ENW Finance plc (the "Company") is pleased to announce its Annual Financial Report for the year ended 31 March 2012.

The Annual Financial Report is available to view on the Company's website: www.enwl.co.uk.

In accordance with the requirements of Listing Rule 17.3.1, a copy of the annual financial report has been submitted to the National Storage Mechanism and will shortly be available for inspection at: http://www.hemscott.com/nsm.do.

In accordance with Disclosure and Transparency Rule 6.3.5 the Annual Financial Report is here reproduced in full unedited text (the Company has not taken advantage of the exemption afforded in 6.3.5 (2)).

For further information please contact Electricity North West's press office on 0844 209 1957 or email jonathan.morgan@enwl.co.uk.

ENW Finance plc

Company Registration No. 6845434

Annual Report and Financial Statements for the year ended 31 March 2012

Directors' Report

The Directors present their annual report and the audited financial statements of ENW Finance plc (the "Company") for the year ended 31 March 2012.

Business review and principal activities

The principal activity of the Company during the year ended 31 March 2012 was that of a financing company which has Notes in issue and listed on the London Stock Exchange. The Company is a financing entity within the North West Electricity Networks (Jersey) Limited group (the "Group") and following the issue of Notes, it lent the net proceeds to a fellow Group subsidiary and affiliated company, Electricity North West Limited ("ENWL").

The results for the period are set out in the income statement on page 5 and show that profit for the year after tax was £0.5m (2011: £1.2m).

Dividends

Dividends proposed in the period were £nil, (2011: £nil). The Directors do not propose a final dividend for the year ended 31 March 2012.

Principal risks and uncertainties

As the Company's obligations in respect of the listed Notes and intercompany index-linked swaps are met via income receivable from ENWL via an intercompany loan arrangement, the Board considers the principal risks and uncertainties facing the Company to be those that affect ENWL and the larger Group. 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 Business Review of the ENWL annual report and consolidated financial statements.

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

Financial position

The Company has borrowings net of cash and short-term deposits of £198.5m at 31 March 2012 (2011: £198.3m) relating to the Notes which have a long-term maturity. The Notes have a nominal value of £200.0m at 6.125 per cent maturing in 2021 and are held at amortised cost net of discount on issue.

Corporate governance

The details of the internal control and risk management systems which govern the Company in relation to the financial process are outlined in the Corporate Governance statement contained in the ENWL annual report and consolidated financial statements which is available on our website www.enwl.co.uk.

ENW Finance plc's internal control framework consists of the following;

- A Risk, Control and Assurance team which has the responsibility for independently assessing the adequacy and effectiveness of the management of significant risk areas and internal control.
- Comprehensive compliance regimes are in place within the Company.

ENW Finance plc's risk management framework consists of the following;

- All enterprise risks are managed on a single corporate risk register which is maintained by the Risk, Control and Assurance team.
- All open risks, associated controls and mitigating actions are reviewed on a monthly basis as part of a well embedded risk monitoring process.

ENW Finance plc is not required to comply with the UK Corporate Governance Code but seeks to adopt its principles where appropriate

The ENW Finance plc audit committee is responsible for performing the functions set out in section 7.1.3 of the Disclosure and Transparency Rules of the Financial Services Authority. Membership consists of John Gittins, Niall Mills, Mike Nagle, Christine O'Reilly and Surinder Toor all of whom have competence in accounting. John Gittins is considered an Independent Non-Executive Director and was Chairman of the Committee for the year under review.

Going Concern

After making enquires, and based on the assumptions, sensitivities and uncertainties outlined in note 1 to the financial statements, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The names of the Directors who held office during the year and thereafter are set out below. All were Directors for the whole year.

J Gittins

N Mills

S Johnson

M McCallion

S Toor

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 Company's business.

Events after the Balance Sheet date

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

Directors' and Officers' insurance

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

Directors' responsibilities statement

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

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

- properly select and apply accounting policies;

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

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

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 report confirms that:

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

(2) he 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.

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

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

Registered number: 6845434

Approved by the Board on 1 June 2012 and signed on its behalf by:

S Johnson
Director

M McCallion
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENW FINANCE PLC

We have audited the annual report and financial statements of ENW Finance plc for the year ended 31 March 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 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 the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 company's affairs as at 31 March 2012 and of its profit for the year then ended;
have been properly prepared in accordance with IFRSs as adopted by the European Union; and
have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Alan Fendall (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
1 June 2012

INCOME STATEMENT
for the year ended 31 March 2012

	Note	**2012 £'000**	2011 £'000
Operating profit	*2*	**-**	-
Investment income	*4*	**12,919**	12,916
Finance expense	*5*	**(12,075)**	(11,081)
Profit before taxation		**844**	1,835
Taxation	*6*	**(363)**	(652)
Profit for the year and attributable to equity holder	*14*	**481**	1,183

All the results shown in the Income Statement, for both the current year and the preceding year, derive from continuing operations.

There are no other recognised gains and losses for the current financial year or preceding year other than the result shown above. Accordingly, a separate Statement of Comprehensive Income has not been prepared.

STATEMENT OF FINANCIAL POSITION
At 31 March 2012

	Note	**2012 £'000**	2011 £'000
ASSETS			
Non-current assets			
Trade and other receivables	*7,10*	**198,484**	198,341
Derivative financial instruments	*7,10*	**102,214**	60,180
		300,698	258,521
Current assets			
Trade and other receivables	*7*	**24,362**	23,836
Cash and cash equivalents	*8*	**13**	13
		24,375	23,849
Total assets		**325,073**	282,370
LIABILITIES			
Current Liabilities			
Trade and other payables	*11*	**(3,833)**	(3,317)
Net current assets		**20,542**	20,532
Non-current liabilities			
Borrowings	*9,10*	**(198,484)**	(198,341)
Derivative financial instruments	*10*	**(118,347)**	(76,631)
Deferred tax	*12*	**(590)**	(743)
		(317,421)	(275,715)
Total liabilities		**(321,254)**	(279,032)
Net assets		**3,819**	3,338
EQUITY			
Share capital	*13,14*	**13**	13
Retained earnings	*14*	**3,806**	3,325

Total shareholder equity	*14*	**3,819**	3,338

The financial statements of ENW Finance plc (registered number 6845434) were approved by the board of Directors on 1 June 2012 and signed on its behalf by:

M McCallion
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2012

	Share capital	Retained earnings	Total equity
	£'000	**£'000**	**£'000**
At 1 April 2010	13	2,142	2,155
Profit for the year	-	1,183	1,183
At 31 March 2011	13	3,325	3,338
At 1 April 2011	13	3,325	3,338
Profit for the year	-	481	481
At 31 March 2012	**13**	**3,806**	**3,819**

STATEMENT OF CASH FLOWS
for the year ended 31 March 2012

	Note	**2012 £'000**	2011 £'000
Operating activities			
Operating profit		**-**	-
Interest paid		**(12,250)**	(12,250)
Net cash used in operating activities		**(12,250)**	(12,250)
Investing activities			
Interest received and similar income		**12,250**	12,250
Net cash generated from investing activities		**12,250**	12,250
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the year		**13**	13
Cash and cash equivalents at end of the year	*8*	**13**	13

NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

ENW Finance plc is a company incorporated in the United Kingdom under the Companies Act.

1. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by 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 derivative financial instruments.

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

All Company operations arise from its activities as a financing company in the North West of England. Accordingly only one operating and geographic segment is therefore regularly reviewed by the Chief Executive Officer and Executive Team.

Basis of preparation – going concern basis

The Company is ultimately a subsidiary of the North West Electricity Networks (Jersey) Limited group, which manages its working capital on a pooled basis across the Group. The ability of the Company to meet its debts as they fall due is dependent on the fellow Group subsidiaries' ability to service its debts to the Company. The performance, financial position and key risks impacting the Company are detailed in the ENWL Directors' Report. In consideration of this the Directors of this Company are cognisant of the following going concern disclosure which appears in the financial statements of North West Electricity Networks (Jersey) Limited for the year ended 31 March 2012:

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

The above text from North West Electricity Networks (Jersey) Limited's financial stetements cross refers to disclosures within its Directors' Report. This information is also available within the statutory financial statements of Electricity North West Limited, the main trading company of the Group, and can be read in that company's financial statements.

In preparing the accounts on the going concern basis, the Directors give regard to the letter of support provided by North West Electricity Networks (UK) Limited.

Consequently, after making the appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have had no impact on the amounts reported or the presentation and disclosure in these financial statements. However they may impact the accounting for future transactions and arrangements.

- IAS 24 (Nov 2009) Related Party Disclosures;
- IAS 32 (amended) Classification of Rights Issues;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments;
- IFRIC 14 (amended) Prepayments of a Minimum Funding Requirement; and

- Improvements to IFRSs (May 2010).

Recently issued accounting pronouncements - International Financial Reporting Standards

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective. The Directors anticipate that the adoption of these standards and interpretations will have no material impact on the Company's financial statements. The Directors anticipate that the Company will adopt these standards and interpretations on their effective dates:

- IFRS 9 'Financial Instruments';
- Amendments to IFRS 7 'Financial Instruments; Disclosures' on transfers of financial assets;
- Amendment to IFRS 1 'First time adoption' on fixed dates and hyperinflation;
- Amendment to IAS 12 'Income Taxes' on deferred tax: recovery of underlying assets;
- Amendment to IAS 1 'Financial Statement Presentation' regarding other comprehensive income;
- Amendment to IAS 19 'Employee Benefits';
- IFRS 10 'Consolidated Financial statements';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosures of Interests in Other Entities';
- IFRS 13 'Fair Value Measurement';
- IAS 27 (revised 2011), 'Separate Financial Statements'; and
- IAS 28 (revised 2011) 'Associates and Joint Ventures'.

Financial instruments

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

Trade and other receivables

Trade and other receivables are stated at their historical cost, which given their short term nature, approximately equates to their fair value, with any allowances made for any estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are stated at their historical cost, which given their short term nature, approximately equates to their fair value. This in turn equates to carrying value and represents accrued interest payable.

Cash and cash equivalents

In the statement of cash flow and related notes, cash and cash equivalents includes cash at bank and in hand.

Financial liabilities and equity

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

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.

Impairment of Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Borrowings

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

The Company derecognises financial liabilities when, and only when, the Company'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 period in which they are accrued. Transaction costs that are directly attributable to the issue of the financial liabilities have been capitalised, and are being amortised, within ENWL, since that company is deemed to have the financial benefit of the financing transactions.

Derivatives and borrowings

The Company's default treatment is for borrowings to be carried at amortised cost, whilst derivatives are recognised separately on the balance sheet at fair value. Movements in fair values are reflected through the income statement. This has the potential to introduce considerable volatility to both the income statement and balance sheet. The Company accounts for derivative financial instruments at fair value through profit or loss ("FVTPL"), where hedge accounting cannot be applied. This area is considered to be of significance due to the magnitude of the Company's level of borrowings.

Embedded Derivatives

Derivatives embedded in other financial instruments, or host contracts, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

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 in note 10 to the financial statements.

Operating profit

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

Taxation

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

Current taxation

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

Deferred taxation

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

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

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

2. OPERATING PROFIT

Critical Accounting Policies

In the process of applying the Company's accounting policies, the Company 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 Company 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 Company believes have the most significant impact on the annual results under IFRS.

Fair values of derivative financial instruments

The Company uses derivative financial instruments to manage the exposure to interest rate risk and inflation risk. The Board has authorised the use of derivatives by the Company to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. All 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 that are not in a hedging relationship are recognised in the income statement within finance expense as they arise.

The Company 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 in note 10 to the financial statements.

3. OPERATING PROFIT

Audit fees payable to Deloitte LLP of £6,074, (2011: £4,000) were borne by another Group company and have not been recharged. There are no non-audit fees in 2012 (2011: £nil). Any fees payable to professional service firms are borne by ENWL.

3. DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2011: none) and the Directors received no remuneration during the year from the Company (2011: none).

4. INVESTMENT INCOME

	2012 £'000	2011 £'000
Interest receivable from Group companies	**12,919**	12,916

5. FINANCE EXPENSE

	2012 £'000	2011 £'000

Interest payable		
Interest payable on borrowings held at amortised cost	**12,393**	12,344
Fair value gains on financial instruments at fair value through profit or loss		
Derivatives	**(318)**	(1,263)
Net finance expense	**12,075**	11,081

6. TAXATION

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax	**516**	556
Deferred tax (note 12):		
Current year	**(95)**	142
Prior year	**(58)**	(46)
	363	652

Corporation tax is calculated at 26% (2011: 28%) of the estimated assessable profit for the period.

The tax charge in future periods will be affected by the announcement on 21 March 2012 that the corporation tax main rate will be reduced to 24% from 1 April 2012. The rate will be reduced by 1% annually until 1 April 2014 when the rate will be 22%.

Tax rate changes are taken into account if they are substantively enacted at the statement of financial position date. The reduction to 24% was included in a resolution passed under the Provisional Collection of Taxes Act 1968 on 26 March 2012. Accordingly the tax disclosures reflect deferred tax measured on the new 24% rate, resulting in a credit of £58,000.

The total deferred tax credit in respect of the change to a 22% tax rate is expected to be in the region of £114,000.

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

	2012 £'000	**2012 %**	2011 £'000	2011 %
Profit before tax	**844**		1,835	
Tax at the UK corporation tax rate of 26% (2011: 28%)	**219**	**26.0**	514	28.0
Non-taxable expense	**193**	**22.9**	195	10.6
Impact from change in future tax rates	**(49)**	**(5.9)**	(57)	(3.1)
	363	**43.0**	652	35.5

7. TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Non-current assets		
Amounts due from Group company	**198,484**	198,341
Derivative financial instruments – due after more than 1 year	**102,214**	60,180
	300,698	258,521
Current assets		
Amounts due from Group companies	**24,362**	23,836
	24,362	23,836

The Company loaned Electricity North West Limited £200.0m at 6.125 per cent fixed rate due 2021. The net proceeds received by Electricity North West Limited net of discount on issue were £198.2m and terms are aligned to the terms of the external Notes and associated intercompany hedging arrangements. The carrying value of the receivable reflects the amortisation of the discount. Interest receivable in the year as a result of this balance was £12.4m The Company has also loaned North West Electricity Networks Limited ("NWEN Ltd") £20.5m repayable on demand (see note 15). These amounts were as a result of the Group refinance and Notes issued by the Company on 21 July 2009. Interest receivable relating to this balance in the year was £0.5m

8. CASH AND CASH EQUIVALENTS

	2012 £'000	2011 £'000
Cash at bank and in hand	**13**	13

9. BORROWINGS

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

	2012 £'000	2011 £'000
Non-current liabilities (Borrowings measured at amortised cost)		
6.125% £200m bond maturing 2021	**198,484**	198,341

The Company has issued £200.0m 6.125 per cent fixed rate Notes due 2021, guaranteed by ENWL. All loans and borrowings are unsecured. All amounts are in sterling.

Borrowing facilities

The Company had no unutilised committed bank facilities at 31 March 2012 (2011: £nil). There is no formal bank overdraft facility in place at 31 March 2012 (2011: £nil).

10. FINANCIAL INSTRUMENTS

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

The principal risks which the Company is exposed to and which arise in the normal course of business include liquidity and market risk, including interest and inflation risk. Derivative financial instruments are used to change the basis of interest cash flows from fixed to inflation-linked, for economic hedging reasons.

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

The accounting policy for derivatives is provided in note 1.

Control over financial instruments

The Company has a formal risk management structure, which includes the use of risk limits, reporting and monitoring requirements, mandates, and other control procedures. It is currently the responsibility of the Group Board to set and approve the risk management procedures and controls. For a full discussion of the Group's risk management policies refer to the ENWL financial statements.

Risk management

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

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet the obligations or commitments resulting from its business operations or associated with its financial instruments, as they fall due. As the Company's obligations in respect of the listed Notes and intercompany index-linked swaps are met via income receivable from ENWL via the intercompany loan arrangement the Board considers the liquidity risk to be low and that cash flows are appropriately balanced to allow all funding obligations to be met when due.

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

Bonds	**On demand £'000**	**<1 year £'000**	**<1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**>4 years £'000**	**Total £'000**
At 31 March 2012	**-**	**(12,250)**	**(12,250)**	**(12,250)**	**(12,250)**	**(267,375)**	**(316,375)**
At 31 March 2011	-	(12,250)	(12,250)	(12,250)	(12,250)	(279,625)	(328,625)

Market risk

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

The Company has exposure to interest rate risk and inflation risk and this is explained in the sections below.

The Company borrows in the major global debt markets at fixed rates of interest, using derivatives, where appropriate, to generate the desired effective interest basis. The Company has £200m notional principal of inter-company index-linked swaps that convert the fixed rate of interest payable under the Notes to an inflation-linked rate. The Company's obligations in respect of the listed Notes and inter-company index-linked swaps are met via income receivable from ENWL via an intercompany loan arrangement.

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 Company has limited exposure to interest rate risk as all borrowings are at a fixed rate and the cashflows associated with the borrowings and derivatives are matched by inter-company arrangements. The main exposure to interest rate risk is the risk that the fair value of the derivatives will change in response to changes in market expectations of interest rates. This exposure is limited as the impact on the inter-company index-linked swaps (liability) is largely offset by an opposite impact on the embedded derivative (asset).

Inflation risk

The revenues of the Group's operating company, Electricity North West Limited ("ENWL"), are linked to movements in inflation, as defined by the Retail Price Index ("RPI"). To economically hedge exposure to RPI, the Company has linked its funding costs to RPI by using derivative financial instruments prior to on lending the proceeds of such funding to ENWL. The Company's exposure to inflation risk is the risk that the fair value of the derivatives will change in response to changes in market expectations of inflation rates. This exposure is limited as the impact on the inter-company index-linked swaps (liability) is largely offset by an opposite impact on the embedded derivative (asset).

Fair values

The tables below provide a comparison of the book and fair values of the Company's financial instruments by category as at the statement of financial position date. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

For cash and cash equivalents, trade and other receivables, and trade and other payables the book values approximate the fair values because of their short-term nature. For non-public long term loans and receivables, fair values are estimated by discounting future contractual cash flows to net present values using current market interest rates available to the Company for similar financial instruments as at year end.

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

	Carrying value 2012 £'000	**Fair value 2012 £'000**	Carrying value 2011 £'000	Fair value 2011 £'000
Financial assets:				
Non-current assets:				
Amounts due from affiliated company	**198,484**	**234,890**	198,341	217,778
Derivative financial instruments	**102,214**	**102,214**	60,180	60,180
	300,698	**337,104**	258,521	277,958
Current assets:				
Cash and cash equivalents	**13**	**13**	13	13
Trade and other receivables	**24,362**	**24,362**	23,836	23,836
	24,375	**24,375**	24,375	24,375

Derivative financial assets are due after more than one year (2011: same).

	Carrying value 2012 £'000	**Fair value 2012 £'000**	Carrying value 2011 £'000	Fair value 2011 £'000
Financial liabilities:				
Non-current liabilities:				
Borrowings measured at amortised cost	**(198,484)**	**(234,890)**	(198,341)	(217,778)
Derivative financial instruments	**(118,347)**	**(118,347)**	(76,631)	(76,631)
	(316,831)	**(353,237)**	(274,972)	(294,409)
Current liabilities				
Trade and other payables	**(3,833)**	**(3,833)**	(3,317)	(3,317)
	(320,664)	**(357,070)**	(278,289)	(297,726)

Fair value measurements recognised in the statement of financial position

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

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

	31 March 2012			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit or loss				
Derivative financial assets	**-**	**102,214**	**-**	**102,214**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	**-**	**(118,347)**	**-**	**(118,347)**

There were no transfers between Levels during the year.

	31 March 2011			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Derivative financial assets	-	60,180	-	60,180
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(76,631)	-	(76,631)

11. TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Interest payable	**2,380**	2,382
Amounts owed to immediate parent undertakings (note 15)	**1,453**	935
	3,833	3,317

12. DEFERRED TAX

The following are the deferred tax liabilities recognised by the Company, and the movements thereon, during the current year and prior period.

	Total £'000
At 1 April 2010	647
Charged to the income statement	96
At 1 April 2011	743

Credited to the income statement (note 6)	(153)
At 31 March 2012	**590**

The deferred tax arises on certain financing items, primarily relating to the derivatives.

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

13. SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised:		
50,000 ordinary shares of £1 each	**50**	50

	2012 £'000	2011 £'000
Allotted and part paid:		
50,000 ordinary shares of £1 each, of which £0.25 has been called up and paid	**13**	13

14. TOTAL SHAREHOLDER'S EQUITY

	Share capital £'000	**Retained earnings £'000**	**Total Shareholder equity £'000**
As at 1 April 2010	13	2,142	2,155
Profit for the year	-	1,183	1,183
At 31 March 2011	13	3,325	3,338
Profit for the year	-	481	481
At 31 March 2012	**13**	**3,806**	**3,819**

15. RELATED PARTY TRANSACTIONS

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Interest receivable from Electrcity North West Limited	**12,403**	12,361
Interest receivable from North West Electricity Networks Limited	**516**	555

Amounts outstanding with related parties are as follows:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Loans to North West Electricity Networks Limited	**20,500**	20,500

Interest receivable from North West Electricity Networks Limited	**1,453**	935
Loan to Electricity North West Limited	**198,484**	198,341
Interest receivable from Electricity North West Limited	**2,409**	2,409
Amounts owed to North West Electricity Networks Limited	**(1,453)**	(935)

The Company has lent ENWL proceeds of £198.5m (2011:198.3m) in relation to the Notes issue of £200.0m at 6.125 per cent fixed rate due 2021, net of discount on issue. The Company has also lent NWEN Ltd £20.5m (2011:£20.5m) at 6.125% repayable on demand. These amounts were as a result of the Group refinance and Notes issued by the Company on 21 July 2009.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The largest group in which the results of the Company are consolidated is that headed by North West Electricity Networks (Jersey) Limited incorporated in Jersey. The smallest group in which they are consolidated is that headed by North West Electricity Networks Limited, a Company incorporated and registered in the UK.

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

First State Investment Fund Management S.a.r.l on behalf of First State European Diversified Intrastructure Fund FCP-SIF (‘EDIF’) and IIF Int’l Holding GP Ltd (‘IIF’) have been identified as ultimate controlling parties and are advised by Colonial First State Global Asset Management (a member of the Commonwealth Bank of Australia Group) and JP Morgan Investment Management Inc respectively.