borrowing note are capitalised facility arrangement fees of £0.1m (2014: £0.2m) relating to the undrawn Revolving Credit Facility.

The 6.75% £300m bonds are secured and guaranteed by the Company, the issuing company, ENW Capital Finance plc, and NWEN Group Limited (the 'Parent Company').

The 6.125% £200m bonds are secured and guaranteed by the issuing company, ENW Finance plc, and subsidiary company ENWL.

The 4.07%+RPI £100m tranche and 1.40% £20m tranche of the index linked USPP are secured and guaranteed by the Company, subsidiary company ENW Capital Finance plc and NWEN Group Limited (the 'Parent Company').

All other loans and borrowings are unsecured (2014: same). There is no formal bank overdraft facility in place at 31 March 2015 (2014: none). All borrowings are in sterling (2014: same). The fair values of the Group's financial instruments are shown in note 17.

Notes to the Financial Statements *(continued)*

16. BORROWINGS *(continued)*

Borrowing facilities

The Group had £332.4m (2014: £259.4m) in unutilised committed bank facilities at 31 March 2015 of which £40.0m (2014: £90.0m) expires within one year, £57.4m (2014: £nil) expires after one year but less than two years and £235.0m (2014: £169.4m) expires in more than two years.

The Company had £282.4m (2014: £159.4m) in unutilised committed bank facilities at 31 March 2015 of which £40.0m (2014: £40.0m) expires within one year, £57.4 (2014: £nil) expires after one year but less than two years and £185.0 (2014: £119.4m) expires in more than two years.

17. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity in another entity. The Group uses financial instruments to invest liquid asset balances, raise funding and manage the risks arising from its operations.

The principal risks to which the Group is exposed and which arise in the normal course of business include credit risk, liquidity risk and market risk, in particular interest rate risk and inflation risk. Derivative financial instruments are used to change the basis of interest cash flows from fixed to either inflation-linked or an alternative fixed profile to more accurately match the revenue profile.

The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons.

The accounting policy for derivatives is provided in note 1.

Control over financial instruments

The Group has a formal risk management structure, which includes the use of risk limits, reporting and monitoring requirements, mandates, and other control procedures. It is currently the responsibility of the Board to set and approve the risk management procedures and controls.

Risk management

All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial risk are credit risk, liquidity risk and market risk. Market risk includes foreign exchange, interest rate, inflation and equity price risks.

The only material exposure the Group has to foreign exchange risk or equity price risk relates to purchases of plant denominated in foreign currencies and to the assets of the defined benefit pension scheme, which are managed by the pension scheme investment managers.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up to date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Audit Committee is responsible for independently overseeing the activities in relation to Group risk management. The Group treasury function, which is authorised to conduct the day-to-day treasury activities of the Group, reports on a regular basis to the Committee. The Group's processes for managing risk and the methods used to measure risk have not changed since the prior year. In the year, there have been changes to the Group's policies in relation to the management of credit risk: risk limits and minimum credit ratings of counterparties have been amended to reflect changes to market conditions and the associated level of perceived risks.

Credit risk

The Group takes on exposure to credit risk, which is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract as they fall due. Credit risk arises principally from trade finance and treasury activities. The Group has dedicated standards, policies and procedures to control and monitor credit risk.

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Credit risk *(continued)*

The counterparties under treasury activities consist of financial institutions. In accordance with IAS 39, the Directors have considered and quantified the exposure of the Group to counterparty credit risk and do not consider there to be a material credit risk adjustment required. The exposure to counterparty credit risk will continue to be monitored. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through regular credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. Management does not anticipate any counterparty will fail to meet its obligations.

Significant changes in the economy, or in the utilities sector could result in losses not necessarily provided for at the Statement of Financial Position date. The total number of customers as at 31 March 2015 was 413 (2014: 354), however there are only five (2014: five) principal customers, see note 2. The creditworthiness of each of these is closely monitored. Whilst the loss of one of the principal customers could have a significant impact on the Group, due to the small number of these, the exposure to such credit losses would be mitigated in most cases by the protection the regulator provides to cover such losses. Nonetheless, the credit management process must be closely adhered to, to avoid such circumstances, and the Group's management therefore closely monitor adherence to this process.

Trade receivables

Credit risk in relation to trade receivables is considered to be relatively low, due to the small number of principal customers, and the fact that each of these customers has a contract in place with the Group, and is required to provide collateral in the form of a cash deposit subject to the amounts due and their credit rating.

At 31 March 2015 there was £3.8m receivables past due (2014: £2.3m) against which an allowance for doubtful debts of £0.3m has been made (2014: £0.4m).

Treasury investments

The Directors do not believe that the Group is exposed to any material concentrations of credit risk in relation to treasury investments, including amounts placed on deposit with counterparties.

As at 31 March 2015 none (2014: none) of the Group’s treasury portfolio exposure was either past due or impaired, and no terms had been re-negotiated with any counterparty. The Group has limits in place to ensure counterparties have a certain minimum credit rating, and individual exposure limits to ensure there is no concentration of credit risk.

The table below provides details of the ratings of the Group’s treasury portfolio:

	2015	**2015**	2014	2014
Credit Rating	**£m**	**%**	£m	%
AAA	**135.3**	**47.2**	43.3	54.9
AA	**-**	**-**	-	-
AA-	**1.5**	**0.5**	4.1	5.3
A+	**-**	**-**	-	-
A	**149.9**	**52.3**	31.3	39.8
	286.7	**100.0**	78.7	100.0

The rating profile of counterparties has remained unchanged.

At the Statement of Financial Position date, no collateral is held in relation to Treasury assets (2014: none).

Notes to the Financial Statements *(continued)*

17 FINANCIAL INSTRUMENTS *(continued)*

Credit risk *(continued)*

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. For trade receivables, the value is net of any collateral held in cash deposits (please refer to note 14 for further details).

Credit risk by category	2015 Group £m	2015 Company £m	2014 Group £m	2014 Company £m
Trade receivables	**6.7**	**-**	6.5	-
Cash and cash equivalents	**257.6**	**121.6**	69.5	4.1
Short-term money market deposits (maturity over 3 months)	**25.0**	**-**	-	-
Total	**289.3**	**121.6**	76.0	4.1

Trade receivables and cash and cash equivalents are measured at cost.

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet the obligations or commitments resulting from its business operations or associated with its financial instruments, as they fall due. The Group manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due. This is achieved through maintaining a prudent level of liquid assets, and arranging funding facilities.

The Board is responsible for monitoring the maturity of liquidity and deposit funding balances and taking any action as appropriate. A long-term view of liquidity is provided by Group financial models which currently project cash flows out 32 years ahead, to the end of the Regulatory Period ending 31 March 2047. A medium-term view is provided by the Group business plan covering the following accounting period, which is updated and approved annually by the Board. Liquidity is also monitored via an 18 month liquidity projection updated and reported to the Board monthly. The Board has approved a liquidity framework within which the business operates.

Available liquidity at 31 March was as follows:

Available liquidity	2015 Group £m	2015 Company £m	2014 Group £m	2014 Company £m
Cash and cash equivalents	**257.6**	**121.6**	69.5	4.1
Committed undrawn bank facilities	**332.4**	**282.4**	259.4	159.4
Short-term money market deposits (maturity over 3 months)	**25.0**	**-**	-	-
Total	**615.0**	**404.0**	328.9	163.5

Cash and cash equivalents comprise cash at bank and in hand, deposits and other short-term highly liquid investments which are readily convertible into known amounts of cash and have a maturity of less than three months, net of any unpresented cheques. There was no formal bank overdraft facility in place during the year (2014: none).

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk *(continued)*

Committed undrawn bank facilities of the Group include £40.0m (2014: £90.0m) of facilities that expire within one year, £57.4m (2014: £nil) that expires after one year but less than two years and £235.0m (2014: £169.4m) that expires in more than two years.

The Company had £282.4m (2014: £159.4m) in unutilised committed bank facilities at 31 March 2015 of which £40.0m (2014: £40.0m) expires within one year, £57.4 (2014: £nil) expires after one year but less than two years and £185.0 (2014: £119.4m) expires in more than two years.

The Group gives consideration to the timing of scheduled payments to avoid the risks associated with the concentration of large cash flows within particular time periods. The Group uses economic hedges to ensure that certain cash flows can be matched.

The following is an analysis of the maturity profile of contractual cash flows of principal and interest payable under financial liabilities and derivative financial instruments on an undiscounted basis. Derivative cash flows have been shown net; all other cash flows are shown gross.

Group **At 31 March 2015**	**On demand**	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**>4 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade payables	**(17.9)**	**-**	**-**	**-**	**-**	**-**	**(17.9)**
Refundable customer deposits	**-**	**(0.2)**	**(4.8)**				**(5.0)**
Amount owed to parent undertaking	**(692.2)**	**-**	**-**	**-**	**-**	**-**	**(692.2)**
Bonds	**-**	**(368.7)**	**(58.5)**	**(58.5)**	**(58.5)**	**(1,316.0)**	**(1,860.2)**
Other borrowings	**-**	**(5.9)**	**(101.5)**	**(8.7)**	**(8.7)**	**(365.7)**	**(490.5)**
Derivative financial instruments (net)	**-**	**3.4**	**3.4**	**(0.9)**	**3.4**	**(280.2)**	**(270.9)**
	(710.1)	**(371.4)**	**(161.4)**	**(68.1)**	**(63.8)**	**(1,961.9)**	**(3,336.7)**
At 31 March 2014							
Trade payables	(25.6)	-	-	-	-	-	(25.6)
Refundable customer deposits	(0.3)	(2.5)	-	-	-	(0.1)	(2.9)
Amount owed to parent undertaking	(537.0)	(154.8)	-	-	-	-	(691.8)
Bonds	-	(74.6)	(364.3)	(54.1)	(54.1)	(1,199.8)	(1,746.9)
Other borrowings	-	(33.7)	(4.7)	(6.2)	(5.6)	(208.5)	(258.7)
Derivative financial instruments (net)	-	6.0	5.8	5.8	1.7	(64.5)	(45.2)
	(562.9)	(259.6)	(363.2)	(54.5)	(58.0)	(1,472.9)	(2,771.1)

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk *(continued)*

Company **At 31 March 2015**	**On demand**	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**>4 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Amount owed to parent undertaking	**(692.2)**	**-**	**-**	**-**	**-**	**-**	**(692.2)**
Amount owed to subsidiary undertaking	**(20.5)**	**(310.1)**	**-**	**-**	**-**	**-**	**(330.6)**
Bonds	**-**	**(4.4)**	**(4.3)**	**(4.3)**	**(4.3)**	**(168.5)**	**(185.8)**
Other borrowings	**-**	**(1.7)**	**(94.3)**	**-**	**-**	**-**	**(96.0)**
Derivative financial instruments (net)	**-**	**(1.4)**	**(1.4)**	**(1.4)**	**(1.4)**	**(15.2)**	**(20.8)**
	(712.7)	**(317.6)**	**(100.0)**	**(5.7)**	**(5.7)**	**(183.7)**	**(1,325.4)**

At 31 March 2014	On demand £m	<1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	>4 years £m	Total £m
Amount owed to parent undertaking	(537.0)	(154.8)	-	-	-	-	(691.8)
Amount owed to subsidiary undertaking	(20.5)	(20.3)	(310.1)	-	-	-	(350.9)
Other borrowings	-	(31.1)	(0.6)	(0.6)	-	-	(32.3)
Derivative financial instruments (net)	-	-	(0.3)	(0.3)	(0.3)	(3.2)	(4.1)
	(557.5)	(206.2)	(311.0)	(0.9)	(0.3)	(3.2)	(1,079.1)

Market risk

Market risk is the risk that future cash flows of a financial instrument, or the fair value of a financial instrument, will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, inflation, equity and commodity prices. The main types of market risk to which the Group is exposed are interest rate risk and inflation risk. The Board is required to review and approve policies for managing these risks on an annual basis. The Board approves all new interest rate swaps and index-linked swaps entered into. The management of market risk is undertaken by reference to risk limits approved by the Chief Financial Officer or Treasurer under delegated authority from the Board. The Group has no significant foreign exchange, equity or commodity exposure.

The Group has exposure to interest rate risk and inflation risk and this is explained in the sections below. The Group borrows in the major global debt markets at fixed, index-linked and floating rates of interest, using derivatives, where appropriate, to generate the desired effective interest basis.

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that either future cash flows of a financial instrument, or the fair value of a financial instrument, will fluctuate because of changes in market interest rates. The Group's floating rate borrowings and derivatives are exposed to a risk of change in cash flows due to changes in interest rates. The Group's fixed rate borrowings and derivatives are exposed to a risk of change in their fair value due to changes in interest rates.

Investments in short-term receivables and payables are not exposed to interest rate risk due to their short-term nature.

The Group uses derivative financial instruments to change the basis of interest cash flows from fixed to either inflation-linked or an alternative fixed profile to more accurately match the revenue profile. The cash flows exchanged under the derivatives are calculated by reference to a notional principal amount. The notional principal reflects the extent of the Group's involvement in the instruments, but does not represent its exposure to credit risk, which is assessed by reference to the fair value.

Sensitivity analysis on interest

The Group's borrowings and derivatives are exposed to a risk of change in their fair value due to changes in interest rates. The following sensitivity analysis is used by Group management to monitor interest rate risk. The analysis below shows forward-looking projections of market risk assuming certain market conditions occur. The sensitivity figures are calculated based on a downward parallel shift of 0.5% and upward parallel shifts of 0.5% and 1% in the yield curve.

			2015			2014
	Change in interest rates			Change in interest rates		
	-0.5%	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
	£m	**£m**	**£m**	£m	£m	£m
Debt held at fair value	**(16.1)**	**15.3**	**29.9**	(16.0)	15.2	29.6
Interest rate swaps	**(0.7)**	**0.7**	**1.2**	(0.2)	0.2	0.3
Inflation-linked swaps	**(32.0)**	**28.4**	**53.7**	(21.1)	18.6	35.1
Total fair value movement	**(48.8)**	**44.4**	**84.8**	(37.3)	34.0	65.0

The sensitivity analysis above shows the amount by which the fair value of items recorded on the Statement of Financial Position at fair value would be adjusted for a given interest rate movement. As fair value movements are taken to the Income Statement, there would be a corresponding adjustment to profit in these scenarios (figures in brackets represent a reduction to profit). However, there would be no direct cash flow impact arising from these adjustments.

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Sensitivity analysis on interest *(continued)*

The Group's floating rate borrowings and derivatives are exposed to a risk of change in cash flows due to changes in interest rates. The analysis below shows the impact on profit for the year if interest rates over the course of the year had been different from the actual rates.

			2015			2014
			Change in interest rates			Change in interest rates
	-0.5%	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
	£m	**£m**	**£m**	£m	£m	£m
Debt held at amortised cost – floating interest rate	**(0.2)**	**0.2**	**0.5**	(0.2)	0.2	0.5
Total finance expense impact	**(0.2)**	**0.2**	**0.5**	(0.2)	0.2	0.5

Although the above measures provide an indication of the Group's exposure to market risk, such measures are limited due to the long-term nature of many of the financial instruments and the uncertainty over future market rate movements.

Index-linked debt is carried at amortised cost and as such the Statement of Financial Position in relation to this debt is not exposed to movements in interest rates.

Inflation risk

The Group's revenues are linked to movements in inflation, as measured by the Retail Prices Index ("RPI"). To economically hedge exposure to RPI, the Group links a portion of its funding costs to RPI by either issuing RPI linked bonds or by using derivative financial instruments. The Group's index-linked swaps are exposed to a risk of change in their fair value and future cash flows due to changes in inflation rates. The Group's revenues are also linked to RPI via returns on the Regulated Asset Value ("RAV") and an increase in RPI would increase revenues, mitigating any increase in finance expense.

Sensitivity analysis on inflation

The Group's inflation-linked derivatives are exposed to a risk of change in their fair value due to changes in inflation rates. The following sensitivity analysis is used by Group management to monitor inflation rate risk. The analysis below shows forward-looking projections of market risk assuming certain market conditions occur. The sensitivity figures are calculated based on a downward parallel shift of 0.5% and upward parallel shifts of 0.5% and 1% in the yield curve.

			2015			2014
			Change in inflation rates			Change in inflation rates
	-0.5%	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
	£m	**£m**	**£m**	£m	£m	£m
Inflation-linked swaps	**37.8**	**(41.6)**	**(87.4)**	25.6	(28.1)	(59.1)
Total fair value movement	**37.8**	**(41.6)**	**(87.4)**	25.6	(28.1)	(59.1)

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Sensitivity analysis on inflation *(continued)*

The sensitivity analysis shows the amount by which the fair value of items recorded on the Statement of Financial Position at fair value would be adjusted for a given inflation rate movement. As fair value movements are taken to the Income Statement, there would be a corresponding adjustment to profit in these scenarios (figures in brackets represent a reduction to profit). However, there would be no direct cash flow impact arising from these adjustments.

The Group's inflation-linked borrowings and derivatives are exposed to a risk of change in cash flows due to changes in inflation rates. The analysis below shows the impact on profit for the year if inflation rates over the course of the year had been different from the actual rates.

			2015			2014
			Change in inflation rates			Change in inflation rates
	-0.5%	**+0.5%**	**+1%**	-0.5%	+0.5%	+1%
	£m	**£m**	**£m**	£m	£m	£m
Debt held at amortised cost – inflation-linked interest basis	**2.0**	**(2.0)**	**(3.9)**	1.7	(1.7)	(3.3)
Inflation-linked swaps	**-**	**-**	**(0.1)**	-	-	(0.1)
Total finance expense impact	**2.0**	**(2.0)**	**(4.0)**	1.7	(1.7)	(3.4)

Hedging

The Group does not use derivative financial instruments for speculative purposes, and has not pledged collateral in relation to any of its derivative instruments.

At 31 March 2015, the Group's derivatives are not designated in formal hedging relationships, and instead are measured at fair value through profit or loss (2014: same).

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Fair values

The tables below provide a comparison of the book values and fair values of the Group's financial instruments by category as at the Statement of Financial Position date.

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 cash flows at prevailing interest and RPI rates sourced from market data (see Level 2 in the fair value hierarchy overleaf). In accordance with IFRS 13, an adjustment for the non-performance risk of either the Company or the counterparty, as applicable, has been made The non-performance risk has been quantified by calculating a credit valuation adjustment (CVA) and deducting this from the discounted cash flow figure to give the fair value. The adjustment for non-performance risk of the Company as at 31 March 2015 is £76.2m (2014: £72.4m).

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.

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

Financial assets:	**Group Carrying value**	**Group Fair value**	**Company Carrying value**	**Company Fair value**
31 March 2015	**£m**	**£m**	**£m**	**£m**
Current assets:				
Trade receivables	**6.7**	**6.7**	-	-
Cash and cash equivalents	**257.6**	**257.6**	**121.6**	**121.6**
Short-term money market deposits (maturity over three months)	**25.0**	**25.0**	**-**	**-**
	289.3	**289.3**	**121.6**	**121.6**
31 March 2014				
Current assets:				
Trade receivables	6.5	6.5	-	-
Cash and cash equivalents	69.5	69.5	4.1	4.1
Short-term money market deposits (maturity over three months)	-	-	-	-
	76.0	76.0	4.1	4.1

The carrying value of trade receivables approximates to their fair value for the Group.

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

31 March 2015	**Group Carrying value**	**Group Fair value**	**Company Carrying value**	**Company Fair value**
Financial liabilities:	**£m**	**£m**	**£m**	**£m**
Non-current liabilities:				
Borrowings designated at fair value through profit or loss	**(393.4)**	**(393.4)**	**-**	**-**
Borrowings measured at amortised cost	**(987.9)**	**(1,188.5)**	**(209.6)**	**(209.6)**
Derivative financial instruments	**(241.9)**	**(241.9)**	**(18.2)**	**(18.2)**
Refundable customer deposits	**(4.8)**	**(4.8)**	**-**	**-**
	(1,628.0)	**(1,828.6)**	**(227.8)**	**(227.8)**
Current liabilities:				
Trade payables	**(17.9)**	**(17.9)**	**-**	**-**
Borrowings measured at amortised cost	**(299.6)**	**(303.6)**	**-**	**-**
Borrowings - amounts owed to parent undertaking	**(676.5)**	**(676.5)**	**(676.5)**	**(676.5)**
Borrowings - amounts owed to subsidiary undertaking	**-**	**-**	**(320.1)**	**(324.1)**
Refundable customer deposits	**(0.2)**	**(0.2)**	**-**	**-**
	(994.2)	**(998.2)**	**(996.6)**	**(1,000.6)**

31 March 2014	Group Carrying value	Group Fair value	Company Carrying value	Company Fair value
Financial liabilities:	£m	£m	£m	£m
Non-current liabilities:				
Borrowings designated at fair value through profit or loss	(364.0)	(364.0)	-	-
Borrowings measured at amortised cost	(1,049.8)	(1,173.7)	(30.1)	(30.1)
Borrowings - amounts owed to subsidiary undertaking	-	-	(298.4)	(318.9)
Derivative financial instruments	(112.5)	(112.5)	(4.1)	(4.1)
Refundable customer deposits	(2.6)	(2.6)	-	-
	(1,528.9)	(1,652.8)	(332.6)	(353.1)
Current liabilities:				
Trade payables	(25.6)	(25.6)	-	-
Refundable customer deposits	(0.3)	(0.3)		
Borrowings - amounts owed to parent undertaking	(676.5)	(676.5)	(676.5)	(676.5)
Borrowings - amounts owed to subsidiary undertaking	-	-	(20.5)	(20.5)
	(702.4)	(702.4)	(697.0)	(697.0)

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

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

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).

	31 March 2015			
Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets at fair value through profit or loss				
Derivative financial assets	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	**-**	**(241.9)**	**-**	**(241.9)**
Financial liabilities designated at FVTPL	**(393.4)**	**-**	**-**	**(393.4)**
Total	**(393.4)**	**(241.9)**	**-**	**(635.3)**

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

There were no transfers between levels during the current year (2014: none).

The Company has no financial liabilities valued at fair value through profit or loss (2014: none).

Notes to the Financial Statements *(continued)*

17. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements recognised in the Statement of Financial Position *(continued)*

31 March 2015 – Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities with fair value disclosed				
Borrowings measured at amortised cost	**(1,492.1)**	**-**	**-**	**-**

31 March 2014 – Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities with fair value disclosed				
Financial liabilities held at amortised cost	(1,173.7)	-	-	-

The Company has no financial liabilities for which a fair value is disclosed, other than those for which the fair value is assumed to be equal to the carrying value and therefore are classified as level 1 (2014: none).

18. TRADE AND OTHER PAYABLES

	Group 2015 £m	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Trade payables	**17.9**	**-**	25.6	-
Amounts owed to Group companies	**13.4**	**25.5**	12.9	24.7
Other taxation and social security	**15.1**	**-**	9.3	-
Customer contributions (see note 22)	**6.6**	**-**	4.8	-
Refundable customer deposits (see note 23)	**0.2**	**-**	0.3	-
Accruals and deferred income	**93.0**	**1.8**	82.0	0.3
	146.2	**27.3**	134.9	25.0

Trade payables and accruals principally comprise amounts outstanding for capital purchases and ongoing costs. The average credit period in the year was 18 days from receipt of invoice (2014: 19 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the Financial Statements *(continued)*

19. PROVISIONS

	Group 2015 £m	Group 2014 £m
At 1 April	**9.6**	20.0
Release to income statement on re-estimate of liability	**-**	(1.5)
Utilisation of provision	**(3.5)**	(8.9)
At 31 March 2015	**6.1**	9.6

	Group 2015 £m	Group 2014 £m
Current	**2.8**	3.8
Non current	**3.3**	5.8
At 31 March	**6.1**	9.6

During the year ended 31 March 2013 a provision was created in connection with a portfolio of retail properties which ENWL was liable for under privity of contract.

The resulting carried forward provision at 1 April 2014 was £9.6m and related to 1 former High Street retail property and 15 former out of town retail properties. As a result of assignments and surrenders during the year £3.5m of the provision has been utilised.

The combined closing provision of £6.1m relates to 1 former High Street retail property and 10 former out of town retail properties and has been evaluated by management and is supported by relevant external legal and property specialists, and reflects the Group's best estimate as at the Statement of Financial Position date of the amounts that could become payable by the ENWL, on a discounted basis.

The estimate is a result of a detailed risk assessment process, which considers a number of variables including the location and size of the stores, expectations regarding the ability of the ENWL to both defend its position and also to re-let the properties, conditions in the local property markets, demand for retail warehousing, likely periods of vacant possession and the results of negotiations with individual landlords, letting agents and tenants, and is hence inherently judgemental.

In terms of the likely timing of cash outflows, exposure across the properties is forecast to peak at approximately £2.8m in 2015/16 with the remaining outflows falling over the period to 2022. The maximum potential exposure in relation to this combined portfolio, on a discounted basis, is £19.3m, profiled over a 7 year period from 2015 to 2022, the total undiscounted exposure is £22.7m.

Notes to the Financial Statements *(continued)*

20. RETIREMENT BENEFIT SCHEMES

Group

The Group's defined benefit arrangement is the ENW Group of the ESPS ("the Scheme") and forms part of the Electricity Supply Pension Scheme ("ESPS").

The Scheme contains both a defined benefit section and a defined contribution section. The defined benefit section of the Scheme closed to new entrants on 1 September 2006, with new employees of the Group since then instead provided with access to the defined contribution section.

The defined benefit section is a UK funded final salary arrangement providing pensions and lump sums to members and dependants. The defined benefit section is a separate fund that is legally separated from the entity. The Trustee board of the Scheme is composed of representatives from both the employer and members of the Scheme. Under the Pensions Act 2004 at least one third of the Trustee Board must be member nominated and the Trustee Board has made the necessary arrangements to fulfil this obligation. The Trustee Board of the pension Scheme is required by law to act in the interest of the Scheme and all relevant stakeholders of the Scheme, i.e. active employees, retirees and employers. The Trustee Board is responsible for the operation, funding and investment strategy of the Scheme.

During the year the Group made contributions of £15.0m (2014: £12.5m) to the defined benefit section of the Scheme. The Group estimates that contributions for the year ending 31 March 2016 will amount to £24.5m which includes £11.0m of expected deficit contributions. The total defined benefit pension expense for the year was £16.0m (2014: £17.9m). Information about the pension arrangements for the Executive Directors is contained in note 9.

As at 31 March 2015 contributions of £2.7m (2014: £1.4m) due in respect of the current reporting period had not been paid over to the defined benefit Scheme.

Funding the liabilities

UK legislation requires the Trustee Board to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent valuation was carried out as at 31 March 2013 and identified a shortfall of £188.0m against the Trustee Board's statutory funding objective. In the event of underfunding the Group must agree a deficit recovery plan with the Trustee Board within statutory deadlines. As part of the 2013 Actuarial valuation the Group agreed to remove the shortfall by paying annual contributions to 2025.

The next actuarial valuation will be carried out as at 31 March 2016.

The results of the 2013 funding valuation have been projected forward by an independent actuary to take account of the requirements of revised IAS 19 'Employee Benefits' in order to assess the position as at 31 March 2015 for the purposes of these Financial Statements. 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. A pension deficit under IAS 19 (revised 2011) of £33.7m is included in the Statement of Financial Position at 31 March 2015 (2014 deficit of £37.1m).

The weighted average duration of the defined benefit obligation is approximately 17 years (2014:17 years).

Notes to the Financial Statements *(continued)*

20. RETIREMENT BENEFIT SCHEMES *(continued)*

Investment strategy

The defined benefit Scheme assets are invested in a diversified range of assets, details of which are set out below. The Scheme has a de-risking strategy in place to move assets from growth to bond assets when certain funding triggers are met. The triggers are assessed against the Scheme's funding level on a 'low-risk' basis. The Trustees and the Group have also agreed a mechanism hedge interest rate and inflation risks over time. The de-risking and hedging strategies have also been communicated to Ofgem. As at 31 March 2015, 3 de-risking triggers have been activated.

Other risks

The Scheme exposes the Group to risks, such as longevity risk, inflation risk, interest rate risk and investment risk. As the Scheme's obligation is to provide lifetime pension benefits to members upon retirement, increases in life expectancy will result in an increase in the Scheme's liabilities. Other assumptions used to value the defined benefit obligation are also uncertain.

These risks are managed through de-risking and hedging strategies and are measured and reported at Board level through a risk dashboard.

Winding up

Although currently there are no plans to do so, the Scheme could be wound up in which case the benefits would have to be bought out with an insurance company. The cost of buying-out benefits would be significantly more than the defined benefit obligation calculated in accordance with IAS 19 (revised 2011).

Defined Contribution arrangements

All assets within the defined contribution section of the Scheme are held independently from the Group.

The total cost charged to the Income Statement in relation to the defined contribution section for the year ended 31 March 2015 was £1.1m (2014: £1.8m) and represents contributions payable to the Scheme at rates specified in the rules of the Scheme. As at 31 March 2015 contributions of £nil (2014: £nil) due in respect of the current reporting period had not been paid over to the defined contribution Scheme.

Defined benefits employee benefits

The reconciliation of the opening and closing Statement of Financial Position is as follows:

	2015 £m	2014 £m
At 1 April	**(37.1)**	(105.8)
Expense recognised in the Income Statement	**(16.0)**	(17.9)
Contributions paid	**15.0**	12.5
Total remeasurement included in Other Comprehensive Income	**4.4**	74.1
At 31 March	**(33.7)**	(37.1)

Notes to the Financial Statements *(continued)*

20. RETIREMENT BENEFIT SCHEMES *(continued)*

The reconciliation of the opening and closing Statement of Financial Position is as follows:

Movements in the fair value of the Group pension Scheme liabilities were as follows:

	2015 **£m**	2014 £m
At 1 April	**(1,130.5)**	(1,166.9)
Current service cost	**(12.1)**	(12.3)
Interest expense	**(48.5)**	(46.8)
Member contributions	**(2.1)**	(2.0)
Augmentation	**(1.9)**	(0.7)
Remeasurement:		
Effect of changes in demographic assumptions	**-**	(6.6)
Effect of changes in financial assumptions	**(136.3)**	69.8
Effect of experience adjustments	**-**	(18.1)
Benefits paid	**54.8**	53.1
At 31 March	**(1,276.6)**	(1,130.5)

The liability value as at 31 March 2015 is made up of the following approximate splits:

	£m
Liabilities owing to active members	**403.5**
Liabilities owing to deferred members	**100.0**
Liabilities owing to pensioner members	**773.1**
Total liability at 31 March 2015	**1,276.6**

Notes to the Financial Statements *(continued)*

20 RETIREMENT BENEFIT SCHEMES *(continued)*

Movements in the fair value of the Group pension Scheme assets were as follows:

	2015	2014
	£m	£m
At 1 April	**1,093.4**	1061.1
Interest income	**47.3**	42.7
Return on plan assets	**140.7**	29.0
Company contributions	**15.0**	12.5
Member contributions	**2.1**	2.0
Benefits paid	**(54.8)**	(53.1)
Administrative expenses	**(0.8)**	(0.8)
Bulk transfers	**-**	-
At 31 March	**1,242.9**	1,093.4

The net pension expense before taxation recognised in the Income Statement, before capitalisation, in respect of the defined benefit Scheme is summarised as follows:

	2015	**2014**
	£m	**£m**
Current service cost	**(12.1)**	(12.3)
Past service cost[1]	**(1.9)**	(0.7)
Interest income on plan assets	**47.3**	42.7
Interest expense on Scheme obligations	**(48.5)**	(46.8)
Administration expenses and taxes	**(0.8)**	(0.8)
Net pension expense before taxation	**(16.0)**	(17.9)

The above amounts are recognised in arriving at operating profit except for the interest on Scheme assets and interest on Scheme obligations which have been recognised within investment income.

The main financial assumptions used by the actuary (in determining the deficit) were as follows;

	2015	2014
	%	%
Discount rate	**3.30**	4.40
Pensionable salary increases	**3.25**	3.90
Pension increases	**2.95**	3.30
Price inflation	**3.00**	3.40

[1] For the year ended 31 March 2014, the Past Service Cost includes £0.7m in respect of augmentations and for the year ending 31 March 2015, the Past Service Cost includes £1.9m in respect of augmentations.

Notes to the Financial Statements *(continued)*

20 Retirement Benefit Schemes *(continued)*

The mortality rates utilised in the valuation are based on the standard actuarial tables S1PMA/S1PFA (birth year) tables with a 105% loading to allow for differences in mortality between the Scheme population and the population used in the standard tables (unchanged from 2014). A long term improvement rate of 1.25% p.a. is assumed (unchanged from 2014), although the underlying model has been updated from the CMI 2009 model to the CMI 2011 model. These factors have been taken into account in the calculation of the defined benefit obligations of the Scheme.

The current life expectancies (in years) underlying the value of the accrued pension Scheme liabilities for the Scheme are:

Life expectancy on retirement at age 60	**2015 Years**	2014 Years
Retiring today (Age 60)	**26.8**	26.7
Retiring in 15 years (Age 45)	**28.3**	28.2

In valuing the liabilities of the Scheme at 31 March 2015 mortality assumptions have been made as indicated above.

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability, the measurement of which depends on a number of factors including the fair value of Scheme assets. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also.

Increase in Defined Benefit Obligation	**2015 £m**	2014 £m
Discount rate decrease by 25 basis points	**56**	46
Price inflation increase by 25 basis points	**45**	44
Life expectancy increase longevity by 1 year	**37**	31

Notes to the Financial Statements *(continued)*

20 Retirement Benefit Schemes *(continued)*

As at 31 March 2015, the fair value of the Scheme's assets and the liabilities recognised in the Statement of Financial Position were as follows:

	Scheme assets at 31 March 2015 %	**Value at 31 March 2015 £m**	Scheme assets at 31 March 2014 %	Value at 31 March 2014 £m
Cash and Cash equivalents	**1.3**	**16.4**	1.1	12.1
Equity instruments	**8.6**	**107.3**	11.6	126.8
Debt instruments	**70.8**	**879.9**	65.7	718.7
Real Estate	**11.1**	**138.0**	10.4	113.6
Global Tactical Asset Allocation	**1.4**	**17.5**	-	-
Distressed Debt	**6.8**	**83.8**	1.8	19.3
Hedge Funds	**-**	**-**	9.4	102.9
Total fair value of assets	**100.0**	**1,242.9**	100	1,093.4
Present value of liabilities		**(1,276.6)**		(1,130.5)
Net retirement benefit obligation		**(33.7)**		(37.1)

The fair values of the assets set out above are as per the quoted market prices in active markets.

21. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior year.

Group	**Accelerated tax depreciation £m**	**Retirement benefit obligations £m**	**Other £m**	**Total £m**
At 1 April 2013	375.9	(24.4)	(17.9)	333.6
(Credited)/ charged to the Income Statement	(50.3)	(3.6)	4.0	(49.9)
Deferred tax on actuarial gains on defined benefit pension schemes	-	14.8	-	14.8
Adjustment due to change in future tax rates of brought forward deferred tax asset	-	5.7	-	5.7
At 31 March 2014	325.6	(7.5)	(13.9)	304.2
Charged/(credited) to the Income Statement	**3.8**	**(0.2)**	**(25.7)**	**(22.1)**
Deferred tax on remeasurement of defined benefit pension schemes taken directly to equity	**-**	**0.9**	**-**	**0.9**
At 31 March 2015	**329.4**	**(6.8)**	**(39.6)**	**283.0**

Notes to the Financial Statements *(continued)*

21. DEFERRED TAX *(continued)*

Company	**Other £m**	**Total £m**
At 01 April 2013	-	-
Credited to Income Statement	(0.8)	(0.8)
At 31 March 2014	(0.8)	(0.8)
Credited to Income Statement	(2.8)	(2.8)
At 31 March 2015	**(3.6)**	**(3.6)**

There are no significant unrecognised deferred tax assets or liabilities for either the Group or Company in either the current or prior year.

Other deferred tax in both the Group and Company relates primarily to losses on derivative financial instruments.

22. CUSTOMER CONTRIBUTIONS

Customer contributions are amounts received from a customer in respect of the provision of a new connection to the network.

Customer contributions are amortised through the Income Statement over the lifetime of the relevant asset.

Group

	£m
At 1 April 2013	**185.4**
Additions in the year	**29.1**
Amortisation	**(4.5)**
At 31 March 2014	**210.0**
Additions in the year	**41.1**
Amortisation	**(3.6)**
At 31 March 2015	**247.5**

	2015 £m	2014 £m
Amounts due in less than one year (see note 18)	**6.6**	4.8
Amounts due after more than one year	**240.9**	205.2
	247.5	210.0

Notes to the Financial Statements *(continued)*

23. REFUNDABLE CUSTOMER DEPOSITS

Refundable customer deposits are those customer contributions which may be partly refundable, dependent on contracted targets.

Group	2015 £m	2014 £m
Amounts due in less than one year (see note 18)	**0.2**	0.3
Amounts due after more than one year	**4.8**	2.6
	5.0	2.9

24. CALLED UP SHARE CAPITAL

Group and Company	2015 £m	2014 £m
Authorised:		
3,000,000 ordinary shares of £1 each	**3.0**	3.0
Allotted, called up and fully paid:		
3,000,000 ordinary shares of £1 each	**3.0**	3.0

No person has any special rights of control over the Company's share capital and all allotted shares are fully paid.

See note 26 for details of the voting rights of each share.

25. SHAREHOLDER'S EQUITY

Group	Share capital £m	Retained earnings/ (deficit) £m	Total £m
At 1 April 2013	3.0	(6.6)	(3.6)
Profit for the year	-	155.6	155.6
Dividends paid	-	(64.0)	(64.0)
Post tax actuarial loss on defined benefit Schemes	-	74.1	74.1
Tax on components of comprehensive income	-	(20.5)	(20.5)
At 31 March 2014	3.0	138.6	(141.6)
Profit for the year	**-**	**10.8**	**10.8**
Dividends paid	**-**	**(38.0)**	**(38.0)**
Post-tax actuarial gain on defined benefit Schemes	**-**	**4.4**	**4.4**
Tax on components of comprehensive income	**-**	**(0.9)**	**(0.9)**
At 31 March 2015	**3.0**	**114.9**	**117.9**

Notes to the Financial Statements *(continued)*

25. SHAREHOLDER'S EQUITY *(continued)*

Company	**Share capital £m**	**Retained earnings £m**	**Total £m**
At 1 April 2013	3.0	198.5	201.5
Profit for the year	-	41.3	41.3
Dividends paid	-	(64.0)	(64.0)
At 31 March 2014	3.0	175.8	178.8
Profit for the year	**-**	**(16.2)**	**(16.2)**
Dividends paid	**-**	**(38.0)**	**(38.0)**
At 31 March 2015	**3.0**	**121.6**	**124.6**

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own Income Statement. The amount of profit after tax for the Company for the financial year is a loss of £16.2m (2014: £41.3m profit).

26. CAPITAL STRUCTURE

Details of allotted share capital together with details of the movements in the Company's issued share capital during the year are shown in note 24. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all allotted shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles of Association, copies of which are available on request.

Notes to the Financial Statements *(continued)*

27. OPERATING LEASES

The Group is committed to making the following payments over the lifetime of the lease in respect of non-cancellable operating leases which expire in:

	Land and buildings 2015 £m	**Plant and machinery 2015 £m**	Land and buildings 2014 £m	Plant and machinery 2014 £m
Within one year	**-**	**-**	-	-
In the second to fifth years inclusive	**2.2**	**-**	0.2	-
After five years	**3.1**	**3.0**	5.6	3.1
	5.3	**3.0**	5.8	3.1

The Company does not hold any non-cancellable operating leases as at 31 March 2015 (2014: none).

28. RELATED PARTY TRANSACTIONS

Loans are made between companies in the North West Electricity Networks (Jersey) Limited Group on which different 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 the Group figures.

During the year, the following transactions with related parties were entered into:

	Group 2015 £m	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Transactions with related parties				
Recharges to Electricity North West (Construction and Maintenance) Limited	**0.6**	**-**	1.1	-
Recharges from Electricity North West (Construction and Maintenance) Limited	**0.2**	**-**	0.4	-
Executive Directors' remuneration (note 9)	**1.7**	**-**	1.4	-
Directors' services	**0.2**	**-**	0.2	-
Interest payable to North West Electricity Networks (Holdings) Ltd	**31.4**	**31.4**	31.0	31.0
Dividends paid to North West Electricity Networks (Holdings) Ltd	**38.0**	**38.0**	64.0	64.0
Interest payable to ENW Capital Finance plc	**-**	**20.4**	-	20.4
Interest payable to ENW Finance plc	**-**	**0.4**	-	0.5
Interest receivable from Electricity North West Limited	**-**	**4.5**	-	4.4
Dividends received from Electricity North West Limited	**-**	**37.0**	-	83.0

Notes to the Financial Statements *(continued)*

28. RELATED PARTY TRANSACTIONS *(continued)*

Amounts outstanding with related parties are as follows:

	Group 2015 £m	**Company 2015 £m**	Group 2014 £m	Company 2014 £m
Amounts owed to related parties				
Interest to North West Electricity Networks (Holdings) Ltd	**13.4**	**13.4**	12.9	12.9
Group tax relief to North West Electricity Networks (Holdings) Ltd	**-**	**-**	-	-
Group tax relief to North West Electricity Networks (Finance) Ltd	**-**	**-**	-	-
Interest to ENW Capital Finance plc	**-**	**5.7**	-	5.7
Interest to ENW Finance plc	**-**	**2.8**	-	2.4
Amounts owed to Electricity North West (Construction and Maintenance) Limited	**-**	**-**	-	-
Amounts owed to Electricity North West Limited	**-**	**3.6**	-	3.7
Amounts owed to North West Electricity Networks (Holdings) Ltd	**676.5**	**676.5**	676.5	676.5
Amounts owed to ENW Finance plc	**-**	**20.5**	-	20.5
Amounts owed to ENW Capital Finance plc	**-**	**299.6**	-	299.7
Amounts owed by related parties				
Amounts owed by Electricity North West (Construction and Maintenance) Limited	**0.4**	**-**	0.5	-
Amounts owed by North West Electricity Networks (Holdings) Ltd	**0.9**	**0.5**	0.7	0.5
Borrowings owed by Electricity North West Ltd	**-**	**89.7**	-	67.4
Interest owed by Electricity North West Ltd	**-**	**1.3**	-	1.2
Group tax relief owed by Electricity North West Ltd	**-**	**10.8**	-	11.3
Group tax relief owed by North West Electricity (Construction and Maintenance) Limited	**-**	**-**	-	-
Group tax relief owed by ENW Finance plc	**-**	**2.9**	-	2.4

Fees of £0.1m (2014: £0.1m) were payable to Colonial First State in respect of the provision of Directors' services. Colonial First State is part of the Commonwealth Bank of Australia which is identified as a related party.

Fees of £0.1m (2014: £0.1m) were payable to IIF Int'l Holding GP Ltd ("IIF") in respect of the provision of Directors' services which is identified as a related party.

For disclosure relating to executive directors remuneration see note 9.

The loans from related parties comprise amounts loaned from North West Electricity Networks (Holdings) Limited of £676.5m. Of this, £200.0 million carries interest at 10% per annum; £327.0 million is interest free and £149.5 million carries interest at 7.37%. It also includes amounts loaned from ENW Capital Finance plc of £299.6m which carries interest of 6.175% per annum and amounts loaned from ENW Finance plc which carries interest at 6.125% per annum.

The loans to related parties comprise amounts loaned to Electricity North West Limited of £67.4m which carries interest at 6.5% per annum, and £22.3m at 1.88% per annum. All other related party balances bear no interest.

Notes to the Financial Statements *(continued)*

29. CASH GENERATED FROM OPERATIONS

	Group 2015 £m	Company 2015 £m	Group 2014 £m	Company 2014 £m
Operating profit	**289.8**	**-**	270.5	-
Adjustments for:				
Depreciation of property, plant and equipment	**95.3**	**-**	93.9	-
Amortisation of intangible assets	**3.6**	**-**	7.2	-
Amortisation of customer contributions	**(3.6)**	**-**	(4.5)	-
Profit on disposal of property, plant and equipment	**(0.8)**	**-**	(0.2)	-
Cash contributions (in excess of)/less than pension charge to operating profit	**(0.2)**	**-**	1.3	-
Operating cash flows before movement in working capital	**384.1**	**-**	368.2	-
Changes in working capital:				
Decrease in inventories	**-**	**-**	(2.0)	-
(Increase)/decrease in trade and other receivables	**(4.3)**	**-**	(1.4)	9.9
Increase/(decrease) in trade and other payables	**14.6**	**-**	(3.1)	-
Cash generated from operations	**394.4**	**-**	361.7	9.9

30. CONTINGENT LIABILITY

A member of the Group, ENWL is part of a Covenanter Group ("CG") which is party to a Deed of Covenant with EA Technologies Limited ("EATL") under which certain guarantees over the benefits of members of the EATL Group of the Electricity Supply Pension Scheme have been given. In the event of EATL being unable to meet the obligations for its part of the ESPS pension scheme deficit following a discontinuance event, the members of the pension scheme can make a claim against the CG.

Under the terms of the Deed of Covenant if there was such discontinuance event the ENWL is liable to pay 6.7% of the discontinuance deficit. Management do not consider that this event is probable and no provision has been made in these accounts. The total deficit has been estimated at £74.3m as at 31 March 2015, of which the ENWL's share would be £5.0m.

31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is NWEN Group Limited, a company incorporated and registered in the United Kingdom. The ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company incorporated and registered in Jersey. The address of the ultimate parent company is: Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG.

This is the smallest group in which the Company's results are consolidated.

The largest group in which the results of the Company are consolidated is that headed by North West Electricity Networks (Jersey) Limited.

First State Investments Fund Management S.à.r.l. on behalf of First State European Diversified Infrastructure Fund FCP-SIF ("EDIF") and IIF Int'l Holding GP Ltd ("IIF") have been identified as ultimate controlling parties.

Notes to the Financial Statements *(continued)*

32. RESTRUCTURING COSTS

During the year the Group redesigned the organisational structure to respond to the challenges of the RIIO-ED1 framework and to remove complexity in the hierarchy, ensuring single point of accountability. As a consequence where employees could not be redeployed within the business redundancy terms were agreed.

	Group 2015 £m	Group 2014 £m
Redundancy costs	**2.8**	-
Total charge for the year	**2.8**	-