

Group profit and loss account

FOR THE YEAR ENDED 31 MARCH 1998

| | <i>Notes</i> | 1998 £m | 1997 £m | 1996 £m |
|--|--------------|--------------------|------------|------------|
| Turnover | 1 | 15,640 | 14,935 | 14,446 |
| Other operating income (a) | 2 | 372 | 106 | 103 |
| Operating costs (b) | 3 | (12,355) | (11,796) | (11,449) |
| Operating profit | | 3,657 | 3,245 | 3,100 |
| Group's share of profits (losses) of associated undertakings | | (252) | 139 | 82 |
| Profit on sale of group undertakings | 4 | 63 | 8 | 7 |
| Interest receivable | 5 | 165 | 206 | 201 |
| Interest payable | 6 | (414) | (335) | (371) |
| Premium on repurchase of bonds | 7 | - | (60) | - |
| Profit on ordinary activities before taxation | | 3,219 | 3,203 | 3,019 |
| Tax on profit on ordinary activities: | 8 | | | |
| Corporation and similar taxes | | (978) | (1,102) | (1,027) |
| Windfall tax | | (510) | - | - |
| | | (1,488) | (1,102) | (1,027) |
| Profit on ordinary activities after taxation | | 1,731 | 2,101 | 1,992 |
| Minority interests | | (25) | (24) | (6) |
| Profit for the financial year | | 1,706 | 2,077 | 1,986 |
| Dividends: | 9 | | | |
| Ordinary | | (1,220) | (1,266) | (1,184) |
| Special | | - | (2,244) | - |
| | | (1,220) | (3,510) | (1,184) |
| Retained profit (transfer from reserves) for the financial year | 23 | 486 | (1,433) | 802 |
| Earnings per share | 10 | 26.7p | 32.8p | 31.6p |
| Earnings per share before exceptional items | | 31.7p | 32.8p | 31.6p |
| Fully diluted earnings per share | | 26.3p | 32.2p | 31.0p |
| Fully diluted earnings per share before exceptional items | | 31.2p | 32.2p | 31.0p |
| (a) Including MCI merger break up fee net of expenses | | 238 | - | - |
| (b) Including redundancy charges | | 106 | 367 | 421 |

Group statement of total recognised gains and losses

FOR THE YEAR ENDED 31 MARCH 1998

| | 1998 £m | 1997 £m | 1996 £m |
|---|--------------------|------------|------------|
| Profit for the financial year | 1,706 | 2,077 | 1,986 |
| Currency movements arising on consolidation of foreign subsidiary and associated undertakings | (74) | (76) | 42 |
| Total recognised gains and losses | 1,632 | 2,001 | 2,028 |

Group cash flow statement

FOR THE YEAR ENDED 31 MARCH 1998

| | <i>Notes</i> | 1998 £m | 1997 £m | 1996 £m |
|--|--------------|--------------------|------------|------------|
| Net cash inflow from operating activities | <i>11</i> | 6,076 | 6,192 | 5,834 |
| Returns on investments and servicing of finance | | | | |
| Interest received | | 168 | 196 | 202 |
| Interest paid, including finance costs | | (328) | (342) | (332) |
| Premium paid on repurchase of bonds | | - | (60) | - |
| Dividends paid to minorities | | - | (14) | (20) |
| Net cash outflow for returns on investments and servicing of finance | | (160) | (220) | (150) |
| Taxation | | | | |
| UK corporation tax paid | | (1,625) | (1,032) | (738) |
| Windfall tax paid | | (255) | - | - |
| Overseas tax paid | | (6) | (13) | (46) |
| Tax paid | | (1,886) | (1,045) | (784) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | (3,020) | (2,823) | (2,547) |
| Sale of tangible fixed assets | | 127 | 124 | 88 |
| Purchase of fixed asset investments | | (265) | (172) | (85) |
| Disposal of fixed asset investments | | 50 | 51 | 44 |
| Net cash outflow for capital expenditure and financial investment | | (3,108) | (2,820) | (2,500) |
| Acquisitions and disposals | | | | |
| Purchase of subsidiary undertakings, net of £6m (1997 – £2m, 1996 – £1m) cash acquired | | (121) | (126) | (26) |
| Purchase of associated undertakings | | (1,380) | (148) | (122) |
| Sale of subsidiary undertakings | | - | 11 | 16 |
| Sale of associated undertakings | | - | 11 | - |
| Net cash outflow for acquisitions and disposals | | (1,501) | (252) | (132) |
| Equity dividends paid | | (3,473) | (1,217) | (1,138) |
| Cash inflow (outflow) before management of liquid resources and financing | | (4,052) | 638 | 1,130 |
| Management of liquid resources | <i>12</i> | 2,247 | (504) | (1,317) |
| Financing | | | | |
| Issue of ordinary share capital | | 144 | 160 | 130 |
| Minority shares issued | | 48 | 51 | 59 |
| New loans | | 1,637 | 35 | 175 |
| Loan repayments | | (338) | (670) | (133) |
| Net increase (decrease) in short-term borrowings | | 303 | 200 | (16) |
| Net cash inflow (outflow) from financing | | 1,794 | (224) | 215 |
| Increase (decrease) in cash in the year | | (11) | (90) | 28 |
| Decrease (increase) in net debt in the year | <i>13</i> | (3,860) | 849 | 1,319 |

Balance sheets

AT 31 MARCH 1998

| | Notes | Group | | Company | |
|--|-------|----------------|------------|----------------|------------|
| | | 1998 £m | 1997 £m | 1998 £m | 1997 £m |
| Fixed assets | | | | | |
| Tangible assets | 14 | 17,252 | 16,802 | 14,899 | 14,493 |
| Investments | 15 | 1,708 | 1,273 | 7,808 | 6,599 |
| Total fixed assets | | 18,960 | 18,075 | 22,707 | 21,092 |
| Current assets | | | | | |
| Stocks | | 145 | 180 | 124 | 159 |
| Debtors | 16 | 3,387 | 3,807 | 4,918 | 4,013 |
| Investments | 17 | 731 | 2,974 | 15 | 2,909 |
| Cash at bank and in hand | | 62 | 26 | 1 | - |
| Total current assets | | 4,325 | 6,987 | 5,058 | 7,081 |
| Creditors: amounts falling due within one year | | | | | |
| Loans and other borrowings | 18 | 881 | 483 | 3,282 | 2,316 |
| Other creditors | 20 | 6,081 | 9,171 | 6,043 | 9,005 |
| Total creditors: amounts falling due within one year | | 6,962 | 9,654 | 9,325 | 11,321 |
| Net current liabilities | | (2,637) | (2,667) | (4,267) | (4,240) |
| Total assets less current liabilities | | 16,323 | 15,408 | 18,440 | 16,852 |
| Creditors: amounts falling due after more than one year | | | | | |
| Loans and other borrowings | 18 | 3,889 | 2,693 | 4,126 | 3,493 |
| Provisions for liabilities and charges | 21 | 1,426 | 1,391 | 1,269 | 1,341 |
| Minority interests | | 223 | 208 | - | - |
| Capital and reserves | | | | | |
| Called up share capital | 22 | 1,603 | 1,589 | 1,603 | 1,589 |
| Share premium account | 23 | 892 | 675 | 892 | 675 |
| Other reserves | 23 | 776 | 777 | 749 | 750 |
| Profit and loss account | 23 | 7,514 | 8,075 | 9,801 | 9,004 |
| Total equity shareholders' funds | 23 | 10,785 | 11,116 | 13,045 | 12,018 |
| | | 16,323 | 15,408 | 18,440 | 16,852 |

Debtors include amounts receivable after more than one year: group £97m (1997 – £546m) and company £213m (1997 – £741m).

The financial statements on pages 45 to 79 were approved by the board of directors on 26 May 1998 and were signed on its behalf by

Sir Iain Vallance *Chairman*

Sir Peter Bonfield CBE *Chief Executive*

R P Brace *Group Finance Director*