Centrica plc
Interim Results
for the 6 months ended 30 June 2001
(unaudited)

SUMMARY

	6 months ended 30 June 2001	6 months ended 30 June 2000 as restated	*Year ended 31 December 2000 as restated*
Turnover	**£6,753m**	£4,707m	*£9,933m*
Operating profit * (including joint ventures and associates)	**£437m**	£404m	*£526m*
Earnings*	**£343m**	£350m	*£389m*
Operating cash inflow*	**£367m**	£484m	*£1,139m*
Earnings per share*	**8.6p**	8.8p	*9.8p*
Dividend per ordinary share	**1.2p**	1.1p	*2.8p*

**before exceptionals and goodwill amortisation*

Highlights:

- **Record first half turnover and operating profit**
- **Record first half gas production**
- **British Gas energy supply operating profit up 15% despite domestic gas margin squeeze**
- **Electricity progressed from investment phase to operating profit**
- **Continued growth in the AA**
- **Strong performance from North American acquisitions**
- **Sustained investment in growth opportunities across the Group**
- **Interim dividend up by 9%**

CHAIRMAN'S STATEMENT

First Half Performance

The first six months of 2001 saw a record first half performance for Centrica in terms of revenue and operating profit despite the squeeze on margins in our UK residential gas business. First half turnover was up by 43% to £6,753 million and operating profit before exceptional charges and goodwill amortisation was £437 million, 8% above the previous year. Turnover growth excluding acquisitions and Accord was 13%. Earnings before exceptional charges and goodwill amortisation were £343 million compared with £350 million in 2000 due to the impact of higher tax charges arising from higher gas production profits.

Strategy and Outlook

Centrica's vision is to create value through the quantity and quality of its customer relationships by 'Taking Care of the Essentials' and we have continued to make good progress in delivering our strategy.

We maintained our market leadership in the supply of energy to the residential market in Great Britain in a highly competitive marketplace. Residential gas margins will show improvement in the second half with the full benefit of the April 1 price rises. Our electricity business has moved into profit and at the end of June we had more than 4.5 million customers. Following the introduction of the New Electricity Trading Arrangements (NETA), we have complemented our electricity supply activities with profits from wholesale energy trading and the acquisition of gas-fired power stations. In addition we made good progress in our British Gas Home Services business - adding value in support of our Energy business.

We continue to improve the returns on our acquisitions: the AA is performing well, both in Financial Services and Road Services. In August we acquired Halford's garages, extending our range of motoring services under the AA brand. We enjoyed a full six months of strong performance in North America, where we are building our customer base in natural gas, and continue to increase the number of customers contracted to take electricity once the Ontario market opens to competition. We have taken our first steps in acquiring a home services business in Canada to complement our energy products. We continue to look for further opportunities to expand our presence in the North American markets. Our investment in the Luminus NV joint venture in Belgium offers us a base from which we will be able to develop our continental European strategy.

We have maintained our investment commitment in Telecommunications, e-commerce and Goldfish banking, all of which are in start-up phases. For Goldfish, we are pleased that we now have a clear and orderly way forward migrating from our existing credit card service-provider to enable us to pursue our growth ambitions for the brand in partnership with Lloyds TSB. In our Telecommunications business the recent acquisition of the profitable UK One.Tel business has accelerated our plans and, with over 1 million active customers we are now in a strong position to compete. Finally, we are committing further investment in building integrated customer relationship management systems across both the British Gas and the AA brands.

In summary, we continue to invest for long term growth, both organically and by targeted acquisitions, and I believe there is considerable scope for further value creation from the Centrica business model as we benefit from our customer information, our channels to market and our brands.

Dividend

I am pleased to report the Board has declared an interim dividend for 2001 of 1.2 pence per share, an increase of 9% when compared with 2000.

CHIEF EXECUTIVE'S REVIEW

Group Results

Turnover

Group turnover from continuing operations at £6,753 million was 43% higher than in the first half of 2000. Greater energy trading activity with higher prices and volumes was responsible for a large part of the increase in turnover but there were also strong contributions from higher non-residential gas sales, growth in the electricity customer base in Great Britain and the inclusion of sales in North America.

Operating Profit

Operating profit (including joint ventures and associates, before exceptional charges and goodwill amortisation) of £437 million was £33 million better than in the first six months of 2000, with British Gas energy supply profit up by £58 million and North American energy supply profit contributing £29 million to the increase. These improvements enabled us to invest more in growing our telecommunications business (£32 million) and in the development of Goldfish (£20 million) and e-commerce activities.

Centrica has adopted mark-to-market accounting in respect of its energy trading activities and the prior year results have been restated. The effect of the restatement was to reduce profits as previously reported for both the first six months of 2000 and the year as a whole by £14 million.

Exceptional charges and goodwill amortisation

Exceptional charges of £13 million (2000: £3 million) comprised continuing costs relating to the integration of the AA, acquired in 1999.

The goodwill amortisation charge for the period was £40 million (2000: £25 million) of which £25 million related to the AA and £15 million related to energy supply in North America. Goodwill of £56 million, which arose on the Energy America acquisition completed in January, is being amortised over 15 years.

Net interest

Net interest payable was £20 million (2000: £17 million) and was covered 19 times by operating profit (including joint ventures and associates).

Taxation

The increased tax charge of £80 million (2000: £37 million) mainly related to the higher profitability of our offshore gas production activities which are ring-fenced for tax purposes. Taxable profits in other businesses are largely offset by tax losses brought forward from earlier years. We incurred tax charges of £7 million in North America.

Cash flow and balance sheet

Operating cash flow before exceptionals from continuing operations was £367 million compared with £484 million in the first six months of 2000. The decrease largely reflects petroleum revenue tax (PRT) payments of £90 million relating to our South Morecambe field and operating cash outflows within Telecommunications. These were partly offset by new cash inflows in North America.

Net assets increased by £246 million over the period to £1,439 million. Net debt reduced from £117 million as at 31 December 2000 to £87 million as at 30 June 2001.

Customer Service

Customer satisfaction with British Gas, Goldfish and AA branded services has improved. The number of complaints to energywatch was down 27% compared with the same period last year. Complaints about electricity supply were down by 54% compared with the same period last year, even though customer volumes were almost double. Home Services complaints were down by 14%, and gas supply complaints were 33% lower. The AA level of service has also improved further as measured by an external agency.

Performance by Business

UK

British Gas Energy Supply

Operating profit (including joint ventures and associates, before exceptional charges and goodwill amortisation) was £443 million, an increase of £58 million compared with the first half of 2000. Increased gas production from our own fields and positive contributions from electricity, and gas and electricity trading more than offset the effects of significant retail gas margin pressure from higher input prices and certain one-off costs affecting our gas supply business.

Gas Production

To offset the pressure on margins in our retail gas business in an environment of high market gas prices, we have worked hard to maximise production from our own fields, whilst at the same time assuring the long-term productivity of the hydrocarbon reservoirs. Production for a six month period of 2.6bn therms was a record, up 12% over the same period last year. We continue to add value to our production assets with two significant projects completed within our South Morecambe field during the period. An extended reach well, drilling some 2,500 feet out into the gas reservoir section, added some 70 billion cubic feet (bcf) of reserves, and we successfully commissioned our South Morecambe Onshore Compression project to maintain production pressure. These investments of £60 million will enhance the delivery capability of the field by some 12% this winter. Since the beginning of the year we have completed an acquisition of additional equity reserves of 80 bcf at a cost of £5.9 million.

Profits from gas production increased substantially to £336 million from £91 million in the first half of 2000, almost all of which was attributable to higher year-on-year contract prices. For segmental analysis purposes, we now transfer gas from production to other parts of the Group at the arm's-length market-related price on which tax is calculated, rather than at the uplifted internal transfer price.

Residential Energy Market Share

Our share in the residential gas and electricity energy market in Great Britain has remained at around 40% over the six months to 30 June 2001. We were supplying 4.5 million residential customers with electricity as at 30 June 2001 (31 December 2000: 4.0 million), representing a residential market share of 18%. In the residential gas market we had 13.6 million customers, representing a market share of 68% (31 December 2000: 14.0 million customers - as restated in accordance with the incoming Utilities Act definition of residential customers).

Gas Supply
Our residential gas business showed an operating profit of £58 million in the first half, compared with £305 million in the six months to June 2000, reflecting the impact of higher gas prices enjoyed by our upstream business as well as higher external gas costs and capacity costs. A residential price increase averaging 4.7% was implemented in April 2001 after the peak winter consumption period. Despite an overall loss of market share in a highly competitive market, our gas sales volumes in the residential market in Great Britain increased by 4% compared with the first six months of 2000 due to higher consumption as a result of cold weather.

In response to this competitive market place, we have been successful in reducing our residential cost-to-serve by some £46 million largely through improved productivity. In the second quarter of this year, however, we sustained a £58 million incremental cost in respect of the National Transmission System (NTS) entry capacity auction. This additional cost is expected to be recovered by the end of March 2002 through Transco price reductions.

Compared with the residential market where the industry has borne the impact of higher gas input costs, our non-residential gas business benefited from volumes up 7% and selling price increases of 25% which counteracted a substantial element of the increase in gas costs. Input costs were also adversely affected by a £21 million loss in respect of strategic positions entered into during 2000 and now terminated, and £5 million relating to the NTS auction discussed above. Operating profit declined from £45 million in the first half of 2000 to £20 million in the six months to June 2001.

The weighted average cost of gas to meet our supply requirements increased to 20.7p per therm compared with 14.3p per therm in the first six months of 2000.

Accord trading activities contributed £10 million to operating profit (first half of 2000: loss of £11 million).

Electricity Supply
Our electricity business has progressed from a loss-making investment phase to profit, even after costs of acquiring new customers in the period. Electricity operating profit was £19 million (first half of 2000: loss £45 million), on sales of 8.8 TeraWatt-hours (TWH) to an average of 4.2 million customers on supply (first half of 2000: 5.4 TWH and 2.6 million respectively). We have benefited from a fall in unit energy costs of 17% compared with those in the first half of 2000 and unit transportation and distribution costs also reduced by 13%. In the first half of 2001 a further £25 million of revenue investment was made in growing the customer base, compared with £50 million in the first half of 2000.

The New Electricity Trading Arrangements (NETA) became effective from 27 March 2001. We have introduced new electricity demand forecasting, energy balancing and settlement systems as required by NETA. These systems have operated successfully from start-up and we have managed our balancing exposure so that our overall procurement costs have fallen further.

Any potential exposure to imbalance price volatility in the early months of NETA was substantially mitigated by the use of forward contracts. Our stated risk management strategy is to own generation equivalent to 20-25% of our capacity needs. In May 2001, we acquired a 60% interest in Humber Power Limited which owns and operates a 1,260 MegaWatts (MW) gas-fuelled power plant at Stallingborough, Lincolnshire at an overall fully built up cost of £374/KiloWatt (KW). The joint venture provides us with 750MW of peak output - more than 15% of peak demand for our existing electricity customers. This power station offers us increased flexibility, long-term stability and protection against major changes in electricity price changes, and marks a significant step towards our risk management goal.

In August 2001 we announced the acquisition of leases of approximately 20 years duration over power stations in Peterborough and King's Lynn. These have a combined capacity of 705 MW.

We continue to be confident about the outlook for margins.

Accord is now trading profitably in both gas and power markets, and continued to trade record volumes.

British Gas Home Services

Home Services' turnover increased by 12% to £339 million and operating profit (before exceptional charges and goodwill amortisation) at £11 million was up £2 million on the first half of 2000.

During the first six months of 2001, the number of gas service cover contracts increased slightly to 3.28 million. We made significant progress in cross-selling new products under the British Gas brand. Plumbing contracts were up 24% to 624,000 and kitchen appliance breakdown cover contracts increased by 49% to 311,000. In June, Centrica acquired National Homecare which added a further 80,000 kitchen appliance contracts as well as a trained workforce of around 100 engineers. In the period, we have also successfully completed a pilot of a new home electrical cover product, which is being made available nationally.

British Gas central heating system installations at 51,500 were 17% up on the same period last year. Our home security business continues to be one of the UK's largest suppliers of monitored alarms for the home with installations of new British Gas security systems of over 8,000 during the period, up over 30% on the same period last year.

We are aiming to grow our revenue through increased product innovation and through tailored pricing in order to enhance margins.

AA Road Services

Road Services' turnover increased 3% to £233 million and operating profit (before exceptional charges and goodwill amortisation) at £22 million was up £4 million on the first half of 2000.

The unsettled weather in the first quarter of the year affected breakdown call volumes, which were higher than normal. Even with 2.1 million motorists breakdowns in the period, our average 'call to arrive' time was still 35 minutes.

Total AA membership grew from 10.9 million at 31 December 2000 to over 11.5 million as at 30 June 2001, of which personal and associate AA members numbered 6.5 million. Retention rates remain high at 85%. In the business to business market, further membership growth of 14% has been experienced in both fleet and manufacturer contracts, from 4.4 million at 31 December 2000 to 5.0 million at 30 June 2001.

In August we completed the acquisition of Halfords' garages – the UK's largest independent chain of car service, maintenance and repair centres - for £5.75 million. The 129 garages will be re-branded AA Service Centres and will offer our customers a high quality and trustworthy service.

We continue to believe that there is the potential to add additional higher margin motoring products and services under the AA brand, increasing profitability further.

AA Financial Services

AA Financial Services increased turnover by 15% to £69 million and made an operating profit in the period (before exceptional items and goodwill amortisation) of £16 million (first half of 2000: £15 million).

The AA remains the UK's largest independently-owned insurance intermediary with 1.5 million policies. We have rapidly developed our e-commerce capability and this growing channel accounts for 40% of all motor quotations by the AA so far this year. The UK insurance industry has recognised our success, placing our web site first in its annual awards, the second consecutive year we have won this accolade.

Compared with the first half of 2000 motor premiums are still rising sharply and, despite an intensely competitive market place, we continued to improve our motor new business with a 1.5% increase in policies, helped by the introduction of new insurers onto the panel of underwriters. The benefit from extensive advertising campaigns which have been running since April 2001 was seen in an increase of 4.9% in home insurance policies compared with June 2000.

The internet has also supported growth in our direct lending operation, run jointly with our partner, Bank of Scotland. Demand for loans is running at an all time high and the personal loan book of nearly £400 million is up 21.7% since 31 December 2000.

We believe there are further growth opportunities for the AA brand in the financial services business. An independent financial advisory business was launched in April 2001 and has promoted a number of savings, investment and assurance products to date.

Goldfish Financial Services

The operating loss of £22 million in the first half of 2001 is after incurring revenue investment costs of £20 million in developing our Goldfish banking proposition. This venture with Lloyds TSB plc, in which we hold a 70% economic interest, will combine the Goldfish brand and Centrica's customer care and marketing skills with advanced systems and banking expertise.

The Goldfish credit card has maintained its position prior to the impending termination of the joint venture with HFC Bank. At the end of June 2001 receivables were £660 million (June 2000: £585 million) and cards in force remained at just over 1 million.

In August Centrica reached an agreement whereby we acquire HFC Bank's entire rights and interest in the Goldfish credit card. HFC will receive a consideration of £85 million (net) in excess of the nominal value of the receivables of approximately £650 million. Our investment to acquire these interests will be amortised in line with generally accepted practice for similar transactions.

This agreement enables Centrica to continue with the launch of the Goldfish banking proposition with our partner Lloyds TSB. The delay in resolution of the situation with HFC has put back the first product launches of a savings account, mortgages and current accounts which are now scheduled for the first half of 2002.

Telecommunications

The telecommunications business was launched in September 2000 under the brand name 'British Gas Communications'. Turnover in the first half of 2001 was £14 million and the operating loss for the period in this start up phase was £52 million. Revenue investment of £32 million was incurred in the acquisition of customers. As at 30 June, 449,000 customers were taking services, 291,000 of whom were active in the previous 60 days.

Acquisition and retention of customers has been tougher than expected with competitor activity and the lack of both Carrier Pre-Selection (CPS) and a single telephone bill being significant contributory factors. We continue to believe that industry restructuring is required to encourage a level competitive playing field.

On 3 July, we purchased One.Tel (UK) for a consideration of £58 million including assumed net liabilities. The acquisition of One.Tel, a switched reseller and one of the largest alternative consumer telecommunications providers, resulted in a combined base of over 1 million active customers. One.Tel adds a strong telecommunications brand to the portfolio and will address customer segments which could not have been as easily reached through the British Gas brand. This acquisition enhances the product development capability of our telecommunications business, and brings forward progression from investment phase to profitability.

Other Activities

Other Activities include the AA publishing, traffic and travel, driving school, and signs businesses, and most of the Group's e-commerce developments, including theAA.com website. The operating loss (before exceptional charges and goodwill amortisation) of £10 million for the period (2000: loss £7 million) reflected principally investment of £7 million in e-commerce development.

Following a major redevelopment programme, theAA.com website was successfully re-launched in January to provide an unrivalled source of on-line traffic, travel and motoring information. Importantly, the new website has resulted in a significant increase in on-line sales of AA services, including membership and insurance, and currently has 1.2 million users per month.

The next major e-commerce roll-out will be our 'Home Essentials' portal which is expected to be launched in the fourth quarter of this year.

We will continue to invest in our e-commerce channels during the remainder of 2001.

North America Energy Supply

We have been very pleased with the progress of our North American business. Our energy supply activities - under the Direct Energy and Energy America brands - generated turnover of £432 million during the six months to June 2001. We had no equivalent activities in the first half of 2000, although the businesses we acquired had turnover of £320 million for that six month period. Operating profit in the first half of 2001 (before exceptional charges and goodwill amortisation) was £29 million, after expensing £14 million of revenue investment incurred in growing the customer base.

During the first half of the year, gas customer numbers in North America increased by a net 110,000 to 1.3 million (1.5 million Residential Customer Equivalent – adjusting small business customers to an equivalent number of households). In Canada, by 30 June 2001, over 470,000 customers in Ontario (950,000 Residential Customer Equivalent) had signed 5 year contracts to buy electricity from Direct Energy, when the power market opens, expected to be by the end of May 2002. The business continues to acquire additional electricity customers in advance of market opening. With commodity price volatility now firmly a consumer issue, price guarantee programmes, such as those developed by Direct Energy and Energy America, are emerging as the key beneficiary of deregulation and customer choice.

In line with our risk management policies, own production in Canada of 17.4 bcf provided some 23% of our supply requirements. The business had gas reserves of approximately 245 bcf (proved) and 216 bcf (probable) at 30 June 2001.

In May the company acquired the remaining 70% of Greensource Limited, a heating, ventilation and air conditioning service business based in Ontario. This acquisition will be used as the basis for developing a broader range of branded customer propositions as well as enabling cross marketing of energy and services products.

Continental Europe

In June we announced the acquisition of a 50% interest in Luminus NV, an energy supply business in Belgium. The partners in this joint venture are a consortium of five Flemish municipal utilities. This establishes a presence in Continental Europe at the formative stage of the development of a competitive market. We are working with a number of industry groups in support of a more rapid development of an effective competitive structure.

Outlook

While domestic gas margins remain affected by higher gas costs, the performance of our other businesses in the first half is encouraging and gives us the confidence to continue to invest in the growth opportunities we see across Centrica. We have a record of improving the performance of our acquisitions, notably the AA and in North America, where we are ahead of our original assumptions and look to further progress. Our strong cashflow and balance sheet enables us to consider further value-creating acquisitions in line with our stated strategy.

After our strong performance in the first half, and taking account of planned levels of investment and the outlook for gas costs, we are moving forward with confidence and expect to achieve satisfactory progress for the year as a whole.

Roy Gardner
Chief Executive
6 September 2001

Independent review report to Centrica plc

Introduction

We have been instructed by the company to review the financial information which comprises the profit and loss account, the balance sheet, the cash flow statement, the statement of recognised gains and losses and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

PricewaterhouseCoopers
Chartered Accountants

1 Embankment Place
London WC2N 6RH

6 September 2001

Notes:

(a) ***The maintenance and integrity of the Centrica plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.***

(b) ***Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.***

Summary Group Profit and Loss Account

	Notes	**6 months ended 30 June 2001 £m**	6 months ended 30 June 2000 £m as restated	*Year ended 31 December 2000 £m as restated*
Turnover:				
Continuing operations before acquisitions		**6,660**	4,707	*9,933*
Acquisitions		**93**	-	-
Continuing operations	1	**6,753**	4,707	*9,933*
Cost of sales	2	**(5,524)**	(3,588)	*(7,921)*
Gross profit		**1,229**	1,119	*2,012*
Operating costs before exceptional charges and goodwill amortisation	2	**(805)**	(723)	*(1,504)*
Exceptional charges and goodwill amortisation	3	**(53)**	(28)	*(74)*
Group operating profit		**371**	368	*434*
Share of profits less losses in joint ventures and associates – continuing operations		**13**	8	*18*
Operating profit including joint ventures and associates:				
Continuing operations before acquisitions		**383**	376	*452*
Acquisitions		**1**	-	-
Continuing operations	1	**384**	376	*452*
Net interest payable		**(20)**	(17)	*(28)*
Profit before taxation	4	**364**	359	*424*
Taxation	4,5	**(80)**	(37)	*(109)*
Profit after taxation		**284**	322	*315*
Minority interest		**6**	-	-
Profit after taxation and minority interest		**290**	322	*315*
Dividends	6	**(48)**	(44)	*(112)*
Retained profit for the financial period		**242**	278	*203*
Dividend per ordinary share	6	**1.2p**	1.1p	*2.8p*
Earnings per ordinary share:				
Basic	7	**7.3p**	8.1p	*7.9p*
Diluted	7	**7.2p**	8.0p	*7.8p*
Adjusted Basic	7	**8.6p**	8.8p	*9.8p*

Memorandum:		**£m**	£m	*£m*
Operating profit (before exceptionals and goodwill amortisation) including joint ventures and associates	1	**437**	404	*526*
Profit before tax, exceptionals and goodwill amortisation	4	**417**	387	*498*
Earnings before exceptionals and goodwill amortisation	4	**343**	350	*389*

Summary Group Balance Sheet

	As at 30 June 2001 £m	As at 30 June 2000 £m	*As at 31 December 2000 £m*
Fixed assets			
Intangible assets	**1,347**	966	*1,309*
Tangible assets	**1,841**	1,800	*1,936*
Investments	**105**	33	*57*
	3,293	2,799	*3,302*
Stocks	**140**	79	*123*
Debtors due within one year	**1,604**	1,287	*1,734*
Debtors due after more than one year	**42**	73	*43*
Cash and investments	**241**	378	*214*
Creditors due within one year	**(2,573)**	(1,715)	*(2,649)*
Net current (liabilities)/assets	**(546)**	102	*(535)*
Total assets less current liabilities	**2,747**	2,901	*2,767*
Creditors due after more than one year	**(144)**	(166)	*(170)*
Provision for liabilities and charges	**(1,164)**	(1,468)	*(1,404)*
Total Assets less Liabilities	**1,439**	1,267	*1,193*
Shareholders' funds	**1,439**	1,267	*1,193*
Minority interest	**-**	-	-
Total Capital and Reserves	**1,439**	1,267	*1,193*

Movements in Shareholders' Funds

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m as restated	*Year ended 31 December 2000 £m* as restated
Shareholders' funds at 1 January as previously stated	**1,193**	967	*967*
Prior year adjustment	**-**	14	*14*
Shareholders' funds at 1 January as restated	**1,193**	981	*981*
Profit on ordinary activities for the period	**290**	322	*315*
Dividends	**(48)**	(44)	*(112)*
Shares issued	**16**	41	*43*
Reserves transfer	**(10)**	(33)	*(34)*
Goodwill adjustment (i)	**(2)**	-	-
Shareholders' funds at period end	**1,439**	1,267	*1,193*

(i)The goodwill adjustment arose on the acquisition of the balance of 72.5% of Energy America not previously owned by the Group.

Statement of Total Recognised Gains and Losses

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m as restated	*Year ended 31 December 2000 £m* as restated
Profit for the financial period as previously stated	**290**	336	*329*
Prior year adjustment	**-**	(14)	*(14)*
Total recognised gains for the financial period	**290**	322	*315*

Summary Group Cash Flow Statement

	Note	**6 months ended 30 June 2001 £m**	6 months ended 30 June 2000 £m	*Year ended 31 December 2000 £m*
Net cash inflow from operating activities	9	**337**	441	*1,063*
Dividends received from joint ventures and associates		**13**	2	*10*
Returns on investments and servicing of finance	10	**(15)**	(9)	*(13)*
Taxation		**(32)**	(27)	*(147)*
Capital expenditure and financial investment	11	**(79)**	(55)	*(165)*
Acquisitions	12	**(103)**	-	*(590)*
Equity dividends paid		**(68)**	(60)	*(103)*
Cash inflow before financing		**53**	292	*55*
Management of liquid resources		**(37)**	(81)	*92*
Financing		**15**	(204)	*(159)*
Decrease/(increase) in net overdraft		**31**	7	*(12)*

Reconciliation of debt, net of cash and investments

	£m	£m	*£m*
Debt, net of cash and investments as at 1 January	**(117)**	(127)	*(127)*
Debt acquired	**(28)**	-	*(56)*
Net increase/ (decrease) in money market investments	**37**	81	*(92)*
Decrease/ (increase) in net overdraft for the period	**31**	7	*(12)*
Net decrease in other debt	**7**	213	*168*
Exchange adjustments	**(17)**	-	*2*
Debt, net of cash and investments as at period end (i)	**(87)**	174	*(117)*

(i) Debt, net of cash and investments, as at 30 June 2001 comprised cash and money market investments of £241 million (30 June 2000: £378 million; 31 December 2000: £214 million), less bank overdrafts and loans of £187 million (30 June 2000: £36 million; 31 December 2000: £176 million) and finance lease obligations of £141 million (30 June 2000: £168 million; 31 December 2000: £155 million).

Notes

1 Segmental analysis for the 6 months ended 30 June

	Turnover		Operating profit/(loss) before exceptional charges and goodwill amortisation		Operating profit/(loss) after exceptional charges and goodwill amortisation	
	2001 £m	2000 £m	**2001 £m**	2000 £m as restated	**2001 £m**	2000 £m as restated
UK						
British Gas Energy Supply	**5,636**	4,090	**443**	385	**441**	385
British Gas Home Services	**339**	303	**11**	9	**7**	9
AA Road Services	**233**	226	**22**	18	**(1)**	(1)
AA Financial Services	**69**	60	**16**	15	**8**	6
Goldfish Financial Services	**-**	-	**(22)**	(6)	**(22)**	(6)
Telecommunications	**14**	-	**(52)**	(10)	**(52)**	(10)
Other Activities	**30**	28	**(10)**	(7)	**(11)**	(7)
	6,321	4,707	**408**	404	**370**	376
North America						
Energy Supply						
- continuing	**339**	-	**26**	-	**13**	-
- acquisitions	**93**	-	**3**	-	**1**	-
	432	-	**29**	-	**14**	-
Total from operations	**6,753**	4,707	**437**	404	**384**	376
Continuing operations before acquisitions	**6,660**	4,707	**434**	404	**383**	376
Acquisitions	**93**	-	**3**	-	**1**	-
	6,753	4,707	**437**	404	**384**	376

1 Segmental analysis - continued for the year ended 31 December 2000

	Turnover	Operating profit/ (loss) before exceptional charges and goodwill amortisation	Operating profit/ (loss) after exceptional charges and goodwill amortisation
	2000 *£m*	*2000* *£m* *as restated*	*2000* *£m* *as restated*
UK			
British Gas Energy Supply	*8,390*	*531*	*530*
British Gas Home Services	*636*	*26*	*26*
AA Road Services	*447*	*25*	*(19)*
AA Financial Services	*128*	*24*	*7*
Goldfish Financial Services	-	*(15)*	*(15)*
Telecommunications	*1*	*(49)*	*(49)*
Other Activities	*64*	*(24)*	*(26)*
	9,666	*518*	*454*
North America Energy Supply	*267*	*8*	*(2)*
Total from operations	*9,933*	*526*	*452*

Notes:

"British Gas" includes all activities under the "British Gas", "Scottish Gas" and "Nwy Prydain" brands. Operating profit includes the share of profits less losses in joint ventures and associates.

2 Costs (before exceptional charges and goodwill amortisation)

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m as restated	*Year ended 31 December 2000 £m as restated*
Cost of sales:			
Continuing operations before acquisitions	**5,445**	3,588	*7,921*
Acquisitions	**79**	-	-
	5,524	3,588	*7,921*
Operating costs:			
Continuing operations before acquisitions	**794**	723	*1,504*
Acquisitions	**11**	-	-
	805	723	*1,504*

3 Exceptional charges and goodwill amortisation

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m	*Year ended 31 December 2000 £m*
Exceptional restructuring costs:			
- continuing operations	**13**	3	*14*
Goodwill amortisation:			
- continuing operations	**38**	25	*60*
- acquisitions	**2**	-	-
	40	25	*60*
	53	28	*74*

4 Earnings before exceptionals and goodwill amortisation

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m as restated	*Year ended 31 December 2000 £m as restated*
Profit before taxation	**364**	359	*424*
Exceptional charges and goodwill amortisation	**53**	28	*74*
Profit before taxation, exceptionals and goodwill amortisation	**417**	387	*498*
Taxation	**(80)**	(37)	*(109)*
Minority interest	**6**	-	-
Earnings before exceptionals and goodwill amortisation	**343**	350	*389*

5 Taxation

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

6 Dividends

An interim dividend of 1.2 pence per share (2000 1.1 pence) will be paid to shareholders on 28 November 2001. The final 2000 dividend of 1.7 pence per share was paid in June 2001.

7 Earnings per share

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

	6 months ended 30 June 2001		6 months ended 30 June 2000 as restated		*Year ended 31 December 2000 as restated*	
	Earnings £m	**EPS Pence**	Earnings £m	EPS Pence	*Earnings £m*	*EPS Pence*
Profit after taxation and minority interest / Basic EPS	**290**	**7.3**	322	8.1	*315*	*7.9*
Add back exceptional charges and goodwill amortisation	**53**	**1.3**	28	0.7	*74*	*1.9*
Earnings before exceptional charges and goodwill amortisation/Adjusted Basic EPS	**343**	**8.6**	350	8.8	*389*	*9.8*
Average number of shares (million) used in the calculation of basic and adjusted basic earnings per share	**3,980**		3,973		*3,976*	
Average number of shares (million) used in the calculation of diluted earnings per share	**4,050**		4,038		*4,042*	

8 Basis of preparation and accounting policy change

The unaudited financial information contained in this report does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

These results have been prepared using accounting policies consistent with those used in preparing the Group's 2000 Annual Report and Accounts, except that the policy in respect of energy trading activities has been changed to adopt mark-to-market accounting on unrealised profits and losses.

Previously, as the market for energy trading derivatives was not fully liquid, gains and losses relating to these energy-derivatives were recognised in the profit and loss account when the deals were closed out. A provision was made, however, where it was expected that a net loss would arise on settlement of the derivative contracts.

The directors now consider that the market for energy trading derivatives is sufficiently liquid to recognise movements in energy prices in the profit and loss account by marking to market both energy trading derivatives and open positions on physical energy contracts.

The impact of the change in accounting policy is set out below:

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m	*Year ended 31 December 2000 £m*
Within the profit and loss account:			
Cost of sales and profit for the financial period	**19**	(14)	*(14)*
Within the cash flow statement:			
Operating profit after exceptionals	**19**	(14)	*(14)*
Other non cash flow items	**(19)**	14	*14*
Cash inflow from operating activities	**-**	-	-

	As at 30 June 2001 £m	As at 30 June 2000 £m	*As at 31 December 2000 £m*
Within the balance sheet:			
Debtors due within one year	**19**	-	-
Total capital and reserves	**19**	-	-

9 Reconciliation of operating profit to operating cash flow

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m as restated	*Year ended 31 December 2000 £m as restated*
Group operating profit	**371**	368	*434*
Add back:			
Exceptional charges and goodwill Amortisation	**53**	28	*74*
Depreciation and amortisation	**189**	166	*326*
(Increase)/decrease in working capital	**(12)**	(132)	*250*
(Decrease)/increase in provisions	**(234)**	54	*55*
Operating cash flow before exceptionals:			
Continuing operations before Acquisitions	**368**	484	*1,139*
Acquisitions	**(1)**	-	-
Continuing operations	**367**	484	*1,139*
Expenditure relating to exceptional charges	**(30)**	(43)	*(76)*
Net cash inflow from operating activities	**337**	441	*1,063*

10 Returns on investments and servicing of finance

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m	*Year ended 31 December 2000 £m*
Interest received	**16**	22	*39*
Interest paid	**(23)**	(22)	*(34)*
Interest element of finance lease rental payments	**(8)**	(9)	*(18)*
	(15)	(9)	*(13)*

11 Capital expenditure and financial investment

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m	*Year ended 31 December 2000 £m*
Purchase of tangible fixed assets	**(78)**	(63)	*(157)*
Sale of tangible fixed assets	**1**	11	*17*
Purchase of own shares	**-**	(3)	*(23)*
Loan to a joint venture	**(2)**	-	*(2)*
	(79)	(55)	*(165)*

12 Acquisition payments

	6 months ended 30 June 2001 £m	6 months ended 30 June 2000 £m	*Year ended 31 December 2000 £m*
Subsidiary undertakings	**(41)**	-	*(516)*
Joint ventures	**(37)**	-	*(1)*
Deferred consideration	**(9)**	-	*(63)*
Total cash payments	**(87)**	-	*(580)*
Overdraft acquired	**(16)**	-	*(10)*
	(103)	-	*(590)*

Enquiries

For further information please contact:

Charles Naylor, Director of Corporate Affairs
Chris Milburn, Head of Investor Relations

Telephone:
01753 758 445 (Press)
01753 758 114 (Shareholders and Analysts)

Facsimile:
01753 758 440 (Press)
01753 758 472 (Shareholders and Analysts)

Internet:
www.centrica.com
www.gas.co.uk
www.goldfish.com
www.theAA.com

Financial Calendar

Ex-dividend date for 2001 interim dividend	10 October 2001
Record date for 2001 interim dividend	12 October 2001
Payment of 2001 interim dividend	28 November 2001
2001 Preliminary results announcement	21 February 2002
2001 Annual Report and Accounts published	End of March 2002
Annual General Meeting	13 May 2002

Registered Office

Charter Court
50 Windsor Road
Slough
Berkshire
SL1 2HA