[Table of Contents](#)



# Consolidated income statement

## for the years ended 31 March

| | Notes | 2014 £m | 2014 £m | 2013 (restated)[1] £m | 2013 (restated)[1] £m | 2012 (restated)[1] £m | 2012 (restated)[1] £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | 2(a) | | **14,809** | | 14,359 | | 13,832 |
| Operating costs | 3 | | **(11,074)** | | (10,610) | | (10,297) |
| **Operating profit** | | | | | | | |
| Before exceptional items, remeasurements and stranded cost recoveries | 2(b) | **3,664** | | 3,639 | | 3,491 | |
| Exceptional items, remeasurements and stranded cost recoveries | 4 | **71** | | 110 | | 44 | |
| **Total operating profit** | 2(b) | | **3,735** | | 3,749 | | 3,535 |
| **Finance income** | 5 | | **36** | | 30 | | 28 |
| **Finance costs** | | | | | | | |
| Before exceptional items and remeasurements | 5 | **(1,144)** | | (1,154) | | (1,118) | |
| Exceptional items and remeasurements | 4,5 | **93** | | 68 | | (70) | |
| **Total finance costs** | 5 | | **(1,051)** | | (1,086) | | (1,188) |
| Share of post-tax results of joint ventures and associates | 14 | | **28** | | 18 | | 7 |
| **Profit before tax** | | | | | | | |
| Before exceptional items, remeasurements and stranded cost recoveries | 2(b) | **2,584** | | 2,533 | | 2,408 | |
| Exceptional items, remeasurements and stranded cost recoveries | 4 | **164** | | 178 | | (26) | |
| **Total profit before tax** | 2(b) | | **2,748** | | 2,711 | | 2,382 |
| **Taxation** | | | | | | | |
| Before exceptional items, remeasurements and stranded cost recoveries | 6 | **(581)** | | (619) | | (697) | |
| Exceptional items, remeasurements and stranded cost recoveries | 4,6 | **297** | | 62 | | 234 | |
| **Total taxation** | 6 | | **(284)** | | (557) | | (463) |
| **Profit after tax** | | | | | | | |
| Before exceptional items, remeasurements and stranded cost recoveries | | **2,003** | | 1,914 | | 1,711 | |
| Exceptional items, remeasurements and stranded cost recoveries | 4 | **461** | | 240 | | 208 | |
| **Profit for the year** | | | **2,464** | | 2,154 | | 1,919 |
| Attributable to: | | | | | | | |
| Equity shareholders of the parent | | | **2,476** | | 2,153 | | 1,917 |
| Non-controlling interests | | | **(12)** | | 1 | | 2 |
| | | | **2,464** | | 2,154 | | 1,919 |
| **Earnings per share[2]** | | | | | | | |
| Basic | 7(a) | | **66.4p** | | 57.8p | | 51.6p |
| Diluted | 7(b) | | **66.1p** | | 57.5p | | 51.3p |

1. See note 1 on page 92.
2. Comparative amounts have been restated to reflect the impact of additional shares issued as scrip dividends.

## Unaudited commentary on the consolidated income statement

The consolidated income statement shows all revenue earned and costs incurred in the year, with the difference being the overall profit for the year.

### Revenue
Revenue for the year ended 31 March 2014 increased by £450m to £14,809m. This increase was driven by higher revenues in our UK Electricity Transmission and UK Gas Distribution businesses, principally as a result of the new RIIO regulatory arrangements. Revenue in our US Regulated businesses was also higher, reflecting higher pass-through costs such as gas and electricity commodity costs, partially offset by the end of the Niagara Mohawk deferral revenue recoveries at 31 March 2013 and the impact of the weaker dollar.

### Operating costs
Operating costs for the year ended 31 March 2014 of £11,074m were £464m higher than the prior year. This increase in costs was predominantly due to increases in pass-through costs in our UK and US Regulated businesses, together with higher depreciation and amortisation as a result of continued investment and increases in our controllable costs.

Exceptional items, remeasurements and stranded cost recoveries included in operating costs for the year ended 31 March 2014 were £39m lower than the prior year. Net exceptional gains included in 2013/14 of £55m primarily consisted of a net gain on the LIPA MSA transition in the US of £254m, a gain of £16m following the sale to a third party of a settlement award, restructuring costs of £136m and UK gas holder demolition costs of £79m. The 2013/14 results also included a gain of £16m on remeasurements of commodity contracts.

There were no major storms affecting our operations in the year ended 31 March 2014. In 2012/13, two major storms in the US, Superstorm Sandy and Storm Nemo, increased operating costs by £136m.

### Net finance costs
For the year ended 31 March 2014, net finance costs before exceptional items and remeasurements were £16m lower than 2012/13 at £1,108m, mainly due to the impact of the weaker dollar (£17m).

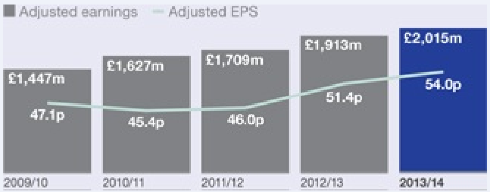
Finance costs for the year ended 31 March 2014 also included a gain of £93m on financial remeasurements relating to net gains and losses on derivative financial instruments.

### Taxation
The tax charge on profits before exceptional items, remeasurements and stranded cost recoveries was £38m lower than 2012/13. This was mainly due to a 1% decrease in the UK statutory corporation tax rate in the year and a change in the UK/US profit mix where higher UK profits were taxed at the lower UK tax rate. Our tax charge was also affected by changes in tax provisions in respect of prior years.

Exceptional tax for 2013/14 included an exceptional deferred tax credit of £398m arising from a reduction in the UK corporation tax rate from 23% to 21% applicable from 1 April 2014 and a further reduction to 20% from 1 April 2015.

### Adjusted earnings and EPS
The following chart shows the five year trend in adjusted profit attributable to equity shareholders of the parent (adjusted earnings) and adjusted EPS.

**Adjusted earnings and adjusted EPS[1]**




1. All comparatives restated for IAS 19 (revised). See note 1 on page 92. Adjusted earnings and adjusted EPS are attributable to equity shareholders of the parent.

The above earnings performance translated into adjusted EPS growth in 2013/14 of 2.6p (5%).

In accordance with IAS 33, all EPS and adjusted EPS amounts for comparative periods have been restated for shares issued via scrip dividends and the bonus element of the 2010 rights issue.

### Exchange rates
Our financial results are reported in sterling. Transactions for our US operations are denominated in dollars, so the related amounts that are reported in sterling depend on the dollar to sterling exchange rate. The weighted average dollar rate weakened to $1.62:£1 in 2013/14 from $1.57:£1 in 2012/13. Consequently, if 2012/13 results had been translated at 2013/14 exchange rates, revenue, adjusted operating profit and operating profit reported in sterling would have been £242m, £34m and £39m lower respectively.

The statement of financial position has been translated at an exchange rate of $1.67:£1 at 31 March 2014 ($1.52: £1 at 31 March 2013).

**This unaudited commentary does not form part of the financial statements.**