centrica

energy

from **start** to **finish**

Annual Review and Summary Financial Statements **2008**


we **source** it
we **generate** it
we **process** it
we **store** it
we **trade** it
we **save** it
we **supply** it
we **service** it

As an integrated energy company we're investing more now than ever in new sources of gas and power.

Energy expertise.
Energy efficiency.
For now, and for future generations.

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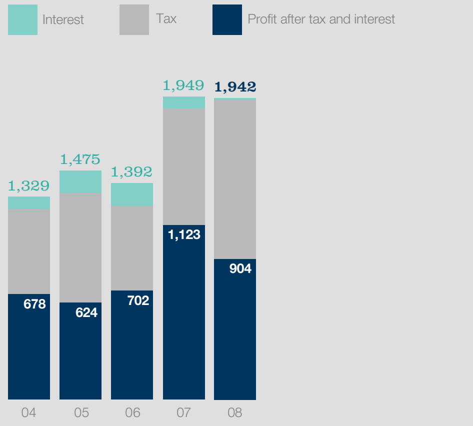
www.centrica.com/report2008

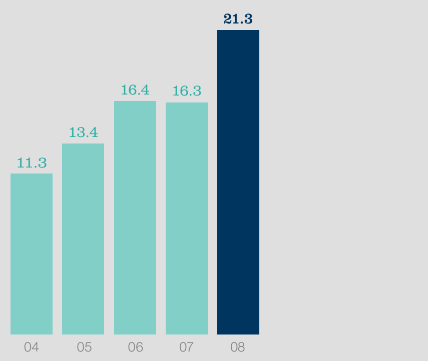
Financial Highlights

Our performance

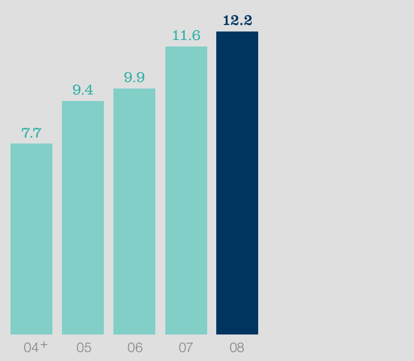
Operating profit[1][2] £m



Group revenue[1] £bn



Dividend per share[3] pence



Centrica's main operations are in the UK, North America and Europe. We have two types of business – downstream and upstream.

Downstream:
- supplies energy to homes and to businesses
- provides home and energy services

Downstream businesses include:
- British Gas
- Direct Energy in North America
- retail operations in Europe

Upstream:
- generates electricity and produces gas
- buys, stores and sells energy internationally

Upstream businesses include:
- Centrica Energy in the UK, Norway, Nigeria and Trinidad
- Centrica Storage in the UK
- Direct Energy in North America
- assets and trading operations in Europe

The pie charts on the right highlight the contributions made by our upstream and downstream operations.

The map on the right illustrates how much revenue each of the regions contributed to the Group's total.

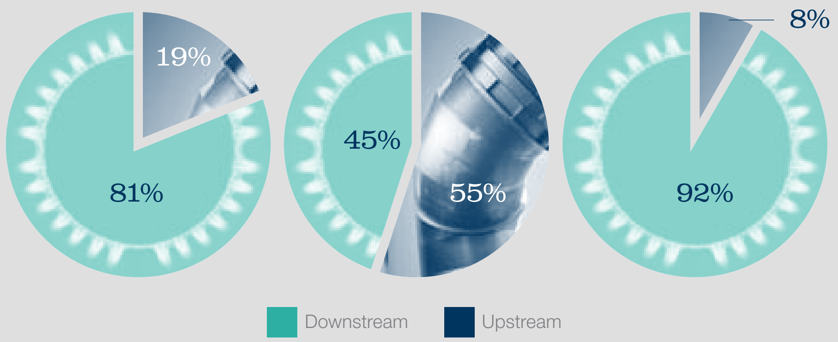
① from continuing operations

② including joint ventures and associates stated net of interest and taxation, and before exceptional items and certain re-measurements

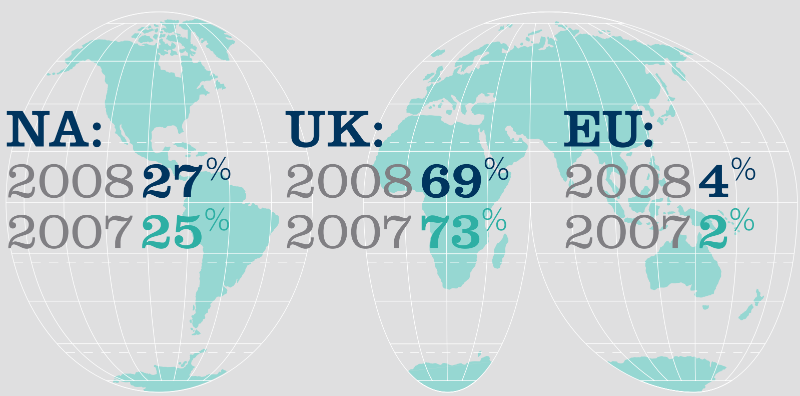
③ restated to reflect the bonus element of the Rights Issue

+ excludes special dividend of 25 pence

Group revenue[1] | Operating profit[1][2] | Employment workforce



Our markets and proportion of group revenue[1]



Chairman's Statement

Performing well in a difficult year

"We remain focused on delivering stability and growth in Centrica for the benefit of our customers, employees and shareholders."

Centrica performed well in 2008, during what was a very difficult year for energy supply businesses, with unprecedented levels of volatility in wholesale gas and power prices. Oil prices rose to almost $150 per barrel and then fell to below $50 as the high levels of global oil demand reversed quite rapidly, due to the recessionary impact of the global financial crisis. Against this backdrop Centrica's financial performance in the year was good, with higher upstream profits providing a partial hedge to the inevitable decline in retail profits. The sharp rises in world energy prices necessitated two retail price increases for UK consumers. We concentrated on providing some protection for our customers by reducing our operating costs through efficiency improvements, by transforming the level of service we offer and increasing the support we provide to our vulnerable customers.

In September we entered into a Memorandum of Understanding with EDF to acquire a 25% stake in the British Energy business. This potential investment is intended to provide a long-term hedge against volatile commodity prices and a platform for longer-term growth through involvement in new nuclear power generation. We made further acquisitions of gas reserves in the North Sea and in North America, and also announced our intention to build new gas storage facilities in the UK which will help provide important additional security of supply. In the year we delivered excellent results in our growth businesses. British Gas Business and British Gas Services once again reported strong growth in revenue and operating profit. In North America the economic climate proved challenging but the business held up well and also delivered a good performance.

In Europe we strengthened our presence by acquiring a controlling interest in SPE in Belgium. However in The Netherlands, where the market continues to favour integrated incumbents, Oxxio did not perform well and we have written down its carrying value.

Dividend

The Board of Directors is proposing a final dividend of 8.73 pence per share to be paid in June 2009, bringing our full year dividend to 12.2 pence, an increase of 5.4%. This is in line with our policy of delivering sustained real growth in the ordinary dividend.

Board changes

In March we announced the appointment of Mark Hanafin as Managing Director Centrica Energy and Europe, replacing Jake Ulrich. I would like to thank Jake for the dedication he has shown since the formation of Centrica in 1997 and the material contribution he has made in building our portfolio of gas, power and storage assets. Mark joined us from Shell where he was president and chief executive officer of Shell Energy North America.

In February 2009 we announced some changes to the business and management structure. We have combined our British Gas operations into a single retail organisation to be headed by Phil Bentley. Deryk King, President and CEO of Direct Energy has decided to retire and will leave Direct Energy in July 2009. Deryk has built a very successful business for Centrica in North America over the last eight years. He will be succeeded by Chris Weston from British Gas Services who will also join the Board. Paul Walsh, a Non-Executive Director of Centrica will step down from the Board at the 2009 AGM.

Our employees

In February 2009, British Gas was recognised by The Sunday Times as one of the '20 Best Big Companies to Work For' which is a significant achievement. Our employees remain central to the success of Centrica, particularly during these times of great uncertainty and change. I want to thank them for the dedication, commitment, loyalty and professionalism which they continue to display.

The future

The economic landscape, dominated by the global financial squeeze, continues to worsen and Centrica is not immune to the effects of this. Energy markets remain volatile and erratic, placing pressure on parts of our business and on our customers.

In these challenging conditions the task of management will be to ensure we provide good service and competitive prices to all, support for the most vulnerable, a fair return for our shareholders and long-term environmentally friendly sources of energy supply for the countries that we serve.

I am confident that under Sam Laidlaw's leadership the management team will remain focused on delivering stability and growth in Centrica for the benefit of our customers, employees and shareholders.

Roger Carr
Chairman
26 February 2009

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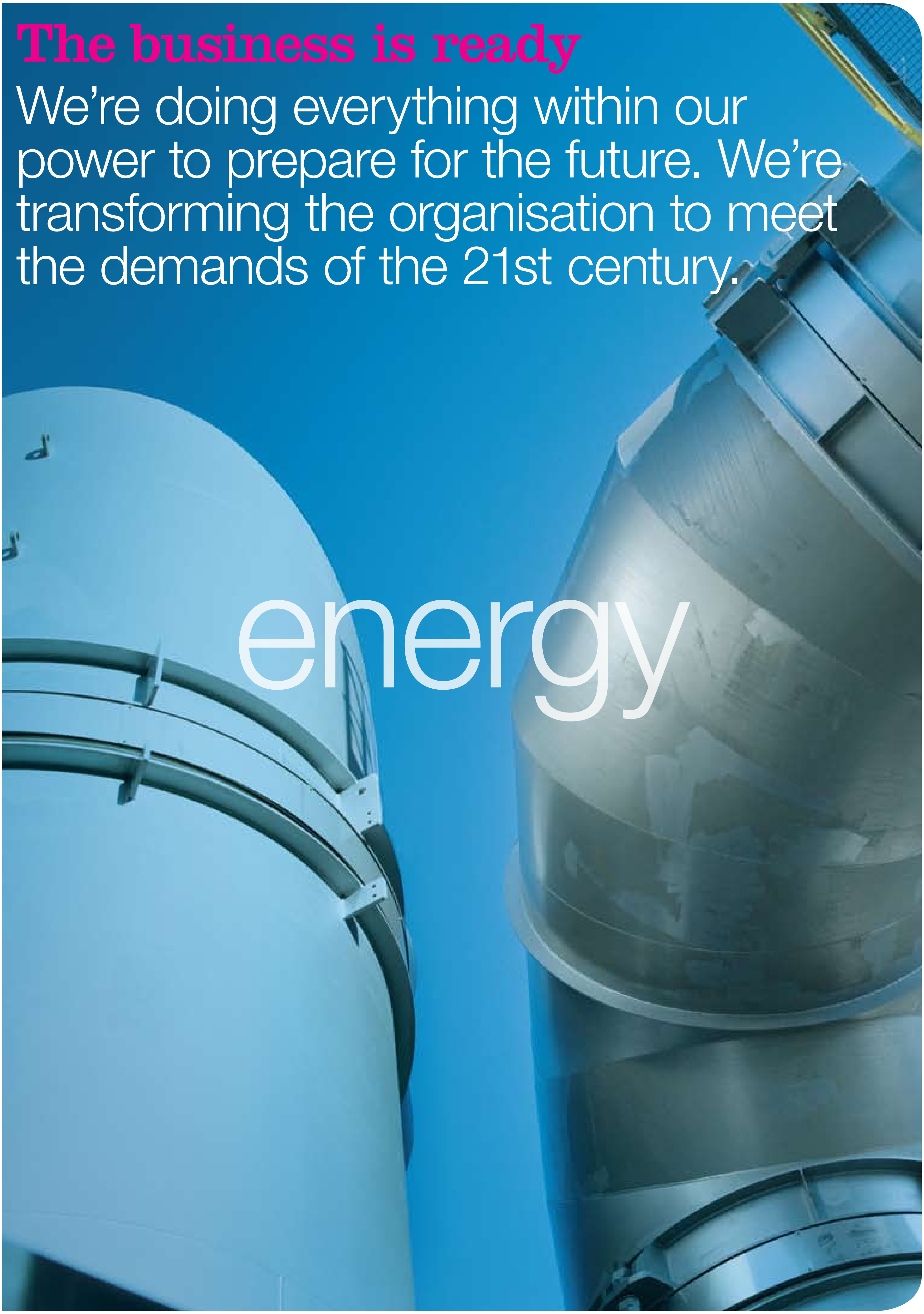
The business is ready

We're doing everything within our power to prepare for the future. We're transforming the organisation to meet the demands of the 21st century.



future

Investing in new power generation

We've invested £400 million in building the first new power station in the UK for almost five years. The 885MW gas-fired power station in Devon will be one of the UK's cleanest fossil-fuelled power plants.

We're supplying US industry

The acquisition of Strategic Energy has made Direct Energy the third largest supplier of energy to industry in North America.

Small is beautiful.

The European Renewables Directive will bind the UK to a 15% renewables target by 2020. No single technology can deliver that. So we have responded by developing a range of microgeneration solutions.

We're securing our supply

Investing in new energy production, finding new ways of importing gas and new places to store it, are vital to the future of the Company and the UK. **We're doing all three.**

Chief Executive's Review

A year in the energy industry

"Centrica once again delivered a good financial performance in a year which provided a severe test for the business."

It has been a year of extraordinary turbulence in the commodity markets. During the first half of the year we experienced volatile and rapidly rising global oil and gas prices driven primarily by growing demand in Asia. In the second half the sharp contraction of credit markets caused a collapse of worldwide oil demand and the oil price. By the end of the year this started to feed through into a softening of the wholesale gas price. Although Centrica has navigated well through this market upheaval our profitability has been impacted with the upstream benefiting at the expense of downstream margins.

Only five years ago the energy environment in which we operate was very different to the one that we are in today. Then, wholesale gas markets were reasonably stable, security of supply was a distant concern with the UK self-sufficient in gas and exporting its excess to the continent – and new nuclear power was not universally welcome.

A great deal has changed.

Even though energy prices have softened as a result of the recession, the long-term trend remains upwards driven by the industrialisation of Asia, the increased costs of oil and gas extraction, political uncertainties surrounding sources of supply and the need to decarbonise our economies to meet the challenge of climate change. In the UK, domestic oil and gas production continues to decline and our import dependency is growing sharply. The power generation fleet is ageing and needs replacing with low-carbon technologies. In the US the new Obama administration has placed a high priority on meeting the challenge of climate change which, as in Europe, will place an additional but necessary cost on the consumer.

Taken together the triple challenges of ensuring security of supply, minimising climate change and providing affordable energy pose profound questions for the whole of the energy industry. There are no easy – or cheap – answers, although energy efficiency has a vital role to play. What is clear is that unprecedented levels of investment will be required over the next two decades to meet these challenges.

Gas

The UK is increasingly reliant on imports. Some 35% of UK gas was imported in 2008, and it is estimated that 70% will be imported by 2015. Demand for gas remains at high levels globally, despite the economic recession and the UK has to compete in the global marketplace. So Centrica is investing in new gas assets in the British and Norwegian sectors of the North Sea.

We are also investing in contracts and UK infrastructure to enable us to import increasing amounts of liquefied natural gas (LNG). In January 2009, we received the largest shipment of LNG ever delivered to the UK. But LNG is also a global product and the UK and Europe are competing with Asia and North America for LNG supplies.

Going forward, as additional LNG production comes on-stream and an increasing number of players enter the market, we will be pursuing a range of sourcing strategies.

Price volatility and supply constraints can be eased through storing gas bought during periods of low demand. The UK has relatively limited storage – we have around 16 days of gas storage compared to about 77 in Germany and 88 in France – and so this is another area in which Centrica is investing.

Power

The European Union and national governments are imposing strict limits on CO_2 emissions and stretching targets for the use of renewable energy. The European Renewables Directive, for example, will bind the UK to a 15% renewables target by 2020. The UK Government has suggested that this is likely to mean up to 30–35% of electricity could come from renewable sources compared with less than 5% today. According to the Government, this will require around £100 billion of investment.

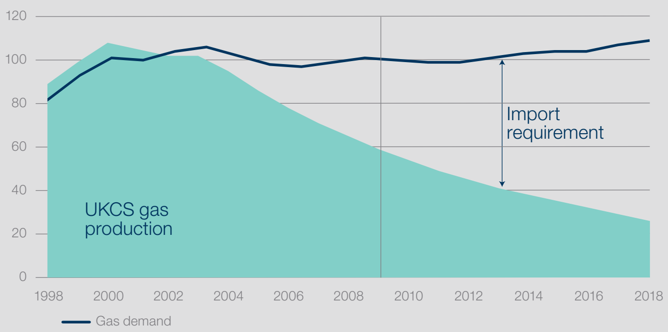
However, renewables alone will not be able to fill the medium-term supply gap. The alternatives are gas, coal or nuclear power stations.

We are close to completing the first gas-fired power station to be built in the UK for almost five years, at a cost of £400 million and expect this to begin commercial operation later in 2009. We also

Know more about our year

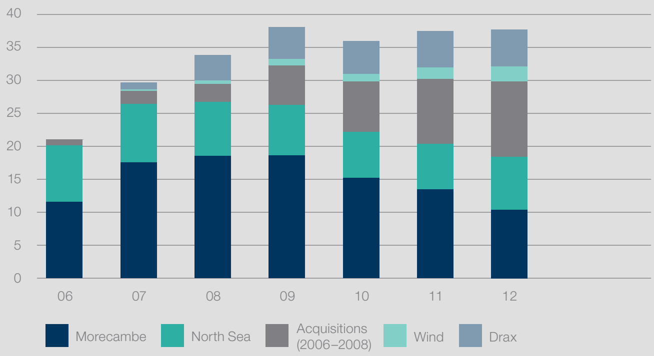
Visit our Annual Report online
www.centrica.com/report2008

UK gas supply/demand 1998–2018



Source: Office of National Statistics, DECC, National Grid

Energy hedge ratio %



firmly believe that a vital longer-term contributor to energy security in a low-carbon world is new nuclear capacity. Much of the existing nuclear generation fleet will be retired over the next 15 years, and the replacement process has a very long lead time so decisions need to be made today. Our Rights Issue in December has provided the resources to enable us to be actively involved in this market.

Centrica's strategy needs to be able to address the complex issues that the industry faces, and to do so in ways that can deliver sustainable value for our shareholders. This requires us to manage all of the risks and opportunities we are facing with a clear vision and an understanding of where our corporate responsibilities lie. Our strategy must be able to respond appropriately to the needs of our vulnerable customers, to ensure the health and safety of our customers and employees, as well as meeting the challenges of security of supply and climate change.

I believe that it can, and that in seeking to create an integrated energy company, operating upstream by developing new sources of gas and power, and downstream with strong brands and innovative propositions, we have a robust approach to meeting the challenges ahead.

We have continued to operate the business in line with the strategic priorities we set at the end of 2006, and report on those over the next pages. In short the increasing extent of vertical integration in Centrica, the emphasis on operational excellence, the reduction of our cost base and the improvement in our customer service meant that we ended 2008 with a stronger business and momentum for the future.

PRIORITY 1 – TRANSFORM BRITISH GAS

British Gas Residential is the core of our business, and it needs to deliver consistently high levels of service and profitability if we are to succeed.

The transformation, therefore, aims to:

- **improve our price competitiveness, service levels and product offer**
- **reduce our costs through 'best-in-class' productivity while remaining a great place to work**
- **achieve long-term margins of 6–7%**

The progress we've made

During 2008 our customer service improved significantly. Average time to answer and to handle calls reduced further and our proportion of industry complaint levels fell by nearly a third over the year. Compared to 2007 we also increased the percentage of customer enquiries which were resolved on the first call and substantially reduced the transactional exceptions associated with the new billing system. These service improvements enabled further progress to be made on our cost reduction initiatives. Our operating cost base in 2008 was over £200 million lower than in 2006.

In October Ofgem published the initial findings of its probe into the energy supply industry in Britain. The report concluded that effective competition exists between the major suppliers. However, it did make recommendations to reduce certain retail price differentials, particularly relating to former incumbent electricity suppliers who charge different prices for in-area and out-of-area customers. It also suggested a reduction in tariffs for those customers with a prepayment meter, to more accurately reflect the additional cost involved in supplying those customers. British Gas complied with this recommendation in a matter of a few weeks.

What's next

We have created a strong foundation here over the last two years and now is the time to take British Gas to the next stage of its evolution. Building on our already strong brand in the UK we are seeking to deepen the customer relationship by combining the energy and services propositions. This will offset the gradual decline over time in the use of gas by consumers in the UK as we move to a lower carbon economy, and take full advantage of the increasing demand for energy efficient products and services. To best achieve this we will combine British Gas Residential, British Gas Business and British Gas Services into a single customer-focused organisation. This will enable us to launch new bundled products under the British Gas brand, products that customers want, to increase customer loyalty, to further reduce costs and to target even more efficiently the substantial support we already provide for our vulnerable customers. Phil Bentley, the current Managing Director of British Gas Energy, will run this new organisation. Chris Weston, current Managing Director of British Gas Services, will take over leadership of the Direct Energy business from Deryk King in July 2009.

Our strategic priorities

Transform British Gas	Sharpen the organisation and reduce costs	Reduce risk through integration	Build on our growth platforms
• New billing system complete • Service levels dramatically improved • Removed over £200m of costs since 2006 • Popular fixed-price and online propositions • Essentials tariff for vulnerable customers	• New senior management structure • Like-for-like Group operating costs reduced by £40 million • Becoming increasingly efficient	• First major UK power station for almost five years • Completed world's largest offshore wind farm development • Acquired more gas assets and received first LNG shipment • Announced two major new storage projects in 2008	• Strong customer growth in BGB • Increase in sale of BGS secondary products • Upstream and downstream acquisitions in North America

PRIORITY 2 – SHARPEN THE ORGANISATION AND REDUCE COSTS

We operate in a highly competitive market – for customers at national level and for global sources of energy.

In order to compete in the long term, our organisation has to be as lean and efficient as possible, with the people and structures that enable us to make the best use of the skills and resources we have.

The progress we've made

In July Mark Hanafin joined Centrica as Managing Director Centrica Energy and Europe. This further strengthened the executive team. Various initiatives in the year across the Group meant that we finished 2008 as a leaner organisation without affecting our ability to grow. This helped to reduce our Group like-for-like operating costs by £40 million, despite the inflationary pressures, particularly in the offshore services environment.

What's next

We have a strong leadership team in place and improved capital allocation, risk management and cost control processes, which will enable us to drive superior financial and operational performance. Going forward, we consider operating cost advantage to be a key competitive differentiator for Centrica and we will be relentless in the pursuit of further cost reductions, while enabling growth across the business.

PRIORITY 3 – REDUCE RISK THROUGH INTEGRATION

We need to produce more of the energy that we sell. In the UK, we are only able to supply 29% of our gas requirements from our own gas fields and 58% of our peak electricity demand from our own generation facilities. The remainder has to be bought in highly volatile world markets.

The progress we've made

During the year, we made good progress. We acquired additional gas assets in the British and Norwegian sectors of the North Sea. In March we increased our equity stake in the assets originally acquired from Newfield in 2007 and in October we completed our acquisition of assets in the Heimdal area of the North Sea. At the end of the year we announced an agreement to acquire an additional interest in the Peik gas field in the UK and in January 2009 we agreed to take additional equity in the York gas field. These deals provided us with both producing gas assets and valuable exploration and development prospects.

During the year Centrica Storage announced two important potential gas storage projects. In March we began engineering studies to explore the potential to convert the Bains gas field in the Morecambe Bay area into a storage field with a capacity of up to 20 billion cubic feet (bcf). In September we acquired the Caythorpe onshore gas field and began the process of converting it into a storage field capable of holding up to 7.5bcf of stored gas. In February 2009 we announced our intention to create an additional 60bcf gas storage field in the UK North Sea following the acquisition of a 70% share in the Baird gas field.

In power generation we completed the Lynn and Inner Dowsing wind farm development off the Lincolnshire coast, the largest operational offshore wind farm development in the world. In Devon, the construction of the Langage gas-fired power station continued, although the contractor has experienced some delays and we now expect the station to become operational towards the end of 2009.

In September we announced the signing of a Memorandum of Understanding with EDF to acquire a 25% share in the British Energy business. This would add significantly to our upstream position and provide us with a long-term hedge against volatile wholesale power prices, with access to power where the price is not impacted by the cost of oil and gas, and an opportunity to grow through new build nuclear construction in the UK.

The proceeds from the successful £2.16 billion Rights Issue towards the end of the year provide us with the capital required to complete the British Energy transaction and make further material progress in increasing the upstream asset base and reducing risk.


Far left: In January 2009, we received the largest shipment of LNG ever delivered to the UK.
Middle: Centrica's UK headquarters in Berkshire.
Left: Our Direct Energy business in North America.

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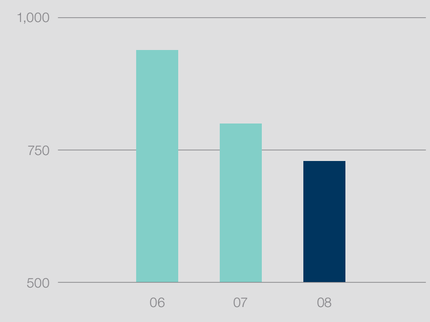
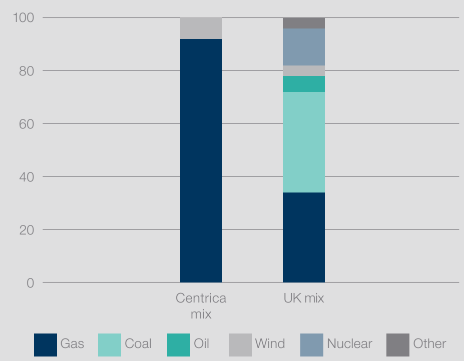
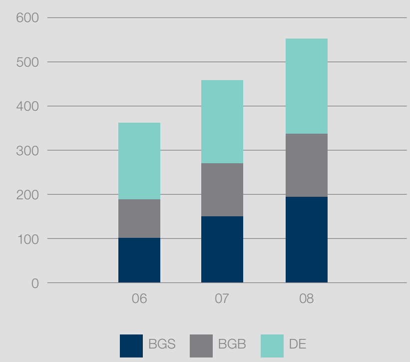
British Gas Residential operating expenditure £m



Generation mix %



Growth business EBIT £m (earnings before interest and taxes)



What's next

We will continue to expand our power generation fleet as part of the overall upstream hedge to reduce the exposure to the increasing volatility in power prices and spreads. Here we will seek to cover an increasing amount of our UK electricity demand load and to grow and better align our generation mix with that of our competitors and the wider market. As part of this, our discussions with EDF, regarding us potentially acquiring 25% of British Energy are continuing. We will also pursue external financing to allow us to develop and build on our wind farm portfolio, and additional options to grow the size of our conventional gas-fired fleet of power stations.

In gas we are continuing to push ahead on reducing our exposure to the short-term volatility in wholesale gas prices by acquiring additional gas assets and striking gas contracts. In pursuing this we will focus most of our asset acquisition activity on the UK and Norwegian sectors of the North Sea while also continuing to evaluate LNG opportunities. Building closer relationships with National Oil Companies, to secure competitive long-term sources of gas for our customers, remains firmly on the agenda.

PRIORITY 4 – BUILD ON OUR GROWTH PLATFORMS

Centrica's growth businesses in the UK, Europe and North America have great potential for increasing the Group's profitability.

We are focusing on new opportunities, such as providing low-carbon products and services, and increasingly on integration in the North American business. This will see us concentrate on the geographies and service areas in which we are already strong, and support the retail businesses through the construction and acquisition of new power assets.

The progress we've made

The financial results in the year show real progress with this priority. In British Gas Business and British Gas Services we grew revenue, operating profit and customer numbers, while delivering ongoing cost efficiencies. In North America we faced a difficult economic environment. However here too we increased customer numbers and delivered a strong financial result, partially due to favourable exchange rate movements. Our acquisition in June of Strategic Energy doubled the size of our commercial and industrial (C&I) energy supply business and made us the third largest commercial supplier of energy in North America. In Europe, in January 2009 we completed the acquisition of an additional 25.5% of SPE, giving us a valuable controlling stake of 51%. Unfortunately Oxxio, our business in The Netherlands, recorded a disappointing loss*. We have taken action to stem losses here, including replacing management.

What's next

The reorganisation in British Gas provides us with an opportunity to increase the overall value of our customer base by expanding the overlap between our energy and services businesses through bundled offerings under a single brand. In North America we will also integrate further by building on the platform we have already established and tightening the focus on key geographies. In doing this we will establish a centralised service platform which enables us to compete more efficiently. With better focus will come a greater degree of integration, primarily through the selective acquisition and construction of gas and power assets, to provide growth opportunities and support for the retail businesses.

In summary

Following a record 2007, the financial performance in 2008 was good despite a much harsher environment. We made strong progress against the strategic priorities we set out at the end of 2006. The outlook for the global economy remains very challenging and in the UK 2009 could be particularly difficult for many of our customers, both residential and commercial. We will continue to place our customers' needs at the forefront of our agenda, alongside our determination to deliver increasing long-term value for our shareholders.

Sam Laidlaw
Chief Executive
26 February 2009

* including joint ventures and associates, stated net of interest and taxation, and before exceptional items and certain re-measurements

Efficiency is the key

We're creating new solutions to meet the new demands for energy. We're broadening our offer, while reducing our footprint.

efficiency

Keeping the lights on

The energy efficiency products provided by British Gas in 2008 included the distribution of 48 million low-energy light bulbs, which equated to a **lifetime carbon saving of 17.87 million tonnes of CO_2.**

We know how to cut your bills

Using a mix of energy efficient equipment and simple changes in behaviour, **the average UK household could cut its energy use by 25%** – and with it its bills and CO_2 emissions. This is what our remarkable Green Streets experiment has found.

A sustainable North America

There are many good reasons for reducing demand for energy, including financial and environmental savings. Direct Energy is involved in schemes with public authorities, private companies and citizens that are helping to make significant savings.

We're making a difference

By taking concerted action to reduce our own carbon footprint **we achieved a 7.23% cut in UK office energy consumption in one year** – with some offices saving up to 10%.

A strong business

Customers are essential to our business. Our activities are focused on securing and delivering energy and offering a distinctive range of home and business energy solutions.

Revenue^ by business £m:

British Gas Residential	7,769
British Gas Services	1,349
British Gas New Energy	10
British Gas Business	3,063
Centrica Energy	2,220
Centrica Storage	221
European Energy	889
Direct Energy	5,824
Total	21,345

Operating profit^* by business £m:

British Gas Residential	379
British Gas Services	195
British Gas New Energy	(3)
British Gas Business	143
Centrica Energy	879
Centrica Storage	195
European Energy	(56)
Direct Energy	215
Other operations	(5)
Total	1,942

^ from continuing operations

* including joint ventures and associates, stated net of interest and taxation, and before exceptional items and certain re-measurements

BRITISH GAS RESIDENTIAL

The focus on delivering good customer service, reducing our cost base, maximising value from the customer base and providing an attractive environment for employees has been central to the ongoing transformation of British Gas Residential.

The rapid rise in wholesale energy prices during the first half of the year required price rises to customers in January and July in order to maintain reasonable profitability. Although there was a short-term increase in customer churn, sales of energy accounts remained high. At the end of 2008 we were serving 15.6 million accounts, of which 3.6 million had a fixed-price product. In November, we reduced the standard retail tariff for prepayment customers, and in January 2009, we cut our standard gas tariffs by 10% and introduced a prompt payment discount for credit customers.

British Gas continued to demonstrate industry leadership in supporting those customers less able to pay their fuel bills. We have over 500,000 customers on our Essentials tariff, the UK's largest social tariff, and will spend more than double our £34 million commitment during 2008/09 in supporting our most vulnerable customers.

The volume of incoming calls was 22% lower than 2007, reflecting improved internal processes and increased first-time resolution of customer queries. Our share of Ombudsman's complaints fell to 25%, lower than our overall energy market share. In February 2009 British Gas was also recognised by The Sunday Times as one of the '20 Best Big Companies to Work For' for the first time, an important accolade for a business where employee engagement is central to performance.

Revenue in the year was up by 20% to £7,769 million as a result of higher prices partially offset by slightly lower customer numbers.

With rapidly escalating wholesale gas prices, operating profit* was down by 34% to £379 million (2007: £571 million). This translated to a 4.9% margin (2007: 8.8%). Gas costs increased year-on-year by 43% and there were also increases in transmission and metering costs of 7%.

Operating costs fell by 9% with savings made in our sales and support functions and in our call centres. Net charges for bad debts were broadly unchanged, but given the current economic pressures facing our customers, are expected to increase in 2009.

www.britishgas.co.uk

British Gas

BRITISH GAS SERVICES

By responding to new customer needs with new products and better service delivery, British Gas Services has increased its customer base and financial performance. It is a growth business that is growing strongly.

British Gas Services delivered a strong performance in 2008 as we continued to grow the business through investment in high levels of customer service and a greater contribution from products beyond the original central heating care range.

Revenue was up 5% at £1,349 million with particularly strong growth in our Plumbing and Drains and Home Electrical Care products, up by 6% and 11% respectively. By the end of the year we had increased the total number of customer product relationships by 5% to 8.1 million, and customer retention rates across most of our product range remained above prior year levels. Service levels at our new National Distribution Centre, which underpins our overnight parts delivery commitment, have been high at 99%.

During the year we extended our range of services with the introduction of new insurance-based products covering water supply pipes and general home emergencies. By December we had sold over 130,000 of these products. Our performance in the on-demand market remains strong, with over 65% of these customers subsequently converting to a contractual product. We also supported the launch of a bundled product, Dual Fuel Extra, in conjunction with British Gas Residential. This offers a priority response to emergency central heating breakdowns.

Despite worsening economic conditions our Central Heating Installations business maintained activity at near 2007 levels, with 111,000 installations. Following the restructuring of this business and a major operation to minimise overheads and supply costs we improved operating profit substantially.

Overall operating profit* increased by 29% to £195 million (2007: £151 million), reflecting the continued strong growth of our higher margin secondary care products, improved efficiency and cost reductions across the business. Over the year we reduced costs by £25 million. Operating costs as a percentage of gross margin decreased to 69% (2007: 74%) and the operating margin rose to 14.5% (2007: 11.8%).

DYNO Part of British Gas

www.britishgas.co.uk

British Gas

BRITISH GAS NEW ENERGY

As the UK moves towards a low-carbon future British Gas New Energy was established to develop a range of low-carbon solutions for homes and businesses. We provide energy efficiency and microgeneration products and services to customers.

In January we acquired a minority equity stake in Ceres Power Holdings plc and entered into a development and distribution agreement. Ceres is developing a fuel cell domestic boiler which generates electricity at the same time as producing heat. In September we entered the microgeneration market though our acquisition of Solar Technologies, an installer of solar photovoltaic technology. We expect the Government to introduce a feed-in tariff in 2010 which will strengthen this market by providing financial incentives for small-scale low-carbon generation.

In October we acquired Semplice Energy Limited, a low-carbon solutions company which offers consulting, design and systems integration to help businesses reduce their energy usage and use cleaner energy. We also entered into technology partnerships with Disenco, a developer of a micro combined heat and power appliance, and VPhase, a developer of energy-saving products.

British Gas New Energy sought to raise awareness of energy efficiency through the successful ‘Green Streets’ campaign, where streets in the UK competed against each other to see which could save the most energy.

We also continue to deliver British Gas’ regulatory obligations in energy efficiency under the Government’s Carbon Emissions Reduction Target (CERT) programme. In 2008, the energy efficiency measures we provided to homes delivered lifetime carbon savings of almost 18 million tonnes.

www.britishgas.co.uk

British Gas

Overview
Our Performance
Governance & Financial Statements
Shareholder Information

BRITISH GAS BUSINESS

Innovative propositions, such as dedicated account managers, have helped British Gas Business to grow by maintaining high levels of customer service, customer satisfaction and customer retention.

Despite challenging wholesale energy market conditions, British Gas Business delivered a very strong financial result and continued to grow its overall customer base. By the end of 2008 we were supplying over 1 million customer supply points. This included the addition of two small customer blocks. In October we successfully tendered for 37,000 electricity accounts for small and medium-sized enterprise (SME) customers, as part of Ofgem's supplier of last resort process, following the collapse of E4B. In November we added a further 39,000 electricity accounts through the acquisition (for £3.5 million) of BizzEnergy's customer base from the administrators of this privately owned energy supplier. In October we also announced the acquisition of BMSi, which increases our presence in the UK's expanding commercial energy-related services market.

Revenue for the year was up by 26% to £3,063 million (2007: £2,431 million), reflecting tariff increases and higher contract renewal rates, combined with higher average customer numbers and increased consumption in both gas and power.

Service levels across the business remain high. First time resolution of customer queries continued to improve, resulting in fewer repeat calls and higher satisfaction levels across the commercial customer base. Customer retention in both larger commercial and SME customers also remained high. For the fourth year running British Gas Business was recognised as one of the UK's Top 50 'Best Workplaces' by the Financial Times.

Operating profit* for the year increased by 19% to £143 million (2007: £120 million). This was due to the maintenance of our gross margins and the identification of further operating cost efficiencies, including the renegotiation of our commercial broker fee structure. As a result our operating costs as a percentage of gross margin decreased to 62% (2007: 72%).

* including joint ventures and associates stated net of interest and taxation, and before certain re-measurements

www.britishgasbusiness.co.uk

CENTRICA ENERGY

Centrica Energy is the part of the business that ensures security of supply for our customers. It is building the upstream operation that is vital for an integrated energy company, by investing in new sources of gas and power.

Operating profit* in gas production increased to £1,164 million from £429 million in 2007, due to increased production volumes and higher sales prices. Gas sales volumes increased by 7% and the average selling price rose to 59.1p/therm (2007: 30.4p/therm).

During the year we made acquisitions in the UK and Norwegian North Sea including, in October, Marathon's Heimdal gas assets for £162 million. We invested £108 million in 2008 on our existing gas asset portfolio and £43 million in our exploration programme in the Morecambe Bay area and our licence blocks in Norway and Nigeria.

Power generation delivered an operating profit* of £7 million (2007: £46 million). The financial performance of the fleet was held back by a forward sales contract and unplanned outages at several power stations. Despite these outages, total power generated from our portfolio rose to 23.4 terawatt hours (TWh).

By the end of the year the 180 megawatt (MW) Lynn and Inner Dowsing offshore wind farm development was exporting directly to the National Grid, and in October we gained Government approval for a proposed 250MW wind farm off the Lincolnshire coast.

The 885MW Langage gas-fired power station development remains on budget and we expect it to begin full commercial operation towards the end of 2009.

The industrial and commercial segment reported an operating loss* of £329 million (2007: £179 million operating profit*), as we were supplying gas bought at high prices to index-linked contracts.

In energy procurement we negotiated additional medium-term supply contracts totalling around 4 billion cubic metres (bcm) of gas a year, and in November, we commissioned our liquefied natural gas (LNG) import capacity at the Isle of Grain with the largest LNG tanker delivery ever landed in the UK.

Our wholesale energy trading business, Accord, delivered an operating profit* of £37 million, up significantly on 2007's £9 million.

www.centricaenergy.com

CENTRICA STORAGE

Gas storage is an integral part of the upstream supply chain, and a hedge against wholesale price volatility. Centrica – and the UK – does not have enough storage capacity and so we are investing in more.

Centrica Storage delivered a good financial performance, despite narrower year-on-year summer/winter gas price spreads. As a result, revenue in the period was down 14% to £280 million (2007: £327 million) primarily driven by a lower achieved standard bundled unit (SBU) price of 43.8 pence (2007: 57.4 pence). This was partially offset by additional revenue of £26 million from the sale of cushion gas in the last quarter of the year. Lower revenue and an increased cost of fuel gas caused operating profit* to fall by 19% to £195 million (2007: £240 million).

Operationally the Rough field performed strongly in 2008, with injection and production availability of 99%. In the first half of the year we upgraded the two offshore compression trains for the field which enhanced injection rates. Since completing the Rough acquisition in 2003, continued investment has enabled us to create the equivalent of more than 80 million additional SBU sales in 2008. During the year the Easington terminal passed five years without a lost time incident and Centrica Storage's overall accident rate of below one lost time incident per million man hours, compares very favourably with industry benchmarks.

In July approval was granted by Ofgem to modify the standard storage contract to include prepaid entry capacity rights. Centrica Storage now offers a range of products that give customers increased choice.

During the year Centrica Storage also announced its involvement in two major new storage projects. In March we proposed conversion of the Bains gas field into a gas storage facility, with a potential capacity of up to 20bcf. In September we acquired Caythorpe Gas Storage Limited, which has planning permission to convert the onshore Caythorpe gas field to a gas storage facility, with a capacity of up to 7.5bcf. If completed, both of these projects would become operational by the winter of 2011/12, and would provide increased levels of flexibility and security.

In February 2009 a third new gas storage project was announced. Centrica Storage, in conjunction with Perenco, intends to convert the largely depleted Baird gas field into a facility that would have capacity to hold approximately 60bcf, just over half the capacity of Rough, the UK's largest gas storage facility.

www.centrica-sl.co.uk

EUROPEAN ENERGY

We are involved in power generation, energy management and retail energy supply in mainland Europe, where the development of a fully competitive energy market would provide significant growth opportunities.

Our European businesses experienced tough wholesale market conditions during 2008, reporting an operating loss* of £56 million (2007: operating profit* £17 million).

In Belgium, SPE continued to grow its customer base and now supplies over 1.5 million customers (2007: 1.4 million). Earnings of £8 million in 2008 were in line with 2007. In January 2009 we completed our acquisition from GdF of their 25.5% of SPE for an initial price of €515 million, giving us a controlling stake of 51%. An additional amount of €70 million was triggered following approval of the PE2 agreement, under which SPE will have access to additional low-cost nuclear power in Belgium.

In The Netherlands, Oxxio faced highly volatile commodity prices and struggled to compete against vertically integrated incumbent players. Customer numbers fell slightly as a result and underlying trading results were weak. In addition, we experienced operational challenges, with the business suffering a billing backlog and overruns in procurement costs, both of which resulted in significant additional charges within the 2008 results. The operating loss* for the year was £63 million (2007: operating profit* £3 million). We have taken action to address the internal issues within the business, including putting a new management team in place. In light of the 2008 loss, the carrying value of the goodwill associated with Oxxio has been written down by £45 million. This has been charged as an exceptional item which totalled £67 million, the remaining £22 million being a write-down of a receivable relating to historic overpayments of energy revenue tax where recovery is now uncertain.

In Spain and Germany changes during the year to the regulatory regimes were helpful to our businesses. In Spain the high voltage regulated tariff was removed allowing Centrica Energía, one of only three 100% green suppliers in the country, to make further progress in the high voltage power market. In Germany the restructuring of the historic gas supply areas and the implementation of a new gas balancing regime were helpful.

www.oxxio.nl
www.spe.be
www.centricaenergia.es
www.centrica-energie.de

DIRECT ENERGY

Direct Energy continues to offer strong growth potential and now accounts for 27% of the Group's revenue. Expertise in energy procurement, retail services, growing upstream gas and power generation businesses, along with our balance sheet strength, position us well to take advantage of future opportunities.

Direct Energy delivered a strong set of results in 2008 despite a difficult economic and commodity environment. Revenue in the year was up 46% at £5,824 million (2007: £3,992 million), mainly as a result of the acquisition of Strategic Energy, higher selling prices in retail energy, and the positive impact of the stronger US and Canadian currencies. Operating profit* was up 15% at £215 million (2007: £187 million), and by 4% on a constant currency basis.

Mass markets energy

Mass markets energy performed well given the tough market conditions. In Canada customer numbers grew by 3% as we gained market share in Alberta where we have now switched 250,000 customer accounts from the regulated tariff to competitive products.

In the US North East customer numbers grew by 20% to more than 400,000 as we continued to grow our gas and power businesses in New York and increased our market share in Ohio and in Connecticut. Profits* also increased.

However, in Texas customer numbers fell by 4% and total demand dropped by over 15% as benign weather and conservation efforts by customers in the face of higher prices impacted average consumption per customer. In September Hurricane Ike damaged Houston's power infrastructure, causing a temporary but sharp reduction in demand. Despite these issues, Texas delivered operating margins of 9% in 2008.

Revenue for the year was up 9% to £2,652 million and operating profit* grew 11% to £137 million. On a constant currency basis both were broadly flat.

Commercial and industrial energy

Electricity sales in the year were almost double those in 2007, primarily as a result of the Strategic Energy acquisition. Higher contract prices and the favourable exchange rate, also helped to more than double revenue to £2,015 million (2007: £978 million). On a constant currency basis revenue was up 88%. We now supply over 200,000 meter points which makes us the third largest C&I energy supplier in North America.

In the second half integration costs for Strategic Energy cancelled out the synergy benefits. However the integration is now essentially complete and we are on target to exceed the US$15 million of annual cost synergies announced at the time of the acquisition.

Operating profit* for this business was up substantially year-on-year at £11 million (2007: £1 million).

Home and business services

It was a difficult year for our services business, as the severe slowdown in US housing construction had a material impact on installations of equipment in new homes. In response we cut costs sharply and increased our emphasis on protection products, where customer numbers rose by 11%.

In Canada our customer base for protection products grew by 5%, mainly due to strong sales of total home protection plans.

Revenue was up by 7% at £375 million, and operating profit* was down £1 million year-on-year at £16 million. But on a constant currency basis revenue was down 1% and operating profit* down 20%.

Upstream and wholesale energy

Overall operating profit* was up 11% year-on-year at £51 million and on a constant currency basis was up 2%. This small underlying increase reflected higher upstream gas profits offset by a reduction in power generation margins.

Our Texas power stations were affected by increasing capacity margins and lower spark spreads, which occasionally made it more economic to purchase power than produce it. Overall power generation volumes dropped by 7% to 4.7TWh.

Natural gas production volumes increased by 23% to 365mmth (2007: 297mmth) following development of current reserves and the acquisitions of Rockyview Energy and the Canadian assets of TransGlobe Energy earlier in the year. The business also benefited in the first half from high gas prices on the portion of sales not forward sold.

* including joint ventures and associates stated net of interest and taxation, and before certain re-measurements

www.directenergy.com

Direct Energy

Corporate Responsibility Review

Managing a sustainable business

> "Corporate responsibility is central to the delivery of sustainable value for our shareholders."

During 2008 we have continued to review, understand and manage the social, environmental and economic impact of our operations. Corporate responsibility (CR) is central to the delivery of sustainable value for our shareholders.

I am pleased that our Board-level Corporate Responsibility Committee continues to receive strong commitment from our senior leadership and provides strategic oversight to our overall CR approach. In 2008, Direct Energy's Executive established its own CR Committee to oversee North American business-specific issues. And a senior manager is also now accountable for CR performance in each business.

Our CR strategy focuses on areas where we can have a direct – and measurable – impact. These are:
- climate change and the environment
- serving our customers
- health and safety
- valuing our people
- our local impact
- our supply chain

Climate change and the environment
Small-scale technologies can play a significant role in helping the UK achieve its targets for CO_2 emissions and renewable energy. In 2008 British Gas New Energy made a number of acquisitions to help develop our capability in microgeneration, and support our strategy to lead the market in low-carbon products and services.

Our 18-month-long Green Streets competition between eight communities has highlighted practical solutions for consumers to make their homes more energy efficient.

We further reduced our overall carbon intensity, and the energy we supplied had the lowest carbon emissions of any major supplier in Britain. Our new efficient gas-fired power station at Langage will generate its first power in 2009. And our offshore wind farm development at Lynn and Inner Dowsing is the largest of its type in the world. We are also actively pursuing an interest in new nuclear power.

We are focused on reducing our own operational carbon footprint and are creating a culture among our employees appropriate for a business leading the way towards a low-carbon future.

Serving our customers
We have long been committed to providing proactive help to our vulnerable customers and to working alongside the UK Government to alleviate fuel poverty, which National Energy Action estimates affects over 5 million households in Britain.

In total, we provided support to an estimated 1.4 million vulnerable or in-need customers during 2008; and by the end of 2008, there were around 526,000 accounts on our Essentials tariff, a 55% increase on 2007.

Health and safety
The health and safety of our employees, contractors, customers and communities in which we live and work is a top priority. Health and safety is a standing item on the agenda of all Executive Committee meetings.

We achieved a 5% reduction in the rate of lost time injuries (LTI) in 2008, though our overall LTI rates are high with British Gas Services accounting for more than 80% of our accidents. To decrease injury rates, British Gas Services has launched a major programme of safety improvements, including a high profile internal awareness campaign.

Valuing our people
We want Centrica to be a great place to work and there was a 94% response rate to the 2008 engagement survey, which found levels of employee commitment well in excess of UK and European benchmarks.

Our approach to flexible working is a key factor in attracting employees and a reason for their staying. We are also committed to pursuing both equality and diversity in all our activities. Direct Energy has a Diversity and Inclusion Council to oversee strategy in North America.

Local impact
We aim to benefit the communities in which we operate by understanding local social and environmental issues and by taking action to address those issues. For example, more than 8,000 UK schools have signed up to the British Gas Generation Green programme; we have helped create a new secondary school in India; and in Nigeria we are working to tackle youth unemployment.

Supply chain
As a large international company, we have responsibilities for the application of appropriate business practice throughout our supply chain, and are working to include corporate responsibility clauses in our contracts with suppliers.

M E Francis

Mary Francis CBE
Senior Independent Director
26 February 2009

We're investing in know-how

More engineers, better customer service and more solutions for cleaner energy.

expertise

We've invested in service

Direct Energy is developing new online solutions, while British Gas has invested in better training and refinements to the billing system in order to improve customer service. **And the investment is now paying off.**

Bucking the employment trend

We are creating around 1,500 skilled jobs over the coming years. This includes 1,000 new apprentice gas engineers – women as well as men – who will be trained in our outstanding facilities.

Taking the lead as energy experts

Profound debates are taking place about climate change, fuel poverty and the security of energy supply. We know the facts, and **use our knowledge to engage in the debate, to help society find the best solutions for the future.**

We've got the wind in our sails

More than 130,000 homes can be supplied by the world's largest offshore wind farm development that we have built off the Lincolnshire coast.

Board of Directors and Executive team

1. Roger Carr
Chairman (62) N,R
Roger Carr joined the Board as a Non-Executive Director in 2001. He was appointed Chairman of the Board in May 2004 and is Chairman of the Nominations Committee. He is chairman of Cadbury plc and a non-executive director of the Bank of England. Until June 2008, he was chairman of Mitchells & Butlers plc.

2. Sam Laidlaw
Chief Executive (53) C,D,E,N
Sam Laidlaw joined Centrica as Chief Executive in July 2006. He is Chairman of the Executive Committee and the Disclosure Committee. He was previously executive vice president of the Chevron Corporation, chief executive officer at Enterprise Oil and president and chief operating officer at Amerada Hess. In January 2008, he was appointed a non-executive director of HSBC Holdings plc. Until August 2007, he was a non-executive director of Hanson plc. He is a trustee of the medical charity RAFT.

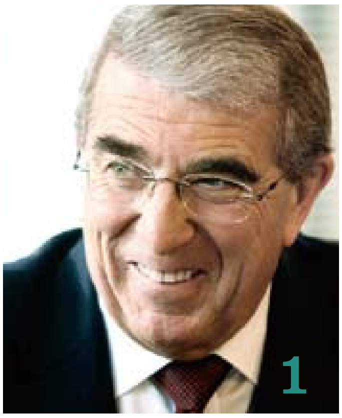
3. Helen Alexander CBE
Non-Executive Director (52) A,N,R
Helen Alexander joined the Board in January 2003 and is Chairman of the Remuneration Committee. She is a vice-president of the CBI, a senior adviser of Bain Capital and a non-executive director of Rolls-Royce plc. She is a trustee of the Tate Gallery and an honorary fellow of Hertford College, Oxford. Until July 2008, she was chief executive of the Economist Group. Formerly, she was a non-executive director of BT Group plc and Northern Foods plc.

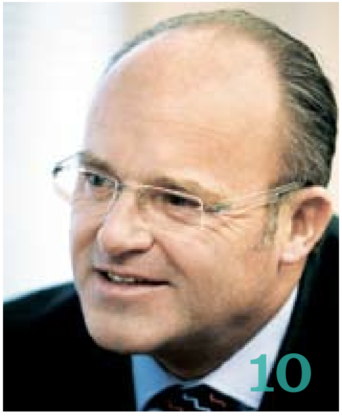
4. Phil Bentley
Managing Director, British Gas (50) C,E
Phil Bentley joined Centrica as Group Finance Director in 2000, a position he held until the end of February 2007 when he was appointed Managing Director, British Gas. He was also Managing Director, Europe between July 2004 and September 2006. Formerly, he was finance director of UDV Guinness from 1999 and group treasurer and director of risk management of Diageo plc from 1997. Previously, he spent 15 years with BP plc in various international oil and gas exploration roles. He is also a non-executive director and the chairman of the audit committee of Kingfisher plc.

5. Mary Francis CBE
Senior Independent Director (60) A,C,N,R
Mary Francis joined the Board in June 2004 and is Senior Independent Director and Chairman of the Corporate Responsibility Committee. She is a non-executive director of Aviva plc and St. Modwen Properties plc and a trustee and treasurer of the Almeida Theatre. She is a former director general of the Association of British Insurers, a former non-executive director of the Bank of England and Alliance & Leicester plc, and was a senior civil servant in the Treasury and the Prime Minister's Office.

6. Mark Hanafin
Managing Director, Centrica Energy and Europe (49) E
Mark Hanafin joined Centrica as Managing Director, Centrica Energy and Europe in July 2008. He was previously president and chief executive officer of Shell Energy North America in Houston. Mark began his career with Shell in 1986 in the UK, holding positions in sales, trading and commercial management. In 1999 he joined the team that created the global LPG business for Shell and went on to manage the new global LPG Supply and Trading division. Prior to joining Shell, Mark worked for General Electric Company.

7. Nick Luff
Group Finance Director (41) D,E
Nick Luff joined Centrica as Group Finance Director in March 2007. He was previously chief financial officer of The Peninsular & Oriental Steam Navigation Company (P&O) and has held a number of other senior financial roles at P&O, having qualified as a chartered accountant at KPMG. He is a non-executive director of QinetiQ Group plc.





Key to membership of committees
A – Audit Committee
C – Corporate Responsibility Committee
D – Disclosure Committee
E – Executive Committee
N – Nominations Committee
R – Remuneration Committee

8. Andrew Mackenzie
Non-Executive Director (52) A,C,N,R
Andrew Mackenzie joined the Board in September 2005. In November 2007, he was appointed group executive and chief executive non ferrous at BHP Billiton, a position he took up in November 2008. From 2004, he was with Rio Tinto, latterly as chief executive diamonds and minerals. Previously, he spent 22 years with BP plc in a range of senior technical and engineering positions and ultimately as group vice president, BP Petrochemicals. From 2005 to 2007, he was chairman of the board of trustees of the think tank, Demos, and he remained a trustee until June 2008.

9. Paul Rayner
Non-Executive Director (54) A,N,R
Paul Rayner joined the Board in September 2004 and is Chairman of the Audit Committee. In September 2008, he was appointed as a non-executive director of Boral Limited and in July 2008, he was also appointed as a non-executive director of Qantas Airways Limited. He was finance director of British American Tobacco plc from 2002 until April 2008. In 1991 he joined Rothmans Holdings Limited in Australia, holding senior executive appointments, and became chief operating officer of British American Tobacco Australasia Limited in September 1999.

10. Paul Walsh
Non-Executive Director (53) A,N,R
Paul Walsh joined the Board in March 2003. He is chief executive of Diageo plc, having previously been chief operating officer and having served in a variety of management roles. He is a non-executive director of Federal Express Corporation, a member of the Council of the University of Reading, deputy chairman of the Prince of Wales International Business Leaders Forum, a member of the Business Council for Britain and chairman of the Scotch Whisky Association.

Executive team

11. Grant Dawson
General Counsel & Company Secretary (49) D,E
Grant Dawson has been General Counsel & Company Secretary of Centrica since the demerger from British Gas plc in February 1997, having joined British Gas in October 1996.

12. Deryk King
President and Chief Executive Officer, Direct Energy (61) C,E
Deryk King is responsible for all of Centrica's activities in North America. He joined Centrica in September 2000, having previously been group managing director of Powergen plc.

13. Catherine May
Group Director, Corporate Affairs (44) C,E
Catherine May joined Centrica as Group Director, Corporate Affairs in September 2006, having previously been group director of corporate relations for Reed Elsevier.

14. Anne Minto OBE
Group Director, Human Resources (55) E
Anne Minto was appointed Group Director, Human Resources in October 2002. Prior to that she was director, human resources for Smiths Group plc, a position which she held since early 1998. She is also Chairman of the Centrica Pension Schemes.

15. Chris Weston
Managing Director, British Gas Services (45) E
Chris Weston was appointed Managing Director, British Gas Services in June 2005. Prior to this he was Managing Director, British Gas Business from January 2002.

Summary Financial Statements

SUMMARY GROUP INCOME STATEMENT

Year ended 31 December	2008 Results for the year before exceptional items and certain re-measurements (i) £m	2008 Exceptional items and certain re-measurements (i) £m	2008 Results for the year £m	2007 (restated) (ii),(iii) Results for the year before exceptional items and certain re-measurements (i) £m	2007 (restated) (ii),(iii) Exceptional items and certain re-measurements (i) £m	2007 (restated) (ii),(iii) Results for the year £m
Continuing operations						
Group revenue (ii)	21,345	–	21,345	16,272	–	16,272
Cost of sales (ii)	(17,139)	–	(17,139)	(12,147)	–	(12,147)
Re-measurement of energy contracts (i)	–	(1,411)	(1,411)	–	244	244
Gross profit	4,206	(1,411)	2,795	4,125	244	4,369
Operating costs before exceptional items	(2,280)	–	(2,280)	(2,190)	–	(2,190)
Impairment of Oxxio goodwill and other assets (i),(iv)	–	(67)	(67)	–	–	–
Operating costs	(2,280)	(67)	(2,347)	(2,190)	–	(2,190)
Share of profits in joint ventures and associates, net of interest and taxation (i)	16	(4)	12	14	(9)	5
Group operating profit	1,942	(1,482)	460	1,949	235	2,184
Net interest expense	(11)	–	(11)	(73)	–	(73)
Profit from continuing operations before taxation	1,931	(1,482)	449	1,876	235	2,111
Taxation on profit from continuing operations	(1,027)	434	(593)	(753)	(60)	(813)
Profit/(loss) from continuing operations after taxation	904	(1,048)	(144)	1,123	175	1,298
Discontinued operations (i)	–	–	–	1	208	209
Profit/(loss) for the year	904	(1,048)	(144)	1,124	383	1,507
Attributable to:						
Equity holders of the parent	903	(1,048)	(145)	1,122	383	1,505
Minority interests	1	–	1	2	–	2
	904	(1,048)	(144)	1,124	383	1,507
	Pence		Pence	Pence		Pence
Earnings/(loss) per ordinary share from continuing and discontinued operations: (iii)						
Basic			(3.5)			36.5
Diluted			(3.5)			35.9
Adjusted basic	21.5			27.2		
Interim dividend paid per ordinary share (iii)			3.47			2.98
Final dividend proposed per ordinary share (iii)			8.73			8.59
			£000			£000
Directors' emoluments			5,967			5,774

(i) Certain re-measurements included within operating profit comprise re-measurement arising on energy procurement activities and re-measurement of proprietary trades in relation to cross-border transportation or capacity contracts. In our business we enter into a portfolio of forward energy contracts which include buying substantial quantities of commodity to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IAS 39. Fair valuing means that we apply the prevailing forward market prices to these contracts. The Group has shown the fair value adjustments separately as certain re-measurements as they are unrealised and non-cash in nature. The profits arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements.

As permitted by IAS 1, Presentation of Financial Statements, certain items are presented separately. The items that the Group separately presents as exceptional are items which are of a nonrecurring nature and, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, the renegotiation of significant contracts and asset write-downs.

Exceptional items and certain re-measurements included within discontinued operations in 2007 comprise the gain on disposal of The Consumers' Waterheater Income Fund and re-measurement of the publicly traded units of The Consumers' Waterheater Income Fund. All other re-measurement is included within results before exceptional items and certain re-measurements.

(ii) Group revenue and cost of sales have been restated to report gas sales revenue of Centrica Storage net of cost of sales to better reflect the nature of the transactions.

(iii) During the year, the Group raised proceeds of approximately £2,164 million, net of issue costs of approximately £65 million, through a three for eight Rights Issue of new ordinary shares at 160 pence per share, representing a bonus to existing shareholders of 0.1233 ordinary shares per ordinary share held. Earnings per ordinary share and dividend per ordinary share figures have been restated to reflect the bonus element of the Rights Issue.

(iv) During 2008, exceptional charges of £67 million were incurred in the European Energy segment, including a £45 million impairment of the Oxxio goodwill and a £22 million impairment of a receivable balance in Oxxio relating to historic overpayments of regulatory energy revenue tax, reflecting the reduced likelihood of realising the balance in the future.

SUMMARY GROUP BALANCE SHEET

31 December	2008 £m	2007 £m
Non-current assets	**7,839**	6,057
Current assets	**10,508**	5,798
Current liabilities	**(9,020)**	(5,417)
Net current assets	**1,488**	381
Non-current liabilities	**(4,941)**	(3,056)
Net assets	**4,386**	3,382
Shareholders' equity	**4,326**	3,323
Minority interests in equity	**60**	59
Total minority interests and shareholders' equity	**4,386**	3,382

SUMMARY GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 December	2008 £m	2007 £m
(Loss)/profit for the year	**(144)**	1,507
Net (expense)/income recognised directly in equity	**(562)**	349
Transfers to income and expenses or assets and liabilities	**(24)**	250
Total recognised income and expense for the year	**(730)**	2,106
Total income and expense recognised in the year is attributable to:		
Equity holders of the parent	**(731)**	2,104
Minority interests	**1**	2
	(730)	2,106

SUMMARY GROUP CASH FLOW STATEMENT

Year ended 31 December	2008 £m	2007 £m
Operating cash flows before movements in working capital	**2,397**	2,494
Net movements in working capital	**(1,095)**	263
Net interest, tax and other operating cash flows	**(1,005)**	(400)
Net cash flow from operating activities	**297**	2,357
Net cash flow from investing activities	**(1,122)**	(964)
Net cash flow from financing activities	**2,603**	(888)
Net increase in cash and cash equivalents	**1,778**	505
Cash and cash equivalents at 1 January	**1,100**	592
Effect of foreign exchange rate changes	**26**	3
Cash and cash equivalents at 31 December	**2,904**	1,100

The Summary Financial Statements on pages 22 to 23 were approved and authorised for issue by the Board of Directors on 26 February 2009 and were signed below on its behalf by:

Sam Laidlaw

Sam Laidlaw
Chief Executive

Nick Luff

Nick Luff
Group Finance Director

Summary Reports

Independent Auditors' statement to the members of Centrica plc

We have examined the Summary Financial Statements of Centrica plc which comprises the Summary Group Income Statement, Summary Group Balance Sheet, Summary Group Statement of Recognised Income and Expense, Summary Group Cash Flow Statement and the Summary Remuneration Report.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Review and Summary Financial Statements in accordance with United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statements within this Annual Review with the full Annual Financial Statements, the Directors' Report (comprising the Directors' Report – Business Review and the Directors' Report – Governance) and the Remuneration Report, and its compliance with the relevant requirements of section 251 of the UK Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statements and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statements. This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. Our report on the Company's full Annual Financial Statements describes the basis of our audit opinion on those Financial Statements and the Remuneration Report.

Opinion

In our opinion the Summary Financial Statements are consistent with the full Annual Financial Statements, the Directors' Report (comprising the Directors' Report – Business Review and the Directors' Report – Governance) and the Remuneration Report of Centrica plc for the year ended 31 December 2008 and comply with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 26 February 2009

Full Annual Report

The Auditors have issued an unqualified report on the Annual Financial Statements and Remuneration Report containing no statement under section 237(2) or section 237(3) of the Companies Act 1985. The Auditors' Report in respect of consistency between the Directors' Report and the Group Financial Statements is also unqualified. These Summary Financial Statements are a summary of the full Centrica Annual Report and the narrative reports contain information from the Directors' Report but not the full text of that report. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group and of its policies and arrangements concerning the Directors' remuneration as would be provided by the full Annual Report. The full Report can be downloaded from the Company's website at **www.centrica.com** or can be obtained, free of charge, by contacting the Centrica shareholder helpline (see page 29 for contact details).

Dividends

An interim dividend for 2008 of 3.47 pence per share (3.9 pence per share before adjusting for the bonus element of the Rights Issue) was paid on 12 November 2008. The Directors propose that, subject to approval at the Annual General Meeting (AGM), a final dividend of 8.73 pence per share will be paid on 10 June 2009 to those shareholders registered on 24 April 2009. This would make a total ordinary dividend for the year of 12.2 pence per share (2007: 13.0 pence per share, 11.57 pence per share after adjusting for the bonus element of the Rights Issue).

Corporate Governance

The Board of Directors is committed to the highest standards of corporate governance and believes that such standards are critical to overall business integrity and performance. Throughout the year ended 31 December 2008, the Company fully complied with the provisions set out in Section 1 of the 2006 Combined Code on Corporate Governance (the Code) with the exception of provision A.4.3 which currently states that no individual should be appointed to a second chairmanship of a FTSE 100 company. In July 2008, the Chairman of the Company was appointed as chairman of Cadbury plc following its demerger from Cadbury Schweppes plc. The Board believes that the Chairman's commitment and contribution to the Company will not suffer as a consequence of this appointment. This provision has been removed from the new 2008 Combined Code, which the Company will report against in 2010. A report on how the Code's principles were applied is set out in the Corporate Governance Report in the full Annual Report.

Board of Directors

The Directors consider that the Board effectively leads and controls the Group. The powers of the Directors are set out in the Company's Articles of Association (Articles), which are available on the Company's website. To accommodate recent changes in company law, the Company adopted a new set of Articles at the 2008 Annual General Meeting.

The Board has a schedule of matters specifically reserved for its approval, which is also available for inspection on the Company's website. The Board has delegated authority to its committees to carry out certain tasks as defined in each committee's respective terms of reference. During the year, the Board conducted a comprehensive review of each of its committees' terms of reference against best practice and approved revised terms. The written terms of reference of the Board's principal Committees are available on the Company's website and hard copies are available upon request.

Board appointments, evaluation and development

In accordance with the Code and the Company's Articles, all Directors are subject to reappointment by shareholders at the first AGM following their appointment to the Board and thereafter are subject to reappointment every third year. Non-Executive Directors are initially appointed for a three-year term and, subject to review and reappointment by shareholders, can serve up to a maximum of three such terms. A formal, rigorous and transparent process is followed during the selection and subsequent appointment of new Directors to the Board. This process is described on page 40 of the full Annual Report.

On 14 July 2008, Mark Hanafin was appointed to the Board as Managing Director, Centrica Energy and Europe and he will be seeking reappointment at the forthcoming AGM. Mark Hanafin replaced Jake Ulrich, who resigned from the Board on 12 May 2008. On 26 February 2009, the Chairman announced a number of changes to the composition of the Board. Chris Weston, who is currently Managing Director of British Gas Services will be appointed to the Board on 1 July 2009 and will assume responsibility for the Company's North American business following Deryk King's retirement. Chris Weston will therefore seek reappointment to the Board at the 2010 Annual General Meeting. Phil Bentley assumes responsibility for the newly combined British Gas business and will remain a member of the Board. Paul Walsh, who has served as a Non-Executive Director since March 2003, will retire from the Board at the 2009 AGM. A search for a suitable candidate has commenced.

The Board conducted a formal evaluation of its own performance and that of its committees and individual Directors. The evaluation was carried out with the assistance of an independent external facilitator, Egon Zehnder International, in respect of the year ended 31 December 2008.

All new Directors appointed to the Board receive a comprehensive induction briefing tailored to meet their individual needs. Ongoing development and training is provided to Directors at Board meetings and, where appropriate, committee meetings.

Internal control

The Audit Committee reviews regular internal control reports, tracks issues, monitors performance against objectives and ensures necessary actions are taken to remedy any significant failings or weaknesses identified from those reports.

The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the system of internal control, for the period from 1 January 2008 to the date of this report, and is satisfied that the Group complies with the Turnbull Guidance. The Board will continue routinely to challenge management in order to ensure that the system of internal control is constantly improving.

Summary Remuneration Report

This is a summary of the full Remuneration Report, which is contained in the Annual Report and Accounts, copies of which are available on the Company's website.

It is the responsibility of the Remuneration Committee to make recommendations to the Board on: the policy, framework and cost of executive remuneration; the implementation of remuneration policy; and the determination of specific remuneration packages for each of the Executive Directors. It consists exclusively of Non-Executive Directors and has access to the advice and views of management and external consultants.

Summary remuneration policy

The Committee ensures that the Group's remuneration policy and framework provides competitive reward for its Executive Directors and other senior executives, taking into account the Company's performance, the markets in which it operates and pay and conditions elsewhere in the Group. In constructing the remuneration packages, the Committee aims to achieve an appropriate balance between fixed and variable compensation for each executive. A significant proportion depends on the attainment of demanding performance objectives both short and long term. The Annual Incentive Scheme (AIS) incentivises and rewards the achievement of demanding financial and business-related objectives. Long-term share-based incentives align interests with the longer term interests of Centrica's shareholders.

The Committee reviews the packages to ensure they continue to promote the achievement of strategic objectives while delivering shareholder value; reflect current best practice and meet the Group's business needs; and enable the Group to attract and retain high calibre management. During a recent Committee review, in consultation with major shareholders, changes to future policy and framework of executive remuneration and, in particular, the operation of the AIS and Deferred and Matching Share Scheme (DMSS) going forward were agreed and become effective during 2009.

In 2008 executive remuneration comprised base salary, AIS, an allocation of shares under the Long Term Incentive Scheme (LTIS), and an allocation of shares under the DMSS. Given the current economic climate, Executive Directors and the senior level of management will not receive a base pay increase in 2009 except where individuals have had a significant change to their responsibilities. No Executive Share Option Scheme (ESOS) grants were made during the year, although the Committee retains the discretion to make grants under the ESOS in the future. A one-off allocation of shares under the Special Long Term Incentive Scheme (SLTIS) and a grant of options under the Special Executive Share Option Scheme (SESOS) were made to Mark Hanafin in accordance with the terms of his engagement.

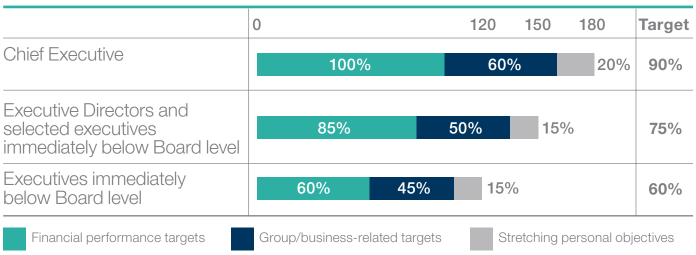
As a matter of policy, the notice periods in the Executive Directors' service contracts do not exceed one year. However, in the case of new appointments to the Board, the Committee retains a level of flexibility as permitted by the Code and has exercised its discretion in respect of the appointments of Sam Laidlaw on 1 July 2006, Nick Luff on 1 March 2007 and Mark Hanafin on 14 July 2008. Each has a service contract that contains a notice period of two years, which will reduce to one year on the second anniversary of their respective date of appointment. The notice period contained in Sam Laidlaw's contract has now reduced to one year.

The Committee believes that these arrangements are important in providing a potential remuneration package that will attract, retain and continue to motivate Executive Directors and other senior executives in a marketplace that is challenging and competitive in both commercial and human resource terms. It is currently intended that this remuneration policy and framework, which is fully endorsed by the Board, will continue for 2009.

Components of remuneration

For 2008 the target and maximum bonus opportunity under the AIS, together with the relative proportions of the components that made up the maximum bonus opportunity, were as follows:

Maximum % bonus opportunity



Summary Reports continued

A balanced range of measures is used to determine overall AIS performance, during 2008, the primary financial measure was Group Economic Profit (EP). Each Business Unit had a number of business metrics focusing on key strategic priorities for the year which the Committee take into consideration together with health, safety and environmental matters when determining the level of bonuses to be paid. A bonus will be forfeited if the Committee considers overall performance to be unsatisfactory.

Twenty per cent of annual bonuses paid in respect of 2006 and 2007 were deferred automatically and invested in the DMSS (see below). To incentivise Executive Directors to focus on creating long-term value for shareholders and to deliver sustained high performance, the deferral in respect of 2008 and thereafter will increase from 20% to 40% of any AIS award for the Chief Executive and to 30% for Executive Directors and executives immediately below board level.

In 2008 the DMSS award was delayed due to Executive Directors and other senior executives being subject to prolonged dealing restrictions as a result of the Company being in a prohibited period under the Model Code. 20% of the AIS paid in April 2008 was, however, deferred automatically at that time and subsequently invested in deferred shares once the Company had ceased to be in a prohibited period. Participants were also given the opportunity to invest an additional amount in investment shares from their actual bonus, up to 50% of the individual's maximum bonus entitlement in respect of 2007. The Committee determined that the three-year performance period would be deemed to have commenced in April 2008. Deferred and investment shares were matched with conditional matching shares, which will be released upon the achievement of a performance target (see table below). For the purposes of matching, the investment shares are grossed up for income tax and National Insurance contributions. Released matching shares will be increased to reflect the dividends that would have been paid during the performance period. In the event of a change of control the number of matching shares that vest will be subject to time-apportionment in line with best practice.

The Committee is making a change to the operation of the DMSS for 2009 and thereafter. It is the Committee's intention to measure EP growth on a three-year point-to-point basis going forward, rather than a three-year cumulative calculation of growth. The Company believes that this change will encourage executives to invest in the scheme and so align their interests with Centrica's shareholders and help drive long-term performance.

In 2008 LTIS allocations were awarded to Executive Directors equal to 200% of base salary and at lower rates to other senior executives. The release of allocations will be subject to the performance conditions set out in the table below.

Prior to 2006 allocations were made annually to Executive Directors and other senior executives under the old LTIS, in accordance with

Performance condition summary

Deferred and Matching Share Scheme

Award year	Vesting criteria	Performance condition over three-year period
2007 & 2008	100% of matching shares on cumulative EP performance targets	2:1 match will be achieved for cumulative EP growth of 25% or more. Zero matching for no cumulative EP growth. Vesting of matching shares will increase on a straight-line basis between points.

Long Term Incentive Scheme

Award year	Vesting criteria	Performance condition over three-year period
2008	50% on EPS† growth against RPI growth	Full vesting for EPS† growth exceeding RPI growth by 30%. Zero vesting if EPS† growth fails to exceed RPI growth by 9%. Vesting will increase on a straight-line basis between 25% and 100% if EPS† growth exceeds RPI growth by between 9% and 30%.
	50% on TSR against FTSE 100*	Full vesting for upper quintile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight-line basis between 25% and 100% for ranking between median and upper quintile.
2007	50% on EPS† growth against RPI growth	37.5%; full vesting for EPS† growth exceeding RPI growth by 30%. Zero vesting if EPS† growth fails to exceed RPI growth by 9%. Vesting will increase on a straight-line basis between 25% and 100% if EPS† growth exceeds RPI growth by between 9% and 30%.
		12.5%; full vesting for EPS† growth exceeding RPI growth by 40%. Zero vesting if EPS† growth fails to exceed RPI growth by 20%. Vesting will increase on a straight-line basis between 25% and 100% if EPS† growth exceeds RPI growth by between 20% and 40%.
	50% on TSR against FTSE 100*	Full vesting for upper quintile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight-line basis between 25% and 100% for ranking between median and upper quintile.
2006	50% on EPS† growth against RPI growth	Full vesting for EPS† growth exceeding RPI growth by 30%. Zero vesting if EPS† growth fails to exceed RPI growth by 9%. Vesting will increase on a straight-line basis between 25% and 100% if EPS† growth exceeds RPI growth by between 9% and 30%.
	50% on TSR against FTSE 100*	Full vesting for upper quintile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight-line basis between 25% and 100% for ranking between median and upper quintile.
2005	100% on TSR against FTSE 100*	Full vesting for upper quartile ranking. Zero vesting for sub-median ranking. Vesting will increase on a sliding-scale basis for ranking between median and upper quartile.

Executive Share Option Scheme

Award year	Vesting criteria	Performance condition over three-year period
2001–2006	100% of options based on EPS† growth against RPI growth. Re-testing for further two years for options granted up to and including April 2004.	Full vesting for EPS† growth exceeding RPI growth by 18%. Zero vesting if EPS† growth fails to exceed RPI growth by 9%. Vesting will increase on a straight-line basis between 40% and 100% if EPS† growth exceeds RPI growth by between 9% and 18%.

† EPS in this table represents the Group's diluted adjusted earnings per share.

* The Committee has determined that, for the pre-2006 LTIS and for that part of the LTIS subject to the comparative TSR performance conditions, the most appropriate comparator group for the Company is the companies comprising the FTSE 100 at the start of the relevant performance period (the LTIS comparator group).

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the remuneration policy adopted in 2001. Such allocations were subject to a performance condition set out on page 26.

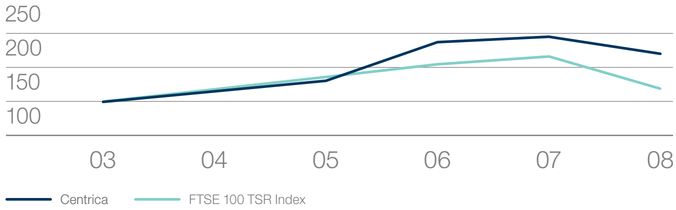
During 2008, a one-off SLTIS allocation was made to Mark Hanafin. In accordance with the rules of the SLTIS the allocation will vest in two equal tranches on 28 February 2009 and 2010, respectively. There are no performance conditions attaching to the shares other than continued employment with the Company and in the event of a change of control the number of shares that will vest will not be subject to time-apportionment.

No grants of options were made during 2008 under the ESOS. The performance conditions for the ESOS are set out on page 26.

In 2008, a grant of unapproved options was made under the SESOS to Mark Hanafin. In accordance with the rules of the SESOS the grant is not subject to any performance conditions. It was immediately exercisable and will remain so until the tenth anniversary of grant.

The following graph compares the Company's TSR performance with that of the FTSE 100 Index for the five years ended 31 December 2008.

Total shareholder return indices – Centrica and FTSE 100 Index for the five years ended 31 December 2008



Source: Alithos Limited

The Centrica Pension Plan (CPP) (a contributory final salary arrangement) was closed to new employees on 30 June 2003. Executive Directors in office prior to this date participated in that scheme during 2008. Alternative arrangements are made for new employees, including Sam Laidlaw, Nick Luff and Mark Hanafin.

The Executive Directors are also eligible, on the same basis as other employees, to participate in the Company's HMRC-approved Sharesave and Share Incentive Plan.

DIRECTORS' EMOLUMENTS, PENSION BENEFITS AND INTERESTS IN SHARES

As at 31 December 2008	Total emoluments excluding pension 2008 £000 (i)	Total emoluments excluding pension 2007 £000 (i)	Accrued pension 2008 £pa (ii)	Beneficial interests in ordinary shares 2008 (iii) (vi)	Total matching shares under DMSS 2008 (iii) (vi)	Total allocations under LTIS and SLTIS 2008 (iv) (vi)	Total options under Sharesave 2008 (vi)	Total options under ESOS and SESOS 2008 (v) (vi)
Executive Directors								
Phil Bentley	**1,089**	1,125	146,000	1,004,410	309,992	1,081,655	3,643	2,749,588
Mark Hanafin (ii) (vii)	**788**	–	–	–	–	560,642	–	336,012
Sam Laidlaw (ii)	**1,730**	1,870	–	647,817	757,695	1,680,993	3,643	–
Nick Luff (ii)	**1,196**	989	–	368,298	417,352	726,679	7,392	–
Past Director								
Jake Ulrich (viii)	**352**	1,033	158,600	1,245,448	90,227	376,877	3,643	2,475,471
	5,155	5,017						
Non-Executive Directors								
Helen Alexander	**72**	69	–	3,465	–	–	–	–
Roger Carr	**450**	413	–	26,441	–	–	–	–
Mary Francis	**92**	84	–	3,500	–	–	–	–
Andrew Mackenzie	**60**	58	–	28,875	–	–	–	–
Paul Rayner	**78**	75	–	6,875	–	–	–	–
Paul Walsh	**60**	58	–	6,187	–	–	–	–
	812	757						
Total emoluments	**5,967**	5,774						

(i) Total emoluments for Executive Directors include all taxable benefits arising from employment by the Company, including the provision of a car (Mark Hanafin, Sam Laidlaw and Jake Ulrich were also provided with a driver for limited personal mileage), financial counselling, medical insurance and life assurance premiums. Cash payments to Mark Hanafin in lieu of bonus payable by his previous employer (for the period 1 January to 14 July 2008), and to Nick Luff in lieu of the provision of a company car, are also included.

(ii) Accrued pension is that which would be paid annually on retirement at age 62, based on eligible service to, and pensionable salary at, 31 December 2008. Sam Laidlaw is contractually entitled to a salary supplement of 40% of base pay in lieu of any pension provision. This amounted to £362,560 of which £232,500 (not included above) was paid directly by the Company into his personal pension plan. Mark Hanafin and Nick Luff are contractually entitled to a salary supplement of 40% and 30% of base pay respectively in lieu of any pension provision. Full details of the Directors' pension scheme arrangements can be found in the Annual Report.

(iii) Executive Directors' beneficial shareholdings above include those held in the Share Incentive Plan and the deferred and investment shares held in the DMSS. Full details of the DMSS can be found in the Annual Report. As at 25 February 2009, the beneficial shareholdings of Phil Bentley, Sam Laidlaw and Nick Luff had each increased by 138 shares acquired through the Share Incentive Plan.

(iv) Allocations were made under the LTIS and SLTIS on 1 April 2005, 3 April 2006, 4 September 2006, 4 April 2007, 3 April 2008, 1 September 2008 and 26 September 2008. The aggregate value of shares vested to Executive Directors under the LTIS was £587,332.

(v) Options were granted under the ESOS and SESOS on 31 May 2001, 2 April 2002, 24 March 2003, 18 March 2004, 1 April 2005, 3 April 2006 and 26 September 2008. No Executive Director exercised share options during the year.

(vi) Executive and past Directors' shareholdings, DMSS matching shares, LTIS and SLTIS allocations, Sharesave options and ESOS and SESOS options are shown as at 31 December 2008 and incorporate the impact of the Rights Issue, effective from 15 December 2008. For every eight existing Centrica plc shares held on 14 November 2008, shareholders received the right to buy three new Centrica plc shares at 160 pence per share. Conditional share awards, including the DMSS matching shares, LTIS and SLTIS allocations, Sharesave, ESOS and SESOS options were subject to an adjustment to reflect the dilutive effect of the Rights Issue on these awards and were multiplied by a factor of 1.1233, and the respective option prices of awards under Sharesave, ESOS and SESOS were multiplied by a factor of 0.8902.

(vii) An allocation of shares and an option were awarded to Mark Hanafin under the terms of the SLTIS and SESOS respectively on 26 September 2008. In accordance with the rules of each scheme there are no performance conditions attaching to the shares other than continued employment with the Company. In addition under the SLTIS in the event of a change of control the number of shares that vest will not be subject to time-apportionment.

(viii) DMSS matching shares and LTIS allocations made to Jake Ulrich on 3 April 2006 and 4 April 2007 have been time-apportioned to his date of leaving the Company on 31 July 2008, and adjusted to incorporate the impact of the Rights Issue, as outlined in note (vi).

Shareholder Information

FINANCIAL CALENDAR

22 April 2009	Ex-dividend date for 2008 final dividend
24 April 2009	Record date for 2008 final dividend
11 May 2009	AGM, Queen Elizabeth II Conference Centre, London SW1
10 June 2009	Payment date for 2008 final dividend
30 July 2009	Announcement date for 2009 interim results
11 November 2009	Payment date for proposed 2009 interim dividend

ELECTRONIC COMMUNICATIONS AND THE CENTRICA WEBSITE

At the 2007 Annual General Meeting the Company passed a resolution allowing the Centrica website to be used as the primary means of communication with its shareholders. Those shareholders who have positively elected for website communication (or who were deemed to have consented to electronic communication in accordance with the Companies Act 2006) will receive written notification whenever shareholder documents are available to view on the Centrica website.

The new electronic arrangements provide shareholders with the opportunity to access information in a timely manner and help Centrica to reduce both its costs and its impact on the environment.

The 2008 Annual Report, Annual Review and Notice of Meeting are available to view on the Centrica website at **www.centrica.com/report2008**.

The Centrica website at **www.centrica.com** also provides news and details of the Company's activities, plus information on the share price and links to its business sites.

The investors' section of the website contains up-to-date information for shareholders including comprehensive share price information, financial results, dividend payment dates and amounts, and shareholder documents.

REGISTER FOR ELECTRONIC SHAREHOLDER COMMUNICATION

- view the Annual Report on the day it is published;
- receive an email alert when shareholder documents are available;
- cast your AGM vote electronically; and
- manage your shareholding quickly and securely online.

For more information and to register visit:
www.centrica.com/shareholders

SHAREHOLDER SERVICES

Centrica shareholder helpline

Centrica's shareholder register is maintained by Equiniti, which is responsible for making dividend payments and updating the register.

If you have any query relating to your Centrica shareholding, please contact our Registrar, Equiniti:

Telephone: 0871 384 2985*
Textphone: 0871 384 2255*

Write to: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Email: centrica@equiniti.com

A range of frequently asked shareholder questions is also available at **www.centrica.com/shareholders**.

Direct dividend payments

Make your life easier by having your dividends paid directly into your designated bank or building society account on the dividend payment date. The benefits of this service include:

- there is no chance of the dividend cheque going missing in the post;
- the dividend payment is received more quickly as the cash is paid directly into the account on the payment date without the need to pay in the cheque and wait for it to clear; and
- a single consolidated tax voucher is issued at the end of each tax year, in March, in time for your self assessment tax return.

To register for this service, please call the shareholder helpline on 0871 384 2985* to request a direct dividend payment form or download it from **www.centrica.com/shareholders**.

FlexiShare

The Centrica FlexiShare service

FlexiShare is a 'corporate nominee', sponsored by Centrica and administered by Equiniti Financial Services Limited. It is a convenient way to manage your Centrica shares without the need for a share certificate. Your share account details will be held on a separate register and you will receive an annual confirmation statement.

By transferring your shares into FlexiShare you will benefit from:

- low-cost share-dealing facilities provided by a panel of independent share dealing providers;
- quicker settlement periods;
- no certificates to lose; and
- a dividend reinvestment plan – your cash dividend can be used to buy more Centrica shares (for a small dealing charge) which are then credited to your FlexiShare account.

Participants will have the same rights to attend and vote at general meetings as all other shareholders. There is no charge for holding your shares in FlexiShare, nor for transferring in or out at any time.

For further details about FlexiShare, please call the Centrica shareholder helpline on 0871 384 2985* or visit **www.centrica.com/flexishare**.

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Telephone: 0800 111 4371 Textphone: 18001 0800 111 4371

Please note that these numbers should be used to order copies of alternative formats only. For general shareholder enquiries, please use the shareholder helpline 0871 384 2985*.

* Calls to these numbers are charged at 8 pence per minute from a BT landline. Other providers' telephony costs may vary.

Centrica plc Company registered in England and Wales No. 3033654
Registered office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

www.centrica.com

we**source**it
we**generate**it
we**process**it
we**store**it
we**trade**it
we**save**it
we**supply**it
we**service**it

centrica