



centrica

review

Securing our
customers'
energy needs



Our vision is to become a leading integrated energy company in selected markets in order to maximise value to shareholders. In 2006 we focused on securing energy to meet our customers' future needs.

Group Financial Highlights

12 months ended 31 December	2006	2005
Financial highlights		
Group turnover [^]	£16.5bn	£13.4bn
Operating profit ^{^*}	£1,442m	£1,513m
Adjusted basic earnings* per share	19.4p	18.2p
Ordinary dividend per share	11.15p	10.50p
Statutory results		
Group turnover [^]	£16.5bn	£13.4bn
Operating profit [^]	£180m	£1,957m
Basic (loss)/earnings per share	(4.3p)	27.4p

Divisional Financial Highlights

	Turnover [^] by business (£m)	Operating profit* by business (£m)
British Gas Residential	7,112	95
British Gas Business	2,303	87
British Gas Services	1,104	102
Centrica Energy	1,245	686
Centrica Storage	294	228
Centrica North America	4,097	223
Europe	295	7
Other	0	14

[^] from continuing operations

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

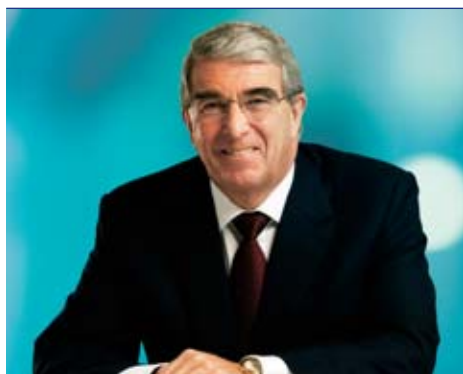
Earnings and operating profit numbers are stated, throughout the commentary, before exceptional items and certain re-measurements where applicable. The Directors believe this measure assists with a better understanding of the underlying performance of the Group, as described on page 16. The equivalent amounts after exceptional items and certain re-measurements are reconciled at Group level in the Summary Group Income Statement on page 16. All current financial results listed are for the 12 months ended 31 December 2006.

All references to 'the prior year', '2005' and 'last year' mean the 12 months ended 31 December 2005 unless otherwise specified.

Throughout this Report references to British Gas include Scottish Gas.

Disclaimers

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



Roger Carr
Chairman

Securing shareholder value

“ It is our intention to strike a fair balance between lower prices and sustainable profits* in order to reward both our customers and shareholders. ”

We achieved a good underlying financial performance despite the challenging circumstances through the year and delivered sound earnings* growth.

In the winter of 2005/06, gas shortages in the UK and increasing worldwide demand for energy drove wholesale prices to record levels, necessitating price increases. The management team sought to minimise the effect of these by containing costs and developing innovative products.

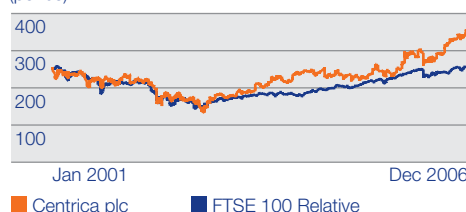
Later in the year, new gas pipelines from Norway and Holland, underpinned by contracts entered into by British Gas, came on-stream. This change in the balance of supply and demand, combined with a fall in global oil prices and a warmer than expected autumn, lowered wholesale gas prices, enabling British Gas to announce price reductions from March 2007.

The Board proposes a final dividend of 8.0 pence for payment in June 2007, bringing our full-year dividend to 11.15 pence, representing a 6% year-on-year increase. If more benign market conditions continue, we may be able to consider reinstating our share buyback programme.

Management changes

Sam Laidlaw became Chief Executive in July, following Sir Roy Gardner's retirement. Mark Clare, Managing Director of British Gas Residential, left the Company. Patricia Mann OBE retired, and her role as Senior Non-Executive Director was assumed by Mary Francis CBE. Sadly, Patricia died later in the year.

Centrica share performance (pence)



Phil Bentley moves to the role of Managing Director, British Gas, following the appointment of Nick Luff as Group Finance Director. Jake Ulrich is now responsible for our continental European operations.

We established a main Board committee to lead our corporate responsibility strategy, chaired by Mary Francis.

Our employees

Our employees worked particularly hard in responding to the unusually demanding environment. I thank them all for their loyalty and dedication.

Tragically the risks of working offshore were again made evident when six people, four of them Centrica employees, were killed in a helicopter accident in Morecambe Bay at Christmas, with a seventh person still missing, presumed dead. Our thoughts and deepest sympathies are with their families.

The future

We begin 2007 under new leadership and with continued commitment to the twin goals of customer service and shareholder value creation. Lower wholesale energy prices have provided us with the opportunity to reduce retail prices and we expect the completion of new systems to help address the service levels. We will also continue our search for cost-effective supply sources to rebalance our market exposure and sharpen our competitive edge.

Our cost structure will be the focus of continued stringent appraisal, and our commitment to meet the growing consumer demand for energy efficiency will be at the heart of our endeavours.

Roger Carr
Chairman
22 February 2007

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

Centrica has energy businesses in the UK, North America and Europe, and increasingly sources gas further afield.

Our upstream business



We source energy internationally

We find and produce gas predominantly in the UK and have acquired licence blocks in Norway and north and west Africa. We trade energy in the UK, North America and Europe and secure contracts to bring gas to the UK.

22%

of our UK gas needs were sourced from overseas in 2006

> www.centrica.com



We generate energy

We generate electricity through our gas-fired power stations in the UK and US and through a growing portfolio of wind assets and purchasing agreements.

£750m

are committed to developing renewable generation

> www.centrica.com



We store and distribute energy

Our Rough storage facility is the UK's largest gas store, providing more than 70% of the country's storage capacity. The Rough facility stores gas under the North Sea for British Gas and for other customers.

70%

of the UK's storage capacity is owned by Centrica Storage

> www.centrica-sl.co.uk

Our downstream business



We supply energy to homes

We are Britain's largest gas and electricity retailer, supplying 49% of the residential gas market and 22% of residential electricity. We are a growing force in North America, serving customers in five Canadian provinces and 15 US states.

21m

residential energy accounts worldwide

> www.house.co.uk > www.luminus.be
> www.directenergy.com > www.oxio.nl



We supply energy to businesses

In Britain, we are a major supplier of gas and electricity to the commercial sector. We also have customers in Belgium, the Netherlands and Spain. In North America, we offer energy solutions to businesses in Canada and the US.

100%

of our UK business customers will be given a personal account manager

> www.britishgasbusiness.co.uk
> www.directenergy.com
> www.luseoenergia.com



We provide home and energy services

We are Britain's biggest provider of central heating, gas appliance installation and maintenance. In North America, we deliver a range of heating, ventilation and air conditioning services.

8,676

engineering staff are employed by British Gas

> www.house.co.uk
> www.directenergy.com



Sam Laidlaw
Chief Executive

Delivering our strategy

“ Financially the business performed well in a difficult year. While good progress is being made there is further work to be done to improve the British Gas service levels, reduce our cost base and develop our services, energy efficiency and international businesses. ”

Against a backdrop of unprecedented volatility Centrica produced a solid set of financial results.

Our UK retail businesses have had a difficult year, but all have met the challenges with determination.

High wholesale prices meant British Gas Residential made a significant loss* in the first six months of the year. Despite continuing to launch innovative products, including the very successful Fix and Fall offering, we lost 1,029,000 energy accounts.

Once the outlook for wholesale prices became clearer, British Gas took the lead in announcing a price reduction to residential customers of 17% in gas and 11% in electricity, effective from 12 March 2007.

British Gas Services finished the year strongly as the changes we made to systems, management and processes improved both operational and service measures.

A fire at the Rough storage facility led to a four-month shutdown. An exceptional effort by the Centrica Storage team restored operations in time for the start of the winter production season, enabling the asset to deliver another strong financial result.

In North America, Direct Energy had another year of record figures with turnover up 15%, primarily because of strong growth in business markets and in Texas. Despite this strong overall growth, decisive action was taken to reduce costs, resulting in 450 job losses during the year.

The European business made considerable progress, moving firmly into profit*.

Centrica regards safety as a top priority and is committed to providing a healthy and safe environment for employees and the communities it touches. It was, therefore, distressing that the year ended on such a tragic note with a helicopter accident in the Morecambe Bay area, claiming the lives

of six people, four of them long-serving Centrica employees, with a seventh person still missing, presumed dead. We have set up a memorial trust in their name.

Outlook

The core businesses remain strong and we are in an enviable position in most of our markets.

In addition, the wholesale pricing environment is starting to improve. However, it is clear that the returns in our residential business in the UK have been low and we have been over-exposed to the rapidly rising wholesale cost of the energy we supply to our customers. We have also delivered less than satisfactory customer service in British Gas as we moved our customer data from a number of old systems on to a single computerised system.

I have set out some clear priorities:

- ▶ Transform British Gas;
- ▶ Sharpen up the organisation and reduce costs;
- ▶ Reduce risk by adding new sources of gas and power;
- ▶ Build on our multiple growth platforms.

We made some progress on this agenda during the second half of the year. As well as the price reduction, we launched our Essentials Tariff to provide protection to our most vulnerable customers. The service levels in our British Gas Services business have shown a significant improvement and our attention is now firmly focused on service levels in the residential business.

We have restructured parts of the corporate centre, British Gas Residential and British Gas Services, resulting in around 1,550 job losses. We will continue to review the structure of our business and seek further efficiencies. British Gas Residential is on track to return to a more sustainable

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

operating margin* and to arrest the decline in customer numbers.

We expect gas production levels to be broadly flat on 2006 in Centrica Energy and we should see further growth in British Gas Business. In British Gas Services we believe the investment we have made in new systems, management and processes will deliver significantly improved financial performance in 2007.

In North America, revenue and profit* are expected to increase, with further growth in business markets mainly in the northeastern United States. Further expansion in continental Europe remains important. However, we remain cautious about the potential for making further inroads in the short term.

Global warming is taking on greater importance for governments, companies and consumers alike. While Centrica already has the lowest carbon intensity profile of the major UK power suppliers, we will continue to expand our investments in the area of renewable energy and promote the use of energy-efficient technology by consumers.

We will also capitalise on our unique expertise and capability to deliver energy efficiency advice, services and products to our business and residential customers.

I am optimistic for 2007, which I feel sure will be an important year in Centrica's development. I anticipate making real progress and delivering a step up in the performance of the business.



Sam Laidlaw
Chief Executive

Securing our customers' energy needs

We are focusing on four key areas where we are delivering service improvements and investing in our energy future.

Securing the loyalty of our customers

Customers are at the centre of our operation, so we are developing innovative ways of delivering a better service offering for our residential and business markets.

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Securing future energy supplies

With the UK now a net importer of gas, our expertise in securing new supplies for our customers and our investment to underpin new energy infrastructure have become essential.

page 9

Securing our position internationally

Our Direct Energy business has enhanced its service package for customers in Canada, strengthened its upstream power portfolio in Texas and grown our position in our US markets.

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Securing a sustainable future

Green energy generation and energy efficiency have become key to our way of operating. We are working to minimise our carbon footprint and to help our customers reduce theirs.

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Securing the loyalty of our customers

Overnight success

The new British Gas Services distribution centre in Leicester has been designed to speed up repairs for our customers. Parts ordered by 6:30pm can be delivered to engineers by 7:45am the next day. The centre stocks 28,000 different parts and issues around 21,800 items every day.



Calling direct

Our business customers have told us they don't like being passed around departments.

So British Gas Business is providing all business customers with an account manager such as Sheena Raichura (pictured) who will be their single named point of contact with a direct phone line and email address.

Every account manager will manage a portfolio of customers and be responsible for handling all of their queries and product needs. The focus is on building successful and profitable relationships.

This approach breaks the mould in the energy markets and is generating excitement and positive reaction among business customers.

Ninety-five per cent of our small and medium-sized enterprise customers renewed their contracts with British Gas Business during 2006.





British Gas Residential

- ▶ 800 more customer service staff
- ▶ 95% of customers now on new billing system
- ▶ Lost 1 million customer accounts

Turnover increased by 18% to £7.1 billion, and operating profit* rose by 6% to £95 million.

At the end of December, we had 16 million energy accounts, a net loss of 1,029,000. But launching innovative products, such as Fix and Fall, has helped to contain customer losses.

We moved 95% of our customer accounts on to our new billing system but this transfer process, combined with increased calls experienced when prices went up, meant customer service levels dropped. In response, we increased front-line staff by 800. We plan to make ongoing cost savings by, for example, closing some of our offices.

We installed more than 13 million energy efficiency measures, such as loft and cavity wall insulation, with an equivalent carbon saving of 1 million tonnes. We also have a range of energy efficiency services, including our Energy Savers Report, which 1.5 million customers completed in 2006.

British Gas was selected as an accredited supplier for the Government's Low Carbon Building Programme, the only company to gain that status across all five microgeneration technologies.



British Gas Business

- ▶ Record profits*, up 13% to £87 million
- ▶ SME contract renewals topped 95%
- ▶ 'Named' point of contact for each customer

We increased our total supply points by 2.5% to 932,000, despite increasing prices to customers. Higher churn rates were more than offset by a strong sales performance, small and medium-sized enterprise (SME) contract renewal levels of over 95% and further improvements in retaining corporate customers.

Turnover rose by 53% to £2.3 billion because of price rises, growing customer numbers and higher average consumption as a result of winning a number of large corporate accounts.

Operating profit* climbed 13% to £87 million despite a significant loss* before the price increase in March. Profit* in the second half was markedly higher as tariff increases took effect and wholesale costs reduced. Operating costs went up, partly because of investments in a new billing system and higher sales and marketing costs.

We made progress on a customer service initiative that will create a single named point of contact for each customer and on the deployment of new technology and processes.

We also continued to establish our position as an industry leader by supplying smart meters that provide real-time consumption data to help customers improve their energy efficiency.



British Gas Services

- ▶ Service levels saw a marked improvement
- ▶ Turnover increased by 8%
- ▶ Product relationships up 4% to 7 million

Low temperatures in early 2006 led to a record number of call-outs, which put extra pressure on operations and affected service levels. But operational performance improved considerably in the second half as process and system changes were implemented. This restructure resulted in 390 job losses.

In addition, the second half of the year saw a stronger performance in the central heating installation business with a 9% increase on the same period last year, recovering much of the fall in the first half.

Turnover was up by 8% at £1.1 billion as the number of contracts rose by 4% to just over 7 million. Operating profit* went down by 8% to £102 million because of the increased breakdown call-outs and the extra cost of parts required for the repairs in the first half of the year. The second half showed a year-on-year improvement of 12%.

During the year, we installed around 90,000 energy-efficient boilers and our engineers are now providing solar thermal products for domestic customers.



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



Centrica Energy

- ▶ Completed new Langede reception terminal
- ▶ Work started on £400 million 885MW Langede power station
- ▶ First green power from Barrow offshore wind farm

We faced a challenging year and operating profit* was down 24% at £686 million because of lower gas production levels and the forecast increased losses* in the industrial and wholesale business.

Gas

Operating profit* from gas production was down 15% to £864 million due to a 37% reduction in gas volumes. Morecambe production volumes were down 51%, partly because we switched the field off in response to lower gas prices.

In addition to a £153 million acquisition of a 4.84% stake in the Stafford field, we invested £100 million on maintaining and developing our upstream assets. We also spent around £17 million on gas exploration in the UK.

We successfully participated in exploration licensing rounds, and now have areas in Norway, Egypt, Nigeria and the UK. We have also entered the Trinidad licensing round.

Electricity

We generated 10.5TWh of power from our 3.4GW fleet of gas-fired power stations, down on the previous year.

We started building a £400 million 885MW gas-fired plant at Langede in Devon, the first power station to be built in the UK for five years. Commercial operations are to start during winter

2008/09. In November, we bought 85% of Coastal Energy Limited, which is seeking planning permission to build the UK's first clean coal-powered plant to incorporate leading edge carbon capture technology. It will produce the lowest carbon emissions of any fossil fuel plant in the UK. We also acquired an interest in a company developing a carbon sequestration business.

We continued to participate in the EU Emissions Trading Scheme and are involved in 15% of all EU carbon allowance trades.

Renewables

In March, we added to our renewable power portfolio and produced the first green power from our 90MW joint venture Barrow offshore wind farm. The award of the main construction contracts for the two 90MW wind farms in the Wash is almost complete. First power is due in late 2008. We also submitted a planning application for a 250MW wind farm off the Lincolnshire coast.

Energy procurement

We signed an innovative coal-linked power purchase agreement with Drax power station for the supply of 600MW of baseload power over five years, starting in October 2007.

In the final quarter, two key pipeline projects underpinned by British Gas contracts started delivery. The pipelines are capable of supplying 40% of UK demand.



Centrica Storage

- ▶ Restored operation after fire
- ▶ Recovery operation involved 500,000 man-hours, with no lost-time incidents
- ▶ Operating profit* up 48% to £228 million

The main focus in 2006 was the recovery of operations after the explosion and fire that caused significant damage to the main offshore platform of the Rough storage facility in February.

The restoration project involved about 500,000 man-hours and was completed with no health and safety lost-time incidents.

The cost of the incident resulted in an exceptional cost to the Group of £48 million.

Operating profit* was up 48% to £228 million. This was mainly from a rise of 62% in the average standard bundled unit price.

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

Securing future energy supplies



Piping in investment

British Gas contracts have underpinned the investment by a consortium of Norwegian companies in the new Langeled pipeline from Norway to the UK.

We are set to receive about a fifth of the gas that comes via the pipeline through a 10-year £6 billion contract with Statoil. This investment is another example of how the Company is securing long-term gas supplies for its British Gas customers as well as answering the UK's need for new gas sources.

Centrica Energy managed the construction of the terminal at Easington on the Yorkshire coast which is receiving gas from the pipeline. Centrica Storage is now operating the terminal.

The opening of the 745-mile Langeled pipeline, the world's longest subsea pipeline, in October 2006 helped bring an immediate fall in wholesale gas prices. An increased supply of gas into the UK is set to bring greater stability to prices.

Rough is ready

Centrica Storage runs the UK's largest storage facility at Rough, holding more than 70% of the gas the country keeps in store. The business is seeking to expand Rough's capacity to meet the growing need for gas storage in the UK.



Securing our position internationally

Texas power push

Direct Energy bought the 244MW gas-fired Paris Energy Center in February 2006 to secure power supplies for its 950,000 customers in Texas. The purchase, our third power plant in the state, has strengthened our upstream portfolio and means we can meet 27% of peak demand from our own resources.



Checklist for a better customer experience

Our Canadian home services team has developed a process known as the 'perfect visit' to give customers more for their money from a service call.

Once, technicians such as Marcello Natalizio (pictured) just cleaned furnaces (boilers) and then serviced them. Now they also give customers diagnostic information about the condition and performance

of their energy appliances, using an eight-point checklist.

The checks identify likely component failure so repairs can be carried out before a fault occurs.

Benefits include a reduction in repeat calls of 23%, translating into a CAN\$1 million (£430,000) saving, a decrease in workload peaks and an improvement in customer satisfaction.

The idea was developed with contributions from customers, who said they wanted to know more about the equipment being serviced.



Centrica North America



- ▶ Turnover topped £4 billion
- ▶ Operating profit* grew by 21% to £223 million
- ▶ Bought 244MW power station in Texas

Our North American business has continued its strong growth. Overall, turnover grew by 15% to £4.1 billion driven primarily by the continued growth in business markets and the organic residential business in Texas. Operating profit* climbed by 21% to £223 million, mainly because of higher profits* in Texas and the home services business.

Despite this strong overall growth, as part of a continual review of the efficiency of the business, decisive action was taken to reduce costs. This resulted in 450 job losses, mostly in Canada and US home services.

Energy

Our Alberta business moved into profit* for the first time, although the competitive market is growing slowly. Here the regulated business has experienced a net customer decline of only 8%. We now have around 95,000 competitive customer accounts on supply.

Turnover in Texas grew by 18% mainly because we attracted more customers outside our incumbent territory.

In April, we acquired about 100,000 customers from Entergy. We bought the Paris power station in February and completed three wind power purchasing agreements. Our total contractual wind power capacity is now 643MW, enabling us to offer our customers innovative renewable energy plans.

In the US, we made encouraging progress in growing customer numbers by 5%, with a strong performance in the New York market. The combination of higher retail prices and more customers was offset by expenditure on growth and by lower consumption brought on by very warm weather at the end of 2006.

Home services

Home services performed well with a 33% growth in operating profit*. This was achieved mainly in Canada through better margins on heating, ventilation and air conditioning sales as well as operational efficiencies.

Business markets

We continue to invest heavily in the business sector and have seen significant growth with volumes sold rising by 11% in gas and 127% in electricity.

We entered 12 new utility areas. But the costs involved contributed to a bigger operating loss*. However, underlying gross margins* remain healthy.

Energy wholesale and trading

We widened the remit of our wholesale and trading business to encompass buying future capacity in gas transportation and storage and wind power contracts. The aim is to utilise the expert trading team we have in place to support retail procurement across the US and Canada.

Community support

Direct Energy continued to support the 'Neighbor-to-Neighbor' project in Houston with a US\$1 million (£540,000) contribution. We work in partnership with 29 community agencies which distribute funds to vulnerable customers who are unable to pay for their home electricity in emergency situations.



Europe



- ▶ Turned a £9 million operating loss* into a £7 million profit*
- ▶ Entered German market
- ▶ Full integration of SPE businesses in Belgium

Our European businesses performed well, turning last year's £9 million operating loss* into a £7 million profit*.

In Belgium, we integrated all the businesses that made up SPE and we now operate nationally under the Luminus brand.

In the Netherlands, we grew our customer base through our Oxxio brand and signed a tolling agreement with Intergen for the output of a 400MW combined cycle gas turbine power station.

Our Luseo operation in Spain continued developing energy management services to renewables generators and exploited other energy management opportunities.

We also created a German subsidiary, Centrica Energie, based in Dusseldorf, and are positioned to begin selling energy to the commercial supply market in 2007.



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

Corporate Responsibility

- ▶ Our carbon footprint was 8.6 million tonnes of CO₂/CO₂ equivalent*
- ▶ We introduced the UK's largest social energy tariff
- ▶ We contributed £7.4 million to community causes**

Centrica works with a wide range of stakeholders in the UK and overseas, so we can more effectively manage the social, ethical and environmental impact of our business activities. The Group's business principles set out the standards of behaviour we expect of our employees and our suppliers.

Here is a summary of our corporate responsibility (CR) progress during the year. More detail will be provided in our 2006 Corporate Responsibility Report, available in May 2007 at www.centrica.com/responsibility.

We have changed our governance arrangements for CR, establishing a main board committee to lead our strategy. It is chaired by Mary Francis CBE, Centrica's Senior Independent Non-Executive Director.

Tackling climate change

Addressing climate change presents risks and opportunities across our business. Our aim is to contribute to the creation of a sustainable, low-carbon future, while ensuring the security of energy supplies.

We have undertaken work to calculate the carbon footprint of our operations. Our footprint – emissions from power generation, gas production and storage, energy usage, fleet operations and business travel – was 8.6 million tonnes of carbon dioxide (CO₂) or CO₂ equivalent* in 2006.

In addition to our investments in wind farm developments, we are taking part in the UK's first complete clean coal power generation project, on Teesside, which will capture and store the CO₂ it produces.

We continued to develop a range of energy efficiency services to help customers reduce their own carbon emissions. British Gas supplied more than 13 million energy efficiency products, with an equivalent carbon saving of 1 million tonnes, benefiting more than 6 million households.

Pricing

To lessen the impact of high prices, we created innovative schemes to help our most vulnerable customers. For example, we committed to provide them with £18.3 million of winter fuel rebates and introduced the UK's largest social energy tariff, which will reduce bills for 750,000 vulnerable customers.

Health and safety

The health and safety of our employees, customers and others who could be affected by our activities are a top priority for us.

Our previously strong safety performance was marred by two major incidents during the year. In the first, two people were injured during a fire and explosion at our Rough storage facility. The second was a helicopter accident in the Morecambe Bay area which claimed the lives of six people, four of them long-standing Centrica employees with a seventh person still missing, presumed dead.

In neither of these incidents was there any indication that our own safety management processes were defective. However, this highlights the need for constant vigilance and a need to continuously seek safety improvements.

Valuing our people

We recorded a 2% increase in our overall engagement survey score, which measures the attitudes and opinions of our employees. British Gas Business was recognised as the number one large employer in the UK by the Financial Times.

Our fourth annual equal pay audit showed that the gender pay gap in Centrica continues to narrow and compares very favourably with published national norms.

Diversity and inclusion

We worked closely with the Employers Forum on Age to prepare for the introduction of the new UK age regulations in October. Our British Gas Engineering Academy continued its work to recruit more women and people from minority ethnic groups into our engineering workforce.

Investing in communities

We contributed £7.4 million** to community causes through a combination of cash, time and in-kind support.

In North America, Direct Energy employees continued to take part in our 'Dollars for Doers' programme, with paid time off to volunteer. In the UK, we launched an initiative called 'Centrica Get Involved' enabling employees to take advantage of volunteering opportunities with paid time off from the Company.

* Data tolerance level of 10%. A further 8.3m tonnes of CO₂ emissions comes from UK purchased power.

** Cash, time and in-kind support in accordance with London Benchmarking Group model. This included a donation of £3 million to the British Gas Energy Trust, which supports vulnerable customers.

Securing a sustainable future



Blowing in the wind

Centrica is committed to renewable energy and has now opened two wind farms, the most recent being an offshore wind farm off the coast of Barrow.

The 90MW wind farm, a joint venture between Centrica and Danish energy company DONG, was opened in September 2006 and can supply power to around 65,000 homes and help save 200,000 tonnes of carbon dioxide emissions every year.

The Company's £50 million investment is part of the £750 million we plan to spend on renewable projects in the coming years and is a clear indication of how seriously we view the campaign against global warming.

Our onshore wind farm, at the Glens of Foudland in Aberdeenshire, is generating 80GWh of electricity per year.

We are also set to develop two more offshore wind farms in the Greater Wash off the coast of Lincolnshire and will take a 50% share in the Braes of Doune onshore wind farm in Scotland, which started construction during the year.

Energy saving

Our Energy Savers Report, which can be accessed online, enables customers to save money and reduce their carbon dioxide emissions. Around 1.5 million customers have completed a report, and have received energy and environmental ratings as well as advice on a range of energy-saving measures.



Board of Directors



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Senior Management Team



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1. Roger Carr

Chairman (60) N.R

Roger Carr joined the Board as a Non-Executive Director in 2001 and was appointed Chairman in May 2004. He is Chairman of Mitchells & Butlers plc, Deputy Chairman of Cadbury Schweppes plc and a senior adviser to Kohlberg Kravis Roberts & Co Ltd.

2. Sam Laidlaw

Chief Executive (51) D.E.N

Sam Laidlaw joined Centrica plc as Chief Executive in July 2006. Between October 2006 and the end of February 2007 he assumed direct responsibility for British Gas Residential. He was previously Executive Vice President of the Chevron Corporation, Chief Executive Officer at Enterprise Oil and President and Chief Operating Officer at Amerada Hess. He is a Non-Executive Director of Hanson plc, a Trustee of the medical charity RAFT and a Director of the Business Council for International Understanding.

3. Helen Alexander CBE

Non-Executive Director (50) A.N.R

Helen Alexander joined the Board in January 2003. She is Chief Executive of The Economist Group, a Trustee of the Tate Gallery and an Honorary Fellow of Hertford College, Oxford. Formerly, she was a Non-Executive Director of BT Group plc and Northern Foods plc.

4. Phil Bentley

Group Finance Director (48) D.E

Phil Bentley joined Centrica plc as Group Finance Director in 2000, a position he held until the end of February 2007 when he was appointed Managing Director, British Gas. He was also Managing Director, Europe between July 2004 and September 2006. Formerly, he was Finance Director of UDV Guinness from 1999 and Group Treasurer and Director of Risk Management of Diageo plc from 1997. Previously, he spent 15 years with BP plc in various international oil and gas exploration roles. He is also a Non-Executive Director and the Chairman of the audit committee of Kingfisher plc.

5. Mary Francis CBE

Senior Independent Non-Executive Director (58) A.C.N.R

Mary Francis joined the Board in June 2004 and was appointed Senior Independent Non-Executive Director in May 2006. She is a Non-Executive Director of the Bank of England, Aviva plc and St. Modwen Properties plc. She is a Director of Fund Distribution Ltd and a Trustee of the Almeida Theatre. She is a former Director General of the Association of British Insurers. She was previously a senior civil servant in the Treasury and the Prime Minister's Office.

6. Andrew Mackenzie

Non-Executive Director (50) A.N.R

Andrew Mackenzie joined the Board in September 2005. He is Chief Executive, Industrial Minerals, at Rio Tinto plc. Previously, he spent 22 years with BP plc in a range of senior technical and engineering positions, and ultimately as Group Vice President, BP Petrochemicals.

7. Paul Rayner

Non-Executive Director (52)

A.N.R Australian citizen

Paul Rayner joined the Board in September 2004. He has been Finance Director of British American Tobacco plc since January 2002. In 1991 he joined Rothmans Holdings Ltd in Australia, holding senior executive appointments, and became Chief Operating Officer of British American Tobacco Australasia Ltd in September 1999.

8. Jake Ulrich

Managing Director, Centrica Energy (54)

C.E US citizen

Jake Ulrich was appointed to the Board in January 2005. He was appointed Managing Director, Centrica Energy in 1997. He assumed responsibility for the Group's activities in Continental Europe in September 2006. Between 1994 and 1997 he was Managing Director of Accord Energy Ltd, a joint venture between Natural Gas Clearinghouse (NGC) and British Gas plc. He previously worked for NGC, Union Carbide Corporation and the OXY/Mid Con/Peoples Energy Group.

9. Paul Walsh

Non-Executive Director (51) A.N.R

Paul Walsh joined the Board in March 2003. He is Chief Executive of Diageo plc, having previously been its Chief Operating Officer and having served in a variety of management roles. He is a Non-Executive Director of Federal Express Corporation, a Governor of the Henley Management Centre and Deputy Chairman of the Prince of Wales International Business Leaders Forum.

Key to membership of committees

- A Audit Committee
- C Corporate Responsibility Committee
- D Disclosure Committee
- E Executive Committee
- N Nominations Committee
- R Remuneration Committee

10. Grant Dawson

Group General Counsel and Company Secretary C.D.E

Grant Dawson has been Group General Counsel and Company Secretary of Centrica since the demerger from British Gas plc in February 1997, having joined British Gas in October 1996.

14. Mark Crosbie

Director of Corporate Strategy, Development and M&A

Mark Crosbie was appointed Director of Corporate Strategy, Development and M&A in May 2003. Mark joined Centrica in August 2000 from UBS.

11. Deryk King

Managing Director, Centrica North America C.E

Deryk King is responsible for all of Centrica's activities in North America. He joined Centrica in 1998 as Senior Adviser and Projects Director, responsible for the Company's European initiatives.

15. Lois Hedg-peth

Energy Director, British Gas Residential

Lois Hedg-peth joined Centrica in September 2002 as the President of U.S. Operations. In July 2005, she joined British Gas as Energy Director.

12. Anne Minto OBE

Group Director, Human Resources C.E

Anne Minto was appointed Group Director, Human Resources in October 2002. Prior to that she was Director, Human Resources for Smiths Group plc, a position which she held since early 1998.

16. Catherine May

Group Director of Corporate Affairs C

Catherine May joined Centrica as Director of Corporate Affairs in September 2006 having previously been Group Director of Corporate Relations for Reed Elsevier.

13. Chris Weston

Managing Director, British Gas Services C.E

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

17. Ian Peters

Managing Director, British Gas Business C

Ian Peters joined Centrica in 2002 to lead Goldfish after extensive financial services experience. Ian became Managing Director, British Gas Business in June 2005.

Summary Financial Statements

Summary Group Income Statement

Year ended 31 December	2006			2005		
	Results for the year before exceptional items and certain re-measurements (i) £m	Exceptional items and certain re-measurements (i) £m	Results for the year £m	Results for the year before exceptional items and certain re-measurements (i) £m	Exceptional items and certain re-measurements (i) £m	Results for the year £m
Continuing operations						
Group revenue	16,450	–	16,450	13,448	–	13,448
Cost of sales	(12,649)	–	(12,649)	(9,793)	–	(9,793)
Re-measurement of energy contracts ⁽ⁱ⁾	–	(916)	(916)	–	456	456
Gross profit	3,801	(916)	2,885	3,655	456	4,111
Operating costs	(2,362)	(331)	(2,693)	(2,180)	(11)	(2,191)
Share of profits/(losses) in joint ventures and associates, net of interest and taxation ⁽ⁱ⁾	3	(15)	(12)	38	(1)	37
Group operating profit	1,442	(1,262)	180	1,513	444	1,957
Net interest expense ⁽ⁱ⁾	(183)	37	(146)	(145)	–	(145)
Profit from continuing operations before taxation	1,259	(1,225)	34	1,368	444	1,812
Taxation on profit from continuing operations	(543)	363	(180)	(706)	(138)	(844)
Profit/(loss) from continuing operations after taxation	716	(862)	(146)	662	306	968
Discontinued operations	(8)	–	(8)	11	34	45
Profit/(loss) for the year	708	(862)	(154)	673	340	1,013
Attributable to:						
Equity holders of the parent	707	(862)	(155)	672	340	1,012
Minority interests	1	–	1	1	–	1
	708	(862)	(154)	673	340	1,013
	Pence		Pence	Pence		Pence
(Loss)/earnings per ordinary share from continuing and discontinued operations:						
Basic			(4.3)			27.4
Diluted			(4.3)			27.0
Adjusted basic	19.4			18.2		
Interim dividend paid per share			3.15			3.10
Final dividend proposed per share			8.00			7.40

	£000	£000
Directors' emoluments	5,159	4,839

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

As permitted by IAS 1, Presentation of Financial Statements, certain items are presented separately as exceptional, where they are material to the result for the period and are of a non-recurring nature. Items which may be considered material and non-recurring in nature include disposals of businesses, business restructuring and the renegotiation of significant contracts and asset write-downs. We intend to follow such a presentation on a consistent basis in future periods. Items are considered material if their omission or mis-statement could, in the opinion of the Directors, individually or collectively, affect the true and fair presentation of the Financial Statements.

Summary Group Balance Sheet

31 December	2006 £m	2005 £m
Non-current assets	5,672	6,229
Current assets	5,407	7,061
Current liabilities	(5,519)	(6,395)
Net current (liabilities)/assets	(112)	666
Non-current liabilities	(3,918)	(4,453)
Net assets	1,642	2,442
Shareholders' equity	1,585	2,386
Minority interests in equity	57	56
Total minority interests and shareholders' equity	1,642	2,442

Summary Group Statement of Recognised Income and Expense

Year ended 31 December	2006 £m	2005 £m
(Loss)/profit for the year	(154)	1,013
Net (expense)/income recognised directly in equity	(120)	202
Transfers	(198)	(49)
Total recognised income and expense for the year	(472)	1,166
Change in accounting policy – adoption of IAS 32 and IAS 39	–	(343)
Total recognised income and expense since last report	(472)	823
Total income and expense recognised in the year is attributable to:		
Equity holders of the parent	(473)	1,165
Minority interests	1	1
	(472)	1,166

Summary Group Cash Flow Statement

Year ended 31 December	2006 £m	2005 £m
Net cash flow from operating activities	737	1,144
Net cash flow from investing activities	(720)	(529)
Net cash flow from financing activities	(597)	(335)
Net (decrease)/increase in cash and cash equivalents	(580)	280
Cash and cash equivalents at 1 January	1,177	885
Effect of foreign exchange rate changes	(5)	12
Cash and cash equivalents at 31 December	592	1,177

The Summary Financial Statements on pages 16 to 17 were approved and authorised for issue by the Board of Directors on 22 February 2007 and were signed on its behalf by:



Sam Laidlaw
Chief Executive



Phil Bentley
Group Finance Director

Financial terms explained

Group revenue

Revenue represents amounts receivable for goods and services provided, excluding the Group's share of revenue from joint ventures and associates.

Profit/(loss) for the year attributable to equity holders of the parent

Loss or profit earned in the year either deducted from reserves or available to pay dividends and to re-invest in the business.

Discontinued operations

The net results, after tax, of significant businesses that have been disposed in previous years (the AA and Onetel).

(Loss)/earnings per ordinary share Basic

Loss made of £155 million divided by the weighted average number of ordinary shares in issue during the year of 3,643 million.

Diluted

As per basic but assuming the issue of new ordinary shares on exercise of share options which have been granted, but only if the loss per share is increased or earnings per share is decreased.

Adjusted basic

Loss for the year, adjusted to remove exceptional items and certain re-measurements, of £862 million, divided by the average number of shares in issue.

Cash flow from operating activities

Net cash generated in the year from the provision of gas and electricity to our customers, from the sale of goods and services and from the payment of administrative and operating expenses, including taxation.

Cash flow from investing activities

Cash flows arising in the year from activities including purchase and sale of assets, investments in and dividends received from joint ventures and associates, and investments and disposals of businesses.

Cash flow from financing activities

Cash flows arising from interest, borrowings, dividends and issue and buy-back of share capital.

Cash and cash equivalents

Comprises the Group's cash deposits, net of overdrafts, and short-term deposits which can be accessed within three months without penalty.

Independent auditors' statement to the members of Centrica plc

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

Respective responsibilities of Directors and auditors

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

Basis of opinion

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

Opinion

In our opinion the Summary Financial Statements are consistent with the full Annual Financial Statements, the Directors' Report (comprising the Directors' Report –

Business Review and the Directors' Report – Governance) and the Remuneration Report of Centrica plc for the year ended 31 December 2006 and comply with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors,
London 22 February 2007

Full Report and Accounts

The auditors have issued an unqualified report on the Annual Financial Statements and Remuneration Report containing no statement under section 237 (2) or section 237 (3) of the Companies Act 1985. The auditors report in respect of consistency between the Directors' Report and the Group Financial Statements is also unqualified.

These Summary Financial Statements are a summary of the full Centrica Annual Report and Accounts and the narrative reports contain information from the Directors' Report but not the full text of that report. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group and of its policies and arrangements concerning the Directors' remuneration as would be provided by the full Report and Accounts.

The full Report can be downloaded from our website at www.centrica.com or can be obtained for 2006 and/or future years, free of charge, by contacting the Centrica shareholder helpline (see page 21 for contact details).

Dividends

An interim dividend for 2006 of 3.15 pence per share was paid on 15 November 2006. The Directors recommend that, subject to approval at the AGM, a final dividend of 8 pence per share will be paid on 13 June 2007 to those shareholders registered on 27 April 2007. This would make a total ordinary dividend for the year of 11.15 pence per share (2005: 10.5 pence per share).

Corporate Governance

The Group is committed to the highest standards of corporate governance. Throughout the year, the Company fully complied with the provisions of the Combined Code on Corporate Governance (the 'Code') save for the early adoption of the 2006 revision to the Code as explained in the Summary Remuneration Report on

page 19. A report on how the principles were applied is set out in the Corporate Governance Report in the Annual Report and Accounts and is summarised below.

The Board

An effective Board of Directors leads and controls the Group. The Board, which met eight times during the year, has a schedule of matters reserved for its approval. This schedule and the terms of reference for the Board's primary committees (Executive, Audit, Remuneration, Nominations, Corporate Responsibility and Disclosure Committees) are available on request and on our website www.centrica.com. Membership of these committees is shown on page 15. The Board is responsible for:

- ▶ the development of strategy and major policies;
- ▶ the review of management performance;
- ▶ the approval of the annual operating plan, the financial statements and major acquisitions and disposals;
- ▶ the system of internal control; and
- ▶ corporate governance.

One of its meetings each year is substantially devoted to the development of strategy. Comprehensive briefing papers, including financial information, are circulated to each Director a week prior to Board meetings.

Board appointments, evaluation and training

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board which is described in the full Report and Accounts. During the year, the Board conducted, with the assistance of an independent external facilitator, JCA Group, a formal and rigorous evaluation of its own performance and that of its committees and individual Directors.

The Directors receive ongoing training including an induction programme tailored to meet the needs of the individual. At Board meetings, the Directors also receive regular updates on changes and developments to the business, legislative and regulatory environments.

Internal control

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

The Board of Directors, with the advice of the Audit Committee, has reviewed the effectiveness of the internal control system, as described above, operated throughout the period from 1 January 2006 to the date of this report, and is satisfied that the Group complies with the Turnbull Guidance on Internal Control.

Summary Remuneration Report

This is a summary of the full Remuneration Report, which is contained in the Annual Report and Accounts, copies of which are available from our website at www.centrica.com.

Composition and role of the Remuneration Committee

During 2006, the Remuneration Committee comprised Helen Alexander (Chairman), Mary Francis, Paul Rayner, Paul Walsh and, from 21 February, Andrew Mackenzie. Patricia Mann was a member of the Committee until 19 May and, by way of early adoption of the 2006 revision to the Combined Code on Corporate Governance (the 'Code'), Roger Carr was a member from 26 July. The Committee met seven times during 2006. The Remuneration Committee's terms of reference are available at www.centrica.com.

The Committee makes recommendations to the Board, within formal terms of reference, on the policy and framework of executive remuneration and its cost to the Company. The Committee is also responsible for the implementation of remuneration policy and determining specific remuneration packages for each of the Executive Directors.

During the year, Kepler Associates (Kepler) acted as independent executive remuneration adviser to the Company and the Committee, having been formally appointed in 2005.

Executive Directors' remuneration policy and framework

It is the role of the Committee to ensure that the Group's remuneration policy and framework provides competitive reward for its Executive Directors and other senior executives, taking into account the Company's performance, the markets in which it operates and pay and conditions elsewhere in the Group.

In constructing the remuneration packages, the Committee aims to achieve an appropriate balance between fixed and variable compensation for each executive. Accordingly, a significant proportion of the remuneration package depends on the attainment of demanding performance objectives, both short- and long-term. The annual bonus scheme is designed to incentivise and reward the achievement of demanding financial and business related objectives. Long-term share-based incentives are designed to align the interests of Executive Directors and other senior executives with the longer-term interests of shareholders by rewarding them for delivering sustained increased shareholder value.

In agreeing the level of base salaries and the performance-related elements of the remuneration package, the Committee considers the potential maximum remuneration that executives could receive. The Committee reviews the packages and varies individual elements when appropriate from year to year.

The Committee, assisted by Kepler and internal resource, conducted a thorough review of the Group's executive incentive arrangements in late 2005 and early 2006.

The purpose of this review was to ensure that the incentive arrangements: provided a strong alignment with the delivery of value to shareholders; reflected current best practice, while meeting the Group's particular business needs; and would enable the Group to continue to attract, retain and motivate high-calibre management in a highly-challenging business environment.

Following this review, the Committee proposed changes to the future policy and framework of executive remuneration arrangements in line with the above objectives and these were endorsed by shareholders upon the approval of new share-based incentive schemes at the 2006 AGM.

In 2006, executive remuneration comprised base salary, annual performance bonus, an allocation of shares under the new Long Term Incentive Scheme (LTIS), which was approved at the 2006 AGM and, as part of the transitional arrangements to the new policy, a grant of options in April under the Executive Share Option Scheme (ESOS). In 2007, executive remuneration will comprise the above, but participation in the new Deferred and Matching Share Scheme (DMSS), based on the annual performance bonus in respect of 2006, will replace the ESOS.

No further ESOS grants will be made on a regular basis, although the Committee will retain the discretion to make grants under the ESOS in the future if there are exceptional circumstances in which it considers it appropriate to do so.

As a result of the changes under the new policy, the Committee expects that total remuneration for median performance will remain unchanged, but that total remuneration for upper quartile performance will be increased in line with market practice.

As a matter of policy, the notice periods of the Executive Directors' service contracts do not exceed one year. The Committee exercised its discretion in respect of the appointment of Sam Laidlaw, whose service contract allows for an initial period of two years. This notice period will reduce to one year in July 2008.

The Committee believes that these arrangements are important in providing

a potential remuneration package that will attract, retain and continue to motivate Executive Directors and other senior executives in a marketplace that is challenging and competitive in both commercial and human resource terms. It is intended that this remuneration policy and framework, which is fully endorsed by the Board, will continue for 2007 and succeeding years.

Components of remuneration

For 2006, the maximum annual performance bonus payable to the Executive Directors should every single element of every objective be achieved in full was 125% of base salary. The current objectives comprise financial performance targets (64%) and business-related targets (36%). A bonus will be forfeited if the Committee considers overall performance to have been unsatisfactory.

In April 2006, options were granted to Executive Directors equal to 200% of base salary and, at the same or lower rates, to certain other senior executives.

The performance conditions for the ESOS are based on the extent to which growth in the Company's adjusted earnings per share (EPS growth) exceeds growth in the Retail Prices Index (RPI growth) over a three-year performance period.

In 2006, LTIS allocations equal to 150% of base salary were awarded to Executive Directors and, at lower rates to certain other senior executives. The release of allocations will be subject to performance conditions over a three-year period:

- ▶ half the shares in each allocation are subject to a performance condition based on the Company's EPS growth relative to RPI. To vest in full, EPS growth must exceed RPI growth by 30 percentage points or more over the performance period. No part of the award will vest if EPS growth fails to exceed RPI growth by at least 9 percentage points over the performance period. The proportion of the award that will vest will increase on a straight-line basis between 25% and 100% if EPS growth exceeds RPI growth by between 9 and 30 percentage points over the performance period; and
- ▶ the other half of the shares in each allocation are subject to a performance condition based on the Company's Total Shareholder Return (TSR) performance relative to the other 99 companies in the FTSE 100 on the date of award with vesting reducing on a straight-line basis from 100% for upper quintile ranking to 25% for median ranking performance.

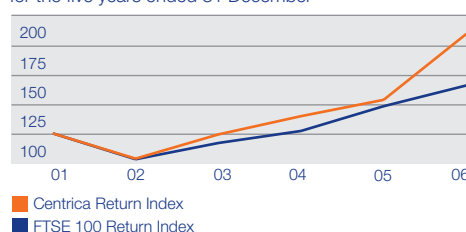
The Committee has determined that, for that part of the LTIS subject to the comparative TSR performance conditions, the most appropriate comparator group for the Company is the companies comprising the FTSE 100 at the start of the relevant performance period.

The initial award under the Deferred and Matching Share Scheme will be made in 2007 based on the 2006 annual bonus. 20% of the annual bonus payable to Executive Directors and other senior executives will be deferred automatically for a period of three years and invested in Centrica shares (deferred shares), during which time they cannot normally be withdrawn. Participants may elect to invest an additional amount in Centrica shares (investment shares) to be funded from actual bonus payable or the release of LTIS shares only which, when added to the value of the deferred shares, will bring the total amount invested up to 50% of the individual's maximum bonus

entitlement in respect of the preceding year. Deferred and investment shares will be matched with conditional shares (matching shares), which will be released upon the achievement, over a three-year period, of demanding three-year cumulative group economic profit performance targets.

The following graph compares the Company's TSR performance with that of the FTSE 100 Index for the five years ended 31 December 2006.

Total Return Indices – Centrica and FTSE 100 index for the five years ended 31 December



Other employment benefits

In common with other senior management, Executive Directors are entitled to a range of benefits, including a company car, life assurance, private medical insurance and a financial counselling scheme.

The Centrica Management Pension Scheme (a contributory final salary arrangement) was closed to new employees on 30 June 2003. Executive Directors in office prior to this date participated in that scheme during 2006. Alternative arrangements are made for new employees, including Executive Directors, after that date.

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

Directors' emoluments, pension benefits and interests in shares

As at 31 December 2006	Total emoluments excluding pension 2006 £000 (i)	Total emoluments excluding pension 2005 £000 (i)	Accrued annual pension 2006 £ p.a. (ii)	Beneficial interests in ordinary shares 2006	Total options under Sharesave 2006	Total options under the ESOS (iii) 2006	Total allocations under the LTIS (iv) 2006
Executive Directors							
Phil Bentley	1,136	932	107,500	460,880	5,161	2,447,779	606,064
Mark Clare ^(vi)	412	868	151,200	–	9,318	–	–
Sir Roy Gardner ^(vi)	784	1,616	424,000	–	–	–	–
Sam Laidlaw ^(vii)	1,079	–	–	200,106	–	–	431,837
Jake Ulrich	1,102	881	186,800	719,341	–	2,559,895	613,998
	4,513	4,297					
Non-Executive Directors							
Helen Alexander	60	55	–	2,520	–	–	–
Roger Carr	344	250	–	19,230	–	–	–
Mary Francis	56	50	–	981	–	–	–
Andrew Mackenzie	50	17	–	21,000	–	–	–
Patricia Mann ^(vi)	21	55	–	–	–	–	–
Paul Rayner	65	65	–	5,000	–	–	–
Paul Walsh	50	50	–	4,500	–	–	–
	646	542					
Total emoluments	5,159	4,839					

- (i) Total emoluments for Executive Directors include all taxable benefits arising from employment by the Company, including the provision of a car, financial counselling, medical insurance and life assurance premiums.
- (ii) Accrued pension is that which would be paid annually on retirement at age 62, based on eligible service to 31 December 2006. Full details of the Directors' pension scheme arrangements can be found in the Annual Report and Accounts.
- (iii) Options were granted under the ESOS on 31 May 2001, 2 April 2002, 24 March 2003, 18 March 2004, 1 April 2005 and 3 April 2006.
- (iv) Allocations were made under the LTIS on, 1 April 2004, 1 April 2005, 3 April 2006 and 4 September 2006.
- (v) The aggregate value of shares vested to Executive Directors under the LTIS was £2,352,203. As at 22 February 2007, the beneficial shareholdings of Phil Bentley and Jake Ulrich had each increased by 102 shares and Sam Laidlaw had increased by 101 shares acquired through the Share Incentive Plan.
- (vi) Patricia Mann served as a Non-Executive Director until 19 May 2006. Sir Roy Gardner retired on 30 June 2006 and Mark Clare resigned on 30 September 2006. Sam Laidlaw joined the Company on 1 July 2006.
- (vii) On joining the Company, Sam Laidlaw received a payment of £300,000 of which £215,000 was paid by the Company into his personal pension plan, and the balance of £85,000 was paid in cash. A further £170,000 was also paid to him during the year, being a salary supplement of 40% of base pay in lieu of any pension provision.

Dividends

25 April 2007	Ex-dividend date for 2006 final dividend
27 April 2007	Record date for 2006 final dividend
14 May 2007	Annual General Meeting, Queen Elizabeth II Conference Centre, London SW1
13 June 2007	Final dividend payment date
2 August 2007	2007 interim results announced
14 November 2007	2007 Interim dividend payment date

Shareholder services

The Centrica website

The investor information section of the website contains up-to-date information for shareholders including the Company's latest results and key dates such as dividend payment dates. It also holds historical details such as past dividend payment dates and amounts, and a comprehensive share price information section. Visit www.centrica.com/shareholders

Centrica shareholder helpline

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

If you have any query relating to your Centrica shareholding, please contact Lloyds TSB Registrars:

telephone: 0870 600 3985*

text phone: 0870 600 3950*

write to: Lloyds TSB Registrars,
The Causeway, Worthing, West Sussex
BN99 6DA

* call charges at national rate

The Centrica FlexiShare service

FlexiShare

Why not join FlexiShare, the convenient way to manage your Centrica shares without the need for a share certificate? You can benefit from low-cost dealing with quicker settlement periods and you can join the dividend reinvestment plan. There is no charge for holding your shares in the service, nor for transferring in or out at any time. Visit www.centrica.com/flexishare.



Tired of all this paper?

Electronic communications

Recent changes in legislation mean that, subject to the necessary authority being passed at the forthcoming AGM, Centrica is now able to offer shareholders the opportunity to receive shareholder documentation via its website. These changes, introduced by the Government, recognise the increasing role that the internet plays in timely communications.

You may now choose either to:

- ▶ receive shareholder documentation by website communication by providing us with an email address (to do this, please go on line to www.centrica.com/ecomms); or,
- ▶ continue to receive shareholder documentation in hard copy (to do this, please complete and return the personalised prepaid form of election attached to the enclosed AGM proxy card so that it is received no later than 30 June 2007). If you do not return the form you will be taken, subject to the necessary authority being passed at the AGM, to have agreed to receive shareholder documentation via the website.

Shareholders who receive shareholder documentation from Centrica electronically can in future:

- ▶ view the Annual Report on the day it is published;
- ▶ have access to significantly greater volumes of information about Centrica;
- ▶ cast their AGM vote electronically;
- ▶ access details of their individual shareholding quickly and securely.

This new legislation provides shareholders, with the opportunity to access information in a timely manner and helps your Company to reduce both its costs and its impact on the environment.

Accessibility

If you would like this Annual Review in a different format, such as large print, Braille, audio or digital (text CD or floppy disk), you can request these in the following ways:

Telephone

0191 438 6063

Text phone

0191 438 1122

Please note that these numbers should be used to order copies of alternative formats only. For general shareholder enquiries please use the shareholder helpline (details above).



Visit us at www.centrica.com

The Centrica website provides news and details of the Company's activities, plus links to our business sites. The shareholder section contains up-to-date information including the Company's latest results and dividend payment details. It holds current and historical share price information.

You may view a fully accessible online version of this Annual Review which can be customised to suit your own viewing preferences.

Other services available include:

- ▶ **Shareholder centre**
sign up to receive Centrica shareholder communications electronically.
- ▶ **Current share price**
daily and historical market data.
- ▶ **Online presentations and reports**
the latest Annual and Interim Reports and presentations to analysts.
- ▶ **Centrica news**
sign up to receive email alerts whenever a news release is published.
- ▶ **Investor tools**
up-to-date Company and industry data.

To view our Corporate Responsibility Report visit:

www.centrica.com/responsibility



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