Centrica plc

For the year ended 31 December	H2 2010	H2 2009	FY 2010	FY 2009
Revenue‡	£10.7bn	£10.3bn	£22.4bn	£22.0bn
Adjusted operating profit‡*	£827m	£912m	£2,390m	£1,857m
Total taxation charge^	£241m	£209m	£761m	£548m
Adjusted earnings◊	£411m	£574m	£1,297m	£1,111m
Adjusted basic earnings per share◊	8.0p	11.2p	25.2p	21.7p
Full year dividend per share	n/a	n/a	14.3p	12.8p

Operating and financial overview:

- Strong operational and financial result
- Continued growth in British Gas
  - 267,000 increase in residential energy customer accounts reflecting our competitive pricing position
  - Rising wholesale energy prices resulted in lower profits* in the second half of the year
  - Record levels of Services call-outs during cold weather. 265,000 increase in customer accounts in Services. Flexibility greatly enhanced through new engineer working practices
  - Further growth in British Gas Business; profit* up 25% on average over the past five years
- Delivering value from enlarged upstream business
  - Upstream gas and oil production volume up 43%; strong Morecambe performance and a full year's contribution from Venture
  - 163% production replacement ratio in UK upstream gas and oil. Excellent drilling success
  - Strong power optimisation performance in difficult market conditions
- North American performance significantly improved, particularly in residential and business energy supply. Lower wholesale prices in North America impacted the upstream business
- £1.7bn invested in 2010; £1.5bn organic investment programme for 2011
- £450m investment approved to develop York and Ensign gas fields in the UK North Sea
- Creating 2,600 skilled jobs in 2011
- Full year dividend up 12% to 14.3 pence per share

"In 2010 we delivered a strong operational and financial result, reflecting the contribution from the enlarged upstream business in the UK, together with good downstream performance in both the UK and North America. Our investment programme for 2011 and beyond will enable continued growth for the benefit of all our stakeholders, offering a competitive deal for customers, creating further job opportunities, and delivering superior financial returns for our shareholders."

Sam Laidlaw, Chief Executive

Statutory results:

- Operating profit‡: £3,074m (2009: £1,175m)
- Earnings: £1,942m (2009: £856m)
- Basic earnings per ordinary share: 37.6p (2009: 16.5p)
- Operating profit‡ includes net exceptional charges of £283m (2009: £568m)

A definition of the profit measures used throughout these results is provided in the Group Financial Review. A reconciliation between operating profit and adjusted operating profit is provided in note 6(b) and a reconciliation between the earnings measures is provided in note 11.

*Including share of joint ventures and associates stated before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic investments and exceptional items and certain re-measurements
◊As above, except joint ventures and associates stated net of interest and taxation
^Includes taxation on profit from continuing operations and tax from joint ventures and associates as reconciled in the Group Financial Review
‡From continuing operations

Centrica plc
Registered in England and Wales No 3033654
Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

Chairman's Statement

Performance review

Centrica has made great strides in 2010 towards achieving the goals we set out last year, building on our core expertise in the provision of energy and energy related services to deliver strong financial growth. Through a combination of operational excellence and carefully targeted investment, Centrica is well placed to continue to grow.

Worldwide energy markets have seen significant change during the year. While wholesale gas prices in North America have remained low mainly due to the impact of shale gas, prices in the UK are around 40% higher in 2011 than they were in 2010. With domestic sources of gas in decline and rising levels of demand in the Far East, the need for the UK to secure future supplies is essential. In the UK it is clear that Liquefied Natural Gas has an increasingly important role to play. We are therefore pleased to have concluded a contract that secures significant volumes of gas for the UK from Qatar, the world's largest exporter of LNG, sufficient to meet 10% of UK residential gas demand over the next three years.

The UK power market is entering a period of transformation. The Government's consultation on Electricity Market Reform will lead to major changes in energy policy. If the country is to meet its climate change targets, substantial reductions in carbon intensity will be needed. Centrica has a leading role to play, both upstream in gas production and power generation, and downstream in homes and businesses – securing reliable, lower carbon sources of energy for the years ahead and helping our customers take control of their energy use.

We were the first of the major suppliers to reduce gas prices for residential customers early in the year and we achieved significant growth in UK residential energy customer accounts. However the combination of higher forward energy prices and rising non-commodity costs necessitated an increase in our gas and electricity prices in December. We recognise the impact that higher energy prices have on our customers, particularly during periods of very cold weather. We continue to work closely with all our customers to help them manage their energy consumption, while targeting assistance to our most vulnerable customers, especially the elderly.

Following the investments in Venture and British Energy in 2009 we now have a more balanced business. The combination of our own gas production and a clearly differentiated mix of low carbon power generation gives us great flexibility. Most notably, the considerable success we recorded during the year in our gas and oil drilling programme is testament to the skills and expertise of our upstream team. Continued investment will enable us to replace and develop reserves where opportunities to create value have been identified.

In North America, we have taken important steps in delivering our strategy of building a larger, more vertically integrated energy business, through a combination of organic growth and acquisitions. North America presents an important opportunity for Centrica to expand our business outside the UK, by applying our core expertise in markets that are open to competition.

Dividend

The Board is proposing a final dividend of 10.46 pence per share to be paid in June 2011, bringing our full year dividend to 14.3 pence per share, an increase of 12%. This is in line with our policy of delivering sustained real growth in the ordinary dividend, and is a reflection of the significant increase in earnings we have delivered during the year.

Board changes

I am delighted to welcome two new Non-Executive Directors to the Board who bring considerable experience, skills and value, strengthen its composition and improve our Board's succession planning and diversity.

Ian Meakins was appointed as a Non-Executive Director of the Company in October. Ian is Chief Executive of Wolseley plc, the FTSE 100 heating, plumbing and building materials distributor. In December we announced the appointment of Margherita Della Valle as a Non-Executive Director of the Company, effective January 2011. Margherita is Group Financial Controller for Vodafone. They have both become members of Centrica's Audit, Nominations and Remuneration Committees.

Chairman's Statement continued

Our employees

Our people are central to the success of the Company and I thank each of our employees for their hard work and dedication, particularly during the adverse weather conditions experienced during the year, which were the worst in living memory. I am very pleased that our British Gas engineers have embraced new working arrangements which will enable us to provide a more flexible service to our customers. These are necessary changes which will set the business in good stead as we strive to provide our customers with warm, well-lit and energy efficient homes and businesses.

Community

Our work in the community is central to the way Centrica operates as an environmentally and socially responsible business. It is particularly rewarding to be able to deliver tangible improvements for the long term and to see communities embrace the opportunity to work with us.

Through our British Gas Essentials programme we have been able to help 340,000 of our most disadvantaged and vulnerable customers and provided additional direct financial support to help them through this winter, while also offering free insulation and other energy efficiency measures which will deliver a lasting benefit. We also launched our 12th annual winter campaign, in partnership with Age UK, to help the elderly reduce their winter fuel bills. The campaign distributed 350,000 packs, including advice on how to plan for cold weather and keep homes warm, and provided information on support that may be available.

Our innovative work with schools enables them to embrace new technologies, while also helping the next generation to understand the importance of energy efficiency. We have also continued our partnership with British Swimming, which benefits families across the country as well as providing support for some of our most promising athletes.

I am particularly proud of the contribution made by our employees, who have given more than 50,000 hours of their time over the year, bringing considerable skills and experience to a wide range of projects. Most notably, our employees in North America contributed over 10,000 volunteering hours in their local communities, an increase of some 70% from 2009 and a commendable achievement.

The future

Centrica has made real progress during 2010, delivering substantial growth from a more robust business. We will continue to drive improvements in the underlying business and have a full programme of investment planned for the year ahead.

We will also consult closely with the Government over Electricity Market Reform to ensure that an appropriate framework is developed - in addition to the setting of a carbon price floor - to stimulate investment in the low carbon forms of generation that will be necessary to meet the country's environmental targets. A stable regulatory climate will be essential, providing a level playing field, efficient and effective planning measures and appropriate financial incentives for industry to be able to make the long-term investments that are required, for the benefit of our shareholders and customers alike.

As we enter 2011, our integrated model leaves us well placed to manage the pressures on the downstream business from lower consumption and higher commodity prices. Our upstream activities will benefit from those higher prices, and we will look to our services and North American businesses to deliver further growth.

Sir Roger Carr, Chairman

24 February 2011

Earnings and operating profit numbers are stated, throughout the commentary, before exceptional items and certain re-measurements where applicable – see note 3 for definitions. In addition, throughout the Chief Executive's Review all references to profit, loss and earnings are stated before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and all references to profit or loss are stated before share of joint venture and associate interest and tax. All references to underlying profit in North America exclude £61m of cost incurred in 2009 relating to the write-off of final debt balances in Texas and other one-off items. The Directors believe these measures assist with better understanding the underlying performance of the Group. The equivalent amounts after exceptional items and certain re-measurements are reconciled at Group level in the Group Income Statement. Exceptional items and certain re-measurements are described in note 7. Adjusted earnings and adjusted basic earnings per share are reconciled to their statutory equivalents in note 11.

All current financial results listed are for the year ended 31 December 2010. All references to 'the prior period', 'the prior year', '2009' and 'last year' mean the year ended 31 December 2009 unless otherwise specified.

Chief Executive's Review

2010 performance

Centrica delivered a strong financial and operational performance in 2010. We reported a significant increase in year-on-year earnings in a competitive market and continued to grow our downstream operations, both in the UK and in North America. All of this has been built upon a steady improvement in customer service. Upstream, our operations have been transformed by the Venture acquisition, delivering high levels of gas and oil production, underpinned by exacting standards of reliability and safety.

UK wholesale gas prices remained relatively low during the cold weather experienced in the first quarter of the year, but then increased sharply. Gas prices were around 40% higher in the fourth quarter of the year than in the first quarter, contributing to substantially lower margins in our downstream supply business in the second half of the year. We have made good progress in expanding our energy services operation and in business energy we once again delivered strong growth.

Upstream in the UK, our gas and oil business delivered strong production performance and benefited from higher wholesale prices in the second half of the year. In UK power generation, the nuclear and wind assets in our portfolio have benefited from higher power prices. However low spark spreads led to weaker returns from our gas-fired power stations.

In gas storage, operational performance during the year was strong. Although market spreads reduced from the second quarter onwards, realisations remained high for the 2010/11 storage year, as much of Rough's capacity had already been sold at higher prices.

In North America, depressed market prices for both gas and power have led to lower returns from our North American upstream assets. However downstream we made encouraging progress, with operational improvements helping us achieve strong returns on capital employed and the acquisition of Clockwork leaving the business well placed for the future.

Strategic progress

We have made real and measurable progress towards the strategic priorities we set out a year ago, across each of our businesses. We now have a more balanced business, with the flexibility to perform well in a range of commodity price environments. With strong cash flows and diverse investment options, Centrica is positioned to deliver growth for the long term and lead the transition to a low carbon world.

Grow British Gas

British Gas has had a strong year, both operationally and financially. We played a key role in helping our customers maintain warm, well-lit homes during the exceptionally cold weather at the start and end of the year, meeting around 30% of the country's total gas demand. Our engineers reached up to 35,000 customers a day on boiler repair call-outs, around double the amount on a typical winter's day.

In residential energy, we led the market by cutting gas prices in February and achieved a significant increase in customer accounts, adding 267,000 over the course of the year. While the sharp increase in wholesale gas and power prices and non-commodity costs necessitated an increase in our retail tariffs towards the end of the year, we have made a priority of helping our customers manage their energy consumption and we have targeted help directly to our most vulnerable customers, especially the elderly. Energy efficiency measures have helped to reduce underlying average gas consumption by 22% amongst our customers over the past five years and we are actively helping our customers make further savings, with market-leading deals such as our free insulation offer for British Gas dual fuel customers. We have contributed over £80 million to provide help for those most in need, including a £50 reduction in the winter fuel bills for those on the Essentials tariff. British Gas is also committed to providing the clearest possible information on prices and energy use to our customers so that they can understand their bill and make informed choices.

In British Gas Services, we have made considerable progress, despite the challenging economic climate. The record levels of boiler repair call-outs during the cold weather incurred additional costs for the business as our engineers worked hard to reach as many of our customers as possible. In total we added 265,000 services customer accounts over the year, with growth in each of our core products, including an increase in central heating service contracts towards the end of the year. Over six million services product holdings are now

Chief Executive's Review continued

insurance based and we also agreed new working arrangements with our engineers. This will improve the flexibility and responsiveness of the service we provide to our customers. We also achieved a significant increase in the number of boiler installations, up over 30% year-on-year, following the launch of a more competitively priced offering.

In January 2011, British Gas became the new energy partner in the Nectar loyalty programme and in February 2011 we entered into a partnership with Sainsbury's Energy, offering customers the opportunity to earn additional benefits when they take our energy and services products and providing further channels for growth.

British Gas Business continues to perform very well, increasing operating profit by 27% year-on-year. A key part of its success has been our customer segmented volume-to-value strategy, which focuses on delivering high and differentiated levels of service to retain and acquire high value small enterprise, medium enterprise and multi-sites customers. Through the acquisition of Connaught's gas and electricity services business, we are also developing a complete energy solutions service for our business customers. We understand that these are difficult times for many small businesses and we have been taking the lead, through our expert credit solutions team, in providing flexible payment plans and energy efficiency advice to those business customers that need it.

It is vital that we position ourselves now in the areas that will underpin the future of British Gas – the provision of energy related services. Here we continue to make good progress. We have adopted a 'go-early' strategy, aimed at revolutionising the energy efficiency of the nation's homes. This means that we are driving ahead with the installation of smart meters and our customers will be able to take advantage of our early phase 'Green Deal' in the first half of 2011, almost two years ahead of its official launch. Customers will receive energy efficiency improvements, such as insulation and efficient heating systems, at no up-front cost, spreading the cost over future energy bills - funded by the savings they will make. During 2010, we entered into a commercial agreement with Mears, a leading participant in the social housing sector and have made a number of small acquisitions to help enhance our capability in new technologies, including micro-generation, specialist insulation and home energy management. Our Services business is an area of distinctive competitive advantage. We expect the provision of energy services to play a defining role for the energy company of the future, forming the basis for long-term growth.

Deliver value from our growing upstream business

The operational performance of the Upstream UK business was also strong. Despite lower gas prices at the beginning of the year and the effect of tight market spreads for gas-fired generation, operating profit for the business increased by 47%. This reflected a full year's contribution from the Venture acquisition, strong production volumes from the Morecambe field, a full year's contribution from our 20% stake in British Energy and the addition of Langage to our fleet of gas-fired power stations. Strong optimisation performance also helped to improve our returns.

We also had considerable success in our gas and oil drilling programme, with 11 out of 15 wells showing positive results. During 2011, at least 11 wells are scheduled to be drilled, which will help maintain Centrica's position as one of the most active drilling companies in the North Sea. We completed the £247 million acquisition of Suncor's portfolio of Trinidad and Tobago gas blocks, giving us our first producing Liquefied Natural Gas (LNG) position, and the £134 million acquisition of Shell's stake in the Statfjord field. These acquisitions, combined with our exploration success and development progress, have resulted in an increase in gas and oil reserves of 9% to 434 million barrels of oil equivalent (mmboe) in our Upstream UK business, after taking account of 53mmboe production during the year, equivalent to replacing 163% of our production. We have now also approved the development of the York and Ensign gas fields for an investment of approximately £450 million. York and Ensign offer attractive returns, and are estimated to bring over 30mmboe of reserves into production.

During the year we took 23 LNG cargoes totalling one billion therms into the Isle of Grain, enough to supply around 20% of our UK residential gas demand. We are also pleased to have signed a three year contract with

Chief Executive's Review continued

Qatargas, which will secure material volumes of LNG for the UK from Qatar. The deal will provide enough gas to meet approximately 10% of UK residential gas demand, equivalent to around 2.5 million UK households.

In power generation, nuclear now makes a significant contribution to the results of the division. Although British Energy's performance was adversely affected by an outage at the Sizewell B power station, which lasted for approximately 6 months, the business contributed over half of our power generation operating profit. We also welcome the announcement of plant life extensions for Hartlepool and Heysham 1 nuclear power stations by five years to 2019. Work continues on the new nuclear build programme. Subject to the necessary approvals and the outcome of the Government's Electricity Market Reform (EMR) consultation, a final investment decision is expected in 2012 for Hinkley Point. In offshore wind, all major contracts have now been awarded on the 270MW Lincs joint venture and onshore works have begun, with the wind farm expected to be operational by winter 2012/13. We also welcomed the news that Centrica had been awarded exclusive rights to develop up to 4.2GW of wind generation in the Irish Sea zone in the third Crown Estate Round.

In gas storage, the Rough facility once again delivered excellent operational performance, reflecting continuous investment in the asset since its acquisition. Exceptionally cold weather in the first quarter of the year resulted in record depletion by March. This was followed by a record injection season during the summer months and then unusually high levels of withdrawal in November and December. The spread between winter and summer prices has narrowed which will significantly affect the profitability of Rough in 2011 and also alters the economics of our three potential storage development projects if narrow spreads persist. We took the decision not to proceed at the present time with the Caythorpe onshore storage facility, while work continues on the Baird project, with an investment decision expected later this year.

Build an integrated North American business

In North America we have made encouraging progress. Downstream performance was particularly strong, with underlying profitability up 35%. Upstream profitability however continues to be adversely affected by low wholesale commodity prices.

Downstream, we have made significant operational progress. We have improved customer retention and cut the levels of bad debt at our residential energy supply business in Texas and we have also successfully launched a prepayment offering, a good example of our ability to apply our UK experience in the North American market. We continue to enter new markets in the US North East and now have over 100,000 customers in Pennsylvania and Maryland. However market conditions remain challenging in Ontario where the introduction of the Energy Consumer Protection Act from the start of January 2011 will make customer acquisition and retention more difficult. Business energy supply achieved strong growth, with higher volumes and improved margins through disciplined targeting of our sales activity. We will continue to focus on improving operational efficiency, using our scale to increase sales in the most attractive customer segments. In services, where we faced increased competition in the Canadian market and a slow pace of recovery in the US housing market, we improved efficiency and cost control. Following the acquisition of Clockwork in July the integration is proceeding well, making Direct Energy the market leader in the home energy services market and providing a robust platform for growth through its established franchise model.

Upstream, the continued low gas and power price environment has significantly affected our returns. However the low price environment provided an opportunity to acquire gas assets in the Wildcat Hills region of Alberta at an attractive price, providing an additional 241 billion cubic feet equivalent (bcfe) of reserves and increasing our gas reserves by over 60%. This transaction improves the level of vertical integration in the business, reduces our cost of gas and will allow Direct Energy to meet around 35% of its customers' gas demand through its own sources of production. Our power generation business again faced difficult market conditions, with low power prices in Texas affecting the profitability of our gas-fired power stations and our wind power purchase agreements. We continue to look for value-adding opportunities to increase our asset cover. However we retain a tight focus on financial discipline and will only invest where appropriate returns can be achieved.

Chief Executive's Review continued

Overall, we have continued to build our North American business during the year, through organic improvements and acquisitions, and are well positioned to make further progress.

Drive superior financial returns

We have delivered a substantial increase in earnings in 2010, making good progress across each part of the business and we expect to achieve continued growth in 2011. Market conditions remain competitive, particularly in UK downstream energy supply with pressure from rising wholesale prices. However we expect to deliver further improvements in profitability across much of the rest of the Group, building on our progress to date.

Centrica is distinctive in offering continued growth under a balanced business model with the flexibility to perform well in both high and low commodity price environments. The combination of strong cash flows with an attractive range of targeted investment options underpins the future progress of the business, for the benefit both of our customers and shareholders.

We have a full programme of investment planned for 2011, maintaining financial discipline and directing our capital to areas where the best returns can be achieved. We plan to invest up to £1.5bn in organic capital expenditure in 2011 in addition to any acquisitions made during the year. Over two-thirds of the investment is planned for our UK upstream business, including development of the York, Ensign and Rhyl gas fields together with continuing exploration and appraisal activity. In power generation, projects will include further works on the Lincs offshore wind development and ongoing preparations ahead of the new nuclear investment decision in 2012. We also continue to invest in our UK downstream businesses, our North American business, the continuous upgrade of our information systems and in new technologies to create the energy efficient homes and businesses of the future.

In summary, Centrica is well positioned to deliver growth for the long term.

Sam Laidlaw, Chief Executive

24 February 2011

Group Financial Review

Group revenue from continuing operations was up 2% to £22.4 billion (2009: £22.0 billion). Revenue increased in the Downstream UK segment as higher consumption due to cold weather and an increase in the number of residential accounts more than offset the impact of lower retail energy tariffs. Revenue increased in the Upstream UK segment mainly due to higher gas and oil volumes, partially offset by lower average realised wholesale commodity prices. In North America, revenue fell slightly as lower average customer numbers and unit retail prices more than offset higher residential and business energy consumption.

Throughout the Operating Review and Group Financial Review, reference is made to a number of different profit measures, which are shown in the table below:

Term	2010 £m	2009 £m	Explanation
Adjusted operating profit*:			
Downstream UK	**1,216**	1,011	
Upstream UK	**771**	525	
Storage UK	**169**	168	
North America	**234**	153	
Total adjusted operating profit*	**2,390**	1,857	The principal operating profit measure used by management and used throughout the Operating Review
Impact of fair value uplifts	**(118)**	(27)	Depreciation of fair value uplifts to property, plant and equipment of Strategic Investments
Interest and taxation on joint ventures and associates and other costs	**(78)**	(16)	
Group operating profitΩ	**2,194**	1,814	Operating profit from continuing operations before exceptional items and certain re-measurements, reconciled to statutory profit in the Group Income Statement
Group profitΩ	**1,221**	1,104	Profit from continuing operations before exceptional items and certain re-measurements, reconciled to statutory profit in the Group Income Statement
Adjusted earnings◊	**1,297**	1,111	Earnings before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements, reconciled to statutory profit in note 11
Statutory profit	**1,942**	856	Profit including discontinued operations, exceptional items and certain re-measurements

Total adjusted operating profit* was up 29% to £2,390 million (2009: £1,857 million) as profitability* increased in all segments. In Downstream UK, higher customer accounts and consumption and lower total costs more than offset reduced unit prices and a cost of £167 million relating to the closing out of some out-of-the-money contracts for delivery of gas mainly during 2011 and 2012. In Upstream UK, the impact of the acquisitions of Venture and British Energy in 2009 more than offset lower achieved selling prices reflecting wholesale market conditions. In North America, continued operational improvements and organic growth downstream more than offset the impact of low commodity prices on the upstream gas and power businesses. Group operating profitΩ from continuing operations was up 21% at £2,194 million (2009: £1,814 million) reflecting the increase in adjusted operating profit*, a full year of depreciation of fair value uplifts following the acquisitions of Venture and British Energy in 2009, higher associate interest and taxation following the British Energy transaction and higher joint venture interest and tax following the refinancing of the our wind portfolio in 2009.

Group profitΩ on a continuing basis was up 11% to £1,221 million (2009: £1,104 million). This reflects the increased Group operating profitΩ offset by increased interest and tax expense. Net interest cost was £265 million (2009: £179 million), including the net cost of early debt repayments of £51 million during the year. The

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

◊As above, except after other costs and share of joint ventures and associates stated net of interest and taxation

ΩIncluding share of joint ventures and associates stated net of interest and taxation and before exceptional items and certain re-measurements

^Including tax from share of joint ventures and associates and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Group Financial Review continued

taxation charge was £708 million (2009: £531 million) reflecting the increased pre-tax profit[Ω] including a larger proportion of more highly taxed upstream and North American profits[Ω], partially offset by the release of £62m of surplus provisions following agreement of our UK tax returns up to 2007. The resultant effective tax rate[^] for the Group was 37% (2009: 33%). The effective tax rate calculation is shown on the table on page 11.

Reflecting all of the above, adjusted earnings increased by 17% to £1,297 million (2009: £1,111 million) while adjusted earnings per share (EPS)[◊] increased to 25.2 pence (2009: 21.7 pence).

The statutory profit for the year was £1,942 million (2009: £856 million). The reconciling items between Group profit[Ω] and the statutory profit are related to exceptional items, certain re-measurements and discontinued operations. The significant increase compared with the 2009 statutory profit was principally due to the net gain on certain re-measurements of £891 million (2009: net loss of £179 million), as well as the increase in underlying profitability. The Group reported a statutory basic EPS of 37.6 pence, up from basic EPS of 16.5 pence in 2009.

In addition to the interim dividend of 3.84 pence per share, we propose a final dividend of 10.46 pence, giving a total ordinary dividend of 14.3 pence for the year (2009: 12.8 pence), an increase of 12%.

Net cash flow from operating activities stood at £2,683 million (2009: £2,647 million). In 2009, operating cash flow included £261 million from discontinued operations compared with £7 million in 2010 so the improvement in operating cash flow reflects higher levels of cash generated from continuing operations.

The net cash outflow from investing activities was £1,839 million (2009: £4,520 million), as described in the business combinations and capital expenditure section on page 10. The 2009 comparator included the acquisition of Venture and the investment of 20% in British Energy.

There was a net cash outflow from financing activities of £1,677 million (2009: inflow of £304 million). This reflects the fact that there was a net cash outflow from a reduction in debt during the year of £684 million (2009: inflow from an increase in debt of £993 million) mainly reflecting the early debt repayments in the year.

The Group's net debt level at 31 December 2010 was £3,312 million (2009: £3,136 million). This increase was due to cash flows described above and revaluation of foreign currency denominated borrowings.

During the year net assets increased to £5,819 million from £4,255 million as at 31 December 2009, reflecting the levels of retained profits during the period.

Exceptional items

Net exceptional charges from continuing operations before tax of £283 million were incurred during the year (2009: £568 million). A further charge of £35 million was recorded to provide against the onerous gas procurement contract in the industrial and commercial segment of Upstream UK. The provision for North American wind power purchase agreements was increased by £67 million following deterioration in North American power prices, to reflect the fair value of the obligation to purchase power above its net realisable value. Impairment charges of £96 million relating to UK generation, exploration and production assets in the UK were incurred as a result of low spark spreads and updated reserves data and changes to infrastructure development expectations. Impairment charges of £67 million relating to North American exploration and production assets were incurred as a result of declining commodity prices. Additionally an exceptional charge of £43 million relating to a major contract renegotiation in Downstream UK was recorded. The Group disposed of its investment in Hummingbird Oil Pte, which was acquired as part of the wider Venture acquisition in 2009. This resulted in a profit on disposal of £25 million.

Certain re-measurements

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

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

◊As above, except after other costs and share of joint ventures and associates stated net of interest and taxation

ΩIncluding share of joint ventures and associates stated net of interest and taxation and before exceptional items and certain re-measurements

^Including tax from share of joint ventures and associates and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Group Financial Review continued

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[Ω] 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.

The statutory results include net credits to operating profit relating to these re-measurements of £1,163 million (2009: charges of £71 million) from continuing operations. As gas and power were delivered under these contracts, net out-of-the-money mark-to-market positions from year end 2009 were unwound generating a net credit to the Income Statement in the period of £1,023 million (2009: £928 million). As forward prices increased in the second half of the year the portfolio of contracts fair valued under IAS 39 reported a net credit on revaluation of £130 million (2009: charge of £1,097 million, following a deterioration in prices). A credit of £24 million (2009: charge of £28 million) reflects positions relating to cross-border capacity and storage contracts. There were also net losses arising on re-measurement of associates' energy contracts (net of taxation) of £14 million (2009: £9 million) and net credits on re-measurement on energy contracts of discontinued operations after taxation of £67 million (2009: net charge of £107 million).

Business combinations and capital expenditure

On 5 August 2010, the Group acquired full control of a business constituting a portfolio of interests in a number of gas assets located off the coast of Trinidad and Tobago for total cash consideration of $375 million (£247 million). The portfolio consists of a producing gas field which supplies gas into the Atlantic LNG facility as well as areas of development and exploration. The acquisition increases the gas reserves of the Group and provides access to the Atlantic basin LNG market. The acquisition is included within the Upstream UK – Upstream gas and oil segment.

On 30 September 2010, the Group acquired full control of a business constituting a portfolio of interests in a number of gas assets located in the Wildcat Hills region of Alberta for total cash consideration of CAN$352 million (£218 million). The package of natural gas assets consists of 97 producing wells and working interests in three processing facilities. The acquisition increases the natural gas reserves of the Group and provides additional gas to meet supply requirements of the North American retail customers. The acquisition is included within the North America upstream and wholesale energy segment.

On 1 July 2010, the Group acquired the business and net assets of Clockwork Home Services Inc and 100% of the shares of Air Time Canada Inc, together known as Clockwork. The total cash consideration for the acquisition was US$183 million (£122 million), which includes deferred consideration of US$17 million (£11 million) payable in 2012. Clockwork provides heating, air conditioning, ventilation, plumbing and electrical services in the US and Canada. The acquisition supports the Group's existing home services business in the US and Canada by providing increased geographical coverage, as well as expanding our shared expertise.

The Group completed its sale of its Spanish business, Centrica Energía S.L., for total proceeds of £29 million, including a dividend of £17 million which was paid before the business was disposed of. The sale resulted in a £6 million loss on disposal. It also continued with the process to sell its business in the Netherlands, Oxxio B.V..

During the year, a number of other smaller acquisitions were completed for total cash consideration of £29 million.

Details of capital expenditure are provided in note 6(e).

Principal risks and uncertainties

The Group's risk management process remains unchanged from 31 December 2009. A description of the impact of volatility in wholesale commodity prices and other risks on the Group's financial risk management processes is included in note 4.

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

◊As above, except after other costs and share of joint ventures and associates stated net of interest and taxation

ΩIncluding share of joint ventures and associates stated net of interest and taxation and before exceptional items and certain re-measurements

^Including tax from share of joint ventures and associates and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Group Financial Review continued

Capital management

Details on the Group's capital management are provided in note 5.

Accounting policies

UK listed companies are required to comply with the European regulation to report consolidated financial statements in conformity with International Financial Reporting Standards (IFRS). The Group's significant accounting policies, including changes of accounting presentation, are explained in note 3.

Effective tax rate reconciliation

The table below shows a reconciliation of the adjusted effective tax rate:

Term	2010 £m	2009 £m
Taxation on profit from continuing operations	**708**	531
Tax impact of depreciation on Venture fair value uplift	**30**	10
Share of joint ventures / associates taxation	**23**	7
Adjusted tax charge from continuing operations^	**761**	548
Adjusted operating profit*	**2,390**	1,857
Share of joint ventures / associates interest	**(55)**	(4)
Other	**-**	(5)
Net interest expense	**(265)**	(179)
Adjusted profit from continuing operations before taxation	**2,070**	1,669
Adjusted effective tax rate^	**37%**	33%

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

◊As above, except after other costs and share of joint ventures and associates stated net of interest and taxation

ΩIncluding share of joint ventures and associates stated net of interest and taxation and before exceptional items and certain re-measurements

^Including tax from share of joint ventures and associates and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review

Downstream UK

British Gas had a strong year, both operationally and financially. In residential energy supply, our focus on customer service, innovation, and a competitive pricing position resulted in a higher number of accounts. In a year of exceptionally cold weather, average gas consumption rose by 11%, more than offsetting the underlying savings in consumption made by customers as a result of energy efficiency improvements. In business energy supply we focus the business on three customer segments - small enterprise, medium enterprise and multi-site customers. This has allowed us to deliver high and differentiated levels of customer service and to pursue a volume-to-value strategy, which focuses on retaining and acquiring high value customers in each segment. We also took a material step forward in our ambition to build a larger scale business energy services presence, with the Connaught transaction. In residential services, we achieved a further increase in the number of customer account holdings, reflecting our commitment to continually improve the responsiveness and quality of service we provide to our customers.

Overall, the number of British Gas accounts increased by 529,000 during 2010, while the number of 'joint product' households, those who take both an energy and a services product from us, increased by 121,000. The number of residential energy accounts on supply increased by 267,000, mainly as a result of a strong competitive pricing position for most of the year following our market leading price reduction early in February. In common with the rest of the industry, we face higher forward market wholesale gas and power prices and rising non-commodity costs, such as network charges and environmental obligations. These increases in costs necessitated a 7% increase in our gas and electricity prices, which took effect in December.

In residential services the number of product holdings increased by 265,000 to over 8.7 million with improved retention rates and continued sales of services products to energy customers. Despite the challenging economic climate, sales of central heating service contracts towards the end of the year were strong. Over six million of our services contracts are now insurance based, meaning we are able to offer most customers a more flexible product range. We also reached agreement with our service and repair engineers regarding new contract terms and conditions, enabling us to offer greater flexibility to meet increased customer demand for evening and weekend appointments and during peak winter periods. During the sustained period of cold weather in December we received record levels of breakdown call-outs, 25% higher than the corresponding period in December 2009. Following improved preparation for peak periods of demand our engineers were able to visit up to 35,000 customers a day despite facing difficult driving conditions, around double the amount normally visited on a typical winter's day, as we prioritised work to reach vulnerable customers first.

The number of central heating systems installed was up by over 30% on the prior year, reflecting higher lead conversion resulting from a more competitively priced product offering, as well as the Government's boiler scrappage scheme.

In January 2011 British Gas became the new energy partner in the Nectar loyalty programme offering customers the opportunity to earn additional benefits when they take our energy and services products and in February 2011 we entered into a partnership with Sainsbury's Energy. These partnerships provide us with new channels for account growth.

In business energy supply, customer supply points were broadly unchanged since the start of the year at 1.04 million, as we continued to focus on increasing the value of our customer base rather than increasing customer numbers. Increased demand forecasting accuracy and tighter hedging have also contributed to an improved level of profitability*, whilst reducing the overall risk in the business model. In business services we significantly enlarged the scale of our activities with the acquisition of the assets of Connaught's gas and electricity services business in October. The transaction included more than 20,000 customer contracts, together with a workforce of over 400 engineers. This is a significant step forward in our goal to build a complete energy solutions business for commercial customers. We also acquired JK Environmental Services (UK) Ltd, a company which provides environmental services, sewer cleaning and tankering to the business market, with a particular focus on water and sewerage companies.

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

We have made good progress during the year in those areas that will underpin the future growth of British Gas and we remain committed to lead the industry in energy efficiency and enabling new technologies. During the year we announced an arrangement with Mears, a leading provider of repairs and maintenance services to the social housing sector. British Gas and Mears now jointly bid on repair and maintenance contracts, with British Gas delivering energy services as well as providing access to CERT, CESP, Feed-in tariff and, from April 2011, Renewable Heat Incentive (RHI) funding. In January 2011 we won the contract to run the Welsh Assembly Government's new fuel poverty programme. We also retained the Scottish Government's flagship fuel poverty scheme – the Energy Assistance Package – under which we will provide insulation and energy efficient heating and hot water systems to over 30,000 households across Scotland over the next three years.

We continued to build our insulation capability. In April we acquired Hillserve Ltd, an insulation business operating in the North West of England and Wales, while in December we acquired ECL Contracts Ltd, a specialist provider of solid wall insulation solutions and external cladding for both commercial and residential buildings. We now operate nationally from 12 regional areas, employ over 750 people and in total we provided insulation for 237,000 homes during the year.

In March we announced our strategy to build momentum for an early roll-out of smart meters in the UK, and consequently shared our smart metering technical standards with the rest of the industry and announced the companies we would be partnering in the initial stage of the roll-out. We have installed over 250,000 smart meters for homes and businesses to date, with a target of installing two million smart meters by the end of 2012, to help meet the Government's target date of 2020 for all UK households to have a smart meter installed. In October we announced that we had acquired an equity stake in AlertMe, a provider of home energy management services. British Gas customers will be able to gain access to AlertMe's innovative product portfolio, helping them to reduce energy consumption.

We also continue to enhance our capabilities in new technologies. In October, alongside our partners Thames Water and Scotia Gas Networks, we delivered the UK's first plant to inject renewable gas (biomethane) into the grid, while in November we acquired the assets of Cool Planet Technologies Limited, a heat pump installation company, which should benefit from the introduction of RHI funding. We are one of the largest installers of solar photovoltaic panels in the UK and retain interests in Biomass through a stake in Econergy. We are also able to offer our customers Stirling Engine boilers via our partnership with Baxi and also retain an interest in fuel cell boilers, for which commercial trials have commenced, through our equity stake in Ceres Power Holdings plc.

Operationally we continue to perform well. Health and safety remains critical to the success of British Gas and we have a good safety record, with lost time incidents continuing to fall across British Gas despite the high number of boiler breakdown call-outs during the cold weather. We were once again recognised by the Great Places to Work Institute as one of the 'UK's 50 Best Workplaces', and our Cardiff call centre was recognised as 'Call Centre of the Year' in the 2010 European Call Centre Awards for the second year in a row.

The Net Promoter Score (NPS) for our services business remained high, at 52%, while the NPS for both British Gas Residential and British Gas Business increased substantially during the year. For the second year running we were placed top of the Morgan Stanley Energy Supply survey for customer service and loyalty, increasing our lead following further improvements. Our online platform continues to improve, and self serve transactions now account for around 40% of all customer contacts, with the number of meter reads submitted, payment transactions and Annual Services Visits (ASVs) booked online all increasing substantially year-on-year.

Gross revenue in the period was slightly up at £12,730 million (2009: £12,565 million), with lower average retail tariffs for both residential and business energy customers being offset by services growth and higher weather related consumption in energy. Operating profit* increased by 20% to £1,216 million (2009: £1,011 million).

Residential energy supply operating profit* increased by 24% to £742 million (2009: £598 million) and operating margin increased to 8.9% (2009: 7.6%). Energy efficiency measures continue to deliver underlying reductions in energy consumption, however average gas consumption increased by 11% and average electricity consumption increased by 2%, reflecting the exceptionally cold weather at the beginning and end of

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

the year. As a result of our industry leading price reduction in February, the revenue per therm fell by 5% and revenue per kilowatt hour fell by 2% although higher customer numbers and higher weather related consumption resulted in an increase in gross revenue to £8,359 million (2009: £7,911 million). Overall, costs increased by 4% to £7,617 million (2009: £7,313 million), as lower unit commodity costs for gas and electricity were more than offset by higher weather related consumption, a cost of £167 million relating to the closing out of some out-of-the-money contracts for delivery of gas mainly during 2011 and 2012, a 16% increase in electricity transmission and metering costs, higher environmental costs, and incremental expenditure on social and community programmes.

During 2010 we contributed a total of £80 million to provide help for those most in need, including an additional £50 reduction off the winter fuel bills of each of our most vulnerable customers, the 340,000 on the Essentials tariff, and a £20 million donation to the British Gas Energy Trust. Our social spend has far exceeded our commitment to Government in each of the past two years. We also announced in September that we would 'go early' on the Government's proposed Green Deal, with a £30 million investment, and also made a £15 million investment to install solar panels for schools.

Residential services revenue rose by 9% to £1,464 million (2009: £1,338 million) reflecting the increase in the contract base and the number of boilers installed. Operating profit* increased to £241 million (2009: £230 million), with operating margin remaining strong at 16.5% (2009: 17.2%). We incurred additional costs as a result of the higher number of engineer call outs due to the cold weather at the beginning and end of the year, partially offset by receipts from a cold weather hedge contract with the residential energy supply business.

Business energy supply and services gross revenue fell by 12% to £2,907 million (2009: £3,316 million) as the impact of lower commodity prices flowed through to the end consumer. This also reflects our segmented strategy to move away from high consuming, single-site industrial customers to lower consuming multi-site customers, where our retail skills give us a significant competitive advantage. Operating profit* increased by 27% to £233 million (2009: £183 million) and operating margin increased to 8.0% (2009: 5.5%). This reflects higher weather related gas and electricity volumes and our strategy to retain and acquire high value customers. Overall, operating profit* for business energy supply and services has increased by an average of 25% each year over the past five years.

Cost control remains a key focus, allowing us to reinvest in the business to drive growth in key areas including investments to improve customer service, to improve our online capability and in new markets. We also continue to monitor our debt collection rates closely, providing flexible payment plans and advice for customers struggling to pay their bills on time. Therefore despite the challenging macroeconomic environment we have been able to limit the impact of bad debt on our operations.

Total downstream UK

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Total customer accounts ('000)	**25,740**	25,211	2.1	25,740	25,211	2.1
Total customer households ('000)	**12,206**	12,226	(0.2)	12,206	12,226	(0.2)
Joint product households ('000)	**2,164**	2,043	6	2,164	2,043	6
Gross Revenue (£m):	**12,730**	12,565	1.3	5,996	5,688	5
Operating cost (excluding bad debt) (£m)	**1,358**	1,313	3.4	661	652	1.4
Operating profit (£m)*	**1,216**	1,011	20	374	539	(31)

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

Residential energy supply

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Customer accounts (period end):						
Gas ('000)	**9,332**	9,378	(0.5)	9,332	9,378	(0.5)
Electricity ('000)	**6,646**	6,333	4.9	6,646	6,333	4.9
Total ('000)	**15,978**	15,711	1.7	15,978	15,711	1.7
Estimated market share (%):						
Gas	**42.4**	42.8	(0.4) ppts	42.4	42.8	(0.4) ppts
Electricity	**25.3**	24.0	1.3 ppts	25.3	24.0	1.3 ppts
Average consumption:						
Gas (therms)	**564**	506	11	245	211	16
Electricity (kWh)	**3,982**	3,892	2.3	1,970	1,932	2.0
Total consumption:						
Gas (mmth)	**5,291**	4,771	11	2,294	1,983	16
Electricity (GWh)	**26,002**	24,021	8	13,016	12,106	8
Gross Revenue (£m):						
Gas	**5,570**	5,286	5	2,460	2,197	12
Electricity	**2,789**	2,625	6	1,416	1,288	10
Total	**8,359**	7,911	6	3,876	3,485	11
Transmission and metering costs (£m):						
Gas	**1,231**	1,239	(0.6)	620	612	1.3
Electricity	**714**	617	16	378	313	21
Total	**1,945**	1,856	4.8	998	925	8
Operating profit (£m)*	**742**	598	24	157	300	(48)
Operating margin (%)	**8.9**	7.6	1.3 ppts	4.1	8.6	(4.5) ppts

Residential services

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Customer product holdings (period end):						
Central heating service contracts ('000)	**4,684**	4,598	1.9	4,684	4,598	1.9
Kitchen appliances care (no. of customers) ('000)	**438**	433	1.2	438	433	1.2
Plumbing and drains care ('000)	**1,781**	1,724	3.3	1,781	1,724	3.3
Home electrical care ('000)	**1,480**	1,430	3.5	1,480	1,430	3.5
Other contracts ('000)	**335**	268	25	335	268	25
Total holdings ('000)	**8,718**	8,453	3.1	8,718	8,453	3.1
Domestic central heating installations ('000)	**124**	95	31	71	52	37
Gross Revenue (£m):						
Central heating service contracts	**774**	725	7	403	366	10
Central heating installations	**324**	289	12	180	157	15
Other	**366**	324	13	190	169	12
Total	**1,464**	1,338	9	773	692	12
Engineering staff employed	**9,954**	9,295	7.1	9,954	9,295	7.1
Operating profit (£m)*	**241**	230	5	132	121	9
Operating margin (%)	**16.5**	17.2	(0.7) ppts	17.1	17.5	(0.4) ppts

Business energy supply and services

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Customer supply points (period end):						
Gas ('000)	**389**	400	(2.8)	389	400	(2.8)
Electricity ('000)	**655**	647	1.2	655	647	1.2
Total ('000)	**1,044**	1,047	(0.3)	1,044	1,047	(0.3)
Average consumption:						
Gas (therms)	**3,152**	3,134	0.6	1,368	1,295	5.6
Electricity (kWh)	**29,326**	32,275	(9)	14,415	15,947	(10)
Total consumption:						
Gas (mmth)	**1,250**	1,275	(2.0)	538	519	3.7
Electricity (GWh)	**19,060**	20,512	(7)	9,388	10,245	(8)
Gross Revenue (£m):						
Gas	**1,062**	1,170	(9)	459	454	1.1
Electricity	**1,845**	2,146	(14)	888	1,057	(16)
Total	**2,907**	3,316	(12)	1,347	1,511	(11)
Transmission and metering costs (£m):						
Gas	**189**	204	(7)	88	97	(9.3)
Electricity	**382**	418	(9)	184	208	(12)
Total	**571**	622	(8)	272	305	(11)
Operating profit (£m)*	**233**	183	27	85	118	(28)
Operating margin (%)	**8.0**	5.5	2.5 ppts	6.3	7.8	(1.5) ppts

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

Upstream UK

Our UK upstream business performed strongly during 2010. Upstream gas and oil production volumes were up 43%. Reserves increased by 9% over the year, equivalent to replacing 163% of our production, through acquisitions and a focused drilling programme. The power generation business achieved high reliability from both our gas-fired and wind assets. Operating profit* for the Upstream UK business was up 47% to £771 million (2009: £525 million) with the impact of lower realised gas and power prices being offset by higher gas production volumes from Morecambe and a full year's contribution from Venture, together with higher power generation volumes following the acquisition of a 20% equity stake in British Energy.

Upstream gas and oil

Our gas and oil business had a good year operationally, with strong production performance and considerable drilling success. Our upstream capabilities are much enhanced following the integration of Venture and staff retention has remained high, giving us the depth of expertise required to be a leading operator in the UK, Norway, The Netherlands and Trinidad and Tobago. The business is led from Aberdeen, operating with the pace and flexibility required to take advantage of the available opportunities.

During the year we continued to make progress on our gas development projects. The third and fourth development wells at our Chiswick field in the North Sea were successfully drilled and brought on stream, while both the Eris and Ceres gas fields and the non-operated Babbage field produced first gas in 2010. We successfully installed the F3-FA platform in The Netherlands, with the field producing first gas in January 2011, and we have now approved field development on the York and Ensign gas fields and expect to make a final investment decision on Rhyl in the first quarter of 2011. Development of York and Ensign will require an investment of approximately £450 million, over half of which will be in 2011. These projects offer attractive returns, and are estimated to bring over 30mmboe of reserves into production.

Overall during the year our focused exploration and appraisal programme delivered a high level of drilling success, with 11 out of 15 operated and non-operated wells showing positive results. Successful appraisal drilling in the western region of the Cygnus field was completed during the first half of the year. We had discoveries at the Olympus and Fulham prospects in the UK North Sea and the Fogelberg, Maria and David prospects in Norway. However exploration drilling on the Alcyone, Morpheus, Caerus and Halley Delta prospects were unsuccessful. In total 31mmboe of 2P reserves were added as a result of drilling activity in 2010 and we plan to drill at least 11 wells during 2011. This will help maintain Centrica's position as one of the most active drillers in the North Sea.

In August we completed the acquisition of Suncor's portfolio of Trinidad and Tobago production, development and exploration assets, announced in February, providing us with access to one of the Atlantic Basin's key LNG export areas. In December we completed the acquisition of Shell's stake in the Statfjord field, announced in September, doubling our interest. These two acquisitions, combined with organic development progress, have resulted in a 9% increase in our European and Trinidad and Tobago reserves, to 434mmboe. After taking account of 53mmboe of production during the year, this equates to a production replacement ratio of 163%.

Total gas and liquids production volumes increased by 43%, with gas volumes up 48% at 2,533 million therms (mmth) (2009: 1,708mmth), and oil and condensate volumes up 26% to 11.1mmboe (2009: 8.8mmboe), reflecting the acquisition of Venture in 2009, strong asset performance and higher volumes from Morecambe, which was shut in for parts of 2009. The average achieved gas sales price was down 15% at 41.6 pence per therm (p/th) (2009: 48.9p/th) reflecting a benefit in the prior year from forward gas sales entered into when the gas price was materially higher. The average achieved oil and condensate price was £46.8 per barrel of oil equivalent (boe) (2009: £38.1/boe) reflecting an increase in the global oil price.

Overall operating profit* for our upstream gas and oil business increased by 31% to £581 million (2009: £444 million) as higher production volumes offset a lower achieved gas price. Production costs increased to £980 million (2009: £734 million) reflecting higher production volumes following the Venture acquisition. Unit production costs fell reflecting a higher proportion of production from the lower cost Morecambe field.

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

Power generation

Low gas prices and healthy UK system margins for most of the year led to relatively low market power prices and spark spreads. Our CCGT fleet reliability remained high at 97% (2009: 97%) however gas-fired generation volumes decreased slightly to 22.8TWh (2009: 23.2TWh), despite the commissioning of the Langage gas-fired power station. Most of our CCGT portfolio ran peak running patterns and consequently the average load factor fell to 56% (2009: 69%). The average spark spread achieved declined slightly to £11.6 per megawatt hour (MWh) (2009: £11.7/MWh) which represents a 62% premium to average market spreads, reflecting optimisation and volumes sold at peak prices.

The availability of our joint venture wind assets remained high throughout the year, however unfavourable weather patterns resulted in a lower overall load factor of 29% (2009: 32%). Early in 2010 we completed the joint venture agreement with DONG and Siemens Project Ventures for the development of the Lincs 270MW offshore wind project. All major contracts for this project were awarded during the first half of the year and onshore works are ongoing. We expect the wind farm to be operational by winter 2012/13. We also welcomed the news that Centrica had been successful in the Crown Estate's Round 3 offshore wind tendering process, having been awarded exclusive rights to develop up to 4.2GW in the Irish Sea zone. Round 3 development projects are expected to commence no earlier than 2016.

In nuclear, our 20% equity share of the output from the British Energy fleet was 9.7TWh in 2010. Output was adversely impacted by a number of outages, the most significant being at the Sizewell B power station, which was shut down for approximately six months during the year for inspection and repair of the pressuriser. The average achieved power price in 2010 was £42.9/MWh reflecting the baseload market power price and the extent to which power had been forward sold by British Energy before the acquisition in 2009. In December we welcomed the announcement of plant life extensions until 2019 for Hartlepool and Heysham 1 nuclear power stations.

Work continues on new nuclear build. Site investigation works have now been completed at Hinkley Point and planning permission for some preparatory works has been received. Key contracts have been put out to tender, including the main civil engineering works. Subject to the necessary approvals and the outcome of the Government's EMR consultation, a final investment decision is expected in 2012 for Hinkley Point.

Overall operating profit* for the period was £226 million (2009: £147 million), reflecting the inclusion of a full year of output from British Energy, which contributed over half of the operating profit* of the power generation business. The profitability* of our gas-fired fleet was slightly down reflecting low market spark spreads while wind profitability* was also down due to the impact of low wind yields and the sale of 50% of our interests in the Glens of Foudland, Lynn and Inner Dowsing wind assets at the end of 2009.

Industrial and commercial

This segment includes legacy gas sales contracts, LNG activity, our German wholesale business and the Rijnmond 2 gas-fired power station tolling agreement. The legacy gas sales contracts achieved an average sales price of 48.4p (2009: 45.8p) reflecting the index-linked pricing mechanisms within the contracts. Sales volumes were lower, at 1,070mmth (2009: 1,268mmth) as the majority of these contracts ended during the second half of 2010. As a result, the remaining activities in this segment will be reported in either the upstream gas and oil segment or power generation segment respectively in 2011.

During 2010 we took 23 LNG cargoes into the Isle of Grain (2009: 15) totalling one billion therms, reflecting favourable prices in the UK compared to other global markets. Overall the industrial and commercial segment delivered an operating loss* of £36 million (2009: operating loss* of £93 million).

Proprietary energy trading

Our proprietary trading business broke-even in 2010 (2009: operating profit* £27 million), reflecting continuing difficult trading conditions. From 2011, proprietary trading profits* will be reported in the upstream gas and oil and power generation segments respectively.

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

Total upstream UK

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Operating profit (£m)*	**771**	525	47	286	191	50

Upstream gas and oil

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Gas production sales volumes (mmth)						
Morecambe	**1,381**	847	63	645	294	119
Other	**1,152**	861	34	567	475	19
Total	**2,533**	1,708	48	1,212	769	58
Average gas sales price (p/therm)	**41.6**	48.9	(15)	43.6	40.5	8
Oil and condensate production sales volumes (mmboe)	**11.1**	8.8	26	5.1	5.6	(9)
Average oil and condensate sales price (£/boe)	**46.8**	38.1	23	52.6	43.0	22
Production costs (£m)	**980**	734	34	509	447	14
Operating profit (£m)*	**581**	444	31	267	98	172
Estimated net proven and probable reserves of gas (BCF)	**2,187**	2,018	8	nm	nm	nm
Estimated net proven and probable reserves of liquids (mmboe)	**69**	63	10	nm	nm	nm

Reserves include Rough cushion gas

Power generation

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Power generated (GWh)						
Gas-fired	**22,786**	23,203	(1.8)	10,458	13,552	(23)
Renewables	**493**	821	(40)	284	435	(35)
British Energy	**9,655**	1,128	nm	4,695	1,128	nm
Total	**32,934**	25,152	31	15,437	15,115	2.1
Achieved Clean Spark Spread (£/MWh)	**11.6**	11.7	(1)	11.4	11.7	(2.6)
Achieved power price (including ROC's) (£/MWh) - renewables	**109.1**	97.3	12	119.4	91.2	31
Achieved power price (£/MWh) - British Energy	**42.9**	45.9	nm	42.9	45.9	nm
Operating profit (£m)*	**226**	147	54	99	104	(5)

Industrial and commercial

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
UK I&C external sales volumes (mmth)	**1,070**	1,268	(16)	342	651	(47)
UK I&C Average sales price (p/therm)	**48.4**	45.8	6	49.5	42.6	16
Operating profit / (loss) (£m)*	**(36)**	(93)	nm	(82)	(4)	nm

Proprietary energy trading

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Operating profit / (loss) (£m)*	**0**	27	nm	2	(7)	nm

Storage UK

The operational performance of the Rough storage facility was again extremely strong in 2010 with reliability of 98%. This reflects the investment made in the asset since its acquisition in 2002, and came in a year of record levels of injection and withdrawal. The exceptionally cold weather in January and February resulted in a record low Net Reservoir Volume (NRV) in March, followed by injection during the summer months of more than 100 billion cubic feet (BCF). Further cold weather late in the year led to 47 days of consecutive withdrawals between the middle of November and the end of December, resulting in the lowest ever NRV at the end of a year.

Gross revenue was broadly flat at £267 million (2009: £266 million) as a lower average calendar year SBU price of 42.1p (2009: 44.2p) was offset by strong optimisation performance. The calendar year SBU price reflected the announcement in April that we had sold all SBUs for the 2010/11 storage year at an average selling price of 39.7p (2009/10: 46.8p). With current summer and winter forward spreads narrower than in recent years, this indicates a substantially lower SBU price for 2011/12 which would have a material impact on 2011 profitability*. Total costs remained flat, resulting in a marginal increase in operating profit* to £169 million (2009: £168 million).

Our Caythorpe project remains on hold, due to reduced market volatility and higher than anticipated construction costs. We are seeking to compulsorily acquire certain land rights required to implement the project and expect to review the position again towards the end of 2011. Work is ongoing on our Baird gas storage project, in which we hold a 70% interest, where we continue to review aspects of the project design

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

and the economics. We also expect to make an investment decision on Baird in 2011 which would result in an operational facility for storage year 2016/17. We continue to evaluate the Bains project, in which we hold an 86.8% interest and aim to make a further decision on this project in 2011.

Rough, which provides over 70% of UK storage capacity, is an important asset for both Centrica and the UK. The UK has significantly less storage capacity compared to other European countries, and gas storage can play an important role in ensuring UK security of supply into the future. In January 2011, the Competition Commission published its provisional decision on our request for a review of the Undertakings given to the Secretary of State following our acquisition of Rough. We are disappointed that the Competition Commission does not agree that changes in the gas market since 2002, or the introduction of the EU Third Energy Package, remove the need for the Undertakings. However the Competition Commission is consulting on a possible increase in the amount of Rough capacity that can be bought by Centrica and the possibility of us being able to offer a more flexible product range to our customers. We await the final decision, due in April 2011.

Storage UK

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Average SBU price (in period) (pence)	**42.1**	44.2	(4.8)	39.7	46.8	(15)
Gross Revenue (£m)						
Standard SBUs	**191**	201	(5)	91	107	(15)
Optimisation / other	**76**	65	17	28	35	(20)
Total	**267**	266	0.4	119	142	(16)
External revenue (£m)	**232**	196	18	104	101	3.0
Cost of gas (£m)	**15**	19	(21)	6	8	(25)
Operating profit (£m)*	**169**	168	0.6	72	95	(24)

North America

Our North American business, Direct Energy, made good progress in 2010 with strong operational performance resulting in a much improved overall financial result, despite continuing low commodity prices across North America. Through organic improvements and value-adding acquisitions, we have made solid progress towards doubling the contribution of the business.

Downstream performance was particularly strong, with underlying downstream profitability* up 35% and double digit returns on capital employed. In residential energy supply, bad debt costs were reduced and retention improved in Texas. In business energy supply we significantly strengthened sales productivity, increased our power volumes by 19% and improved operating margin.

The acquisition of Clockwork Home Services provides a step change in scale in a cost effective manner for our services business. Upstream the market remains challenging, with low commodity prices reflecting the impact of shale gas and healthy reserve margins in Texas. However the low price environment did provide us with an opportunity to increase our gas reserves through the acquisition of the Wildcat Hills assets.

Direct Energy revenue was down 3% to £5,997 million (2009: £6,197 million) reflecting the impact of lower commodity prices flowing through to the downstream energy businesses, partially offset by the increase in business energy supply volumes and the acquisition of Clockwork. Operating profit* increased to £234 million (2009: £153 million) mostly reflecting the one-off write off in 2009 of final debt balances in Texas and other one-off items. Overall, underlying profitability* increased by 9% reflecting a strong underlying downstream performance that more than offset the impact of low commodity prices upstream. The impact of currency movements on the reported results was not significant in 2010.

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

North America residential energy supply

Our residential energy supply business had a strong year, with a significant increase in underlying profit*, operational improvements and an increase in customer satisfaction levels. Overall operating costs fell, while in Texas we continue to transform the business, with an improved focus on the quality of our customer base, tighter acquisition criteria and the deployment of prepaid products helping to reduce the underlying level of bad debt.

Customer numbers fell by 7% during 2010 as we focused on retaining the most valuable customers and tightened our acquisition criteria. During the second half of the year we completed a review of sales channels to better position us for growth in 2011. Retention improved in Texas through an increased focus on value based pricing and proactive outbound retention, driving churn to its lowest ever level. In the US North East we remain focused on the most valuable segments and as a result we saw attrition of some blocks of low value customers in the first half of the year. The US North East remains a key region for growth in North America and we achieved a number of significant milestones in 2010, including reaching 100,000 customers in Pennsylvania and Maryland from a base of just 11,000 at the beginning of the year. In Canada, market conditions remain challenging in Ontario, where the Energy Consumer Protection Act has made customer acquisition and retention more difficult and will lead to a reduction in our Canadian customer base in 2011.

Revenue was down 5% to £2,502 million (2009: £2,644 million) as a result of lower retail tariffs, lower customer numbers and lower weather related average consumption. Operating profit* in our residential energy supply business was £177 million (2009: £94 million), partially reflecting one-off charges of £61 million in 2009 relating to final debt write-off in Texas and other one-off items. As a result the operating margin increased to 7.1% (2009: 3.6%). Underlying profitability* was up 14% reflecting the fall in wholesale commodity prices and operational improvements.

North America business energy supply

Our business energy supply division, the third largest Commercial and Industrial power supplier in North America, once again grew materially as we made significant progress in improving sales, customer satisfaction and profit*. Electricity volumes increased 19% compared to 2009 reflecting strong sales from the second quarter onwards, following a period in which customers were hesitant to sign new contracts as a result of wholesale commodity price uncertainty. This increase in activity was due to increased sales productivity, entrance into new markets and an improved customer experience and came against a backdrop of continued disciplined acquisition as suppliers priced for credit and capital utilisation. Together with operational efficiencies, lower debt as a proportion of revenue, and the targeting of particular customer segments, this resulted in an improvement in the net margin to 3.3% (2009: 1.4%). The progress made during 2010 in business energy supply leaves us well placed for continued organic growth in this market as we continue to improve operational efficiencies, leverage our scale, and increase volume while focusing on the most attractive customer segments.

Revenue increased 8% to £2,682 million (2009: £2,491 million) reflecting higher volumes, offset by the lower commodity price environment. Operating profit* more than doubled to £88 million (2009: £34 million), as a result of the higher volumes and the higher margin.

North America residential and business services

The acquisition of Clockwork Home Services, completed in July, has materially increased the size of our North American services business, expanding our geographic coverage to 46 US states and all Canadian provinces. As the largest home services company in North America we now serve three million customers' heating, cooling, plumbing and electrical needs. Clockwork has both owned and franchise locations and an affinity programme for independent contractors, which will help generate scale synergies through lower procurement costs while contributing to operating profit*. The acquisition also increases the proportion of households to which Direct Energy can offer both energy and services, and makes Direct Energy the market leader in the home energy services market, providing a robust platform for growth through an established franchise model. The integration of Clockwork is on track and the prospects for the enlarged business are encouraging.

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

In Canada, we achieved a considerable improvement in churn for our water heater customers, however increasing competitive pressures resulted in a small decline in the number of customers. In the US, the slow recovery in the housing market continues to impact our services business as workload in the new housing construction and light commercial new construction sectors remains low. However customer satisfaction improved, and profitability* grew in both of these sectors compared to 2009 as we improved efficiency and reduced our cost base.

Revenue was up 19% to £485 million (2009: £406 million) principally reflecting the acquisition of Clockwork. Operating profit* decreased slightly to £15 million (2009: £18 million), after taking account of integration charges incurred relating to the acquisition of Clockwork and one-off charges related to the closure of our Appliance Care business, a market we announced we were exiting earlier in the year.

North America upstream and wholesale energy

Continued low gas prices across North America and low spark spreads in Texas significantly impacted the returns of our upstream and wholesale business in 2010. Our natural gas production business made a reduced year-on-year profit*, reflecting lower gas prices. However the low gas price environment gave us the opportunity to increase the scale of our business at an attractive price, through the acquisition of the Wildcat Hills assets from Suncor. The acquisition provided 241 bcfe of additional reserves at an attractive price, increasing reserves by 60%. Gas production volumes increased by 9%, including three months of volume from Wildcat Hills which more than offset the impact of deferring development activity due to the low price environment.

Our power generation business in Texas continued to experience very difficult market conditions throughout 2010. As a result of lower prices, the margin we made from our power plants was insufficient to cover our fixed costs and our wind farm power purchase agreements were loss-making. Power generation volumes were down 23%.

The upstream and wholesale energy division made an operating loss* of £46 million (2009: operating profit* of £7 million) as a result of the low commodity price environment, low spark spreads in Texas, and a one-off loss* on the disposal of turbines in the power generation business. As with other upstream producers, our upstream gas assets and wind power purchase agreements have been written down due to low North American gas and Texas power prices.

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Operating Review continued

Total North America

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Revenue (£m)	**5,997**	6,197	(3.2)	2,914	2,801	4.0
Operating profit (£m)*	**234**	153	53	95	87	9

Residential energy supply

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Customer numbers (period end) ('000)	**2,855**	3,075	(7)	2,855	3,075	(7)
Revenue (£m)	**2,502**	2,644	(5)	1,133	1,190	(4.8)
Operating profit (£m)*	**177**	94	88	67	48	40
Operating margin (%)	**7.1**	3.6	3.5 ppts	5.9	4.0	1.9 ppts

Business energy supply

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Gas sales (mmth)	**633**	689	(8)	272	289	(6)
Electricity sales (GWh)	**39,722**	33,430	19	21,442	17,942	20
Revenue (£m)	**2,682**	2,491	8	1,363	1,180	16
Operating profit (£m)*	**88**	34	159	44	14	214
Operating margin (%)	**3.3**	1.4	1.9 ppts	3.2	1.2	2.0 ppts

Residential and business services

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Contract relationships (period end) ('000)	**2,300**	2,111	9	2,300	2,111	9
On demand jobs ('000)	**582**	142	nm	469	71	nm
Revenue (£m)	**485**	406	19	277	205	35
Operating profit (£m)*	**15**	18	(17)	7	15	(53)
Operating margin (%)	**3.1**	4.4	(1.3) ppts	2.5	7.3	(4.8) ppts

2010 contract relationships and on demand jobs include customers obtained following the Clockwork acquisition which completed on 1 July 2010

Upstream and wholesale energy

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Gas production volumes (mmth)	**409**	375	9	232	189	23
Power generated (GWh)	**3,851**	4,982	(23)	1,661	2,775	(40)
Revenue (£m)	**328**	656	(50)	141	226	(38)
Operating profit (£m)*	**(46)**	7	nm	(23)	10	nm
Estimated net proven and probable reserves of gas (BCF)	**538**	377	43	nm	nm	nm
Estimated net proven and probable reserves of liquids (mmboe)	**6**	5	20	nm	nm	nm

North America with comparator year of 2009 restated to remove effect of foreign exchange movements

For the year ended 31 December	FY 2010	FY 2009	Δ%	H2 2010	H2 2009	Δ%
Revenue (£m)						
Residential energy supply	**2,502**	2,803	(11)	**1,133**	1,278	(11)
Business energy supply	**2,682**	2,553	5	**1,363**	1,245	9
Residential and business services	**485**	437	11	**277**	221	25
Upstream and wholesale energy	**328**	577	(43)	**141**	192	(27)
Direct Energy revenue	**5,997**	6,370	(6)	**2,914**	2,936	(0.7)
Operating profit (£m)*						
Residential energy supply	**177**	94	88	**67**	51	31
Business energy supply	**88**	33	167	**44**	14	214
Residential and business services	**15**	20	(25)	**7**	16	(56)
Upstream and wholesale energy	**(46)**	8	nm	**(23)**	11	nm
Direct Energy operating profit*	**234**	154	52	**95**	91	4

2009 figures restated at 2010 weighted average exchange rate

*Including share of joint ventures and associates stated gross of interest and taxation, and before other costs and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Group Financial Statements in accordance with applicable law, regulations and accounting standards. In preparing the Group Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group Financial Statements; and
- prepare the Group Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Each of the Directors confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report – Business Review contained in the Annual Report and Accounts, from which this narrative is extracted, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Sam Laidlaw
24 February 2011
Chief Executive

Nick Luff
24 February 2011
Group Finance Director

Group Income Statement

Year ended 31 December	Notes	2010 Business performance £m	2010 Exceptional items and certain re-measurements £m	2010 Results for the year £m	2009 Business performance £m	2009 Exceptional items and certain re-measurements £m	2009 Results for the year £m
Group revenue	6	**22,423**	**–**	**22,423**	21,963	–	21,963
Cost of sales before exceptional items and certain re-measurements		**(17,595)**	**–**	**(17,595)**	(17,663)	–	(17,663)
Exceptional items	7	**–**	**(102)**	**(102)**	–	(393)	(393)
Re-measurement of energy contracts	7	**–**	**1,177**	**1,177**	–	(62)	(62)
Cost of sales		**(17,595)**	**1,075**	**(16,520)**	(17,663)	(455)	(18,118)
Gross profit		**4,828**	**1,075**	**5,903**	4,300	(455)	3,845
Operating costs before exceptional items		**(2,641)**	**–**	**(2,641)**	(2,496)	–	(2,496)
Exceptional items	7	**–**	**(181)**	**(181)**	–	(175)	(175)
Operating costs		**(2,641)**	**(181)**	**(2,822)**	(2,496)	(175)	(2,671)
Share of profits/(losses) in joint ventures and associates, net of interest and taxation	13	**7**	**(14)**	**(7)**	10	(9)	1
Group operating profit		**2,194**	**880**	**3,074**	1,814	(639)	1,175
Interest income	8	**214**	**–**	**214**	307	–	307
Interest expense	8	**(479)**	**–**	**(479)**	(486)	–	(486)
Net interest expense	8	**(265)**	**–**	**(265)**	(179)	–	(179)
Profit/(loss) from continuing operations before taxation		**1,929**	**880**	**2,809**	1,635	(639)	996
Taxation on profit/(loss) from continuing operations	9	**(708)**	**(221)**	**(929)**	(531)	185	(346)
Profit/(loss) from continuing operations after taxation		**1,221**	**659**	**1,880**	1,104	(454)	650
Profit/(loss) from discontinued operations	18	**(8)**	**67**	**59**	40	(131)	(91)
Gain on disposal of discontinued operations	7, 18	**3**	**–**	**3**	–	297	297
Discontinued operations		**(5)**	**67**	**62**	40	166	206
Profit/(loss) for the year		**1,216**	**726**	**1,942**	1,144	(288)	856
Attributable to:							
Equity holders of the parent		**1,209**	**726**	**1,935**	1,094	(250)	844
Non-controlling interests		**7**	**–**	**7**	50	(38)	12
		1,216	**726**	**1,942**	1,144	(288)	856
Earnings per ordinary share				**Pence**			Pence
From continuing and discontinued operations:							
Basic	11			**37.6**			16.5
Diluted	11			**37.3**			16.4
From continuing operations:							
Basic	11			**36.4**			12.7
Diluted	11			**36.1**			12.6
Interim dividend paid per ordinary share	10			**3.84**			3.66
Final dividend proposed per ordinary share	10			**10.46**			9.14

The notes on pages 29 to 58 form part of these Financial Statements.

Group Statement of Comprehensive Income

Year ended 31 December	Notes	2010 £m	2009 £m
Profit for the year		**1,942**	856
Other comprehensive (losses)/income:			
(Losses)/gains on revaluation of available-for-sale securities		**(4)**	11
Taxation on revaluation of available-for-sale securities		**(1)**	(2)
		(5)	9
Unrealised gains/(losses) on cash flow hedges		**10**	(253)
Transferred to income and expense on cash flow hedges		**236**	234
Transferred to assets and liabilities on cash flow hedges		**19**	(4)
Recycling of foreign exchange gains on cash flow hedges on disposal of business		**9**	10
Exchange differences on cash flow hedges		**(8)**	–
Taxation on cash flow hedges		**(79)**	(12)
		187	(25)
Exchange differences on translation of foreign operations		**70**	83
Recycling of foreign exchange loss on disposal of business		**(1)**	(10)
Taxation on related exchange differences		**14**	(41)
		83	32
Actuarial losses on defined benefit pension schemes		**(9)**	(805)
Actuarial gain on defined benefit schemes of discontinued operations		**–**	2
Exchange loss on translation of actuarial reserve		**(1)**	–
Taxation on actuarial losses on defined benefit pension schemes		**(2)**	241
		(12)	(562)
Share of joint ventures/associates actuarial gain (post tax)		**14**	–
Share of joint ventures/associates cash flow hedge reserve gain (post tax)		**1**	–
		15	–
Other comprehensive income/(loss), net of taxation		**268**	(546)
Total comprehensive income for the period		**2,210**	310
Attributable to:			
Equity holders of the parent		**2,203**	297
Non-controlling interests		**7**	13
		2,210	310

The notes on pages 29 to 58 form part of these Financial Statements.

Group Balance Sheet

31 December	Notes	2010 £m	2009 £m
Non-current assets			
Goodwill		**2,370**	2,088
Other intangible assets		**1,084**	734
Property, plant and equipment		**6,398**	6,059
Interests in joint ventures and associates	13	**2,507**	2,422
Deferred tax assets		**238**	534
Trade and other receivables		**97**	143
Derivative financial instruments	12	**341**	316
Securities		**234**	176
		13,269	12,472
Current assets			
Inventories		**344**	382
Current tax assets		**81**	69
Trade and other receivables		**4,187**	4,181
Derivative financial instruments	12	**449**	492
Securities		**23**	74
Cash and cash equivalents		**467**	1,294
		5,551	6,492
Assets of disposal groups classified as held for sale	18	**455**	478
Total assets		**19,275**	19,442
Current liabilities			
Trade and other payables		**(4,059)**	(3,955)
Current tax liabilities		**(182)**	(184)
Bank overdrafts, loans and other borrowings	14	**(77)**	(86)
Derivative financial instruments	12	**(755)**	(1,744)
Provisions for other liabilities and charges		**(195)**	(193)
		(5,268)	(6,162)
Net current assets		**283**	330
Non-current liabilities			
Trade and other payables		**(56)**	(82)
Bank overdrafts, loans and other borrowings	14	**(3,959)**	(4,594)
Derivative financial instruments	12	**(648)**	(1,006)
Deferred tax liabilities		**(1,367)**	(1,179)
Retirement benefit obligations	16	**(239)**	(565)
Provisions for other liabilities and charges		**(1,551)**	(1,249)
		(7,820)	(8,675)
Liabilities of disposal groups classified as held for sale	18	**(368)**	(350)
Net assets		**5,819**	4,255
Equity			
Called up share capital		**318**	317
Share premium account		**833**	778
Retained earnings		**4,386**	3,103
Accumulated other comprehensive loss		**(319)**	(587)
Other equity		**601**	581
Total shareholders' equity		**5,819**	4,192
Non-controlling interests in equity		**–**	63
Total non-controlling interests and shareholders' equity		**5,819**	4,255

The notes on pages 29 to 58 form part of these Financial Statements.

Group Statement of Changes in Equity

Year ended 31 December 2010	Share capital £m	Share premium £m	Retained earnings £m	Accumulated other comprehensive (loss)/income £m	Other equity £m	**Total £m**	Non–controlling interests £m	**Total equity £m**
	Attributable to equity holders of the parent							
1 January 2010	317	778	3,103	(587)	581	**4,192**	63	**4,255**
Profit for the year	–	–	1,935	–	–	**1,935**	7	**1,942**
Other comprehensive income	–	–	–	268	–	**268**	–	**268**
Total comprehensive income	–	–	1,935	268	–	**2,203**	7	**2,210**
	317	778	5,038	(319)	581	**6,395**	70	**6,465**
Employee share schemes	1	55	16	–	(3)	**69**	–	**69**
Liquidation of subsidiaries (i)	–	–	–	–	–	**–**	(70)	**(70)**
Dividends	–	–	(668)	–	–	**(668)**	–	**(668)**
Taxation	–	–	–	–	20	**20**	–	**20**
Exchange adjustments	–	–	–	–	3	**3**	–	**3**
31 December 2010	**318**	**833**	**4,386**	**(319)**	**601**	**5,819**	**–**	**5,819**

Year ended 31 December 2009	Share capital £m	Share premium £m	Retained earnings £m	Accumulated other comprehensive (loss)/income £m	Other equity £m	Total £m	Non-controlling interests £m	Total equity £m
	Attributable to equity holders of the parent							
1 January 2009	315	729	2,759	(40)	549	4,312	60	4,372
Profit for the year	–	–	844	–	–	844	12	856
Other comprehensive (loss)/income	–	–	–	(547)	–	(547)	1	(546)
Total comprehensive income	–	–	844	(547)	–	297	13	310
	315	729	3,603	(587)	549	4,609	73	4,682
Employee share schemes	2	49	9	–	3	63	–	63
Amounts arising on consolidation (ii)	–	–	–	–	144	144	802	946
Repurchase of non-controlling interests	–	–	–	–	–	–	(201)	(201)
Disposal of Segebel S.A. (iii)	–	–	126	–	(126)	–	(589)	(589)
Dividends paid by subsidiaries	–	–	–	–	–	–	(11)	(11)
Dividends	–	–	(635)	–	–	(635)	–	(635)
Taxation	–	–	–	–	12	12	–	12
Exchange adjustments	–	–	–	–	(1)	(1)	(11)	(12)
31 December 2009	317	778	3,103	(587)	581	4,192	63	4,255

(i) On 14 May 2010 GF Two Limited (formerly Goldfish Holdings Limited) and its subsidiary, GF One Limited (formerly Goldfish Bank Limited), both non-trading entities were put into liquidation.
(ii) Gains on revaluation of previously held investments, as revalued on full consolidation, and recognition of non-controlling interests.
(iii) Transfer of revaluation gain on Segebel S.A. to retained earnings and de-recognition of non-controlling interests following the disposal.

The notes on pages 29 to 58 form part of these Financial Statements.

Group Cash Flow Statement

Year ended 31 December	Notes	2010 £m	2009 £m
Cash generated from continuing operations	15	**3,445**	3,082
Income taxes paid		**(412)**	(329)
Net petroleum revenue tax paid		**(128)**	(174)
Interest received		**5**	13
Interest paid		**(11)**	(3)
Payments relating to exceptional charges		**(223)**	(203)
Net cash flow from continuing operating activities	15	**2,676**	2,386
Net cash flow from discontinued operating activities	15	**7**	261
Net cash flow from operating activities		**2,683**	2,647
Purchase of Venture Production plc net of cash and cash equivalents acquired		**–**	(1,115)
Purchase of other businesses net of cash and cash equivalents acquired	17	**(606)**	(438)
Sale of businesses net of cash and cash equivalents disposed of		**9**	870
Purchase of intangible assets	6	**(661)**	(604)
Disposal and surrender of intangible assets		**15**	43
Purchase of property, plant and equipment	6	**(547)**	(594)
Disposal of property, plant and equipment		**32**	–
Investments in joint ventures and associates		**(149)**	(2,291)
Dividends received from joint ventures and associates		**83**	–
Repayments of loans to, and disposal of investments in, joint ventures and associates	13	**26**	18
Interest received		**19**	31
Net purchase of securities		**(56)**	(128)
Net cash flow from continuing investing activities		**(1,835)**	(4,208)
Net cash flow from discontinued investing activities		**(4)**	(312)
Net cash flow from investing activities		**(1,839)**	(4,520)
Issue of ordinary share capital		**31**	30
Purchase of treasury shares		**(9)**	(5)
Financing interest paid		**(292)**	(238)
Cash inflow from additional debt		**267**	1,887
Cash outflow from payment of capital element of finance leases		**(23)**	(22)
Cash outflow from repayment of other debt		**(928)**	(872)
Net cash flow from (reduction)/increase in debt	15	**(684)**	993
Realised net foreign exchange loss on cash settlement of derivative contracts		**(55)**	(2)
Equity dividends paid	10	**(668)**	(635)
Net cash flow from continuing financing activities		**(1,677)**	143
Net cash flow from discontinued financing activities		**–**	161
Net cash flow from financing activities		**(1,677)**	304
Net decrease in cash and cash equivalents		**(833)**	(1,569)
Cash and cash equivalents at 1 January		**1,285**	2,904
Effect of foreign exchange rate changes		**(1)**	(50)
Cash and cash equivalents at 31 December		**451**	1,285
Included in the following lines of the Balance Sheet:			
Cash and cash equivalents		**467**	1,294
Bank overdrafts, loans and other borrowings		**(19)**	(28)
Assets of disposal groups classified as held for sale	18	**3**	19
		451	1,285

The notes on pages 29 to 58 form part of these Financial Statements.

Notes to the Financial Statements

1. General information

Centrica plc is a Company domiciled and incorporated in the UK. The address of the registered office is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD. The Company has its listing on the London Stock Exchange.

The Financial Statements for the year ended 31 December 2010 included in this announcement were authorised for issue in accordance with a resolution of the Board of Directors on 24 February 2011.

2. Basis of preparation

The preliminary results of the year ended 31 December 2010 have been extracted from audited accounts (with the exception of notes 21 to 27 which have not been audited) which have not yet been delivered to the Registrar of Companies. The Financial Statements set out in this announcement do not constitute statutory accounts for the year ended 31 December 2010 or 31 December 2009. The financial information for the year ended 31 December 2009 is derived from the statutory accounts for that year. The report of the auditors on the statutory accounts for the year ended 31 December 2010 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

3. Accounting policies

The accounting policies applied in these condensed Financial Statements for the year ended 31 December 2010 are consistent with those of the annual Financial Statements for the year ended 31 December 2009, as described in those Financial Statements, with the exception of standards, amendments and interpretations effective in 2010.

(a) Standards, amendments and interpretations effective in 2010

At the date of authorisation of these consolidated Financial Statements, the following standards and amendments to existing standards were effective for the current period:

- IFRS 3 (revised), Business Combinations. The revised standard applies to business combinations completing on or after 1 January 2010 with no requirement to re-state previous business combinations. The revised standard continues to apply the acquisition method to business combinations with some significant changes. For example, all payments to purchase a business are recorded at fair value at acquisition date, with contingent consideration payments classified as a liability and subsequently re-measured through the Group Income Statement. All acquisition related costs are expensed. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at either fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The Group's business combinations executed during the year are set out in note 17. There has been no material impact to the Group's Financial Statements on adopting IFRS 3 (revised).
- IAS 27 (revised), Consolidated and Separate Financial Statements. As the Group has adopted IFRS 3 (revised) it is required to adopt IAS 27 (revised) at the same time which applies prospectively for transactions occurring after 1 January 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and such transactions no longer result in goodwill or gains and losses arising. The revised standard also specifies the accounting when control is lost. In such instances any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. During the year the Group disposed of a 50% controlling interest in Lincs Windfarm Limited, formerly known as Centrica (Lincs) Limited, as set out in note 18.

The following amendments to existing standards and interpretations were also effective for the current period, but the adoption of these amendments to existing standards and interpretations did not have a material impact on the Financial Statements of the Group:

- IFRIC 17, Distributions of Non-cash Assets to Owners;
- IAS 39 (amendment), Financial Instruments: Recognition and Measurement - Eligible Hedged Items;
- IFRS 2 (amendment), Share-based Payment – Group Cash-settled Share-based Payment Transactions; and
- Improvements to IFRSs (2009).

(b) Standards, amendments and interpretations that are not yet effective and that have not been early adopted by the Group

At the date of authorisation of these Financial Statements, the following standards, amendments to existing standards and interpretations, which have not been applied in these consolidated Financial Statements, were in issue but not yet effective:

- IFRS 9, Financial Instruments, effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement. The standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement. The impact of adopting this standard is under assessment.

The Directors anticipate that the adoption of the following standards, interpretations and amendments to existing standards and interpretations in future periods, which were also in issue at the date of authorisation of these Financial Statements, will have no material impact on the Financial Statements of the Group:

- IAS 32 (Amendment), Classification of Rights Issues, effective for annual periods commencing on or after 1 February 2010;
- IFRIC 14 (Amendment), Prepayments of a Minimum Funding Requirement, effective for annual periods beginning on or after 1 January 2011;

Notes to the Financial Statements continued

3. Accounting policies continued

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010;
- IAS 24 (Revised), Related Party Disclosures, effective for annual periods beginning on or after 1 January 2011;
- Amendments to IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 July 2011, subject to EU endorsement;
- Amendment to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2012, subject to EU endorsement; and
- Improvements to IFRSs 2010, effective for annual periods beginning on or after 1 January 2011, subject to EU endorsement.

(c) Income Statement presentation

The Group's Income Statement and segmental note separately identify the effects of re-measurement of certain financial instruments, and items which are exceptional, in order to provide readers with a clear and consistent presentation of the Group's underlying performance.

(d) Use of adjusted profit measures

The Directors believe that reporting adjusted profit and adjusted earnings per share measures provides additional useful information on business performance and underlying trends. These measures are used for internal performance purposes. The adjusted measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

The principal adjustments made to reported profits in arriving at adjusted profit are described in note 11.

4. Financial risk management

Many of the markets in which the Group operates have continued to experience challenging economic conditions. The Group continues to manage these risks in accordance with its financial risk management processes.

Financial risk management is overseen by the Group Financial Risk Management Committee (GFRMC) according to objectives, targets and policies set by the Board. Commodity price risk management is carried out in accordance with individual business unit Financial Risk Management Committees and their respective financial risk management policies, as approved by the GFRMC under delegated authority from the Board. Treasury risk management, including management of currency risk, interest rate risk, equity price risk and liquidity risk is carried out by a central Group Treasury function in accordance with the Group's financing and treasury policy and collateral risk policy, as approved by the Board. The wholesale credit risks associated with commodity trading and treasury positions are managed in accordance with the Group's credit risk policy. Downstream credit risk management is carried out in accordance with individual business unit credit policies.

Credit risk management

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. The Group is exposed to credit risk in its treasury, trading, energy procurement and downstream activities. The Group has taken steps to tighten downstream credit policies, including the tightening of credit scores in customer management processes, whilst continuing to manage credit risk in accordance with financial risk management processes.

Liquidity risk management and going concern.

The Group holds cash as collateral against counterparty balances and also pledges cash as collateral, principally under margin calls, to cover exposure to mark-to market positions on certain wholesale commodity contracts. Generally, cash paid or received as collateral is interest-bearing and is free from any restriction over its use by the holder. The table below summarises the cash collateral balances and associated movements for the Group's continuing businesses:

Year ended 31 Dec	2010 £m	2009 £m
Cash pledged as collateral at 1 January	**631**	626
Net cash (inflow)/outflow	**(466)**	79
Transferred to discontinued operations	**–**	(15)
Foreign exchange gains/(losses)	**8**	(59)
Cash pledged as collateral at 31 Dec (i)	**173**	631

(i) Within discontinued operations there was a net £25 million cash outflow of collateral in the period (2009: £26 million inflow). The closing balance of cash pledged within discontinued operations was £11 million (2009: £6 million) and cash held was £nil (2009: £18 million).

The Group has a number of treasury and risk policies to monitor and manage liquidity risk. Cash forecasts identifying the Group's liquidity requirements are produced regularly and are stress-tested for different scenarios, including, but not limited to, reasonably possible increases or decreases in commodity prices and the potential cash implications of a credit rating downgrade. The Group seeks to ensure that sufficient financial headroom exists for at least a 12-month period to safeguard the Group's ability to continue as a going concern. It is the Group's policy to maintain committed facilities and/or available surplus cash resources of at least £1,200 million, to raise at least 75% of its net debt (excluding non-recourse debt) in the long-term debt market and to maintain an average term to maturity in the recourse long-term debt portfolio greater than five years.

At 31 December 2010, the Group had undrawn committed credit facilities of £2,873 million (2009: £2,083 million) and £467 million (2009: £1,294 million) of cash and cash equivalents. 121% (2009: 148%) of the Group's net debt has been raised in the long-term debt market and the average term to maturity of the long-term debt portfolio was 10.5 years (2009: 9.6 years).

The relatively high level of undrawn committed bank borrowing facilities and available cash resources has enabled the Directors to conclude that the Group has sufficient headroom to continue as a going concern.

Notes to the Financial Statements continued

5. Capital management

The Group seeks to maintain an efficient capital structure with a balance of debt and equity. Debt levels are restricted to limit the risk of financial distress and, in particular, to maintain strong credit ratings. The Group's credit ratings are important in keeping the cost of debt down, in limiting collateral requirements in energy trading and hedging, and in ensuring the Group is an attractive counterparty to gas and power producers and to customers for longer term energy contracts. At 31 December 2010, the Group's long-term credit rating was A3 stable outlook for Moody's Investor Services Inc. and A– stable outlook for Standard & Poor's Rating Services. These ratings did not change during 2010.

6. Segmental analysis

Year ended 31 December			2010			2009 (restated)(ii)
(a) Revenue	Gross segment revenue £m	Less inter-segment revenue (i) £m	Group revenue £m	Gross segment revenue £m	Less inter-segment revenue (i) £m	Group revenue £m
Continuing operations:						
Residential energy supply (ii)	**8,359**	**(4)**	**8,355**	7,911	–	7,911
Residential services (ii)	**1,464**	**–**	**1,464**	1,338	–	1,338
Business energy supply and services	**2,907**	**(1)**	**2,906**	3,316	–	3,316
Downstream UK	**12,730**	**(5)**	**12,725**	12,565	–	12,565
Upstream gas and oil	**1,637**	**(773)**	**864**	1,240	(689)	551
Power generation	**1,112**	**(7)**	**1,105**	1,317	(167)	1,150
Industrial and commercial	**2,017**	**(423)**	**1,594**	1,907	(555)	1,352
Proprietary energy trading (iii)	**17**	**(15)**	**2**	52	(11)	41
Upstream UK	**4,783**	**(1,218)**	**3,565**	4,516	(1,422)	3,094
Storage UK	**267**	**(35)**	**232**	266	(70)	196
Residential energy supply	**2,502**	**–**	**2,502**	2,644	–	2,644
Business energy supply	**2,682**	**–**	**2,682**	2,491	–	2,491
Residential and business services	**485**	**–**	**485**	406	–	406
Upstream and wholesale energy	**328**	**(96)**	**232**	656	(89)	567
North America	**5,997**	**(96)**	**5,901**	6,197	(89)	6,108
	23,777	**(1,354)**	**22,423**	23,544	(1,581)	21,963
Discontinued operations:						
European Energy (note 18)	**590**	**–**	**590**	2,357	–	2,357

(i) Inter-segment revenue is subject to year on year fluctuations due to the change in the mix of internal and external energy sales by Upstream UK.
(ii) To align with management responsibilities, the British Gas Community Energy business has been reallocated from the Residential services segment to Residential energy supply. The 2009 comparatives have been adjusted accordingly.
(iii) The external revenue presented for Proprietary energy trading comprises both realised (settled) and unrealised (fair value changes) from trading in physical and financial energy contracts. Inter-segment revenue arising in Proprietary energy trading represents the recharge of brokerage fees to other Group segments.

Notes to the Financial Statements continued

6. Segmental analysis continued

Year ended 31 December

(b) Operating profit	2010 £m	2009 £m (restated) (i)
Continuing operations:		
Residential energy supply (i)	**742**	598
Residential services (i)	**241**	230
Business energy supply and services	**233**	183
Downstream UK	**1,216**	1,011
Upstream gas and oil (ii)	**581**	444
Power generation (ii)	**226**	147
Industrial and commercial	**(36)**	(93)
Proprietary energy trading	**–**	27
Upstream UK	**771**	525
Storage UK	**169**	168
Residential energy supply	**177**	94
Business energy supply	**88**	34
Residential and business services	**15**	18
Upstream and wholesale energy	**(46)**	7
North America	**234**	153
Adjusted operating profit – segment operating profit before exceptional items, certain re-measurements and impact of fair value uplifts from Strategic Investments (iii)	**2,390**	1,857
Share of joint ventures/associates' interest and taxation	**(78)**	(11)
Other (iv)	**–**	(5)
Depreciation of fair value uplifts to property, plant and equipment – Venture (ii)	**(60)**	(20)
Depreciation of fair value uplifts to property, plant and equipment (net of taxation) – associates – British Energy (ii)	**(58)**	(7)
	2,194	1,814
Exceptional items (note 7)	**(283)**	(568)
Certain re-measurements included within gross profit (note 7)	**1,177**	(62)
Certain re-measurements of associates' energy contracts (net of taxation) (note 7)	**(14)**	(9)
Operating profit after exceptional items and certain re-measurements	**3,074**	1,175
Discontinued operations:		
European Energy (note 18) (v)	**(5)**	(8)

(i) To align with management responsibilities, the British Gas Community Energy business has been reallocated from the Residential services segment to Residential energy supply. The 2009 comparatives have been adjusted accordingly.
(ii) See note 11 for explanation of the depreciation on fair value uplifts to property, plant and equipment on acquiring Strategic Investments.
(iii) Includes results of equity-accounted interests before interest, taxation, certain re-measurements and depreciation on fair value uplifts to property, plant and equipment on Strategic Investments.
(iv) In 2009 Other comprised a £1 million loss relating to Corporate Centre costs not recharged to segments and a £4 million loss relating to an inter-segment transaction between a Proprietary trading operation and a non-proprietary energy trading operation.
(v) Represents loss after taxation and before exceptional items and certain re-measurements attributable to equity holders of the parent. This is the measure of results of discontinued operations that is reported regularly to the Group's Executive Committee.

Notes to the Financial Statements continued

6. Segmental analysis continued

Year ended 31 December	Share of results of joint ventures and associates before interest and taxation		Depreciation & Impairments of property, plant and equipment (i)		Amortisation, write-downs and impairments of intangibles (restated) (v)	
(c) Included within adjusted operating profit	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Continuing operations:						
Residential energy supply (ii), (v)	**–**	–	**6**	8	**38**	54
Residential services (v)	**–**	–	**9**	12	**1**	10
Business energy supply and services	**–**	–	**2**	2	**7**	7
Downstream UK	**–**	–	**17**	22	**46**	71
Upstream gas and oil (i), (ii)	**3**	–	**487**	353	**81**	16
Power generation (i), (iii), (v)	**140**	28	**120**	112	**1**	4
Industrial and commercial	**–**	–	**–**	1	**10**	6
Proprietary energy trading	**–**	–	**–**	–	**–**	–
Upstream UK	**143**	28	**607**	466	**92**	26
Storage UK	**–**	–	**26**	23	**–**	–
Residential energy supply	**–**	–	**–**	2	**5**	6
Business energy supply	**–**	–	**1**	1	**4**	3
Residential and business services	**–**	–	**2**	2	**5**	2
Upstream and wholesale energy (ii)	**–**	–	**88**	71	**3**	2
North America	**–**	–	**91**	76	**17**	13
Other (iv)	**–**	–	**15**	12	**19**	15
	143	28	**756**	599	**174**	125
Discontinued operations:						
European Energy (note 18) (i)	**–**	2	**–**	25	**–**	17

(i) Depreciation of property, plant and equipment is stated before depreciation of fair value uplifts for Strategic Investments.
(ii) During 2010, impairment charges of £15 million (2009: £35 million) were incurred within business performance in the Downstream UK – residential energy supply segment relating to emissions allowances and write-downs of £81 million (2009: £16 million) in the Upstream – UK Upstream gas and oil segment and £2 million (2009: £nil) in the North America – Upstream and wholesale energy segment relating to exploration and evaluation assets.
(iii) Share of results of joint ventures and associates is before interest, certain re-measurements, depreciation of fair value uplifts to property, plant and equipment on Strategic Investments and taxation.
(iv) Other comprises depreciation of property, plant and equipment and amortisation and write-downs of intangibles on Corporate Centre assets which are charged out to other Group segments.
(v) Gas and power contract positions related to UK customers have been re-allocated from the Upstream UK – power generation segment to the Downstream UK – residential energy supply segment (see note 6(d)). The associated impairments of emissions certificates have been re-stated.

Notes to the Financial Statements continued

6. Segmental analysis continued

(d) Assets and liabilities

31 December	Net segment assets/(liabilities) (restated) (ii) (iii) (vi) (vii) 2010 £m	2009 £m	Average capital employed Year ended 31 December (restated) (iv) 2010 £m	2009 £m
Residential energy supply (ii) (vi)	**27**	(28)	**195**	187
Residential services (vi)	**225**	21	**95**	42
Business energy supply and services (ii)	**516**	445	**552**	502
Downstream UK	**768**	438	**842**	731
Upstream gas and oil (iii)	**2,691**	2,355	**1,245**	499
Power generation(ii) (iii) (vii)	**3,633**	3,629	**3,506**	1,879
Industrial and commercial(ii) (iii)	**128**	–	**(49)**	285
Proprietary energy trading (iii) (iv)	**119**	573	**(16)**	(68)
Upstream UK	**6,571**	6,557	**4,686**	2,595
Storage UK	**347**	359	**206**	191
Residential energy supply (iv)	**731**	790	**709**	808
Business energy supply (iv)	**441**	377	**288**	277
Residential and business services	**400**	268	**323**	270
Upstream and wholesale energy (vii)	**784**	638	**659**	594
North America	**2,356**	2,073	**1,979**	1,949
	10,042	9,427	**7,713**	5,466
Unallocated deferred tax assets (i)	**233**	723		
Derivative financial instruments held for energy procurement including balances held by joint venture/associates	**(715)**	(2,076)		
Treasury derivatives	**63**	55		
Current tax liabilities (i)	**(16)**	(81)		
Securities (viii)	**257**	250		
Assets of discontinued operations (v) (vii)	**87**	60		
Bank overdrafts and loans	**(4,036)**	(4,680)		
Retirement benefit obligations	**(239)**	(565)		
Corporate centre assets (viii)	**143**	1,142		
Non-operating liabilities	**(4,223)**	(5,172)		
	5,819	4,255		

(i) Segment assets and liabilities include allocated current and deferred tax balances.
(ii) Restated to align comparatives with the 2010 presentation of gas and power contract positions related to UK customers within Downstream UK.
(iii) During 2010 Upstream UK changed its allocation process for intercompany funding and operating balances. The 2009 comparative has been restated to reflect this change.
(iv) Average capital employed calculation for 2010 has been calculated in line with the latest management reporting of average capital employed. Average capital employed excludes balances related to margin call debtors and now includes balances related to proprietary energy trading derivatives so the comparatives have been restated.
(v) Assets and liabilities of discontinued operations are classified as held for sale, as explained in note 18
(vi) To align with management responsibilities, the British Gas Community Energy business has been reallocated from the Residential services segment to Residential energy supply. The 2009 comparatives have been adjusted accordingly.
(vii) To align with average capital employed, net segment assets/liabilities have been restated to include assets held for sale.
(viii) Corporate Short-term deposits are considered to be a corporate centre asset. The 2009 comparatives have been re-allocated accordingly.

Notes to the Financial Statements continued

6. Segmental analysis continued

Capital employed represents the investment required to operate each of the Group's segments. Capital employed is used by the Group to calculate the return on capital employed for each of the Group's segments as part of the Group's managing for value concept. Additional value is created when the return on capital employed exceeds the cost of capital. Net segment assets of the Group can be reconciled to the Group's capital employed as follows:

	2010 £m	2009 (restated) (i) £m
Net segment assets at 31 December	**10,042**	9,427
Deduct:		
Intra-Group balances	**26**	46
Pre-productive assets	**(1,659)**	(1,729)
Margin call debtor (i)	**(161)**	(626)
Cash at bank, in transit and in hand excluding certain restricted cash	**(117)**	(92)
Effect of averaging month-end balances	**(418)**	(1,560)
Average capital employed for year ended 31 December	**7,713**	5,466

(i) Average capital employed calculation for 2010 has been calculated in line with latest management reporting of average capital employed. Average capital employed excludes balances related to margin call debtors and now includes balances related to proprietary energy trading derivatives. The 2009 comparative has been restated to reflect this change.

Year ended 31 December	Capital expenditure on property, plant and equipment		Capital expenditure on intangible assets other than goodwill	
(e) Capital expenditure	2010 £m	2009 £m	2010 £m	2009 (restated) (i) £m
Continuing operations:				
Residential energy supply (i)	**15**	1	**256**	236
Residential services	**6**	34	**15**	6
Business energy supply and services (i)	**1**	1	**68**	59
Downstream UK	**22**	36	**339**	301
Upstream gas and oil	**383**	358	**224**	50
Power generation (i)	**78**	139	**19**	45
Industrial and commercial	**4**	4	**15**	16
Proprietary energy trading	**–**	–	**–**	–
Upstream UK	**465**	501	**258**	111
Storage UK	**33**	60	**–**	–
Residential energy supply	**–**	–	**2**	6
Business energy supply	**–**	1	**10**	6
Residential and business services	**2**	1	**5**	–
Upstream and wholesale energy	**20**	52	**10**	2
North America	**22**	54	**27**	14
Other	**16**	3	**29**	38
Capital expenditure on continuing operations	**558**	654	**653**	464
Increase/(decrease) in prepayments related to capital expenditure	**18**	(2)	**6**	–
Unrealised gains on cash flow hedges transferred from reserves	**–**	4	**–**	–
Capitalised borrowing costs	**(37)**	(34)	**–**	–
Decrease/(increase) in trade payables related to capital expenditure	**8**	(28)	**2**	140
Net cash outflow	**547**	594	**661**	604

(i) Gas and power contract positions related to UK customers have been re-allocated from the Upstream UK – power generation segment to the Downstream UK – residential energy supply segment (see note 6(d)). The associated Renewable Obligation Certificates (ROCs) purchases and emissions certificates purchases have been reallocated and the 2009 comparative restated.

Notes to the Financial Statements continued

7. Exceptional items and certain re-measurements

(a) Exceptional items for the year ended 31 December	2010 £m	2009 £m
Continuing operations:		
Provision for UK onerous gas procurement contract	**(35)**	(199)
Termination of a UK energy sales contract	**–**	(139)
Provision for North American wind power purchase agreements	**(67)**	(55)
Exceptional items from continuing operations included within gross profit	**(102)**	(393)
Impairments:		
Impairment of UK generation, exploration and production assets (i)	**(96)**	(79)
Impairment of North American assets	**(67)**	(70)
	(163)	(149)
UK contract re-negotiation and restructuring costs (ii)	**(43)**	(75)
Profit on disposal of investments (iii)	**25**	49
	(181)	(175)
Exceptional items from continuing operations included within Group operating profit	**(283)**	(568)
Taxation on exceptional items	**118**	186
Net exceptional items from continuing operations after taxation	**(165)**	(382)
Discontinued operations:		
Impairment of Oxxio goodwill and other assets, provisions and write-offs after taxation	**–**	(24)
Profit on disposal of Segebel S.A. after taxation	**–**	297
Total exceptional items after taxation	**(165)**	(109)

(b) Certain re-measurements for the year ended 31 December	2010 £m	2009 £m
Continuing operations:		
Certain re-measurements recognised in relation to energy contracts		
Net gains arising on delivery of contracts (iv)	**1,023**	928
Net gains/(losses) arising on market price movements and new contracts (v)	**130**	(1,097)
Net gains/(losses) arising on positions in relation to cross-border transportation or capacity contracts (vi)	**24**	(28)
Reversal of certain re-measurements in relation to the termination of energy sales contracts	**–**	135
Net re-measurements from continuing operations included within gross profit	**1,177**	(62)
Net losses arising on re-measurement of associates' energy contracts (net of taxation) (vii)	**(14)**	(9)
Net re-measurements included within Group operating profit	**1,163**	(71)
Taxation on certain re-measurements	**(339)**	(1)
Net re-measurements from continuing operations after taxation	**824**	(72)
Discontinued operations:		
Net re-measurements on energy contracts of discontinued operations after taxation (note 18)	**67**	(107)
Total re-measurements after taxation	**891**	(179)

(i) Impairment charges have been recognised on certain UK generation, exploration and production assets as a result of low spark spreads, updated reserve data and changes in infrastructure development expectations. Of the total impairment, £68 million was recorded against UK power generation assets (PPE and inventories) and £58 million against exploration & production assets, net of write-backs of £30 million.

(ii) Exceptional restructuring charges have been recorded following the termination and migration of a significant supplier contract as a result of the British Gas integration plan. These have been recorded across the segments within Downstream UK.

(iii) During the year the Group disposed of investments in certain non-core assets acquired as part of the Venture acquisition in 2009.

(iv) As energy is delivered or consumed from previously contracted positions the related fair value recognised in the opening balance sheet (representing the discounted difference between forward energy prices at the opening balance sheet date and the contract price of energy to be delivered) is charged or credited to the Income Statement.

(v) Represents fair value gains/(losses) arising from the change in fair value of future contracted sales and purchase contracts as a result of changes in forward energy prices between reporting dates (or date of inception and the reporting date, where later).

(vi) Comprises movements in fair value arising on proprietary trades in relation to cross-border transportation or storage capacity, on which economic value has been created which is not wholly accounted for under the provisions of IAS 39.

(vii) Includes fair value unwinds relating to the recognition of energy procurement contracts and energy sales contracts at their acquisition-date fair values.

Notes to the Financial Statements continued

8. Net interest

Year ended 31 December	2010 Interest expense £m	2010 Interest income £m	2010 Total £m	2009 Interest expense £m	2009 Interest income £m	2009 Total £m
Continuing operations:						
Cost of servicing net debt						
Interest income	–	30	30	–	48	48
Interest expense on bonds, bank loans and overdrafts (i)	(284)	–	(284)	(253)	–	(253)
Interest expense on finance leases	(21)	–	(21)	(22)	–	(22)
	(305)	30	(275)	(275)	48	(227)
(Losses)/gains on revaluation						
(Losses)/gains on fair value hedges	(47)	47	–	(41)	43	2
Fair value (losses)/gains on other derivatives (i),(ii)	(121)	9	(112)	(52)	175	123
Fair value gains on other securities measured at fair value	–	10	10	–	3	3
Net foreign exchange translation of monetary assets and liabilities (iii)	–	85	85	(128)	–	(128)
	(168)	151	(17)	(221)	221	–
Other interest						
Notional interest arising on discounted items	(43)	30	(13)	(24)	29	5
Interest on cash collateral balances	–	1	1	–	4	4
Interest on supplier early payment arrangements	–	2	2	–	5	5
	(43)	33	(10)	(24)	38	14
	(516)	214	(302)	(520)	307	(213)
Capitalised borrowing costs (iv)	37	–	37	34	–	34
Interest (expense)/income	(479)	214	(265)	(486)	307	(179)

(i) On 6 December Centrica reduced its outstanding bond debt principal by £151 million and €353 million, and on 23 December by a further €30 million. The cost of repaying this debt before maturity was £60 million. As part of the same debt reduction and as a result of consequent changes in its currency hedging position, Centrica also cancelled certain outstanding bond-related derivative contracts for a net gain of £9 million.
(ii) Primarily reflects changes in the fair value of derivatives used to hedge the foreign exchange exposure associated with inter-company loans denominated in foreign currencies.
(iii) Primarily reflects foreign exchange gains/(losses) on inter-company loans denominated in foreign currencies.
(iv) Borrowing costs have been capitalised using an average rate of 4.78% (2009: 5.37%).

9. Taxation

(a) Analysis of tax charge for the year	2010 Business performance £m	2010 Exceptional items and certain re-measurements £m	2010 Results for the year £m	2009 Business performance £m	2009 Exceptional items and certain re-measurements £m	2009 Results for the year £m
The tax charge comprises:						
Current tax						
UK corporation tax	(464)	23	(441)	(333)	62	(271)
UK petroleum revenue tax	(223)	–	(223)	(112)	–	(112)
Foreign tax	(15)	(6)	(21)	(30)	4	(26)
Adjustments in respect of prior years	171	–	171	135	4	139
Total current tax	(531)	17	(514)	(340)	70	(270)
Deferred tax						
Current year	(81)	(235)	(316)	(147)	113	(34)
UK petroleum revenue tax	7	–	7	25	–	25
Foreign deferred tax	(39)	7	(32)	11	9	20
Change in tax rates (i)	15	(1)	14	–	–	–
Adjustments in respect of prior years	(79)	(9)	(88)	(80)	(7)	(87)
Total deferred tax	(177)	(238)	(415)	(191)	115	(76)
Total tax on profit from continuing operations (ii)	(708)	(221)	(929)	(531)	185	(346)

(i) The effect of the enacted decrease of 1% to the standard rate of UK corporation tax from 1 April 2011 on the relevant temporary differences at 31 December 2010 was a credit of £14 million.
(ii) Total tax on profit from continuing operations excludes taxation on the Group's share of profits in joint ventures and associates.

Notes to the Financial Statements continued

10. Dividends

	2010 £m	2009 £m
Prior year final dividend of 9.14 pence (2009: 8.73 pence) per ordinary share	**470**	447
Interim dividend of 3.84 pence (2009: 3.66 pence) per ordinary share	**198**	188
	668	635

The prior year final dividend was paid on 16 June 2010 (2009: 10 June). The interim dividend was paid on 17 November 2010 (2009: 11 November).

The Directors propose a final dividend of 10.46 pence per ordinary share (totalling £539 million) for the year ended 31 December 2010. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 9 May 2011 and, subject to approval, will be paid on 15 June 2011 to those shareholders registered on 3 May 2011.

11. Earnings per ordinary share

Basic earnings per ordinary share has been calculated by dividing the earnings attributable to equity holders of the Company for the year of £1,935 million (2009: £844million) by the weighted average number of ordinary shares in issue during the year of 5,146 million (2009: 5,121 million). The Directors believe that the presentation of adjusted basic earnings per ordinary share, being the basic earnings per ordinary share adjusted for certain re-measurements, exceptional items and the impact of Strategic Investments, assists with understanding the underlying performance of the Group. The reconciliation of basic to adjusted basic earnings per ordinary share is as follows:

Year ended 31 December		**2010**		2009
(a) Continuing and discontinued operations	**£m**	**Pence per ordinary share**	£m	Pence per ordinary share
Earnings – basic	**1,935**	**37.6**	844	16.5
Net exceptional items after taxation (notes 3 and 7)	**165**	**3.2**	109	2.1
Certain re-measurement (gains)/losses after taxation (notes 3 and 7) [(i)]	**(891)**	**(17.3)**	141	2.8
Depreciation of fair value uplifts to property, plant and equipment from Strategic Investments, after taxation	**88**	**1.7**	17	0.3
Earnings – adjusted basic	**1,297**	**25.2**	1,111	21.7
Earnings – diluted	**1,935**	**37.3**	844	16.4
Earnings – adjusted diluted	**1,297**	**25.0**	1,111	21.6

(i) Excludes Non-controlling interests of £nil million (2009: £38 million).

Venture

The Group acquired the Venture Group during 2009. The depreciation relating to fair value uplifts relating to the acquired property, plant and equipment and related taxation is excluded in arriving at adjusted earnings for the year, which amounted to £60 million (2009: £20 million) depreciation and a taxation credit of £30 million (2009: £10 million) in the period.

British Energy

The Group acquired a 20% interest in British Energy during 2009 and accounts for its interest as an investment in associate as set out in note 13. The impact of depreciation arising on fair value uplifts attributed to the nuclear power stations and related taxation included within the Group's share of the post-taxation results of the associate is excluded in arriving at adjusted earnings for the period, which amounted to £58 million (2009: £7 million) net of taxation.

Notes to the Financial Statements continued

11. Earnings per ordinary share continued

Year ended 31 December	2010		2009	
(b) Continuing operations	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	**1,873**	**36.4**	648	12.7
Net exceptional items after taxation (notes 3 and 7)	**165**	**3.2**	382	7.5
Certain re-measurement (gains)/losses after taxation (notes 3 and 7)	**(824)**	**(16.0)**	72	1.4
Depreciation of fair value uplifts to property, plant and equipment from Strategic Investments, after taxation	**88**	**1.7**	17	0.3
Earnings – adjusted basic	**1,302**	**25.3**	1,119	21.9
Earnings – diluted	**1,873**	**36.1**	648	12.6
Earnings – adjusted diluted	**1,302**	**25.1**	1,119	21.8

	2010		2009	
(c) Discontinued operations	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	**62**	**1.2**	196	3.8
Earnings – diluted	**62**	**1.2**	196	3.8

Certain re-measurements (note 7) included within operating profit and discontinued operations comprise re-measurements arising on energy procurement activities and re-measurements of proprietary trades in relation to cross-border transportation or capacity contracts. All other re-measurements are included within results before exceptional items and certain re-measurements.

In addition to basic and adjusted basic earnings per ordinary share, information is presented for diluted and adjusted diluted earnings per ordinary share. Under this presentation, no adjustments are made to the reported earnings for either 2010 or 2009, however the weighted average number of shares used as the denominator is adjusted for potentially dilutive ordinary shares.

(d) Weighted average number of shares	2010 Million shares	2009 Million shares
Weighted average number of shares used in the calculation of basic earnings per ordinary share	**5,146**	5,121
Dilutive impact of share-based payment schemes	**45**	24
Weighted average number of shares used in the calculation of diluted earnings per ordinary share	**5,191**	5,145

12. Derivative financial instruments

Derivative financial instruments are generally held for the purpose of proprietary energy trading, treasury management or energy procurement. Derivatives held for the purpose of proprietary energy trading are carried at fair value, with changes in fair value recognised in the Group's results for the year before exceptional items and certain re-measurements, with the exception of certain derivatives related to cross-border transportation and capacity contracts. Derivative financial instruments held for the purposes of treasury management or energy procurement are also carried at fair value, with changes in the fair value of derivatives relating to treasury management reflected in the results for the year before exceptional items and certain re-measurements, and those relating to energy procurement reflected in certain re-measurements. In cases where a derivative qualifies for hedge accounting, derivatives are classified as fair value hedges, cash flow hedges or hedges of a net investment in a foreign operation.

Energy contracts designated at fair value through profit and loss include certain energy contracts that the Group has, at its option, designated at fair value through profit and loss under IAS 39 because the energy contract contains one or more embedded derivatives that significantly modify the cash flows under the contract.

Notes to the Financial Statements continued

12. Derivative financial instruments continued

The carrying values of derivative financial instruments by product type for accounting purposes are as follows:

	2010 Assets £m	2010 Liabilities £m	2009 Assets £m	2009 Liabilities £m
Derivative financial instruments – held for proprietary energy trading:				
Energy derivatives – held for trading under IAS 39	**47**	**(31)**	68	(3)
Derivative financial instruments – held for the purpose of treasury management or energy procurement:				
Derivative financial instruments – held for trading under IAS 39				
Energy derivatives	**538**	**(1,022)**	590	(2,134)
Interest rate derivatives	**3**	**(16)**	3	(5)
Foreign exchange derivatives	**53**	**(100)**	45	(79)
Energy derivative contracts designated at fair value through profit and loss:	**1**	**(143)**	–	(177)
Derivative financial instruments in hedge accounting relationships:				
Energy derivatives	**25**	**(86)**	2	(328)
Interest rate derivatives	**105**	**–**	69	(10)
Foreign exchange derivatives	**18**	**(5)**	31	(14)
Total Derivative financial instruments	**790**	**(1,403)**	808	(2,750)
Included within:				
Derivative financial instruments – current	**449**	**(755)**	492	(1,744)
Derivative financial instruments – non-current	**341**	**(648)**	316	(1,006)

The contracts included within energy derivatives are subject to a wide range of detailed specific terms but comprise the following general components:

	2010 £m	2009 £m
Short-term forward market purchases and sales of gas and electricity:		
UK and Europe	**24**	(1,091)
North America	**(451)**	(583)
Structured gas purchase contracts	**89**	(34)
Structured gas sales contracts	**(176)**	(135)
Other	**(157)**	(139)
Net total	**(671)**	(1,982)

Certain of the Group's energy contracts that are accounted for as derivatives are for the physical purchase of energy. In these cases, IFRS 7 requires disclosure of a maturity analysis that shows cash outflows on all purchase contracts on an undiscounted basis, including those derivative contracts in a gain position at the balance sheet date as follows:

Energy procurement contracts that are carried at fair value	2010 £m	2009 £m
Less than one year	**(12,814)**	(15,314)
One to five years	**(15,199)**	(17,865)
More than five years	**(2,184)**	(4,877)
	(30,197)	(38,056)

Notes to the Financial Statements continued

13. Interests in joint ventures and associates

(a) Interest in joint ventures and associates	2010 Investments in joint ventures and associates (i) £m	2010 Shareholder loans £m	2010 Total £m	2009 Investments in joint ventures and associates £m	2009 Shareholder loans £m	2009 Total £m
1 January	2,356	66	**2,422**	286	44	330
Additions (i)	66	124	**190**	2,303	39	2,342
Reclassification as a subsidiary	–	–	**–**	(216)	–	(216)
Decrease in shareholder loans	–	(26)	**(26)**	–	(17)	(17)
Impairment of interest in joint venture	(4)	–	**(4)**	–	–	–
Disposals of investments	–	–	**–**	(1)	–	(1)
Share of (losses)/profits for the year	(7)	–	**(7)**	1	–	1
Share of reserve movements	15	–	**15**	–	–	–
Dividends	(83)	–	**(83)**	–	–	–
Exchange adjustments	–	–	**–**	(17)	–	(17)
31 December	**2,343**	**164**	**2,507**	2,356	66	2,422

(i) Additions include the reclassification of interests in Lincs Wind Farms Limited and the acquisition of Alertme.com Limited

(b) Share of joint ventures' and associates' assets and liabilities

The Group's share of joint ventures' and associates' gross assets and gross liabilities at 31 December 2010 principally comprises its interests in Braes of Doune Wind Farm (Scotland) Limited, Barrow Offshore Wind Limited, GLID Wind Farms TopCo Limited, Lincs Wind Farm Limited, Lake Acquisitions Limited (British Energy) and NNB Holding Company Limited.

The Group's share of the investments in and results of Braes of Doune Wind Farm (Scotland) Limited, Barrow Offshore Wind Limited, GLID Wind Farms TopCo Limited, Lincs Wind Farm Limited, Lake Acquisitions Limited (British Energy) and NNB Holding Company Limited are included within the Upstream UK – Power generation segment. The Group's share of the investments in and results of Secure Electrans Limited and Alertme.com Limited are included within the Downstream UK – Residential energy supply segment. The Group's share of the investments in and results of Bacton Storage Company Limited are included within the Storage UK segment. The Group's share of the investments in and results of North Sea Infrastructure Partners Limited and Ten Degrees North Energy Limited are included within the Upstream UK – Upstream gas and oil segment.

	Joint ventures				Associates		2010		2009
	Braes of Doune Wind Farm (Scotland) Limited £m	Barrow Offshore Wind Limited £m	GLID Wind Farms TopCo Limited (i) £m	Lincs Wind Farm Limited £m	Lake Acquisitions Limited (British Energy) £m	NNB Holding Company Limited £m	Other (ii) £m	Total £m	Total £m
Share of non-current assets	34	59	170	136	3,639	72	59	**4,169**	4,078
Share of current assets	3	7	28	21	592	34	13	**698**	702
	37	66	198	157	4,231	106	72	**4,867**	4,780
Share of current liabilities	(5)	(2)	(37)	(39)	(166)	(21)	–	**(270)**	(243)
Share of non-current liabilities	(15)	(15)	(178)	(112)	(1,909)	–	(21)	**(2,250)**	(2,181)
	(20)	(17)	(215)	(151)	(2,075)	(21)	(21)	**(2,520)**	(2,424)
Restricted interest on shareholder loan (iii)	–	–	–	(4)	–	–	–	**(4)**	–
Share of net assets of joint ventures and associates	17	49	(17)	2	2,156	85	51	**2,343**	2,356
Shareholder loans	15	–	22	112	–	–	15	**164**	66
Interests in joint ventures and associates	**32**	**49**	**5**	**114**	**2,156**	**85**	**66**	**2,507**	2,422
Net (debt)/cash included in share of net assets	(13)	4	(171)	(97)	57	33	(18)	**(205)**	237

(i) As part of a finance arrangement entered into by GLID Wind Farms TopCo Limited, the Group's shares in GLID Wind Farms TopCo Limited are pledged to a third party. The pledge will only come into force should GLID Wind Farms TopCo Limited default on any of its obligations under the finance arrangement.

(ii) Other includes joint ventures of North Sea Infrastructure Partners Limited, Bacton Storage Company Limited and Secure Electrans Limited and associates of Ten Degrees North Energy Limited and Alertme.com Limited.

(iii) The Group restricts the amount of interest receivable on the shareholder loan from Lincs Wind Farm Limited to 50% of the interest capitalised by the joint venture.

Notes to the Financial Statements continued

13. Interests in joint ventures and associates continued

(c) Share of profits/(losses) in joint ventures and associates

	Joint ventures				Associates			2010	2009
	Braes of Doune Wind Farm (Scotland) Limited £m	Barrow Offshore Wind Limited £m	GLID Wind Farms TopCo Limited £m	Lincs Wind Farm Limited £m	Lake Acquisitions Limited (British Energy) (i) £m	NNB Holding Company Limited £m	Other (ii) £m	**Total £m**	Total £m
Income	6	9	29	–	421	–	3	**468**	76
Expenses excluding certain re-measurements (i)	(2)	(8)	(17)	(2)	(391)	(2)	–	**(422)**	(58)
Certain re-measurements	–	–	–	–	(31)	–	–	**(31)**	(12)
	4	1	12	(2)	(1)	(2)	3	**15**	6
Interest	–	–	(17)	–	(38)	–	–	**(55)**	(4)
Taxation excluding certain re-measurements (i)	(1)	–	2	–	15	–	–	**16**	(4)
Taxation on certain re-measurements	–	–	–	–	17	–	–	**17**	3
Share of post-taxation results of joint ventures and associates	3	1	(3)	(2)	(7)	(2)	3	**(7)**	1

(i) Includes £97 million (2009: £10 million) relating to depreciation of fair value uplifts to property, plant and equipment on acquiring the British Energy investments. The associated tax impact is £39 million credit (2009: £3 million).

(ii) Other includes joint ventures of North Sea Infrastructure Partners Limited, Bacton Storage Company Limited and Secure Electrons Limited and associates of Ten Degrees North Energy Limited and Alertme.com Limited.

(d) Reconciliation of share of profits/(losses) in joint ventures and associates to share of adjusted profits/(losses) in joint ventures and associates

	Joint ventures	Associates		2010	2009
	Wind Farms £m	Nuclear £m	Other (ii) £m	**Total £m**	Total £m
Share of post-taxation results of joint ventures and associates	(1)	(9)	3	**(7)**	1
Certain re-measurements (net of taxation)	–	14	–	**14**	9
Depreciation – British Energy (net of taxation) (i)	–	58	–	**58**	7
Interest	17	38	–	**55**	4
Taxation (excluding certain re-measurements and British Energy depreciation)	(1)	24	–	**23**	7
Share of adjusted results of joint ventures and associates	15	125	3	**143**	28

(i) Relates to depreciation of fair value uplifts to property, plant and equipment on acquiring the British Energy investments.

(ii) Other includes joint ventures of North Sea Infrastructure Partners Limited, Bacton Storage Company Limited and Secure Electrons Limited and associates of Ten Degrees North Energy Limited and Alertme.com Limited.

Notes to the Financial Statements continued

14. Bank overdrafts, loans and other borrowings

	Interest rate %	Principal m	2010 Current £m	2010 Non-current £m	2010 Total £m	2009 Current £m	2009 Non-current £m	2009 Total £m
Bank overdrafts and loans			**52**	**225**	**277**	63	384	447
Bonds (by maturity date)								
2 November 2012 (i)	6.103	£284	**–**	**296**	**296**	–	415	415
27 February 2013	1.045	¥3,000	**–**	**25**	**25**	–	21	21
9 December 2013 (ii)	7.307	€367	**–**	**326**	**326**	–	678	678
4 November 2014	Floating	$100	**–**	**64**	**64**	–	62	62
10 December 2014 (iii)	5.297	£315	**–**	**329**	**329**	–	353	353
31 March 2015 (iv)	Floating	$70	**–**	**45**	**45**	–	–	–
24 October 2016	5.706	£300	**–**	**320**	**320**	–	311	311
19 September 2018	7.038	£400	**–**	**444**	**444**	–	428	428
10 March 2022 (v)	6.362	£500	**–**	**527**	**527**	–	414	414
4 September 2026 (vi)	6.265	£200	**–**	**209**	**209**	–	149	149
16 April 2027 (vii)	6.083	$70	**–**	**45**	**45**	–	–	–
19 September 2033	7.100	£770	**–**	**777**	**777**	–	777	777
			–	**3,407**	**3,407**	–	3,608	3,608
Other borrowings								
12 December 2011 (viii)	Floating	£250	**–**	**–**	**–**	–	250	250
Obligations under finance leases			**25**	**327**	**352**	23	352	375
			77	**3,959**	**4,036**	86	4,594	4,680

(i) Principal amount of £116 million was redeemed on 6 December 2010.
(ii) Principal amount of €353 million was redeemed on 6 December 2010 and a further €30 million on 23 December 2010.
(iii) Principal amount of £35 million was redeemed on 6 December 2010.
(iv) Issued on 31 March 2010.
(v) Principal amount was increased by £40 million on 12 March 2010 and by additional £60 million on 15 March 2010.
(vi) Principal amount was increased by £50 million on 24 March 2010.
(vii) Issued on 16 April 2010.
(viii) Redeemed on 12 February 2010.

Notes to the Financial Statements continued

15. Notes to the Group Cash Flow Statement

(a) Reconciliation of Group operating profit to net cash flow from operating activities

	2010 £m	2009 £m
Continuing operations		
Group operating profit including share of result of joint ventures and associates	**3,074**	1,175
Less share of loss/(profits) of joint ventures and associates	**7**	(1)
Group operating profit before share of result of joint ventures and associates	**3,081**	1,174
Add back/(deduct):		
Amortisation and write-down of intangible assets	**176**	209
Depreciation and write-down of property, plant and equipment	**973**	708
Impairments of joint ventures and associates	**4**	–
Profit on sale of businesses	**(26)**	(54)
Profit on sale of property plant and equipment and other intangible assets	**4**	–
Movement in provisions	**159**	301
Pension service cost	**129**	74
Pension contributions	**(441)**	(403)
Employee share scheme costs	**48**	38
Re-measurement of energy contracts (i)	**(1,097)**	135
Unrealised foreign exchange gains on operating cash and cash equivalents	**–**	1
Operating cash flows before movements in working capital	**3,010**	2,183
Decrease in inventories	**31**	35
Decrease in trade and other receivables (ii)	**162**	781
Increase in trade and other payables (ii)	**242**	83
Cash generated from continuing operations	**3,445**	3,082
Income taxes paid	**(412)**	(329)
Net petroleum revenue tax paid	**(128)**	(174)
Interest received	**5**	13
Interest paid	**(11)**	(3)
Payments relating to exceptional charges	**(223)**	(203)
Net cash flow from continuing operating activities	**2,676**	2,386
Discontinued operations		
Operating profit/(loss) including share of result of joint ventures and associates	**67**	(46)
Less share of loss of joint ventures and associates	**–**	2
Operating profit/(loss) before share of joint ventures and associates	**67**	(44)
(Deduct)/add back:		
Amortisation and write-down of intangible assets	**–**	41
Depreciation and write-down of property, plant and equipment	**–**	25
Movement in provisions	**4**	25
Re-measurement of energy contracts	**(42)**	49
Operating cash flows before movements in working capital	**29**	96
Decrease in inventories	**–**	7
(Increase)/decrease in receivables	**(151)**	337
Increase/(decrease) in payables	**136**	(168)
Income taxes paid	**(6)**	(10)
Interest paid	**(1)**	(1)
Net cash flow from discontinued operating activities	**7**	261
Net cash flow from operating activities	**2,683**	2,647

(i) Adds back unrealised losses arising from re-measurement of energy contracts, including those related to proprietary trading activities.
(ii) Includes net inflow of £466 million of cash collateral in 2010 (2009: net outflow of £79 million).

Notes to the Financial Statements continued

15. Notes to the Group Cash Flow Statement continued

(b) Net debt	2010 £m	2009 £m
Current borrowings (note 14)	**(77)**	(86)
Non-current borrowings (note 14)	**(3,959)**	(4,594)
Less:		
Cash and cash equivalents	**467**	1,294
Securities – current	**23**	74
Securities – non-current	**234**	176
	(3,312)	(3,136)

(c) Reconciliation of net increase in cash and cash equivalents to movement in net debt	2010 £m	2009 £m
Net decrease in cash and cash equivalents	**(833)**	(1,569)
Cash and cash equivalents of disposal groups classified as held for sale	**16**	(19)
	(817)	(1,588)
Add back/(deduct):		
Net purchase of securities	**56**	128
Cash inflow from additional debt	**(267)**	(1,887)
Cash outflow from payment of capital element of finance leases	**23**	22
Cash outflow from repayment of other debt	**928**	872
	(77)	(2,453)
Revaluation of:		
Securities	**7**	14
Loans and other borrowings	**(40)**	15
	(110)	(2,424)
Increase in interest payable on loans and other borrowings	**(2)**	(25)
Acquisitions	**–**	(477)
Disposals	**(56)**	298
Exchange adjustments	**(8)**	4
Other non-cash movements	**–**	(1)
Movement in net debt	**(176)**	(2,625)
Net debt at 1 January	**(3,136)**	(511)
Net debt at the end of the year	**(3,312)**	(3,136)

16. Pensions

Pension schemes

The majority of the Group's UK employees at 31 December 2010 were members of one of the three main schemes: the Centrica Pension Scheme, the Centrica Engineers Pension Scheme and the Centrica Pension Plan (formerly known as the Centrica Management Pension Scheme) (together the 'registered pension schemes').

The latest full actuarial valuations were carried out at the following dates: the registered pension schemes at 31 March 2009, the Unapproved Pension Scheme at 6 April 2010 and the Direct Energy Marketing Limited pension plan at 14 June 2008. These have been updated to 31 December 2010 for the purposes of meeting the requirements of IAS 19. Investments have been valued, for this purpose, at market value.

Major assumptions used for the actuarial valuation	31 December 2010 %	31 December 2009 %
Rate of increase in employee earnings	**4.7**	4.8
Rate of increase in pensions in payment and deferred pensions	**3.7**	3.8
Discount rate	**5.7**	6.0
RPI inflation assumption	**3.7**	3.8

Notes to the Financial Statements continued

16. Pensions continued

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date have been based on a combination of standard actuarial mortality tables, scheme experience and other relevant data, and include a medium cohort allowance for future improvements in longevity, as published by the Institute and Faculty of Actuaries, with an underpin. The assumptions are equivalent to future longevity for members in normal health approximately as follows:

	2010		2009	
Life expectancy at age 65 for a member	**Male Years**	**Female Years**	Male Years	Female Years
Currently aged 65	**22.6**	**24.0**	22.5	23.9
Currently aged 45	**24.4**	**25.3**	24.3	25.2

At 31 March 2009, the date of the most recent actuarial review, the schemes had approximately 34,900 members and beneficiaries.

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension schemes.

	2010		2009	
Impact of changing material assumptions	**Increase/ decrease in assumption**	**Indicative effect on scheme liabilities %**	Increase/ decrease in assumption	Indicative effect on scheme liabilities %
Rate of increase in employee earnings	**0.25%**	**+/–1**	0.25%	+/–1
Rate of increase in pensions in payment and deferred pensions	**0.25%**	**+/–5**	0.25%	+/–5
Discount rate	**0.25%**	**–/+6**	0.25%	–/+6
Inflation assumption	**0.25%**	**+/–6**	0.25%	+/–6
Longevity assumption	**1 year**	**+/–2**	1 year	+/–2

The expected long term rate of return and market value of the assets and the present value of the liabilities in the schemes at 31 December were:

	2010		2009	
	Expected long term rate of return per annum %	**Valuation £m**	Expected long term rate of return per annum %	Valuation £m
UK equities	**8.0**	**659**	8.3	1,101
Non-UK equities	**8.0**	**1,261**	8.3	1,106
High-yield debt	**7.5**	**229**	6.6	127
Fixed-interest bonds	**5.5**	**1,182**	6.0	524
Index-linked gilts	**4.2**	**773**	4.5	364
Property	**7.6**	**134**	8.0	55
Cash pending investment	**5.6**	**97**	6.1	256
Total fair value of plan assets	**6.6**	**4,335**	7.4	3,533
Present value of defined benefit obligation		**(4,574)**		(4,098)
Net liability recognised in the Balance Sheet		**(239)**		(565)
Associated deferred tax asset recognised in the Balance Sheet		**67**		158
Net pension liability		**(172)**		(407)
Net liability recognised in the Balance Sheet comprises:				
Surpluses		**–**		–
Deficits		**(239)**		(565)
		(239)		(565)

The overall expected rate of return on assets is a weighted average based on the actual plan assets held in each class and the expected returns on separate asset classes less costs of administering the plan and taxes paid by the plan itself. The returns on separate asset classes were derived as follows: the expected rate of return on equities, high-yield debt and property are based on the expected median return over a 10-year period, as calculated by the independent company actuary. The median return over a longer period than 10 years was not expected to be materially dissimilar. The expected rate of return on fixed-interest bonds and index-linked gilts reflects yields directly observable on bond market indices. The expected rate of return on cash pending investment reflects the average rate of return on the actual asset classes that the cash was invested in shortly after the year end.

Included within the schemes' liabilities above are £33 million (2009: £31 million) relating to unfunded pension arrangements. Included within non-current securities are £52 million (2009: £48 million) of investments, held by the Law Debenture Trust on behalf of the Company, as security in respect of the Centrica Unapproved Pension Scheme.

Notes to the Financial Statements continued

16. Pensions continued

Based on the triennial valuation at 31 March 2009, the Company and the trustees of the registered pension schemes agreed a schedule for deficit payments. An amount of £308 million has been paid in the year to 31 December 2010 and the following further deficit payments will be made: £6 million in 2011 and £57 million per annum from 2012 to 2016. In addition, a charge over the Humber power station has been provided as additional security for the trustees.

Analysis of the amount charged to the Income Statement	2010 £m	2009 £m
Current service cost – continuing operations (i)	**115**	68
Loss on curtailment	**14**	6
Net charge to operating profit	**129**	74
Current service cost – discontinued operations	**–**	2
Net charge to the Income Statement	**129**	76

(i) In addition to current service cost on the Group's defined benefit pension schemes, the Group also charged £5 million (2009: £3 million) to operating profit in respect of defined contribution pension schemes.

Analysis of the amount credited to notional interest	2010 £m	2009 £m
Expected return on pension scheme assets	**275**	209
Interest on pension scheme liabilities	**(249)**	(185)
Net credit to notional interest income	**26**	24

Analysis of the actuarial (loss)/gain recognised in the Statement of Comprehensive Income	2010 £m	2009 £m
Actuarial gain (actual return less expected return on pension scheme assets)	**154**	344
Experience gains/(losses) arising on the scheme liabilities	**74**	(104)
Changes in assumptions underlying the present value of the schemes' liabilities	**(237)**	(1,044)
Actuarial loss to be recognised in accumulated other comprehensive loss, before adjustment for taxation	**(9)**	(804)
Cumulative actuarial (losses)/gains recognised in reserves at 1 January, before adjustment for taxation	**(480)**	324
Cumulative actuarial losses recognised in reserves at 31 December, before adjustment for taxation	**(489)**	(480)

17. Business combinations

Trinidad and Tobago

On 5 August 2010, the Group acquired full control of a business constituting a portfolio of interests in a number of gas assets located off the coast of Trinidad and Tobago for total cash consideration of $375 million (£247 million). The portfolio consists of a producing gas field which supplies gas into the Atlantic LNG facility as well as areas of development and exploration. The acquisition increases the gas reserves of the Group and provides access to the Atlantic basin LNG market. The acquisition is included within the Upstream UK – Upstream gas and oil segment.

Goodwill of £68 million arose on the acquisition. This is principally attributable to deferred tax arising on the fair value adjustments but also to an element of going concern value that is expected to give access to future opportunities and benefits in the region. None of the goodwill recognised is expected to be deductible for tax purposes. The fair values disclosed in the table below are provisional due to the complicated arrangements in the production sharing agreement and the interactions with the local tax regulations. Acquisition costs were negligible.

Wildcat Hills

On 30 September 2010, the Group acquired full control of a business constituting a portfolio of interests in a number of gas assets located to the West of Calgary in Canada for total cash consideration of CAN$352 million (£218 million). The portfolio consists of 97 natural gas and producing wells and working interests in three processing facilities. The acquisition increases the natural gas reserves of the Group and provides additional gas to meet supply requirements of the North American retail customers. The acquisition is included within the North America – Upstream and wholesale energy segment.

Goodwill of £nil arose on the acquisition. The fair values disclosed in the table below are provisional pending finalisation of oil and gas reserves acquired and due to ongoing work occurring on the decommissioning provision and abandonment asset.

Acquisition costs of £1 million were incurred as part of the acquisition and expensed to the income statement as part of operating costs.

Clockwork

On 1 July 2010, the Group acquired the business and net assets of Clockwork Home Services Inc and 100% of the shares of Air Time Canada Inc, together known as Clockwork. The total cash consideration for the acquisition was $183 million (£122 million), which includes deferred consideration of $17 million (£11 million) payable in 2012.

Clockwork provides heating, air conditioning, ventilation, plumbing and electrical services in the US and Canada. The acquisition supports the Group's existing home services business in the US and Canada by providing increased geographical coverage, as well as expanding Direct Energy's shared expertise. The acquisition is included within the North America – Residential and business services segment.

Notes to the Financial Statements continued

17. Business combinations continued

Goodwill of £87 million arose on the acquisition. This is principally attributable to the synergies relating to procurement, location rationalisation and overhead realignment. £67 million of the goodwill recognised is expected to be deductible for tax purposes.

For acquired trade receivables, the fair value and gross amount receivable is £4 million and £5 million respectively. £1 million is the best estimate of contractual cash flows not expected to be collected. The fair value and gross amount receivable of other acquired receivables is £3 million.

The fair values disclosed in the table below are provisional pending finalisation of working capital and due to ongoing work on the intangible assets and deferred revenue balances at acquisition.

Acquisition costs of £1 million were incurred as part of the acquisition and expensed to the income statement as part of operating costs.

Fair values of the identifiable assets acquired and liabilities assumed

	Trinidad and Tobago £m	Wildcat Hills £m	Clockwork £m
Intangible assets	6	35	42
Property, plant and equipment – development and producing gas and oil field assets	245	213	–
Property, plant and equipment – other	–	–	4
Cash and cash equivalents	–	–	2
Inventories	–	–	2
Trade and other receivables: current	–	1	7
Trade and other payables: current	–	–	(15)
Trade and other payables: non–current	–	–	(7)
Deferred tax liabilities	(55)	–	–
Provisions for other liabilities and charges: non current	(17)	(31)	–
Net assets acquired	**179**	**218**	**35**
Goodwill	68	–	87
Total consideration	**247**	**218**	**122**
Consideration comprises:			
Cash consideration:	247	218	111
Deferred cash consideration	–	–	11

	Trinidad and Tobago £m	Wildcat Hills £m	Clockwork £m
Revenue incurred since the acquisition date and included within the Group Income Statement	15	16	59
Profit / (loss) incurred since the acquisition date and included within the Group Income Statement	–	(1)	(1)

Other acquisitions

During the year a number of other acquisitions occurred. Collectively the acquisitions are immaterial to the Group's financial statements.

18. Disposals, discontinued operations and disposal groups held for sale

Wind farm assets

On 5 February 2010 the Upstream UK – Power generation segment disposed of 50% of the issued share capital and 50% of the shareholder loan of Centrica (Lincs) Limited (Lincs) to Dong Wind (UK) Limited and Siemens Project Ventures GmbH for £55 million. Centrica has retained 50% of its interests in Lincs, which owns a wind farm under construction off the Lincolnshire coast. Centrica's investment in Lincs is now being treated as a joint venture due to the joint control that arises from this transaction.

This disposal followed the sale on 11 December 2009 of 50% of the issued share capital of GLID Wind Farms TopCo Limited (GLID), formerly known as Centrica Renewable Holdings Limited, which was sold to the Trust Company of the West for £84 million. Centrica retained 50% of the issued share capital of GLID, which owns 100% of the issued share capital of both Glens of Foudland Limited and Lynn and Inner Dowsing Limited (the owners and operators of the Glens of Foudland and Lynn and Inner Dowsing wind farms respectively). Centrica's investment in GLID is now being treated as a joint venture due to the joint control that arises from this transaction.

Notes to the Financial Statements continued

18. Disposals, discontinued operations and disposal groups held for sale continued

European businesses

The European segment was classified as a discontinued operation from 30 June 2009 following the Group's decision to dispose of its 100% interests in Segebel S.A. (Segebel), Oxxio BV (Oxxio) in the Netherlands and Centrica Energía S.L. (Centrica Energía) in Spain.

The disposal of Segebel to EDF was completed on 26 November 2009.

The sale of Centrica Energía to Villar Mir Energía S.L. (VME) was completed on 4 November 2010 for total proceeds of €35 million (£29 million). The proceeds include a dividend of €21 million (£17 million) which was paid before the business was disposed of.

The sale process for the disposal of Oxxio has taken longer than anticipated when the assets were originally classified as held for sale and was therefore on-going during the year. Completion is anticipated during 2011. Accordingly Oxxio continued to be reported within discontinued operations during 2010. The Group leases a power station in Rijnmond, the Netherlands, through a tolling agreement. This power station became operational in May 2010 and the initial expectation was that the agreement would be transferred with the Oxxio disposal so the results of the power station were included within discontinued operations. During December 2010 a decision was taken not to include the lease on the power station in the current sale process and its results have been removed from discontinued operations and included within the Upstream UK – Industrial and commercial segment. The comparatives have not been restated as the power station was not operational in 2009.

19. Commitments and contingencies

(a) Commitments

Commitments in relation to the acquisition of property, plant and equipment	2010 £m	2009 £m
Construction of a power station at Langage	–	43
Construction of Lincs wind farm (i)	–	385
Gas field developments	119	116
Other power station capital expenditure	52	16
Other	13	3
	184	563

(i) The Lincs wind farm was disposed of on 5 February 2010, as described in note 18.

Commitments in relation to the acquisition of intangible assets	2010 £m	2009 £m
Renewable obligation certificates to be purchased from		
Joint ventures (i)	1,145	578
Other parties	631	868
Carbon emissions certificates	61	326
Certified emission reduction certificates	105	110
Exploration activity	80	205
Other	66	40
	2,088	2,127

(i) Renewable obligation certificates are purchased from several joint ventures which produce power from wind energy. The commitments disclosed above are the gross contractual commitments and do not take into account the Group's economic interest in the joint venture.

Commitments in relation to other contracts	2010 £m	2009 £m
Liquefied natural gas capacity	629	675
Transportation capacity	666	689
Outsourcing of services	444	325
Other	414	444
	2,153	2,133

Commitments in relation to commodity purchase contracts	2010 £m	2009 (restated) (i) £m
Within one year (ii)	8,517	7,431
Between one and five years (iii)	21,287	20,275
After five years	10,616	14,149
	40,420	41,855

(i) Restated to net off amounts receivable under commodity sales contracts where there is a right of set-off with the counterparty.
(ii) Includes £132 million (2009: £144 million) in relation to discontinued operations, as described in note 18.
(iii) Includes £38 million (2009: £112 million) in relation to discontinued operations, as described in note 18.

Notes to the Financial Statements continued

19. Commitments and contingencies continued

Commitments by associates and joint ventures	2010 £m	2009 £m
Share of associates' commitments	**290**	302
Share of joint ventures' commitments	**319**	2
	609	304

(b) Contingent liabilities

There are no material contingent liabilities.

20. Events after the balance sheet date

The Directors propose a final dividend of 10.46 pence per ordinary share (totalling £539 million) for the year ended 31 December 2010. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 9 May 2011 and, subject to approval, will be paid on 15 June 2011 to those shareholders registered on 3 May 2011.

21. Seasonality of operations

Certain activities of the Group are affected by weather and temperature conditions. As a result of this, amounts reported for the six months ended 31 December 2010 may not be indicative of the amounts that would be reported for a full year due to seasonal fluctuations in customer demand for gas, electricity and services, the impact of weather on demand and commodity prices, market changes in commodity prices and changes in retail tariffs.

Customer demand for gas in the UK and North America is driven primarily by heating load and is generally higher in the winter than in the summer, and higher from January to June than from July to December. Customer demand for electricity in the UK generally follows a similar pattern to gas, but is more stable. Customer demand for electricity in North America is also more stable than gas but is driven by heating load in the winter and cooling load in the summer. Generally demand for electricity in North America is higher in the winter and summer than it is in the spring and autumn, and higher from July to December than it is from January to June.

Customer demand for home services in the UK is generally higher in the winter than it is in the summer, and higher in the earlier part of the winter as heating systems break down, so that customer demand from July to December is higher than from January to June. Customer demand for home services in North America follows a similar pattern, but is also higher in the summer as a result of residential new construction in the US and the servicing of cooling systems.

Gas production volumes in the UK are generally higher in the winter when gas prices are higher. Gas production volumes are generally higher from January to June than they are from July to December as outages are generally planned for the summer months when gas demand and prices are lowest. Gas production volumes in North America are generally not seasonal.

Power generation volumes are dependent on spark spread prices, which is the difference between the price of electricity and the price of gas multiplied by a conversion rate and, as a result, are not as seasonal as gas production volumes in the UK, as wholesale prices for both gas and electricity are generally higher in the winter than they are in the summer. Power generation volumes in North America are generally higher in the summer than in the winter and can be higher or lower from January to June compared to July to December.

The impact of seasonality on customer demand and wholesale prices has a direct effect on the Group's financial performance and cash flows.

Notes to the Financial Statements continued (unaudited)

22. Group Income Statement for the six months ended 31 December 2010

Year ended 31 December	Notes	2010 Business performance £m	2010 Exceptional items and certain re-measurements £m	2010 Results for the year £m	2009 Business performance £m	2009 Exceptional items and certain re-measurements £m	2009 Results for the year £m
Group revenue	24	**10,716**	**–**	**10,716**	10,306	–	10,306
Cost of sales before exceptional items and certain re-measurements		**(8,674)**	**–**	**(8,674)**	(8,251)	–	(8,251)
Exceptional items	25	**–**	**(102)**	**(102)**	–	(199)	(199)
Re-measurement of energy contracts	25	**–**	**499**	**499**	–	171	171
Cost of sales		**(8,674)**	**397**	**(8,277)**	(8,251)	(28)	(8,279)
Gross profit/(loss)		**2,042**	**397**	**2,439**	2,055	(28)	2,027
Operating costs before exceptional items		**(1,311)**	**–**	**(1,311)**	(1,184)	–	(1,184)
Exceptional items	25	**–**	**(181)**	**(181)**	–	(175)	(175)
Operating costs		**(1,311)**	**(181)**	**(1,492)**	(1,184)	(175)	(1,359)
Share of profits in joint ventures and associates, net of interest and taxation		**12**	**(2)**	**10**	7	(9)	(2)
Group operating profit/(loss)	24	**743**	**214**	**957**	878	(212)	666
Interest income		**–**	**–**	**–**	–	–	–
Interest expense		**(152)**	**–**	**(152)**	(118)	–	(118)
Net interest expense		**(152)**	**–**	**(152)**	(118)	–	(118)
Profit/(loss) from continuing operations before taxation		**591**	**214**	**805**	760	(212)	548
Taxation on profit/(loss) from continuing operations		**(220)**	**(37)**	**(257)**	(194)	63	(131)
Profit/(loss) from continuing operations after taxation		**371**	**177**	**548**	566	(149)	417
Profit/(loss) from discontinued operations		**–**	**5**	**5**	18	(94)	(76)
Gain on disposal of discontinued operations		**3**	**–**	**3**	–	297	297
Discontinued operations		**3**	**5**	**8**	18	203	221
Profit for the year		**374**	**182**	**556**	584	54	638
Attributable to:							
Equity holders of the parent		**374**	**182**	**556**	557	85	642
Non-controlling interests		**–**	**–**	**–**	27	(31)	(4)
		374	**182**	**556**	584	54	638

	Notes	2010 Pence	2009 Pence
Earnings per ordinary share			
From continuing and discontinued operations:			
Basic	26	**10.8**	12.5
Diluted	26	**10.7**	12.5
From continuing operations:			
Basic	26	**10.6**	8.2
Diluted	26	**10.6**	8.1
Interim dividend paid per ordinary share			3.66
Final dividend proposed per ordinary share			9.14

Notes to the Financial Statements continued (unaudited)

23. Group Cash Flow Statement for the six months ended 31 December

	Notes	2010 £m	2009 £m
Cash generated from continuing operations		**1,460**	1,870
Income taxes paid		**(302)**	(130)
Net petroleum revenue tax paid		**(137)**	(9)
Interest received		**–**	3
Interest paid		**(8)**	–
Payments relating to exceptional charges		**(100)**	(55)
Net cash flow from continuing operating activities	27	**913**	1,679
Net cash flow from discontinued operating activities	27	**33**	263
Net cash flow from operating activities		**946**	1,942
Purchase of Venture Production plc net of cash and cash equivalents acquired		**–**	(857)
Purchase of other businesses net of cash and cash equivalents acquired		**(592)**	(28)
Sale of businesses net of cash and cash equivalents disposed of		**20**	868
Purchase of intangible assets		**(461)**	(331)
Disposal and surrender of intangible assets		**8**	21
Purchase of property, plant and equipment		**(176)**	(259)
Disposal of property, plant and equipment		**32**	(1)
Investments in British Energy associates		**–**	(2,272)
Investments in other joint ventures and associates		**(114)**	(15)
Dividends received from joint ventures and associates		**83**	–
Repayment of loans to, and disposal of investments in, joint ventures and associates		**17**	9
Interest received		**14**	11
Net purchase of securities		**(33)**	(11)
Net cash flow from continuing investing activities		**(1,202)**	(2,865)
Net cash flow from discontinued investing activities		**3**	(64)
Net cash flow from investing activities		**(1,199)**	(2,929)
Issue of ordinary share capital		**7**	15
Purchase of treasury shares		**(1)**	(2)
Financing interest paid		**(206)**	(185)
Cash inflow from additional debt		**–**	350
Cash outflow from payment of capital element of finance leases		**(11)**	(11)
Cash outflow from repayment of other debt		**(651)**	(606)
Net cash flow from (decrease)/increase in debt		**(662)**	(267)
Realised net foreign exchange gain/(loss) on cash settlement of derivative contracts		**(36)**	89
Equity dividends paid		**(198)**	(188)
Net cash flow from continuing financing activities		**(1,096)**	(538)
Net cash flow from discontinued financing activities		**2**	(7)
Net cash flow from financing activities		**(1,094)**	(545)
Net increase in cash and cash equivalents		**(1,347)**	(1,532)
Cash and cash equivalents at beginning of period		**1,795**	2,831
Effect of foreign exchange rate changes		**3**	(14)
Cash and cash equivalents at 31 December		**451**	1,285
Included in the following lines of the Balance Sheet:			
Cash and cash equivalents		**467**	1,294
Bank overdrafts		**(19)**	(28)
Assets of disposal groups classified as held for sale		**3**	19
		451	1,285

Notes to the Financial Statements continued (unaudited)

24. Segmental analysis for the six months ended 31 December

(a) Revenue	2010 Gross segment revenue £m	2010 Less inter-segment revenue (i) £m	2010 Group revenue £m	2009 (restated) (iii) Gross segment revenue £m	2009 (restated) (iii) Less inter-segment revenue (i) £m	2009 (restated) (iii) Group revenue £m
Continuing operations:						
Residential energy supply (iii)	**3,876**	**(4)**	**3,872**	3,485	–	3,485
Residential services (iii)	**773**	**–**	**773**	692	–	692
Business energy supply and services	**1,347**	**–**	**1,347**	1,511	–	1,511
Downstream UK	**5,996**	**(4)**	**5,992**	5,688	–	5,688
Upstream gas and oil	**820**	**(384)**	**436**	585	(229)	356
Power generation	**518**	**(5)**	**513**	717	(16)	701
Industrial and commercial	**988**	**(177)**	**811**	1,019	(319)	700
Proprietary energy trading (ii)	**11**	**(7)**	**4**	8	(5)	3
Upstream UK	**2,337**	**(573)**	**1,764**	2,329	(569)	1,760
Storage UK (i)	**119**	**(15)**	**104**	142	(41)	101
Residential energy supply	**1,133**	**–**	**1,133**	1,190	–	1,190
Business energy supply	**1,363**	**–**	**1,363**	1,180	–	1,180
Residential and business services	**277**	**–**	**277**	205	–	205
Upstream and wholesale energy (i)	**141**	**(58)**	**83**	226	(44)	182
North America	**2,914**	**(58)**	**2,856**	2,801	(44)	2,757
	11,366	**(650)**	**10,716**	10,960	(654)	10,306
Discontinued operations:						
European Energy	**245**	**1**	**246**	1,004	–	1,004

(i) Inter-segment revenue reflects the level of revenue generated on sales to other Group segments on an arm's length basis.
(ii) The external revenue presented for Proprietary energy trading comprises both realised (settled) and unrealised (fair value changes) from trading in physical and financial energy contracts. Inter-segment revenue arising in Proprietary energy trading represents the recharge of brokerage fees to other Group segments.
(iii) To align with management responsibilities, the British Gas Community Energy business has been reallocated from the Residential services segment to Residential energy supply. The 2009 comparatives have been adjusted accordingly.

Notes to the Financial Statements continued (unaudited)

24. Segmental analysis for the six months ended 31 December continued

(b) Operating profit

	2010 £m	2009 £m
Continuing operations:		
Residential energy supply	**157**	300
Residential services	**132**	121
Business energy supply and services	**85**	118
Downstream UK	**374**	539
Upstream gas and oil (i)	**267**	98
Power generation (i)	**99**	104
Industrial and commercial	**(82)**	(4)
Proprietary energy trading	**2**	(7)
Upstream UK	**286**	191
Storage UK	**72**	95
Residential energy supply	**67**	48
Business energy supply	**44**	14
Residential and business services	**7**	15
Upstream and wholesale energy	**(23)**	10
North America	**95**	87
Adjusted operating profit – segment operating profit before exceptional items, certain re-measurements and impact of fair value uplifts from acquiring Strategic Investments (ii)	**827**	912
Share of joint ventures / associates' interest and taxation	**(34)**	(8)
Other (iii)	**–**	1
Depreciation of fair value uplifts to property, plant and equipment – Venture (i)	**(27)**	(20)
Depreciation of fair value uplifts to property, plant and equipment (net of taxation) – British Energy (i)	**(23)**	(7)
	743	878
Exceptional items (note 25)	**(283)**	(374)
Certain re-measurements included within gross profit (note 25)	**499**	171
Certain re-measurements of associates' energy contracts (net of taxation) (note 25)	**(2)**	(9)
Operating profit after exceptional items and certain re-measurements	**957**	666
Discontinued operations:		
European Energy (iv)	**3**	(8)

(i) See note 11 for explanation of the unwind of depreciation on fair value uplifts to property, plant and equipment on acquiring Strategic Investments.
(ii) Includes results of equity-accounted interests before interest, taxation and depreciation of fair value uplifts to property, plant and equipment from Strategic Investments.
(iii) During 2009 other comprises loss of £1 million relating to Corporate Centre costs not re-charged to segments.
(iv) Represents profit/(loss) after taxation from discontinued operations attributable to equity holders of the parent. This is the measure of results of discontinued operations that is reported regularly to the Group's Executive Committee.

Notes to the Financial Statements continued (unaudited)

25. Exceptional items and certain re-measurements for the six months ended 31 December

(a) Exceptional items for the six months ended 31 December	2010 £m	2009 £m
Continuing operations:		
Provision for UK onerous gas procurement contract	**(35)**	(199)
Termination of a UK energy sales contract	**–**	–
Provision for North American wind power purchase agreements	**(67)**	–
Exceptional items from continuing operations included within gross profit	**(102)**	(199)
Impairments: (i)		
Impairment of UK generation, exploration and production assets	**(96)**	(79)
Impairment of North American assets	**(67)**	(70)
	(163)	(149)
UK contract re-negotiation and restructuring costs (ii)	**(43)**	(75)
Profit on disposal of investments (iii)	**25**	49
	(181)	(175)
Exceptional items from continuing operations included within Group operating profit	**(283)**	(374)
Taxation on exceptional items	**118**	126
Net exceptional items from continuing operations after taxation	**(165)**	(248)
Discontinued operations:		
Impairment of Oxxio goodwill and other assets, provisions and write-offs after taxation	**–**	(24)
Profit on disposal of Segebel S.A. after taxation	**–**	297
Total exceptional items after taxation	**(165)**	25

(b) Certain re-measurements for the six months ended 31 December	2010 £m	2009 £m
Continuing operations:		
Certain re-measurements recognised in relation to energy contracts		
Net gains arising on delivery of contracts (iv)	**382**	240
Net gains/(losses) arising on market price movements and new contracts (v)	**114**	(58)
Net gains/(losses) arising on positions in relation to cross-border transportation or capacity contracts (vi)	**3**	(11)
Net re-measurements from continuing operations included within gross profit	**499**	171
Net losses arising on re-measurement of joint associates' energy contracts (net of taxation) (vii)	**(2)**	(9)
Net re-measurements included within Group operating profit	**497**	162
Taxation on certain re-measurements	**(155)**	(63)
Net re-measurements from continuing operations after taxation	**342**	99
Discontinued operations:		
Net re-measurements on energy contracts of discontinued operations after taxation	**5**	(70)
Total re-measurements after taxation	**347**	29

(i) Impairment charges have been recognised on certain UK generation, exploration and production assets as a result of low spark spreads, updated reserve data and changes in infrastructure development expectations. Of the total impairment, £68 million was recorded against UK power generation assets (PPE and inventories) and £58 million against exploration & production assets, net of write-backs of £30 million.

(ii) Exceptional restructuring charges have been recorded following the termination and migration of a significant supplier contract as a result of the British Gas integration plan. These have been recorded across the Downstream UK segment.

(iii) During the year the Group disposed of investments in certain non-core assets acquired as part of the Venture acquisition in 2009.

(iv) As energy is delivered or consumed from previously contracted positions, or contracts are settled early, the related fair value recognised in the opening balance sheet (representing the discounted difference between forward energy prices at the opening balance sheet date and the contract price of energy to be delivered) is charged or credited to the Income Statement.

(v) Represents fair value losses arising from the change in fair value of future contracted sales and purchase contracts as a result of changes in forward energy prices between reporting dates (or date of inception and the reporting date, where later).

(vi) Comprises movements in fair value arising on proprietary trades in relation to cross-border transportation or storage capacity, on which economic value has been created which is not wholly accounted for under the provisions of IAS 39.

(vii) Includes fair value unwinds relating to the recognition of energy procurement contracts and energy sales contracts at their acquisition-date fair values.

Notes to the Financial Statements continued (unaudited)

26. Earnings per ordinary share for the six months ended 31 December

(a) Continuing and discontinued operations	2010 £m	2010 Pence per ordinary share	2009 £m	2009 Pence per ordinary share
Earnings – basic	**556**	**10.8**	642	12.5
Net exceptional items after taxation (notes 7 and 25)	**165**	**3.2**	(25)	(0.5)
Certain re-measurement (gains)/losses after taxation (notes 7 and 25)	**(347)**	**(6.7)**	(60)	(1.1)
Depreciation of fair value uplifts to property, plant and equipment from Strategic Investments, after taxation	**37**	**0.7**	17	0.3
Earnings – adjusted basic	**411**	**8.0**	574	11.2
Earnings – diluted	**556**	**10.7**	642	12.5
Earnings – adjusted diluted	**411**	**7.9**	574	11.2

(b) Continuing operations	2010 £m	2010 Pence per ordinary share	2009 £m	2009 Pence per ordinary share
Earnings – basic	**548**	**10.6**	416	8.2
Net exceptional items after taxation (notes 7 and 25)	**165**	**3.2**	248	4.9
Certain re-measurement (gains)/losses after taxation (notes 7 and 25)	**(342)**	**(6.6)**	(99)	(2.0)
Depreciation of fair value uplifts to property, plant and equipment from Strategic Investments, after taxation	**37**	**0.7**	17	0.3
Earnings – adjusted basic	**408**	**7.9**	582	11.4
Earnings – diluted	**548**	**10.6**	416	8.1
Earnings – adjusted diluted	**408**	**7.9**	582	11.4

(c) Discontinued operations	2010 £m	2010 Pence per ordinary share	2009 £m	2009 Pence per ordinary share
Earnings – basic	**8**	**0.2**	226	4.3
Earnings – diluted	**8**	**0.2**	226	4.4

Certain re-measurements (note 25) included within operating profit and discontinued operations comprise re-measurements arising on energy procurement activities and re-measurement of proprietary trades in relation to cross-border transportation or capacity contracts. All other re-measurements are included within results before exceptional items and certain re-measurements.

Notes to the Financial Statements continued (unaudited)

27. Notes to the Group Cash Flow Statement for the six months ended 31 December

Reconciliation of Group operating profit to net cash flow from operating activities	2010 £m	2009 £m
Continuing operations		
Group operating profit including share of result of joint ventures and associates	**957**	666
Less share of (profits)/losses of joint ventures and associates	**(10)**	2
Group operating profit before share of results of joint ventures and associates	**947**	668
Add back/(deduct):		
Amortisation and write-down of intangible assets	**105**	163
Depreciation and write down of property, plant and equipment	**547**	433
Impairments of joint ventures and associates	**–**	–
Employee share scheme costs	**28**	21
Profit on sale of businesses	**(26)**	(50)
Profit on sale of property, plant and equipment and other intangible assets	**4**	–
Movement in provisions	**144**	247
Pension service cost	**64**	33
Pension contributions	**(169)**	(262)
Re-measurement of energy contracts (i)	**(490)**	(121)
Operating cash flows before movements in working capital	**1,154**	1,132
Increase in inventories	**(6)**	–
Increase in trade and other receivables (ii)	**(558)**	(287)
Increase in trade and other payables	**870**	1,025
Cash generated from continuing operations	**1,460**	1,870
Income taxes paid	**(302)**	(130)
Net petroleum revenue tax paid	**(137)**	(9)
Interest received	**–**	3
Interest paid	**(8)**	–
Payments relating to exceptional charges	**(100)**	(55)
Net cash flow from continuing operating activities	**913**	1,679
Discontinued operations		
Operating profit/(loss) including share of joint ventures and associates	**1**	(46)
Less share of loss of joint ventures and associates	**–**	–
Operating profit/(loss) before share of joint ventures and associates	**1**	(46)
Add back/(deduct):		
Amortisation and write-down of intangible assets	**–**	24
Depreciation and write-down of property, plant and equipment	**–**	–
Movement in provisions	**4**	5
Re-measurement of energy contracts	**4**	3
Operating cash flows before movements in working capital	**9**	(14)
Increase in inventories	**–**	(3)
(Increase)/decrease in receivables	**(135)**	159
Increase in payables	**165**	125
Income taxes paid	**(5)**	(4)
Interest paid	**(1)**	–
Net cash flow from discontinued operating activities	**33**	263
Net cash flow from operating activities	**946**	1,942

(i) Adds back/(deducts) unrealised losses/(profits) arising from re-measurement of energy contracts, including those related to proprietary trading activities.
(ii) Includes net inflow of £56 million of cash collateral in 2010 (2009: £5 million).

Gas and Liquids Reserves (unaudited)

The Group's estimates of reserves of gas and liquids are reviewed as part of the half-year and full-year reporting process and updated accordingly. A number of factors affect the volumes of gas and liquids reserves, including the available reservoir data, commodity prices and future costs. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

The Group discloses proven and probable gas and liquids reserves, representing the central estimate of future hydrocarbon recovery. Reserves for Centrica-operated fields are estimated by in-house technical teams composed of geoscientists and reservoir engineers. Reserves for non-operated fields are estimated by the operator, but are subject to internal review and challenge.

As part of the internal control process related to reserves estimation, an assessment of the reserves, including the application of the reserves definitions is undertaken by an independent technical auditor. An annual reserves assessment has been carried out by DeGoyler and MacNaughton for the Group's global reserves. Reserves are estimated in accordance with a formal policy and procedure standard.

The Group has estimated proven and probable gas and liquids reserves in Europe, North America and Trinidad and Tobago.

The principal fields in Europe and Trinidad and Tobago are South Morecambe, Chiswick, Cygnus, NCMA Poinsettia, Statfjord, Ensign and York fields associated with Upstream UK, and the Rough field associated with Storage UK. The European and Trinidad and Tobago reserves estimates are consistent with the guidelines and definitions of the Society of Petroleum Engineers, Society of Petroleum Evaluation Engineers and World Petroleum Council Petroleum Resources Management System using accepted principles.

The principal fields in North America are Foothills, Medicine Hat, Entice and Central Alberta located in the province of Alberta, Canada. The North American reserves estimates have been evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) reserves definitions and are consistent with the guidelines and definitions of the Society of Petroleum Engineers and the World Petroleum Council.

Estimated net proven and probable reserves of gas (billion cubic feet)	Europe	North America	Trinidad and Tobago (iv)	**Total**
1 January 2010	2,018	377	–	**2,395**
Revisions of previous estimates (i)	9	(20)	–	**(11)**
Purchases of reserves in place (ii)	72	221	169	**462**
Extensions, discoveries and other additions (iii)	181	–	–	**181**
Production (v)	(254)	(40)	(8)	**(302)**
31 December 2010	**2,026**	**538**	**161**	**2,725**

Estimated net proven and probable reserves of liquids (million barrels)	Europe	North America	Trinidad and Tobago (iv)	**Total**
1 January 2010	58	5	5	**68**
Revisions of previous estimates (i)	1	–	–	**1**
Purchases of reserves in place (ii)	16	1	–	**17**
Extensions, discoveries and other additions	1	–	–	**1**
Production (v)	(12)	–	–	**(12)**
31 December 2010	**64**	**6**	**5**	**75**

(i) Includes minor reserves revisions to a number of fields in Europe and North America.
(ii) Reflects the acquisition of additional equity in the Statfjord field in Europe, Foothills properties in North America and Suncor Trinidad properties.
(iii) Recognition of reserves associated with the Cygnus, Chiswick and Rhyl fields.
(iv) The Trinidad and Tobago reserves are subject to a production sharing contract and accordingly have been stated on an entitlement basis (including tax barrels).
(v) Represents total gas and oil produced from the Group's reserves.

Liquids reserves include oil, condensate and natural gas liquids.

Disclosures

Disclaimers

This announcement does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica shares or other securities.

This announcement contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Centrica plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

For further information

Centrica will hold its 2010 Preliminary Results presentation for analysts and institutional investors at 9.30am (UK) on Thursday 24th February 2011. There will be a live audio webcast of the presentation and slides from 9.30am at www.centrica.com/investors.

A live audio broadcast of the presentation will be available by dialling in using the following number:

+ 44 20 3059 5754

The call title is "Centrica plc Preliminary Results 2010 Announcement" and the conference password is "Results".

An archived webcast and full transcript of the presentation and the question and answer session will be available on the website on Friday 25 February 2011.

Enquiries

Investors and Analysts:

	Andrew Page	Director of Investor Relations
	Telephone:	01753 494 900
	email:	ir@centrica.com
Media:	Centrica Media Relations	
	Telephone:	0800 107 7014
	email:	media@centrica.com

Financial Calendar

Ex-dividend date for 2010 final dividend	27 April 2011
Record date for 2010 final dividend	3 May 2011
2010 final dividend payment date	15 June 2011
Interim Management Statement	9 May 2011
Annual General Meeting	9 May 2011
2011 Interim results announcement	28 July 2011

Registered Office

Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD