24 May 2001

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2001

A STRATEGY TO DELIVER GROWTH AND EFFICIENCY

- Asset management services - £450 million Welsh Water contract win boosts sales next year by over 50 per cent
- Customer management outsourcing – sales in Vertex set to double over next three years based on £1.4 billion order book and strategic partnership with Cap Gemini Ernst & Young UK
- Licensed multi-utility operations - £50 million planned outperformance against five-year regulatory cost savings target, principally as a result of multi-utility synergies
- Telecommunications – turnover increased by 50 per cent to £120 million
- Profit before tax and exceptional items of £310 million
- Total dividend of 46.1 pence, an increase of 2 per cent - dividend cover of 1.2

Chief Executive John Roberts said:

"This has been a year of substantial progress for United Utilities. We are pursuing a focused strategy and have reorganised the group to deliver both growth and efficiency. The operations management contract with Welsh Water and Vertex's strategic partnership with Cap Gemini Ernst & Young UK mean that an increasing proportion of our revenues will come from the support service activities that we are targeting to grow. We have excellent opportunities to expand in growth markets, and I am determined that we will sustain our current pace of progress.

"Vertex's current order book has been secured at good margins and will sustain annual turnover in excess of £300 million, of which around two-thirds will be external to the group, when the contracts now secured are fully up and running. With an order book of £1.4 billion, it is now a major player in the customer management outsourcing market. The partnership with Cap Gemini Ernst & Young UK adds substantially to the marketing channels available for its customer management operations and it is already developing prospects in new sectors.

"We have also made considerable progress in developing what is now a broadly-based asset management services business which will have sales next year of around £300 million. The £450 million four-year contract with Welsh Water makes the group the largest manager of water and wastewater assets in the UK. By adding substantially, in a contiguous region, to the scale of our existing domestic water operations, we should be able to achieve significant economies of scale.

"Our green energy activities, which we acquired during the year from Hyder and form part of our asset management services business, are well-positioned to exploit the UK government's commitment to renewable generation. Thirteen schemes will be commissioned this year, bringing the total number of commissioned projects to over 80 by 31 March 2002. We have also secured a £60 million opportunity to develop offshore wind generation at Scarweather Sands, South Wales, one of the 18 projects announced by the UK government last month.

"The development of our telecommunications business, now renamed Your Communications, remains on track. It again delivered significant growth of 50 per cent in turnover. Following its success in the broadband wireless access licence auction, the business is leading the industry in the commercial deployment of this technology. Given the current environment in the telecommunications sector, the focus of the business is firmly on growth in value-added sales and progress towards profitability. Our objective remains to maximise the value we realise for shareholders from this business.

"I have been encouraged by comments made in recent months by the Director General of Ofwat about the benefits of shareholder pressure in achieving efficiency improvements. He has expressed the view that the current shareholder-owned model has worked well and is delivering efficiency gains for the benefit of customers and shareholders, and that a company would need to have good reasons to change that model. United Utilities remains committed to its current equity-based structure as the most effective means of delivering efficiency.

"Thus far, our efficiency programme is in line with our plans, and we have raised our target for cost savings over the five-year period from £400 million to £450 million. The additional savings will come principally from multi-utility synergies such as simplified management structures, more effective use of IT and further property rationalisation. These savings will be achieved progressively over the next four years and our efforts will not stop there. In addition, we have identified a number of innovative and imaginative initiatives from which we are targeting significant savings in the AMP3 capital programme of the water and wastewater business. I believe that this is the positive, constructive response that incentive-based regulation demands."

Commenting on the outlook for United Utilities, John Roberts added:

"I believe that our strategy for growth and efficiency, exploiting our core skills of multi-utility asset management and customer management, is already creating additional value for shareholders. We have excellent opportunities to expand further in the rapidly growing markets that we are targeting – the management of both utility networks and customers. We have two businesses – United Utilities Contract Solutions and Vertex – that not only have the required skills but also are now major players in those markets. Our Welsh Water success puts us at the forefront of developments in the water industry as it changes its shape. In our licensed businesses, we are on track to deliver the cost reductions needed to meet our regulatory targets and we're targeting additional multi-utility synergies of £50 million so far."

In conclusion, the Chairman, Sir Richard Evans, said:

"I am very pleased with the progress that the new management team has made in reshaping and re-energising the group to exploit the opportunities to deploy our core skills in growth markets. This is a logical route to pursue to create shareholder value. The board's confidence in the group's performance is reflected in its recommendation to increase the final dividend."

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A presentation to investors and analysts will commence at 9.00 am on Thursday, 24 May 2001 at the City Presentation Centre, Chiswell Street, London EC4. The results and audio presentation, together with further information on United Utilities, can be found on our website at: http://www.unitedutilities.com.

DIVIDEND

The board is proposing a final dividend in respect of the year ended 31 March 2001 of 31.1 pence per share, an increase of 2 per cent. This dividend will be paid on 1 October 2001 to shareholders on the register at close of business on 8 June 2001. Together with the interim dividend of 15.0 pence per share, the dividend for the year is 46.1 pence per share, representing an increase of 2 per cent.

FINANCIAL PERFORMANCE

Turnover fell 26.8 per cent to £1,775.9 million compared with the previous year, mainly because of the sale of the energy supply business. Turnover from continuing operations fell 3.6 per cent to £1,574.4 million, reflecting the effects of the regulatory reviews in licensed multi-utility operations, offset by strong growth in customer management outsourcing and telecommunications.

Higher revenues increased gross profit in customer management outsourcing and telecommunications. Additional investment to fund future growth and, in customer management outsourcing, negotiated price and cost reductions in internal contracts led to reduced operating profit in these businesses.

Operating profit before exceptional items fell 23.8 per cent to £530.6 million compared with the previous year, mainly because of the sale of the energy supply business and the effects of the regulatory reviews in licensed multi-utility operations. This fall, together with a 6.9 per cent increase in interest payable to £220.3 million, led to a profit before tax and exceptional items of £310 3 million.

An exceptional profit of £191.2 million on business disposals was recorded in the period. The costs of reorganising the group were £16.6 million.

Cash flow from operations remained robust at £842.5 million, despite the reduction in operating profit. Cash flow in the year benefited from business disposal proceeds of £312.5 million. Net debt at 31 March 2001 reduced by £30.0 million compared with 31 March 2000. Gearing fell from 113 per cent at 31 March 2000 to 99 per cent at 31 March 2001.

The group raised £1,162 million medium-term debt funding during the year. This comprised £762 million in bond issues, £200 million of new facilities with the European Investment Bank and extensions in maturity of existing bank facilities of £200 million. Cash and short term investment balances at 31 March 2001 were £433 million and undrawn medium-term facilities exceeded £1,450 million, providing substantial pre-funding for the group's capital investment programme. United Utilities PLC (A3/P-2/ Stable, BBB+/Positive/A-2) is the holding company of the regulated monopolies United Utilities Water Limited (A2/P-1/Stable, A-/Positive/A-2), formerly North West Water Limited, and NORWEB plc (A2/P-1/Stable, A-/Positive/A-2).

OPERATING PERFORMANCE

This operating performance review reflects the business structure put in place during the year. A description of the businesses contained within each segment is as follows:

- Licensed multi-utility operations comprises United Utilities Service Delivery and United Utilities Customer Sales
- Asset management services contains United Utilities Contract Solutions, which has three businesses - operations management, green energy and network services
- Customer management outsourcing consists of Vertex
- Telecommunications comprises Your Communications.

LICENSED MULTI-UTILITY OPERATIONS

- Turnover decreased by 11.4 per cent to £1,201.6 million
- Operating profit decreased by 16.9 per cent to £500.9 million
- Cost savings target for the five years to 2005 increased from £400 million to £450 million, principally as a result of multi-utility synergies

Turnover decreased by £154.9 million compared with the previous year, largely reflecting regulatory price reductions and reclassifications in anticipation of electricity licence separation.

The detailed programme to achieve the efficiencies required over the five-year period to meet regulatory targets delivered outperformance against our £40 million target for 2000/2001. The efficiencies related mainly to outsourcing, manpower productivity and efficiency and property rationalisation. At the same time all material and agreed regulatory outputs for the year were met. United Utilities Service Delivery has targeted to achieve at least £30 million further annual cost reductions during the current year.

The target for cost savings over the five-year period has been raised from £400 million to £450 million, principally as a result of multi-utility synergies such as simplified management structures, more effective use of IT and further property rationalisation. These savings will be achieved progressively over the five-year period.

Capital investment in the year was £483.6 million, in line with the profile of the five-year capital programme. In water and wastewater, of total expenditure of £372.7 million, 42.7 per cent was on the water network, 48.8 per cent on the wastewater network (including sludge treatment and disposal) and 8.5 per cent related to quality and efficiency. In electricity distribution, of total expenditure of £110.9 million, 30.7 per cent was load related, 63.4 per cent was non-load related and 5.9 per cent was non-operational.

During the year, a review took place of the portfolio of projects required to meet the £3 billion AMP3 capital programme. This review, carried out jointly by the new management team in United Utilities Service Delivery and the new engineering services provider, Montgomery Watson, has identified a number of initiatives which should lead to significant savings. These include innovative technical solutions, based on Montgomery Watson's experience in the United States, the development of generic solutions, involving standardisation of design and procurement, and schemes to combine projects with geographical proximity. Whilst it is too early in the process to project the level of these savings, the initiatives should lead to significant outperformance against the AMP3 allowance.

The creation of United Utilities Customer Sales completed the separation of the supply and the asset management parts of the group's water business. This is an important first step in positioning the group to be able to respond effectively to increasing competition in the water industry.

The business is now developing its product and service offerings for the domestic customer base and is working closely with the water supply and wastewater treatment services operations recently acquired from Hyder to focus on new business opportunities for industrial customers.

ASSET MANAGEMENT SERVICES

- Turnover increased by 11.1 per cent to £197.6 million
- Operating profit increased by 31.8 per cent to £20.7 million
- £450 million Welsh Water contract win boosts sales next year by over 50 per cent

Operating profit increased to £20.7 million reflecting improvement in operating performance, effective targeting of development expenditure and the contribution of new businesses acquired during the year. Following contract successes and acquisitions, United Utilities Contract Solutions is a rapidly growing business which will have revenues next year of around £300 million, operating and managing utility activities serving over 15 million people in the UK and overseas.

Operations management

Operations management develops and operates contracts in selected markets based on the group's core asset management skills. It has a focused approach to pursuing opportunities with the objective of securing long-term investment and operational sources of income while limiting financial exposure. Its aim is to build on successes in the UK and other target areas, including Australia and central and eastern Europe.

In October 2000, it signed a £700 million, 25-year contract for Sofia, Bulgaria, to manage water and wastewater operations for the city's 1.2 million people. In January 2001, it signed a £500 million, 15-year contract to manage water and wastewater operations for the city of Tallinn, Estonia. Both these contracts were signed in joint ventures with International Water. In May 2000, it secured a £40 million, 20-year contract for wastewater treatment with Queensland Nickel Industries, Australia. In all cases, operations are performing in line with expectations.

In March 2001, United Utilities secured a four-year contract, worth around £450 million, to provide operations and maintenance services to Welsh Water. This contract makes the group the largest manager of water and wastewater assets in the United Kingdom.

Green energy

This business, which was acquired in December 2000 and contributes to the group's results from that date, develops renewable green energy generation projects. Eleven projects were commissioned in the year. Based on work already secured, a further 13 projects are to be commissioned in the current year, bringing the total number of commissioned schemes to over 80 by 31 March 2002. The business has secured a £60 million opportunity to develop offshore wind generation at Scarweather Sands, South Wales, one of the 18 projects announced by the UK government last month.

Network services

This business has been created from merging the group's existing multi-utility metering and connections business with Hyder Private Networks and Hyder Gas Networks, which were acquired in January 2001. The combined business is a national market leader in the rapidly developing multi-utility connections market.

CUSTOMER MANAGEMENT OUTSOURCING

- Turnover increased by 15.4 per cent to £211.2 million
- Operating profit of £9.6 million reflects investment in business growth and internal contract changes
- External turnover increased to 46 per cent of total turnover

Vertex provides business process outsourcing (BPO) services to utilities, private enterprise and the public sector, with a primary focus on customer management outsourcing (CMO). Its services principally involve the management and operation of call centres and the provision of related information technology infrastructure.

Sales growth in the year of 15.4 per cent reflected increasing volumes in external business, principally from a first contribution from the £140 million, 10-year contract with Cable & Wireless. The proportion of turnover represented by external business was 46 per cent, compared with 9 per cent in the previous year.

As anticipated, the operating margin improved in the second half from 4.1 per cent to 4.9 per cent reflecting progress in the achievement of cost reductions in internal contracts and the increasing maturity of the external contract portfolio. Existing external contracts in all sectors continued to perform in line with expectations.

Following the sale of the group's energy supply business to TXU Europe, Vertex is providing customer services (including billing, call centre and cash processing), worth in excess of £650 million over seven years, to the whole of the enlarged TXU Europe retail energy supply business. The new elements of the contract will begin to become operational progressively from next month and be fully operational in the latter part of this financial year.

Vertex has also won contracts for customer services with Orange, Volvo BRS, nPower and Companies

House. This last contract is the first success of the business in securing work for central government. In addition, contracts with JD Williams and Littlewoods Bet Direct were renewed or extended. In May 2001, Vertex was awarded a three-year contract to provide customer services for Marks & Spencer Direct, their home shopping operation. This contract strengthens Vertex's position in the retail and home shopping sector.

In February 2001, Vertex announced a strategic partnership with Cap Gemini Ernst & Young UK (CGEY). Vertex is CGEY's partner for the delivery of BPO operations to CGEY's clients, for an initial period of five years. CGEY is Vertex's partner for the delivery of IT consulting and technology services to Vertex's clients, also for an initial period of five years.

In March 2001, CGEY transferred to Vertex its existing BPO business, which generated turnover of £36 million in the year ended 31 December 2000. CGEY will be taking an initial 12.5 per cent equity stake in Vertex which will increase to 15 per cent over the next three years subject to the achievement of certain business performance objectives.

Vertex's current order book has been secured at good margins and will sustain annual turnover in excess of £300 million, of which around two-thirds will be external to the group, when the contracts now secured are fully up and running. With an order book of £1.4 billion, it is now a major player in the customer management outsourcing market.

TELECOMMUNICATIONS

- Turnover increased by 50.3 per cent to £119.5 million
- Investment for growth increased operating loss to £24.6 million
- Cumulative capital investment increased to £180 million

This business, now renamed Your Communications, offers voice, basic and advanced data communication services to its target small and medium-sized enterprise and corporate customer base throughout the UK.

Underlying year-on-year growth in sales of 28 per cent was boosted to over 50 per cent, after taking account of increased sales attributable to acquisitions. Business sales from voice and data services increased by 75 per cent to £75 million, whilst intelligent network premium rate services to corporate customers and service providers increased by 22 per cent to £44 million.

The operating loss reflects continued revenue and capital investment in the business to drive future sales and profit contribution. As planned, losses in the year were higher than the previous year but are anticipated to reduce going forward as contributions feed through from higher revenues per customer and increased value-added sales.

The business has continued to invest in its national network, which increased to 3,000km in the year, and in broadening its product range. The acquisition of businesses providing fixed and mobile telephony sales and internet services consultancy extends the product range to value-added solutions and internet services such as e-commerce, e-security and consultancy.

In November 2000, the business acquired four broadband wireless access licences – in North West England, West Midlands, Yorkshire and Northern England - for £9 million. These licences will accelerate the multi-regional network roll-out, connect new customers more cost-effectively and permit a further broadening of the product range. The first customer was connected in April 2001, and it is anticipated that up to 30 base stations will have been deployed in the four regions during the next 12 months. The business already has considerable expertise in deploying radio solutions, the technology is well-proven and the business is leading the industry in its commercial deployment.

BUSINESS DISPOSALS

The group recognised an exceptional profit before tax of £191.2 million on business disposals principally from the sale of Norweb Energi to TXU Europe. The consideration consisted of £310 million cash and the assumption by TXU Europe of liabilities under power purchase agreements with a fair value of £241 million at 31 March 2000.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March	Note	2001 Unaudited £m	2000 Audited £m
Turnover			
Continuing operations inc. share of joint ventures		1,574.4	1,633.9
Less: share of joint venture turnover		(78.3)	(69.6)
Continuing operations		1,496.1	1,564.3
Discontinued operations		201.5	792.0
Group turnover		1,697.6	2,356.3
Operating costs			
Continuing operations before exceptional charges		(997.4)	(948.8)
Discontinued operations before exceptional charges		(179.9)	(715.1)
Exceptional costs – business restructuring continuing operations		(16.6)	(21.5)
Exceptional charge – Year 2000 costs continuing operations		-	(7.1)
Exceptional charge – Year 2000 costs discontinued operations		-	(2.4)
Group operating costs		(1,193.9)	(1,694.9)
Operating profit			
Continuing operations before exceptional charges		498.7	615.5
Discontinued operations before exceptional charges		21.6	76.9
Exceptional charge – business restructuring continuing operations		(16.6)	(21.5)
Exceptional charge – Year 2000 costs continuing operations		-	(7.1)
Exceptional charge – Year 2000 costs discontinued operations		-	(2.4)
Group operating profit		503.7	661.4
Share of operating profits on joint ventures		10.3	4.0
Profit before non-operating items, interest and tax		514.0	665.4
Profit on disposal of businesses		191.2	-
Profit on ordinary activities before interest		705.2	665.4
Net interest payable and similar charges			
Group – bank loans, overdrafts and other loans		(204.7)	(181.1)
Group – other (discontinued operations)		(4.0)	(15.0)
Joint ventures		(11.6)	(9.9)
		(220.3)	(206.0)
Profit on ordinary activities before taxation		484.9	459.4
Ordinary taxation on profit on ordinary activities	2	(13.7)	(1.4)
Exceptional taxation – on disposal of businesses		(45.0)	-
		(58.7)	(1.4)
Profit for the financial year		426.2	458.0
Dividends	7	(254.9)	(248.8)
Transfer to reserves		171.3	209.2
Earnings per share	3	77.3p	83.2p
Diluted earnings per share	3	77.0p	82.7p
Adjusted earnings per share	3,4	53.8p	88.9p
Dividends per share	7	46.1p	45.2p
Adjusted dividend cover	6	1.2	2.0
Interest cover	5	2.5	3.6

CONSOLIDATED BALANCE SHEET

	31 March 2001 Unaudited £m	31 March 2000 Audited £m
Fixed assets		
Intangible assets	97.6	11.9
Tangible assets	6,385.7	6,190.6
Investments in joint ventures		
- share of gross assets	330.5	297.1
- share of gross liabilities	(248.6)	(231.1)
	81.9	66.0
Other investments including associated undertakings	29.3	33.7
	6,594.5	6,302.2
Current assets		
Stocks	18.0	12.5
Debtors	436.0	486.6
Investments	405.3	64.2
Cash at bank in hand	50.7	30.5
	910.0	593.8
Creditors: amounts falling due within one year	(1,538.4)	(1,727.5)
Net current liabilities	(628.4)	(1,133.7)
Total assets less current liabilities	5,966.1	5,168.5
Creditors: amounts falling due after more than one year	(3,093.2)	(2,434.3)
Provisions for liabilities and charges	(28.8)	(216.8)
	2,844.1	2,517.4
Capital and reserves		
Called up share capital	552.9	550.5
Share premium account	656.6	645.1
Profit and loss account	1,620.1	1,321.8
Equity shareholders' funds	2,829.6	2,517.4
Minority interest	14.5	-
Capital employed	2,844.1	2,517.4

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Year ended 31 March	2001 Unaudited £m	2000 Audited £m
Profit for the financial year	426.2	458.0
Dividends	(254.9)	(248.8)
Retained profit for the financial year	171.3	209.2
New share capital issued	13.9	3.6
Capitalisation of reserves in respect of shares issued	(1.5)	-
Goodwill on business disposals	101.0	-
Unrealised gain on sale of minority interest in Vertex	33.5	-
Exchange adjustments	(6.0)	(0.5)
Net increase in equity shareholders' funds for the year	312.2	212.3
Opening equity shareholders' funds	2,517.4	2,305.1
Equity shareholders' funds at 31 March	2,829.6	2,517.4

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March	2001 Unaudited £m	2000 Audited £m
Net cash inflow from operating activities	842.5	884.3
Returns on investments and servicing of finance	(190.1)	(191.6)
Taxation	(1.7)	(37.3)
Capital expenditure and financial investment	(573.7)	(637.0)
Acquisitions and disposals		
Acquisitions	(117.1)	(20.7)
Disposals	312.5	-
Equity dividends paid	(250.1)	(450.1)
Cash inflow/(outflow) before use of liquid resources and financing	22.3	(452.4)
Management of liquid resources	(328.7)	(3.1)
Financing		
Issues of shares	13.9	3.6
Increase in debt	318.1	314.5
Increase/(Decrease) in cash in the year	25.6	(137.4)

NET CASH INFLOW FROM OPERATING ACTIVITIES

Year ended 31 March	2001 Unaudited £m	2000 Audited £m
Group operating profit	503.7	661.4
Exceptional items within group operating profit	16.6	31.0
Group operating profit before exceptional items	520.3	692.4
Depreciation	316.5	267.8
Amortisation of goodwill	4.0	0.4
Loss/(Profit) on disposal of tangible fixed assets	0.5	(0.7)
Stocks increase	(6.1)	(0.6)
Debtors (increase)/decrease	(65.8)	6.2
Creditors increase/(decrease)	73.9	(41.3)
Outflow related to exceptional items	(0.8)	(39.9)
Net cash inflow from operating activities	842.5	884.3

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Year ended 31 March	2001 Unaudited £m	2000 Audited £m
Increase/(Decrease) in cash in the year	25.6	(137.4)
Cash inflow from increase in debt and lease financing	(318.1)	(314.5)
Cash outflow from management of liquid resources	328.7	3.1
Change in net debt resulting from cash flows	36.2	(448.8)
Exchange adjustments	(6.2)	(0.1)
Movement in net debt	30.0	(448.9)
Opening net debt	(2,836.4)	(2,387.5)
Closing net debt	(2,806.4)	(2,836.4)

SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

Year ended 31 March	2001 Unaudited £m	2000 Audited £m
Total turnover		
Licensed multi-utility operations	1,201.6	1,356.5
Asset management services	197.6	177.8
Customer management outsourcing	211.2	183.0
Telecommunications	119.5	79.5
Other activities	9.4	6.4
	1,739.3	1,803.2
Inter-business eliminations	(164.9)	(169.3)
	1,574.4	1,633.9
Divested businesses	273.4	1,122.7
Inter-business eliminations	(71.9)	(330.7)
	201.5	792.0
	1,775.9	2,425.9

Year ended 31 March	2001 Unaudited £m	2000 Audited £m
Profit before non-operating items, interest and tax		
Licensed multi-utility operations	500.9	602.6
Asset management services	20.7	15.7
Customer management outsourcing	9.6	12.5
Telecommunications	(24.6)	(16.3)
Other activities	6.3	8.9
Corporate costs	(3.9)	(3.9)
	509.0	619.5
Divested businesses	21.6	76.9
Exceptional charges	(16.6)	(31.0)
	514.0	665.4

NOTES

1. Basis of preparation
The financial information included within this preliminary results statement has been prepared on the basis of accounting policies consistent with those set out in the annual report to shareholders for the year ended 31 March 2000.

The financial information included within this preliminary results statement does not constitute the group's audited statutory accounts for the financial year ended 31 March 2001 or 31 March 2000. The financial information for 2000 is derived from the statutory accounts for that period. Full audited accounts of United Utilities PLC in respect of that financial period (which received an unqualified audit opinion and did not contain a statement under either section 237(2) or (3) of the Companies Act 1985) have been delivered to the registrar of companies.

The statutory accounts for 2001 will be finalised on the basis of the financial information presented by the directors in this preliminary results statement and will be delivered to the registrar of companies following the company's annual general meeting.

The board of directors approved this preliminary results statement on 24 May 2001.

2. Ordinary taxation
The ordinary taxation charge consists of UK corporation tax of £9.7 million, overseas tax of £0.9 million and the group's share of joint ventures' tax of £3.1 million.

3. Earnings per share
Earnings per share, and diluted earnings per share, is calculated by dividing profit for the period and the adjusted profit for the period (see note 4) by the following weighted average number of shares in issue:

		Basic	Diluted
(i)	Year ended 31 March 2001	551.1 million	553.7 million
(ii)	Year ended 31 March 2000	550.2 million	553.6 million

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all dilutive potential ordinary shares in accordance with FRS 14 (Earnings per Share).

4. Adjusted earnings per share
The adjusted earnings per share calculations are stated after excluding:

(i) Year ended 31 March 2001 - the £146.2 million credit (net of tax) in respect of business disposals and £16.6 million charge in respect of restructuring costs;
(ii) Year ended 31 March 2000 - the £9.5 million charge in respect of Year 2000 programme costs and £21.5 million charge in respect of restructuring costs.

5. Interest cover
Interest cover is calculated as the number of times the interest charge for the period (excluding the financing charge related to the onerous contract provisions) is covered by profit before exceptional items, non-operating items, interest and tax.

6. Adjusted dividend cover
Adjusted dividend cover is calculated by dividing adjusted earnings per share by dividends per share.

7. Dividend
The final dividend of 31.1 pence per share will be paid on 1 October 2001 to shareholders on the register on 8 June 2001. The provisional ex dividend date is 6 June 2001.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This preliminary results statement contains certain forward-looking statements with respect to the financial condition, results of operations and business of the company.

Statements that are not historical facts, including statements about the company's beliefs and expectations, are forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "potential", "reasonably possible" and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore investors should not rely on them. Forward-looking statements speak only as of the date they are made, and the company undertakes no obligation to update publicly any of them in the light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. The company cautions investors that a number of important factors could cause actual results to differ materially from those anticipated or implied in any forward-looking statements. These factors include: (i) the effect of, and changes in, regulation and government policy; (ii) the effects of competition and price pressures; (iii) the ability of the company to achieve cost savings and operational synergies; (iv) the ability of the company to service its future operations and capital requirements; (v) the timely development and acceptance of new products and services by the company; (vi) the effect of technological changes; and (vii) the company's success at managing the risks of the foregoing. The company cautions that the foregoing list of important factors does not address all the factors that could cause the results to differ materially.