Centrica plc
Preliminary Results
for the year ended 31 December 1998
(unaudited)

SUMMARY

	Year ended 31 December 1998	Year ended 31 December 1997
Turnover	**£7,481m**	£7,842m
Operating profit before exceptionals	**£208m**	£175m
Earnings before exceptionals	**£174m**	£44m
Cash flow before financing and exceptionals	**£543m**	£877m
Earnings/(loss) per share	**2.0p**	(17.9)p
Earnings per share before exceptionals	**3.9p**	1.0p
Special dividend per share	**12.0p**	-

- **Earnings before exceptionals up £130m**
- **Substantial cash generation and balance sheet strength**
- **Proposed £530m special distribution to shareholders**
- **Encouraging gas market share in tough competitive environment**
- **Excellent progress in gaining electricity customers**
- **Services business moved into profit**
- **Continued improvement in customer satisfaction**

Commenting on the results, Chairman Sir Michael Perry said:

"The progress we reported in the first half of the year has continued through 1998. We are pleased with the number of gas customers who have chosen to stay with British Gas and we have made an excellent start in establishing ourselves as an electricity supplier. In addition, a substantial improvement in financial performance has been achieved, with increased profitability and strong cash generation.

There is no doubt the Company is now positioned for growth. Given the strength of the Company's balance sheet the Board feels that it is now appropriate to reward shareholders and proposes a special dividend of 12 pence per existing ordinary share together with a related consolidation of the Company's share capital."

CHAIRMAN'S STATEMENT

1998 has been a successful year for Centrica and the delivery of its strategy. The UK is now one of the most competitive energy markets in the world and one of the only places where domestic customers can choose who supplies their energy needs.

In this newly competitive environment, the underlying profitability of the Group improved significantly with earnings before exceptionals of £174 million, compared with £44 million in 1997. After exceptional charges, earnings were £89 million, which compares with a loss of £791 million in the previous year.

Total cashflow before exceptionals and financing was £543 million. After acquisition related cash outflows for the purchase of upstream gas assets, the year end net cash position was £223 million compared to £41 million at the start of the year.

Customer service remains our first priority and we have seen further improvements in the levels of customer satisfaction recorded with complaint levels continuing to fall. Our successful customer propositions, centred around value for money and excellent customer service, resulted in us retaining some 80% of the domestic gas market.

We have made a good start in building our electricity supply business and at the end of the year over 850,000 customers were contracted to British Gas for their electricity supplies, a market share of over 3%.

The Services business recorded a full year profit for the first time. This was achieved through continued margin improvements and most importantly growth in sales of 13%.

In Retail we made progress in reshaping the business and reducing losses despite the difficult trading conditions being experienced in the high street generally.

In November we completed the acquisition of PowerGen North Sea Limited, a company with £275 million of upstream gas and oil field interests. These assets fit well with our supply portfolio and our requirements for the future.

We have made good progress in 1998, as demonstrated by these results. We are determined to take advantage of the opportunities that will present themselves from rapidly transforming energy markets. In addition we continue to look at innovative ways in which to expand the range of services that we can offer.

While recognising the resources that may be required to do this, the Board feels that, given the strength of the Company's balance sheet and its prospects, it is able to propose a distribution to shareholders by way of a special dividend of 12 pence per share to be payable on 23 June 1999 to shareholders on the register on Friday, 7 May 1999.

A consolidation of the share capital of the Company is also proposed to reflect the proportion of the current market capitalisation being returned by way of the special dividend. Under this proposal every 10 existing ordinary shares would be consolidated into 9 new ordinary shares. The special dividend and related share consolidation are subject to approval at an Extraordinary General Meeting immediately following the Company's Annual General Meeting on Monday 10 May 1999, the admission of the new shares to the Official List and Inland Revenue clearances.

In respect of 1999 the Board intends to propose, in the absence of unforeseen circumstances, a total dividend of 2.5 pence per new ordinary share.

Sir Michael Perry, CBE
Chairman
24 February 1999

CHIEF EXECUTIVE'S REVIEW OF THE YEAR

Group Results

Turnover at £7,481 million was £361 million lower than in 1997. Domestic gas price reductions announced in 1998 accounted for £290 million of the reduction. Domestic gas volumes were down, mainly as a result of loss of market share due to the impact of full competition, although this was partially offset by market growth. In 1997 we excluded £108 million of sales made by Accord in the first two months, as they arose in the period prior to Accord becoming a subsidiary. Turnover in our Services business increased by £59 million (13%) compared to 1997.

Operating profit before exceptional charges, at £208 million, was £33 million better than that achieved in 1997. Our Services business turned a £49 million loss in 1997 into a £9 million profit in 1998 through increased margins and sales growth. This improvement, together with cost reductions in our Retail business, was partly offset by costs we incurred in supporting our entry into domestic electricity and in developing our financial services activities. As in 1997, warmer weather than normal depressed gas sales with the result that profits in both years were lower by approximately £80 million.

Exceptional charges of £85 million (1997; £835 million) comprised £63 million (1997; £573 million) in relation to gas contract renegotiations, £19 million (1997; £nil) on Year 2000 computer system business-readiness preparations and £3 million of restructuring costs (1997; £35 million). 1997 also included £192 million for Windfall Tax and £35 million of provisions against long-term contracts.

Net interest receivable was £42 million (1997; £38 million), driven by a higher average cash position.

Taxation of £75 million arose primarily on our ‘ring fenced’ offshore gas production activities. This was £93 million lower than that incurred in 1997, mainly due to the lower ‘tax price’ on internal sales from our South Morecambe gas field.

Cash flow before financing and exceptional payments for the year was £543 million, compared to £877 million in 1997. In 1998 £408 million of cash was generated through reductions in working capital against £575 million in 1997. The £215 million corporation tax payment included a full year’s charge on the previous year’s Morecambe gas field activities, whereas the tax payment of £112 million during 1997 included taxes on Morecambe’s activities in the second half of 1996 only. The 1998 cash flow performance was achieved having paid out £87 million for the PowerGen North Sea Limited acquisition.

Customer Service

Satisfaction as measured by independent market research surveys, continued to improve during 1998. In addition, overall Category ‘A’ complaints to the Gas Consumers Council, relating to the Group, fell by 6% against 1997.

Competition in the Energy Markets

The domestic gas market was opened to full competition in May 1998 (19.5 million homes). Our overall market share at the end of December was 80% (15.9 million homes). In areas where competition has been established for over a year, our market share was 75%.

In the domestic electricity market, by the end of December around 850,000 consumers had signed supply contracts with us, a level well in excess of our original targets. The number of customers actually supplied was lower as the transfers from the regional electricity companies are being phased in from September 1998 until mid way through 1999.

Gas Contract Renegotiations

We have taken further opportunities to reduce our exposure to take or pay gas contracts at a cost of £63 million, (1997; £608 million). The benefit of earlier renegotiations, including the price revocation on our own South Morecambe field, is now beginning to show; our weighted average cost of gas (WACOG) has reduced from 22p per therm in the fourth quarter of 1997 to an average 17p per therm in the fourth quarter of 1998.

Operating Costs

Operating costs at £1,055 million before exceptional charges were up by 2% compared with 1997. Cost reductions were achieved in gas supply, despite the additional burden of competition, and in Retail. These were more than offset by additional costs associated with the development and marketing of our new products, primarily electricity, and from supporting higher sales volumes in Services.

Acquisitions

In November we acquired 100% of the shares of PowerGen North Sea Limited (now renamed Centrica Resources Limited) for a net consideration of £87 million, after deducting £36 million of cash acquired. We also refinanced debt in that company of £134 million. The company has interests in eight producing fields and several undeveloped gas fields in the Southern North Sea and in the East Irish Sea, in close proximity to our existing Morecambe field interests.

Supergas Limited, a liquefied petroleum gas retailer, was also acquired in March 1998 and has been integrated with our other activities in this area.

PERFORMANCE BY BUSINESS

Energy Supply

Operating profit for the year, before exceptional charges, was £242 million (1997; £269 million).

In the domestic energy markets, we made an operating loss of £4 million compared to a profit of £10 million in 1997, and in the non-domestic market a loss before exceptional charges of £98 million was sustained compared with a loss of £307 million in 1997. In domestic gas supply, the price reductions we introduced in early 1998 were more than offset by reduced gas and transportation costs per unit. However, continued investment in infrastructure and marketing for our developing electricity supply business in 1998 of £86 million (1997; £25 million) caused the overall loss in the domestic market for the year. Losses in the non-domestic market were £209 million lower due to firming prices and reduced unit gas and transportation costs.

Gas costs benefited from a reduction in the transfer price from our South Morecambe field, the removal of the Gas Levy and the beneficial effect of earlier contract renegotiations. Transportation costs per unit reduced by an average of 13% from October 1997 but rose again by an average of 2% from October 1998.

Underlying Category ‘A’ complaints in the year to the Gas Consumers Council, excluding complaints relating to the switching of supplier, fell by 6% against 1997. The final rollout of competition embraced some 15 million customers in 1998. This inevitably led to a large increase in customer contact, and the complaints relating to the complex switching process increased from 4% of Energy Supply complaints in 1997 to 15% in 1998.

Our Morecambe gas fields contributed £344 million of operating profit before exceptionals in 1998 compared with £566 million in 1997. This decrease was mainly due to a reduction in the transfer price to our gas trading activities. This had the benefit, as reflected in our improved performance, of reducing our ‘WACOG’ towards market levels and accounted for £76 million of the reduction in the Group’s corporation tax charge for the year.

Services

In 1998 productivity improvements and sales growth led to higher margins in all main areas. As a result, the business achieved an operating profit of £9 million before exceptional charges, compared to a loss in 1997 of £49 million and a loss of £196 million in 1996. This is the first year in which the business has been in profit.

In 1998 we extended our product range to offer home security on a national basis and air-conditioning products in the South East. Trials took place to evaluate the potential for electrical appliance maintenance and plumbing services. These developments will enable us to make further improvements to our service and business margins, as well as providing opportunities for sales growth. Despite losing nearly 20% of our domestic gas supply customers, we succeeded in maintaining our service contract base. In domestic central heating installations we achieved a 3% increase in market share.

For British Gas Services, customer satisfaction levels improved and Category ‘A’ complaints to the Gas Consumers Council were down by 36% compared with 1997.

Retail

Economic slowdown, resulting in depressed consumer spending during the year, gave rise to difficult trading conditions. Our sales of £169 million were down 8% compared to that in 1997. The business made an operating loss before exceptionals of £31 million compared to a loss of £45 million in 1997.

During 1998 we started a significant programme of performance improvement. We brought in a new management team with extensive retail expertise. The actions they have taken include radical restructuring and targeted investment to improve operational capabilities. A direct result has been improved buying terms, reduced store operating costs and more efficient marketing spend. One of our two distribution centres was closed in 1998 and, at the same time, the delivery operations were rationalised to a single service provider. We are now using our Services business to carry out all of the more complex installation work.

Our drive to improve operational effectiveness has both reduced costs and improved levels of customer service, with complaints to the Gas Consumers Council down 30% year on year.

Other Activities, including results of Associates and Joint Ventures

Our other added value activities continue to grow. During 1998, 35,000 home insurance policies were written with customers benefiting from up to a third off their renewal quotes from their former insurers.

The number of Goldfish credit cards in issue was nearly 900,000 at the end of December. This joint venture with HFC Bank has created a portfolio of significant value, though this is not currently recognised in the Group balance sheet. More importantly our customers are benefiting from the conversion of points into money off home-related products and services provided by the Group.

Our other associate and joint ventures all contributed positively to Group earnings.

Year 2000 and euro

Progress against our detailed plans to deal with the risks associated with Year 2000 is monitored monthly by the Board.

By the end of 1998 we had achieved business-readiness of all but a few of our business critical systems. In 1999 we will work with our IT and service suppliers to complete this task, to carry out comprehensive testing and to ensure that the necessary contingency plans are put in place. We continue to play an active part in a cross utility interest group and in the Government body, Action 2000. We are also working closely with our suppliers to ensure that they meet our timetable.

Our spend in addressing Year 2000 business-readiness in 1998 was £21 million, of which £19 million was bought-in services and has been treated as exceptional. This is in addition to the £3 million spent in 1997. We now anticipate the overall cost of Year 2000 to be in the region of £40 million. This is well within the estimate quoted in our 1997 Annual Report of £61 million, primarily due to finding better and more cost effective solutions.

Detailed impact analysis has identified areas that would require euro conversion and the required lead times for the amendment of key systems. We are developing plans to enable us to amend our systems, in the event that a decision is made for the UK adoption of the euro.

Outlook

With our continued progress in 1998 we now have a good platform on which to build the business further, and we are determined to play a major role in the rapidly transforming energy markets.

To support our Energy Supply business we will further develop our sourcing options in both gas and electricity, to be compatible with the scale of our energy business, as well as seeking to extend our trading relationships. The acquisition in 1998 of PowerGen North Sea Limited is an example of this development.

In our core Energy Supply business our aim in 1999 is to broadly maintain our overall share of the domestic energy market and to make strides to improve its profitability, especially in the commercial and industrial markets. The impact of low oil prices on European and therefore UK gas prices will affect our profitability in this market but this should be partially relieved by lower input prices to our portfolio as our gas contracts have links to oil price indices.

We expect our Services business to make improved profits in 1999, building on their success in 1998. In Retail our focus will be on minimising losses and on preparing for the return of more favourable trading conditions in the future.

Using the strength of our customer relationship, our robust service infrastructure, and our brands, we will continue to develop the range of services we offer in the home, to maintain our position as the supplier of choice to our customers, and build on this strong foundation.

Roy Gardner
Chief Executive
24 February 1999

Summary Group Profit and Loss Account
for the year ended 31 December 1998

	Notes	**Year ended 31 December 1998 £m**	Year ended 31 December 1997 £m as restated (i)
Turnover	2	**7,481**	7,842
Cost of sales:			
- Underlying operations		**(6,218)**	(6,631)
- Exceptional charges		**(63)**	(608)
		(6,281)	(7,239)
Gross profit:			
- Underlying operations		**1,263**	1,211
- Exceptional charges		**(63)**	(608)
		1,200	603
Operating costs:			
- Underlying operations		**(1,055)**	(1,036)
- Exceptional charges		**(22)**	(227)
		(1,077)	(1,263)
Group operating profit / (loss):			
- Underlying operations	2	**208**	175
- Exceptional charges	4	**(85)**	(835)
	2	**123**	(660)
Share of profits less losses of associates and joint ventures		**(1)**	(1)
		122	(661)
Net interest receivable		**42**	38
Profit / (loss) on ordinary activities before taxation		**164**	(623)
Tax on profit / (loss) on ordinary activities	5	**(75)**	(168)
Profit / (loss) for the financial year		**89**	(791)
Dividends	6	**(530)**	-
Retained loss for the financial year		**(441)**	(791)
Special dividend per ordinary share	6	**12.0p**	-
Earnings / (loss) per ordinary share:			
- Basic	7	**2.0p**	(17.9)p
- Diluted	7	**2.0p**	(17.8)p
- Adjusted Basic	7	**3.9p**	1.0p

There were no recognised gains or losses other than those shown above and all results were derived from continuing operations.

(i) The comparative figures have been restated to reposition “share of profits less losses of associates and joint ventures” above “ net interest receivable” in the profit and loss account, in accordance with FRS9 ‘Associates and Joint Ventures’. Share of associates and joint ventures interest receivable has been reclassified to be included within “ net interest receivable”.

Summary Group Balance Sheet

	As at 31 December 1998 £m	As at 31 December 1997 £m
Fixed assets	**1,904**	1,742
Stock	**127**	168
Debtors due within one year	**1,410**	1,952
Debtors due after more than one year	**173**	165
Cash and investments	**374**	74
Creditors due within one year	**(1,663)**	(1,462)
Net current assets	**421**	897
Total assets less current liabilities	**2,325**	2,639
Creditors due after more than one year	**(169)**	(93)
Provision for liabilities and charges	**(1,284)**	(1,235)
Total assets less liabilities	**872**	1,311
Capital and reserves:		
Share capital	**222**	222
Share premium	**2**	-
Merger reserve	**467**	467
Profit and loss account	**181**	622
Shareholders' funds	**872**	1,311

Movements in Shareholders' Funds

	Year ended 31 December 1998 £m	Year ended 31 December 1997 £m
Shareholders' funds at 1 January	**1,311**	2,187
Profit / (loss) for the financial year	**89**	(791)
Dividends	**(530)**	-
Shares issued	**2**	-
Goodwill written-off	**-**	(85)
Shareholders' funds at 31 December	**872**	1,311

Summary Group Cash Flow Statement for the year ended 31 December 1998

	Note	**Year ended 31 December 1998 £m**	Year ended 31 December 1997 £m as restated (i)
Group operating profit / (loss)		**123**	(660)
Exceptional charges		**85**	835
Depreciation		**203**	211
Decrease in working capital		**408**	575
Other non cash flow items		**51**	67
Cash inflow from operating activities before exceptional payments		**870**	1,028
Expenditure relating to exceptional charges	8	**(211)**	(653)
Net cash inflow from operating activities		**659**	375
Dividends received from associates and joint ventures		**1**	2
Returns on investments and servicing of finance		**58**	43
Taxation		**(215)**	(112)
Capital expenditure and financial investment		**(70)**	(87)
Acquisitions		**(101)**	3
Cash inflow before financing	8	**332**	224
Management of liquid resources		**(285)**	(44)
Financing		**(42)**	(178)
Net increase in cash		**5**	2
Opening cash		**14**	12
Closing cash		**19**	14

Reconciliation of Cash and Investments, net of Debt

	£m	£m
Cash and investments, net of debt at 1 January	**41**	(178)
Net increase in money market investments	**285**	44
Net increase in cash for the year	**5**	2
Debt on acquisitions	**(139)**	-
New finance lease obligations	**(99)**	(5)
Net reduction in debt	**130**	178
Cash and investments, Net of debt at 31 December (ii)	**223**	41

(i) The comparative figures have been restated to show "dividends received from associates and joint ventures" separately from "returns on investments and servicing of finance", in accordance with FRS 9 'Associates and Joint Ventures'.

(ii) Cash and investments, net of debt as at 31 December 1998 comprised cash and money market investments of £374 million (1997; £74 million), less bank overdrafts and loans of £44 million (1997; £4 million) and finance lease obligations of £107 million (1997; £29 million).

Notes

1 Basis of preparation

The preliminary results for the year ended 31 December 1998 are unaudited. The financial information set out in the announcement does not constitute the Company's statutory accounts for the year ended 31 December 1998 or 31 December 1997. The financial information for the year ended 31 December 1997 is derived from the statutory accounts for that year which have been delivered to the Register of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985. The audit report on the statutory accounts for the year ended 31 December 1998 has not yet been signed. These accounts will be finalised and delivered to the Register of Companies in due course.

These results have been prepared using accounting policies consistent with those used in preparing the Group's 1997 Annual Report and Accounts with the exception of goodwill arising on the acquisition of subsidiary and associated undertakings. In accordance with Financial Reporting Standard 10 'Goodwill and Intangible Assets', with effect from 1 January 1998 goodwill is capitalised on the balance sheet and amortised over its useful economic life. Previously, goodwill was written-off directly against reserves. The effect of the policy change in 1998 was to reduce profit before and after tax by £0.4 million and to increase net assets by £9.6 million.

2 Segmental analysis for the year ended 31 December

	Turnover		Operating profit / (loss) before exceptional charges		Operating profit / (loss) after exceptional charges	
	1998 £m	1997 £m	**1998 £m**	1997 £m	**1998 £m**	1997 £m
Energy Supply	**6,784**	7,192	**242**	269	**165**	(339)
Services	**526**	467	**9**	(49)	**3**	(82)
Retail	**169**	183	**(31)**	(45)	**(33)**	(47)
Other	**2**	-	**(12)**	-	**(12)**	-
	7,481	7,842	**208**	175	**123**	(468)
Windfall Tax	**-**	-	**-**	-	**-**	(192)
	7,481	7,842	**208**	175	**123**	(660)

3 Acquisitions

On 13 March 1998 the Group acquired 100% of the share capital of Supergas Limited (Supergas) for a consideration of £7 million. Goodwill arising of £10 million has been capitalised in the Group's balance sheet and is being amortised over 20 years. Supergas is a well-established UK based retailer of liquefied petroleum gas with approximately a 3% market share. Supergas and British Gas LP Gas together have a market share of around 7%.

On 26 November 1998 100% of the share capital of PowerGen North Sea Limited (now called Centrica Resources Limited) was acquired for a consideration of £87 million net of cash balances. At that date the company also had debt of £134 million which was immediately refinanced by the Centrica Group. The acquisition included interests in eight producing fields and several undeveloped gas fields in the Southern North Sea and in the East Irish Sea, close to our existing Morecambe fields operations.

The turnover and operating profit of acquired businesses was not material to the Group during the year ended 31 December 1998.

4 Exceptional charges

	Year ended 31 December 1998 £m	Year ended 31 December 1997 £m
Cost of sales:		
Gas contract renegotiations	**63**	573
Long-term sales provisions	**-**	35
Operating costs:		
Year 2000 costs	**19**	-
Restructuring	**3**	35
Windfall Tax	**-**	192
	85	835

Year 2000 costs represent bought-in services.

5 Taxation

The charge comprises mainly corporation tax on 'ring fenced' offshore gas production.

6 Dividends

A special dividend of 12 pence per share is proposed, subject to approval at the Extraordinary General Meeting on 10 May 1999. The dividend will be paid on 23 June 1999 to shareholders on the register at 7 May 1999.

7 Earnings per share

Basic and adjusted earnings per share (EPS) are calculated as follows:

	Year ended 31 December 1998		Year ended 31 December 1997	
	Earnings £m	**EPS Pence**	Earnings £m	EPS Pence
Profit / (loss) for the financial year	**89**	**2.0**	(791)	(17.9)
Add back exceptional charges	**85**	**1.9**	835	18.9
Earnings before exceptional charges	**174**	**3.9**	44	1.0
Average number of shares (million) used in the calculation of basic and adjusted basic earnings per share		**4,419**		4,416
Average number of shares (million) used in the calculation of diluted earnings per share		**4,464**		4,437

8 Cash flow before financing and exceptionals

	Year ended 31 December 1998	Year ended 31 December 1997
	£m	£m
Cash inflow before financing	**332**	224
Add back exceptional payments:		
Gas contract renegotiations	**86**	464
Year 2000 expenditure	**19**	-
Restructuring	**10**	93
Windfall Tax	**96**	96
Cash flow before financing and exceptionals	**543**	877

REVIEW OF THE SIX MONTHS ENDED 31 DECEMBER 1998

Group Results

Turnover in the second half of 1998 was £264 million lower than the same period in 1997. Market share lost to competitors on the opening of competition accounted for most of this decrease, whilst a further £90 million arose from price reductions to domestic gas customers. Services turnover grew by 15%, whilst Retail encountered difficult trading conditions and turnover fell by £12 million compared with 1997.

Operating profit before exceptionals was £12 million higher than 1997. Lower unit gas and transportation costs, improvements at Services (£25 million better) and lower losses in Retail (£12 million lower) were offset by the costs of developing our domestic electricity business. The weather in the second half of 1998 was warmer than average, as it was in the second half of 1997.

Other significant features of the second half of 1998 were exceptional contract renegotiations charges being £532 million lower than in 1997, and taxation being £65 million lower than in the previous year principally through the lower price for tax purposes on sales from our South Morecambe gas field.

Cash flow before financing for the second half of 1998 was an outflow of £284 million, £90 million higher than in 1997. Operating cash flow after exceptional payments improved by £73 million. This was offset by higher taxation payments (£101 million) due to tax arising on a full year's profits of our Morecambe operations compared to taxation on only 6 months profits paid in 1997, and settlement of the acquisition of PowerGen North Sea Limited which arose in the second half of 1998 (£87 million outflow).

Additional Information for the 6 months ended 31 December 1998

Summary Group Profit and Loss Account for the 6 months ended 31 December 1998

	Notes	**6 months ended 31 December 1998 £m**	6 months ended 31 December 1997 £m as restated (i)
Turnover	a	**3,356**	3,620
Cost of sales:			
- Underlying operations		**(2,717)**	(2,989)
- Exceptional charges		**(36)**	(568)
		(2,753)	(3,557)
Gross profit:			
- Underlying operations		**639**	631
- Exceptional charges		**(36)**	(568)
		603	63
Operating costs:			
- Underlying operations		**(541)**	(545)
- Exceptional charges		**(14)**	(15)
		(555)	(560)
Group operating profit / (loss):			
- Underlying operations	a	**98**	86
- Exceptional charges	b	**(50)**	(583)
	a	**48**	(497)
Share of profits less losses of associates and joint ventures		**2**	(1)
		50	(498)
Net interest receivable		**24**	24
Profit / (loss) on ordinary Activities before taxation		**74**	(474)
Tax on profit / (loss) on ordinary activities		**(36)**	(101)
Profit / (loss) for the financial period		**38**	(575)
Dividends		**(530)**	-
Retained loss for the financial period		**(492)**	(575)
Special dividend per ordinary share		**12.0p**	-
Earnings / (loss) per ordinary share:			
- Basic	c	**0.9p**	(13.0)p
- Diluted	c	**0.8p**	(12.9)p
- Adjusted Basic	c	**2.0p**	0.2p

There were no recognised gains or losses other than those shown above and all results were derived from continuing operations.

(i) The comparative figures have been restated to reposition "share of profits less losses of associates and joint ventures" above "net interest receivable" in the profit and loss account, in accordance with FRS9 'Associates and Joint Ventures'. Share of associates and joint ventures interest receivable has been reclassified to be included within " net interest receivable".

Summary Group Cash Flow Statement for the 6 months ended 31 December 1998

	Note	**6 months ended 31 December 1998 £m**	6 months ended 31 December 1997 £m as restated (i)
Group operating profit / (loss)		**48**	(497)
Exceptional charges		**50**	583
Depreciation		**113**	99
(Increase) / decrease in working capital		**(30)**	272
Other non cash flow items		**16**	(10)
Cash inflow from operating activities before exceptional payments		**197**	447
Expenditure relating to exceptional charges	d	**(160)**	(483)
Net cash inflow / (outflow) from operating activities		**37**	(36)
Dividends received from associates and joint ventures		**1**	1
Returns on investments and servicing of finance		**36**	29
Taxation		**(213)**	(112)
Capital expenditure and financial investment		**(51)**	(62)
Acquisitions		**(94)**	(14)
Cash outflow before financing	d	**(284)**	(194)
Management of liquid resources		**339**	187
Financing		**(40)**	(9)
Net increase / (decrease) in cash		**15**	(16)
Opening cash		**4**	30
Closing cash		**19**	14

(i) The comparative figures have been restated to show "dividends received from associates and joint ventures" separately from "returns on investments and servicing of finance", in accordance with FRS9 'Associates and Joint Ventures'.

a Segmental analysis for the 6 months ended 31 December

	Turnover		Operating profit / (loss) before exceptional charges		Operating profit / (loss) after exceptional charges	
	1998 £m	1997 £m	**1998 £m**	1997 £m	**1998 £m**	1997 £m
Energy Supply	**2,984**	3,274	**113**	132	**69**	(436)
Services	**281**	245	**6**	(19)	**2**	(32)
Retail	**89**	101	**(15)**	(27)	**(17)**	(29)
Other	**2**	-	**(6)**	-	**(6)**	-
	3,356	3,620	**98**	86	**48**	(497)

b Exceptional charges

	6 months ended 31 December 1998 £m	6 months ended 31 December 1997 £m
Cost of sales:		
Gas contract renegotiations	**36**	568
Operating costs:		
Year 2000 costs	**11**	-
Restructuring	**3**	15
	50	583

Year 2000 costs represent bought-in services.

c Earnings per share

Basic and adjusted earnings per share (EPS) are calculated as follows:

	6 months ended 31 December 1998		6 months ended 31 December 1997	
	Earnings £m	**EPS Pence**	Earnings £m	EPS Pence
Profit / (loss) for the financial year	**38**	**0.9**	(575)	(13.0)
Add back exceptional charges	**50**	**1.1**	583	13.2
Earnings before exceptional charges	**88**	**2.0**	8	0.2
Average number of shares (million) used in the calculation of basic and adjusted earnings per share		**4,417**		4,422
Average number of shares (million) used in the calculation of diluted earnings per share		**4,466**		4,458

d Cash flow before financing and exceptionals

	6 months ended 31 December 1998	6 months ended 31 December 1997
	£m	£m
Cash outflow before financing	**(284)**	(194)
Add back exceptional payments:		
Gas contract renegotiations	**50**	379
Year 2000 expenditure	**11**	-
Restructuring	**3**	8
Windfall Tax	**96**	96
Cash flow before financing and exceptionals	**(124)**	289

Enquiries

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Financial Calendar

1998 Annual Report and Accounts published	End of March 1999
Proposed special dividend and share consolidation record date	7 May 1999
Annual General Meeting	10 May 1999
Extraordinary General Meeting	10 May 1999
Special dividend payment date	23 June 1999
1999 Interim results announcement	9 September 1999

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